

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

COMMISSION FILE NO. 0-26770

NOVAVAX, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
State or other jurisdiction of incorporation or organization)

22-2816046
(I.R.S. Employer Identification No.)

8320 GUILFORD ROAD, COLUMBIA, MARYLAND 21046
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (301) 854-3900

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

Title of each class: COMMON STOCK (\$.01 PAR VALUE)

Name of each exchange on which registered: AMERICAN STOCK EXCHANGE

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X]

No

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

The aggregate market value of 10,786,767 shares of the registrant's Common Stock, par value \$.01 per share, held by non-affiliates of the registrant at March 31, 1999, as computed by reference to the closing price of such stock, was approximately \$40,500,000.

The number of shares of the registrant's Common Stock, par value \$.01 per share, outstanding at March 31, 1999 was 13,253,119 shares.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the 1999 Novavax, Inc. Proxy Statement are incorporated by reference into Part III of this Report.

Novavax, Inc. ("Novavax" or the "Company") is a biopharmaceutical company focused on the research and development of proprietary topical and oral drug delivery and encapsulation technologies and the applications of those technologies. The Company's technology platforms involve the use of proprietary, microscopic, organized, non-phospholipid structures as vehicles for the delivery of a wide variety of drugs and other therapeutic products, including certain hormones, anti-bacterial and anti-viral products and vaccine adjuvants. These technology platforms support three product development programs: hormone replacement therapies, third party drug delivery and vaccine adjuvant applications and anti-microbial agents.

Hormone Replacement Therapies. The Company's hormone replacement therapy program includes its two lead product candidates: ESTRASORB(TM), a topical estrogen cream, and ANDROSORB(TM), a topical testosterone cream. The Company has completed various pre-clinical and human safety studies for both ESTRASORB and ANDROSORB. In addition, the Company completed dosing in a Phase II, randomized, double-blind, placebo-controlled, dose-ranging ESTRASORB study in January, 1999. A Phase I, multiple dose, pharmacokinetic ANDROSORB study that began in the third quarter of 1998 is currently underway.

Third Party Drug Delivery and Vaccine Adjuvant Applications. Formulations of the Company's lipid technologies are expected to have broad application as vehicles for the encapsulation and delivery of drugs developed by other companies. Moreover, the Company believes that certain of its organized lipid structures may provide effective and safe adjuvant carrier systems for a variety of vaccines. The Company plans to leverage these technologies by licensing its drug delivery, encapsulation and adjuvant technologies to third parties for specific therapeutic indications.

The Company currently has several research contracts in place to provide anti-microbial products, vaccine products, services and adjuvant technologies. One of these contracts is for the development of an adjuvant for an immunotherapeutic vaccine for cervical dysplasia, a precancerous disease of the cervix for a British vaccine company, Cantab Pharmaceuticals.

Anti-Microbial Agents. The Company is also applying its lipid technologies to develop anti-microbial agents that are capable of acting on viruses, bacteria, spores and sperm. Potential product candidates include Helicore(TM), an oral anti-bacterial preparation for the treatment of Helicobacter pylori ("H. Pylori") infection, and two anti-microbial agents targeting Bacillus anthracis and influenza A, respectively, as well as two spermicide product candidates. Pre-clinical and clinical studies for these product candidates are summarized below:

- - The Company currently has completed several pre-clinical and Phase I safety studies with a number of formulations of Helicore.
- - The Company currently has several anti-microbial agents in pre-clinical studies pursuant to a research collaboration with the University of Michigan. The studies are being performed at the University of Michigan and are being funded by Defense Advanced Research Projects Agency's ("DARPA") Unconventional Pathogen Countermeasures Program. Novavax is a subcontractor to the University of Michigan.
- - The Company currently has two spermicide product candidates that are both expected to be part of clinical studies sponsored by the National Institutes of Health. The first of the product candidates is expected to enter Phase I clinical trials in the second quarter of 1999.

During the year ended December 31, 1998, the Company received \$681,000 for services related to vaccine and adjuvant technologies, including the Cantab Pharmaceuticals contract, as well as from its BCTP development subcontract from the University of Michigan. Future revenues that may result from these and other partnerships include material transfer costs, technology access fees, milestone payments and royalties.

The Company also received net proceeds of \$5,998,000 from the private placement of 6,500 shares of Series A Custom Convertible Preferred Stock. The sale of the Preferred Stock closed on January 28, 1998 at an aggregate purchase price of \$6,500,000. On October 1, 1998, the Company entered into agreements to repurchase the remaining Preferred Stock. This transaction was closed on October 16, 1998 and the Company repurchased the outstanding balance of \$4,979,000 at par (\$1,000 per share) plus accrued dividends at the annual rate of five percent. The repurchase was funded with cash balances on hand at October 16, 1998. Prior to the repurchase, Preferred Stock representing \$1,522,000 of the original \$6,500,000 had been converted into 1,043,956 common shares.

Novavax, Inc. was incorporated in Delaware in 1987. On December 12, 1995, the Company's former parent, IGI, Inc. ("IGI") distributed its majority interest in Novavax to the IGI stockholders (the "Distribution"). Until then, Novavax had been the human pharmaceuticals subsidiary of IGI. The Company's principal executive offices are located at 8320 Guilford Road, Columbia, Maryland 21046.

In connection with the Distribution, IGI paid Novavax \$5,000,000 in return for a fully paid-up, ten-year license (the "License Agreement") entitling it to the exclusive use of the Company's technologies in the fields of (i) animal pharmaceuticals, biologicals and other animal care products; (ii) foods, food applications, nutrients and flavorings (except to the extent used in human pharmaceuticals and vaccines); (iii) cosmetics, consumer products and topical dermatological products for localized usage at the delivery zone, (specifically excluding dermatologically administered pharmaceuticals which are delivered systemically through the skin, anti-infectives for treating infectious pathogens, replacement hormone therapy, spermicides and viracides)); (iv) fragrances; and (v) chemicals, including herbicides, insecticides, pesticides, paints and coatings, photographic chemicals and other specialty chemicals including blood substitutes containing hemoglobin and other oxygen carrying materials; and the processes for making the same. IGI has the option, exercisable within the last year of the ten-year term, to extend the License Agreement for an additional ten-year period for \$1,000,000. Novavax retains the right to use its technologies for all other applications, including but not limited to, human vaccines and pharmaceuticals.

THE NOVAVAX TECHNOLOGY PLATFORMS

Novavax has developed proprietary topical and oral drug delivery technologies using microscopic, organized, non-phospholipid structures, including Novasome(R) non-phospholipid vesicles ("Novasomes"), micellar nanoparticles ("MNPs") and non-antibiotic, anti-microbial lipid emulsions. The Company believes these structures may be useful for targeted delivery and controlled release of certain drugs, along with inactivation of bacteria, enveloped viruses, spores and sperm. Moreover, the Company believes that certain of its organized lipid structures may provide effective and safe adjuvant carrier systems for a variety of vaccines.

Although other companies have developed liposome technologies, most commercial liposomes are composed of delicate phospholipids. Due to their inherent lack of stability and carrying capacity, only a limited number of drugs may be used with these phospholipid liposomes. While capable of encapsulating certain (principally water soluble) drugs, phospholipid liposomes have a number of other significant disadvantages including their expense and the need to use

potentially hazardous organic solvents in their manufacture. In addition, the standard, multi-step phospholipid manufacturing process is relatively expensive.

The Company believes its non-phospholipid technologies may allow for a more cost-effective delivery of a wider variety of drugs and other therapeutics than commercially available phospholipid liposomes and other delivery vehicles. Its technologies may also be preferred over other available transdermal delivery systems because its technologies may reduce side effects such as skin irritation. Future applications may show advantages over injectable delivery technologies, which are invasive, inconvenient, and sometimes painful. In addition, the Company's anti-microbial lipid emulsions may avoid the problem of pathogen mutation and resistance because of their non-antibiotic method of action.

MICELLAR NANOPARTICLE EMULSIONS

MNPs are proprietary, submicron-sized, water miscible, non-phospholipid structures that have different structural characteristics and are generally smaller than Novasome non-phospholipid vesicles. MNPs, like Novasome non-phospholipid vesicles, are derived from amphiphilic molecules.

Novavax scientists have demonstrated that MNPs are able to incorporate alcohol soluble drugs, pesticides, vaccine adjuvants, proteins, whole viruses, flavors, fragrances and colors. MNPs also have the ability to entrap ethanol or methanol soluble drugs, and to deliver certain of these drugs transdermally through intact skin. The MNP formulations used by Novavax for the transdermal delivery of drugs have cosmetic properties similar to creams and lotions. These transdermal formulations have the advantage over injectable delivery systems of being less invasive and/or inconvenient and they may also cause less skin irritation than patch transdermal delivery systems. MNPs are the fundamental technology platform for Novavax's hormone replacement therapies.

NOVASOME NON-PHOSPHOLIPID VESICLES

Novasomes are proprietary structures in which drugs or other materials can be encapsulated for delivery into the body topically or orally. Novasomes are made using the Company's patented manufacturing processes from a variety of readily available chemicals called amphiphiles, which include fatty alcohols and acids, ethoxylated fatty alcohols and acids, glycol esters of fatty acids, glycerol fatty acid mono and diesters, ethoxylated glycerol fatty acid esters, glyceryl ethers, fatty acid diethanolamides and dimethyl amides, fatty acyl sarcosinates, "alkyds" and phospholipids.

The Company plans to commercialize its Novasome technology in part through products it develops itself and in part through third party drug delivery application licenses. The Company believes that certain of its organized lipid structures (such as Novasome lipid vesicles) may provide effective and safe adjuvant carrier systems for a variety of vaccines. In addition, the Company has developed structures for delivery of biologically active molecules like antisense, genes and proteins.

The Company currently has several research contracts in place to provide vaccine products, services and adjuvant technologies. These contracts include, but are not limited to, the development of an adjuvant for an immunotherapeutic vaccine for cervical dysplasia, a precancerous disease of the cervix for a British vaccine company, Cantab Pharmaceuticals.

NON-ANTIBIOTIC LIPID EMULSIONS

The Company has developed proprietary lipid structures that it is using in the development of a non-antibiotic, anti-bacterial preparation for the treatment of *H. pylori* infection in humans. In

addition, the Company has developed a proprietary non-antibiotic lipid emulsion called BCTP that may inactivate enveloped viruses that cause human disease, as well as certain spores, bacteria and sperm. BCTP is a highly effective microbial killing agent. Pre-clinical studies indicate that BCTP has a low toxicity profile. The emulsion seems to act on various microbials, including viruses, bacteria, sperm and spores, by first fusing or merging with the lipid envelope of the virus.

Because BCTP is not an antibiotic, it is not associated with microbe mutation and resistance caused by antibiotic use, which is now recognized as an important public health problem. Novavax expects that BCTP-based products may be preferred in many circumstances as an alternative to conventional antibiotics. The Company currently has several research contracts in place to provide non-antibiotic lipid emulsion products and services. These contracts include but are not limited to the development a subcontract from the University of Michigan, which is developing anti-infective defense systems against biological warfare agents for the U.S. military.

NOVAVAX PRODUCT CANDIDATES

HORMONE REPLACEMENT THERAPY

The Company is using its MNP technology in the development of ESTRASORB, a cream designed for the delivery of 17b estradiol (estrogen hormone replacement) through the skin. Estrogen replacement therapy is currently used worldwide by menopausal (and post-menopausal) women to prevent osteoporosis, cardiovascular disease and other menopausal symptoms (such as "hot flashes"). The hormone replacement market in the US is approximately \$1.7 billion. This market is believed to represent only 15-20% of the estimated 60.3 million women over 40 years of age in the US who could potentially benefit from hormone replacement therapy.

Current estrogen replacement products include oral tablets and, more recently, transdermal patches. Oral estrogen tablets, however, have been associated with side effects primarily resulting from blood hormone level fluctuations. Because of these side effects, transdermal patches for estrogen replacement were developed. While these patches help reduce blood hormone fluctuations, they may cause skin irritation and patient inconvenience associated with wearing and changing an external patch.

The Company believes that ESTRASORB may offer several advantages over existing therapies used for estrogen replacement. ESTRASORB may be applied to the skin much like a typical cosmetic lotion. The Company believes ESTRASORB will be able to deliver a continuous amount of estrogen to the patient without the fluctuations in blood hormone levels associated with oral tablets. In addition, ESTRASORB does not contain materials that may cause the skin irritation associated with transdermal patches.

In 1995, the Company completed preclinical testing of ESTRASORB in a primate model. Results of these studies demonstrated that ESTRASORB can be utilized to deliver estradiol through intact skin with maintenance of serum estradiol levels for six days after a single topical application. Based on these results, the Company initiated a Phase I clinical trial of ESTRASORB involving 10 symptomatic menopausal women. In this study, each woman received a single topical application of ESTRASORB. This study was completed in the fourth quarter of 1996 with no significant adverse experiences noted.

The Company has completed three additional clinical studies with ESTRASORB. The first was a multiple-dose, dose ranging, pharmacokinetic study completed in the third quarter of 1997 involving 20 subjects. The second was a multiple-dose, pharmacokinetic, placebo controlled study completed in the fourth quarter of 1997 involving 20 subjects. The third study was a single versus dual site application study completed in the third quarter of 1998 involving 10 subjects. These studies demonstrated transdermal delivery of the drug and no skin irritation was noted. A Phase

II, randomized, double-blind, placebo-controlled, dose-ranging ESTRASORB study, begun in the third quarter of 1998, was completed in the first quarter of 1999. This study involved a 35 day dosing protocol and included 120 patients at six clinical sites located in the United States.

Testosterone replacement therapy is currently used by males who are testosterone deficient as a result of either primary or secondary hypogonadism. It is believed that testosterone in males is required to maintain sexual function and libido, maintain lean body mass, increase hemoglobin synthesis and maintain bone density. There are estimated to be one million testosterone deficient men in the US. It is further estimated that only 100,000 to 150,000 men are currently being treated for testosterone deficiency. These numbers are expected to grow with the aging of the population and the increasing awareness of the benefits of hormone replacement therapy.

Current testosterone replacement therapy products include deep intramuscular injections or transdermal patches. The injections require frequent visits to a physician and may be associated with pain at the injection site and abscess. The transdermal patches may cause skin irritation and patient inconvenience associated with wearing and changing external patches.

The Company believes that ANDROSORB (its testosterone hormone replacement therapy product) may offer several advantages over current testosterone replacement therapies. ANDROSORB is a lotion that may be applied to the skin, thus eliminating the need for intramuscular injections. In addition, ANDROSORB does not contain materials that may cause the skin irritation associated with transdermal patches.

In September, 1996, the Company completed the animal testing of ANDROSORB in its MNP transdermal drug delivery platform. In these tests, peak blood levels of testosterone were approximately three times higher than testosterone dissolved in ethanol alone. The Company completed human safety studies involving 10 subjects and submitted the results to the FDA in the third quarter of 1997. A multiple-dose, pharmacokinetic study involving 9 subjects was completed in the fourth quarter of 1997, and a dose-ranging pharmacokinetic study involving 8 subjects was completed in the second quarter of 1998. These studies have demonstrated delivery of the drug resulting in elevated blood hormone levels and there has not been any evidence of skin irritation. Another dose-ranging pharmacokinetic study, begun in the third quarter of 1998, is currently underway, involving 20 subjects.

