# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, DC 20549**

# FORM 10-Q

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

**For the quarterly period ended March 31, 2008**

**OR**

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

**Commission file number: 0-15006**

# AVANT IMMUNOTHERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

| **Delaware** | **No. 13-3191702** |
|---|---|
| (State of Incorporation) | (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 x No o

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

| | |
|---|---|
| Large accelerated filer o | Accelerated filer x |
| Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

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

As of May 16, 2008, 14,926,994 shares of common stock, $.001 par value per share, were outstanding.

**AVANT IMMUNOTHERAPEUTICS, INC.**

**FORM 10-Q**
**Quarter Ended March 31, 2008**
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**PART I—FINANCIAL INFORMATION**

**Item 1. Unaudited Financial Statements**

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

| | March 31, 2008 | December 31, 2007 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $ 11,418,544 | $ 4,909,530 |
| Accounts and Other Receivables | 176,072 | 132,496 |
| Prepaid Expenses and Other Current Assets | 11,082,306 | 656,347 |
| Total Current Assets | 22,676,922 | 5,698,373 |
| Property and Equipment, Net | 14,592,563 | 1,918,036 |
| Investment in Select Vaccines Ltd | 487,624 | — |
| Intangible Assets, Net | 2,784,552 | 1,032,902 |
| Other Assets | 262,099 | 725,193 |
| Total Assets | $ 40,803,760 | $ 9,374,504 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts Payable | $ 1,880,035 | $ 749,865 |
| Accrued Expenses | 5,341,231 | 2,519,420 |
| Payable Due Medarex | 2,945,050 | 5,835,552 |
| Current Portion of Deferred Revenue | 1,093,324 | 974,156 |
| Current Portion of Deferred Rent | 57,447 | 57,447 |
| Current Portion of Loans Payable | 161,850 | — |
| Total Current Liabilities | 11,478,937 | 10,136,440 |
| Deferred Revenue | 103,215 | 219,754 |
| Deferred Rent | 150,823 | 150,207 |
| Loans Payable | 907,825 | — |
| Commitments and Contingent Liabilities (Note 14) | | |
| Stockholders' Equity (Deficit): | | |
| Convertible Preferred Stock, 3,000,000 Shares Authorized; None Issued and Outstanding at March 31, 2008 | — | |
| Convertible Preferred Stock, $1.00 Par Value; 1,000,000 Shares Authorized; None Issued and Outstanding at December 31, 2007 | | — |
| Common Stock, $.001 Par Value; 300,000,000 Shares Authorized; 14,926,994 Issued and Outstanding at March 31, 2008 | 14,927 | |
| Class A Common Stock, $.01 Par Value; 6,800,000 Shares Authorized, Issued and Outstanding at December 31, 2007 (2,811,147 shares issued and outstanding after adjustments to reflect the Merger and a reverse stock split of 1-for-12 effective March 7, 2008) | | 68,000 |
| Common Stock, $.01 Par Value; 50,000,000 Shares Authorized; 13,300,000 Issued and Outstanding at December 31, 2007 (5,498,273 shares issued and outstanding after adjustments to reflect the Merger and a reverse stock split of 1-for-12 effective March 7, 2008) | — | 133,000 |
| Additional Paid-In Capital | 121,418,956 | 69,696,514 |
| Accumulated Other Comprehensive Income | 2,508,206 | 2,619,036 |
| Accumulated Deficit | (95,779,129) | (73,648,447) |
| Total Stockholders' Equity (Deficit) | 28,162,960 | (1,131,897) |
| Total Liabilities and Stockholders' Equity | $ 40,803,760 | $ 9,374,504 |

*See accompanying notes to unaudited consolidated financial statements*

**AVANT IMMUNOTHERAPEUTICS, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(Unaudited)**

| | Three Months Ended | |
|---|---|---|
| | March 31, 2008 | March 31, 2007 |
| **REVENUE:** | | |
| Product Development and Licensing Agreements | $ 119,864 | $ 116,538 |
| Government Contracts and Grants | 27,534 | 27,502 |
| Total Revenue | 147,398 | 144,040 |
| **OPERATING EXPENSE:** | | |
| Research and Development | 4,486,774 | 2,789,365 |
| General and Administrative | 3,032,758 | 1,528,577 |
| Charge for In-Process Research and Development | 14,755,908 | — |
| Amortization of Acquired Intangible Assets | 48,894 | 29,233 |
| Total Operating Expense | 22,324,334 | 4,347,175 |
| Operating Loss | (22,176,936) | (4,203,135) |
| Investment and Other Income, Net | 46,254 | 170,732 |
| Net Loss | $ (22,130,682) | $ (4,032,403) |
| Basic and Diluted Net Loss Per Common Share (See Note (3)(R)) | $ (2.19) | $ (0.49) |
| Shares Used in Calculating Basic and Diluted Net Loss per Share (See Note (3)(R)) | 10,127,435 | 8,309,420 |
| **COMPREHENSIVE LOSS:** | | |
| Net Loss | $ (22,130,682) | $ (4,032,403) |
| Unrealized Losses on Foreign Exchange Translation | (50,426) | (111,851) |
| Unrealized Losses on Investment in Select Vaccines Ltd. | (60,404) | — |
| Comprehensive Loss | $ (22,241,512) | $ (4,144,254) |

*See accompanying notes to unaudited consolidated financial statements*



**AVANT IMMUNOTHERAPEUTICS, INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**
**FOR THE QUARTER ENDED MARCH 31, 2008 AND THE YEAR ENDED DECEMBER 31, 2007**
**(Unaudited)**

| | Common Stock Shares(1) | Common Stock Par Value(1) | Class A Common Stock Shares(1) | Class A Common Stock Par Value(1) | Additional Paid-In Capital | Accumulated Other Comprehensive Income | Accumulated Deficit | Total Stockholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2006** | **5,498,273** | **$ 5,498** | **2,811,147** | **$ 2,811** | **$ 71,322,900** | **$ 2,388,196** | **$ (58,575,397)** | **$ 15,144,008** |
| Share-Based Compensation | — | — | — | — | 1,604,922 | — | — | 1,604,922 |
| Medarex Return of Capital | — | — | — | — | (3,038,617) | — | — | (3,038,617) |
| Comprehensive Income (Loss): | | | | | | | | |
| Net Loss | — | — | — | — | — | — | (15,073,050) | (15,073,050 |
| Other Comprehensive Income | — | — | — | — | — | 230,840 | — | 230,840 |
| Total Comprehensive Loss | | | | | | | | (14,842,210) |
| **Balance at December 31, 2007** | **5,498,273** | **$ 5,498** | **2,811,147** | **$ 2,811** | **$ 69,889,205** | **$ 2,619,036** | **$ (73,648,447)** | **$ (1,131,897)** |
| Exchange of Class A for Common Stock | 2,811,147 | 2,811 | (2,811,147) | (2,811) | — | — | — | — |
| Shares Issued to Medarex in Settlement of a Payable. | 351,692 | 352 | — | — | 3,038,265 | — | — | 3,038,617 |
| Shares Received in Exchange in the Merger | 6,265,889 | 6,266 | — | — | 46,869,106 | — | — | 46,875,372 |
| Cash Paid for Fractional Shares in Connection with the Merger | (7) | — | — | — | — | — | — | — |
| Share-Based Compensation | — | — | — | — | 1,622,380 | — | — | 1,622,380 |
| Comprehensive Loss: | | | | | | | | |
| Net Loss | — | — | — | — | — | — | (22,130,682) | (22,130,682) |
| Other Comprehensive Loss | — | — | — | — | — | (110,830) | — | (110,830) |
| Total Comprehensive Loss | | | | | | | | (22,241,512) |
| **Balance at March 31, 2008** | **14,926,994** | **$ 14,927** | **—** | **$ —** | **$ 121,418,956** | **$ 2,508,206** | **$ (95,779,129)** | **$ 28,162,960** |

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

*See accompanying notes to unaudited consolidated financial statements*



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

| | Three Months Ended | |
|---|---|---|
| | March 31, 2008 | March 31, 2007 |

| | | |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Net Loss | $ (22,130,682) | $ (4,032,402) |
| Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities: | | |
| Depreciation and Amortization | 353,126 | 179,893 |
| Amortization of Intangible Assets | 48,894 | 29,233 |
| Stock-Based Compensation Expense | 1,622,380 | 403,394 |
| In-Process Research and Development | 14,755,908 | — |
| Changes in Operating Assets and Liabilities: | | |
| Accounts and Other Receivables | (4,987) | 2,923,618 |
| Prepaid and Other Current Assets | (110,026) | (587,864) |
| Accounts Payable and Accrued Expenses | 1,285,405 | (1,312,437) |
| Deferred Revenue | (107,372) | (116,539) |
| Deferred Rent | 616 | 43,578 |
| Net Cash Used in Operating Activities | (4,306,738) | (2,469,525) |
| **Cash Flows from Investing Activities:** | | |
| Cash Acquired in the Acquisition of AVANT, Net of Transaction Costs | 10,750,255 | — |
| Restricted Cash Deposits | (435) | (542) |
| Acquisition of Property and Equipment | (12,498) | (57,975) |
| Cash Provided by (Used in) Investing Activities | 10,737,322 | (58,517) |
| **Cash Flows from Financing Activities:** | | |
| Related Party Loan Due to Medarex | 148,115 | 71,489 |
| Payments of Loans Payable | (19,259) | — |
| Net Cash Provided by Financing Activities | 128,856 | 71,489 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (50,426) | (113,047) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 6,509,014 | (2,569,600) |
| Cash and Cash Equivalents at Beginning of Period | 4,909,530 | 14,000,186 |
| Cash and Cash Equivalents at End of Period | $ 11,418,544 | $ 11,430,586 |
| **Supplemental Disclosure of Non-Cash Flow Information** | | |
| Shares Received in Exchange in the Merger | $ 46,251,952 | $ — |
| Shares Issued to Medarex in Settlement of a Payable | $ 3,038,617 | $ — |
| Unpaid Capitalized Merger Costs | $ 150,441 | $ — |

*See accompanying notes to unaudited consolidated financial statements*



**AVANT IMMUNOTHERAPEUTICS, INC.**
**Notes to Unaudited Consolidated Financial Statements**
**March 31, 2008**

## (1) Nature of Business and Overview

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 portfolio of vaccines and targeted immunotherapeutics addressing a wide range of applications including oncology, infectious and inflammatory diseases. The portfolio includes a pipeline of therapeutic cancer vaccines, monoclonal antibodies, single-dose, oral vaccines aimed at protecting travelers and people in regions where infectious diseases are endemic and a treatment to reduce complement-mediated tissue damage. AVANT is advancing a pipeline of clinical and preclinical product candidates, the most advanced of which are for treatment of various cancers. AVANT's lead programs are therapeutic cancer vaccines designed to instruct the patient's immune system to recognize and destroy cancer cells. 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. AVANT's product candidates address large market opportunities for which the Company believes current therapies are inadequate or non-existent.

*Merger with Celldex:* On October 22, 2007, AVANT and Celldex Therapeutics, Inc. ("Celldex"), a privately-held company, announced the signing of a definitive Agreement and Plan of Merger, dated October 19, 2007, by and between AVANT, Callisto Merger Corporation ("Merger Sub") and Celldex (the "Merger Agrrement"). On March 7, 2008, AVANT completed the merger of Merger Sub, a wholly owned subsidiary of AVANT, with and into Celldex (the "Merger").

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

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

AVANT's board of directors approved a 1-for-12 reverse stock split of AVANT's common stock, which became effective on March 7, 2008. As a result of the reverse stock split, each twelve shares of common stock were combined and reclassified into one share of common stock and the total number of shares outstanding was

reduced from approximately 180 million shares (including the shares issued to Celldex stockholders in the Merger) to approximately 15 million shares.

The Merger was accounted for using the purchase method of accounting and was treated as an acquisition by Celldex of AVANT with Celldex being considered the accounting acquirer based on the application of criteria specified in Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combination,* ("SFAS 141"), even though AVANT was the issuer of common stock and the surviving legal entity in the transaction. Under the purchase method of accounting, the deemed purchase price was allocated to AVANT's underlying tangible and identifiable intangible assets acquired and liabilities assumed based upon the respective fair value of each with any excess deemed purchase price allocated to goodwill. However, the valuation analysis conducted by AVANT and Celldex determined that the fair value of assets acquired and the fair value of liabilities assumed by Celldex exceeded the estimated purchase price for AVANT, resulting in negative goodwill of approximately $6.0 million. In accordance with SFAS 141, the negative goodwill has been allocated to all of the acquired assets that are non-financial and non-current assets, including property and equipment, identifiable intangible assets, and in-process research and development. See Note 16 to the Company's unaudited consolidated financial statements for additional information.



Because Celldex was determined to be the acquirer for accounting purposes, the historical financial statements of Celldex became the historical financial statements of the Company as of the closing of the Merger. Accordingly, the financial statements of the Company prior to the Merger reflect the financial position, results of operations and cash flows of Celldex, which during the historical periods presented in the accompanying consolidated financial statements, was then majority-owned by Medarex, Inc. ("Medarex"). Following the Merger, the financial statements of the current period reflect the financial position, results of operation and cash flows of the Company. The results of operations of AVANT are included in the results of operations of the Company beginning March 8, 2008. Accordingly, except as otherwise discussed below, this report reflects the financial condition, results of operations and liquidity of the combined company at March 31, 2008 and historically of Celldex on a stand-alone basis for all periods prior to March 8, 2008.

The Company's cash and cash equivalents at March 31, 2008 were $11,418,544. Its working capital at March 31, 2008 was $11,197,985. The Company incurred a loss of $22,130,682 and net cash used in operations of $4,516,738 for the three months ended March 31, 2008. The Company believes that cash inflows from existing grants and collaborations, interest income on invested funds and its current cash and cash equivalents will be sufficient to meet estimated working capital requirements and fund operations beyond March 31, 2009 and upfront payments expected from Pfizer upon closing of the Pfizer License and Development Agreement (the "Pfizer Agreement"). The working capital requirements of the Company are dependent on several factors including, but not limited to, the costs associated with research and development programs, pre-clinical and clinical studies, manufacture of clinical materials and the scope of collaborative arrangements.

On April 16, 2008, the Company and Pfizer Inc. ("Pfizer") entered into a License and Development Agreement (the "Pfizer Agreement") under which Pfizer will be granted an exclusive worldwide license to a therapeutic cancer vaccine candidate, CDX-110, in Phase 2 development for the treatment of glioblastoma multiforme ("GBM"). The Pfizer Agreement also gives Pfizer exclusive rights to the use of EGFRvIII vaccines in other potential indications. Under the Pfizer Agreement, Pfizer will make an upfront payment to the Company of $40 million and will make a $10 million equity investment in the Company. Pfizer will fund all development costs for these programs. The Company is also eligible to receive milestone payments exceeding $390 million for the successful development and commercialization of CDX-110 and additional EGFRvIII vaccine products, as well as royalties on any product sales. The Pfizer Agreement is subject to approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) and is expected to close in the second quarter of 2008.

On April 3, 2008, Rotarix® received Food and Drug Administration ("FDA") market approval for the prevention of rotavirus gastroenteritis in infants that triggered a $1.5 million milestone payment to AVANT from GlaxoSmithKline plc ("Glaxo"), $750,000 of which the Company has retained under the Company's agreement with Paul Royalty Fund ("PRF"). Rotarix® is now licensed in over 100 countries worldwide including the U.S. and the European Union. The market launch of Rotarix® by Glaxo in the U.S. market would result in a $10 million milestone payment to AVANT from PRF, which the Company expects to receive in the second half of 2008.

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



**(2) Interim Financial Statements**

The accompanying unaudited consolidated financial statements for the three months ended March 31, 2008 and 2007 include the consolidated accounts of the Company and its wholly-owned subsidiaries, 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 that are necessary to present fairly the Company's financial position at March 31, 2008, results of operations for the three months ended March 31, 2008 and 2007. The Companys's financial conditions, results of operations and liquidity for the three-month period ended March 31, 2008 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2007 are adequate to make the information presented not misleading. The accompanying December 31, 2007 Consolidated Balance Sheet was derived from audited financial statements of Celldex, but does not include all disclosures required by U.S. GAAP.

**(3) Significant Accounting Policies**

*(A) Basis of Presentation*

The unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Celldex, Celldex Therapeutics, Ltd. ("Celldex Ltd") and Megan Health, Inc. ("Megan"). The Company's operations constitute one business segment. All intercompany transactions have been eliminated upon consolidation.

*(B) Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and short-term investments with original maturities of three months or less. Cash and cash equivalents are stated at cost, which approximates fair value. At March 31, 2008, investments were primarily in money market mutual funds.

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

*(C) Investment in Securities*

AVANT has classified its equity investment in Select Vaccines Limited ("Select Vaccines") shares as available for sale securities under SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*, ("FAS 115"). In accordance with SFAS 115, all available-for-sale securities are recorded at fair market value and, to the extent deemed temporary, unrealized gains and losses are included in accumulated other comprehensive income (loss) in shareholders' equity. Realized gains and losses and declines in value, if any, judged to be other than temporary on available-for-sale securities are reported in other income (expense). At March 31, 2008, AVANT had an investment with a fair value of $487,624 in the stock of Select Vaccines.

*(D) Restricted Cash*

Restricted cash of $180,574 and $180,139 at March 31, 2008 and December 31, 2007, respectively, represents security deposits for the Company's facilities in Phillipsburg, New Jersey, of which the Company took occupancy in 2006.

*(E) Fair Value of Financial Instruments*

AVANT enters into various types of financial instruments in the normal course of business. The carrying amounts of AVANT's cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these financial instruments. Receivables are concentrated in the pharmaceutical industry and from United Kingdom Inland Revenue. Management considers the likelihood of market credit risk to be remote. The estimated fair value of long-term liabilities is discussed in Note 13.

*(F) Trade and Other Accounts Receivable*

Trade 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 and other receivables consist of the following:

| | March 31, 2008 | December 31, 2007 |
|---|---|---|
| Trade | $ 38,975 | $ — |
| Other | 137,097 | 132,496 |
| | $ 176,072 | $ 132,496 |



Other receivables at March 31, 2008 represent primarily an employee loan of $27,845 and research and development tax credit receivable of $88,058 from United Kingdom Inland Revenue. Other receivables at December 31, 2007 primarily represent an employee loan of $33,580 and research and development tax credit receivable of $88,155 from United Kingdom Inland Revenue.

*(G) Long-Lived Assets:*

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

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

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

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

AVANT periodically evaluates its long-lived assets, primarily property and equipment and intangible assets for potential impairment under SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets*, ("SFAS No. 144"). AVANT performs these evaluations whenever events or changes in circumstances suggest that the carrying amount of an asset or group of assets is not recoverable. Indicators of potential impairment include:

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

If AVANT believes an indicator of potential impairment exists, the carrying values of the assets are evaluated in relation to the operating performance and future undiscounted cash flows of the underlying asset. The net book value of an asset is adjusted to fair value if its expected future undiscounted cash flows are less than its book value. The Company charges impairments of the long-lived assets to operations if its evaluations indicate that the carrying value of these assets is not recoverable. Management had identified no indicators of impairment at March 31, 2008.

*(I) Accounting for Patent Costs:*

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



*(J) Interest Capitalization*

AVANT capitalizes interest cost as part of the historical cost of acquiring certain assets during the period of time required to get the asset ready for its intended use. The amount of capitalized interest is limited to the amount of interest incurred by AVANT.

*(K) Operating Leases*

The Company presently has three facilities that are located at Phillipsburg, New Jersey, Needham and Fall River, Massachusetts under non-cancellable operating lease agreements for office, laboratory and manufacturing space. The rent payments for the three locations escalate over the lease term. Rent expense is recorded on a straight-line basis over the terms of the leases, including any renewals that are reasonably assured of occurring. The difference between rent expense and amounts paid under the lease agreements is recorded as deferred rent in the accompanying consolidated balance sheets. Tenant improvements paid by the landlord are capitalized as leasehold improvements and amortized over the shorter of their estimated useful lives or the remaining lease term.

*(L) Intangible Assets*

The Company has acquired intangible assets, which include core technology, developed technology and a strategic partner agreement, through the merger of AVANT and Celldex and the acquisition of Lorantis, Ltd ("Lorantis"). These acquired intangible assets are being amortized on a straight-line basis over their estimated lives, which range from 4.5 to 11 years. The determination of the amortization period involves estimates and judgments on management's part. Any significant changes in the Company's estimates or assumptions could impact the carrying value of acquired intangible assets. The Company evaluates the recoverability of these assets when facts and circumstances suggest the asset could be impaired in accordance with SFAS No. 144.

*(M) Revenue Recognition*

The Company accounts for revenue arrangements that include multiple deliverables in accordance with Emerging Issues Task Force ("EITF") No. 00-21, *Accounting for Revenue Arrangements with Multiple Arrangements* ("EITF 00-21"). EITF 00-21 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. In applying the guidance, revenue arrangements with multiple deliverables can only be considered as separate units of accounting if (i) the delivered item has value to the customer on a standalone basis, (ii) there is objective and reliable evidence of the fair value of the undelivered items and (iii) if the right of return exists, delivery of the undelivered items is considered probable and substantially in the control of the vendor. If these criteria are not met, the revenue elements must be considered a single unit of accounting for purposes of revenue recognition.

Payments received to fund certain research activities are recognized as revenue in the period in which the research activities are performed. Payments received in advance that are related to future performance are deferred and recognized as revenue when the research projects are performed. Upfront non-refundable fees associated with license and development agreements where the Company has continuing involvement in the agreement are recorded as deferred revenue and recognized over the estimated service period. If the estimated service period is subsequently modified, the period over which the upfront fee is recognized is modified accordingly on a prospective basis.

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



Milestone payments are recognized as revenue upon the achievement of mutually agreed milestones, provided that (i) the milestone event is substantive and its achievement is not reasonably assured at the inception of the agreement, and (ii) there are no continuing performance obligations associated with the milestone payment. Revenues from milestone payments related to arrangements under which the Company has continuing performance obligations are recognized as revenue upon achievement of the milestone only if all of the following conditions are met: the milestone payments are non-refundable; achievement of the milestone was not reasonably assured at the inception of the arrangement; substantive effort is involved in achieving the milestone; and, the amount of the milestone is reasonable in relation to the effort expended or the risk associated with achievement of the milestone. If any of these conditions are not met, the milestone payments are deferred and recognized as revenue over the term of the arrangement as AVANT completes its performance obligations. At March 31, 2008, the Company had not recorded any revenue for milestone payments.

Revenue from government contracts and grants, including U.S. government grants under Small Business Innovation Research ("SBIR"), is recognized as the services are performed and recorded as effort is expended on the contracted work and billed to the government. Product royalty revenue consists of payments received from licensees for a portion of sales proceeds from products that utilize AVANT's licensed technologies and are recognized when the amount of and basis for such royalty payments are reported to us in accurate and appropriate form and in accordance with the related license agreement. Payments received in advance of activities being performed are recorded as deferred revenue. Any significant changes in the Company's estimates or assumptions could impact its revenue recognition.

*(N) Research and Development Costs*

Research and development costs, including internal and contract research costs, are expensed as incurred. Research and development expenses consist mainly of clinical trial costs, manufacturing of clinical material, toxicology and other studies, salaries, depreciation, technology access fees, royalty fees and funding of outside research. Costs to acquire technologies that are utilized in research and development that have no alternative future use are expensed as incurred.

*(O) Clinical Trial Accruals*

Most of the Company's clinical trials are performed by third-party contract research organizations ("CROs") and clinical supplies are manufactured by contract manufacturing organizations ("CMOs"). Invoicing from these third parties may be monthly based upon services performed or based upon milestones achieved. The Company accrues these expenses based upon its assessment of the status of each study and the work completed, and upon information obtained from the CROs and CMOs.

*(P) Foreign Currency Translation*

The financial statements of Celldex Ltd have been translated into U.S. dollars in accordance with SFAS No. 52, *Foreign Currency Translation*. All asset and liability accounts have been translated using the exchange rates in effect at the balance sheet date. Income statement amounts have been translated using the average exchange rate for the period. The gains and losses resulting from the changes in exchange rate from this period have been reported in other comprehensive (loss) income. As of March 31, 2008 and December 31, 2007, the accumulated unrealized foreign exchange translation (losses) gains included in accumulated other comprehensive income were $2,508,206 and $2,619,036, respectively.

*(Q) Income Taxes*

The Company uses the asset and liability method to account for income taxes, including the recognition of deferred tax assets and deferred tax liabilities for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax bases. The Company reviews its deferred tax assets for recovery. A valuation allowance is established when the Company believes that it is more likely than not that its deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in the Company's tax provision in the period of change.



*(R) Net Loss Per Share*

AVANT computes and reports earnings per share in accordance with the provisions of SFAS No. 128, *Earnings Per Share*. The computations of basic and diluted loss per common share are based upon the weighted average number of common shares outstanding and potentially dilutive securities. Potentially dilutive securities include stock options and warrants. Options and warrants to purchase 2,463,579 and 1,024,759 shares of common stock were not included in the March 31, 2008, 2007 computation of diluted net loss per share, respectively, because inclusion of such shares would have an anti-dilutive effect on net loss per share. Share amounts shown on the consolidated balance sheets and share amounts and basic and diluted net loss per share amounts shown on the consolidated statements of operations and comprehensive loss have been adjusted to reflect the Merger exchange ratio and a reverse stock split of 1-for-12 effective March 7, 2008.

*(S) Comprehensive Loss*

Comprehensive loss is comprised of two components: net loss and other comprehensive income. During the quarter ended March 31, 2008, AVANT recorded other comprehensive loss of $60,404 related to unrealized gains in its investment in Select Vaccines and $50,426 related to unrealized foreign exchange translation losses. During the quarter ended March 31, 2007, AVANT recorded other comprehensive loss of $21,889 related to unrealized foreign exchange translation gains.

*(T) Stock-Based Compensation*

The Company accounts for stock-based awards under SFAS No. 123 (revised 2004), *Share-Based Payment*, ("SFAS No. 123(R)"), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to the Employee Stock Purchase Plan ("employee stock purchases") based on estimated grant date fair values.

Compensation expense for all share-based payment awards are recognized using the straight-line method. As stock-based compensation expense recognized in the Consolidated Statement of Operations are based on awards ultimately expected to vest, compensation expense has been reduced for estimated forfeitures.
SFAS No. 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.

The Company estimates the fair value of 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.

SFAS No. 123(R) does not change the accounting guidance for how the Company accounts for options issued to nonemployees. The Company accounts for options issued to nonemployees in accordance with SFAS No. 123(R) and EITF Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. As such, the value of such options is periodically re-measured and income or expense is recognized during the vesting terms.

See Note 5 for additional information.



*(U) Use of Estimates*

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

*(V) Segments*

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

*(W) Recent Accounting Pronouncements*

**SFAS 141(R) and SFAS 160:** In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141(R), *Business Combinations*, ("SFAS No. 141(R)"), and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*, ("SFAS No. 160"), which introduce significant changes in the accounting for and reporting of business acquisitions and noncontrolling interests in a subsidiary. SFAS No. 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption of both statements

is prohibited. The adoption of SFAS No. 141(R) and SFAS No. 160 will only have an impact on the Company's financial statements if it is involved in a business combination that occurs after January 1, 2009.

**EITF 07-1:** In December 2007, the EITF reached a consensus on Issue No. 07-1, *Accounting for Collaborative Arrangements* ("EITF 07-1"). The EITF concluded on the definition of a collaborative arrangement and that revenues and costs incurred with third parties in connection with collaborative arrangements would be presented gross or net based on the criteria in EITF 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, and other accounting literature. Based on the nature of the arrangement, payments to or from collaborators would be evaluated and its terms, the nature of the entity's business, and whether those payments are within the scope of other accounting literature would be presented. Companies are also required to disclose the nature and purpose of collaborative arrangements along with the accounting policies and the classification and amounts of significant financial statement amounts related to the arrangements. Activities in the arrangement conducted in a separate legal entity should be accounted for under other accounting literature; however, required disclosure under EITF 07-1 applies to the entire collaborative agreement. EITF 07-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, and is to be applied retrospectively to all periods presented for all collaborative arrangements existing as of the effective date. The Company is currently evaluating the requirements of EITF 07-1; however, it does not believe that its adoption will have a significant impact on its consolidated financial statements.

**FSP No. FAS 142-3:** In April 2008, the FASB staff issued FASB Staff Position ("FSP") No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* ("FSP No. FAS 142-3"). FSP No. FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB No. 142. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible under Statement 142 and the period of expected cash flows used to measure fair value of the asset under FASB No. 141 and other accounting principles generally accepted in the United States of America ("U.S.GAAP"). The FSP is effective for financial statements issued for fiscal years beginning after December 31, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The adoption of FSP No. FAS 142-3 is not expected to have a material impact on AVANT's financial position and results of operations.



**(4) Fair Value Measurements**

On January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements*, ("SFAS No. 157"), and SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*, ("SFAS No. 159"), for its financial assets and liabilities. The adoption of SFAS No. 157 did not have a material impact on the Company's financial position or results of operations. As permitted by FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157*, the Company elected to defer the adoption of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until January 1, 2009. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The Company did not elect to adopt the fair value option for eligible financial instruments under SFAS No. 159.

SFAS No. 157 provides a framework for measuring fair value under U.S. GAAP and requires expanded disclosures regarding fair value measurements. SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

SFAS No. 157 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities. The Company's Level 1 assets consist of cash and cash equivalents and its investment in Select Vaccines. As of March 31, 2008, the Company held cash and cash equivalents of $11,418,544 and an investment in Select Vaccines of $487,624.

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company had no Level 2 assets or liabilities at March 31, 2008.

**Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Company had no material Level 3 assets or liabilities at March 31, 2008.

The Company's financial instruments consist mainly of cash and cash equivalents, short-term accounts receivable, common stock in a publicly-traded company, accounts payable and debt obligations. Short-term accounts receivable and accounts payable are reflected in the accompanying consolidated financial statements at cost, which approximates fair value due to the short-term nature of these instruments.



**(5) Stock-Based Compensation**

As of March 31, 2008, the Company had two shareholder approved, share-based compensation plans: the 2004 Employee Stock Purchase Plan (the "2004 ESPP Plan") and the 2008 Stock Option and Incentive Plan (the "2008 Plan").

**Employee Stock Benefit Plans**

***Employee Stock Purchase Plan***

The 2004 ESPP Plan was adopted on May 13, 2004 and assumed by the Company in connection with the Merger. All full time employees of AVANT are eligible to participate in the 2004 ESPP Plan. A total of 12,500 shares of common stock are reserved for issuance under the 2004 ESPP Plan. Under the 2004 ESPP Plan, each participating employee may contribute up to 15% of his or her compensation to purchase up to 500 shares of common stock per year in any six-month offering period and may withdraw from the offering at any time before stock is purchased. Participation terminates automatically upon termination of employment. The purchase price per share of common stock in an offering is 85% of the lower of its fair market value at either the beginning of the offering period or the applicable exercise date. At March 31, 2008, 9,885 shares were available for issuance under the 2004 ESPP Plan.

The last purchase period ended on December 31, 2007. As a consequence of the Merger, no current purchase period was offered beginning on January 1, 2008.

***Employee Stock Option Plan***

*Stock Option Plan Description*

On March 6, 2008, AVANT's 2008 Plan was adopted at a special meeting of AVANT shareholders. The 2008 Plan replaced the 1999 Stock Option and Incentive Plan (the "1999 Plan") and the Amended and Restated 1991 Stock Compensation Plan, which was an amendment and restatement of AVANT's 1985 Incentive Option Plan. The 2008 Plan permits the granting of incentive stock options (intended to qualify as such under Section 422A of the Internal Revenue Code of 1986, as amended), non-qualified stock options, stock appreciation rights, performance share units, restricted stock and other awards of restricted stock in lieu of cash bonuses to employees, consultants and outside directors.

The 2008 Plan allows for a maximum of 1,500,000 shares of common stock to be issued prior to October 19, 2017. The board of directors determines the term of each option, option price, and number of shares for which each option is granted and the rate at which each option vests. The board of directors has granted employee stock option awards with four-year vesting periods. The term of each option cannot exceed ten years (five years for options granted to holders of more than 10% of the voting stock of AVANT) and the exercise price of stock options cannot be less than the fair market value of the common stock at the date of grant (110% of fair market value for incentive stock options granted to holders of more than 10% of the voting stock of AVANT). The 2008 Plan also provides for discretionary grants of non-qualified stock options to non-employee directors. Vesting of all employee and non-employee director stock option awards is accelerated upon a change in control as defined in the 2008 Plan.

In connection with the Merger, AVANT assumed the obligations of Celldex under Celldex's Stock Option Plan (the "Celldex Plan") and each outstanding option to purchase Celldex common stock (a "Celldex Stock Option") granted under the Celldex Plan. Each Celldex Stock Option assumed by AVANT is deemed to constitute an option to acquire, on the same terms and conditions as were applicable under the Celldex Plan, shares of AVANT's common stock that have been adjusted consistent with the ratio at which AVANT's common stock was issued in exchange for Celldex's common stock in the Merger. As of March 7, 2008, AVANT assumed options to acquire 1,446,913 shares of its common stock at a weighted average exercise price of $8.35. The Celldex Stock Options generally vest over a two-to four-year period and the term of each option cannot exceed ten years from the date of grant. No additional awards will be issued under the Celldex Plan.



*General Option Information*

A summary of stock option activity under the 2008 Plan for the three months ended March 31, 2008, adjusted to reflect the Merger exchange ratio and a reverse stock split of 1-for-12 effective March 7, 2008, is as follows:

| | Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Term (In Years) |
|---|---|---|---|
| Outstanding at January 1 | 787,440 | $ 12.70 | 5.81 |
| Granted | 2,463,579 | 8.18 | |
| Exercised | — | — | |
| Canceled/forfeited | (787,440) | 12.70 | |
| Expired | — | — | |
| Outstanding at March 31 | 2,463,579 | $ 8.18 | 8.94 |
| Ending Vested and Expected to Vest at March 31, 2008 | 739,406 | $ 8.23 | 9.93 |
| At March 31 | | | |
| Options exercisable | 739,406 | $ 8.23 | |

The weighted average fair value of options granted during the three-month period ended March 31, 2008 was $4.23.

*Non-Employee Grants*

The Company has historically granted stock options to consultants for services. These options were issued at or above their fair market value on the date of grant and generally have four-year vesting terms from date of grant. Should the Company or the consultant terminate the consulting agreements, any unvested options will be cancelled. Options issued to non-employees are marked-to-market, which means that as the Company's stock price fluctuates, the related expense either increases or decreases. The Company recognized expense of $16,440 and $16,253 related to non-employee stock options for the quarter ended March 31, 2008 and 2007, respectively. As of March 31, 2008, the Company had total unrecognized compensation costs of $216,864 related to unvested non-employee options.

*Valuation and Expense Information under SFAS No. 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 No. 123(R) for the three months ended March 31, 2008 and 2007, respectively, which was allocated as follows:

| | Three months ended March 31, | |
|---|---|---|
| | 2008 | 2007 |
| Research and development | $ 594,376 | $ 199,086 |
| General and administrative | 1,028,004 | 195,834 |
| Total stock-based compensation expense | $ 1,622,380 | $ 394,920 |

During the quarter ended March 31, 2008, the Company entered into an Option Cancellation Agreement concurrent with Stock Option Grant Agreement with Celldex employees. The Option Cancellation Agreement provided for the cancellation of all previously granted options under the Plan while the Stock Option Grant Agreement provided for the re-grant of stock options pursuant to the Option Cancellation Agreement. In addition, at the consumption of the merger with AVANT, all options to purchase Celldex common stock then outstanding under the Celldex 2005 Equity Incentive Plan was assumed by AVANT and converted into options to purchase shares of AVANT common stock. The number of shares subject to the outstanding awards and related exercise price was proportionately adjusted by the same exchange ratio as Celldex shareholders received in accordance with the provisions of the Celldex 2005 Equity Incentive Plan. The Company considered both the re-grant of stock options and exchange of Celldex options into options to acquire shares of AVANT common stock as a modification under the provisions of SFAS 123R. The modification affected a total of 15 employees, including members of the Celldex board of directors. The total incremental compensation cost resulting from the modifications amounted

to approximately $2.6 million, of which $0.9 million was related to vested awards and was recognized immediately as stock based compensation in the quarter ended March 31, 2008.

Based on basic and diluted weighted average common shares outstanding of 10,127,435, the effect of stock-based compensation expense recorded under SFAS No. 123R for the three-month period had a $0.16 per share impact on net loss per share.

As of March 31, 2008, total compensation cost related to non-vested stock options not yet recognized was $5,681,503, net of estimated forfeitures, which is expected to be recognized as expense over a weighted average period of 2.71 yrs. The total fair value of stock options vested, including the incremental fair value for options vested that were modified during the quarter, during the quarter ended March 31, 2008 was $1,366,155



The fair values of employee and non-employee director stock options granted during the three months ended March 31, 2008 and 2007 were valued using the Black-Scholes model with the following assumptions:

| | Three months ended March 31, | |
|---|---|---|
| | 2008 | 2007 |
| Expected stock price volatility (employees) | 55-67% | 67% |
| Expected stock price volatility (non-employee directors) | 57-67% | 67% |
| Expected option term (employees) | 3-6 Years | 5.2 Years |
| Expected option term (non-employee directors) | 4-6 Years | 5.2 Years |
| Risk-free interest rate | 1.5-3.5% | 4.5% |
| 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 No. 123(R) and SAB 107 for its employee and non-employee director stock options and employee stock purchases. The Company has concluded 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. In December 2007, the Securities and Exchange Commission released SAB 110, which extended the use of the simplified method if a company met certain criteria. AVANT has concluded that the Merger represents a significant structural change in its business and in the terms of its share option grants such that AVANT's historical exercise data may no longer provide a reasonable basis upon which to estimate expected term. The Company has elected to follow the guidance of SAB 107 and SAB 110 and has adopt the simplified method in determining expected term for all of its stock option awards. There were 121,703 stock options granted to non-employee directors during the three months ended March 31, 2008.

Forfeitures were estimated based on historical experience by applying an eleven and zero percent forfeiture rate to employee and non-employee director stock option awards granted during the three months ended March 31, 2008, respectively.

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

**(6) Retirement Savings Plan**

The Company's 401(k) Plan (the "401(k) Plan") is intended to be a tax-qualified plan covering substantially all employees. Under the terms of the 401(k) Plan, employees may elect to contribute up to 15% of their compensation, or the statutory prescribed limits. The Company may make matching contributions of up to 4% of a participant's annual salary. Benefit expense for the 401(k) Plan was approximately $27,715 and $9,942 for the quarters ended March 31, 2008 and 2007, respectively.



**(7) Property and Equipment**

Property and equipment includes the following:

| | March 31, 2008 | December 31, 2007 |
|---|---|---|
| Laboratory Equipment | $ 5,303,692 | $ 1,551,896 |
| Manufacturing Equipment | 987,225 | — |
| Office Furniture and Equipment | 1,535,569 | 405,581 |
| Leasehold Improvements | 13,897,387 | 2,046,663 |
| Assets Held for Sale | 451,100 | — |
| Construction in Progress | 114,377 | — |
| Total Property and Equipment | 22,289,350 | 4,004,140 |
| Less Accumulated Depreciation and Amortization | (7,696,787) | (2,086,104) |
| | $ 14,592,563 | $ 1,918,036 |

A portion of the purchase price in the Merger totaling $15,170,702 has been allocated and recorded to acquired property and equipment above and was then reduced by approximately $2,606,649 of negative goodwill.

As a result of the Merger, AVANT is converting its Fall River manufacturing facility to provide mammalian cell culture production capabilities and has classified certain manufacturing-related equipment having a fair value of $451,100 as long-lived assets to be disposed of by sale. The fair value was established based on quoted market prices by an equipment re-seller less estimated costs to remove and sell the equipment.

Depreciation expense related to equipment and leasehold improvements was $353,126 and $179,893 for the three months ended March 31, 2008 and 2007, respectively.

**(8) Intangible and Other Assets**

Intangible and other assets include the following:

| | | March 31, 2008 | | | December 31, 2007 | | |
|---|---|---|---|---|---|---|---|
| | Estimated Lives | Gross Intangible Assets | Accumulated Amortization | Net Intangible Assets | Gross Intangible Assets | Accumulated Amortization | Net Intangible Assets |
| Intangible Assets: | | | | | | | |
| Core Technology | 4.5 - 11 years | $ 2,193,249 | $ (304,500) | $ 1,888,749 | $ 1,296,000 | $ (263,097) | $ 1,032,903 |
| Developed Technology | 8 years | 273,796 | (2,271) | 271,525 | ¾ | ¾ | ¾ |
| Strategic Partner Agreement | 8 years | 629,499 | (5,221) | 624,278 | ¾ | ¾ | ¾ |
| Total Intangible Assets | | $ 3,096,544 | $ (311,992) | $ 2,784,552 | $ 1,296,000 | $ (263,097) | $ 1,032,903 |

On March 7, 2008, AVANT completed the Merger with Celldex being considered the accounting acquirer. Under the purchase method of accounting, AVANT determined the identifiable intangible assets acquired based upon the respective fair values of certain technology and intellectual property acquired and license agreement assumed. AVANT has determined that this technology has alternative future uses and will be incorporated into a number of AVANT's bacterial vaccine programs. A portion of the purchase price in the transaction totaling $2,174,100 has been allocated and recorded to acquired intangible assets above and then was reduced by approximately $373,557 of negative goodwill.

All of AVANT's intangible assets are amortized over their estimated useful lives. Total amortization expense for intangible assets was $48,894 and $29,233 for the three-month periods ended March 31, 2008 and 2007, respectively.



The estimated future amortization expense of intangible assets as of March 31, 2008 for the remainder of fiscal year 2008 and the five succeeding years is as follows:

| Year ending December 31, | Estimated Amortization Expense |
|---|---|
| 2008 (remaining nine months) | $ 312,112 |
| 2009 | 415,896 |
| 2010 | 415,896 |
| 2011 | 415,896 |
| 2012 | 340,313 |
| 2013 and thereafter | 884,442 |

**(9) Income Taxes**

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, 2008, AVANT had no material unrecognized income tax benefits.

As of December 31, 2007, the Company had federal and state net operating loss ("NOL") carryforwards and federal and state research and development ("R&D") credit carryforwards, which may be available to offset future federal and state income tax liabilities which expire at various dates starting in 2008 and going through 2027. Utilization of the NOL and R&D credit carryforwards may be subject to 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 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 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. AVANT believes its merger with Celldex may have generated an ownership change that could further affect the limitation in future years.

During the first quarter of 2008 the Company underwent a merger in which AVANT and Celldex became a combined group for tax reporting purposes. The merger was treated as a purchase under SFAS 141 with Celldex being the accounting acquirer. For U.S. federal income tax purposes, AVANT is the acquirer and Celldex is the wholly owned subsidiary of AVANT. Together they form a combined group and report income taxes as such with AVANT as the Parent Company and Celldex as the Subsidiary. As a result of this merger, all of the prior tax attributes of both AVANT and Celldex will carry forward for potential future use. These tax attributes are included in the Company's income tax provision.



Massachusetts, New Jersey and Missouri are the three states in which the Company operates or has operated and has income tax nexus. Open federal and state return years subject to examination by major tax jurisdictions include the tax years ended December 31, 2004, 2005, 2006 and 2007 (which has not yet been filed). Carryforward attributes that were generated prior to 2004 may still be adjusted upon examination by the IRS if they either have been or will be used in a future period. The Company is currently not under examination by the Internal Revenue Service or any other jurisdictions for any tax years.

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

As required by Statement of Financial Accounting Standards No. 109, management has evaluated the positive and negative evidence bearing upon the realizability of its net deferred tax assets, which are comprised principally of NOL, capitalized R&D expenditures and R&D tax credit carryforwards. Management has determined that

it is more likely than not that AVANT will not recognize the benefits of federal and state deferred tax assets and, as a result, a full valuation allowance was maintained at March 31, 2008 and December 31, 2007.

**(10) Product Development and Licensing Agreements**

AVANT's revenue from product development and licensing agreements was received pursuant to contracts and arrangements with different organizations. A summary of these contracts follows:

*(A) GlaxoSmithKline plc ("Glaxo") and Paul Royalty Fund II, L.P. ("PRF")*

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

In May 2005, AVANT entered into an agreement whereby an affiliate of PRF purchased an interest in the net royalties AVANT will receive on worldwide sales of Rotarix®. Under the PRF agreement, AVANT will retain 50% of future Glaxo milestone payments beginning on the effective date of the agreement with PRF, with 70% of the remaining balance payable to PRF and 30% of the remaining balance payable to CCH, respectively. AVANT's retained interests in Rotarix® net royalties which were not sold to PRF are recorded as product royalty revenue and a corresponding amount that is payable to CCH is recorded as royalty expense, which is included in research and development expense.

On April 3, 2008, Rotarix® received FDA market approval for the prevention of rotavirus gastroenteritis in infants, which triggered a $1.5 million milestone payment to AVANT from Glaxo, $750,000 of which AVANT has retained under AVANT's agreement with PRF. The market launch of Rotarix® by Glaxo in the U.S. market would result in a $10 million milestone payment to AVANT from PRF, which AVANT expects to receive in the second half of 2008. In connection with the Merger, AVANT recorded $9.8 million as an other current asset, which represents the present value of this milestone payment adjusted for probability of success.

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

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



*(B) Glaxo and Corixa Corporation ("Corixa")*

On December 21, 2005, Corixa, a wholly-owned subsidiary of Glaxo, and Celldex Ltd (formerly Lorantis), entered into a termination agreement of their collaboration of CDX-2101 or HepVax for the development of a therapeutic vaccine for Hepatitis B (the "Termination Agreement"). Under the terms of the Termination Agreement, Glaxo paid the Company the sum of approximately $1,632,000. In addition, and subject to the terms and conditions of the Termination Agreement, Glaxo granted to Celldex a worldwide, fully paid up, royalty-free, perpetual, nonexclusive license under the Corixa Patent Rights, Corixa Know-How Rights and Corixa Licensed Technology (each as defined in the Termination Agreement): (a) to use RC-529SE in products being developed and/or commercialized by Celldex Ltd or its Permitted Sublicensees in the Lorantis Field; and (b) to make or have made RC-529SE using RC-529 adjuvant for the limited use permitted by the license granted to reformulate Corixa's proprietary adjuvant.

The Company has concluded that because the original collaboration between Corixa and Lorantis contained multiple deliverables EITF 00-21 applies. For the three-month periods ended March 31, 2008 and 2007, the Company recognized $116,538 of revenue under the Termination Agreement.

*(C) 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. In 2007, further funded work at AVANT on the joint research program was terminated by Pfizer after AVANT provided two of four deliverables to Pfizer.

*(D) Rockefeller University("Rockefeller") and Gates Grand Challenge Award*

AVANT is developing a vaccine, CDX-2401, aimed at providing protection from infection with HIV, the virus known to cause AIDS. This program is in a Bill & Melinda Gates Foundation funded partnership with collaborators at Rockefeller and the Aaron Diamond AIDS Research Center, who have shown in model systems that protective immunity can be induced with such a vaccine. Preclinical studies and manufacturing development are in progress and payments to AVANT are made on a time and materials basis. For the three-month periods ended March 31, 2008 and 2007, AVANT did not recognize any grant revenue from Rockefeller.



**(11) Collaboration Agreements**

*(A) Rockefeller University*

On November 1, 2005, the Company and Rockefeller University ("Rockefeller") entered into a license agreement for the exclusive worldwide rights to human DEC-205 receptor, with the right to sublicense the technology. The license grant is exclusive except that Rockefeller may use and permit other nonprofit organizations to use the human DEC-205 receptor patent rights for educational and research purposes. In addition, the Company acknowledges that Rockefeller has granted Howard Hughes Medical Institute ("HHMI") a paid-up, nonexclusive, irrevocable license to use the patent rights, biological materials, and technical information for HHMI's research

purposes, but with no right to sublicense. The Company may also be required to pay royalties on any product sales. The royalties will be payable on a country-by-country and licensed product-by-licensed product basis until the date which is the later of (i) the expiration of the last to expire of the patents covering the licensed product in such country or (ii) ten years following the first commercial sale of a licensed product in such country.

The Company may be required to pay license fees and milestone payments to Rockefeller with respect to development of the human DEC-205 receptor. These fees and milestones may total up to $2 million to $4 million per product candidate that receives approval from the FDA and equivalent foreign agencies.

*(B) Duke University Brain Tumor Cancer Center*

On September 1, 2006, the Company and Duke University Brain Tumor Cancer Center of Duke University ("Duke") entered into a license agreement that gave the Company access and reference to the clinical data generated by Duke and its collaborators in order for the Company to generate its own filing with the FDA relating to its CDX-110 product.

In exchange for referencing all the Duke data, the Company paid Duke a one-time upfront payment of $175,000 and issued to Duke 100,000 shares of the Company's common stock, which the Company recorded in 2006 as a licensing expense in research and development. The estimated aggregate fair value of the common shares issued was $330,000.

The Company may be required to pay license fees and milestone payments to Duke with respect to development of the CDX-110 product. These fees and milestones may total up to $1.2 million if CDX-110 receives approval from the FDA and equivalent foreign agencies. The Company may also be required to pay royalties upon approval of CDX-110. The royalties will be payable on a country-by-country and licensed product-by-licensed product basis until the date of the expiration of the last to expire of the patents covering the licensed product in such country.

*(C) Ludwig Institute for Cancer Research*

On October 20, 2006, the Company and Ludwig Institute for Cancer Research ("Ludwig") entered into an agreement for the nonexclusive rights to six cancer tumor targets for use in combination with the Company's APC Targeting Technology. The term of the agreement is for ten years. As consideration for the nonexclusive license, the Company agreed to pay an annual license fee of $7,500 and $2,500 for each full-length antigen and partial-length antigen, respectively, until such antigens enter a randomized Phase 1 clinical trial.

*(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. Under the terms of the agreement, AVANT made an upfront equity investment of $735,000 in Select Vaccines and would fund influenza vaccine research and development for two years, as well as provide payments to Select Vaccines for the achievement of specific preclinical and clinical development milestones. On November 1, 2007, AVANT notified Select Vaccines that, effective December 31, 2007, AVANT was exercising its rights to terminate its Collaboration and License Agreement with Select Vaccines for strategic reasons.

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

During the quarter ended March 31, 2008, AVANT recorded other comprehensive loss of $60,404 related to unrealized losses in its investment in Select Vaccines.



In consideration for the nonexclusive license, the Company may be required to pay license fees and milestone payments to Ludwig for the use of the cancer targets in combination with the Company's technology. The fees and milestones may total up to $1.5 million to $2.5 million on a product candidate that receives approval from the FDA and equivalent foreign agencies. The Company may also be required to pay royalties upon approval of any product candidate. The royalties will be payable on a country-by-country and licensed product-by-licensed product basis until the date of the expiration of the last to expire of the patents covering the licensed product in such country.

**(12) Related Party Transactions**

The Company and Medarex have entered into the following agreements, each of which was approved by a majority of its independent directors who did not have an interest in the transaction. The Company believes that each of its agreements with Medarex is on terms as favorable to the Company as it could have obtained on an arm's-length basis from unaffiliated third parties. These agreements include:

- An Assignment and License Agreement that provides for the assignment of certain patent and other intellectual property rights and a license to certain Medarex technology;
- A Research and Commercialization Agreement which provides us with certain rights to obtain exclusive commercial licenses to proprietary monoclonal antibodies raised against certain antigens;
- An Affiliation Agreement, which, among other things, details Medarex's obligation to elect independent directors to the Company's board of directors and contains certain restrictions, effective for a period of 36 months from April 6, 2004, on Medarex's ability to acquire additional shares of the Company's common stock and to sell shares of the Company's common stock;
- A Master Services Agreement, which sets forth Medarex's agreement to provide us with certain services to be mutually agreed upon, which may include, among others, clinical and regulatory assistance.

The Company may be required to pay license fees and milestone payments to Medarex with respect to any antibodies developed using its HuMab-Mouse technology. These fees and milestones may total up to $7 million to $10 million per antibody that receives approval from the FDA and equivalent foreign agencies.

The Company may also be required to pay royalties on any product sales. The royalties will be payable on a country-by-country and licensed product-by-licensed product basis until the date which is the later of (i) the expiration of the last to expire of the patents covering the licensed product in such country or (ii) ten years following the first commercial sale of a licensed product in such country.

Celldex and Medarex entered into a settlement and mutual release agreement on October 19, 2007, whereby the parties agreed to a settlement with respect to a disputed return of capital related to certain unsuccessful initial public offering costs that were funded by Medarex on behalf of Celldex in prior years. Celldex agreed to issue to Medarex 351,691 AVANT shares equal in value to $3,038,617, based on the per share price of $8.64 set on the second trading day prior to the closing date of the Merger. Medarex has

agreed to amend certain terms of the existing Research and Commercialization Agreement and Assignment and License Agreement. Both parties have agreed to mutual releases under the settlement and mutual release agreement.

**(13) Loans Payable**

In December 2003, AVANT entered into a Lease Agreement (the "Lease Agreement"), a Secured Promissory Note: Equipment Loan (the "Secured Promissory Note") 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 which was recorded as leasehold improvements. AVANT is amortizing the leasehold improvements over the remaining expected lease term. 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.

In connection with the Merger, AVANT recorded $722,683 as the fair value of the loan payable based on current market interest rates available to AVANT for long-term liabilities with similar terms and maturities. At March 31, 2008, AVANT has recorded a loan payable of $715,862 to MassDevelopment, of which $55,982 is classified as current and $659,880 as long-term.

*(B) Note Payable*

Under the Secured Promissory Note, 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 and 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, 2008 were $460,643.

In connection with the Merger, AVANT recorded $366,251 as the fair value of the note payable based on current market interest rates available to AVANT for long-term liabilities with similar terms and maturities. At March 31, 2008, the balance of the note payable to MassDevelopment was $353,813, of which $105,868 is classified as current and $247,945 as long-term.

The following table summarizes the Company's approximate contractual obligations to MassDevelopment with respect to the loan and note payable:

| | Loan Payable | | | Note Payable | | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2008 (remaining nine months) | $ 54,600 | $ 35,000 | $ 89,600 | $ 101,900 | $ 16,200 | $ 118,100 |
| 2009 | 81,900 | 48,500 | 130,400 | 160,200 | 16,900 | 177,100 |
| 2010 | 81,900 | 43,900 | 125,800 | 169,400 | 7,800 | 177,200 |
| 2011 | 81,900 | 39,400 | 121,300 | 46,900 | 500 | 47,400 |
| 2012 | 81,900 | 34,900 | 116,800 | — | — | — |
| Thereafter | 579,600 | 115,800 | 695,400 | — | — | — |
| Total Obligation | $ 961,800 | $ 317,500 | $ 1,279,300 | $ 478,400 | $ 41,400 | $ 519,800 |
| | | | | | | |
| Less: Current Portion | 75,000 | | | 141,200 | | |
| | | | | | | |
| Total Long-Term Portion | $ 886,800 | | | $ 337,200 | | |

**(14) Commitments and Contingencies**

*(A) Commitments for the Needham, Massachusetts Facility*

In November 2005, AVANT entered into a lease amendment that extended its lease of laboratory and office space in Needham, Massachusetts through April, 2017 and reduced AVANT's leased space to approximately 35,200 square feet. As of March 31, 2008, AVANT's share of tenant improvements costs of $401,804 for the Needham facility renovations project remain unpaid. Under this lease amendment, AVANT is obligated to pay an escalating base annual rent ranging from $879,700 to $1,161,200 during the remaining lease term.



*(B) Commitments for the Fall River, Massachusetts Facility*

In 2003, the Company reached agreement with MassDevelopment, an economic development entity for the Commonwealth of Massachusetts, for AVANT to occupy and build-out an 11,800 square foot manufacturing facility in Fall River, Massachusetts. The lease has an initial seven-year term that expires in December 2010 and two renewal options of five years each. Management has determined that it is reasonably assured that AVANT will exercise one five-year renewal option. Therefore, AVANT is amortizing leasehold improvements made to the Fall River facility over the remaining original lease term plus one five-year renewal term. In November 2005 and December 2006, AVANT amended the MassDevelopment lease to increase the rentable space to approximately 14,300 and 16,200 square feet, respectively, at the Fall River facility.

*(C) Commitments for the Philipsburg, New Jersey Facility*

AVANT leases approximately 20,000 square feet of office and laboratory space in Phillipsburg, New Jersey. The lease has an initial five-year term which expires in August 2011. Under the lease agreement, AVANT is obligated to pay an annual rent of approximately $347,700 plus certain common area maintenance costs. Aggregate rental payments including common area maintenance costs were $86,913 for the three-month periods ended March 31, 2008 and 2007.

As an incentive to enter into a lease agreement with the Phillipsburg landlord, the Company received four months of rent-free occupancy of the facilities, and the Company is amortizing this over the original five-year term of the lease. In addition, the landlord provided the Company an allowance on future rent payments towards tenant improvements that the Company made to the facilities and that credit is also included in deferred rent and is being amortized over the lease term. Construction of the tenant improvements was completed in August 2006.

The Company entered into a letter of credit facility with a national U.S. financial institution for $177,000, which is collateralized by a security deposit for the leased facility in Phillipsburg, New Jersey. The total amount of the security deposit is recorded as restricted cash on the Company's consolidated balance sheets.

*(D) Commitments for the Operating Leases*

Obligations for base rent under these and other non-cancelable operating leases as of March 31, 2008 are approximately as follows:

| Year ending December 31, | |
|---|---|
| 2008 (remaining nine months) | $ 1,567,072 |
| 2009 | 2,326,435 |
| 2010 | 2,388,235 |
| 2011 | 2,333,957 |
| 2012 | 2,159,947 |
| 2013 and thereafter | 9,692,192 |
| Total minimum lease payments | $ 20,467,838 |

The Company's total rent for all operating leases was approximately $86,913 for the three-month periods ended March 31, 2008 and 2007.

**(15) Severance Arrangements**

Una S. Ryan, Ph. D. entered into an employment agreement with AVANT (the "Ryan Agreement"), which was amended and restated as of August 20, 1998, amended as of December 23, 2002, September 18, 2003 and again as of October 19, 2007. The term of the Agreement is for 13 months from the effective date of a merger, with rolling automatic one-year extensions. Further, if Dr. Ryan resigns, AVANT will pay Dr. Ryan a special retirement payment of $1,323,203. At March 31, 2008, AVANT had accrued $87,005 of Dr. Ryan's special retirement payment, and expects to record a charge for the remainder in the second quarter of 2008 as a result of her departure. Please see Note 17(B) for information about Dr. Ryan's departure.



The Company and Dr. Robert F. Burns, formerly the President and Chief Executive Officer of Celldex, entered into a separation and mutual release agreement dated as of October 19, 2007, under which Dr. Burns' employment was terminated, effective as of February 15, 2008. Until such date, Dr. Burns had no obligation to render services to Celldex, although he was to hold himself available to consult with Celldex by telephone at reasonable times. As severance, Celldex was obligated to pay to Dr. Burns the sum of £33,333 for nine consecutive months, commencing with the first payment on March 15, 2008, and a payment of £100,000 on December 15, 2008, in each case less applicable withholdings and other customary payroll deductions. Dr. Burns is also entitled to the continuation of benefits until February 15, 2010. A portion of Dr. Burns' stock options became fully vested and exercisable on February 15, 2008, and he may exercise them for up to three years following that date. Dr. Burns and Celldex provided one another with mutual releases under such separation and mutual release agreement.