MICROBICIDES

The Company has developed proprietary lipid structures that it is using in the development of a non-antibiotic, anti-bacterial preparation, Helicore, for the treatment of *H. pylori* infection in humans. *H. pylori* was recognized in 1994 by the National Institutes of Health as a causative agent of peptic ulcer disease, antral gastritis and certain types of gastric cancer. Current therapies for the treatment of *H. pylori* include the use of antibiotics alone or antibiotics in combination with drugs that inhibit acid production in the stomach. Problems associated with such therapies include, but are not limited to, cost, toxicity, failure to sufficiently eradicate all the bacteria, and acquired resistance to the antibiotic. In 1995, the Company began to test formulations of Helicore in both animal studies and Phase I human safety studies. Results from clinical studies completed in 1996 were submitted to the FDA. Novavax is not currently conducting pre-clinical or clinical studies on Helicore.

The Company has also developed BCTP, a lipid emulsion that acts on various microbials, including enveloped viruses, as well as spores and bacteria. The product has also demonstrated spermicidal action. The Company believes that the emulsion acts on the target by first fusing or merging with the lipid

envelope or outer membrane of the target. The Company believes that BCTP has many potential applications. Pre-clinical studies indicate that viruses and spores vulnerable to BCTP include influenza A and bacillus anthracis, but it may also be appropriate for

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herpes, measles, mumps, rubella and many other microbes and pathogens. While influenza vaccines are relatively effective at preventing the flu, BCTP unlike vaccines, does not appear to promote mutation and resistance. Other advantages of BCTP appear to include a low toxicity profile, inexpensive scale-up and manufacturing costs, and a rapid and broad spectrum of killing.

Certain pre-clinical studies have been conducted using the Company's BCTP technology under a subcontract from the University of Michigan. The University of Michigan is being funded by DARPA's Unconventional Pathogen Countermeasures Program. Two studies have targeted Bacillus anthracis. In the first study, BCTP inactivated greater than 90% of Bacillus anthracis after four hours of incubation. In the second study, which simulated wounds, mice treated with BCTP had greatly reduced skin lesions and swelling compared to untreated mice. Two separate studies have targeted influenza A. In the first study, BCTP reduced viral antigen levels in incubation by 99.6%. In the second study, mice receiving influenza A and BCTP stayed healthy while all the mice who received the virus only, developed severe pneumonia and two out of three mice died before the conclusion of the study.

VACCINE ADJUVANTS

Adjuvants are substances that make vaccines more effective. The Company believes that its Novasome lipid vesicles and MNPs may provide effective and safe adjuvant carrier systems for a variety of vaccines in a variety of circumstances, including: (i) encapsulation and protection from destruction by the body's normal enzymatic processes of delicate antigenic materials; (ii) encapsulation of toxic materials, such as endotoxins and other potent toxins, for gradual release, thereby providing protection of the body from the toxin while generating an immune response to the toxic antigen; (iii) presentation of small peptide antigens to elicit a heightened cellular immune response; and (iv) delivery of genes and other molecules into targeted cells.

MANUFACTURING

The development and manufacture of the Company's products are subject to good laboratory practices ("GLP") and good manufacturing practices ("GMP") requirements prescribed by the FDA and to other standards prescribed by the appropriate regulatory agency in the country of use. The Company has the ability to produce quantities of Novasome lipid vesicles and MNPs sufficient to support its needs for early-stage clinical trials. It does not presently have FDA-certified facilities capable of producing the larger quantities of pharmaceutical products required for larger scale clinical trials or commercial production. The Company will need to rely on collaborators, licensees or contract manufacturers or acquire such manufacturing facilities for later stage clinical trials and commercial production of its own pharmaceuticals. There can be no assurance that the Company will be able to obtain such facilities or manufacture such products in a timely fashion at acceptable quality and prices, that it or its suppliers will be able to comply with GLP or GMP, as applicable, or that it or its suppliers will be able to manufacture an adequate supply of product.

MARKETING

The Company plans to market the pharmaceuticals for which it obtains regulatory approvals either through joint ventures or corporate partnering arrangements. The Company expects that such arrangements could include technology licenses, research funding, milestone payments, collaborative product

development, royalties and equity investments in Novavax. Implementation of this strategy will depend on many factors, including the market potential of its products and technologies, the success in developing relationships with distributors or marketing partners for the Company's products and the financial resources available to the Company.

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COMPETITION

A number of large companies, such as Novartis, Procter & Gamble, American Home Products, Parke-Davis, Solvay Pharmaceuticals, SmithKline Beecham, Abbott Laboratories, Ortho Pharmaceuticals and Mead Johnson Laboratories, produce and sell estrogen preparations for clinical indications identical to those the Company proposes to target. SmithKline Beecham currently markets a transdermal testosterone patch and Novartis markets an estrogen transdermal patch. The competition to develop FDA-approved hormone replacement therapies is intense and no assurance can be given that the Company's product candidates will be developed into commercially successful products.

A number of other companies have been working on vaccine adjuvants for use in human vaccines. These include, but are not limited to, Chiron, Ribi Immunochem Research, Aquila, Iscotec, Proteus International and Biomira. The competition to develop FDA-approved human vaccine adjuvants is intense and no assurance can be given that the Company's adjuvant product candidates will be developed into commercially successful products.

Primary competitors in the development of lipid structure and vesicle encapsulation technologies are The Liposome Company, Sequus Pharmaceuticals, Nexstar Pharmaceuticals and L'Oreal, as well as other pharmaceutical, vaccine and chemical companies. The Company believes that, except for L'Oreal, these companies have focused their development efforts on pharmaceutical carrier systems for the treatment of infections and certain cancers. To the Company's knowledge, The Liposome Company, Sequus and Nexstar all base their lipid vesicle technologies on phospholipids.

Most of the Company's competitors are larger than the Company and have substantially greater financial, marketing and technical resources. In addition, many of these competitors have substantially greater experience than the Company in developing, testing and obtaining FDA and other approvals of pharmaceuticals. Furthermore, if the Company commences commercial sales of pharmaceuticals, it will also be competing with respect to manufacturing efficiency and marketing capabilities, areas in which it has limited or no experience. If any of the competitors develop new encapsulation technologies that are superior to the Company's Novasome and MNP technologies, the ability of the Company to expand into the pharmaceutical and vaccine adjuvant markets will be materially and adversely affected.

Competition among products will be based, among other things, on product efficacy, safety, reliability, availability, price and patent position. An important factor will be the timing of market introduction of the Company's or competitors' products. Accordingly, the relative speed with which the Company can develop products, complete the clinical trials and approval processes and supply commercial quantities of the products to the market is expected to be an important competitive factor. The Company's competitive position will also depend upon its ability to attract and retain qualified personnel, to obtain patent protection or otherwise develop proprietary products or processes and to secure sufficient capital resources for the often substantial period between technological conception and commercial sales.

RESEARCH AND DEVELOPMENT

The Company's research is focused principally on the development and commercialization of formulations for topical drug delivery and therapeutic

products, including anti-bacterial and anti-viral products and adjuvants for vaccines. The Company intends to use third-party funding when available, through collaborations, joint ventures or strategic alliances with other companies, particularly potential distributors of the Company's products. Because of the substantial funds required for clinical trials, the Company will have to obtain additional financing for its future

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human clinical trials. No assurance can be given that such financing will be available on terms attractive to the Company, if at all.

The Company bases its development decisions on costs and potential return on investment, regulatory considerations, and the interest, sponsorship and availability of funding from third parties. As of December 31, 1998, the Company's research and development staff numbered 9 individuals. In addition to its internal research and development efforts, the Company encourages the development of product candidates in areas related to its present lines by working with universities and government agencies. Novavax's research and development expenditures approximated \$3,361,000, \$2,874,000 and \$3,716,000 and in the years ended December 31, 1998, 1997 and 1996, respectively.

PATENTS AND PROPRIETARY INFORMATION

The Company, through a wholly-owned subsidiary, holds 45 U.S. patents and has 125 foreign patents and patent applications covering its technologies (which include a wide variety of component materials, its continuous flow vesicle production process and its Novamix(R) production equipment). The Company believes that these patents are important for the protection of its technology as well as certain of the development processes that underlie that technology. In addition, three U.S. patent applications are pending covering the composition, manufacture and use of its organized lipid structures and related technologies.

The Company expects to engage in collaborations, sponsored research agreements and preclinical testing agreements in connection with its future pharmaceutical products and vaccine adjuvants, as well as clinical testing agreements with academic and research institutions and U.S. government agencies, such as the NIH, to take advantage of the technical expertise and staff of these institutions and to gain access to clinical evaluation models, patients and related technologies. Consistent with pharmaceutical industry and academic standards, and the rules and regulations promulgated under the federal Technology Transfer Act of 1986, these agreements may provide that developments and results will be freely published, that information or materials supplied by the Company will not be treated as confidential and that the Company will be required to negotiate a license to any such developments and results in order to commercialize products incorporating them. There can be no assurance that the Company will be able to successfully obtain any such license at a reasonable cost or that such developments and results will not be made available to competitors of the Company on an exclusive or nonexclusive basis.

GOVERNMENT REGULATION

The Company's research and development activities are subject to regulation for safety, efficacy and quality by numerous governmental authorities in the United States and other countries. The development, manufacturing and marketing of human pharmaceuticals are subject to regulation in the United States for safety and efficacy by the FDA in accordance with the Food, Drug and Cosmetic Act.

In the United States, human pharmaceuticals are subject to rigorous FDA regulation including preclinical and clinical testing. The process of completing clinical trials and obtaining FDA approvals for a new drug is likely to take a number of years, requires the expenditure of substantial resources and

is often subject to unanticipated delays. There can be no assurance that any product will receive such approval on a timely basis, if at all.

The steps required before new products for use in humans may be marketed in the United States include (i) preclinical tests, (ii) submission to the FDA of an application for an Investigational New Drug application (IND), which must be approved before human clinical trials commence, (iii) adequate and well-controlled human clinical trials to establish the safety and

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efficacy of the product, (iv) submission of a New Drug Application ("NDA") for a new drug or a Product License Application ("PLA") for a new biologic to the FDA and (v) FDA approval of the NDA or PLA prior to any commercial sale or shipment of the product.

Preclinical tests include laboratory evaluation of product formulation, as well as animal studies (if an appropriate animal model is available) to assess the potential safety and efficacy of the product. Formulations must be manufactured according to GMP and preclinical safety tests must be conducted by laboratories that comply with FDA regulations regarding GLP. The results of the preclinical tests, are submitted to the FDA as part of an IND and are reviewed by the FDA prior to the commencement of human clinical trials. There can be no assurance that submission of an IND will result in FDA authorization to commence clinical trials. Clinical trials involve the administration of the investigational new drug to healthy volunteers and to patients under the supervision of a qualified principal investigator and are typically conducted in three sequential phases, although the phases may overlap. The Company or the FDA may suspend clinical trials at any time if the participants are being exposed to an unacceptable health risk. The FDA may deny an NDA or PLA if applicable regulatory criteria are not satisfied, require additional testing or information, or require post marketing testing and surveillance to monitor the safety of the Company's products.

In addition to obtaining FDA approval for each PLA, an Establishment License Application ("ELA") must be filed and approved by the FDA for the manufacturing facilities of a biologic product before commercial marketing of the biologic product is permitted. The regulatory process may take many years and requires the expenditure of substantial resources.

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

In both domestic and foreign markets, the ability of the Company to commercialize its product candidates will depend, in part, on the availability of reimbursement from third-party payers, such as government health administration authorities, private health insurers and other organizations. If adequate coverage and reimbursement levels are not provided by government and third-party payers for uses of the Company's therapeutic products, the market acceptance of these products would be adversely affected.

There have been a number of federal and state proposals during the last few years to subject the pricing of pharmaceuticals to government control and to make other changes to the medical care system of the United States. It is

uncertain what legislative proposals will be adopted or what actions federal, state or private payers for medical goods and services may take in response to any medical reform proposals or legislation. The Company cannot predict the effect medical reforms may have on its business, and no assurance can be given that any such reforms will not have a material adverse effect on the Company.

EMPLOYEES

The Company had 16 full-time employees as of December 31, 1998, of whom 9 are in research and development. The Company has no collective bargaining agreement with its employees and believes that its employee relations are good.

ITEM 2. PROPERTIES

The Company leases approximately 12,000 square feet of administrative offices and laboratory space for its corporate headquarters and pharmaceutical development, located at 8320 Guilford Road, Columbia, Maryland. The Company believes its facilities are adequate to produce quantities of Novasome lipid vesicles and MNPs sufficient to support its needs for early-stage clinical trials. It does not presently have FDA certified facilities capable of producing the larger quantities of pharmaceutical products required for larger scale clinical trials or commercial production. The Company will need to rely on collaborators, licensees or contract manufacturers or acquire such manufacturing facilities for later stage clinical trials and commercial production of its own pharmaceuticals.

The Company also leases 2,363 square feet of space located in Rockville, Maryland. This space contains the Company's certified animal facility and laboratories for its biologics development which includes the vaccine and vaccine adjuvant product and services group.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any legal proceedings.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 1998.

EXECUTIVE OFFICERS OF THE REGISTRANT

The Company's executive officers hold office until the first meeting of the Board of Directors following the annual meeting of stockholders and until their successors are duly chosen and qualified, or until they resign or are removed from office in accordance with the Company's By-laws.

The following table provides certain information with respect to the Company's executive officers.

NAME	AGE	PRINCIPAL OCCUPATION AND OTHER BUSINESS EXPERIENCE DURING THE PAST FIVE YEARS
Mitchell J. Kelly	39	Interim President and Chief Executive Officer since September, 1998 and Director since February, 1997. Chairman and Chief Executive Officer of Anaconda Capital Management, L.L.C., 1995 to present. Junction Partners and Junction Advisors, Inc., 1984 to 1994; President, 1992 to 1994; Vice President 1988 to 1992; Research Director,

		1986 to 1988; Research Analyst and portfolio manager, 1984 to 1986.
D. Craig Wright, M.D.	48	President--Biologics Division of Novavax since 1998 and Chief Scientific Officer of Novavax since 1993. Founder and Senior Director of Medical Research of Univax Biologics, Inc., a biopharmaceutical company, from 1988 to 1992.
Richard J. Harwood, Ph.D.	55	Vice President, Pharmaceutical Product Development since March, 1998. Consultant K. W. Tunnell Company, Inc., 1995 to 1998. Vice President, Research and Development, Private Formulations, Inc., 1993 to 1995. Technical Planning Director, Worldwide Strategic Product Planning, Bristol-Myers Squibb, 1986 to 1993. Department Director, Product Development, Rorer Group, Inc., 1982 to 1986. Research Fellow, Merck and Co., Inc., 1970 to 1982.
Donald J. MacPhee	47	Interim Chief Financial Officer since February, 1999. Controller, Environmental Tectonics Corporation, 1997 to 1998. Vice President of IGI, Inc., 1990 to 1997, and Chief Financial Officer of IGI, Inc., 1987 to 1997.

PART II

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

The Company's Common Stock was held by 905 stockholders of record as of March 31, 1999. The Company has never paid cash dividends on its Common Stock. The Company currently anticipates that it will retain all of its earnings for use in the development of its business and does not anticipate paying any cash dividends in the foreseeable future.