As Dr. Burns has not provided substantive service to the Company since October 19, 2007, these severance benefits, which in the aggregate equal $1,014,017, have been accrued in the consolidated financial statements as of December 31, 2007 in accordance with SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. In addition, stock-based compensation has been adjusted for the modification of Dr. Burns' stock option awards in accordance with SFAS No. 123(R).

The following table sets forth an analysis of the severance costs, which are included in accrued liabilities in the consolidated balance sheet as of March 31, 2008 and December 31, 2007:

| | Balance at December 31, 2007 | Charges | Paid Cash | Balance at March 31, 2008 |
|---|---|---|---|---|
| Severance and benefits | $ 1,014,017 | $ 87,005 | $ (212,290) | $ 888,732 |

**(16) Merger of AVANT and Celldex**

On March 7, 2008, AVANT completed the Merger with Celldex with Celldex considered the accounting acquirer, even though AVANT issued common stock and was the surviving legal entity in the transaction. AVANT issued 8,309,420 shares of AVANT's common stock in exchange for all of the outstanding capital stock of Celldex, on the basis of 4.65 shares of AVANT common stock for each share of Celldex common stock. AVANT also issued 351,692 shares having a value of $3,038,617 in settlement of a payable due Medarex. The purchase price of $47,570,867 and represents the shares attributable to AVANT shareholders and consisted of (i) the 6,265,889 shares outstanding of AVANT common stock on the effective date of the Merger valued at $46,875,372 and (ii) estimated transaction costs totaling $695,495.

The acquisition has been accounted for as a purchase with Celldex the accounting acquirer. Consequently, the operating results of AVANT since March 7, 2008 have been included in the consolidated results of operations. The purchase price was allocated to the acquired tangible and identifiable intangible assets and assumed liabilities, based upon their fair value at the date of acquisition, as follows:

| | |
|---|---|
| Tangible assets acquired | $ 34,959,482 |
| Less: Liabilities assumed | (3,945,067) |
| Net tangible assets acquired | $ 31,014,415 |
| Intangible assets acquired: | |
| Core Technology | 897,249 |
| Developed Technology | 273,796 |
| Strategic Partner Agreement | 629,499 |
| In-Process Research and Development ("IPR&D") | 14,755,908 |
| Total | $ 47,570,867 |



The values assigned to the intangible assets acquired, including the IPR&D, were determined based on fair market value using a risk adjusted discounted cash flow approach. Fair values were then reduced by $6,041,597 of negative goodwill. AVANT is a biotechnology enterprise and its resources are substantially devoted to research and development at the date of the Merger. Management is responsible for determining the fair value of the acquired IPR&D.

Each of AVANT's three significant research and development projects in-process were valued through detailed analysis of product development data concerning the stage of development, time and resources needed to complete the project, expected income-generating ability and associated risks. The value of IPR&D was determined

by estimating the costs to develop the purchased in-process technology into commercially viable products, estimating the net cash flows from such projects and discounting the net cash flows back to their present values. The probability of success and discount rates used for each project take into account the uncertainty surrounding the successful development and commercialization of the purchased in-process technology. The resulting net cash flows for these projects were based on management's best estimates of revenue, cost of sales, research and development costs, selling, general and administrative costs, and income taxes for each project, and the net cash flows reflect assumptions that would be used by market participants.

The significant assumptions underlying the valuations included potential revenues, costs of completion, the timing of product approvals and the selection of appropriate probability of success and discount rates. None of AVANT's IPR&D projects have reached technological feasibility nor do they have any alternative future use. Consequently, in accordance with U.S. GAAP, the amount allocated to IPR&D was charged as an expense in the Company's consolidated financial statements for the quarter ended March 31, 2008. The remaining acquired intangible assets arising from the acquisition are being amortized on a straight line basis over their estimated lives which range from 4.5 to 8 years.

As of March 31, 2008, the technological feasibility of the projects had not yet been reached and no significant departures from the assumptions included in the valuation analysis had occurred. Substantial additional research and development will be required prior to reaching technological feasibility. In addition, each product needs to successfully complete a series of clinical trials and to receive FDA or other regulatory approval prior to commercialization. The Company is also dependent upon the activities of its collaborators in developing, manufacturing and marketing its products. There can be no assurance that these projects will ever reach feasibility or develop into products that can be marketed profitably, nor can there be assurance that AVANT and its collaborators will be able to develop, manufacture and commercialize these products before AVANT's competitors. If these products are not successfully developed and do not become commercially viable, the Company's financial condition and results of operations could be materially affected.

The following unaudited pro forma financial summary is presented as if the operations of AVANT and Celldex were combined as of January 1, 2007. The unaudited pro forma combined results are not necessarily indicative of the actual results that would have occurred had the acquisition been consummated at that date or of the future operations of the combined entities. The following pro forma financial summary includes the charge for in-process research and development, which is a material non recurring charge.

| Three Months Ended March 31, | 2008 | 2007 |
|---|---|---|
| Revenue | $ 1,642,765 | $ 901,081 |
| Net loss | (23,971,415) | (23,780,126) |
| Basic and diluted net loss per share | (1.61) | (1.60) |



**(17) Subsequent Events**

*(A) Pfizer License and Development Agreement*

On April 16, 2008, AVANT and Pfizer entered into a License and Development Agreement (the "Pfizer Agreement") under which Pfizer will be granted an exclusive worldwide license to a therapeutic cancer vaccine candidate, CDX-110, in Phase 2 development for the treatment of glioblastoma multiforme. The Pfizer Agreement also gives Pfizer exclusive rights to the use of EGFRvIII vaccines in other potential indications. Under the Pfizer Agreement, Pfizer will make an upfront payment to AVANT of $40 million and will make a $10 million equity investment in AVANT. Pfizer will fund all development costs for these programs. AVANT is also eligible to receive milestone payments exceeding $390 million for the successful development and commercialization of CDX-110 and additional EGFRvIII vaccine products, as well as royalties on any product sales. The Pfizer Agreement is subject to approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) and is expected to close in the second quarter of 2008.

*(B) Resignation of Dr. Una S. Ryan, Ph.D.*

On May 14, 2008, AVANT announced the departure of Una S. Ryan, Ph.D, President and CEO, effective immediately thereafter. Anthony S. Marucci, then the Executive Vice President of the Company, became interim CEO and will serve until a permanent successor is announced. The nominating and corporate governance committee of the Company's board of directors will commence a search process which will include a review of internal and external candidates.



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

*There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statements made by AVANT. These factors include, but are not limited to: (1) the successful post-merger integration of the business, multiple technologies and programs; (2) the ability to adapt AVANT's APC Targeting Technology™ to develop new, safe and effective vaccines against oncology and infectious disease indications; (3) the ability to adapt AVANT's vectoring systems to develop new, safe and effective orally administered vaccines against disease causing agents; (4) the ability to successfully complete product research and further development, including animal, pre-clinical and clinical studies, and commercialization of CDX-110, CDX-1307, CholeraGarde® (Peru-15), Ty800, ETEC E. coli vaccine, and other products and AVANT's expectations regarding market growth; (5) the cost, timing, scope and results of ongoing safety and efficacy trials of CDX-110, CDX-1307, CholeraGarde® (Peru-15), Ty800, ETEC E. coli vaccine and other preclinical and clinical testing; (6) the ability to negotiate strategic partnerships or other disposition transactions for AVANT's cardiovascular programs, including TP10 and CETi; (7) the ability of AVANT to manage multiple clinical trials for a variety of product candidates; (8) the volume and profitability of product sales of Megan® Vac 1, Megan® Egg and other future products; (9) 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, GlaxoSmithKline or Glaxo; (10) 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; (11) AVANT's expectations regarding its technological capabilities and expanding its focus to broader markets for vaccines; (12) changes in existing and potential relationships with corporate collaborators; (13) the availability, cost, delivery and quality of clinical and commercial grade materials produced at AVANT's own manufacturing facility or supplied by contract manufacturers and partners; (14) the timing, cost and uncertainty of obtaining regulatory approvals; (15) AVANT's ability to develop and commercialize products before competitors that are superior to the alternatives developed by such competitors; (16) AVANT's ability to retain certain members of management;(17) AVANT's expectations regarding research and development expenses and general and administrative expenses; (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) the ability to obtain substantial additional funding; (20) AVANT's belief regarding the validity of its patents and potential litigation; (21) Pfizer's and AVANT's strategy and business plans concerning the continued development and commercialization of CDX-110; and (22) certain other factors that might cause AVANT's actual results to differ materially from those in the forward-looking statements including those set forth under the headings "Business," "Risk Factors" and*

*Management's Discussion and Analysis of Financial Condition and Results of Operations" in AVANT's annual report on Form 10-K for the year ended December 31, 2007 and other reports that Avant files 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**

As used herein, the terms "we," "us," "our," the "Company", or "AVANT" refer to AVANT Immunotherapeutics, Inc., a Delaware corporation organized in 1983 and its subsidiaries: Celldex Therapeutics, Inc. ("Celldex"), Celldex Therapeutics, Ltd. ("Celldex Ltd") and Megan Health, Inc. ("Megan"). AVANT's principal activity since our inception has been research and product development conducted on our own behalf, as well as through joint development programs with several pharmaceutical companies and other collaborators.

**CRITICAL ACCOUNTING POLICIES**

The Company's critical accounting policies are set forth in Note 2 to these unaudited consolidated financial statements and under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 to our 2007 Form 10-K. There have been no changes in these policies since December 31, 2007.

**OVERVIEW**

We are a biopharmaceutical company that uses novel applications of immunology to develop products for the prevention and treatment of diseases. We are developing a broad portfolio of vaccines and targeted immunotherapeutics addressing a wide range of applications including oncology, infectious and inflammatory diseases. These include therapeutic cancer vaccines, monoclonal antibodies, single-dose, oral vaccines that protect against important disease-causing infectious agents and a treatment to reduce complement-mediated tissue damage. We are advancing a robust pipeline of clinical and preclinical product candidates, the most advanced of which are for treatment of various cancers. Our lead programs are therapeutic cancer vaccines designed to instruct the patient's immune system to recognize and destroy cancer cells.

Our strategy is to demonstrate proof-of-concept for our product candidates before leveraging their value through partnerships or, in appropriate situations, continuing late stage development ourselves. Demonstrating proof-of-concept for a product candidate generally involves bringing it through Phase 1 clinical trials and one or more Phase 2 clinical trials so that we are able to demonstrate, based on human trials, good safety data for the product candidate and some data indicating its effectiveness. Our current collaborations encompass the commercialization of an oral human rotavirus vaccine, the development of oral cholera, typhoid fever, ETEC and HIV vaccines, and vaccines addressed to human food safety and animal health. Our product candidates address large market opportunities for which we believe current therapies are inadequate or non-existent.

We are 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. We thus leverage the value of its technology portfolio through corporate, governmental and non-governmental partnerships. This approach allows us to maximize the overall value of its technology and product portfolio while best ensuring the expeditious development of each individual product.

On March 7, 2008, We closed the merger (the" Merger") contemplated by the Agreement and Plan of Merger dated October 19, 2007 by and among AVANT, Callisto Merger Corporation ("Merger Sub"), a wholly owned subsidiary of AVANT, and Celldex (the "Merger Agreement"). Pursuant to the terms of the Merger Agreement, Merger Sub merged with and into Celldex, with Celldex as the surviving company and a wholly-owned subsidiary of AVANT. The total value of the transaction was approximately $75 million. Approximately 8.7 million shares were issued to the former Celldex shareholders in connection with the Merger. The Merger created a NASDAQ-listed, fully-integrated and diversified biopharmaceutical company with a deep pipeline of product candidates addressing high-value indications including oncology, infectious and inflammatory diseases. Celldex and AVANT shareholders own 58% and 42% of the combined company on a fully diluted basis, respectively.

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



The Merger was accounted for using the purchase method of accounting and was treated as an acquisition by Celldex of AVANT with Celldex being considered the accounting acquirer based on the application of criteria specified in Statement of Financial Accounting Standards "SFAS" No. 141, *Business Combinations*, ("SFAS 141"), even though AVANT was the issuer of common stock and the surviving legal entity in the transaction. Under the purchase method of accounting, the deemed purchase price was allocated to AVANT's underlying tangible and identifiable intangible assets acquired and liabilities assumed based upon their respective fair values with any excess deemed purchase price allocated to goodwill. However, the valuation analysis conducted by the Company determined that the fair value of assets acquired and the fair value of liabilities assumed by Celldex exceeded the estimated purchase price for AVANT, resulting in negative goodwill of approximately $6.0 million. In accordance with SFAS 141, the negative goodwill has been allocated to all of the acquired assets which are non-financial and non-current assets, including property and equipment, identifiable intangible assets, and in-process research and development. See Note 17 to the Company's consolidated financial statements for additional information.

Because Celldex was determined to be the acquirer for accounting purposes, the historical financial statements of Celldex became the historical financial statements of the Company. Accordingly, the financial statements of the Company prior to the Merger reflect the financial position, results of operations and cash flows of Celldex, which, during the historical periods presented in the accompanying consolidated financial statements, was majority-owned by Medarex, Inc. ("Medarex"). Following the Merger, the financial statements of the current period reflect the financial position, results of operation and cash flows of the Company. The results of operations of AVANT are included in the results of operations of the Company beginning March 8, 2008. Accordingly, except as otherwise discussed below, this report reflects the financial condition, results of operations and liquidity of the Company at March 31, 2008 and historically of Celldex on a stand-alone basis for all periods prior to March 8, 2008. The financial condition, results of operations and liquidity of the Company as of the quarters ended March 31, 2008 and 2007 may not be indicative of the Company's future performance or reflect what the Company's financial conditions, results of operations and liquidity would have been had the Merger been consummated as of January 1 of each respective year or had the Company operated as a separate, stand-alone entity during the periods presented.

**RESEARCH AND DEVELOPMENT ACTIVITIES**

Our products are derived from a broad set of complementary technologies which have the ability to utilize the human immune system and enable the creation of preventative and therapeutic agents. We are using these technologies to develop vaccines and targeted immunotherapeutics that prevent or treat disease caused by infectious organisms, and treatment vaccines that modify undesirable activity by the body's own proteins or cells. A number of our immunotherapeutic and vaccine product candidates

are in various stages of clinical trials. We expect that a large percentage of our research and development expenses will be incurred in support of our current and future clinical trial programs. Below is a table of our currently active programs:

**CURRENT PROGRAMS AND PARTNERSHIPS**

| Technology | Product | Indication/Field | Partner | Status |
|---|---|---|---|---|
| **ONCOLOGY** | CDX-110 | Glioblastoma Multiforme | Pfizer | Phase 2b/3 |
| | CDX-1307 | Colorectal, Bladder, Pancreas, Ovarian and Breast Tumors | — | Phase 1 |
| | CDX-1401 | Solid Tumors | — | Pre-clinical |
| **INFECTIOUS DISEASE** | CholeraGarde® | Cholera | IVI | Phase 2b |
| | Ty800 | Typhoid fever | NIH | Phase 2 |
| | ETEC | Enterotoxigenic *E coli* infection | NIH | Pre-clinical |
| | Paratyphoid | Paratyphoid fever | — | Pre-clinical |
| | CDX-2401 | HIV | Rockefeller University | Pre-clinical |
| **INFLAMMATORY DISEASE** | TP10 | Transplantation | — | Phase 2 |
| | | AMD | — | Pre-clinical |



| | | | | |
|---|---|---|---|---|
| **MARKETED PRODUCTS** | Rotarix® | Rotavirus infection Salmonella | GlaxoSmithKline | Marketed |
| | Megan®Vac 1 | infection in chicken | Lohmann | Marketed |
| | Megan®Egg | Salmonella infection in laying hens and eggs | Lohmann | Marketed |

**PROGRAM DEVELOPMENTS**

**A. Cancer Vaccine Development Programs**

*CDX-110:* Our lead clinical development program, CDX-110, is a peptide-based immunotherapy that targets the tumor specific molecule called EGFRvIII, a functional variant of the naturally expressed epidermal growth factor receptor ("EGFR"), a protein which has been well validated as a target for cancer therapy. Unlike EGFR, EGFRvIII is not present in normal tissues, and has been shown to be a transforming oncogene that can directly contribute to the cancer cell growth.

EGFRvIII is commonly present in glioblastoma multiforme, or GBM, the most common and aggressive form of brain cancer, and has also been observed in various other cancers such as breast, ovarian, prostate, colorectal, and head & neck cancers. We are currently pursuing the development of CDX-110 for GBM therapy, and plan to expand the clinical development into other cancers through additional clinical studies.

Initial clinical development of EGFRvIII immunotherapy was led by collaborating investigators at the Brain Tumor Center at the Duke Comprehensive Cancer Center and at the M.D. Anderson Cancer Center in Houston, Texas. The results from Phase 1 and Phase 2a studies, 16 and 23 patients, respectively, have demonstrated a significant increase in the time to disease progression (greater than 113%) in the patients who were vaccinated, and also in overall survival rates (greater than 100%), both relative to appropriately matched historical controls. AVANT believes that the therapy has been well tolerated, and significant immune responses to EGFRvIII were generated in many patients. An extension of the Phase 2a program at the same two institutions has enrolled 18 additional GBM patients treated with standard of care. The preliminary data support the observations from the previous studies. Independently, active immunotherapy for EGFRvIII in prostate and ovarian cancer patients has been conducted in a Phase 1 trial at the University of Washington.

We initiated a Phase 2b/3 randomized study of CDX-110 combined with standard of care, temozolomide, versus standard of care alone in patients with GBM in May 2007, we intend to open a total of 29 sites in the United States and Canada during 2008. The FDA has granted orphan drug designation for CDX-110 for the treatment of EGFRvIII expressing GBM as well as fast track designation.

On April 16, 2008, AVANT and Pfizer, Inc. ("Pfizer") entered into a License and Development Agreement (the "Pfizer Agreement") under which Pfizer will be granted an exclusive worldwide license to CDX-110. The Pfizer Agreement also gives Pfizer exclusive rights to the use of EGFRvIII vaccines in other potential indications. Under the Pfizer Agreement, Pfizer will make an upfront payment to AVANT of $40 million and will make a $10 million equity investment in AVANT. Pfizer will fund all development costs for these programs. AVANT is also eligible to receive milestone payments exceeding $390 million for the successful development and commercialization of CDX-110 and additional EGFRvIII vaccine products, as well as royalties on any product sales. The Pfizer Agreement is subject to approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) and is expected to close in the second quarter of 2008.

*CDX-1307:* AVANT has developed an APC Targeting Technology™ that utilizes fully human monoclonal antibodies to directly target specialized types of immune system cells, known as antigen presenting cells. AVANT is advancing several clinical and preclinical product candidates that use APC Targeting Technology™ to manipulate critical types of antigen presenting cells, known as dendritic cells and macrophages, which are key cells within the immune system. Because these cells are largely responsible for initiating the immune system's disease-fighting mechanisms, AVANT believes that product candidates using AVANT's technology will create more potent immune responses than standard vaccination strategies.



AVANT's lead APC Targeting Technology™ product candidate, CDX-1307, is in development for the treatment of epithelial tumors such as colorectal, pancreatic, bladder, ovarian and breast cancers. CDX-1307 targets the beta chain of human chorionic gonadotropin, known as hCG-b, which is an antigen often found in epithelial tumors. The presence of hCG-b in these cancers correlates with a poor clinical outcome, suggesting that this molecule may contribute to tumor growth. Normal adult tissues have minimal expression of hCG-b; therefore, targeted immune responses are not expected to generate significant side effects.

Thirty-five (35) patients with epithelial cancers have been treated in Phase 1 clinical trials of CDX-1307 at the Duke Comprehensive Cancer Center. The immunotherapy has been well tolerated, and one patient with pancreatic cancer demonstrated a reduction in tumor burden, with only minor adverse events observed (reddening at the injection site). The investigators at the Duke Comprehensive Cancer Center were awarded a two year $500,000 grant from the Avon Foundation and the National Cancer Institute to support Phase 1 work in breast cancer. The safety of CDX-1307 in combination with defined immune stimulators will next be evaluated with intent to enter Phase 2 research in 2009.

*CDX-1401:* AVANT is developing CDX-1401, another APC-Targeting vaccine, for treatment of malignant melanoma and a variety of solid tumors which express the proprietary cancer antigen NY-ESO-1, which AVANT licensed from the Ludwig Institute for Cancer Research in 2006. AVANT believes that preclinical studies have shown that CDX-1401 is effective for activation of human T-cell responses against NY-ESO-1. Further preclinical studies and manufacturing process optimization are in progress, with an IND filing planned for the fourth quarter of 2008.

**B. Infectious Disease Development Programs**

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.

*CholeraGarde® Vaccine:* 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, India and Thailand beginning in the second half of 2008 followed by Phase 3 field studies. IVI will be purchasing clinical materials produced at AVANT's Fall River, MA manufacturing facility for the trials.

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 its 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.

*Ty800 Typhoid Fever Vaccine:* AVANT has developed an oral vaccine to offer rapid, single-dose protection against *Salmonella typhi*, the cause of typhoid fever. Ty800 is targeted for both the travelers' market and global health needs. In 2006, the National Institute of Allergy and Infectious Disease ("NIAID") of the National Institutes of Health ("NIH") initiated a Phase 1/2 in-patient dose-ranging clinical trial aimed at demonstrating the safety and immunogenicity of the Ty800 typhoid fever vaccine. NIAID funded the production of Ty800 vaccine for clinical testing and completed the Phase 1/2 trial at a NIH-funded clinical site in 2007. Results showed the single-dose, oral vaccine to be well tolerated and immunogenic, with over 90% of vaccinated subjects generating immune responses. AVANT initiated its own sponsored Phase 2 trial of Ty800 in July 2007. Preliminary results reported in April 2008 from the study showed that the single-dose, oral vaccine was well tolerated and immunogenic, demonstrating that the desired immune response was achieved. Incidence of reactogenicity symptoms and adverse events post-vaccination were similar to placebo. Importantly, immunogenic response was dose-dependent. Positive immune response or seroconversion (prospectively defined as a 4-fold increase in anti-LPS titers over



pre-dose level) rates were 65.5% (36/55) and 80% (44/55) in the low and high dose groups, respectively, and was significantly ($p<0.001$) higher than placebo.

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

*CDX-2401:* AVANT is also using its APC Targeting Technology™ to develop vaccines against infectious disease. The lead program is CDX-2401, an APC-Targeting prophylactic vaccine, aimed at providing protection from infection with HIV, the virus known to cause AIDS. This program is in a Bill & Melinda Gates Foundation funded partnership with collaborators at Rockefeller University in New York City, who have shown in model systems that protective immunity can be induced with such a vaccine. Preclinical studies and manufacturing development are in progress and AVANT, with its collaborators, plans to initiate Phase 1 clinical studies in the first half of 2009.

**C. Inflammatory Disease Programs**

*TP10:* We have been developing a new class of immunotherapeutics that inhibit a part of the immune system called the complement system. The complement system is a series of proteins that are important initiators of the body's acute inflammatory response against disease, infection and injury. Excessive complement activation also plays a role in some persistent inflammatory conditions. Our lead compound, TP10, a soluble form of naturally occurring Complement Receptor 1, has effectively shown to inhibit the activation of the complement cascade in animal models and in human clinical trials. We believe that regulating the complement system could have therapeutic and prophylactic applications in several acute and chronic conditions, including reperfusion injury from surgery or ischemic disease, organ transplant, multiple sclerosis, rheumatoid arthritis, age-related macular degeneration ("AMD"), and myasthenia gravis. AVANT is currently spending limited resources on this program and is seeking a corporate partner to complete the development and commercialization of TP10.

**D. Marketed Products**

*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 was subsequently launched in additional Latin American and Asian Pacific countries during 2005 – 2007. 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. On April 3, 2008, Rotarix® received approval from the FDA for the prevention of rotavirus gastroenteritis in infants. FDA approval triggered a $1.5 million milestone payment from Glaxo. 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. 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 10(A) of our unaudited consolidated financial statements). To date, AVANT has received $50 million in milestone payments under the PRF agreement. The PRF agreement provides for a $10 million milestone payment to AVANT if Rotarix® is launched in the United States in 2008. AVANT expects to achieve this milestone in the second half of 2008. Also under the PRF agreement, AVANT has retained 50% of any Glaxo milestone payments received 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.

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.

*Megan®Vac 1 and Megan®Egg Vaccines:* On December 1, 2000, AVANT acquired all of the outstanding capital stock of Megan. Megan has commercialized three veterinary vaccines; Argus™ SC, licensed by the United States Department of Agriculture ("USDA") in March 1998 and marketed by Intervet, Inc., and Megan®Vac 1 and Megan®Egg, licensed by the USDA in November 1998 and 2003, respectively, and marketed by Lohmann Animal Health International ("LAHI"). Because AVANT's focus is on human health care, in September 2002, we appointed LAHI as the exclusive distributor of our Megan Health poultry vaccines in North America. LAHI performs all marketing and distribution act ivities of Megan's marketed products for the commercial poultry market and pays us product royalties.

**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 entered into a licensing agreement in December 2000 with Pfizer's Animal Health Division 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. Under the Pfizer 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.

**RESULTS OF OPERATIONS**

**Three-Month Period Ended March 31, 2008 as Compared with the Three-Month Period Ended March 31, 2007**

AVANT reported a consolidated net loss of $22,130,602, or $2.19 per share, for the first quarter ended March 31, 2008, compared with a net loss of $4,032,403, or $0.49 per share, for the first quarter ended March 31, 2007. The net loss for the quarter ended March 31, 2008 includes a one-time non-cash charge of $14,755,908 for purchased in-process research and development related to the Merger which closed in March 2008. The weighted average common shares outstanding used to calculate net loss per common share was 10,127,435 in 2008 and 8,309,420 in 2007.

*Revenue:* Total revenue increased to $147,398 for the first quarter of 2008 compared to $144,040 for the first quarter of 2007.

Product development and licensing revenue increased to $119,864 in 2008 from $116,538 in 2007 due to the receipt of reimbursed patent expense by AVANT's partner, Pfizer. For the three months ended March 31, 2008 and 2007, the Company recognized $116,538 of revenue under the Corixa termination agreement.

Under an SBIR grant, AVANT recognized $27,534 in government contract and grant revenue during the first quarter of 2008 for work performed. AVANT received SBIR grant revenue from Medarex of $27,502 in the first quarter of 2007.



*Operating Expense:* Total operating expense increased to $22,324,334 for the first quarter of 2008 compared to $4,347,175 for the first quarter of 2007. Operating expense for 2008 includes a one-time non-cash charge charge of $14,755,908 for purchased in-process research and development related to the Merger in March 2008.

Research and development expense increased $1,697,409 to $4,486,774 from $2,789,365 in 2007. The increase in the first quarter of 2008 compared to the first quarter of 2007 was primarily due to increases in clinical trial costs of $921,025 and stock-based compensation of $781,371. AVANT expects research and development expense to increase during the remainder of 2008 as a result of the Merger with Celldex.

General and administrative expense increased $1,504,181 to $3,032,758 in the first quarter of 2008 compared to $1,528,577 in the first quarter of 2007 and was primarily attributed to increases in professional services costs of $213,542 primarily related to the Celldex merger transaction and increases in consulting expenses of $477,732, offset by lower personnel and related costs of $322,834. AVANT expects general and administrative expense to increase during the remainder of 2008 as a result of the Merger with Celldex.

Amortization expense of acquired intangible assets was $48,894 and $29,233 in 2008 and 2007, respectively.

*Investment and Other Income, Net:* Interest and other income decreased $124,479 to $46,254 for the first quarter of 2008 compared to $170,733 for the first quarter of 2007. The decrease was due to lower average cash balances and lower interest rates during the first quarter of 2008 compared to the first quarter of 2007.

**LIQUIDITY AND CAPITAL RESOURCES**

At March 31, 2008, AVANT's principal sources of liquidity consisted of cash and cash equivalents of $11,418,544. 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.

Net cash used in operating activities was $4,516,738 for the first three months of 2008 compared to $2,469,525 for the first three months of 2007. The increase in net cash used in operating activities was primarily attributed to the increase in net loss incurred as a result of the Company's Merger with Celldex in the first quarter of 2008 compared to the first quarter of 2007, partially offset by a non-cash charge for acquired in-process research and development of $14.8 million (see Note 16). AVANT expects that cash used in operations will increase in the remainder of 2008.

Cash provided by investing activities was $10,947,322 for the first three months of 2008 compared to cash used in investing activities of $58,517 for the first three months of 2007. The change in amounts between years primarily reflects the impact of the Merger.

Net cash provided by financing activities was $128,856 for the first three months of 2008 compared to $71,489 for the first three months of 2007. The increase in net cash used in financing activities was primarily due to increases in the related party loan due to Medarex and payments of long-term liabilities.

On April 16, 2008, AVANT and Pfizer entered into an agreement under which Pfizer will be granted an exclusive worldwide license to a therapeutic cancer vaccine candidate, CDX-110, in Phase 2 development for the treatment of glioblastoma multiforme. The agreement also gives Pfizer exclusive rights to the use of EGFRvIII vaccines in other potential indications. Under the licensing and development agreement, Pfizer will make an upfront payment to AVANT of $40 million and will make a $10 million equity investment in AVANT. Pfizer will fund all development costs for these programs. AVANT is also eligible to receive milestone payments exceeding $390 million for the successful development and commercialization of CDX-110 and additional EGFRvIII vaccine products, as well as royalties on any product sales. The agreement is subject to approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) and is expected to close in the second quarter of 2008.