The principal market for the Company's Common Stock (\$.01 par value) is traded on the American Stock Exchange under the symbol "NOX". The following table shows the range of high and low closing prices of the Company's common stock on the American Stock Exchange for the periods indicated.

	HIGH ----	LOW ---
1998		
First quarter	\$ 6 1/8	\$ 3 3/4
Second quarter	4 13/16	2 13/16
Third quarter	3 7/8	1 1/4
Fourth quarter	3 1/4	1 1/4
1997		
First quarter	\$ 4 3/4	\$ 3 1/4
Second quarter	4 7/16	2 5/8
Third quarter	6	4
Fourth quarter	5 3/4	4 1/8

RECENT SALES OF UNREGISTERED SECURITIES

On January 23, 1998, the Company sold 6,500 shares of Series A Custom Convertible Preferred Stock (the "Series A Preferred Stock") to four accredited investors in a private placement conducted pursuant to Section 4(2) of the Securities Act of 1933 for an aggregate purchase price of \$6,500,000 with net proceeds of \$5,998,000. On October 16, 1998 the Company repurchased the outstanding shares of Series A Preferred Stock for \$4,979,000 (\$1,000 per share) plus accrued interest of five percent per annum. Prior to the repurchase, shares of Series A Preferred Stock representing \$1,522,000 of the original \$6,500,000 investment had been converted into 1,043,956 common shares.

On June 30, 1998, the Company sold 12,500 shares of treasury stock to the Secretary of the Company at \$4.00 per share in an unregistered sale conducted under Section 4(2) of the Securities Act, resulting in aggregate gross and net proceeds to the Company of \$50,000.

ITEM 6. SELECTED FINANCIAL DATA

	FOR THE YEARS ENDED DECEMBER 31,				
	1994	1995	1996	1997	1998
STATEMENT OF OPERATIONS DATA:					
Revenues (1)	685	268	56	520	681
Loss from operations	(4,661)	(6,744)	(5,534)	(4,791)	(5,152)
Net Loss	(5,690)	(8,494)	(5,495)	(4,547)	(4,817)
Loss applicable to common stockholders	(5,690)	(8,494)	(5,495)	(4,547)	(7,045)
Per share information: (basic and diluted)					
Loss applicable to common stockholders	n/a	(\$0.85)	(\$0.54)	(\$0.39)	(\$0.57)
Weighted average number of shares outstanding (2)	N/A	9,937,936	10,132,896	11,667,428	12,428,426

	AS OF DECEMBER 31,				
	1994	1995	1996	1997	1998
BALANCE SHEET DATA:					
Total current assets	502	4,761	3,221	4,303	1,207
Working capital	306	4,330	2,640	4,014	349

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Total assets	3,133	7,530	5,722	6,823	3,819
Stockholders' (deficit) equity (3)	(2,203)	7,099	5,117	6,522	2,961

(1) Includes payments for licensing agreements and technology application review.

(2) On December 12, 1995, IGI, Inc. ("IGI") distributed to the holders of record of IGI's common stock, at the close of business on the Record Date, November 28, 1995, one share of the Company's common stock for every share of IGI common stock outstanding (the "Distribution").

(3) In connection with the Distribution, IGI paid Novavax \$5,000,000 in return for a fully paid-up, ten-year license (the "License Agreement") entitling IGI to exclusive use of certain Novavax technology in specific fields. Novavax recorded this payment under the License Agreement as a capital contribution in its financial statements to reflect the intercompany nature and substance of the transaction. The form was structured as a prepaid license agreement to address various considerations of the Distribution including tax and financial considerations.

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

Certain statements under Item 1 and Item 7 contained herein or as may otherwise be incorporated by reference herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements regarding future product development and related clinical trials and statements regarding future research and development. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following: general economic and business conditions; competition; technological advances; ability to obtain rights to technology; ability to obtain and enforce patents; ability to commercialize and manufacture products; results of preclinical studies; results of research and development activities; business abilities and judgment of personnel; availability of qualified personnel; changes in, or failure to comply with, governmental regulations; ability to obtain adequate financing in the future; and other factors referenced herein. All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements. Accordingly, past results and trends should not be used by investors to anticipate future results or trends.

The following is a discussion of the historical consolidated financial condition and results of operations of Novavax and its subsidiaries. The discussion should be read in conjunction with the consolidated financial statements and notes thereto set forth in Item 8 to this Report.

RESULTS OF OPERATIONS

The Company has incurred net losses since its inception from the development of its technologies for human pharmaceuticals, vaccines and vaccine adjuvants. Novavax expects the losses to continue and to most likely increase in the near-term, as it conducts additional human clinical trials and seeks regulatory approval for its product candidates. The Company also expects to continue to incur substantial operating losses over the extensive time period required to develop

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the Company's products, or until such time as revenues, to offset the losses, are sufficient to fund its continuing operations.

1998 COMPARED TO 1997

The net loss of \$4,817,000 for the year ended December 31, 1998 was \$271,000 or 6% higher than the net loss of \$4,547,000 for the year ended December 31, 1997. The 1997 net loss includes non-cash compensation expense of \$578,000 compared to \$11,000 included in the 1998 net loss. This compensation expense relates to the amortization of below-market priced stock options granted in 1995. Other 1998 non-cash charges include \$281,000 of depreciation and patent amortization expense, compared to \$254,000 of similar expenses in 1997. The dividend on preferred stock of \$225,000 and the accretion of offering costs of \$420,000 relate to dividends paid and fees incurred with the placement and subsequent conversion and repurchase of preferred stock. The deemed dividend on preferred stock of \$1,583,000 relates to the beneficial conversion feature of the preferred stock which allowed for conversion into common stock at a price per share discounted to the then-quoted market price of the common stock. (See Notes 10 and 11 of the Notes to the Consolidated Financial Statements).

Revenues of \$681,000 were recognized during 1998, principally from contracts related to vaccine and adjuvant technologies services as well as supplying new chemical structures designed to inactivate viruses, bacteria and bacterial spores. This reflects a \$161,000 or 31% increase over revenues in 1997.

General and administrative expenses include all costs associated with the marketing of the Company's technology to potential industry partners and those activities associated with identifying additional sources of capital. It also includes costs associated with management and administrative activities. General and administrative expenses were approximately \$2,472,000 and \$2,437,000 for the years ended December 31, 1998 and 1997, respectively. The increase of \$35,000 was attributable to increased costs associated with securing strategic alliances and potential sources of financing.

Research and development expenses include scientific staffing, supplies and other costs related to the ongoing development of the Novavax technologies as well as the development of the Company's product candidates. Research and development expenses were approximately \$3,361,000 and \$2,874,000 for the years ended December 31, 1998 and 1997, respectively. The \$487,000 or 17% increase in these expenses was due principally to costs associated with the Company's Phase II clinical trials.

Interest income was approximately \$335,000 and \$245,000 for the years ended December 31, 1998 and 1997, respectively. These amounts reflect interest earned on the average cash balances on hand throughout the year.

1997 COMPARED TO 1996

The net loss of \$4,547,000 for the year ended December 31, 1997 was \$948,000 or 17%, lower than the net loss of \$5,495,000 for the year ended December 31, 1996. The 1997 net loss includes non-cash compensation expense of \$578,000 compared to \$1,507,000 included in the 1996 net loss. This compensation expense relates to the amortization of below-market priced stock options granted in 1995. Other 1997 non-cash charges include \$254,000 of depreciation and patent amortization expense. Non-cash charges in 1996 included \$335,000 for the disposal of property and equipment and \$328,000 of depreciation and patent amortization expense.

Revenues of \$520,000 were recognized during 1997 compared to \$56,000 during 1996. The increase was due primarily to two contracts related to vaccine products, services and adjuvant technologies.

General and administrative expenses include all costs associated with the marketing of the Company's technology to potential industry partners and those activities associated with identifying additional sources of capital. It also includes costs associated with management and administrative activities. General and administrative expenses were approximately \$2,437,000 and \$1,874,000 for the years ended December 31, 1997 and 1996, respectively. The increase of \$563,000 was attributable to increased costs associated with securing strategic alliances and potential sources of financing as well as the increased staffing and infrastructure growth including the hiring of a new Chief Financial Officer and Chief Executive Officer.

Research and development expenses include scientific staffing, supplies and other costs related to the ongoing development of the Novavax technologies as well as the development of the Company's product candidates. Research and development expenses were approximately \$2,874,000 and \$3,716,000 for the years ended December 31, 1997 and 1996, respectively. Although such expenses have decreased by \$842,000, this change is primarily caused by the net decrease in the amortization of below-market priced stock options granted in 1995 of \$934,000 and the non-recurring charge of \$335,000 for the disposal of assets in 1996.

Research and development expenses, before these items were \$2,407,000 and \$1,908,000 for 1997 and 1996. After considering the impact of these aforementioned non-cash expenses, research and development costs increased by \$499,000. The increase was primarily due to the number of product candidates in clinical trials and the growth of the underlying research and development infrastructure including facility expansion.

Interest income was approximately \$244,000 and \$138,000 for the years ended December 31, 1997 and 1996, respectively. The increase in net interest income was a direct result of an increase in the average cash balances on hand throughout the year.

YEAR 2000

The Company is evaluating and working to resolve the potential impact of the Year 2000 on the Company's computerized information systems' ability to accurately process information that may be date-sensitive. Any of the Company's programs that recognize a date using "00" as the year 1900 rather than the year 2000, could result in errors or system failures. The Company primarily uses personal computers for administrative and accounting systems. In addition, the Company has certain laboratory equipment with microprocessors.

Along with a review of the hardware and software employed by the Company, our business partners and suppliers have been surveyed to determine their Year 2000 readiness. A list of such business partners and suppliers that have a material relationship with the Company has been compiled. The Company is currently in the process of seeking information from these third parties regarding their state of readiness for Year 2000 compliance. The Company considers many of its relationships with these third parties to be of a material nature, such that if these third parties were unable to become Year 2000 compliant, the Company would be adversely affected. These relationships encompass many areas that affect the Company's ability to do business including, but not limited to, financial institutions, utility companies and contract manufacturers.

The Company does not believe that it will incur material incremental costs in its efforts to address this issue and has not incurred incremental costs to date. The Company has not been given any indication that its business partners and suppliers will not be Year 2000 compliant by the Year 2000. The Company plans to continue, on a timely basis, to monitor and address any significant Year 2000 issues and will update estimates accordingly.

LIQUIDITY AND CAPITAL RESOURCES

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Novavax's capital requirements depend on numerous factors, including but not limited to the progress of its research and development programs, the progress of preclinical and clinical testing, the time and costs involved in obtaining regulatory approvals, the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, competing technological and market developments, and changes in Novavax's development of commercialization activities and arrangements. The Company currently has three product candidates in development. Future activities including clinical development and the establishment of commercial-scale manufacturing capabilities are subject to the Company's ability to raise funds through equity financing, or collaborative arrangements with corporate partners. Novavax's future growth will depend on its ability to commercialize its Novavax technologies for human pharmaceutical applications.

Net cash used in 1998 for operating activities was \$3,624,000. From the date of the Distribution, Novavax has conducted its operations with approximately \$5,000,000 paid by IGI under the IGI License Agreement along with

net proceeds from several financing transactions completed and described herein. In addition, the Company has received sources of cash from the sale of scientific prototype vaccines and adjuvants and from the exercise of stock options.

In October 1996, Novavax received \$1,656,000, net of all transaction costs, from the sale of 505,000 common shares that were privately placed with accredited institutional investors.

In February 1997, Novavax received \$5,003,000, net of fees and expenses, from the private placement of 1,200,000 shares of its Common Stock with an accredited institutional investor, a principal of which has subsequently become a director of Novavax. In connection with this transaction, Novavax granted warrants to purchase an additional 600,000 shares of the Company's Common Stock at a price of \$6.00 per share and 600,000 shares at \$8.00 per share. These warrants have a three-year term, expiring in March 2000.

In January 1998, the Company entered into Subscription Agreements to effectuate the private placement of 6,500 shares of Series A Custom Convertible Preferred Stock, \$1,000 par value (the "Preferred Stock"). The closing occurred on January 28, 1998 (the "Issuance Date") at an aggregate purchase price of \$6,500,000. The Company paid a placement agent fee of \$425,000 in connection with this financing.

The Preferred Stock was convertible into shares of Common Stock at a conversion price equal to (i) during a period of 90 days following the Issuance Date, 100% of the average of the two lowest consecutive trade prices of the Common Stock as reported on the American Stock Exchange for the 25 trading days immediately preceding the conversion date (the "Two Day Average Trading Price") or (ii) during the period on and after the date which is 91 days after the Issuance Date, 94% of the Two Day Average Trading Price (the "Conversion Price"). From the Issuance Date, there was a ceiling price of \$6.33 and within the first 180 days after the Issuance Date, the Conversion Price had applicable floor prices, based on conversion dates.

Prior to the subsequent repurchase of all the outstanding Preferred Stock, \$1,522,000 of the original issue had been converted into 1,043,956 shares of Common Stock, pursuant to the terms and conditions of the Preferred Stock. On October 1, 1998, the Company entered into agreements to repurchase the remaining Preferred Stock. This transaction closed on October 16, 1998 and the Company repurchased the remaining outstanding \$4,979,000 of Preferred Stock plus accrued dividends at the annual rate of five percent. The repurchase was funded with cash balances on hand at October 16, 1998. The terms of the Preferred Stock required the Company to pay the holders of the Preferred Stock \$225,000 in dividends. This amount was paid in cash of \$179,000 and through the issuance of 32,492 shares of the Company's Common Stock, valued at \$46,000. The Company incurred transaction fees associated with the placement, conversion and repurchase of the Preferred Stock of \$502,000 which are included in the accompanying financial

statements as accretion of Preferred Stock. On December 31, 1998, the Company had \$1,031,000 in cash, cash equivalents and marketable securities on hand.

In April, 1999, The Company entered into Stock and Warrant Purchase Agreements for the private placement of 1,651,100 shares of its Common Stock to accredited investors (the "Private Placement"). One of the principals of one of the investors is also a director of the Company. The issuance price of the Common Stock was \$2.50 per share. Each share was sold together with a non-transferable warrant for the purchase of .25 additional shares at an exercise price of \$3.75. The warrants have a three-year term. Gross proceeds from the Private Placement were \$4,128,000. Placement agent fees were approximately \$215,000, which was paid with cash of \$107,000 and 42,933 shares

of the Company's Common Stock, which were issued together with non-transferable warrants for the purchase of 10,733 shares of the Company's Common Stock at an exercise price of \$3.75. These warrants have a three-year term. Additionally, non-transferable warrants for the purchase of 143,000 shares of the Company's Common Stock, with an exercise price of \$3.00 per share and a three-year term, were issued to the placement agent. Other costs connected with the Private Placement, including legal, stock exchange listing and registration fees, were approximately \$50,000. Net proceeds to the Company from the Private Placement were approximately \$4,000,000.

As of April 14, 1999, Novavax estimates that the money received from the most recent sale of Common Stock and its existing cash resources will be sufficient to finance its operations at current and projected levels of development activity for approximately 12 to 13 months.

Past spending levels are not necessarily indicative of future spending. Future expenditures for product development, especially relating to outside testing and human clinical trials, are discretionary and, accordingly, can be adjusted to available cash. Moreover, the Company will seek to establish one or more collaborations with industry partners to defray the costs of clinical trials and other related activities. Novavax will also seek to obtain additional funds through public or private equity or debt financings, collaborative arrangements with pharmaceutical companies or from other sources. There can be no assurance that additional funding or bank financing will be available at all or on acceptable terms to permit successful commercialization of Novavax's technologies and products. If adequate funds are not available, Novavax may be required to significantly delay, reduce the scope of or eliminate one or more of its research or development programs, or seek alternative measures including arrangements with collaborative partners or others that may require Novavax to relinquish rights to certain of its technologies, product candidates or products.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and notes thereto listed in the accompanying index to financial statements (Item 14) are filed as part of this Annual Report and are incorporated herein by this reference.

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

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is contained in part under the caption "Executive Officers of the Registrant" in Part I hereof, and the remainder is contained in the Company's Proxy Statement for the Company's Annual Meeting of Stockholders to be held on June 8, 1999 (the "1999 Proxy Statement") under the captions "Proposal 1 -- Election of Directors" and "Beneficial Ownership of Common Stock" and is incorporated herein by this reference. The Company expects to file the 1999 Proxy Statement within 120 days after the close of the fiscal year ended December 31, 1998.

Officers are elected on an annual basis and serve at the discretion of the Board of Directors.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is contained in the Company's 1999 Proxy Statement under the captions "Executive Compensation" and "Director Compensation" and is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is contained in the Company's 1999 Proxy Statement under the caption "Beneficial Ownership of Common Stock" and is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is contained the Company's 1999 Proxy Statement under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference.

PART IV

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

(a) (1) Financial Statements:

Report of Independent Accountants; Consolidated Balance Sheets as of December 31, 1998 and 1997; Consolidated Statements of Operations for the years ended December 31, 1998, 1997 and 1996; Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997 and 1996; Consolidated Statements of Stockholders' Equity for the years ended December 31, 1998, 1997 and 1996; Notes to Consolidated Financial Statements.

(a) (2) Financial Statement Schedules:

Schedules are either not applicable or not required because the information required is contained in the financial statements or notes thereto. Condensed financial information of the Registrant is omitted since there are no substantial amounts of restricted net assets applicable to the Company's consolidated subsidiaries.

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(a) (3) Exhibits Required to be Filed by Item 601 of Regulation S-K:

Exhibits marked with a single asterisk are filed herewith, and exhibits marked with a double plus sign reference management contracts, compensatory plans or arrangements, filed in response to Item 14 (a)(3) of the instructions to Form 10-K. The other exhibits listed have previously been filed with the Commission and are incorporated herein by reference.

- 3.1 Amended and Restated Certificate of Incorporation of Novavax, Inc. [Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, File No. 0-26770, filed March 21, 1997 (the "1996 Form 10-K").]
- 3.2 Amended and Restated By-laws of Novavax, Inc. [Incorporated by reference to Exhibit 3.2 to the 1996 Form 10-K.]
- 3.3 Certificate of Designations of Series A Custom Convertible Preferred Stock dated January 28, 1998. [Incorporated by reference to Exhibit 4.2 to the Company's Registration

Statement on Form S-3, File No. 333-46409, filed February 17, 1998.]

- 4. Specimen stock certificate for shares of Common Stock, par value \$.01 per share. [Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 10, File No. 0-26770, filed September 14, 1995 (the "Form 10").]
 - 10.1 License Agreement between IGEN, Inc. and Micro-Pak, Inc. [Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, File No. 0-26770, filed April 1, 1996, (the "1995 Form 10-K").]
 - ++ 10.2 1995 Stock Option Plan. [Incorporated by reference to Exhibit 10.4 to the Form 10.]
 - +++10.3 First Amendment to Novavax, Inc. 1995 Stock Option Plan approved by the stockholders of the Company on May 14, 1998, and by the Board of Directors on March 16, 1998.
 - ++ 10.4 Director Stock Option Plan. [Incorporated by reference to Exhibit 10.5 to the Form 10.]
 - 10.5 Stock Purchase Agreement dated October 9, 1996 by and between the Company and the purchasers named therein. [Incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-3, File No. 333-14305, filed October 17, 1996.]
 - 10.6 Agreement of Lease by and between the Company and Rivers Center Associates Limited Partnership, dated September 25, 1996. [Incorporated by reference to Exhibit 10.7 to the 1996 Form 10-K.]
 - 10.7 Stock and Warrant Purchase Agreement dated February 10, 1997 by and between the Company and Anaconda Opportunity Fund, L.P. [Incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-3, File No. 333-22685, filed March 4, 1997 (the "Anaconda S-3").]
 - 10.8 Form of Warrant issued by the Company to Anaconda Opportunity Fund, L.P. [Incorporated by reference to Exhibit 4.5 to the Anaconda S-3.]
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- 10.9 Forms of Subscription Agreement dated January 23, 1998 and Letter Agreement dated February 19, 1998, by and between the Company and each of the four purchasers, Delta Opportunity Fund, Ltd., Olympus Securities, Ltd., Nelson Partners, OTATO Limited Partnership. [Incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-3, File No. 333-46409, filed February 17, 1998.]
 - ++10.10 Employment Agreement dated May 15, 1997, by and between the Company and Richard F. Maradie. [Incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, File No. 0-26770, filed March 31, 1998.]
 - +++10.11 Amended and Restated Employment Agreement dated July 24, 1998, by and between the Company and Brenda L. Fugagli.
 - +++10.12 Employment Agreement dated February 23, 1998, by and between the Company and Thomas G. Tachovsky.

- +++10.13 Employment Agreement dated March 5, 1998, by and between the Company and Richard J. Harwood.
- +++10.14 Employment Agreement dated March 31, 1998, by and between the Company and D. Craig Wright.
- +++10.15 Separation and Release Agreement effective September 4, 1998, by and between the Company and Richard F. Maradie.
- *10.16 Form of Stock and Warrant Purchase Agreement dated April 14, 1999, by and between the Company and the purchasers named therein.
- 21 List of Subsidiaries [Incorporated by reference to Exhibit 21 to the 1995 Form 10-K.]
- * 23 Consent of PricewaterhouseCoopers LLP, Independent Accountants.
- * 27 Financial Data Schedule
- (b) Reports on Form 8-K:
 Form 8-K filed November 19, 1998.

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SIGNATURES

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

NOVAVAX, INC.

Date: April 14, 1999

By: /s/ Mitchell J. Kelly

Mitchell J. Kelly, Interim President
and Chief Executive Officer

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

NAME ----	TITLE -----	DATE ----
/s/ Mitchell J. Kelly ----- Mitchell J. Kelly	Interim President and Chief Executive Officer and Director	April 14, 1999
/s/Donald J. MacPhee ----- Donald J. MacPhee	Principal Financial & Accounting Officer	April 14, 1999
/s/Gary C. Evans ----- Gary C. Evans	Director	April 14, 1999
/s/ J. Michael Lazarus ----- J. Michael Lazarus	Director	April 9, 1999
/s/ John O. Marsh, Jr. ----- John O. Marsh, Jr.	Director	April 14, 1999

/s/Michael A. McManus

Michael A. McManus

Director

April 14, 1999

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/s/Denis M. O'Donnell

Denis M. O'Donnell

Director

April 14, 1999

/s/ Ronald A. Schiavone

Ronald A. Schiavone

Director

April 14, 1999

/s/ Ronald H. Walker

Ronald H. Walker

Director

April 8, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Novavax, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of changes in stockholders' equity present fairly, in all material respects, the financial position of Novavax, Inc. and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

McLean, Virginia
 March 17, 1999, except for the fourth
 paragraph of Note 1 which is as of
 April 14, 1999

NOVAVAX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
 (AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE INFORMATION)

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Revenues	\$ 681	\$ 520	\$ 56
Operating expenses:			
General and administrative	2,472	2,437	1,874
Research and development	3,361	2,874	3,716
Total operating expenses	5,833	5,311	5,590
Loss from operations	(5,152)	(4,791)	(5,534)
Interest income, net	335	244	137

Loss before income taxes	(4,817)	(4,457)	(5,397)
Provision for income taxes	--	--	(98)
Net loss	(4,817)	(4,547)	(5,495)
Dividend on preferred stock	(225)	--	--
Deemed dividend on preferred stock	(1,583)	--	--
Accretion of offering costs	(420)	--	--
Loss applicable to common stockholders	\$ (7,045)	\$ (4,547)	\$ (5,495)
Per share information (basic and diluted)			
Loss applicable to common stockholders	\$ (0.57)	\$ (0.39)	\$ (0.54)
Weighted average number of common shares outstanding (basic and diluted)	12,428,426	11,667,428	10,132,896

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

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NOVAVAX, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE INFORMATION)

	AS OF DECEMBER 31,	
	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,031	\$ 3,847
Accounts receivable	138	250
Prepaid expenses and other current assets	38	206
Total current assets	1,207	4,303
Property and equipment, net	1,020	889
Patent costs, net	1,590	1,573
Other assets	2	58
Total assets	\$ 3,819	\$ 6,823
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Capital lease obligations, current maturities	\$ 36	\$ 11
Accounts payable	793	238
Accrued payroll	29	40
Total current liabilities	858	289
Capital lease obligations, less current maturities	--	13
Total liabilities	858	302
Commitments and contingencies		

Stockholders' equity:		
Preferred stock, \$.01 par value, 2,000,000 shares authorized; no shares issued and outstanding	--	--
Common stock, \$.01 par value, 30,000,000 shares authorized; 13,253,118 issued and outstanding at December 31, 1998, and 12,031,757 shares issued and 12,012,013 outstanding at December 31, 1997	133	120
Additional paid-in capital	41,231	37,853
Accumulated deficit	(38,388)	(31,343)
Deferred compensation on stock options granted	(15)	(25)
Treasury stock, 19,744 shares, cost basis at December 31, 1997	--	(83)
Total stockholders' equity	2,961	6,522
Total liabilities and stockholders' equity	\$ 3,819	\$ 6,824

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

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NOVAVAX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)

	FOR THE YEARS ENDED DECEMBER 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net loss	\$ (4,817)	\$ (4,547)	\$ (5,495)
Reconciliation of net loss to net cash used by operating activities:			
Non-cash compensation expense	10	577	1,507
Depreciation and amortization	281	254	328
Disposal of property and equipment	--	--	335
Issuance of stock to 401(k) plan	22	10	--
Changes in operating assets and liabilities:			
Accounts receivable	112	(257)	61
Prepaid expenses and other assets	224	4	(185)
Accounts payable and accrued expenses	544	(286)	(185)
Net cash used by operating activities	(3,624)	(4,245)	(3,316)
Cash flows from investing activities:			
Proceeds from the sale of marketable securities	--	501	(501)
Capital expenditures	(231)	(45)	(99)
Deferred patent costs	(146)	(198)	(244)
Net cash used by investing activities	(377)	258	(844)
Cash flows from financing activities:			
Payment of capital lease obligations	(38)	(11)	--
Issuance of preferred stock	6,500	--	--
Dividend on preferred stock	(179)	--	--
Offering costs of preferred stock	(502)	--	--
Repurchase of preferred stock	(4,978)	--	--
Proceeds from private placements of common stock	50	5,003	1,656
Proceeds from the exercise of stock options	332	361	351
Net cash provided from financing activities	1,185	5,353	2,007
Net change in cash and cash equivalents	(2,816)	1,366	(2,153)
Cash at beginning of period	3,847	2,481	4,634
Cash and cash equivalents at end of period	\$ 1,031	\$ 3,847	\$ 2,481

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

NOVAVAX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
 (AMOUNTS IN THOUSANDS, EXCEPT SHARE INFORMATION)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	DEFICIT	DEFERRED COMPENSATION ON STOCK OPTIONS GRANTED	TREASURY STOCK	TOTAL STOCKHOLDERS EQUITY
	SHARES	DOLLARS					
BALANCE, DECEMBER 31, 1995	9,937,936	\$ 99	\$ 30,188	\$ (21,301)	\$ (1,887)	\$ --	\$ 7,099
Options and warrants granted as compensation	--	--	222	--	(222)	--	--
Amortization of deferred compensation	--	--	--	--	1,506	--	1,506
Private sale of common stock, net	505,000	5	1,651	--	--	--	1,656
Exercise of stock options	217,774	2	349	--	--	--	351
Net loss	--	--	--	(5,495)	--	--	(5,495)

BALANCE, DECEMBER 31, 1996	10,660,710	106	32,410	(26,796)	(603)	--	5,117
Options granted as compensation	--	--	--	--	--	--	--
Company contribution to employee 401(k) plan	771	--	3	--	--	7	10
Amortization of deferred compensation	--	--	--	--	578	--	578
Private sale of common stock, net	1,200,000	12	4,991	--	--	--	5,003
Exercise of stock options	170,276	2	450	--	--	(90)	362
Net loss	--	--	--	(4,547)	--	--	(4,547)

BALANCE, DECEMBER 31, 1997	12,031,757	120	37,853	(31,343)	(25)	(83)	6,522
Company contribution to employee 401(k) plan	42	1	(12)	--	--	33	22
Amortization of deferred compensation	--	--	--	--	10	--	10
Value of beneficial conversion feature of preferred stock	--	--	1,583	--	--	--	1,583
Conversion of preferred stock	1,043,956	11	1,475	--	--	--	1,486
Dividend on preferred stock	32,944	--	--	(225)	--	--	(225)
Deemed dividend on preferred stock	--	--	--	(1,583)	--	--	(1,583)
Accretion of offering costs	--	--	--	(420)	--	--	(420)
Private sale of common stock, net	--	--	--	--	--	50	50
Exercise of stock options	144,419	1	332	--	--	--	333
Net loss	--	--	--	(4,817)	--	--	(4,817)

BALANCE, DECEMBER 31, 1998	13,253,118	\$ 133	\$ 41,231	\$ (38,388)	\$ (15)	\$ --	\$ 2,961

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

NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

DESCRIPTION OF BUSINESS

Novavax, Inc., a Delaware corporation ("Novavax" or the "Company"), is a biopharmaceutical company focused on the research and development of proprietary topical and oral drug delivery technologies and applications of those technologies. The Company's technology platforms involve the use of proprietary, microscopic, organized, non-phospholipid structures as vehicles for the delivery of a wide variety of drugs and other therapeutic products, including certain hormones, anti-bacterial and anti-viral products and vaccine adjuvants. These technology platforms support three product development programs: hormone replacement therapies, third party drug delivery and vaccine adjuvant applications and anti-microbial agents. The regulatory process is lengthy, requiring substantial funds, and the Company cannot predict when approval of any product or a license to sell any product might occur. In addition, there can be no assurance the Company will have sufficient funds necessary or that the additional funds will be available at all or on acceptable terms. The Company also recognizes that the commercial launch of any product is subject to certain risks including but not limited to manufacturing scale-up and market acceptance.

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Novavax and its wholly owned subsidiaries Micro-Pak, Inc., Micro Vesicular Systems, Inc. and Lipovax, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

FINANCING REQUIREMENTS

Past spending levels are not necessarily indicative of future spending. The Company will seek to establish one or more collaborations with industry partners to defray the costs of clinical trials and other related activities. Novavax will also seek to obtain additional funds through public or private equity or debt financings, collaborative arrangements with pharmaceutical companies or from other sources. If adequate funds are not available, Novavax may be required to significantly delay, reduce the scope of or eliminate one or more of its research or development programs, or seek alternative measures. As of April 14, 1999, Novavax estimates that the money received from the most recent sale of Common Stock (discussed below) and its existing cash resources will be sufficient to finance its operations at current and projected levels of development activity for the next 12 to 13 months.