On April 3, 2008, Rotarix® received FDA market approval for the prevention of rotavirus gastroenteritis in infants which triggered a $1.5 million milestone payment to AVANT from Glaxo, $750,000 of which AVANT has retained under AVANT's agreement with PRF. Rotarix® is now licensed in over 100 countries worldwide including the U.S. and the European Union. The market launch of Rotarix® by Glaxo in the U.S. market would result in a $10 million milestone payment to AVANT from PRF, which AVANT expects in the second half of 2008.

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



**AGGREGATE CONTRACTUAL OBLIGATIONS**

The following table summarizes AVANT's contractual obligations at March 31, 2008 and the effect such obligations and commercial commitments are expected to have on its liquidity and cash flow in future years. These obligations, commitments and supporting arrangements represent payments based on current operating forecasts, which are subject to change:

| | Total | 2008 | 2009-2011 | 2012-2013 | Thereafter |
|---|---|---|---|---|---|
| Contractual obligations: | | | | | |
| Operating lease obligations | $ 20,467,800 | $ 1,567,100 | $ 7,048,600 | $ 4,414,200 | $ 7,437,900 |
| Loan Payable* | 1,279,300 | 89,600 | 377,500 | 228,900 | 583,300 |
| Note Payable* | 519,800 | 118,100 | 401,700 | ¾ | ¾ |
| Licensing obligations | 1,330,000 | 75,000 | 465,000 | 310,000 | 480,000 |
| R&D obligations | 74,100 | 74,100 | ¾ | ¾ | ¾ |
| Restructuring costs | 58,200 | 58,200 | ¾ | ¾ | ¾ |
| Severance obligations | 2,310,000 | 2,246,700 | 63,300 | ¾ | ¾ |
| Construction contract | 401,800 | 401,800 | ¾ | ¾ | ¾ |
| Total contractual obligations | $ 26,441,000 | $ 4,630,600 | $ 8,356,100 | $ 4,953,100 | $ 8,501,200 |
| | | | | | |
| Commercial commitments: | | | | | |
| Clinical development | $ 10,452,300 | $ 5,445,500 | $ 5,006,800 | $ — | $ — |
| Total commercial commitments | $ 10,452,300 | $ 5,445,500 | $ 5,006,800 | $ — | $ — |

* includes interest obligations

In the future, we may owe royalties and other Contingent payments to our licensors based on the achievement of developmental milestones, product sales and specified other objectives. These potential future obligations are not included in the above table.



**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, 2008 due to the short-term maturities of these instruments.

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

AVANT, the registrant, maintains disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by AVANT in its reports that it files and submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within time periods specified by the SEC's rules and forms, and that such information is accumulated and communicated to its management, including its interim Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rule 13a 15 under the Securities Exchange Act of 1934 (the "Exchange Act"), as of March 31, 2008, we carried out an evaluation under the supervision and with the participation of our management, including our interim Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the quarter ended March 31, 2008. In designing and evaluating our disclosure controls and procedures, we and our 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 our management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures.

Based upon that evaluation, our interim Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2008, as a result of the material weaknesses discussed below, our disclosure controls and procedures were not effective

*Changes in Internal Control Over Financial Reporting.*

On October 22, 2007, AVANT and Celldex Therapeutics, Inc. ("Celldex"), a privately-held company, announced the signing of a definitive Agreement and Plan of Merger, dated October 19, 2007, by and between AVANT, Callisto Merger Corporation ("Merger Sub") and Celldex (the "Merger Agreement"). On March 7, 2008, AVANT completed the merger of Merger Sub, a wholly owned subsidiary of AVANT, with and into Celldex (the "Merger"). The Merger with Celldex was accounted for using the purchase method of accounting and was treated for accounting purposes as an acquisition by Celldex of AVANT with Celldex being considered the "accounting acquirer" based on the application of criteria specified in Statement of Financial Accounting Standards "SFAS" No. 141, Business Combination, ("SFAS 141"), even though AVANT was the issuer of common stock and the surviving legal entity and registrant in the transaction. Because Celldex was determined to be the acquirer for accounting purposes, the historical financial statements of Celldex, which had prior to the Merger been a privately-held company, became the historical financial statements of the Company. Accordingly, the financial statements of the Company prior to the Merger reflect the financial position, results of operations and cash flows of Celldex only, which during the historical periods presented in the accompanying consolidated financial statements, was then a privately-held company which was majority-owned by Medarex, Inc. ("Medarex"). Following the Merger, the financial statements of the current period reflect the financial position, results of operation and cash flows of the Company. The results of operations of AVANT are included in the results of operations of the Company beginning March 8, 2008.

The Merger with Celldex resulted in a change that has materially affected, or is reasonably likely to materially affect, the combined Company's internal control over financial reporting (as defined in Rules 13a 15(f) and 15d 15(f) under the Exchange Act) during the period covered by this Quarterly Report on Form 10 Q.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. As of March 31, 2008,



management has identified the following material weaknesses in the Company's internal control over financial reporting:

- Celldex did not maintain an effective segregation of duties. Specifically, certain authority and responsibility were not appropriately assigned and delegated to employees within the organization.

- Celldex did not maintain an effective control over financial statement closing process. Specifically, Celldex did not maintain formal, written policies and procedures governing the financial close and reporting process to ensure an accurate and timely financial statement closing process. This control deficiency resulted in misstatements to employee benefit expense, research and development expense and accrued liability accounts and related financial disclosures.

Additionally, the above control deficiencies could result in misstatements of financial statement accounts and disclosures that would results in a material misstatement of the consolidated financial statements that would not be prevented or detected.

*Remediation of Material Weakness*

Management is in the process of reviewing and, as necessary, revising its assignment of authority and responsibility as well as its policies and procedures with respect to its controls over the financial statement closing process to ensure that all reasonable steps will be taken to correct this material weakness. As part of this process, management expects the Merger with AVANT to facilitate the remediation of material weaknesses and enhancement of internal controls as the accounting function for Celldex has now been assumed by AVANT, which has a larger accounting staff and experience in the requirements applicable to publicly-traded companies. The deficiencies will not be considered remediated until the AVANT internal controls are operational for a sufficient period of time and are tested, and management has concluded that the controls are designed and operating effectively.



**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, 2007, 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.

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

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

At the Special Meeting of Stockholders, the following votes were tabulated for the proposal before AVANT's Stockholders:

PROPOSAL I

To issue shares of AVANT common stock pursuant to the Merger Agreement in the amount necessary to result in the Celldex stockholders owning 58% of AVANT common stock on a fully diluted basis.

| For | Against | Abstain |
|---|---|---|
| 37,356,519 | 1,695,943 | 133,474 |

PROPOSAL II

To amend AVANT's Third Restated Certificate of Incorporation to increase the number of authorized shares to 300,000,000.

| For | Against | Abstain |
|---|---|---|
| 59,288,137 | 4,376,122 | 452,541 |

PROPOSAL III

To amend AVANT's Third Restated Certificate of Incorporation to effect a reverse stock split in a ratio ranging from one-for-twelve to one-for-twenty of all the issued and outstanding shares of AVANT common stock, the final ratio to be determined within the discretion of the AVANT board of directors.

| For | Against | Abstain |
|---|---|---|
| 58,934,582 | 4,833,582 | 348,636 |

PROPOSAL IV

To approve the 2008 Stock Option and Incentive Plan.

| For | Against | Abstain |
|---|---|---|
| 31,606,375 | 7,229,463 | 350,096 |

The number of shares issued, outstanding and eligible to vote as of the record date of Janaury 17, 2008 was 74,190,677. A quorum was present at the Special Meeting of Stockholders with 64,116,800 shares represented by proxies or 86.42% of the eligible voting shares.



**Item 6. Exhibits**

| | |
|---|---|
| 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 | 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. |
| 3.5 | Fourth Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT, incorporated by reference to Exhibit 3.1 of AVANT's Current Report on Form 8-K, filed on March 11, 2008 with the Securities and Exchange Commission. |
| 3.6 | Fifth Certificate of Amendment of Third Restated Certificate of Incorporation of AVANT, incorporated by reference to Exhibit 3.2 of AVANT's Current Report on Form 8-K, filed on March 11, 2008 with the Securities and Exchange Commission. |
| 4.3 | Amendment No. 2 to Shareholder Rights Agreement dated November 5, 2004, between AVANT and Computershare Trust Company, N.A. (formerly EquiServe Trust Company, N.A.), as Rights Agent, incorporated by reference to Exhibit 10.1 of AVANT's Registration Statement on Form 8-A1G/A, filed on March 7, 2008 with the Securities and Exchange Commission. |
| 10.1 | License and Development Agreement, dated as of April 16, 2008, between Celldex Therapeutics, Inc. and Pfizer Vaccines LLC.* |
| *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 |

| | |
|---|---|
| * | Portions of this document have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment in accordance with Rule 24b-2 of the Securities Exchange Act of 1934 as amended. |
| ** | Filed herewith. |
| *** | Furnished herewith. |



**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:

/s/ ANTHONY S. MARUCCI

Dated: May 19, 2008

Anthony S. Marucci
Interim President and Chief Executive Officer
(Principal Executive Officer)

/s/ AVERY W. CATLIN

Dated: May 19, 2008

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



**EXHIBIT INDEX**

| Exhibit No. | Description |
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| **32.1 | Section 1350 Certifications |

* Portions of this document have been omitted and filed separately with the securities and Exchange Commission pursuan to a request for confidential treatment in accordance with Rule 24b-2 of the securities Exchange Act of 1934 as amended.

** Filed herewith.

*** Furnished herewith.

**Exhibit 10.1**

***Execution Copy***

[*CONFIDENTIAL TREATMENT HAS BEEN REQUESTED AS TO CERTAIN PORTIONS OF THIS DOCUMENT. EACH SUCH PORTION, WHICH HAS BEEN OMITTED HEREIN AND REPLACED WITH AN ASTERISK [*], HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.]

# License and Development Agreement

**dated as of April 16, 2008**

**between**

**Celldex Therapeutics, Inc.**

**and**

**Pfizer Vaccines LLC**

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EXHIBITS AND SCHEDULES

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| Schedule 9.1(c) | PATENT REPRESENTATIONS AND WARRANTIES |
| Schedule 9.1(f) | CELLDEX RESEARCH ARRANGEMENTS |
| Schedule 13.1 | CELLDEX INDEMNIFICATION |

LICENSE AND DEVELOPMENT AGREEMENT

This License and Development Agreement (this "Agreement") dated as of April 16, 2008 between Celldex Therapeutics, Inc., a Delaware corporation and wholly-owned subsidiary of Avant Immunotherapeutics, Inc., a Delaware corporation ("Avant"), with offices located at 222 Cameron Drive, Suite 400, Phillipsburg, New Jersey 08865 ("Celldex"), and Pfizer Vaccines LLC, a Delaware limited liability company with offices located at 235 East 42nd Street, New York, New York 10017-5755 ("Pfizer").

WHEREAS, Celldex owns or otherwise controls certain patents, patent applications, technology, know-how and scientific and technical information relating to an EGFRvIII mutant peptide comprising the amino acid sequence *;

WHEREAS, Pfizer has extensive experience and expertise in the development and commercialization of pharmaceutical products, and desires to acquire an exclusive license in the Territory (as defined below) to such patents, patent applications, technology, know-how and scientific and technical information; and

WHEREAS, Celldex desires to grant such license to Pfizer;

NOW, THEREFORE, in consideration of the mutual covenants and agreements provided herein, Celldex and Pfizer hereby agree as follows:

**Section 1. DEFINITIONS.**

For purposes of this Agreement, the following definitions shall be applicable:

1.1. "Action" shall have the meaning assigned to it in Section 9.1(m).

1.2. "Additional Component" means a therapeutically active (alone or in combination) *. Additional Component shall not include an inactive * component.

1.3. "Affiliate" means any entity directly or indirectly controlled by, controlling, or under common control with, a party to this Agreement, but only for so long as such control shall continue. For purposes of this definition, "control" (including, with correlative meanings, "controlled by", "controlling" and "under common control with") means (a) possession, direct or indirect, of the power to direct or cause direction of the management or policies of an entity (whether through ownership of securities or other ownership interests, by contract or otherwise), or (b) beneficial ownership of at least 50% of the voting securities or other ownership interest (whether directly or pursuant to any option, warrant or other similar arrangement) or other comparable equity interests of an entity.

1.4. *.

1.5. "* Supply Agreement" means the Supply Agreement, dated *, by and between Celldex and *.

1.6. "BLA" means a Biologics License Application filed with the FDA in accordance with the PHSA with respect to a biologic product, an analogous application or filing with the FDA (such as a New Drug Application or NDA), where such filing would be proper, for the purpose of obtaining approval to market and sell a pharmaceutical product in the United States, or an analogous application or filing with any Regulatory Authority outside of the United States (including any supra-national agency such as the European Union) for the purpose of obtaining approval to market and sell a pharmaceutical product in such jurisdiction.

1.7. "Business Day" means a day other than a Saturday, Sunday or bank or other public holiday in New York, New York.

1.8. "CDX-110" means the EGFRvIII mutant peptide consisting of the amino acid sequence *.

1.9. "Celldex Confidential Information" means all information owned or otherwise controlled by Celldex relating to Compounds, Licensed Products or Diagnostic Assays, including Celldex Technology, as well as any other information regarding the business and operations of Celldex, that is or has been disclosed (whether orally or in writing) by Celldex to Pfizer or its Affiliates to the extent that such information is not (a) as of the date of disclosure to Pfizer, known to Pfizer or its Affiliates; or (b) disclosed in published literature, or otherwise generally known to the public through no breach by Pfizer of this Agreement; or (c) obtained by Pfizer or its Affiliates from a Third Party free from any obligation of confidentiality to Celldex; or (d) independently developed by Pfizer or its Affiliates without use of the Celldex Confidential Information; or (e) in the reasonable opinion of legal counsel, required to be disclosed under Law; provided that, in the case of (e), Pfizer provides Celldex prior notice (to the extent practicable) of such disclosure and agrees to cooperate, at the request and sole expense of Celldex, with Celldex's efforts to preserve the confidentiality of such information.

1.10. "Celldex Controlled Patent Rights" shall have the meaning assigned to it in Section 7.3(c).

1.11. "Celldex Indemnified Parties" shall have the meaning assigned to it in Section 13.1(b).

1.12. "Celldex Indemnified Party" shall have the meaning assigned to it in Section 13.1(b).

1.13. "Celldex Patent Rights" means: (a) all Patent Rights owned or otherwise controlled by Celldex as of the Effective Date that relate to a Compound, Licensed Product or Diagnostic Assay, including the Patent Rights listed in Exhibit A; and (b) all Patent Rights owned or otherwise controlled by Celldex during the Term (other than Patent Rights owned or otherwise controlled by Celldex as of the Effective Date) that are necessary or reasonably useful for the research, development, making, having made, use, sale, offer for sale, supply, causing to be supplied or importation of a Compound, Licensed Product or Diagnostic Assay. With respect to the Celldex Controlled Patent Rights, Celldex's rights and interests in such Celldex Controlled Patent Rights as of the Effective Date are subject to the limitations set forth in the Third Party Licenses as in effect as of the Effective Date.



1.14. "Celldex Research Arrangements" shall have the meaning assigned to it in Section 9.1(f).

1.15. "Celldex Sole Inventions" shall have the meaning assigned to it in Section 7.1(a)(ii).

1.16. "Celldex Sole Patent Rights" shall have the meaning assigned to it in Section 7.1(a)(ii).

1.17. "Celldex Technology" means any Technology owned or otherwise controlled by Celldex as of the Effective Date or at any time during the Term.

1.18. "Change of Control" means that any of the following has occurred:

(a) any Person or group that is or contains a * becomes the beneficial owner, directly or indirectly, of * or more of the outstanding Voting Stock or voting power over Voting Stock of (i) Celldex or (ii) any one or more Persons which are direct or indirect parent holding companies of Celldex or Affiliates controlling Celldex (Celldex, together with the Persons described in clause (ii), each hereinafter referred to, individually, as a "Celldex Group Company" and, collectively, as the "Celldex Group Companies"); or

(b) any Celldex Group Company enters into an agreement with any Person or group that is or contains a * providing for the sale or disposition of all or substantially all of the assets of the Celldex Group Companies, on a consolidated basis; or

(c) any Celldex Group Company enters into an agreement with any Person or group providing for a merger, reorganization, consolidation or other similar transaction (or series of related transactions) of any Celldex Group Company with such Person or any Affiliate of such Person, in each case, that is a * (other than with any of the Celldex Group Company's wholly-owned subsidiaries) or with such group that contains a *, that results in the shareholders of the applicable Celldex Group Company immediately before the occurrence of such transaction (or series of transactions) beneficially owning less than a majority of the outstanding Voting Stock or voting power over Voting Stock of the surviving or newly-created entity in such transaction (or series of transactions); or

(d) a change in the board of directors of any Celldex Group Company in which the individuals who constituted the board of directors of such Celldex Group Company at the beginning of the two (2)-year period immediately preceding such change (together with any other director whose election by the board of directors of such Celldex Group Company or whose nomination for election by the stockholders of such Celldex Group Company was approved by a vote of at least a majority of the directors then in office either who were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the directors then in office, provided that this clause (d) shall apply only if such change in the board of directors occurred as a result of or in connection with the votes or nominations of, proxy solicitations by or other action by a Person or group that is or contains a *; or



(e) any Celldex Group Company enters into an agreement with any Person providing for the matters described in clause (a), (b) or (d) above.

For purposes of this definition of "Change of Control":

(A) references to any Celldex Group Company shall be deemed to include all successors in any merger, consolidation, reorganization or similar transaction (or series of related transactions) preceding any transaction (or series of related transactions) described above;

(B) "beneficial ownership" (and other correlative terms) means beneficial ownership as defined in Rule 13d-3 under the Exchange Act; it being understood and agreed that "beneficial ownership" shall also include any securities which any Person or any of such person's Affiliates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, rights, warrants or options or otherwise;

(C) "group" means group as defined in the Exchange Act;

(D) "control" (including, with correlative meanings, "controlled by", "controlling" and "under common control with") of an entity means possession, direct or indirect, of (I) the power to direct or cause direction of the management and policies of such entity (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise) or (II) at least fifty percent (50%) of the voting securities (whether directly or pursuant to any option, warrant or other similar arrangement) or other comparable equity interests of such entity;

(E) *;

(F) "Person" means an individual, corporation, partnership, company, joint venture, unincorporated organization, limited liability company or partnership, sole proprietorship, association, bank, trust company or trust, whether or not legal entities, or any Governmental Authority;

(G) "Exchange Act" means the Securities Exchange Act of 1934, as amended and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof; and

(H) "Voting Stock" means securities of any class or series of a corporation, association or other entity, the holders of which are ordinarily, in the absence of contingencies, entitled to vote generally in matters put before the shareholders or members of such corporation, association or other entity.

1.19. "Combination Product" means a Licensed Product containing (a) a Compound and (b) one or more Additional Components or other therapeutically active ingredients; provided that neither a Licensed Product * nor a Licensed Product *will be considered a Combination Product.



1.20. "Commence" or "Commencement" means, when used with respect to a clinical trial, the first dosing of the first patient for such trial.

1.21. "Commercially Reasonable Efforts" means, with respect to the efforts to be expended by a party with respect to the objective that is the subject of such efforts, reasonable, good faith efforts and resources to accomplish such objective that such party would normally use to accomplish a similar objective under similar circumstances, it being understood and agreed that with respect to the development or commercialization of a Licensed Product, such efforts shall be similar to those efforts and resources consistent with the usual practice of such party in pursuing the development or commercialization of pharmaceutical products owned by it or to which it otherwise has rights that are of similar market potential as the Licensed Products, taking into account all relevant factors including product labeling or anticipated labeling, present and future market potential, past performance of Licensed Products and such party's own pharmaceutical products that are of similar market potential, financial return, medical and clinical considerations, present and future regulatory environment and competitive market conditions, all as measured by the facts and circumstances at the time such efforts are due.

1.22. "Compound" means a peptide that comprises at least a portion of an EGFRvIII comprising the amino acid sequence *. For the avoidance of doubt, when any other component of such a peptide, protein or molecule is itself a therapeutically active ingredient, such component shall be deemed to be a "therapeutically

active ingredient" for purposes of the definition of Combination Product in Section 1.19 and the definition of Net Sales in Section 1.63, except where such other component is *.

1.23. "Courts" shall have the meaning assigned to it in Section 14.2.

1.24. "Cover(ed)" means, with respect to any Patent Right and the subject matter at issue, that, but for a license granted under a Valid Claim of such Patent Right, the manufacture, use, sale, offer for sale or importation of the subject matter at issue would infringe such Valid Claim, or, in the case of a Patent Right that is a patent application, would infringe a Valid Claim in such patent application if it were to issue as a patent.

1.25. "CPI" means the Consumer Price Index – Urban Wage Earners and Clerical Workers, U.S. City Average, All Items, published by the United States Department of Labor, Bureau of Statistics (or its successor equivalent index).

1.26. "Development Committee Meeting" shall have the meaning assigned to it in Section 4.2(b).

1.27. "Development Plan" shall have the meaning assigned to it in Section 4.1.

1.28. "Diagnostic Assay" means any diagnostic method, product or composition of matter for assessing the presence or level of EGFRvIII, or nucleic acids encoding the same or portions thereof, in a sample useful to the research, development or commercialization of any Compound or Licensed Product.

1.29. "Diagnostic Assay License" shall have the meaning assigned to it in Section 7.7.



1.30. "Diagnostic Assay Sublicense Payments" shall have the meaning assigned to it in Section 7.7.

1.31. "DoJ" shall have the meaning assigned to it in Section 2.

1.32. "Effective Date" means the date that this Agreement has been fully-executed by Celldex and Pfizer, or, if a filing is required under the HSR Act, the later of (a) the date upon which the applicable waiting period under the HSR Act shall have expired or been terminated with respect to this Agreement and (b) the date on which any government investigations opened by means of a second request or otherwise shall have been closed.

1.33. "EGFR" means Epidermal Growth Factor Receptor.

1.34. "EGFRvIII" means EGFR variant III peptide, a variant of EGFR, *.

1.35. "EMEA" means the European Medicines Agency.

1.36. "Event Milestone" shall have the meaning assigned to it in Section 5.3(a).

1.37. "Event Milestone Payments" means the amounts set forth in Section 5.3 opposite the respective Event Milestones.

1.38. "FDA" means the United States Food and Drug Administration or any successor agency thereto.

1.39. "FDCA" means the U.S. Federal Food, Drug, and Cosmetic Act, as amended, and the regulations promulgated thereunder.

1.40. "FTC" shall have the meaning assigned to it in Section 2.

1.41. "FTE" means a full-time equivalent person year (consisting of a total of 1,800 hours) of work.

1.42. "FTE Rate" means *.

1.43. "GBM" means any indication for the treatment, prevention or control of glioblastoma multiforme.

1.44. *.

1.45. "Governmental Authority" means any court, agency, department, authority or other instrumentality of any nation, state, county, city or other political subdivision.

1.46. "HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

1.47. "IND" means an Investigational New Drug Application submitted under the PHSA or FDCA; or an analogous application or filing with any analogous agency or Regulatory



Authority outside of the United States under any analogous foreign Law for the purposes of obtaining permission to conduct human clinical studies.

1.48. "Indemnified Party" shall have the meaning assigned to it in Section 13.3.

1.49. "Indemnifying Party" shall have the meaning assigned to it in Section 13.3.

1.50. "Invention" shall mean any process, method, composition of matter, article of manufacture, discovery, improvement or finding that is conceived during the Term.

1.51. "Investigation" shall have the meaning assigned to it in Section 9.1(m).

1.52. "Joint Clinical Development Committee" or "JCDC" shall have the meaning assigned to it in Section 4.2(a).

1.53. "Joint Inventions" shall have the meaning assigned to it in Section 7.1(b).

1.54. "Joint Patent Rights" shall have the meaning assigned to it in Section 7.1(b).

1.55. "Knowledge" means, with respect to a party, the knowledge of the employees of such party who would be reasonably expected to have knowledge of the matter in question after reasonable investigation of documents and correspondence of such party and inquiry of any other employees of such party who may reasonably be expected to have such knowledge. Any individual who is an employee of Avant or another Affiliate of Celldex as of the date hereof or as of the Effective Date and who was an employee of Celldex prior to or on March 7, 2008 shall be deemed to be an employee of Celldex solely for the purposes of this definition of "Knowledge."

1.56. "Launch" means the first shipment of a Licensed Product in commercial quantities for commercial sale by Pfizer, its Affiliates or its sublicensees to a Third Party in a country in the Territory after receipt by Pfizer, its Affiliates or its sublicensees of the first Regulatory Approval for such Licensed Product in such country.

1.57. "Laws" means all laws, statutes, rules, regulations, orders, judgments and/or ordinances of any Governmental Authority.

1.58. "Licensed Product" means any pharmaceutical product that contains a Compound, the manufacture, use, sale, offer for sale or importation of which (a) is Covered by a Valid Claim or (b) embodies or incorporates Celldex Technology. All dosage forms and formulations of a Licensed Product that contain the same Compound shall be considered to be the same Licensed Product.

1.59. "Litigation Conditions" shall have the meaning assigned to it in Section 13.3(a).

1.60. "Losses" shall have the meaning assigned to it in Section 13.2.

1.61. "Major EU Countries" means *.

1.62. "Meeting Period" shall have the meaning assigned to it in Section 4.2(b).



1.63. "Net Sales" means:

(a) with respect to a Licensed Product that is not a Combination Product, the gross amount invoiced by Pfizer, its Affiliates and its sublicensees of such Licensed Product to Third Parties, less (i) actual bad debts related to such Licensed Product and (ii) sales returns and allowances actually paid, granted or accrued, including, trade, quantity and cash discounts and any other adjustments, including, those granted on account of price adjustments, billing errors, rejected goods, damaged or defective goods, recalls, returns, rebates, chargeback rebates, reimbursements or similar payments granted or given to wholesalers or other distributors, buying groups, health care insurance carriers or other institutions, adjustments arising from consumer discount programs or other similar programs, customs or excise duties, sales tax, consumption tax, value added tax, and other taxes (except income taxes) or duties relating to sales (including taxes paid by Pfizer, its Affiliates or sublicensees to the United States government or an instrumentality thereof under 26 U.S.C. § 4131 or other similar legislation, or to any state government or foreign government, pursuant to a statutory scheme to insure against liability arising out of the manufacture, use or sale of vaccine products), any payment in respect of sales to the United States government, any state government or any foreign government, or to any other Governmental Authority, or with respect to any government-subsidized program or managed care organization, and freight and insurance (to the extent that Pfizer bears the cost of freight and insurance for a Licensed Product); and

(b) with respect to a Combination Product,

(i) if (1) the Licensed Product contained in such Combination Product and (2) the products that collectively contain, as their respective sole active ingredient(s), all of the other Additional Components and other therapeutically active ingredients, as the case may be, included in such Combination Product, are sold separately by any of Pfizer, its Affiliates and/or any Third Party in such country during such Pfizer Quarter when Pfizer, its Affiliates or sublicensees sells such Combination Product, the Net Sales attributable to such Combination Product during such Pfizer Quarter shall be calculated by *, during such Pfizer Quarter in such country, for the Licensed Product contained in such Combination Product *, during such Pfizer Quarter in such country, for the products described in clause (2) above;

(ii) if Pfizer and/or its Affiliates and/or any Third Party separately sells, in such country during such Pfizer Quarter when it sells such Combination Product, the Licensed Product contained in such Combination Product as a separate product but does not separately sell, in such country, products that collectively contain as their respective sole active ingredient(s) all of the other Additional Components and other therapeutically active ingredients, as the case may be, included in the Combination Product, the Net Sales attributable to such Combination Product during such Pfizer Quarter shall be calculated by *, during such Pfizer Quarter in such country, for the Licensed Product contained in such Combination Product, *, during such Pfizer Quarter in such country, for the Combination Product; provided, however, that in the event *, the Net Sales attributable to such Combination Product during such Pfizer Quarter shall be calculated by *;



(iii) if (1) Pfizer and/or its Affiliates and/or any Third Party do not separately sell, in such country during such Pfizer Quarter when it sells such Combination Product, the Licensed Product contained in such Combination Product as a separate product and (2) such Combination Product does not contain any Third Party Components (as defined below), the Net Sales attributable to such Combination Product during such Pfizer Quarter shall be calculated by multiplying the Net Sales of such Combination Product, as determined in accordance with clause (a) hereof, by *; and

(iv) if none of clauses (i), (ii) or (iii) above apply, the Net Sales attributable to such Combination Product during such Pfizer Quarter shall be calculated by multiplying the Net Sales of such Combination Product by D/(D+E) where D is the fair market value of the portion of the Combination Product that contains the Licensed Product and E is the fair market value of the portion of the Combination Product containing the Third Party Components and any other Additional Components included in such Combination Product, as such fair market values are reasonably determined in good faith by Pfizer in consultation with Celldex. "Third Party Component" means any Additional Component or other therapeutically active ingredient the rights to which are owned by a Third Party and not licensed hereunder to Pfizer.

Net Sales shall be determined from books and records maintained in accordance with generally acceptable accounting principles in the United States, as consistently applied by Pfizer with respect to sales of all its pharmaceutical products.

1.64. "* Licensed Product" means a Licensed Product that does not contain CDX-110.

1.65. "*" shall have the meaning assigned to it in Section 5.6(d).

1.66. "Paragraph IV Notice" shall have the meaning assigned to it in Section 7.9(a).

1.67. "Patent Rights" means patents and patent applications, whether domestic or foreign, including all continuations, continuations-in-part, divisions, provisionals and renewals, and letters of patent granted with respect to any of the foregoing, patents of addition, supplementary protection certificates, registration or confirmation patents and all reissues, re-examination and extensions thereof.