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NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION, CONTINUED

SUBSEQUENT EVENT

In April 1999, the Company entered into Stock and Warrant Purchase Agreements for the private placement of 1,651,100 shares of its Common Stock to accredited investors (the "Private Placement"). One of the principals of one of the investors is also a director of the Company. The issuance price of the Common Stock was \$2.50 per share. Each share was sold together with a non-transferable warrant for the purchase of .25 additional shares at an exercise price of \$3.75. The warrants have a three-year term. Gross proceeds from the Private Placement were \$4,128,000. Placement agent fees were approximately \$215,000, which was paid with cash of \$107,000 and 42,933 shares of the Company's Common Stock, which were issued together with non-transferable warrants for the purchase of 10,733 shares of the Company's Common Stock at an exercise price of \$3.75. These warrants have a three-year term. Additionally, non-transferable warrants for the purchase of 143,00 shares of the Company's Common Stock, with an exercise

price of \$3.00 per share and a three-year term, were issued to the placement agent. Other costs connected with the Private Placement, including legal, stock exchange listing and registration fees, were approximately \$50,000. Net proceeds to the Company from the Private Placement were approximately \$4,000,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES

Cash equivalents are considered to be short-term highly liquid investments with original maturities of 90 days or less. Marketable securities consist of investments in fixed income securities with original maturities of greater than three months and less than one year. Marketable securities are stated at cost, which approximates market. Interest income is accrued as earned.

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NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation of furniture, fixtures and equipment is provided under the straight-line method over the estimated useful lives, generally five years. Amortization of leasehold improvements is provided over the estimated useful lives of the improvements or the term of the lease, whichever is shorter. Furniture and equipment held under capital leases are amortized under the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

Repair and maintenance costs are charged to operations as incurred while major improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts and any gains or losses are included in operations. Accumulated depreciation was \$691,000 and \$539,000 at December 31, 1998 and 1997, respectively.

PATENT COST

Costs associated with obtaining patents, principally legal costs and filing fees, are being amortized on a straight-line basis over the remaining economic lives of the respective patents. The Company periodically evaluates the carrying amount of these assets based on current licensing and future commercialization efforts and if warranted, impairment would be recognized. Accumulated amortization of patent costs was \$678,000 and \$549,000 at December 31, 1998 and 1997, respectively.

REVENUE RECOGNITION

Revenues from the sale of scientific prototype vaccines and adjuvants are recorded as the products are produced and shipped. Revenues earned under research contracts are recognized when the related contract provisions are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET LOSS PER SHARE

Basic earnings per share is computed by dividing the net loss available to common shareholders by the weighted average number of common share outstanding during the period. Diluted loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding after giving effect to all dilutive potential common shares that were outstanding during the period.

Potential common shares are not included in the computation of dilutive earnings per share if they are antidilutive. Net loss per share as reported was not adjusted for potential common shares as they are antidilutive.

INCOME TAXES

The Company's income taxes are determined in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, which requires the asset and liability method of accounting for income taxes. Under the asset and liability method deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities.

The effect on deferred taxes of changes in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded based on management's determination of the ultimate realizability of future deferred tax assets.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of patent costs and benefits for income taxes and related valuation allowances. Actual results could differ from those estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") has issued two new standards, which became effective for reporting periods beginning after December 15, 1997. SFAS No. 130, Reporting Comprehensive Income, requires additional disclosures with respect to certain changes in assets and liabilities that previously were

not required to be reported as results of operations for the period. There was no impact of this pronouncement on the Company's financial statements.

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, requires financial and descriptive information with respect to "operating segments" of an entity based on the way management makes internal operating decisions. The Company considers its operations to be in one business segment, biotechnology, therefore there was no impact of this pronouncement on the Company's financial statements..

The FASB has issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which becomes effective for years beginning after June 15, 1999. SFAS No. 133 requires that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivatives fair value be recognized in earnings unless specific hedge accounting criteria are met. The Company will adopt SFAS No. 133 by January 1, 2000. Because of the Company's minimal use of derivatives, management does not anticipate that adoption of this statement will have a material effect on the earnings or financial position of the Company.

3. SUPPLEMENTAL CASH FLOW INFORMATION

(AMOUNTS IN THOUSANDS)

Cash paid for:	1998	1997	1996
	-----	-----	-----
Taxes	\$ --	\$ --	\$ 100
Interest	9	--	11

For the years ended December 31, 1998, 1997 and 1996, the Company had the following non-cash financing and investing activities:

(AMOUNTS IN THOUSANDS)

	1998	1997	1996
	-----	-----	-----
Capital lease obligation for the purchase of furniture and equipment	\$ 50	\$ --	\$ 36

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NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

4. PROPERTY AND EQUIPMENT

Property and equipment, stated at cost, is comprised of the following:

	(AMOUNTS IN THOUSANDS)	
	1998	1997
	-----	-----
Machinery and equipment	\$ 1,249	\$ 1,021

Leasehold improvements	329	327
Equipment under capital leases	87	36
Furniture and fixtures	46	44
	-----	-----
	1,711	1,428
Less accumulated depreciation	(691)	(539)
	-----	-----
	\$ 1,020	\$ 889
	=====	=====

During 1996, the disposal of property and equipment having a net book value of \$335,000 was recorded relating to the closing of one of the Novavax subsidiaries' laboratory. Depreciation expense of \$152,000, \$134,000, and \$221,000 was recorded in the years ended December 31, 1998, 1997 and 1996, respectively.

5. STOCK OPTIONS AND WARRANTS

1995 STOCK OPTION PLAN

Under the Novavax 1995 Stock Option Plan (the "Plan"), options may be granted to officers, employees and consultants or advisors to Novavax and any present or future subsidiary to purchase a maximum of 4,400,000 shares of Novavax common stock. Incentive options, having a maximum term of ten years, can be granted at no less than 100% of the fair market value of Novavax's stock at the time of grant and are generally exercisable in cumulative increments over several years from the date of grant. Both incentive and non-statutory stock options may be granted under the Plan. There is no minimum exercise price for non-statutory stock options.

1995 DIRECTOR STOCK OPTION PLAN

The 1995 Director Stock Option Plan (the "Director Plan") provides for the issuance of up to 500,000 shares of Novavax Common Stock. 140,000, 110,000 and 80,000 options were granted under this plan in 1998, 1997 and 1996, respectively. The exercise price per share is the fair market value on the date of grant. Options granted to eligible directors are exercisable in full beginning six months after the date of grant and terminate ten years after the date of grant.

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NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

5. STOCK OPTIONS AND WARRANTS, CONTINUED

Such options cease to be exercisable at the earlier of their expiration or three years after an eligible director ceases to be a director for any reason. In the event that an eligible director ceases to be a director on account of his death, his outstanding options (whether exercisable or not on the date of death) may be exercised within three years after such date (subject to the condition that no such option may be exercised after the expiration of ten years from its date of grant).

Activity under the 1995 Stock Option Plan and 1995 Director Stock Option Plan was:

	1995 STOCK OPTION PLAN	1995 DIRECTOR STOCK OPTION PLAN
BALANCE, JANUARY 1, 1996	3,048,635	120,000
Granted at weighted average price of \$4.96 per share	660,000	80,000
Exercised at weighted average price of \$1.61 per share	(217,774)	
Expired or canceled weighted at average price of \$3.84 per share	(18,000)	
BALANCE, DECEMBER 31, 1996	3,472,861	200,000
Granted at weighted average price of \$4.18 per share	300,000	110,000
Exercised at weighted average price of \$2.86 per share	(190,693)	
Expired or canceled at weighted average price of \$3.58 per share	(378,610)	
BALANCE, DECEMBER 31, 1997	3,203,558	310,000
Granted at weighted average price of \$4.03 per share	501,000	140,000
Exercised at weighted average price of \$2.06 per share	(124,419)	
Expired or canceled at weighted average price of \$3.74 per share	(465,892)	(10,000)
BALANCE, DECEMBER 31, 1998	3,114,247	440,000
Price range	\$0.01 to 7.00	\$1.94 to 5.81
Weighted average exercise price	\$ 3.53	\$ 3.45
Exercisable	2,443,680	440,000
Available for grant:		
December 31, 1998	702,867	60,000

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NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

5. STOCK OPTIONS AND WARRANTS, CONTINUED

Information with respect to stock options outstanding at December 31, 1998 is as follows:

PRICE RANGE	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
Options issued at below market value:			
\$0.01	487,814	7.0	\$0.01
Options issued at market value:			
\$1.21 to 2.50	112,811	9.1	\$1.84
\$2.51 to 3.50	1,040,735	5.9	\$3.13
\$3.51 to 4.50	972,922	5.9	\$4.00
\$4.51 to 7.00	939,965	6.5	\$5.49
	3,554,247	6.3	\$3.52

In connection with its stock option plans, Novavax makes no charges to operations in connection with stock options granted at the fair market value at the date of grant. With respect to options which were granted below fair market value at the date of grant, the Company records compensation expense for the difference between the fair market value at the date of grant and the exercise price, as the options become exercisable. \$9,000, \$472,000 and \$1,411,000 related to such options has been included as compensation expense in 1998, 1997 and 1996, respectively.

NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

5. STOCK OPTIONS AND WARRANTS, CONTINUED

The Company has adopted the disclosure-only provisions of SFAS No. 123 as they pertain to financial statement recognition of compensation expense attributable to option grants. As such, no compensation cost has been recognized on the Company's option plans. If the Company had elected to recognize the compensation cost for the 1995 Stock Option Plan and the 1995 Director Stock Option Plan consistent with SFAS 123, the Company's net loss and loss per share on a pro forma basis would be:

	1998 -----	1997 -----	1996 -----
Net loss applicable to common stockholders (amounts in thousands):			
As reported	\$ (7,045)	\$ (4,547)	\$ (5,495)
Pro forma	\$ (7,983)	\$ (5,114)	\$ (6,354)
Basic and diluted loss per share			
As reported	\$ (.57)	\$ (.39)	\$ (.54)
Pro forma	\$ (.64)	\$ (.44)	\$ (.63)
Risk-free interest rates	6.0%	5.2%-7.2%	5.97%
Expected life in years:			
Employees	6.0	6.0	6.0
Directors	3.0	3.0	3.0
Dividend yield	0.0%	0.0%	0.0%
Volatility:			
Options issued by Novavax after November 28, 1995	105%	47%	75%
Options issued by Novavax prior to November 28, 1995	--	--	50%
Weighted average remaining contractual life in years	6.7	6.9	5.7
Weighted average fair value at date of Grant	\$ 1.21	\$ 3.41	\$ 3.11

NON-EMPLOYEE OPTIONS

The Company has entered into agreements to receive advisory and consulting services from several individuals, four of whom serve on the Novavax Scientific Advisory Board. Non-qualified stock options have been granted to these individuals under the 1995 Stock Option Plan. Using the Black-Scholes option-pricing model, charges of \$2,000, \$40,000 and \$30,000 related to these options have been recorded in the Consolidated Statements of Operations during 1998, 1997 and 1996, respectively.

NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

5. STOCK OPTIONS AND WARRANTS, CONTINUED

COMMON STOCK WARRANTS

In connection with the October 1996 private stock sale, the Company provided the underwriter warrants for the purchase of 50,000 shares of common stock, par value \$.01 per share. The warrants are fully exercisable at \$3.75 per share and expire on October 30, 2001. In November 1996, in consideration for services performed by a consultant, the Company also issued warrants for 50,000 shares of common stock, par value \$.01 per share. The warrants are exercisable at \$5.00 per share, and are fully vested at December 31, 1998. These warrants expire in November 2001. In March 1997, Novavax privately placed 1,200,000 shares of common stock. As part of the transaction, Novavax also granted warrants to purchase an additional 600,000 shares at a price of \$6.00 per share and 600,000 shares at a price of \$8.00 per share. The warrants have a three-year term and expire in March 2000. As of December 31, 1998, no warrants had been exercised. Using the Black-Scholes option-pricing model, charges related to these warrants of \$66,000 in 1997 and 1996 are included in the Statement of Operations.

6. INCOME TAXES

Deferred tax assets (liabilities) included in the balance sheets consist of the following:

(AMOUNTS IN THOUSANDS)

	1998	1997
	-----	-----
Net operating losses	\$ 6,880	\$ 4,888
Research tax credits	826	821
Disqualifying stock options	719	717
Alt-min tax credit	94	94
Equipment and furniture	30	18
Deferred patent costs	(614)	(608)
Accrued vacation pay	6	--
Other	--	(1)
	-----	-----
	7,941	5,929
Less valuation allowance	(7,941)	(5,929)
	-----	-----
Deferred taxes, net	\$ --	\$ --
	=====	=====

Realization of net deferred tax assets at the balance sheet dates is dependent on the Company's ability to generate future taxable income, which is uncertain. Accordingly, a full valuation allowance was recorded against these assets as of December 31, 1998 and 1997.

6. INCOME TAXES, CONTINUED

Novavax has recorded no net provision for income taxes in 1998 and 1997 and \$98,000 in 1996 in the accompanying financial statements due to the uncertainty regarding ultimate realization of certain net operating losses and other tax credit carryforwards.

Federal net operating losses and tax credits available to Novavax are as

follows:

(AMOUNTS IN THOUSANDS)

Federal net operating losses expiring through the year 2018	\$ 17,246
State net operating losses expiring through the year 2013	21,991
Research tax credits expiring through the year 2018	827
Alternative-minimum tax credit (no expiration)	94

7. COMMITMENTS AND CONTINGENCIES

Novavax leases laboratory and office space, machinery and equipment under capital and non-cancelable operating lease agreements expiring at various dates through 2006. Future minimum rental commitments under noncancelable leases as of December 31, 1998 are as follows:

YEAR ----	(AMOUNTS IN THOUSANDS)	
	OPERATING LEASES -----	CAPITAL LEASES -----
1999	\$ 177	\$ 39
2000	157	--
2001	146	--
2002	149	--
2003	153	--
Thereafter	483	--
	-----	-----
Total lease payments	\$1,265	39
	=====	
Less: amount representing interest		3
		=====
Present value of net minimum lease payments		\$ 36
		=====

Aggregate rental expenses approximated \$219,000, \$279,000 and \$183,000 in 1998, 1997 and 1996, respectively.

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NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

7. COMMITMENTS AND CONTINGENCIES , CONTINUED

In October 1996, the Company entered into a 10-year operating lease for office and laboratory facilities. In connection with this lease agreement, Novavax is required to maintain a "Net Asset Value" of \$2,000,000. The term "Net Asset Value" is defined as the difference between the total assets and the total liabilities. If the Net Asset Value falls below \$2,000,000, the Company is required to provide other reasonable financial assurances to the landlord within five days of the landlord's request. The financial assurances may be, but without limitation to, the following: a bond for the landlord's benefit, an increase in the deposit, or a letter of credit, as reasonably believed necessary by the landlord or its lenders.

Also in October 1996, the Company entered into a 2-year operating lease for approximately 2,363 square feet of laboratory space. This shared space houses the Company's certified animal facility and laboratories for its biologics

development, which includes the vaccine adjuvant program. Both leases include various renewal options, purchase options and escalation clauses. In October 1998, the Company exercised its option to extend the lease for one year.