1.68. "Pfizer Applied Technology" means, with respect to any Licensed Product, Technology owned or otherwise controlled by Pfizer as of the Effective Date or at any time during the Term (other than as a result of the licenses granted by Celldex to Pfizer under this Agreement) that (a) * prior to any termination of this Agreement, provided that such Pfizer Technology is * prior to any termination of this Agreement; provided that, with respect to each of clauses (a) and (b) of this Section 1.68, such *.

1.69. "Pfizer Chair" shall have the meaning assigned to it in Section 4.2(a).

1.70. "Pfizer Confidential Information" means all information owned or otherwise controlled by Pfizer relating to Compounds, Licensed Products or Diagnostic Assays, including Pfizer Applied Technology, as well as any other information regarding the business and operations of Pfizer, that is or has been disclosed (whether orally or in writing) by Pfizer to



Celldex or its Affiliates to the extent that such information is not (a) as of the date of disclosure known to Celldex or its Affiliates; or (b) disclosed in published literature, or otherwise generally known to the public through no breach by Celldex of this Agreement; or (c) obtained by Celldex or its Affiliates from a Third Party free from any obligation of confidentiality to Pfizer; or (d) independently developed by Celldex or its Affiliates without use of the Pfizer Confidential Information; or (e) in the reasonable opinion of legal counsel, required to be disclosed under Law; provided that, in the case of (e), Celldex provides Pfizer prior notice (to the extent practicable) of such disclosure and agrees to cooperate, at the request and sole expense of Pfizer, with Pfizer's efforts to preserve the confidentiality of such information.

1.71. "Pfizer Indemnified Parties" shall have the meaning assigned to it in Section 13.1(a).

1.72. "Pfizer Indemnified Party" shall have the meaning assigned to it in Section 13.1(a).

1.73. "Pfizer Patent Rights" means all Patent Rights that (a) are owned or otherwise controlled by Pfizer as of the Effective Date or at any time during the Term (other than as a result of the licenses granted by Celldex to Pfizer under this Agreement) and (b) claim any Pfizer Applied Technology.

1.74. "Pfizer Quarter" means each of the four (4) thirteen (13) week periods (a) with respect to the United States, commencing on January 1 of any calendar year, and (b) with respect to any country in the Territory other than the United States, commencing on December 1 of any calendar year.

1.75. "Pfizer Sole Inventions" shall have the meaning assigned to it in Section 7.1(a)(i).

1.76. "Pfizer Sole Patent Rights" shall have the meaning assigned to it in Section 7.1(a)(i).

1.77. "Pfizer Year" means the twelve (12) month period (i) with respect to the United States, commencing on January 1 of any calendar year, and (ii) with respect to any country in the Territory other than the United States, commencing on December 1 of any calendar year.

1.78. "Phase II Clinical Study" means a clinical study generally consistent with U.S. 21 C.F.R. § 312.21(b), or any foreign counterpart thereof, with respect to a Licensed Product anywhere in the Territory.

1.79. "Phase III Clinical Study" means a clinical study generally consistent with U.S. 21 C.F.R. § 312.21(c) or any foreign counterpart thereof with respect to a Licensed Product anywhere in the Territory.

1.80. "PHSA" means the U.S. Public Health Service Act, as amended, and the regulations promulgated thereunder.

1.81. "Redacted Agreement" shall have the meaning assigned to it in Section 8.4.



1.82. "Regulatory Approval" means any and all approvals, with respect to any jurisdiction, or authorizations of a Regulatory Authority, that are necessary for the commercial manufacture, distribution, use, marketing or sale of a pharmaceutical product or diagnostic assay in such jurisdiction.

1.83. "Regulatory Authority" means, in respect of a particular country or jurisdiction, the Governmental Authority having responsibility for granting Regulatory Approvals in such country or jurisdiction.

1.84. "Regulatory Exclusivity Period" means, with respect to a Licensed Product in a particular country or jurisdiction, the period of time in which no product of a Third Party that contains the same active ingredient(s) as such Licensed Product (and no additional active ingredient(s)) could receive Regulatory Approval, *, in such country or jurisdiction for an indication for which such Licensed Product has received Regulatory Approval.

1.85. "Reimbursable Development Costs" means the following costs incurred by Celldex in the performance of its obligations in accordance with the Development Plan and related budget:

(a) * costs and expenses incurred;

(b) the costs of *, which costs shall be determined based on the * set forth in the Development Plan; and

(c) any other costs incurred that are expressly approved by the JCDC.

1.86. "Reverted Product" shall have the meaning assigned to it in Section 12.3(d)(i).

1.87. "Reverted Product Patent Rights" shall have the meaning assigned to it in Section 12.3(d)(ii).

1.88. "Royalty Reduction Limit" shall have the meaning assigned to it in Section 7.7.

1.89. "Royalty Term" means, on a country-by-country and Licensed Product-by-Licensed Product basis, and subject to the provisions of Sections 5.6(e) and 5.8, the period commencing upon * in a country and ending upon *.

1.90. "Sales Milestone Payment" shall have the meaning assigned to it in Section 5.5.

1.91. "Second Indication" means any indication other than *.

1.92. "Sole Inventions" shall have the meaning assigned to it in Section 7.1(a).

1.93. "Stock Purchase Agreement" shall have the meaning assigned to it in Section 5.2.

1.94. "Successful Resolution of the *" shall have the meaning assigned to it in Section 5.3(a).



1.95. "Technology" means all materials, technology, data, technical and scientific information, know-how, expertise and trade secrets that relate to or are used in connection with EGFRvIII or any Compound, Licensed Product or Diagnostic Assay, including any intellectual property rights embodying any of the foregoing, but excluding any Patent Rights.

1.96. "Term" means the period of time commencing on the Effective Date and ending on the earlier of (a) the last to expire Royalty Term or (b) the effective date of termination of this Agreement pursuant to Section 12.1.

1.97. "Territory" means the entire world.

1.98. "Third Party" means any person or entity other than Pfizer, Celldex or any of their respective Affiliates.

1.99. "Third Party Agreement" shall have the meaning assigned to it in Section 9.1(i).

1.100. "Third Party Claim" shall have the meaning assigned to it in Section 13.3.

1.101. "Third Party License" means each of the following: *.

1.102. "Third Party Licensor" means: *.

1.103. "Third Party Licensor Lien" shall have the meaning assigned to it in Section 9.1(f).

1.104. "Transition Plan" shall have the meaning assigned to it in Section 4.10.

1.105. "*" means, collectively, *.

1.106. "Valid Claim" means:

(a) any claim of an issued and unexpired patent (including extensions and supplementary protection certificates thereof) contained in the Celldex Patent Rights or Joint Patent Rights that (i) has not been rejected, revoked or held unenforceable or invalid by a final, nonappealable decision of a court or other Governmental Authority of competent jurisdiction or unappealed within the time allowable for appeal and (ii) has not been explicitly disclaimed or admitted to be invalid or unenforceable through reissue, disclaimer or otherwise; and

(b) any claim of a patent application contained in the Celldex Controlled Patent Rights that (i) has not been pending for more than * years from the Effective Date, (ii) has not been rejected, revoked or held unenforceable or invalid by a final, nonappealable decision of a court or other Governmental Authority of competent jurisdiction or unappealed within the time allowable for appeal and (iii) has not been explicitly disclaimed or admitted to be invalid or unenforceable through reissue, disclaimer or otherwise.



1.107. Construction. Except where expressly stated otherwise in this Agreement, the following rules of interpretation apply to this Agreement: (a) "include", "includes" and "including" are not limiting and mean include, includes and including, without limitation; (b) definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms; (c) references to an agreement, statute or instrument mean such agreement, statute or instrument as from time to time amended, modified or supplemented; (d) references to a person are also to its permitted successors and assigns; (e) references to an "Article", "Section", "Exhibit" or "Schedule" refer to an Article or Section of, or any Exhibit or Schedule to, this Agreement unless otherwise indicated; (f) the word "will" shall be construed to have the same meaning and effect as the word "shall"; and (g) the word "any" shall mean "any and all" unless otherwise indicated by context.

**Section 2. HSR.**

Pfizer (or its Affiliate) and Celldex (or its Affiliate) shall use Commercially Reasonable Efforts to take (a) all actions necessary to make any filing required under the HSR Act, as determined by Pfizer in its sole discretion, and (b) reply at the earliest practicable date to any requests for information received from the United States Federal Trade Commission ("FTC") or Antitrust Division of the United States Department of Justice ("DoJ") pursuant to the HSR Act. The parties shall, to the extent reasonably practicable, consult with one another prior to making any filings, responses to inquiries or other contacts with the FTC or DoJ concerning the transactions contemplated hereby. Each party will bear its own expenses in connection with activities under this Section 2, except that Pfizer shall be responsible for the fees due from each party to the FTC in respect of such filings.

**Section 3. LICENSES.**

3.1. Exclusive Licenses to Pfizer.

(a) Subject to the terms of this Agreement, Celldex hereby grants to Pfizer, and Pfizer hereby accepts:

(i) an exclusive license (even as to Celldex and its Affiliates), including the right to sublicense subject to Section 3.4, under the Celldex Patent Rights, to research, develop, make, have made, use, sell, offer for sale, supply, cause to be supplied and import Compounds and Licensed Products in the Territory; provided, however, that Pfizer shall have no right under this Section 3.1(a)(i) to sell any Compound that is not a Licensed Product except to its Affiliates, Third Party contractors and sublicensees for purposes reasonably related to researching, developing, making, having made, using, selling, offering for sale, supplying, causing to be supplied and importing Licensed Products and Diagnostic Assays in the Territory;

(ii) an exclusive license (even as to Celldex and its Affiliates), including the right to sublicense subject to Section 3.4, to use Celldex Technology and Celldex Confidential Information in connection with the research, development, making, having made, use, sale, offer for sale, supply, causing to be supplied and importation of Compounds and Licensed Products in the Territory; provided, however, that Pfizer shall



have no right under this Section 3.1(a)(ii) to sell any Compound that is not a Licensed Product except to its Affiliates, Third Party contractors and sublicensees for purposes reasonably related to researching, developing, making, having made, using, selling, offering for sale, supplying, causing to be supplied and importing Licensed Products and Diagnostic Assays in the Territory;

(iii) an exclusive license (even as to Celldex and its Affiliates), including the right to sublicense subject to Section 3.4, under the Celldex Patent Rights to research, develop, make, have made, use, sell, offer for sale, supply, cause to be supplied and import Diagnostic Assays in the Territory; and

(iv) an exclusive license (even as to Celldex and its Affiliates), including the right to sublicense subject to Section 3.4, to use Celldex Technology and Celldex Confidential Information in connection with the research, development, making, having made, use, sale, offer for sale, supply, causing to be supplied and importation of Diagnostic Assays in the Territory.

(b) The licenses granted by Celldex to Pfizer pursuant to Section 3.1(a) do not include any right under the Celldex Patent Rights, Celldex Technology or Celldex Confidential Information to research, develop, make, have made, use, sell, offer for sale, supply, cause to be supplied and import any * in the Territory.

3.2. Non-Exclusive Licenses to Celldex.

(a) Subject to the terms of this Agreement, Pfizer hereby grants to Celldex, and Celldex hereby accepts, an irrevocable, royalty-free, perpetual, non-exclusive license under the Joint Patent Rights to use such Joint Patent Rights in the Territory for any purpose, including researching, developing, making, having made, using, selling, offering for sale, supplying, causing to be supplied or importing any product or process, provided, however, that such purpose shall not include purposes reasonably related to the research, development, making, having made, use, sale, offer for sale, supply, causing to be supplied or importation of any Compound, Licensed Product or Diagnostic Assay. Celldex may sublicense its licenses and rights granted under this Section 3.2(a) to Affiliates and Third Parties, provided that Celldex shall notify Pfizer of such sublicense with a Third Party within thirty (30) days of its execution. Celldex may transfer its licenses and rights granted under this Section 3.2(a) to an Affiliate or to an entity that acquires all or substantially all of Celldex's assets or to the successor entity resulting from any merger or consolidation of Celldex with or into such entity.

(b) Subject to the terms of this Agreement, Pfizer hereby grants to Celldex and will cause its Affiliates to grant to Celldex a non-exclusive, royalty-free license in the Territory, under the Celldex Technology, Celldex Patent Rights and Celldex Confidential Information exclusively licensed to Pfizer hereunder, and under the Joint Patent Rights, Pfizer Applied Technology, Pfizer Patent Rights and Pfizer Confidential Information disclosed during the Term to Celldex by Pfizer or its Affiliates, solely to research and develop Compounds and Licensed Products during the Term in accordance with the Development Plan under this Agreement. Celldex may sublicense its licenses and rights



granted under this Section 3.2(b) to Affiliates to the extent such Affiliates are performing such research and development activities in accordance with the terms of this Agreement.

3.3. Non-Exclusive Research License. Subject to the terms of this Agreement and without limiting any of the licenses granted in Section 3.1(a):

(a) Celldex grants to Pfizer a non-exclusive, irrevocable, royalty-free, perpetual license in the Territory, with the right to sublicense to Affiliates, to use for all research purposes the Celldex Technology and Celldex Confidential Information disclosed to Pfizer during the Term (excluding any Patent Rights relating thereto); provided, however, that Pfizer shall not have a right under this Section 3.3(a) to use such Celldex Technology or Celldex Confidential Information for the sale or manufacture for sale of any pharmaceutical product or process.

(b) Pfizer grants to Celldex a non-exclusive, irrevocable, royalty-free, perpetual license in the Territory, with the right to sublicense to Affiliates, to use for all research purposes the Pfizer Applied Technology and Pfizer Confidential Information disclosed to Celldex during the Term (excluding any Patent Rights relating thereto); provided, however, that Celldex shall not have a right under this Section 3.3(b) use such Pfizer Applied Technology or Pfizer Confidential Information for the sale or manufacture for sale of any pharmaceutical product or process.

3.4. Sublicenses.

(a) Pfizer may sublicense its licenses and rights granted under Section 3.1(a) to Affiliates. Subject to Section 3.4(b), Pfizer may sublicense its licenses and rights granted under Section 3.1(a) to Third Parties to permit such Third Parties:

(i) to make, have made, use, sell, offer for sale, supply, cause to be supplied and import Compounds and Licensed Products;

(ii) to perform services for Pfizer in furtherance of the research, development and commercialization of Compounds and Licensed Products; and

(iii) to research, develop, make, have made, use, sell, offer for sale, supply, cause to be supplied and import Diagnostic Assays.

(b) If Pfizer grants a sublicense to a Third Party pursuant to Section 3.4(a):

(i) Pfizer will obtain a written agreement with each such sublicensee that requires such sublicensee to comply with the applicable terms of this Agreement;

(ii) Pfizer will not be relieved of any its obligations under this Agreement, including the payment of all royalties on Net Sales of Licensed Products, whether or not paid to Pfizer by the relevant sublicensee;

(iii) Any such sublicense shall be consistent with and subject to the material terms and conditions of this Agreement and the Third Party Licenses; and

(iv) Pfizer shall provide to Celldex a true and complete copy of each executed sublicense hereunder and any amendments thereto, including all exhibits and attachments, promptly after the execution thereof; provided, however, that such copy may be redacted to exclude confidential information that is not reasonably necessary to demonstrate Pfizer's compliance with the obligations set forth in clauses (i), (ii) and (iii) of this Section 3.4(b).

3.5. Covenant Regarding *. During the Term, Celldex shall not, and shall cause its Affiliates not to, directly or indirectly, (a) research, develop, make, have made, use, sell, offer for sale, supply, cause to be supplied or import any *, (b) grant any Third Party any license under any Patent Right or Technology owned or controlled by Celldex or its Affiliates to research, develop, make, have made, use, sell, offer for sale, supply, cause to be supplied or import any * or (c) sell, offer for sale, supply, cause to be supplied or otherwise transfer to any Third Party any Compound or Licensed Product for use in any *.

3.6. Celldex Retained Rights. Any rights of Celldex not expressly granted to Pfizer under the provisions of this Agreement are retained by Celldex.

**Section 4. DEVELOPMENT, REGULATORY APPROVALS AND MARKETING.**

4.1. Development Plan. The development of CDX-110 shall be governed by a development plan that describes the proposed overall program of development for such Licensed Product and the respective development responsibilities of the parties (as amended from time to time, the "Development Plan"). The initial Development Plan is attached hereto as Exhibit B. All decisions with respect to the modification and implementation of the Development Plan shall be made by the Joint Clinical Development Committee.

4.2. Joint Clinical Development Committee.

(a) Formation and Membership. The parties shall, within thirty (30) days after the Effective Date, form a development committee (the "Joint Clinical Development Committee" or "JCDC"). The Joint Clinical Development Committee shall consist of three (3) representatives appointed by Celldex and three (3) representatives appointed by Pfizer. The Joint Clinical Development Committee shall be chaired by one of the Pfizer representatives (the "Pfizer Chair").

(b) Meetings. During the period beginning thirty (30) days after the Effective Date and ending after the first Launch of a Licensed Product (the "Meeting Period"), the JCDC shall meet quarterly or as otherwise determined by the parties (each such meeting, a "Development Committee Meeting"). Upon the request of the JCDC, each party will provide written materials relating to its activities under the Development Plan in advance of a Development Committee Meeting. All Development Committee Meetings may be conducted in person, by videoconference or by teleconference at such times and such Pfizer or Celldex locations as shall be determined by the Joint Clinical Development Committee, provided, however, that at least one meeting per calendar year will be conducted in-person. In-person meetings of the Joint Clinical Development Committee will alternate between appropriate offices of each party. The parties shall each bear all



expenses of their respective representatives relating to their participation on the Joint Clinical Development Committee. The Pfizer Chair will appoint a secretary who will be responsible for preparing and distributing to the JCDC minutes of each meeting within ten (10) days after such meeting.

(c) Responsibilities. The Joint Clinical Development Committee shall have the following responsibilities:

(i) Review and approve any substantive amendments to the Development Plan;

(ii) Review, update and approve the budget for Celldex's Reimbursable Development Costs;

(iii) Provide overall strategic and business guidance with respect to the clinical development of Licensed Products; and

(iv) Provide updates, data and other information regarding each party's activities under the Development Plan and other development of Licensed Products under this Agreement.

All decisions of the JCDC made pursuant to this Agreement shall be made by consensus. In the event the JCDC does not agree on any action, decision or other matter that is within its authority under this Agreement, the Pfizer Chair shall have the final decision-making authority with respect to such action, decision or other matter; provided that such final decision-making authority shall not be exercisable to the extent such action, decision or other matter (x) involves an amendment of the Development Plan that would require Celldex to conduct additional clinical studies or other additional material activities or (y) would conflict with Celldex's or Pfizer's obligations as expressly set forth in this Agreement.

(d) Dissolution of the JCDC. If Celldex (a) * or (b) *, Pfizer shall have the right to terminate the JCDC and all rights and obligations of each party under Section 4.2 by submitting written notice to Celldex, (i) in the case of a material breach, no later than thirty (30) days after *, which notice shall be effective immediately upon receipt, or, (ii) in the case of *, no later than thirty (30) days after Pfizer receives written notice from Celldex of the *.

4.3. Development Reports. After the expiration of the Meeting Period or the dissolution of the JCDC pursuant to Section 4.2(d), Pfizer shall provide semi-annual written reports to Celldex regarding the development of any Licensed Product under this Agreement. Pfizer shall use Commercially Reasonable Efforts to provide the semi-annual report within thirty (30) days after the applicable Pfizer Year. Celldex shall provide to Pfizer copies of any progress report due to a Third Party Licensor under the applicable Third Party License no later than five (5) days before such progress report is due to the such Third Party Licensor.



4.4. Records. During the Term, each party will prepare and maintain accurate records and books relating to the progress and status of its activities under the Development Plan and otherwise in relation to the development of Compounds and Licensed Products.

4.5. Diligence.

(a) Pfizer shall use Commercially Reasonable Efforts to carry out its obligations under the Development Plan.

(b) Celldex shall use Commercially Reasonable Efforts to carry out its obligations under the Development Plan. Celldex shall, from time to time upon Pfizer's request, provide any updates, data and other information requested by Pfizer regarding Celldex's activities under the Development Plan. Celldex shall not permit any of its Affiliates or Third Parties to perform any activities relating to Celldex's obligations under the Development Plan unless Celldex shall first have obtained in writing assignments to Celldex of all Inventions directed toward Compounds, Licensed Products or Diagnostic Assays made by, and Technology generated by, such Affiliate or Third Party and its employees in the performance of such activities (and, to the extent applicable, assignments of Joint Inventions to Pfizer in accordance with Section 7.1(b)).

(c) Pfizer shall use Commercially Reasonable Efforts to develop, seek Regulatory Approval for and commercialize and Launch at least one (1) Licensed Product *. In the event Pfizer makes a final written decision (by action of the appropriate Pfizer committee responsible for making such decisions with respect to Compounds and Licensed Products) to terminate all research and development of Compounds and Licensed Products under this Agreement before the first Launch of a Licensed Product, Pfizer will notify Celldex of such decision within ten (10) Business Days after such decision is made.

4.6. Development Costs.

(a) Pfizer's Costs. Pfizer shall be responsible for all costs associated with the development of Licensed Products that are incurred by it after the Effective Date.

(b) Celldex's Costs. Pfizer will reimburse Celldex for the costs that are specified in the Transition Plan and Reimbursable Development Costs, in each case actually incurred by Celldex after the Effective Date. *. Unless otherwise agreed by Pfizer in advance, Pfizer will not be obligated to reimburse Celldex for Reimbursable Development Costs that exceed the amounts set forth in the budget in the Development Plan. For purposes of the definition of "Reimbursable Development Costs" and this Section 4.6(b), costs incurred by Affiliates of Celldex acting on Celldex's behalf and in accordance with the terms of the Transition Plan, Development Plan and this Agreement shall be deemed costs incurred by Celldex.

(c) Reimbursement. Within fifteen (15) days of the end of each calendar quarter, Celldex shall bill Pfizer for the Reimbursable Development Costs and other costs described in Section 4.6(b) incurred by Celldex during such calendar quarter. Pfizer shall make all such payments by wire transfer, in accordance with the wire instructions set



forth in Section 6.4, within thirty (30) days after its receipt of each such invoice from Celldex.

(d) Audit Rights. During each calendar year in which Celldex incurs Reimbursable Development Costs and for a period of three (3) years thereafter, Celldex shall keep and maintain accurate and complete records showing all costs incurred in performing Celldex's obligations under the Development Plan. Upon thirty (30) days prior written notice from Pfizer, Celldex shall permit an independent certified public accounting firm selected by Pfizer and reasonably acceptable to Celldex, to examine, at Pfizer's sole expense, the relevant books and records of Celldex as may be reasonably necessary to verify the accuracy of the invoices submitted to Pfizer under Section 4.6(c). An examination by Pfizer under this Section 4.6(d) shall occur not more than once in any calendar year and shall be limited to the pertinent books and records for any calendar year ending not more than thirty-six (36) months before the date of the request. The accounting firm shall be provided access to such books and records at Celldex's facilities where such books and records are normally kept and such examination shall be conducted during Celldex's normal business hours. Celldex may require the accounting firm to sign a standard non-disclosure agreement before providing the accounting firm access to Celldex's facilities or records. The accounting firm shall provide both Celldex and Pfizer a written report disclosing whether the invoices submitted by Celldex are correct or incorrect and the specific details concerning any discrepancies. No other information shall be provided to Pfizer. All information of Celldex which is subject to review under this Section 4.6(d) shall be deemed to be Celldex Confidential Information subject to the provisions of Section 8.1; provided, however, that such Celldex Confidential Information may be disclosed to Third Parties only to the extent necessary to enforce Pfizer's rights under this Agreement, as may be necessary for Pfizer to exercise its rights under this Agreement or as otherwise expressly permitted under this Agreement.

(i) If the accounting firm determines the costs itemized on such invoices submitted to Pfizer under Section 4.6(c) were less than the amount paid by Pfizer during the period covered by the audit, Celldex shall, at Pfizer's sole discretion, either (A) refund the excess payments to Pfizer within thirty (30) days of its receipt of the auditor's report so concluding or (B) immediately offset all such excess payments against any outstanding and future invoices delivered pursuant to Section 4.6(c) until Pfizer has received full credit for all such overpayments. Additionally, if the amount to be refunded exceeds more than ten percent (10%) of the amount that was properly payable, Celldex shall reimburse Pfizer for the cost of the audit.

(ii) If the accounting firm determines the costs itemized on such invoices submitted to Pfizer under Section 4.6(c) were more than the amount paid by Pfizer during the period covered by the audit, Pfizer shall pay to Celldex all such excess payments within thirty (30) days after its receipt of such written report from such accounting firm pursuant to this Section 4.6(d).

4.7. Regulatory Affairs. Pfizer shall determine all regulatory plans and strategies for all Licensed Products and Diagnostic Assays and will own and be responsible for preparing,



seeking, submitting and maintaining all regulatory filings and Regulatory Approvals for all Licensed Products and Diagnostic Assays, including preparing all reports necessary as part of a regulatory filing or Regulatory Approval. Pfizer shall have the sole right to apply for and secure exclusivity rights that may be available under the Law of countries in the Territory, including any data or market exclusivity periods such as those periods listed in the FDA's Orange Book or periods under national implementations of Article 10.1(a)(iii) of Directive 2001/EC/83 (including any pediatric exclusivity extensions or other forms of regulatory exclusivity that may be available), and all international equivalents. Celldex shall use Commercially Reasonable Efforts to cooperate with Pfizer and to take such reasonable actions to assist Pfizer in obtaining such exclusivity rights in each country, as Pfizer may reasonably request from time to time, solely at Pfizer's expense.

4.8. Manufacture and Supply. Subject to the Transition Plan, Pfizer shall be responsible for the manufacture of all preclinical and clinical materials for each Licensed Product and Diagnostic Assay and for the commercial supply of each Compound, Licensed Product and Diagnostic Assay.

4.9. Commercialization/Pricing. Pfizer shall be solely responsible for marketing, promoting, selling, distributing and determining pricing and other terms of sale for all Licensed Products and Diagnostic Assays.

4.10. Transition Plan. In order to ensure the smooth transition of ongoing development activities for the Compounds that Celldex has licensed to Pfizer pursuant to Section 3 and to facilitate the transfer of the Celldex Technology to Pfizer, the parties hereby agree to comply with the provisions of the transition plan, which is attached hereto as Exhibit B (the "Transition Plan"). If there is an inconsistency or disagreement between the Transition Plan and this Agreement, the terms of this Agreement shall prevail.

**Section 5. FEES AND ROYALTIES.**

5.1. Effective Date Payment. Within thirty (30) days after the Effective Date, Pfizer shall pay to Celldex Forty Million Dollars ($40,000,000), which payment shall be irrevocable, non-refundable and non-creditable toward any other payments due to Celldex hereunder. Pfizer acknowledges that Celldex has, prior to the Effective Date, expended substantial funds in the research and development of Compounds, Licensed Products and Diagnostic Assays and that Celldex considers a portion of this payment to be reimbursement of such expenditure by Celldex.

5.2. Equity. Pfizer shall purchase from Celldex's parent corporation, Avant, common stock of Avant at such time, in such amounts and for such price as specified in the form of Stock Purchase Agreement attached hereto as Exhibit C (the "Stock Purchase Agreement"), which shall be executed by Pfizer and Avant as of the Effective Date.

5.3. Event Milestone Payments.

(a) Licensed Product *. In consideration of the rights granted hereunder, and subject to the terms and conditions of this Agreement, Pfizer shall pay to Celldex the amount set forth in the table below opposite the corresponding event milestone (each, an



"Event Milestone") within thirty (30) days after the occurrence of such Event Milestone with respect to a Licensed Product *:

| Event Milestone | Event Milestone Payment |
|---|---|
| Commencement of * | * |
| Successful Resolution of * | * |
| Commencement of * | * |
| Commencement of * | * |
| Acceptance for * | * |
| Acceptance for * | * |
| Acceptance for * | * |
| Acceptance for * | * |
| Acceptance for * | * |
| Acceptance for * | * |
| Launch of * | * |
| Launch of * | * |
| Launch of * | * |
| Launch of * | * |
| Launch of * | * |
| Launch of * | * |

For purposes of this Section 5.3(a), "Successful Resolution of *" means *. Each Event Milestone Payment in the table above in this Section 5.3(a) shall be payable one time only even if the corresponding Event Milestone occurs or is achieved with respect to more than one Licensed Product *. Each Event Milestone Payment in the table above in this Section 5.3(a) corresponding to an Event Milestone that is described as * shall be payable one time only even if the corresponding Event Milestone occurs or is achieved *. For the avoidance of doubt: (i) each Event Milestone Payment in the table above in this Section 5.3(a) shall be payable only on the first occurrence of the corresponding Event Milestone; (ii) none of the Event Milestone Payments in the table above in this Section 5.3(a) shall be payable more than once; (iii) should a Licensed Product *, as the case may be, be replaced or succeeded in development by another Licensed Product *, then no



additional Event Milestone Payments shall be due for Event Milestones already met with respect to any Licensed Product *; and (iv) the reference to *within an Event Milestone means the first Licensed Product * to reach such Event Milestone. Each Event Milestone Payment in the table above in this Section 5.3(a) shall be irrevocable, non-refundable and, except as provided in Section 15.5, non-creditable toward any other payment due Celldex under this Agreement.