8. SIGNIFICANT CUSTOMERS

Novavax's revenue includes amounts earned from arrangements with various industry partners. In the year ended December 31, 1998, three different customers each represented in excess of 10% of revenues. These three customers accounted for 56%, 25% and 11% of the Company's total revenue for 1998, compared to 46%, 1% and 43% for the same respective customers for 1997. Revenue for 1996 was not material.

9. EMPLOYEE BENEFITS

The Company has a defined contribution 401(k) retirement plan (the "Plan"), pursuant to which employees who have completed ninety days of employment with the Company as of specified dates may elect to contribute to the Plan, in whole percentages, up to 15% of their compensation and a maximum contribution of \$10,000 and \$9,500, in 1998 and 1997, respectively. The Company matches 25% of the first 5% of compensation contributed by the participant and \$4.00 per week of employment during the year. All contributions by the Company are made quarterly in the form of the Company's Common Stock and are immediately vested. The Company has recorded charges to expenses related to the Plan of approximately \$23,000 and \$16,000 in 1998 and 1997, respectively.

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NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

10. FINANCING TRANSACTIONS

In October 1996, the Company received \$1,656,000, net of fees and expenses, from the private placement of 505,000 share of its Common Stock with accredited institutional investors.

In March 1997, the Company received \$5,003,000, net of fees and expenses, from the private placement of 1,200,000 shares of its Common Stock with an accredited institutional investor, a principal of which has subsequently become a director of Novavax. In connection with this transaction, Novavax granted warrants to purchase an additional 600,000 shares of the Company's Common Stock at \$6.00 per share and 600,000 shares at \$8.00 per share. These warrants have a three-year term, expiring in March 2000.

In January, 1998, the Company entered into Subscription Agreements to effectuate the private placement of 6,500 shares of mandatorily redeemable Series A Custom Convertible Preferred Stock, \$1,000 par value per share (the "Preferred Stock"). The closing occurred on January 28, 1998 (the "Issuance Date") at an aggregate purchase price of \$6,500,000.

The Preferred Stock was convertible into shares of Common Stock at a conversion price equal to (i) during a period of 90 days following the Issuance Date, 100% of the average of the two lowest consecutive trade prices of the Common Stock as reported on the American Stock Exchange for the 25 trading days immediately preceding the conversion date (the "Two Day Average Trading Price") or (ii) during the period on and after the date which is 91 days after the Issuance Date, 94% of the Two Day Average Trading Price.

Prior to the subsequent repurchase of all the outstanding Preferred Stock, \$1,522,000 of the original shares had been converted into 1,043,956 shares of Common Stock, pursuant to the terms and conditions of the Preferred Stock. On

October 1, 1998, the Company entered into agreements to repurchase the remaining Preferred Stock. This transaction closed on October 16, 1998 and the Company repurchased the outstanding \$4,979,000 of Preferred Stock. The Company incurred placement agent and other transaction fees relating to the placement, conversion and repurchase of the Preferred Stock of \$502,000, which are included in the accompanying financial statements as preferred stock offering costs. The terms of the Preferred Stock required the Company to pay the holders of the Preferred Stock \$225,000 in dividends. This amount was paid in cash of \$179,000 and through the issuance of 32,942 shares of common stock valued at \$46,000. The preferred stock transactions were:

Private sale of preferred stock, net	\$ 4,415
Deemed dividend of preferred stock	1,583
Conversion of preferred stock	(1,439)
Accretion of offering costs	420
Repurchase of preferred stock	(4,979)

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NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

11. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The consolidated results of operations included in the Company's 1998 Form 10-Qs for the periods ended March 31, June 30 and September 30 have been restated to account for, in accordance with Topic D-60, the beneficial conversion feature relating to the Preferred Stock issued in January 1998. In Topic D-60 the SEC staff addressed the issuance of convertible preferred stock with a non-detachable conversion feature that is "in the money" at the date of issue (a "beneficial conversion feature"). Topic D-60 requires the beneficial conversion feature be recognized and measured by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital. For convertible preferred securities, the SEC staff believes that any discount resulting from an allocation of proceeds to the beneficial conversion feature is analogous to a dividend and should be recognized as a return to the preferred stockholders over the minimum period in which the preferred stockholders can realize the return of the beneficial conversion. The original amount of \$455,000 allocable to the beneficial conversion feature was recorded as a charge to accumulated deficit by the Company in its March 31, 1998 Form 10-Q was an error. The correct amount is \$1.58 million, which has been recorded to additional paid-in capital and recognized as a charge to accumulated deficit. The original amount attributable to the beneficial conversion was recognized as a return to the preferred stockholders in the first quarter of 1998. The restated amount has been recognized over 180 days, the minimum period in which the preferred stockholders can realize the maximum beneficial conversion. In addition, with respect to the preferred stock the Company did not properly accrue the related dividends or accrete the offering costs in the appropriate quarters during 1998. The restated amounts recognize the dividends as earned and offering cost have been accreted

Quarterly results of operations (unaudited) for the years ended December 31, 1998 and 1997 are as follows (in thousands, except per share information):

1998	AS PREVIOUSLY REPORTED			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	\$ 205	\$ 120	\$ 199	\$ 157
Loss from operations	\$ (927)	\$ (1,278)	\$ (1,286)	\$ (1,661)
Net Loss	\$ (834)	\$ (1,159)	\$ (1,181)	\$ (1,690)
Deemed dividend on preferred stock	\$ (455)	\$ -	\$ -	\$ -
Dividend on preferred stock	\$ -	\$ -	\$ -	\$ (11)
Accretion of preferred stock offering costs	\$ -	\$ -	\$ -	\$ (260)
Loss applicable to common stockholders	\$ (1,289)	\$ (1,159)	\$ (1,181)	\$ (1,961)
Basic and diluted loss per share	\$ (.11)	\$ (.10)	\$ (.10)	\$ (.15)

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NOVAVAX, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

11. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

1998	AS RESTATED			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	\$ 205	\$ 120	\$ 199	\$ 157
Loss from operations	\$ (927)	\$ (1,278)	\$ (1,286)	\$ (1,661)
Net Loss	\$ (834)	\$ (1,149)	\$ (1,144)	\$ (1,690)
Deemed dividend on preferred stock	\$ (479)	\$ (1,104)	\$ -	\$ -
Dividend on preferred stock	\$ (55)	\$ (81)	\$ (78)	\$ (11)
Accretion of preferred stock offering costs	\$ (41)	\$ (61)	\$ (58)	\$ (260)
Loss applicable to common stockholders	\$ (1,409)	\$ (2,395)	\$ (1,280)	\$ (1,961)
Basic and diluted loss per share	\$ (.12)	\$ (.20)	\$ (.10)	\$ (.15)

1997	AS PREVIOUSLY REPORTED			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	\$ -	\$ 150	\$ 80	\$ 290
Loss from operations	\$ (1,244)	\$ (1,213)	\$ (1,205)	\$ (1,129)
Net loss	\$ (1,210)	\$ (1,134)	\$ (1,139)	\$ (1,064)
Basic and diluted net loss per share	\$ (.11)	\$ (.10)	\$ (.10)	\$ (.08)

The effect of the restatement noted above on the Company's previously reported quarterly results of operations for the year ended December 31, 1998 is as follows (in thousands except per share information):

1998	INCREASE (DECREASE)			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	\$ -	\$ -	\$ -	\$ -
Loss from operations	\$ -	\$ -	\$ -	\$ -
Net loss	\$ -	\$ (10)	\$ (37)	\$ -
Deemed dividend on preferred stock	\$ 24	\$ 1,104	\$ -	\$ -
Dividend on preferred stock	\$ 55	\$ 81	\$ 78	\$ -
Accretion of preferred stock offering costs	\$ 41	\$ 61	\$ 58	\$ -
Loss applicable to common stockholders	\$ 120	\$ 1,236	\$ 99	\$ -
Basic and diluted loss per share	\$.01	\$.10	\$ -	\$ -

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EXHIBIT INDEX

Exhibit

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* These exhibits are incorporated by reference

NOVAVAX, INC.

AMENDMENT TO STOCK OPTION PLAN

Pursuant to the resolution of the Board of Directors of Novavax, Inc. adopted on March 16, 1998, and approved by the stockholders of Novavax, Inc. on May 14, 1998, Section 4 of the Novavax, Inc. 1995 Stock Option Plan is hereby amended by deleting the number "4,000,000" and inserting in its place the number "4,400,000" so that the first sentence of Section 4 now reads in its entirety as follows:

"Subject to adjustment as provided in Section 15 below, the maximum number of shares of Common Stock which may be issued and sold under the Plan is 4,400,000 shares."

NOVAVAX, INC.

/s/ David A. White

David A. White, Secretary

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Employment Agreement" or this "Agreement") dated as of July 24, 1998, between Novavax, Inc., a Delaware corporation having its principal office at 8320 Guilford Road, Columbia, Maryland 21046 (the "Company") and Brenda Fugagli ("Employee") residing at 988 Stonington Drive, Arnold, Maryland 21012, amends and restates in its entirety the Employment Agreement between the Company and Employee dated as of July 24, 1997.

The Company and Employee hereby agree as follows:

1. Employment. The Company hereby employs Employee and Employee hereby accepts employment upon the terms and conditions hereinafter set forth. (As used throughout this Agreement, "Company" shall mean and include any and all of its present and future subsidiaries and any and all subsidiaries of a subsidiary.) Employee warrants that she is free to enter into and perform this Agreement and is not subject to any employment, confidentiality, non-competition or other agreement which prohibits, restricts, or would be breached by either her acceptance of or her performance under this Agreement.

2. Duties. Employee shall devote her full business time to the performance of services as Vice President, Treasurer and Chief Financial Officer or such other senior management services as may from time to time be designated by the Company's Chief Executive Officer or the Board of Directors. During the term of this Agreement, Employee's services shall be completely exclusive to the Company and she shall devote her entire business time, attention and energies to the business of the Company and the duties to which the Company shall assign her from time to time. Employee agrees to perform her services faithfully and to the best of her ability and to carry out the policies and directives of the Company. Employee agrees to take no action which is in bad faith and prejudicial to the interests of the Company during her employment hereunder. Employee shall be based in Columbia, Maryland but she may be required from time to time to perform duties hereunder for reasonably short periods of time outside said area.

3. Term. The term of this Agreement shall be one year beginning July 21, 1997 and ending July 20, 1999, provided, however, that this Agreement shall be automatically extended for periods of one year after such date, unless and until the Company or Employee shall have delivered to the other written notice of its or her election to terminate this Agreement as of July 20, 1999, or as of the end of any such one-year extension period, such notice to be delivered at least 30 days prior to the date of termination (the "Term").

4. Compensation.

(a) Base Compensation. For all Employee's services and covenants under this Agreement, the Company shall pay Employee an initial annual salary of \$135,000, subject to annual review by the Board of Directors of the Company and payable in accordance with the Company's payroll policy as constituted from time to time.

(b) Stock Options. In connection with her employment, Employee has received stock options to purchase 100,000 shares of the Company's Common Stock, \$.01 par value, at an exercise price equal to the closing price of the Company's Common Stock on the date of grant. The options are subject to a Incentive Stock Option Agreement (and, to the extent required by the Internal Revenue Code, a Non-Statutory Stock Option Agreement) which includes an option vesting schedule as follows: one-third of the shares on the six-month anniversary of the date of grant, one-third of the shares on the eighteen-month anniversary of the date of grant and one-third of the shares on the thirty-month anniversary of the date of grant. Employee will also be eligible to receive additional stock options annually, based on job performance, in an amount to be

determined by the Compensation and Stock Option Committee of the Board of Directors at the December Board meetings.

(c) Bonus Program. During the Term, the Employee shall be entitled to participate in a bonus program, if any, maintained from time to time by the Company for the benefit of senior executives and other employees of the Company under which award payments, if any, are based on performance criteria mutually determined by the Employee and the Company.

5. Expenses. Employee shall be entitled to reimbursement for reasonable expenses incurred by Employee in connection with the performance of her duties hereunder upon receipt of vouchers therefor in accordance with such procedures as the Company has heretofore or may hereafter establish.

6. Employee Benefits.

(a) Employee shall be entitled to three weeks of paid vacation time during the first year, calculated on a calendar year basis in accordance with Company policies in effect from time to time. Thereafter, Employee shall be entitled to three weeks of vacation plus one day for each year of Employee's employment after the first year, up to a maximum of four weeks per year.

(b) Employee shall be entitled to the use of a Company automobile during the Term in accordance with Company policies in effect from time to time.

(c) Employee shall be entitled to participate in all group insurance programs, stock option plans or other fringe benefit plans which the Company may now or hereafter in its sole and absolute discretion make available generally to its employees, but the Company shall not be required to establish any such program or plan.

7. Termination of Employment. Notwithstanding any other provision of this Agreement, Employee's employment may be terminated:

(a) By the Company, in the event of Employee's willful failure or refusal to perform in all material respects the services required of her hereby, after a specific written warning with regard thereto, which shall include a statement of corrective actions and a 30 day period for the Employee to respond and implement such actions, has been given to Employee by the Chief Executive Officer of the Company or its Board of Directors, her willful failure or refusal to carry out any proper direction by the Chief Executive Officer or the Board of Directors with respect to the services to be rendered by her hereunder or the manner of rendering such services, her willful misconduct in the performance of her duties hereunder or her commission of a felony involving moral turpitude;

(b) By the Company, upon 30 days' notice to Employee, if she should be prevented by illness, accident or other disability (mental or physical) from discharging her duties hereunder for one or more periods totalling three months during any twelve-month period;

(c) By the Company, without cause, or by Employee with "Good Reason" (as hereinafter defined), provided that if Employee's employment is terminated pursuant to this Section 7(c), Employee shall be entitled to receive her then current salary as set forth in Section 4(a) above, but not a performance bonus, for one year from the date of termination, payable in accordance with the Company's payroll policy as constituted from time to time, together with any accrued vacation pay at her then current salary and in the amounts set forth in Section 4(a) above. The Employee shall be entitled to terminate her employment for "Good Reason" if her responsibilities and authority are reduced or diluted in any material way (other than for cause) without her consent or if she is relocated to another Company office or facility more than 50 miles from Columbia, Maryland without her consent.

(d) By the event of Employee's death during the term of her employment, whereupon the Company's obligation to pay further compensation hereunder shall cease forthwith, except that Employee's legal representative shall be entitled to receive her fixed compensation for the period up to the last day of the month in which such death shall have occurred.

8. All Business to be Property of the Company; Assignment of Intellectual Property.

(a) Employee agrees that any and all presently existing business of the Company and all business developed by her or any other employee of the Company including without limitation all contracts, fees, commissions, compensation, records, customer or client lists, agreements and any other incident of any business developed, earned or carried on by Employee for the Company is and shall be the exclusive property of the Company, and (where applicable) shall be payable directly to the Company.

(b) Employee hereby grants to the Company (without any separate remuneration or compensation other than that received by her from time to time in the course of her employment) her entire right, title and interest throughout the world in and to, all research, information, procedures, developments, all inventions and improvements whether patentable or nonpatentable, patents and applications therefor, trademarks and applications therefor, copyrights and applications therefor, programs, trade secrets, plans, methods, and all other data and know-how (herein sometimes "Intellectual Property") made, conceived, developed and/or acquired by her solely or jointly with others during the period of her employment with the Company, which are either (i) made, conceived, developed or acquired during regular business hours or on the premises of, or using properties of, the Company or in the regular scope of Employee's employment by the Company or (ii) if related to the Company's business, whether or not made, conceived, developed or acquired during regular business hours or on the premises of, or using properties of, the Company or in the regular scope of Employee's employment by the Company.

9. Confidentiality. Except as necessary in performance of services for the Company or if required by law and except for such information that becomes generally available to the public through no fault of Employee, Employee shall not, either during the period of her employment with the Company or thereafter, use for her own benefit or disclose to or use for the benefit of any person outside the Company, any information concerning any Intellectual Property, or other confidential or proprietary information of the Company, including without limitation, any of the materials listed in Section 8(a), whether Employee has such information in her memory or embodied in writing or other tangible form. All originals and copies of any of the foregoing, however and whenever produced, shall be the sole property of the Company, not to be removed from the premises or custody of the Company without in each instance first obtaining authorization of the Company, which authorization may be revoked by the Company at any time. Upon the termination of Employee's employment in any manner or for any reason, Employee shall promptly surrender to the Company all copies of any of the foregoing, together with any documents, materials, data, information and equipment belonging to or relating to the Company's business and in her possession, custody or control, and Employee shall not thereafter retain or deliver to any other person any of the foregoing or any summary or memorandum thereof.

10. Non-Competition Covenant. As the Employee is being granted options to purchase stock in the Company and as such has a financial interest in the success of the Company's business and as Employee recognizes that the Company would be substantially injured by Employee competing with the Company, Employee agrees and warrants that within the United States, she will not, unless acting with the Company's express prior written consent, directly or indirectly, while an employee of the Company and during the Non-Competition Period, as defined below, own, operate, join, control, participate in, or be connected as an officer, director, employee, partner, stockholder, consultant, or otherwise

with, any business or entity which competes with the business of the Company (or its successors or assigns) as such business is now constituted or

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as it may be constituted at any time during the term of this Agreement; provided, however, that Employee may own less than one percent of the equity of a publicly traded company. The "Non-Competition Period" shall be a period of one year following termination of employment.

Employee and the Company are of the belief that the period of time and the area herein specified are reasonable in view of the nature of the business in which the Company is engaged and proposes to engage, the state of its business development and Employee's knowledge of this business. However, if such period or such area should be adjudged unreasonable in any judicial proceeding, then the period of time shall be reduced by such number of months or such area shall be reduced by elimination of such portion of such area, or both, as are deemed unreasonable, so that this covenant may be enforced in such area and during such period of time as is adjudged to be reasonable.

11. Non-Solicitation Agreement. Employee agrees and covenants that she will not, unless acting with the Company's express written consent, directly or indirectly, during the term of this Agreement or for a period of one year thereafter solicit, entice away or interfere with the Company's contractual relationships with any customer, officer or employee of the Company.

12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been given upon the earlier of actual receipt or three days after having been mailed by first class mail, postage prepaid, or twenty-four hours after having been sent by Federal Express or similar overnight delivery services, as follows: (a) if to Employee, at the address shown at the head of this Agreement, or to such other person(s) or address(es) as Employee shall have furnished to the Company in writing; and (b) if to the Company, at the address shown at the head of this Agreement, Attention: Richard F. Maradie, with a copy to David A. White, Esq., White & McDermott, P.C., 65 William Street, Suite 209, Wellesley, Massachusetts 02481, or to such other person(s) or address(es) as the Company shall have furnished to the Employee in writing.

13. Assignability. In the event that the Company shall be merged with, or consolidated into, any other corporation, or in the event that it shall sell and transfer substantially all of its assets to another corporation, the terms of this Agreement shall inure to the benefit of, and be assumed by, the corporation resulting from such merger or consolidation, or to which the Company's assets shall be sold and transferred. This Agreement shall not be assignable by Employee, but it shall be binding upon, and to the extent provided in Section 7 shall inure to the benefit of, her heirs, executors, administrators and legal representatives.

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

15. Equitable Relief. Employee recognizes and agrees that the Company's remedy at law for any breach of the provisions of Sections 8, 9, 10 or 11 hereof would be inadequate, and she agrees that for breach of such provisions, the Company shall, in addition to such other remedies as may be available to it at law or in equity or as provided in this Agreement, be entitled to injunctive relief and to enforce its rights by an action for specific performance. Should Employee engage in any activities prohibited by this Agreement, she agrees to pay over to the Company all compensation, remuneration or monies or property of any sort received in connection with such activities; such payment shall not impair any rights or remedies of the Company or obligations or liabilities of

Employee which such parties may have under this Agreement or applicable law.

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16. Amendments. This Agreement may not be amended, nor shall any change, waiver, modification, consent or discharge be effected except by written instrument executed by the Company and Employee.

17. Severability. If any part of any term or provision of this Agreement shall be held or deemed to be invalid, inoperative or unenforceable to any extent by a court of competent jurisdiction, such circumstances shall in no way affect any other term or provision of this Agreement, the application of such term or provision in any other circumstances, or the validity or enforceability of this Agreement.

18. Paragraph Headings. The paragraph headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation hereof.

19. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the law of the State of Delaware, without regard to the principles of conflict of law thereof.

20. Resolution of Disputes. With the exception of proceedings for equitable relief brought pursuant to Section 15 of this Agreement or any stock option agreement, any disputes arising under or in connection with this Agreement or any stock option agreement including, without limitation, any assertion by any party hereto that the other party has breached any provision of this Agreement, shall be resolved by arbitration, to be held in Baltimore, Maryland, in accordance with the rules and procedures of the American Arbitration Association. All costs, fees and expenses, including reasonable attorney fees, of any arbitration or equitable relief proceeding in connection with this Agreement shall be borne by, and be the obligation of, the Company. In no event shall the Employee be required to reimburse the Company for any of the costs and expenses incurred by the Company relating to any arbitration. The obligation of the Company under this Section 20 shall survive the termination for any reason of the Term (whether such termination is by the Company or by the Employee).

21. Indemnification. The Employee shall be entitled to liability and expense indemnification to the fullest extent permitted by the Company's current By-laws and Certificate of Incorporation, whether or not the same are subsequently amended.

22. Survivorship. The respective rights and obligations of the parties to this Agreement shall survive any termination of this Agreement or the Employee's employment hereunder for any reason to the extent necessary to the intended preservation of such rights and obligations.

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Agreement as of the date first above written.

NOVAVAX, INC.

[SEAL]

By: /s/ Richard F. Maradie,

Richard F. Maradie, President and
Chief Executive Officer

/s/ Brenda Fugagli

Brenda Fugagli

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EMPLOYMENT AGREEMENT

AGREEMENT (the "Employment Agreement" or this "Agreement") effective as of the 23rd day of February, 1998, between Novavax, Inc., a Delaware corporation having its principal office at 8320 Guilford Road, Columbia, Maryland 21046 (the "Company") and Thomas G. Tachovsky ("Employee") residing at 39 Riverside Terrace, North Easton, Massachusetts 02356.

The Company and Employee hereby agree as follows:

1. Employment. The Company hereby employs Employee and Employee hereby accepts employment upon the terms and conditions hereinafter set forth. (As used throughout this Agreement, "Company" shall mean and include any and all of its present and future subsidiaries and any and all subsidiaries of a subsidiary.) Employee warrants that he is free to enter into and perform this Agreement and is not subject to any employment, confidentiality, non-competition or other agreement which prohibits, restricts, or would be breached by either his acceptance of or his performance under this Agreement.

2. Duties. Employee shall devote his full business time to the performance of services as Vice President, Business Development or such other senior management services as may from time to time be designated by the Company's Chief Executive Officer or the Board of Directors. During the term of this Agreement, Employee's services shall be completely exclusive to the Company and he shall devote his entire business time, attention and energies to the business of the Company and the duties to which the Company shall assign him from time to time. Employee agrees to perform his services faithfully and to the best of his ability and to carry out the policies and directives of the Company. Employee agrees to take no action which is in bad faith and prejudicial to the interests of the Company during his employment hereunder.

3. Term. The term of this Agreement shall be one year beginning on the date hereof and ending February 22, 1999, provided, however, that this Agreement shall be automatically extended for periods of one year after such date, unless and until the Company or Employee shall have delivered to the other written notice of its or his election to terminate this Agreement as of February 22, 1999, or as of the end of any such one-year extension period, such notice to be delivered at least 30 days prior to the date of termination (the "Term")

4. Compensation.

(a) Base Compensation. For all Employee's services and covenants under this Agreement, the Company shall pay Employee an initial annual salary of \$130,000, subject to annual review by the Board of Directors of the Company and payable in accordance with the Company's payroll policy as constituted from time to time.

(b) Stock Options. Employee shall be entitled to receive stock options to purchase 75,000 shares of the Company's Common Stock, \$.01 par value, at an exercise price equal to the closing price of the Company's Common Stock on the date of grant, February 11, 1998. The options will be subject to a Incentive Stock Option Agreement (and, to the extent required by the Internal Revenue Code, a Non-Statutory Stock Option Agreement) which shall vest as follows: one-third of the shares on the six-month anniversary of the date of grant, one-third of the shares on the eighteen-month anniversary of the date of grant, and one-third of the shares on the thirty-month anniversary of the date of grant.

(c) Bonus Program. During the Term, the Employee shall be entitled to participate in a bonus program, if any, maintained from time to time by the Company for the benefit of senior executives and other employees of the Company under which award payments, if any, are based

on performance criteria and milestones to be mutually determined by the Employee and the Company.

5. Reimbursable Expenses.

(a) Employee shall be entitled to reimbursement for reasonable expenses incurred by Employee in connection with the performance of his duties hereunder upon receipt of vouchers therefor in accordance with such procedures as the Company has heretofore or may hereafter establish.

(b) Employee shall be entitled to reimbursement for reasonable expenses associated with commuting from his residence in Massachusetts to the Company's office in Columbia, Maryland, including airfare, parking, tolls, rental cars and up to \$200 per month for living accommodations in the Columbia, Maryland area, provided that Employee makes reasonable efforts to minimize all such expenses. Employee will be reimbursed for such expenses upon receipt of vouchers therefor in accordance with such procedures as the Company has heretofore or may hereafter establish. Employee is responsible for all income and other applicable taxes due and payable with respect to any reimbursement received hereunder.

6. Employee Benefits.

(a) Employee shall be entitled to three weeks of paid vacation time during the first year, calculated on a calendar year basis in accordance with Company policies in effect from time to time. Thereafter, Employee shall be entitled to three weeks of vacation plus one day for each year of Employee's employment after the first year, up to a maximum of four weeks per year.

(b) Employee shall be entitled to participate in all group insurance programs, stock option plans or other fringe benefit plans which the Company may now or hereafter in its sole and absolute discretion make available generally to its employees, but the Company shall not be required to establish any such program or plan.

7. Termination of Employment. Notwithstanding any other provision of this Agreement, Employee's employment may be terminated:

(a) By the Company, in the event of Employee's willful failure or refusal to perform in all material respects the services required of him hereby, after a specific written warning with regard thereto, which shall include a statement of corrective actions and a 30 day period for the Employee to respond and implement such actions, has been given to Employee by the Chief Executive Officer of the Company or its Board of Directors, his willful failure or refusal to carry out any proper direction by the Chief Executive Officer or the Board of Directors with respect to the services to be rendered by him hereunder or the manner of rendering such services, his willful misconduct in the performance of his duties hereunder or his commission of a felony involving moral turpitude;

(b) By the Company, upon 30 days' notice to Employee, if he should be prevented by illness, accident or other disability (mental or physical) from discharging his duties hereunder for one or more periods totalling three months during any twelve-month period;

(c) By the Company, without cause, or by Employee with "Good Reason" (as hereinafter defined), provided that if Employee's employment is terminated pursuant to this Section 7(c), Employee shall be entitled to receive his then current salary as set forth in Section 4(a) above, but not a performance bonus, for one year from the date of termination, payable in accordance with the Company's payroll policy as constituted from time to time, together with any accrued vacation pay at his then current salary and in the amounts set forth in Section 4(a) above. The Employee

shall be entitled to terminate his employment for "Good Reason" if his responsibilities and authority are reduced or diluted in any material way (other than for cause) without his consent or if he is relocated to another Company office or facility more than 50 miles from Columbia, Maryland without his consent.

(d) By the event of Employee's death during the term of his employment; whereupon the Company's obligation to pay further compensation hereunder shall cease forthwith, except that Employee's legal representative shall be entitled to receive his fixed compensation for the period up to the last day of the month in which such death shall have occurred.

8. All Business to be Property of the Company; Assignment of Intellectual Property.

(a) Employee agrees that any and all presently existing business of the Company and all business developed by him or any other employee of the Company including without limitation all contracts, fees, commissions, compensation, records, customer or client lists, agreements and any other incident of any business developed, earned or carried on by Employee for the Company is and shall be the exclusive property of the Company, and (where applicable) shall be payable directly to the Company.

(b) Employee hereby grants to the Company (without any separate remuneration or compensation other than that received by him from time to time in the course of his employment) his entire right, title and interest throughout the world in and to, all research, information, procedures, developments, all inventions and improvements whether patentable or nonpatentable, patents and applications therefor, trademarks and applications therefor, copyrights and applications therefor, programs, trade secrets, plans, methods, and all other data and know-how (herein sometimes "Intellectual Property") made, conceived, developed and/or acquired by him solely or jointly with others during the period of his employment with the Company, which are either (i) made, conceived, developed or acquired during regular business hours or on the premises of, or using properties of, the Company or in the regular scope of Employee's employment by the Company or (ii) if related to the Company's business, whether or not made, conceived, developed or acquired during regular business hours or on the premises of, or using properties of, the Company or in the regular scope of Employee's employment by the Company.

9. Confidentiality. Except as necessary in performance of services for the Company or if required by law and except for such information that becomes generally available to the public through no fault of Employee, Employee shall not, either during the period of his employment with the Company or thereafter, use for his own benefit or disclose to or use for the benefit of any person outside the Company, any information concerning any Intellectual Property, or other confidential or proprietary information of the Company, including without limitation, any of the materials listed in Section 8(a), whether Employee has such information in his memory or embodied in writing or other tangible form. All originals and copies of any of the foregoing, however and whenever produced, shall be the sole property of the Company, not to be removed from the premises or custody of the Company without in each instance first obtaining authorization of the Company, which authorization may be revoked by the Company at any time. Upon the termination of Employee's employment in any manner or for any reason, Employee shall promptly surrender to the Company all copies of any of the foregoing, together with any documents, materials, data, information and equipment belonging to or relating to the Company's business and in his possession, custody or control, and Employee shall not thereafter retain or deliver to any other person any of the foregoing or any summary or memorandum thereof.

10. Non-Competition Covenant. As the Employee is being granted options to purchase stock in the Company and as such has a financial interest in the success of the Company's business and as Employee recognizes that the Company

would be substantially injured by Employee competing with the Company, Employee agrees and warrants that within the United States, he will

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not, unless acting with the Company's express prior written consent, directly or indirectly, while an employee of the Company and during the Non-Competition Period, as defined below, own, operate, join, control, participate in, or be connected as an officer, director, employee, partner, stockholder, consultant, or otherwise with, any business or entity which competes with the business of the Company (or its successors or assigns) as such business is now constituted or as it may be constituted at any time during the term of this Agreement; provided, however, that Employee may own less than one percent of the equity of a publicly traded company. The "Non-Competition Period" shall be a period of one year following termination of employment.