(b) * Licensed Products. In consideration of the rights granted hereunder, and subject to the terms and conditions of this Agreement, Pfizer shall pay to Celldex the amount set forth in the table below opposite the corresponding Event Milestone within thirty (30) days after the occurrence of such Event Milestone with respect to a * Licensed Product:

| Event Milestone | Event Milestone Payment |
|---|---|
| Commencement of * | * |
| Commencement of * | * |
| Commencement of * | * |
| Commencement of * | * |
| Acceptance for * | * |
| Acceptance for * | * |
| Acceptance for * | * |
| Acceptance for * | * |

| | |
|---|---|
| Acceptance for * | * |
| Acceptance for * | * |
| Launch of * | * |
| Launch of * | * |
| Launch of * | * |
| Launch of * | * |
| Launch of * | * |
| Launch of * | * |



For the avoidance of doubt: (i) each Event Milestone Payment in the table above in this Section 5.3(b) shall be payable only on the first occurrence of the corresponding Event Milestone; (ii) none of the Event Milestone Payments in the table above in this Section 5.3(b) shall be payable more than once; (iii) should a * Licensed Product be replaced or succeeded in development by another * Licensed Product, then no additional Event Milestone Payments shall be due for Event Milestones already met with respect to any other * Licensed Product; and (iv) the reference to * within an Event Milestone means the first * Licensed Product to reach such Event Milestone. Each Event Milestone Payment in the table above in this Section 5.3(b) shall be irrevocable, non-refundable and, except as provided in Section 15.5, non-creditable toward any other payment due Celldex under this Agreement.

(c) By way of example only:

(i) If the * for a Licensed Product * occurs, an Event Milestone Payment of * would become due. In the event such Licensed Product * and, subsequently, a *, no Event Milestone Payment would be due *. If *, the Event Milestone Payment for *, would become due. If *, the Event Milestone Payment for *, would be due.

(ii) If * for such Licensed Product, the Event Milestone Payment of * Licensed Product would become due *. In that case, the payment due *. If, *, the next Subsequent Event Milestone is *then the payment due at that time would be * would then be payable *.

5.4. Additional Payment for *. In the event * of a Licensed Product * occurs *, Pfizer shall make *.

5.5. Sales Milestone Payment. For each * Licensed Product with respect to which *, Pfizer will make * to Celldex of * in the event * of such * Licensed Product *. For the avoidance of doubt, *.

5.6. Royalty Payments. In addition to the payments under Sections 5.1, 5.3, 5.4 and 5.5, in consideration of the rights granted hereunder, and subject to the terms and conditions of this Agreement (including Sections 5.8 and 7.7), Pfizer shall pay to Celldex, with respect to each Licensed Product during the applicable Royalty Term, the following amounts:

(a) With respect to a Licensed Product *, an amount equal to:

(i) * of the portion of Net Sales of such Licensed Product in a Pfizer Year in the Territory *; plus

(ii) * of the portion of Net Sales of such Licensed Product in a Pfizer Year in the Territory *; plus

(iii) *of the portion of Net Sales of such Licensed Product in a Pfizer Year in the Territory *.



(b) With respect to a * Licensed Product, an amount equal to:

(i) * of the portion of Net Sales of such Non-CDX-110 Licensed Product in a Pfizer Year in the Territory *; plus

(ii) * of the portion of Net Sales of such Non-CDX-110 Licensed Product in a Pfizer Year in the Territory *; plus

(iii) * of the portion of Net Sales of such Non-CDX-110 Licensed Product in a Pfizer Year in the Territory *.

(c) In the event a Licensed Product is sold in a country *, the sales of such Licensed Product for each approved indication shall be treated as if they were sales * for purposes of the Net Sales and royalty calculations set forth in clauses (a) and (b) of this Section 5.6. By way of example only, in the event a Licensed Product * is sold in a country *, and the Net Sales attributable to the sales of such Licensed Product *, the amount payable for such sales *.

(d) In each country (i) in which, * and (ii) *, the amount of any payment owed pursuant to Section 5.6(a) or 5.6(b) with respect to Net Sales of such * in such country shall be * of the amount that would otherwise be due pursuant to Section 5.6(a) or 5.6(b).

(e) Except to the extent provided for in Section 5.6(d), no amounts shall be payable to Celldex under Section 5.6 with respect to Net Sales of a Licensed Product in a country in which, *. Upon *, the licenses granted to Pfizer under Section 3.1(a) with respect to such Licensed Product in such country will be royalty-free licenses; such licenses will be perpetual and irrevocable on and after the date that is * from the date of Launch of such Licensed Product in such country.

(f) Notwithstanding anything to the contrary contained elsewhere in this Agreement, in no event shall amounts be payable to Celldex pursuant to Section 5.6(a) or 5.6(b) with respect to Net Sales of (nor shall any Event Milestone Payments or other payments be payable to Celldex with respect to) *; provided, however, that this Section 5.6(f) shall not apply in the event *.

5.7. Duration of Royalty Payments. After the expiration of the Royalty Term for any Licensed Product in any country in the Territory, no further payments under Section 5.6 shall be payable with respect to sales of such Licensed Product in such country, and the licenses granted to Pfizer under Section 3.1(a) with respect to such Licensed Product in such country will be royalty-free, perpetual, irrevocable licenses.

5.8. Royalty Payment Reductions.

(a) Notwithstanding the provisions of Section 5.6, in each country in which the manufacture, use, sale, offer for sale or importation of a Licensed Product *, the following shall apply:



(i) any payments owed pursuant to Section 5.6(a) or 5.6(b) with respect to Net Sales of such Licensed Product in such country shall be reduced by * for the remainder of the applicable Royalty Term, such reduction to be prorated appropriately for the then-current Pfizer Quarter, if (A) * and (B) *;

(ii) any payments owed pursuant to Section 5.6(a) or 5.6(b) with respect to Net Sales of such Licensed Product in such country shall be reduced by * for the remainder of the applicable Royalty Term, such reduction to be prorated appropriately for the then-current Pfizer Quarter, upon the first to occur of either:

(A) (1) * or

(B) *; and

(iii) In the event both clauses (i) and (ii) above apply at any time, the total percentage reduction to payments owed pursuant to Section 5.6(a) or 5.6(b) by operation of this Section 5.8(a) shall be *.

(b) Notwithstanding the provisions of Section 5.6, in the event *.

(c) In the event Pfizer * (as defined in the applicable * under any * in compliance with Section 15.6 of this Agreement with respect to a Third Party License and *, the royalties, Event Milestone Payments and other payments owed to Celldex pursuant to this Section 5 shall be reduced *.

5.9. Consideration for Technology License. The parties agree and acknowledge that the payment of royalties by Pfizer to Celldex for sales in a country in which there is no Valid Claim covering the applicable Licensed Product shall represent consideration for the license to Celldex Technology and Celldex Confidential Information granted by Celldex to Pfizer in Section 3.1(a).

5.10. Notices of Termination. In the event that a party has given the other party any notice of termination of this Agreement under Section 12, no further payments under Sections 5.3 or 5.4 shall become due following the date of such notice.

**Section 6. ACCOUNTING AND PROCEDURES FOR PAYMENT.**

6.1. Inter-Company Sales. Sales between or among Pfizer, its Affiliates or sublicensees shall not be subject to royalties under Section 5.6. Pfizer shall be responsible for the payment of royalties on Net Sales by its Affiliates or sublicensees to Third Parties.

6.2. Currency. All royalty payments shall be computed and paid in United States dollars. For the purposes of determining the amount of any Sales Milestone Payments or royalties due for the relevant Pfizer Quarter, the amount of Net Sales in any foreign currency shall be converted into United States dollars in a manner consistent with Pfizer's normal practices used to prepare its audited financial reports; provided that such practices use a widely accepted source of published exchange rates.



6.3. Royalty Payments.

(a) Pfizer shall make royalty payments to Celldex with respect to each Pfizer Quarter within sixty (60) days after the end of each calendar quarter, and each payment shall be accompanied by a report identifying the Licensed Product, each applicable country, Net Sales for each such country, and the amount payable to Celldex. Said reports shall be kept confidential by Celldex and not disclosed to any other party, other than to a Third Party Licensor, to the extent required by the applicable Third Party License, and Celldex's accountants, each of whom shall be obligated to keep such information confidential, and such information and reports shall only be used for purposes of this Agreement and the Third Party Licenses.

(b) If Net Sales in any Pfizer Quarter during a given Pfizer Year *, and for purposes of calculating royalty payments with respect to the fourth Pfizer Quarter of such Pfizer Year, Net Sales for such fourth Pfizer Quarter *. If, as a result of *, the aggregate Net Sales with respect to such fourth Pfizer Quarter *, then, for purposes of calculating royalty payments with respect to the first Pfizer Quarter of the next succeeding Pfizer Year, Net Sales for such first Pfizer Quarter *.

6.4. Method of Payments. Each payment hereunder shall be made by electronic transfer in immediately available funds via either a bank wire transfer, an ACH (automated clearing house) mechanism, or any other means of electronic funds transfer, at Pfizer's election, to Wachovia Bank, N.A., Account Name: Celldex Therapeutics, Inc., Account Number: 2000018631469, ABA Number: 021-200-025, or to such other bank account as Celldex shall designate in a notice at least five (5) Business Days before the payment is due. All payments under this Agreement shall bear interest from the fifteenth (15th) day after the date due until paid at a rate equal to the thirty (30)-day United States dollar LIBOR rate in effect on the date that payment was due, as published by The Financial Times.

6.5. Inspection of Records. Pfizer shall, and shall cause its Affiliates and sublicensees to, keep accurate books and records setting forth gross sales of each Licensed Product, Net Sales of each Licensed Product, and amounts payable hereunder to Celldex for each such Licensed Product. Pfizer shall permit Celldex, by independent certified public accountants employed by Celldex and reasonably acceptable to Pfizer, to examine such books and records at any reasonable time, upon reasonable notice, but not later than three (3) years following the rendering of the corresponding royalty reports pursuant to Section 6.3. The foregoing right of examination may be exercised only once during each twelve (12)-month period of the Term. Pfizer may require such accountants to enter into a reasonably acceptable confidentiality agreement, and in no event shall such accountants disclose to Celldex any information, other than such as relates to the accuracy of the corresponding royalty reports pursuant to Section 6.3. The opinion of said independent accountants regarding such reports and related payments shall be binding on the parties, other than in the case of manifest error. Celldex shall bear the cost of any such examination and review; provided that if the examination shows an underpayment of royalties of more than ten percent (10%) of the amount due for the applicable period, then Pfizer shall promptly reimburse Celldex for all costs incurred in connection with such examination. Pfizer shall promptly pay to Celldex the amount of any underpayment of royalties revealed by an



examination. Any overpayment of royalties by Pfizer revealed by an examination shall be fully-creditable against future royalty payments under Section 5.6.

Upon the expiration of the three (3) year period following the rendering of a royalty report pursuant to Section 6.3, such report shall be binding on the parties, and Pfizer and its Affiliates shall be released from any liability or accountability with respect to royalties for the period covered by such report.

6.6. Tax Matters.

(a) VAT. It is understood and agreed between the parties that any payments made by Pfizer under this Agreement are inclusive of any value added or similar tax imposed upon such payments.

(b) Tax Cooperation. The parties agree to cooperate and produce on a timely basis any tax forms or reports, including an IRS Form W-8BEN, reasonably requested by the other party in connection with any payment made by Pfizer to Celldex under this Agreement. Each party further agrees to provide reasonable cooperation to the other party, at the other party's expense, in connection with any official or unofficial tax audit or contest relating to payments made by Pfizer to Celldex under this Agreement.

(c) Withholding Tax Matters. In addition, in the event any of the payments made by Pfizer pursuant to Section 5 become subject to withholding taxes under the Laws of any jurisdiction, Pfizer shall deduct and withhold the amount of such taxes for the account of Celldex to the extent required by Law, such payment to Celldex shall be reduced by the amount of taxes deducted and withheld, and Pfizer shall pay the amount of such taxes to the proper Governmental Authority in a timely manner and promptly transmit to Celldex an official tax certificate or other evidence of such tax obligations, together with proof of payment from the relevant Governmental Authority of all amounts deducted and withheld sufficient to enable Celldex to claim such payment of taxes. Any such withholding taxes required under applicable Law to be paid or withheld shall be an expense of, and borne solely by, Celldex. Pfizer will provide Celldex with reasonable assistance, at Celldex's expense, to enable Celldex to recover such taxes as permitted by Law.

**Section 7. PATENTS AND INFRINGEMENT.**

7.1. Ownership of Inventions.

(a) Sole Inventions. Each party shall exclusively own all Inventions directed toward Compounds, Licensed Products or Diagnostic Assays made solely by such party, its employees, agents and consultants ("Sole Inventions").

(i) Pfizer Sole Inventions. Sole Inventions made solely by Pfizer, its employees, agents and consultants are referred to herein as "Pfizer Sole Inventions". Any Patent Rights directed to said Pfizer Sole Inventions are referred to herein as "Pfizer Sole Patent Rights."



(ii) Celldex Sole Inventions. Sole Inventions made solely by Celldex, its employees, agents and consultants are referred to herein as "Celldex Sole Inventions." Any Patent Rights directed to said Celldex Sole Inventions are referred to herein as "Celldex Sole Patent Rights."

(b) Joint Inventions. Without limiting the provisions of Section 3.2(a), Pfizer shall exclusively own all Inventions related to Compounds, Licensed Products and Diagnostic Assays (other than Inventions solely relating to * made jointly by employees, agents and consultants of Pfizer and its Affiliates, on the one hand, and employees, agents and consultants of Celldex and its Affiliates, on the other hand ("Joint Inventions"). Any Patent Rights directed to Joint Inventions are referred to herein as "Joint Patent Rights." Accordingly, Celldex assigns and transfers, and shall cause the relevant inventors to assign and transfer, to Pfizer all of its and their rights, title and interest in and to any and all Joint Patent Rights, free and clear of all liens, encumbrances, charges, security interests, mortgages or other similar restrictions. Celldex shall, and shall cause the relevant inventors to, execute and deliver such documents, agreements and instruments of assignment and transfer as Pfizer reasonably requests in order to give effect to this Section 7.1(b).

(c) Inventorship. For purposes of determining whether an Invention is a Pfizer Sole Invention, a Celldex Sole Invention or a Joint Invention, questions of inventorship shall be resolved in accordance with United States patent laws.

7.2. Prosecution and Maintenance.

(a) Pfizer Sole Patent Rights. Pfizer shall have the sole right but not the obligation to file, prosecute and maintain any Pfizer Sole Patent Rights.

(b) Celldex Sole Patent Rights. Celldex shall file, prosecute and maintain the Celldex Sole Patent Rights through an outside law firm, and foreign agent as applicable, in each case reasonably acceptable to Pfizer, and at Celldex's discretion using the PCT process where available and applicable. Upon Pfizer's written request, and provided Pfizer provides such written request reasonably in advance of any relevant filing deadline or intended filing date, Celldex shall file patent applications in each of the countries specified by Pfizer, including continuations, divisionals and continuations in part and separate applications in the United States for the purpose of obtaining Hatch-Waxman extensions. For each country listed on Schedule 7.2 that is specified by Pfizer, *.

(c) Joint Patent Rights. Pfizer shall have the sole right but not the obligation to file, prosecute and maintain the Joint Patent Rights at its own cost and expense. Celldex shall assist Pfizer in any way reasonably necessary to file and prosecute the Joint Patent Rights. Pfizer shall not abandon any Joint Patent Right without at least ninety (90) days' prior notice to Celldex. If Pfizer decides to abandon any Joint Patent Right after filing, Celldex shall have the option to continue to prosecute and maintain such Joint Patent Right at its own cost and expense (except in the case of a United States patent or patent application that is tied by a terminal disclaimer to another Patent Right owned by Pfizer). If Celldex elects to continue prosecution and maintenance of such Joint Patent



Right, Pfizer shall assign and transfer, and shall cause the relevant inventors to assign and transfer, to Celldex all of its and their rights, title and interest in and to any such Joint Patent Right; provided, however, that Pfizer shall retain a non-exclusive, irrevocable, worldwide, royalty-free, perpetual license, with the right to sublicense, under such Joint Patent Right to use such Joint Patent Right for any purpose.

7.3. Filings and Correspondence.

(a) Celldex Sole Patent Rights. Celldex will keep Pfizer fully-informed of the status of the Celldex Sole Patent Rights and will promptly provide Pfizer with copies of all substantive documentation submitted to, or received from, the patent offices in connection therewith. With respect to any substantive submissions that Celldex is required to or otherwise intends to submit to a patent office, Celldex shall provide a draft of such submission to Pfizer at least thirty (30) days prior to the deadline for or the intended filing date of such submission, whichever is earlier (or as soon as possible if Celldex has less than thirty (30) days' notice of a deadline for submission). Pfizer shall have the right to review and comment upon any such submission by Celldex to a patent office, and will provide such comments, if any, no later than ten (10) days prior to the applicable deadline or intended filing date. Celldex shall consider in good faith all comments provided by Pfizer. If Celldex disagrees with any comment provided by Pfizer, Celldex shall provide Pfizer with an explanation for such disagreement. If Pfizer does not accept Celldex's explanation, the disputed matter shall be resolved as follows: (i) with respect to any Celldex Sole Patent Right containing any

claims that relate solely to a Compound or Licensed Product, Pfizer shall have final decision-making authority, provided, however, that if Pfizer decides to abandon prosecution of any potentially patentable claims in an application, Celldex may file such claims in any available further application at its own cost and expense, and (ii) with respect to any Celldex Sole Patent Right that does not contain any claims that relate solely to a Compound or Licensed Product, Celldex, with Pfizer's prior written consent, not to be unreasonably withheld, shall have the final decision-making authority.

(b) Joint Patent Rights. Pfizer will keep Celldex fully-informed of the status of the Joint Patent Rights that Pfizer is prosecuting and will promptly provide Celldex with copies of all substantive documentation submitted to, or received from, the patent offices in connection therewith. With respect to any substantive submissions that Pfizer is required to or otherwise intends to submit to a patent office, Pfizer shall provide a draft of such submission to Celldex at least thirty (30) days prior to the deadline for or the intended filing date of such submission, whichever is earlier (or as soon as possible if Pfizer has less than thirty (30) days' notice of a deadline for submission). Celldex shall have the right to review and comment upon any such submission by Pfizer to a patent office and will provide such comments, if any, no later than ten (10) days prior to the applicable deadline or intended filing date. Pfizer shall consider in good faith all comments provided by Celldex and shall incorporate such comments to the extent that Pfizer agrees with such comments. If Pfizer does not agree with any comment provided by Celldex, Pfizer shall provide Celldex with an explanation for such disagreement. If Celldex does not accept Pfizer's explanation, Pfizer shall have the final decision-making authority with respect to the matter in dispute.



(c) Celldex Controlled Patent Rights.

(i) The Celldex Patent Rights licensed to Celldex under the Third Party Licenses are referred to herein as "Celldex Controlled Patent Rights." Celldex will keep Pfizer fully-informed of the status of the Celldex Controlled Patent Rights and will promptly provide Pfizer with copies of all substantive documentation submitted to, or received from, the patent offices in connection therewith, as provided by Third Party Licensors. With respect to any comments that Celldex is required to or otherwise intends to submit to a Third Party Licensor, Celldex shall provide a draft of such submission to Pfizer at least thirty (30) days (or as soon as possible if the Third Party Licensor provides Celldex with less than thirty (30) days' notice of a matter requiring or allowing comment), prior to submission to the Third Party Licensor, the patent office deadline for submission or the intended filing date of such submission, whichever is earliest. Pfizer shall have the right to review and comment upon any such submission by Celldex to a Third Party Licensor and to prepare any other comments that Pfizer would like to be submitted to the Third Party Licensor, and will provide such comments, if any, no later than ten (10) days prior to the applicable deadline or intended filing date. Celldex shall consider in good faith all comments provided by Pfizer. If Celldex disagrees with any comment provided by Pfizer, Celldex shall provide Pfizer with an explanation for such disagreement. If Pfizer does not accept Celldex's explanation, Pfizer shall have the final decision-making authority with respect to the matter in dispute; provided, however, that if Pfizer decides to abandon prosecution of any potentially patentable claims in an application, Celldex may request the Third Party Licensor to file such claims in any available further application.

(ii) Celldex shall take all reasonable steps to cause Third Party Licensors to maintain for the full life thereof all patents under the Celldex Controlled Patent Rights. If Celldex would like to (A) allow the Third Party Licensors to cease prosecution or maintenance of or (B) cease to pay the expenses of prosecution or maintenance of any Celldex Controlled Patent Rights in any country, Celldex will provide notice and an explanation to Pfizer ninety (90) days prior to any filing or payment due date, or any other due date that requires action (or immediately upon notice to Celldex by the Third Party Licensor of such Third Party Licensor's decision not to make a required filing, payment or other action, if such notice occurs less than ninety (90) days before the applicable due date). If Pfizer disagrees, Pfizer shall notify Celldex, and Celldex shall instruct the Third Party Licensor to continue prosecution or maintenance and Celldex shall pay all required expenses.

7.4. Notices and Encumbrances.

(a) Celldex Sole Patent Rights. Celldex shall (i) execute and file those notices and other filings as Pfizer shall request be made, from time to time, with the United States Patent and Trademark Office (or any successor agency) or any analogous patent office in the Territory with respect to the rights granted under this Agreement, and (ii) maintain at all times during the Term sole ownership of the patents under the Celldex Sole Patent Rights. Celldex shall keep the Celldex Technology free and clear of any and all mortgages, liens, pledges, security interests, charges or encumbrances.



(b) Joint Patent Rights. Subject to Section 7.2(c), Pfizer shall maintain at all times during the Term sole ownership of the patents under the Joint Patent Rights, provided, however, that Pfizer may assign any Joint Patent Right to an Affiliate that agrees to accept and abide by Pfizer's obligations with respect to Joint Patent Rights hereunder.

(c) Celldex Controlled Patent Rights. Upon Pfizer's request to Celldex, Celldex shall request the Third Party Licensors to (i) execute and file those notices and other filings as Pfizer shall request be made, from time to time, with the United States Patent and Trademark Office (or any successor agency) or any analogous patent office in the Territory with respect to the rights granted under this Agreement and (ii) maintain at all times during the Term sole ownership of the patents under the Celldex Controlled Patent Rights.

7.5. Patent Term Extensions.

(a) Celldex Sole Patent Rights and Joint Patent Rights. Pfizer shall have the exclusive right, but not the obligation, to seek, in Celldex's name if so required, patent term extensions, and supplemental protection certificates and the like available under Law, including 35 U.S.C. § 156 and applicable foreign counterparts, in any country in the Territory in relation to the Celldex Sole Patent Rights and Joint Patent Rights. Celldex and Pfizer shall cooperate in connection with all such activities. Pfizer will not consider the royalties payable under this Agreement to Celldex when making a patent term extension election in relation to the Celldex Sole Patent Rights or Joint Patent Rights. Pfizer, its agents and attorneys will give due consideration to all suggestions and comments of Celldex regarding any such activities, but in the event of a disagreement between the parties, Pfizer will have the final decision-making authority; provided, however, that Pfizer shall seek (or allow Celldex to seek) to extend any Celldex Sole Patent Right at Celldex's request, including through the use of supplemental protection certificates and the like, unless in Pfizer's reasonable legal determination such Celldex Sole Patent Right may not be extended under Law without limiting Pfizer's right to extend any other Patent Right.

(b) Celldex Controlled Patent Rights. Subject to the terms of *, Pfizer shall have the exclusive right, but not the obligation, to seek, *, patent term extensions, and supplemental protection certificates and the like available under Law, including 35 U.S.C. § 156 and applicable foreign counterparts, in any country in the Territory in relation to the Celldex Controlled Patent Rights. Celldex and Pfizer shall cooperate in connection with all such activities. Pfizer will not consider the royalties payable under this Agreement to Celldex when making a patent term extension election in relation to the Celldex Controlled Patent Rights. Pfizer, its agents and attorneys will give due consideration to all suggestions and comments of Celldex regarding any such activities, but in the event of a disagreement between the parties, Pfizer will have the final decision-making authority; provided, however, that Pfizer shall seek to extend any Celldex Controlled Patent Right at Celldex's request, including through the use of supplemental protection certificates and the like, unless in Pfizer's reasonable legal determination such

Celldex Controlled Patent Right may not be extended under Law without limiting Pfizer's right to extend any other Patent Right.

7.6. Interpretation of Patent Judgments. If any claim relating to a patent under the Celldex Patent Rights or Joint Patent Rights becomes the subject of a judgment, decree or decision of a court, tribunal or other authority of competent jurisdiction in any country, which judgment, decree or decision is or becomes final (there being no further right of review) and adjudicates the validity, enforceability, scope or infringement of the same, the construction of such claim in such judgment, decree or decision shall be followed thereafter in such country not only as to such claim but also as to all other claims in such country to which such construction reasonably applies, in determining whether there are any Valid Claims of any Celldex Patent Rights or Joint Patent Rights in such country. If at any time there are two or more conflicting final judgments, decrees or decisions with respect to the same claim, the decision of the higher tribunal shall thereafter control, but if the tribunal be of equal rank, then the final judgment, decree or decision more favorable to such claim shall control unless and until the majority of such tribunals of equal rank adopt or follow a less favorable final judgment, decree or decision, in which event the latter shall control.

7.7. Third Party Royalty Obligations. If Pfizer (a) determines in good faith that, in order to avoid infringement of any patent not licensed hereunder, it is necessary to obtain a license from a Third Party in order to research, develop, make, use, sell, offer for sale, supply, cause to be supplied or import a Licensed Product in a country in the Territory and to pay a royalty or other consideration under such license (including in connection with the settlement of a patent infringement claim), or (b) shall be subject to a final court or other binding order or ruling or settlement agreement requiring any payments, including the payment of a royalty to a Third Party patent holder in respect of sales of any Licensed Product in a country in the Territory, then, without limiting Celldex's obligations under Section 13.1(a), the amount of Pfizer's royalty payments under Section 5.6 with respect to Net Sales for such Licensed Product in such country shall be reduced by * of the amount payable by Pfizer to such Third Party; provided, however, that:

(x) in no event will a deduction, or deductions, under this Section 7.7, in the aggregate, reduce any royalty payment made by Pfizer in respect of Net Sales of such Licensed Product pursuant to Section 5.6 by more than * (the "Royalty Reduction Limit");

(y) in the event any royalty payment reductions pursuant to the terms of Section 5.8 apply, such Royalty Reduction Limit shall be calculated as * of the reduced royalty payment amounts;

(z) in the event (i) a license obtained pursuant to clause (a) of this Section 7.7 is for the use or sale of a Diagnostic Assay that is necessary to research, develop, make, use, sell or offer for sale a Licensed Product (a "Diagnostic Assay License") and (ii) Pfizer sublicenses such rights to one or more Third Parties in exchange for royalties on the use or sale of such Diagnostic Assay ("Diagnostic Assay Sublicense Payments"), the amount of any deductions under this Section 7.7 for royalties or other consideration made by Pfizer under such Diagnostic Assay License will be reduced by the amount of



Diagnostic Assay Sublicense Payments for such Diagnostic Assay received by Pfizer during the relevant royalty calculation period.

If, but for the Royalty Reduction Limit, the deduction under this Section 7.7 would have reduced a royalty payment made by Pfizer by more than *, then the amount of such deduction that exceeds * will be carried over to subsequent royalty payments until the full amount that Pfizer would have been entitled to deduct (absent the above limitation) is deducted. Notwithstanding the foregoing, (xx) the amount of royalty payments payable to Celldex with respect to Net Sales for a Combination Product shall be reduced pursuant to this Section 7.7 only to the extent the amount of such reduction does not relate to the Additional Components or other therapeutically active ingredients (other than Compounds or Licensed Products) in such Combination Product, and (yy) Pfizer shall not be entitled to any royalty reduction pursuant to this Section 7.7 with respect to any royalty payments or other consideration paid to a Third Party under a license for rights to any formulation of or delivery system for a * Licensed Product. Pfizer will notify Celldex before entering into any license with a Third Party referred to in clause (a) of this Section 7.7.

7.8. Third Party Infringement. Each party will promptly notify the other in the event of any actual, potential or suspected infringement of a patent under the Celldex Patent Rights by any Third Party. As between Pfizer and Celldex, Pfizer shall have the sole right, except as otherwise provided in this Section 7.8, but not the obligation, to institute litigation or take other steps to remedy infringement in connection therewith, and any such litigation or steps shall be at Pfizer's expense, subject to Celldex's obligation to indemnify Pfizer for such expenses pursuant to Section 13; provided that any recoveries resulting from such litigation or steps relating to a claim of a Third Party infringement, after deducting Pfizer's out of pocket expenses (including counsel fees and expenses) in pursuing such claim, will be deemed Net Sales. Pfizer shall not, without the prior written consent of Celldex, enter into any compromise or settlement relating to such litigation that admits the invalidity or unenforceability of any Celldex Patent Right, requires Pfizer to abandon any Celldex Patent Right or requires Celldex to pay any sum of money. In order to establish standing, Celldex, upon request of Pfizer, agrees to timely commence or to join in any such litigation, at Pfizer's expense, and in any event to cooperate with Pfizer in such litigation or steps at Pfizer's expense. Celldex will have the right to consult with Pfizer about such litigation and to participate in and be represented by independent counsel in such litigation at its own expense. If Pfizer fails to institute such litigation or otherwise take steps to remedy the infringement of a Celldex Patent Right (a) within * of its receipt of notice thereof in the case of a Celldex Sole Patent Right, or (b) within * of its receipt or notice thereof in the case of a Celldex Controlled Patent Right, then Celldex shall have the right, but no obligation, upon ten (10) days' prior notice to Pfizer, at Celldex's expense, to institute any such litigation; provided, however, that Celldex shall only have the foregoing right if Pfizer would not be required (by Law or otherwise) to join such litigation as a party and such litigation would not involve a patent covering a then-existing Licensed Product. Pfizer shall have no obligation to cooperate with Celldex in any such litigation. With respect to any such infringement action prosecuted in good faith by * pursuant to *, Pfizer shall pay over to Celldex any payments (whether or not designated as "royalties") made by the alleged infringer to Pfizer under any existing or future sublicense authorizing Licensed Products, * (including, but not limited to, reasonable attorney's fees).



7.9. Paragraph IV Notices.

(a) If either party receives a notice under 21 U.S.C. §355(b)(2)(A)(iv) or 355(j)(2)(A)(vii)(IV) ("Paragraph IV Notice") concerning a Celldex Sole Patent Right, then it shall provide a copy of such notice to the other party within two (2) Business Days after its receipt thereof. Pfizer shall have the only right, but no obligation, to initiate patent infringement litigation based on a Paragraph IV Notice concerning such Patent Right, at its own expense. In order to establish standing, Celldex, upon request of Pfizer, shall reasonably cooperate with Pfizer in any such litigation at Pfizer's expense and shall timely commence or join in any such litigation at Pfizer's request and expense.

(b) If either party receives a Paragraph IV Notice concerning a Celldex Controlled Patent Right, then it shall provide a copy of such notice to the other party within two (2) Business Days after its receipt thereof. Pfizer shall have the sole right, but no obligation, to direct Celldex to request or refrain from requesting the Third Party Licensor to initiate patent infringement litigation based on a Paragraph IV Notice concerning a Celldex Controlled Patent Right, at its own expense. In order to establish standing, Celldex, upon request of Pfizer, shall reasonably cooperate with Pfizer in any such litigation at Pfizer's expense and shall timely commence or join in any such litigation at Pfizer's request and expense.

7.10. Other Actions by a Third Party.

(a) Each party shall promptly notify the other in the event of any legal or administrative action by any Third Party involving a Celldex Sole Patent Right of which it becomes aware, including any nullity, revocation, reexamination or compulsory license proceeding. Pfizer shall have the first right, but no obligation, to defend against any such action involving such Patent Right, in its own name, and any such defense shall be at Pfizer's expense, subject to Celldex's obligation to indemnify Pfizer for such expenses pursuant to Section 13. Celldex, upon request of Pfizer, agrees to join in any such action at Pfizer's expense and in any event to cooperate with Pfizer at Pfizer's expense. If Pfizer fails to defend against any such action involving such Patent Right, then Celldex shall have the right to defend such action, in its own name, and any such defense shall be at Celldex's expense. Pfizer, upon request of Celldex, shall reasonably cooperate with Celldex in any such action at Celldex's expense.

(b) Each party shall promptly notify the other in the event of any legal or administrative action by any Third Party involving a Celldex Controlled Patent Right of which it becomes aware, including any nullity, revocation, reexamination or compulsory license proceeding. Pfizer shall have the first right, but no obligation, to defend against any such action involving such, and any such defense shall be at Pfizer's expense, subject to Celldex's obligation to indemnify Pfizer for such expenses pursuant to Section 13. Celldex, upon request of Pfizer, agrees to join in any such action at Pfizer's expense and in any event to cooperate with Pfizer at Pfizer's expense. If Pfizer fails to defend against any such action involving a Celldex Controlled Patent Right, then Celldex shall have the right to defend such action, in its own name, or request the Third Party Licensor to defend such action, and any such defense shall be at Celldex's expense. Pfizer, upon



request of Celldex, shall reasonably cooperate with Celldex in any such action at Celldex's expense.

7.11. Alleged Infringement by Pfizer or Celldex. Each of the parties shall promptly notify the other in the event of any claims by a Third Party of alleged patent infringement by Pfizer or Celldex or any of their respective Affiliates with respect to the research, development, manufacture, use, sale, offer for sale or importation of a Compound, Licensed Product or Diagnostic Assay. In the case of any such claim against Pfizer alone or against both Pfizer and Celldex, Pfizer shall be entitled to control the defense of such claim and shall be the Indemnifying Party solely for purposes of determining which party will assume direction and control of any defense, litigation, settlement, appeal or other disposition arising in connection therewith as provided in Section 13.3. Celldex, upon request of Pfizer, agrees to join in any such litigation at Pfizer's expense and in any event to cooperate with Pfizer at Pfizer's expense. Celldex will have the right to consult with Pfizer concerning such claim and to participate in and be represented by independent counsel in any litigation in which Celldex is a party at its own expense. In the event Pfizer elects to control the defense of such claim and *. In the case of any such claim against Celldex alone, Pfizer shall have the right to consult with Celldex concerning such claim and Pfizer, upon request of Celldex, will reasonably cooperate with Celldex at Celldex's expense (but Pfizer shall have no obligation to join such litigation).

7.12. Compensation to Inventors and Third Party Licensors. As between Celldex and Pfizer, only Celldex shall be responsible for any compensation and any other payments due to the inventors of any Celldex Sole Patent Rights, the Celldex inventors of Joint Patent Rights and the inventors and Third Party Licensors of the Celldex Controlled Patent Rights.

7.13. Marking. Pfizer shall mark all Licensed Products made or sold in the United States in accordance with 35 U.S.C. § 287(a) and shall mark all Licensed Products made or sold in other countries in accordance with the laws and regulations then applicable in each such country.

**Section 8. CONFIDENTIALITY; PUBLICATION.**

8.1. Confidential Information.

(a) Pfizer and Celldex each agree that during the Term and for * after the Term, it will keep confidential, and will cause its Affiliates to keep confidential, all of the other party's Confidential Information that is disclosed to it, or to any of its Affiliates. Pfizer and Celldex each agree to take such action, and to cause its Affiliates to take such action, to preserve the confidentiality of Celldex Confidential Information and Pfizer Confidential Information, respectively, as it would customarily take to preserve the confidentiality of its own similar types of confidential information.

(b) Each of Pfizer and Celldex agree, and each party shall cause its respective Affiliates, (i) to use Celldex Confidential Information and Pfizer Confidential Information, respectively, only as expressly permitted in this Agreement and (ii) not to disclose Celldex Confidential Information or Pfizer Confidential Information, respectively, to any Third Parties under any circumstance, without the prior written



consent of the other party, except as expressly permitted in this Agreement. Neither Celldex nor its Affiliates shall disclose to any Third Party under any circumstance (A) any Celldex Confidential Information relating to any Compound, Licensed Product or Diagnostic Assay or (B) any data or results from any clinical study, the subject of which is a Licensed Product or Diagnostic Assay, without the prior written consent of Pfizer, except as expressly permitted in this Agreement.

(c) Notwithstanding anything to the contrary in this Section 8, Pfizer may disclose Celldex Confidential Information to Third Parties as follows, provided that in each case Pfizer shall obtain the same confidentiality obligations from such Third Parties, or otherwise seek confidential treatment of such Celldex Confidential Information, to the extent available, as it obtains or seeks with respect to its own similar types of confidential information: (i) to Governmental Authorities (A) to the extent reasonably necessary or useful to obtain or maintain INDs or Regulatory Approvals for any Compound, Licensed Product or Diagnostic Assay within the Territory and (B) in order to respond to inquiries, requests or investigations of Governmental Authorities relating to this Agreement; (ii) to outside consultants, contractors, advisory boards, managed care organizations and non-clinical and clinical investigators, in each case to the extent reasonably necessary or useful to develop, register or market any Compound, Licensed Product or Diagnostic Assay as provided for under this Agreement; (iii) in connection with filing or prosecuting patent rights or trademark rights as permitted by this Agreement; (iv) in connection with prosecuting or defending litigation as permitted by this Agreement; (v) in connection with or included in scientific presentations and publications relating to Compounds, Licensed Products or Diagnostic Assays, including abstracts, posters, journal articles and the like, and posting results of and other information about clinical trials to clincialtrials.gov or PhRMA websites, provided that Celldex will be given an opportunity to review and comment on any such disclosure of Celldex Confidential Information prior to such presentation or publication and Pfizer shall consider such comments in good faith and shall remove any Celldex Confidential Information from such presentation or publication if such Celldex Confidential Information is objected to by Celldex and is unrelated to a Compound, Licensed Product or Diagnostic Assay; and (vi) to the extent necessary or desirable in order to enforce its rights under this Agreement.

(d) Notwithstanding anything to the contrary in this Section 8, Celldex may disclose Pfizer Confidential Information, and Celldex Confidential Information exclusively licensed to Pfizer hereunder, to Third Parties as follows, provided that in each case Celldex shall obtain the same confidentiality obligations from such Third Parties, or otherwise seek confidential treatment of such Pfizer Confidential Information and such Celldex Confidential Information, to the extent available, as it obtains or seeks with respect to its own similar types of confidential information: (i) to Governmental Authorities (A) to the extent reasonably necessary or useful to obtain or maintain INDs for any Compound or Licensed Product within the Territory consistent with Celldex's obligations under the Development Plan and (B) in order to respond to inquiries, requests or investigations of Governmental Authorities relating to this Agreement; (ii) to outside consultants, contractors, advisory boards and non-clinical and clinical investigators, in each case to the extent reasonably necessary or useful to develop any Compound or Licensed Product consistent with Celldex's obligations under the Development Plan;

(iii) to the Third Party Licensors to the extent necessary to comply with Celldex's obligations under the Third Party Licenses; and (iv) to the extent necessary or desirable in order to enforce its rights under this Agreement.

8.2. Publication. Celldex shall not, and shall cause its Affiliates and the employees, consultants, contractors, licensees and agents of Celldex and its Affiliates not to, publish or present any information with respect to any Compound, Licensed Product or Diagnostic Assay without Pfizer's prior written consent (which may be withheld in its sole and final discretion), except as may be required by Law or legal proceedings.

8.3. Publicity. The public announcement of the execution of this Agreement is set forth on Exhibit D attached hereto and shall be promptly disseminated following the execution of this Agreement by both parties.

(a) Except as set forth in Section 8.2, Celldex shall not make (and shall cause its Affiliates not to make) any public statement (written or oral), including in analyst meetings, concerning the terms of, or events related to, this Agreement or concerning any Compound, Licensed Product or Diagnostic Assay, except where such statement: (i) is required by Law or legal proceedings, (ii) is required to be contained in Celldex financial statements prepared in accordance with generally acceptable accounting principles in the United States, (iii) has been announced previously in accordance with this Section 8.3 or (iv) has been announced previously by Pfizer, so long as, in the case of (iii) or (iv), such public statement is consistent with such previously announced statement. In the case of any public statement (written or oral) that is required by Law or legal proceedings, Celldex shall (and shall cause its Affiliates to) (x) use Commercially Reasonable Efforts to obtain confidential treatment of financial and trade secret information and (y) if reasonably practicable under the circumstances, give Pfizer sufficient advance notice of the text so that Pfizer will have the opportunity to comment upon the statement, and give due consideration to any such comments in the final statement.

(b) Except as otherwise permitted pursuant to Section 8.2, Pfizer shall, if reasonably practicable under the circumstances, give Celldex sufficient advance notice of the text of any public statement so that Celldex will have the opportunity to comment upon such statement. Pfizer shall give due consideration to any such comments.

(c) Each party and its Affiliates shall retain all right, title and interest in and to its and their respective trademarks, trade names, corporate names and logos. No right is granted by virtue of this Agreement to a party or its Affiliates to use the corporate name or any other trade name of the other party or its Affiliates in any publicity, press release or public announcement relating to this Agreement without the prior written consent of the other party.

8.4. Filing, Registration or Notification of this Agreement. If a party determines that it is required by Law, or any of its Affiliates is required by Law, to publicly file, register or notify this Agreement with a Governmental Authority, such party (or such party's Affiliate, as the case may be) shall (a) initially file a redacted copy of this Agreement (the "Redacted Agreement") in the form of Exhibit E attached hereto, (b) request, and use commercially



reasonable efforts to obtain, confidential treatment of all terms redacted from this Agreement, as reflected in the Redacted Agreement, for a period of at least *, (c) permit the other party to review and approve such request for confidential treatment and any subsequent correspondence with respect thereto at least five (5) Business Days prior to its submission to such Governmental Authority, (d) promptly deliver to the other party any written correspondence received by it or its representatives from such Governmental Authority with respect to such confidential treatment request and promptly advise the other party of any other communications between it or its representatives with such Governmental Authority with respect to such confidential treatment request, (e) upon the written request of the other party, request an appropriate extension of the term of the confidential treatment period and (f) if such Governmental Authority requests any changes to the redactions set forth in the Redacted Agreement, use commercially reasonable efforts to support the redactions in the Redacted Agreement as originally filed and shall not agree to any changes to the Redacted Agreement without first discussing such changes with the other party and taking the other party's comments into consideration when deciding whether to agree to such changes. Each party shall be responsible for its own legal and other external costs in connection with any such filing, registration or notification.

**Section 9. REPRESENTATIONS AND WARRANTIES.**

9.1. Celldex Representations and Warranties. As of the date hereof and as of the Effective Date of this Agreement, Celldex hereby represents and warrants to Pfizer as follows:

(a) Celldex has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution, delivery and performance of this Agreement by Celldex have been duly and validly authorized and approved by proper corporate action on the part of Celldex, and Celldex has taken all other action required by Law, its certificate of incorporation, by-laws or other organizational documents or any agreement to which it is a party or to which it may be subject, required to authorize such execution, delivery and performance (other than compliance with all applicable requirements of the HSR Act). Assuming due authorization, execution and delivery on the part of Pfizer, this Agreement constitutes a legal, valid and binding obligation of Celldex, enforceable against Celldex in accordance with its terms.

(b) The execution and delivery of this Agreement by Celldex and the performance by Celldex contemplated hereunder does not and will not violate any Laws, except for such violations that would not have an adverse effect on the ability of Celldex to performs its obligations under this Agreement, or any order of any court or Governmental Authority.

(c) To the Knowledge of Celldex, (i) the patents encompassed within the Celldex Patent Rights are valid and enforceable patents and (ii) the patent applications encompassed within the Celldex Patent Rights will be, if and when issued, valid and enforceable patents. To the Knowledge of Celldex, no Third Party (i) is infringing any such patents or has misappropriated any Celldex Technology or (ii) except as set forth on Schedule 9.1(c), has challenged the ownership, scope, duration, validity, enforceability, priority or right to use of such patents (including by way of example through the



institution or written threat of institution of interference, reexamination, protest, opposition, nullity or similar invalidity proceedings before the United States Patent and Trademark Office or any analogous foreign entity) or any Celldex Technology.

(d) To the Knowledge of Celldex, the research, development, manufacture, use, sale, offer for sale, supply or importation by Celldex or Pfizer (or their respective Affiliates) of CDX-110, any Licensed Products containing CDX-110 (as such Licensed Products are currently constituted) and any * Diagnostic Assays (as such Diagnostic Assays are currently constituted), but not including *, does not and will not infringe any valid issued patent of any Third Party and does not and will not misappropriate any technology of any Third Party. Prior to the Effective Date, neither Celldex nor any of its Affiliates has conducted any research, development, manufacturing, use, or sale of any Compound other than CDX-110 nor of any Licensed Product other than Licensed Products containing CDX-110. Celldex has disclosed to Pfizer all Third Party patents and patent applications identified by counsel to Celldex in any freedom to operate or patentability searches

or opinions, or otherwise made known to Celldex, relating to CDX-110 and Licensed Products containing CDX-110. Celldex has received no written notice from a Third Party regarding, nor has any Knowledge that any Third Party intends to assert, any claim that the manufacture, use or sale of CDX-110 or the practice of the Celldex Patent Rights or use of the Celldex Technology infringes the intellectual property rights of a Third Party.

(e) There is no legal claim, judgment or settlement against or owed by Celldex, or any order, writ, injunction or decree of any Governmental Authority against Celldex, in each case relating to CDX-110, any Licensed Product, the Celldex Patent Rights, the Celldex Technology or the transactions contemplated by this Agreement.

(f) Subject to the provisions of the Third Party Licenses, Celldex's right, title and interest to all the Celldex Patent Rights and Celldex Technology are free of any lien, encumbrance, charge, security interest, mortgage or other similar restriction. To the Knowledge of Celldex, the Third Party Licensors' right, title and interest to the Celldex Controlled Patent Rights are free of any lien, encumbrance, charge, security interest, mortgage or other similar restriction (any such lien, encumbrance, charge, security interest, mortgage or other similar restriction, a "Third Party Licensor Lien"). Subject to the provisions of the Third Party Licenses and any Third Party Licensor Liens, no person, firm, corporation or other entity (including any Affiliate of Celldex) has any right, interest or claim in or to, and neither Celldex nor any of its Affiliates has entered into any agreement granting any right, interest or claim in or to, any Celldex Patent Rights or Celldex Technology to any Third Party (including any academic organization or agency). Without limiting the generality of the foregoing: (i) no Celldex Research Arrangement has been funded in whole or in part by any Third Party; (ii) each Celldex Research Arrangement is covered by a written agreement between Celldex and the Third Party(ies) involved in such Celldex Research Arrangement; (iii) Celldex exclusively owns all data and other intellectual property generated in the course of performance of each Celldex Research Arrangement conducted prior to the date hereof or the Effective Date, as the case may be; and (iv) all agreements with Third Parties relating to any Celldex Research Arrangement that is being conducted as of the date hereof or the Effective Date, as the



case may be, provide that Celldex shall have exclusive ownership of all data and other intellectual property generated in the course of performance of such Celldex Research Arrangement. For purposes of this Section 9.1, "Celldex Research Arrangement" means (x) any clinical trial or other research or development activities involving CDX-110 or any other Compound, Licensed Product or Diagnostic Assay performed by Celldex, any Affiliate of Celldex or any Third Party acting on Celldex's behalf or under an agreement with Celldex or any Affiliate of Celldex or of which Celldex is otherwise aware, and (y) any research or development activities involving CDX-110 or any other Compound or Licensed Product performed by any Third Party to whom Celldex has provided CDX-110 or any such other Compound or Licensed Product at any time. Schedule 9.1(f) lists every agreement relating to the Celldex Research Arrangements.

(g) Prior to the Effective Date, the Compounds and Licensed Products have been developed, manufactured, stored, labeled, distributed and tested by Celldex and its Affiliates and, to Celldex's Knowledge, by any Third Parties acting on behalf of Celldex, in compliance in all material respects with all applicable Laws.

(h) The Patent Rights listed in Exhibit A are licensed to Celldex under the Third Party Licenses and are included in the Celldex Patent Rights licensed to Pfizer under this Agreement. Other than the Patent Rights licensed to Celldex under the Third Party Licenses, Celldex does not own or control any Patent Rights relating to the Compounds, Licensed Products or Diagnostic Assays. Since September 30, 2007, Celldex has not assigned or otherwise transferred ownership or control of any Patent Rights or Technology to Avant or any other Affiliate of Celldex.

(i) Except for the Third Party Licenses, *, the * Supply Agreement and the agreements set forth in Schedule 9.1(f) (collectively, the "Third Party Agreements"), correct and complete copies of each of which have heretofore been delivered by Celldex to Pfizer, there are no licenses or other agreements, whether written or oral, to which Celldex or any of its Affiliates is a party that relate to the Compounds, Licensed Products or Diagnostic Assays or any patents or patent applications relating thereto. The Third Party Agreements delivered by Celldex to Pfizer were true, accurate and complete copies of such agreements on the date of delivery and have not been modified, supplemented or amended since the date of delivery. Each of the Third Party Agreements is in full force and effect. Celldex is not in breach of any Third Party Agreement, and, to Celldex's Knowledge, no other party to any Third Party Agreement is in breach thereof. No party to any Third Party Agreement has notified in writing any other party thereto of any material breach thereof. * has executed and delivered to Celldex the consent to assignment of the * Supply Agreement in the form attached hereto as Exhibit F, and Celldex has received no written notice from * revoking or purporting to revoke such consent.

(j) Celldex has heretofore disclosed to Pfizer all material scientific and technical information and all information relating to safety and efficacy known to it or its Affiliates with respect to CDX-110, Licensed Products containing CDX-110 and * Diagnostic Assays.



(k) Celldex has heretofore disclosed to Pfizer all material correspondence and contact information between Celldex and the FDA and any other Governmental Authorities regarding CDX-110 or any Licensed Product containing CDX-110.

(l) Except for filings pursuant to the HSR Act, if any, neither the execution and delivery of this Agreement nor the performance hereof by Celldex requires Celldex to obtain any permits, authorizations or consents from any Governmental Authority or from any other person, firm or corporation, and such execution, delivery and performance will not result in the breach of or give rise to any right of termination, rescission, renegotiation or acceleration under, or trigger any other rights under, any agreement or contract to which Celldex is a party or to which it may be subject that relates to the Celldex Patent Rights, the Celldex Technology, the Compounds or the Licensed Products.

(m) There is (1) no Action pending against Celldex, any of its Affiliates or, to the Knowledge of Celldex, any Third Party, and (2) to the Knowledge of Celldex, no Action threatened and no Investigation pending or threatened against Celldex, any of its Affiliates or any Third Party, in each case in connection with the Celldex Patent Rights, the Celldex Technology, the Compounds or the Licensed Products or relating to the transactions contemplated by this Agreement. For purposes of this Section 9.1(m): "Action" means any action, claim, demand, suit, proceeding, arbitration, grievance, citation, summons or subpoena of any nature, civil, criminal, regulatory or otherwise, in law or in equity; and "Investigation" means any inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity.

Within five (5) Business Days following the Effective Date, Celldex shall deliver to Pfizer a certificate of Celldex, signed by an executive officer of Celldex, certifying that the representations and warranties of Celldex contained in this Section 9.1 were true and correct as of the Effective Date.

9.2. Pfizer Representations and Warranties. As of the date hereof and as of the Effective Date of this Agreement, Pfizer hereby represents and warrants to Celldex as follows:

(a) Pfizer has the limited liability company power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and the execution, delivery and performance of this Agreement by Pfizer have been duly and validly authorized and approved by proper limited liability company action on the part of Pfizer, and Pfizer has taken all other action required by Law, its certificate of formation and operating agreement, or any agreement to which it is a party or to which it may be subject, required to authorize such execution, delivery and performance. Assuming due authorization, execution and delivery on the part of Celldex, this Agreement constitutes a legal, valid and binding obligation of Pfizer, enforceable against Pfizer in accordance with its terms.

(b) The execution and delivery of this Agreement by Pfizer and the performance by Pfizer contemplated hereunder does not and will not violate any Laws, except for such violations that would not have an adverse effect on the ability of Pfizer to



perform its obligations under this Agreement, or any order of any court or Governmental Authority.

(c) Except for filings pursuant to the HSR Act, if any, neither the execution and delivery of this Agreement nor the performance hereof by Pfizer requires Pfizer to obtain any permits, authorizations or consents from any Governmental Authority (other than any regulatory approvals relating to the manufacture, use, importation or sale of any Compound or Licensed Product) or from any other person, firm or corporation, and such execution, delivery and performance will not result in the breach of or give rise to any right of termination under any agreement or contract to which Pfizer is a party or to which it may be subject, except for those breaches or rights that would not adversely affect the ability of Pfizer to perform its obligations under this Agreement.

(d) There is no action, claim, demand, suit, proceeding, arbitration, grievance, citation, summons, subpoena, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or, to the Knowledge of Pfizer, threatened against Pfizer or any of its Affiliates relating to the transactions contemplated by this Agreement.

Within five (5) Business Days following the Effective Date, Pfizer shall deliver to Celldex a certificate of Pfizer, signed by an authorized officer of Pfizer, certifying that the representations and warranties of Pfizer contained in this Section 9.2 were true and correct as of the Effective Date.

9.3. Disclaimer of Warranty. EXCEPT AS OTHERWISE EXPRESSLY STATED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY OF ANY KIND WITH RESPECT TO COMPOUNDS, LICENSED PRODUCTS, DIAGNOSTIC ASSAYS, PATENT RIGHTS, OR TECHNOLOGY. EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION 9, EACH PARTY EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT.

9.4. No Debarment. In conducting any development activities under this Agreement, each party shall ensure that its Affiliates, employees, agents and contractors: (i) comply with all applicable Laws and all statutory and regulatory requirements of the FDA and any other Governmental Authority; and (ii) not utilize, in conducting studies on any Compound, Licensed Product or Diagnostic Assay, any person or entity that at such time is debarred by the FDA or under investigation by the FDA for debarment action pursuant to the provisions of the United States federal Generic Drug Enforcement Act of 1992. Each party agrees to inform the other party in writing immediately if it or any person or entity who is performing services hereunder is so debarred or is the subject of a conviction described in Section 306 of the FDCA, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to such party's Knowledge, is threatened, relating to the debarment or conviction of such party or any person or entity used in any capacity by such party or any of its Affiliates in connection with the development of any Compound, Licensed Product or Diagnostic Assay.



**Section 10. ADDITIONAL COVENANTS.**

10.1. Restrictions on Transfers and Liens. Celldex shall not license, sell, assign or otherwise transfer to any person (including any Affiliate of Celldex) any Celldex Patent Rights or any Celldex Technology, or assign or otherwise transfer any of the Third Party Licenses or * or any of its rights or obligations thereunder to any person (including any Affiliate of Celldex) (or agree to do any of the foregoing) except to the extent permitted by, and in compliance with, Section 15.8. In addition, Celldex hereby covenants and agrees that Celldex shall not incur or permit to exist (and shall cause each of its Affiliates not to incur or permit to exist), with respect to any Celldex Patent Rights and/or Celldex Technology, any lien, encumbrance, charge, security interest, mortgage, liability, grant of license to Third Parties or other restriction (including in connection with any indebtedness).

10.2. Third Party Licenses. Celldex (a) shall not execute or otherwise permit, and shall cause its Affiliates to refrain from executing or otherwise permitting, any amendment, modification or waiver to any of the Third Party Licenses, * or the * Supply Agreement without the prior written consent of Pfizer, (b) shall not make any election or exercise any right or option (or omit to take any action) which would, and shall cause its Affiliates to refrain from making any election or exercising any right or option (or omitting to take any action) which would, terminate or relinquish in whole or in part any right under a Third Party License, * or the * Supply Agreement, (c) shall comply, and shall cause its Affiliates to comply in all respects, with all of its, and its Affiliates', obligations under the Third Party Licenses, * and the * Supply Agreement, (d) shall take, and shall cause its Affiliates to take, such actions as shall be necessary to keep in full force and effect the Third Party Licenses, * and the * Supply Agreement, and (e) shall give prompt notice to Pfizer, together with a detailed summary of outstanding issues if Pfizer so requests, of any notice received from the Third Party of any actual or alleged defaults, breaches, violations, proposed amendments or proposed modifications of, or any proposed waivers under, any of the Third Party Licenses, * or the * Supply Agreement by any of the parties thereto.

10.3. Compliance with Laws. Each of Celldex and Pfizer shall conduct, and shall use reasonable efforts to cause its Affiliates to conduct, all its activities contemplated under this Agreement in accordance with all applicable Laws of the country in which such activities are conducted.

10.4. Conduct of Business. From and after the date hereof and until the Effective Date, except as Pfizer shall otherwise consent to in writing, Celldex shall (a) operate the business of Celldex with respect to Compounds, Licensed Products, Diagnostic Assays, Celldex Patent Rights and Celldex Technology in the ordinary course consistent with past practice and (b) use Commercially Reasonable Efforts to preserve intact and keep in full force and effect all Celldex Patent Rights and Celldex Technology, and all related relationships with customers, suppliers, distributors, licensors, licensees and other Third Parties, and to keep available the services of its current employees who are involved in the research, development or commercialization of Compounds, Licensed Products or Diagnostic Assays (as the case may be).

10.5. Access to Information. From and after the date hereof, Celldex shall, upon reasonable notice from Pfizer, provide Pfizer and its agents and representatives with reasonable



access, at Celldex's place of business, during regular business hours, to (a) all information concerning Compounds, Licensed Products, Diagnostic Assays, Celldex Patent Rights and/or Celldex Technology and (b) all employees of Celldex who possess any information described in clause (a) of this Section 10.5.

**Section 11. TERM.**

11.1. Term. Subject to Section 11.2, this Agreement shall be effective as of the Effective Date and shall, unless earlier terminated in accordance with Section 12, remain in effect until the expiration of the last-to-expire Royalty Term. Simultaneously with the execution of this Agreement, the parties shall enter into the Assignment and Assumption Agreement relating to the * Supply Agreement in the form attached hereto as Exhibit G.

11.2. Prior to Effective Date. Prior to the Effective Date, neither Celldex nor Pfizer shall have any rights or obligations hereunder. Notwithstanding anything to the contrary in Section 11.1, effective as of the date hereof, each of Pfizer and Celldex covenant and agree that Section 8, 10.1, 10.2, 10.4, 10.5, 11.2, 12.1(c), Section 14, 15.8 and 15.13 shall be in full force and effect unless this Agreement is terminated pursuant to Section 12 (including any applicable defined terms contained in such provisions).

**Section 12. TERMINATION.**

12.1. Termination Rights. This Agreement may be terminated as follows:

(a) If either Pfizer or Celldex materially breaches or materially defaults in the performance or observance of any of its respective obligations under this Agreement, and such breach or default is not cured within * after the giving of written notice by the other party specifying such breach or default, then such other party shall have the right to terminate this Agreement by providing the breaching party written notice within * following the expiration of such * period (such termination to be effective upon receipt of such termination notice). For the purpose of this Section 12.1(a), a material breach or material default shall include a material inaccuracy in any warranty or representation contained herein.

(b) At any time and for any reason, Pfizer, upon * written notice to Celldex, shall have the right, at Pfizer's sole discretion, to terminate this Agreement, such termination to be effective upon the expiration of such * period. In order to ensure the smooth transition of the development and/or commercialization of any Compound or Licensed Product from Pfizer to Celldex or a Third Party designated by Celldex, promptly after receipt by Celldex of such written notice, representatives of Pfizer and Celldex will meet to negotiate in good faith the terms of a transition plan with respect to all then-current as well as planned activities relating to Compounds and Licensed Products.

(c) Either party shall have the right to terminate this Agreement if the Effective Date has not occurred (for any reason) by *.



(d) If Pfizer, its Affiliate or sublicensee commences any legal proceeding that challenges the validity, enforceability or ownership of any Celldex Patent Right set forth on Exhibit A, Celldex shall have the right to immediately terminate the license granted to Pfizer by Celldex pursuant to Section 3.1(a) under the challenged patent by giving notice to Pfizer. The foregoing right of Celldex to terminate Pfizer's license under a challenged patent shall not apply to any such challenge that arises out of or is in connection with any legal action or counterclaim commenced by Celldex against Pfizer, whether arising out of or in connection with this Agreement or otherwise.

12.2. Accrued Obligations. Expiration or termination of this Agreement for any reason (a) shall be without prejudice to Celldex's right to receive all royalties accrued under Section 5.6 prior to the effective date of such termination and to any other remedies that either party may otherwise have and (b) shall not release a party hereto from any indebtedness, liability or other obligation incurred hereunder by such party prior to the date of termination or expiration.

12.3. Effect of Termination.

(a) Upon any termination of this Agreement pursuant to Section 12.1, all licenses and rights granted herein to Pfizer shall terminate, other than the license granted to Pfizer in Section 3.3(a) (Non-Exclusive Research License) and except as otherwise provided in this Section 12.3.

(b) If Pfizer terminates this Agreement under Section 12.1(b) other than for reasons related to the safety of any Compound or Licensed Product (as determined in good faith by Pfizer, taking into account the indication(s) for which the Compound or Licensed Product was being developed or commercialized) or Celldex terminates this Agreement under Section 12.1(a) or 12.1(d), Pfizer shall, promptly after such termination: (i) transfer to Celldex ownership of all regulatory filings and Regulatory Approvals that relate solely to Licensed Products; and (ii) deliver or make available to Celldex, in the same form in which Pfizer maintains such items, copies of those material reports, records and regulatory correspondence in Pfizer's possession or control that (A) relate solely to the pre-clinical and clinical development under this Agreement of Compounds or Licensed Products and (B) are necessary for Celldex to obtain Regulatory Approval for Licensed Products; provided that the parties agree that any failure by Pfizer to provide such reports, records or correspondence to Celldex despite Pfizer's Commercially Reasonable Efforts to do so shall not be a breach of Pfizer's obligations under this Section 12.3.

(c) If (i) Pfizer terminates this Agreement under Section 12.1(b), or Celldex terminates this Agreement under Section 12.1(a) or 12.1(d), after * and (ii) Celldex subsequently commercializes such Licensed Product, Celldex will pay to Pfizer royalties in the amount of * of the annual net sales of such Licensed Product by Celldex, its Affiliates and licensees and sublicensees (where "net sales" of Celldex, its Affiliates and licensees and sublicensees is calculated in substantially the same manner as Net Sales are calculated under this Agreement). Such royalties will be payable on a country-by-country basis during the Royalty Term that otherwise would have applied if this Agreement had not been terminated.



(d) If Pfizer terminates this Agreement under Section 12.1(b), or Celldex terminates this Agreement under Section 12.1(a) or 12.1(d), Celldex shall have the following rights, and Pfizer shall have the following obligations:

(i) Celldex will, from the effective date of any such termination, have a non-exclusive, perpetual, irrevocable, worldwide, royalty-free (subject to Section 12.3(c)) license, with the right to sublicense, under the Pfizer Applied Technology, Pfizer Patent Rights and any Joint Patent Rights not previously assigned to Celldex that are necessary to research, develop, make, have made, use, sell, offer for sale, supply, cause to be supplied and import any Licensed Product that is in active clinical development or has been commercialized at the time of termination (a "Reverted Product"), solely to research, develop, make, have made, use, sell, offer for sale, supply, cause to be supplied and import such Reverted Product; provided that, if any of such Pfizer Applied Technology or Pfizer Patent Rights is licensed by Pfizer or any of its Affiliates from a Third Party, (A) Celldex's license rights under this Section 12.3(d) shall be limited to the extent required under any agreement with such Third Party and (B) Celldex shall pay to Pfizer the amount of any Third Party royalties payable by Pfizer relating to such Pfizer Applied Technology or Pfizer Patent Rights (as the case maybe) in respect of such Reverted Product.

(ii) Pfizer shall have the first right, but not the obligation, to continue prosecution and maintenance at its own expense of all Pfizer Patent Rights and all Joint Patent Rights not previously assigned to Celldex that are licensed to Celldex under Section 12.3(d)(i) (the "Reverted Product Patent Rights"). Within sixty (60) days of termination of this Agreement, Celldex shall give notice to Pfizer specifying which Pfizer Patent Rights and Joint Patent Rights it believes are Reverted Product Patent Rights. No later than sixty (60) days prior to the applicable Paris Convention date or PCT nationalization date, as the case may be, for a given Reverted Product Patent Right, Pfizer shall provide Celldex with a list of the countries in which Pfizer has decided to extend such Reverted Product Patent Right. If Pfizer has decided not to continue the prosecution or maintenance of a patent application or patent that is a Reverted Product Patent Right, then Celldex shall have the option to obtain ownership of such patent applications and patents * and to continue the prosecution of such patent applications and the maintenance of such patents in such country, at its own cost and expense, in Celldex's name (except in the case of a United States patent or patent application that is tied by a terminal disclaimer to another Patent Right owned by Pfizer). If Celldex exercises such option to obtain ownership of such Reverted Product Patent Rights, Celldex shall, and shall cause its Affiliates to, grant to Pfizer a non-exclusive, irrevocable, worldwide, royalty-free, perpetual license, with the right to

sublicense, under such Reverted Product Patent Rights for all uses. Notwithstanding the provisions of Section 15.8, but subject to all rights granted herein to Celldex, Pfizer may transfer any Reverted Product Patent Right to a Third Party without Celldex's consent; provided, however, that Pfizer shall ensure that any such Third Party transferee agrees in writing to comply with the obligations set forth in this Section 12.3(d)(ii) relating to such Reverted Product Patent Right.

(iii) Celldex shall have the right to submit a written notice to Pfizer within * of termination requesting that Pfizer enter good faith negotiations for *. If Pfizer



consents in writing to such negotiations, which consent may be withheld in Pfizer's sole discretion, the parties shall negotiate in good faith the terms of such license for up to *. In the event the parties do not agree on the terms of such a license before the end of such * negotiation period, Pfizer shall have no further obligation under this Section 12.3(d)(iii).

(iv) Pfizer will assign to Celldex Pfizer's rights, title and interest under the * Supply Agreement, as amended from time to time and then in effect, in whole or in part (at Pfizer's option) to the extent necessary to enable Celldex to purchase * * (as defined in the * Supply Agreement) for the manufacturing of Compounds and Licensed Products. Any such assignment will be subject to the terms of an assignment and assumption agreement between Celldex and Pfizer on terms that are substantially similar to the terms of the Assignment and Assumption Agreement between the parties dated as of the date hereof.

(e) Following termination of this Agreement pursuant to Section 12.1: (i) each of Pfizer and Celldex shall, upon request of the other party, return or destroy all Celldex Confidential Information and Pfizer Confidential Information, respectively, disclosed to it pursuant to this Agreement, including all copies and extracts of documents, as promptly as practicable following receipt of such request, except that one (1) copy may be kept for the purpose of complying with continuing obligations under this Agreement.

(f) If this Agreement is terminated by Pfizer pursuant to Section 12.1(a), the following provisions shall apply:

(i) all licenses granted by each party to the other party under this Agreement shall terminate, other than the license granted to Pfizer in Section 3.3(a) (Non-Exclusive Research License); and

(ii) subject to the provisions of Section 15.6, this Agreement shall be of no further force or effect.

12.4. Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by Celldex are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The parties agree that Pfizer, as licensee of intellectual property under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code. The parties further agree that, in the event of a rejection of this Agreement by Celldex in any bankruptcy proceeding by or against Celldex under the U.S. Bankruptcy Code, (a) Pfizer shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in Pfizer's possession, shall be promptly delivered to it upon Pfizer's written request therefor, and (b) Celldex shall not interfere with Pfizer's rights to intellectual property and all embodiments of intellectual property, and shall assist and not interfere with Pfizer in obtaining intellectual property and all embodiments of intellectual property from another entity. The term "embodiments" of intellectual property includes all tangible, intangible, electronic or other



embodiments of rights and licenses hereunder, including all compounds and products embodying intellectual property, Licensed Products, regulatory filings and related rights, and Technology.

**Section 13. INDEMNIFICATION.**

13.1. Indemnification.

(a) Except as set forth on Schedule 13.1, Celldex will indemnify, defend and hold Pfizer and Pfizer's Affiliates, and their respective directors, officers and employees (collectively, "Pfizer Indemnified Parties," and each a "Pfizer Indemnified Party"), harmless from any and all Losses (as defined below) incurred by any of them as a result of:

(i) the breach of any covenant, warranty or representation made by Celldex under this Agreement;

(ii) the negligence, recklessness, or willful misconduct of Celldex or any of its Affiliates;

(iii) any acts or omissions of Celldex or any of its Affiliates, agents, consultants, contractors or other Third Parties, in connection with the research, development or commercialization of Compounds, Licensed Products or Diagnostic Assays prior to or after the Effective Date or following termination in whole or in part of this Agreement and the reversion of the applicable rights hereunder to Celldex in accordance with Section 12.3; or

(iv) any claim for death, bodily injury or property damage arising from the research, development, manufacture (for use, distribution, sale or commercialization by or on behalf of Celldex, its Affiliates or sublicensees, including Pfizer under this Agreement), use, distribution, sale or commercialization of any Compound, Licensed Product or Diagnostic Assay by Celldex, its Affiliates, sublicensees, employees or agents (other than a Pfizer Indemnified Party).

Celldex shall be obligated to so indemnify, defend and hold Pfizer harmless from such Losses only to the extent that such Losses do not arise from the negligence, recklessness or willful misconduct of any Pfizer Indemnified Party or the breach of any covenant, warranty or representation made by Pfizer under this Agreement.

(b) Pfizer will indemnify, defend and hold Celldex and Celldex's Affiliates, and their respective directors, officers and employees (collectively, "Celldex Indemnified Parties," and each a "Celldex Indemnified Party"), harmless from any and all Losses incurred by any of them as a result of:

(i) the breach of any covenant, warranty or representation made by Pfizer under this Agreement;

(ii) the negligence, recklessness, or willful misconduct of Pfizer or any of its Affiliates;

(iii) any acts or omissions of Pfizer or any of its Affiliates in connection with the research, development or commercialization of Compounds, Licensed Products or Diagnostic Assays during the Term; or

(iv) any claim for death, bodily injury or property damage arising from the research, development, manufacture (for use, distribution, sale or commercialization by or on behalf of Pfizer, its Affiliates or sublicensees or use by or on behalf of Celldex under this Agreement), use, distribution, sale or commercialization of any Compound, Licensed Product or Diagnostic Assay by Pfizer, its Affiliates, sublicensees, employees or agents (other than a Celldex Indemnified Party).

In each case, Pfizer shall be obligated to so indemnify, defend and hold Celldex harmless from such Losses only to the extent that such Losses do not arise from the negligence, recklessness or willful misconduct of any Celldex Indemnified Party or the breach of any covenant, warranty or representation made by Celldex under this Agreement.

13.2. Losses. For purposes of this Agreement, "Losses" shall mean any and all costs, expenses, claims, losses, liabilities, damages, fines, royalties, governmental penalties or punitive damages, deficiencies, interest, settlement amounts, awards and judgments, including any and all reasonable, out-of-pocket costs and expenses properly incurred as a result of a claim, in each case solely to the extent such Loss is the result of a claim initiated by a Third Party (including reasonable, out-of-pocket attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened), and in each case, net of any tax benefit or insurance recovery received as a result of such Loss.

13.3. Defense Procedures; Procedures for Third Party Claims. In the event that any Third Party (in no event to include any Affiliate of any of the parties) asserts a claim with respect to any matter for which a party (the "Indemnified Party") is entitled to indemnification hereunder (a "Third Party Claim"), then the Indemnified Party shall promptly notify the party obligated to indemnify the Indemnified Party (the "Indemnifying Party") thereof; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then only to the extent that) the Indemnifying Party is prejudiced thereby.

(a) Subject to Pfizer's right to control the defense of actions described in Sections 7.8, 7.9, 7.10 and 7.11 (even where Celldex is the Indemnifying Party), the Indemnifying Party shall have the right, exercisable by notice to the Indemnified Party within ten (10) Business Days after receipt of notice from the Indemnified Party of the commencement of or assertion of any Third Party Claim, to assume direction and control of the defense, litigation, settlement, appeal or other disposition of the Third Party Claim (including the right to settle the claim solely for monetary consideration) with counsel selected by the Indemnifying Party and reasonably acceptable to the Indemnified Party; provided that (i) the Indemnifying Party has sufficient financial resources, in the reasonable judgment of the Indemnified Party, to satisfy the amount of any adverse monetary judgment that is sought, (ii) the Third Party Claim seeks solely monetary damages and (iii) the Indemnifying Party expressly agrees in writing that as between the Indemnifying Party and the Indemnified Party, the Indemnifying Party shall be solely



obligated to satisfy and discharge the Third Party Claim in full (the conditions set forth in clauses (i), (ii) and (iii) above are collectively referred to as the "Litigation Conditions").

(b) Within ten (10) Business Days after the Indemnifying Party has given notice to the Indemnified Party of its exercise of its right to defend a Third Party Claim, the Indemnified Party shall give notice to the Indemnifying Party of any objection thereto based upon the Litigation Conditions. If the Indemnified Party reasonably so objects, the Indemnified Party shall continue to defend the Third Party Claim, at the expense of the Indemnifying Party, until such time as such objection is withdrawn. If no such notice is given, or if any such objection is withdrawn, the Indemnifying Party shall be entitled, at its sole cost and expense, to assume direction and control of such defense, with counsel selected by the Indemnifying Party and reasonably acceptable to the Indemnified Party. During such time as the Indemnifying Party is controlling the defense of such Third Party Claim, the Indemnified Party shall cooperate, and shall cause its Affiliates and agents to cooperate upon request of the Indemnifying Party, in the defense or prosecution of the Third Party Claim, including by furnishing such records, information and testimony and attending such conferences, discovery proceedings, hearings, trials or appeals as may reasonably be requested by the Indemnifying Party. In the event that the Indemnifying Party does not satisfy the Litigation Conditions or does not notify the Indemnified Party of the Indemnifying Party's intent to defend any Third Party Claim within ten (10) Business Days after notice thereof, the Indemnified Party may (without further notice to the Indemnifying Party) undertake the defense thereof with counsel of its choice and at the Indemnifying Party's expense (including reasonable, out-of-pocket attorneys' fees and costs and expenses of enforcement or defense). The Indemnifying Party or the Indemnified Party, as the case may be, shall have the right to join in (including the right to conduct discovery, interview and examine witnesses and participate in all settlement conferences), but not control, at its own expense, the defense of any Third Party Claim that the other party is defending as provided in this Agreement.

(c) The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, enter into any compromise or settlement that commits the Indemnified Party to take, or to forbear to take, any action. The Indemnified Party shall have the sole and exclusive right to settle any Third Party Claim, on such terms and conditions as it deems reasonably appropriate, to the extent such Third Party Claim involves equitable or other non-monetary relief, but shall not have the right to settle such Third Party Claim to the extent such Third Party Claim involves monetary damages without the prior written consent of the Indemnifying Party. Each of the Indemnifying Party and the Indemnified Party shall not make any admission of liability in respect of any Third Party Claim without the prior written consent of the other party, and the Indemnified Party shall use reasonable efforts to mitigate Losses arising from the Third Party Claim.

13.4. Disclaimer of Liability for Consequential Damages. IN NO EVENT SHALL ANY PARTY OR ANY OF ITS AFFILIATES BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER IN CONTRACT, WARRANTY, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, INCLUDING LOSS OF PROFITS OR REVENUE, SUFFERED BY PFIZER, CELLDEX OR ANY OF THEIR RESPECTIVE AFFILIATES, DIRECTORS, OFFICERS



AND EMPLOYEES, EXCEPT (A) TO THE EXTENT OF ANY SUCH DAMAGES PAID TO A THIRD PARTY IN CONNECTION WITH A THIRD PARTY CLAIM AND (B) FOR PURPOSES OF INDEMNIFICATION PURSUANT TO THIS SECTION 13, IN THE EVENT OF FRAUD; PROVIDED THAT THIS SECTION 13.4 SHALL NOT RELIEVE EITHER PARTY FROM ITS PAYMENT OBLIGATIONS UNDER THIS AGREEMENT.

13.5. Sole Remedy. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT AND EXCEPT FOR ANY EQUITABLE REMEDIES THAT MAY BE AVAILABLE TO A PARTY, INDEMNIFICATION PURSUANT TO THIS SECTION 13 SHALL BE THE SOLE AND EXCLUSIVE REMEDY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER LEGAL THEORY) AVAILABLE TO CELLDEX OR PFIZER FOR THE MATTERS COVERED THEREIN.

**Section 14. GOVERNING LAW AND JURISDICTION.**

14.1. Governing Law. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York, without regard to conflicts of law rules.

14.2. Jurisdiction. With the exception of those matters referred for resolution by independent accountants under Section 6.5, in the event of any controversy, claim or counterclaim arising out of or relating to this Agreement, the parties shall first attempt to resolve such controversy or claim through good faith negotiations for a period of not less than thirty (30) days following notification of such controversy or claim to the other party. If such controversy or claim cannot be resolved by means of such negotiations during such period, then such controversy or claim shall be resolved by the United States District Court for the Southern District of New York or a local court sitting in New York, New York (collectively, the "Courts"). Each party (a) irrevocably submits to the exclusive jurisdiction in the Courts for purposes of any action, suit or other proceeding relating to or arising out of this Agreement and (b) agrees not to raise any objection at any time to the laying or maintaining of the venue of any such action, suit or proceeding in any of the Courts, irrevocably waives any claim that such action, suit or other proceeding has been brought in an inconvenient forum and further irrevocably waives the right to object, with respect to such action, suit or other proceeding, that such Court does not have any jurisdiction over such party. Celldex hereby irrevocably designates, appoints and empowers Corporation Service Company, 1133 Avenue of the Americas, New York, New York 10036-6710, as its true and lawful agent and attorney-in-fact in its name, place and stead to receive and accept on its behalf service of process in any action, suit or proceeding in the Courts with respect to any matters as to which it has submitted to jurisdiction as set forth in the immediately preceding sentence.

**Section 15. MISCELLANEOUS.**

15.1. Force Majeure. Neither party hereto shall be liable to the other party for any losses or damages attributable to a default in or breach of this Agreement that is the result of war (whether declared or undeclared), acts of God, revolution, acts of terror, fire, earthquake, flood, pestilence, riot, enactment or change of Law (following the Effective Date), accident(s), labor trouble, or shortage of or inability to obtain material equipment or transport or any other cause



beyond the reasonable control of such party; provided that if such a cause occurs, then the party affected will promptly notify the other party of the nature and likely result and duration (if known) of such cause and use commercially reasonable efforts to reduce the effect. If the event lasts for a period of longer than three (3) months, the parties shall meet and discuss appropriate remedial measures.

15.2. Severability. If and solely to the extent that any provision of this Agreement shall be invalid or unenforceable, or shall render this entire Agreement to be unenforceable or invalid, such offending provision shall be of no effect and shall not affect the validity of the remainder of this Agreement or any of its provisions; provided, however, the parties shall use their respective reasonable efforts to replace the invalid provisions in a manner that best accomplishes the original intentions of the parties.

15.3. Waivers. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party or parties waiving such term or condition. Neither the waiver by any party of any term or condition of this Agreement nor the failure on the part of any party, in one or more instances, to enforce any of the provisions of this Agreement or to exercise any right or privilege, shall be deemed or construed to be a waiver of such term or condition for any similar instance in the future or of any subsequent breach hereof. All rights, remedies, undertakings, obligations and agreements contained in this Agreement shall be cumulative and none of them shall be a limitation of any other remedy, right, undertaking, obligation or agreement.

15.4. Entire Agreement; Amendments. This Agreement, together with the Stock Purchase Agreement, * and Assignment and Assumption Agreement relating to the * Supply Agreement, sets forth the entire agreement and understanding between the parties as to the subject matter hereof and supersedes all agreements or understandings, verbal or written, made between Celldex and Pfizer before the date hereof with respect to the subject matter hereof, including the Confidentiality Agreement between Celldex and Pfizer Inc., dated December 21, 2006, as amended on January 22, 2007. All Celldex Confidential Information disclosed to Pfizer prior to the Effective Date will be deemed to have been disclosed pursuant to this Agreement. None of the terms of this Agreement shall be amended, supplemented or modified except in writing signed by the parties.

15.5. Pfizer's Right of Setoff. If Celldex materially breaches this Agreement and fails to cure such breach within the time periods provided under Section 12.1(a) and Pfizer does not elect to terminate this Agreement pursuant to Section 12.1(a), then, in addition to any other remedies Pfizer may have under this Agreement or otherwise, Pfizer may setoff against any amounts owed to Celldex pursuant to Section 5 the amount of any losses, damages and expenses incurred by Pfizer as a result of Celldex's material breach of this Agreement (except to the extent such amounts have already been setoff pursuant to Section 5.8(c)).

15.6. Pfizer *.

(a) Notwithstanding anything to the contrary contained herein or in the *, Pfizer shall * results from a breach by Pfizer of its obligations under this Agreement,



which breach remains uncured * following receipt by Pfizer of a notice of breach pursuant to Section 12.1(a) hereof.

(b) In the event Celldex believes that Pfizer has * in breach of the provisions of Section 15.6(a), Celldex may so notify Pfizer in writing. If Pfizer does not object in writing to such alleged breach within * of receipt of such written notice, Pfizer shall promptly *. In the event that Pfizer objects to such notice of breach within the time period specified, Celldex may pursue all legal and equitable remedies available to it in the Courts. In the event that Pfizer is found by a final, nonappealable decision of a Court to have breached the provisions of Section 15.6(a) with respect to *, Pfizer shall promptly thereafter *. Pfizer agrees that a breach of this Section 15.6(b) will cause irreparable harm to Celldex, and that any breach of this Section 15.6(b) by Pfizer will entitle Celldex to seek injunctive relief, in addition to any other legal remedies available to it, in any court of competent jurisdiction.

15.7. Survival. The provisions of Sections 3.3 (Non-Exclusive Research License), 3.6 (Celldex Retained Rights), 6.5 (Inspection of Records), 7.1 (Ownership of Inventions), 8.1 (Confidential Information), 12.3 (Effect of Termination), Section 13 (Indemnification) and Section 14 (Governing Law and Jurisdiction), as well as any other Sections or defined terms referred to in such Sections or necessary to give them effect shall survive termination or expiration of this Agreement and remain in force until discharged in full. Furthermore, any other provisions required to interpret and enforce the parties' rights and obligations or to wind up their outstanding obligations under this Agreement shall survive to the extent required.

15.8. Assignment.

(a) Neither this Agreement nor any rights or obligations of either party to this Agreement may be assigned or otherwise transferred by either party without the prior written consent of the other party; provided, however, either party may, without such consent, assign this Agreement, in whole or in part: (i) to any of its respective Affiliates, subject to Section 15.8(b) in the case of Celldex; provided that such assigning party shall remain jointly and severally liable with such Affiliate in respect of all obligations so assigned; (ii) to a Third Party where a party or its Affiliate is required, or makes a good faith determination based on advice of counsel, to divest any of the Licensed Products or Diagnostic Assays in order to comply with Law or the order of any Governmental Authority as a result of a merger or acquisition; (iii) to an entity that acquires all or substantially all of its assets, subject to Section 15.8(b) in the case of Celldex; or (iv) to the successor entity resulting from any merger or consolidation of such party with or into such entity (including a merger of Celldex with Avant into a single entity), subject to Section 15.8(b) in the case of Celldex.

(b) Celldex shall not sell, assign or otherwise transfer Celldex Patent Rights, Celldex Technology, Third Party Licenses and/or * to any person (including any Affiliate of Celldex) except to (w) Avant (so long as Avant is the sole stockholder of Celldex), (x) a wholly-owned direct or indirect subsidiary of Celldex, (y) an acquiring entity in accordance with Section 15.8(a)(iii) or (z) a successor corporation or entity in accordance with Section 15.8(a)(iv), and solely in each case if (i) Avant, or such subsidiary,



corporation or entity (each, a "transferee") is and continues to be at all times incorporated and domiciled (including with respect to principal headquarters of such transferee, but not with respect to any affiliate or parent entity of such transferee) in any state of the United States of America and (ii) prior to any such sale, assignment or transfer, such transferee has acknowledged and confirmed in writing to Pfizer, all in a manner reasonably acceptable to Pfizer, that, effective as of such sale, assignment or other transfer, such transferee shall be bound by this Agreement as if it were a party to it as and to the identical extent applicable to Celldex with respect to Celldex Patent Rights and/or Celldex Technology; provided, however, that Celldex shall not sell, assign or otherwise transfer any of the * to any person unless Celldex simultaneously sells, assigns or otherwise transfers the Third Party License and Celldex Patent Rights that are related to such * to the same person.

(c) Any purported assignment in violation of this Section 15.8 shall be void. Any permitted assignee shall assume all obligations of its assignor under this Agreement.

15.9. Independent Contractor. The relationship between Celldex and Pfizer is that of independent contractors. Celldex and Pfizer are not joint venturers, partners, principal and agent, employer and employee, and have no other relationship other than independent contracting parties.

15.10. Notices. Each communication and document made or delivered by one party to another under this Agreement shall be made in the English language. All notices, consents, approvals, requests or other communications required hereunder given by one party to the other hereunder shall be in writing and made by registered or certified air mail, facsimile, express overnight courier or delivered personally to the following addresses of the respective parties:

If to Celldex:
Celldex Therapeutics, Inc.
222 Cameron Drive, Suite 400
Phillipsburg, NJ 08865
Attention: Senior VP, Business Development

with a copy to:
Edwards Angell Palmer & Dodge LLP
111 Huntington Avenue
Boston, MA 02199
Attention: Richard B. Smith, Esq.

If to Pfizer:
Pfizer Vaccines LLC
235 East 42nd Street
New York, NY 10017-5755
Attention: President



and:
Pfizer Vaccines LLC
235 East 42nd Street
New York, NY 10017-5755
Attention: Treasurer

with a copy to:
Pfizer Inc.
235 East 42nd Street
New York, NY 10017-5755
Attention: General Counsel

Notices hereunder shall be deemed to be effective (a) upon receipt if personally delivered, (b) on the tenth (10th) Business Day following the date of mailing if sent by registered or certified air mail; (c) on the second (2nd) Business Day following the date of transmission or delivery to the overnight courier if sent by facsimile or overnight courier. A party may change its address listed above by sending notice to the other party in accordance with this Section 15.10.

15.11. Third Party Beneficiaries. None of the provisions of this Agreement shall be for the benefit of or enforceable by any Third Party, including any creditor of either party. No Third Party shall obtain any right under any provision of this Agreement or shall by reason of any such provision make any claim in respect of any debt, liability or obligation (or otherwise) against either party.

15.12. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns.

15.13. Performance by Affiliates. To the extent that this Agreement imposes obligations on Affiliates of a party, such party agrees to cause its Affiliates to perform such obligations. Pfizer may use one or more of its Affiliates to perform its obligations and duties hereunder, provided that Pfizer shall remain liable hereunder for the prompt payment and performance of all of its obligations hereunder. Subject to Section 4.5(b), Celldex may use one or more of its Affiliates to perform its obligations and duties hereunder, provided that Celldex shall remain liable hereunder for the performance of all of its obligations hereunder. Avant hereby agrees to cause Celldex to perform its obligations under this Agreement.

15.14. Counterparts. This Agreement may be executed in any two or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document.

15.15. Headings. Headings in this Agreement are included herein for ease of reference only and shall have no legal effect. References to the parties, Sections, Schedules and Exhibits are to the parties, Sections, Schedules and Exhibits to and of this Agreement unless otherwise specified.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed by their duly authorized officers upon the date first written above.

| CELLDEX THERAPEUTICS, INC. | PFIZER VACCINES LLC |
|---|---|
| By: _____ | By: _____ |
| Name: | Name: Martin Teicher |
| Title: | Title: Vice President |

Avant Immunotherapeutics, Inc. is a party to this Agreement solely with respect to the last sentence of Section 15.13:

AVANT IMMUNOTHERAPEUTICS, INC.

By: _____
Name:
Title:

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EXHIBIT A

CELLDEX PATENT RIGHTS

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EXHIBIT B

TRANSITION AND DEVELOPMENT PLANS

(attached)

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EXHIBIT C

STOCK PURCHASE AGREEMENT

(Not attached)

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EXHIBIT D

FORM OF PRESS RELEASE

(Not attached)

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EXHIBIT E

REDACTED AGREEMENT

(attached)

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EXHIBIT F

* CONSENT TO ASSIGNMENT

(Not attached)

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EXHIBIT G

ASSIGNMENT AND ASSUMPTION AGREEMENT

(Not attached)

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**Schedule 4.6(b)**

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**Schedule 7.2**

**Patent Prosecution**

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**Schedule 9.1(c)**

**Patent Representations and Warranties**

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**Schedule 9.1(f)**

**Celldex Research Arrangements**

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**Schedule 13.1**

**Celldex Indemnification**

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**Exhibit 31.1**

CERTIFICATION

I, Anthony S. Marucci, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 19, 2008

By /s/ ANTHONY S. MARUCCI
Name: Anthony S. Marucci
Title: Interim President and Chief Executive Officer

**Exhibit 31.2**

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 19, 2008

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

**Exhibit 32.1**

SECTION 1350 CERTIFICATIONS

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 19, 2008 | By: | /s/ ANTHONY S. MARUCCI |
| | Name: | Anthony S. Marucci |
| | Title: | Interim President and Chief Executive Officer |
| Date: May 19, 2008 | 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.