Employee and the Company are of the belief that the period of time and the area herein specified are reasonable in view of the nature of the business in which the Company is engaged and proposes to engage, the state of its business development and Employee's knowledge of this business. However, if such period or such area should be adjudged unreasonable in any judicial proceeding, then the period of time shall be reduced by such number of months or such area shall be reduced by elimination of such portion of such area, or both, as are deemed unreasonable, so that this covenant may be enforced in such area and during such period of time as is adjudged to be reasonable.

11. Non-Solicitation Agreement. Employee agrees and covenants that he will not, unless acting with the Company's express written consent, directly or indirectly, during the term of this Agreement or for a period of one year thereafter solicit, entice away or interfere with the Company's contractual relationships with any customer, officer or employee of the Company.

12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been given upon the earlier of actual receipt or three days after having been mailed by first class mail, postage prepaid, or twenty-four hours after having been sent by Federal Express or similar overnight delivery services, as follows: (a) if to Employee, at the address shown at the head of this Agreement, or to such other person(s) or address(es) as Employee shall have furnished to the Company in writing; and (b) if to the Company, at the address shown at the head of this Agreement, Attention: Richard F. Maradie, with a copy to David A. White, Esq., White & McDermott, P.C., 65 William Street, Suite 209, Wellesley, Massachusetts 02181, or to such other person(s) or address(es) as the Company shall have furnished to the Employee in writing.

13. Assignability. In the event that the Company shall be merged with, or consolidated into, any other corporation, or in the event that it shall sell and transfer substantially all of its assets to another corporation, the terms of this Agreement shall inure to the benefit of, and be assumed by, the corporation resulting from such merger or consolidation, or to which the Company's assets shall be sold and transferred. This Agreement shall not be assignable by Employee, but it shall be binding upon, and to the extent provided in Section 7 shall inure to the benefit of, his heirs, executors, administrators and legal representatives.

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

15. Equitable Relief. Employee recognizes and agrees that the Company's remedy at law for any breach of the provisions of Sections 8, 9, 10 or 11 hereof would be inadequate, and he agrees that for breach of such provisions, the Company shall, in addition to such other remedies as may be available to it at

law or in equity or as provided in this Agreement, be entitled to injunctive relief and to enforce its rights by an action for specific performance. Should Employee engage in any activities prohibited by this Agreement, he agrees to pay over to the Company all compensation, remuneration or monies or property of any sort received in connection with such

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activities; such payment shall not impair any rights or remedies of the Company or obligations or liabilities of Employee which such parties may have under this Agreement or applicable law.

16. Amendments. This Agreement may not be amended, nor shall any change, waiver, modification, consent or discharge be effected except by written instrument executed by the Company and Employee.

17. Severability. If any part of any term or provision of this Agreement shall be held or deemed to be invalid, inoperative or unenforceable to any extent by a court of competent jurisdiction, such circumstances shall in no way affect any other term or provision of this Agreement, the application of such term or provision in any other circumstances, or the validity or enforceability of this Agreement.

18. Paragraph Headings. The paragraph headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation hereof.

19. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the law of the State of Delaware, without regard to the principles of conflict of law thereof.

20. Resolution of Disputes. With the exception of proceedings for equitable relief brought pursuant to Section 15 of this Agreement or any stock option agreement, any disputes arising under or in connection with this Agreement or any stock option agreement including, without limitation, any assertion by any party hereto that the other party has breached any provision of this Agreement, shall be resolved by arbitration, to be held in Baltimore, Maryland, in accordance with the rules and procedures of the American Arbitration Association. All costs, fees and expenses, including reasonable attorney fees, of any arbitration or equitable relief proceeding in connection with this Agreement shall be borne by, and be the obligation of, the Company. In no event shall the Employee be required to reimburse the Company for any of the costs and expenses incurred by the Company relating to any arbitration. The obligation of the Company under this Section 20 shall survive the termination for any reason of the Term (whether such termination is by the Company or by the Employee).

21. Indemnification. The Employee shall be entitled to liability and expense indemnification to the fullest extent permitted by the Company's current By-laws and Certificate of Incorporation, whether or not the same are subsequently amended.

22. Survivorship. The respective rights and obligations of the parties to this Agreement shall survive any termination of this Agreement or the Employee's employment hereunder for any reason to the extent necessary to the intended preservation of such rights and obligations.

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Agreement as of the date first above written.

NOVAVAX, INC.

[SEAL

By: /s/ Richard F. Maradie

Richard F. Maradie, President and CEO

/s/ Thomas G. Tachovsky

Thomas G. Tachovsky

EMPLOYMENT AGREEMENT

AGREEMENT (the "Employment Agreement" or this "Agreement") effective as of the 5th day of March, 1998, between Novavax, Inc., a Delaware corporation having its principal office at 8320 Guilford Road, Columbia, Maryland 21046 (the "Company") and Richard J. Harwood ("Employee") residing at 3219 Adams Court North, Bensalem, Pennsylvania 19020.

The Company and Employee hereby agree as follows:

1. Employment. The Company hereby employs Employee and Employee hereby accepts employment upon the terms and conditions hereinafter set forth. (As used throughout this Agreement, "Company" shall mean and include any and all of its present and future subsidiaries and any and all subsidiaries of a subsidiary.) Employee warrants that he is free to enter into and perform this Agreement and is not subject to any employment, confidentiality, non-competition or other agreement which prohibits, restricts, or would be breached by either his acceptance of or his performance under this Agreement.

2. Duties. Employee shall devote his full business time to the performance of services as Vice President, Pharmaceutical Development or such other senior management services as may from time to time be designated by the Company's Chief Executive Officer or the Board of Directors. During the term of this Agreement, Employee's services shall be completely exclusive to the Company and he shall devote his entire business time, attention and energies to the business of the Company and the duties to which the Company shall assign him from time to time. Employee agrees to perform his services faithfully and to the best of his ability and to carry out the policies and directives of the Company. Employee agrees to take no action which is in bad faith and prejudicial to the interests of the Company during his employment hereunder. Employee shall be based in Columbia, Maryland but he may be required from time to time to perform duties hereunder for reasonably short periods of time outside said area.

3. Term. The term of this Agreement shall be one year beginning on the date hereof and ending March 4, 1999, provided, however, that this Agreement shall be automatically extended for periods of one year after such date, unless and until the Company or Employee shall have delivered to the other written notice of its or his election to terminate this Agreement as of March 4, 1999, or as of the end of any such one-year extension period, such notice to be delivered at least 30 days prior to the date of termination (the "Term").

4. Compensation.

(a) Base Compensation. For all Employee's services and covenants under this Agreement, the Company shall pay Employee an initial annual salary of \$140,000, subject to annual review by the Board of Directors of the Company and payable in accordance with the Company's payroll policy as constituted from time to time.

(b) Stock Options. Employee shall be entitled to receive stock options to purchase 100,000 shares of the Company's Common Stock, \$.01 par value, at an exercise price equal to the closing price of the Company's Common Stock on the date of grant, February 11, 1998. The options will be subject to a Incentive Stock Option Agreement (and, to the extent required by the Internal Revenue Code, a Non-Statutory Stock Option Agreement) which shall vest as follows: one-third of the shares on the six-month anniversary of the date of grant, one-third of the shares on the eighteen-month anniversary of the date of grant, and one-third of the shares on the thirty-month anniversary of the date of grant.

(c) Bonus Program. During the Term, the Employee shall be entitled to participate in a bonus program, if any, maintained from time to time by the Company for the benefit of senior

executives and other employees of the Company under which award payments, if any, are based on performance criteria and milestones to be mutually determined by the Employee and the Company.

5. Reimbursable Expenses.

(a) Employee is expected to relocate to the Columbia, Maryland area within twelve months of the date hereof, for which the Company will reimburse Employee for actual moving expenses in an amount not to exceed \$30,000. An advanced sum of \$15,000 will be paid to cover all commuting expenses until Employee is relocated. This \$15,000 advance will be deducted from the \$30,000 relocation allowance provided to Employee. If Employee's employment with the Company is terminated for any reason before March 4, 1999, the entire amount of the \$15,000 advance shall be immediately due and payable to Novavax, Inc. and such amount may be offset against any amount then due and payable to Employee. The Employee is responsible for all income and other applicable taxes due and payable with respect to the \$30,000 relocation allowance, including the \$15,000 advance payment.

(b) Employee shall be entitled to reimbursement for reasonable expenses incurred by Employee in connection with the performance of his duties hereunder upon receipt of vouchers therefor in accordance with such procedures as the Company has heretofore or may hereafter establish.

6. Employee Benefits.

(a) Employee shall be entitled to three weeks of paid vacation time during the first year, calculated on a calendar year basis in accordance with Company policies in effect from time to time. Thereafter, Employee shall be entitled to three weeks of vacation plus one day for each year of Employee's employment after the first year, up to a maximum of four weeks per year.

(b) Employee shall be entitled to participate in all group insurance programs, stock option plans or other fringe benefit plans which the Company may now or hereafter in its sole and absolute discretion make available generally to its employees, but the Company shall not be required to establish any such program or plan.

7. Termination of Employment. Notwithstanding any other provision of this Agreement, Employee's employment may be terminated:

(a) By the Company, in the event of Employee's willful failure or refusal to perform in all material respects the services required of him hereby, after a specific written warning with regard thereto, which shall include a statement of corrective actions and a 30 day period for the Employee to respond and implement such actions, has been given to Employee by the Chief Executive Officer of the Company or its Board of Directors, his willful failure or refusal to carry out any proper direction by the Chief Executive Officer or the Board of Directors with respect to the services to be rendered by him hereunder or the manner of rendering such services, his willful misconduct in the performance of his duties hereunder or his commission of a felony involving moral turpitude;

(b) By the Company, upon 30 days' notice to Employee, if he should be prevented by illness, accident or other disability (mental or physical) from discharging his duties hereunder for one or more periods totalling three months during any twelve-month period;

(c) By the Company, without cause, or by Employee with "Good Reason" (as hereinafter defined), provided that if Employee's employment is terminated pursuant to this Section 7(c), Employee shall be entitled to receive his then current salary as set forth in Section 4(a) above,

but not a performance bonus, for one year from the date of termination, payable in accordance with the Company's payroll policy as constituted from time to time, together with any accrued vacation pay at his then current salary and in the amounts set forth in Section 4(a) above. The Employee shall be entitled to terminate his employment for "Good Reason" if his responsibilities and authority are reduced or diluted in any material way (other than for cause) without his consent or if he is relocated to another Company office or facility more than 50 miles from Columbia, Maryland without his consent.

(d) By the event of Employee's death during the term of his employment; whereupon the Company's obligation to pay further compensation hereunder shall cease forthwith, except that Employee's legal representative shall be entitled to receive his fixed compensation for the period up to the last day of the month in which such death shall have occurred.

8. All Business to be Property of the Company; Assignment of Intellectual Property.

(a) Employee agrees that any and all presently existing business of the Company and all business developed by him or any other employee of the Company including without limitation all contracts, fees, commissions, compensation, records, customer or client lists, agreements and any other incident of any business developed, earned or carried on by Employee for the Company is and shall be the exclusive property of the Company, and (where applicable) shall be payable directly to the Company.

(b) Employee hereby grants to the Company (without any separate remuneration or compensation other than that received by him from time to time in the course of his employment) his entire right, title and interest throughout the world in and to, all research, information, procedures, developments, all inventions and improvements whether patentable or nonpatentable, patents and applications therefor, trademarks and applications therefor, copyrights and applications therefor, programs, trade secrets, plans, methods, and all other data and know-how (herein sometimes "Intellectual Property") made, conceived, developed and/or acquired by him solely or jointly with others during the period of his employment with the Company, which are either (i) made, conceived, developed or acquired during regular business hours or on the premises of, or using properties of, the Company or in the regular scope of Employee's employment by the Company or (ii) if related to the Company's business, whether or not made, conceived, developed or acquired during regular business hours or on the premises of, or using properties of, the Company or in the regular scope of Employee's employment by the Company.

9. Confidentiality. Except as necessary in performance of services for the Company or if required by law and except for such information that becomes generally available to the public through no fault of Employee, Employee shall not, either during the period of his employment with the Company or thereafter, use for his own benefit or disclose to or use for the benefit of any person outside the Company, any information concerning any Intellectual Property, or other confidential or proprietary information of the Company, including without limitation, any of the materials listed in Section 8(a), whether Employee has such information in his memory or embodied in writing or other tangible form. All originals and copies of any of the foregoing, however and whenever produced, shall be the sole property of the Company, not to be removed from the premises or custody of the Company without in each instance first obtaining authorization of the Company, which authorization may be revoked by the Company at any time. Upon the termination of Employee's employment in any manner or for any reason, Employee shall promptly surrender to the Company all copies of any of the foregoing, together with any documents, materials, data, information and equipment belonging to or relating to the Company's business and in his possession, custody or control, and Employee shall not thereafter retain or deliver to any other person any of the foregoing or any summary or memorandum thereof.

10. Non-Competition Covenant. As the Employee is being granted options to purchase stock in the Company and as such has a financial interest in the success of the Company's business and as Employee recognizes that the Company would be substantially injured by Employee competing with the Company, Employee agrees and warrants that within the United States, he will not, unless acting with the Company's express prior written consent, directly or indirectly, while an employee of the Company and during the Non-Competition Period, as defined below, own, operate, join, control, participate in, or be connected as an officer, director, employee, partner, stockholder, consultant, or otherwise with, any business or entity which competes with the business of the Company (or its successors or assigns) as such business is now constituted or as it may be constituted at any time during the term of this Agreement; provided, however, that Employee may own less than one percent of the equity of a publicly traded company. The "Non-Competition Period" shall be a period of one year following termination of employment.

Employee and the Company are of the belief that the period of time and the area herein specified are reasonable in view of the nature of the business in which the Company is engaged and proposes to engage, the state of its business development and Employee's knowledge of this business. However, if such period or such area should be adjudged unreasonable in any judicial proceeding, then the period of time shall be reduced by such number of months or such area shall be reduced by elimination of such portion of such area, or both, as are deemed unreasonable, so that this covenant may be enforced in such area and during such period of time as is adjudged to be reasonable.

11. Non-Solicitation Agreement. Employee agrees and covenants that he will not, unless acting with the Company's express written consent, directly or indirectly, during the term of this Agreement or for a period of one year thereafter solicit, entice away or interfere with the Company's contractual relationships with any customer, officer or employee of the Company.

12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been given upon the earlier of actual receipt or three days after having been mailed by first class mail, postage prepaid, or twenty-four hours after having been sent by Federal Express or similar overnight delivery services, as follows: (a) if to Employee, at the address shown at the head of this Agreement, or to such other person(s) or address(es) as Employee shall have furnished to the Company in writing; and (b) if to the Company, at the address shown at the head of this Agreement, Attention: Richard F. Maradie, with a copy to David A. White, Esq., White & McDermott, P.C., 65 William Street, Suite 209, Wellesley, Massachusetts 02181, or to such other person(s) or address(es) as the Company shall have furnished to the Employee in writing.

13. Assignability. In the event that the Company shall be merged with, or consolidated into, any other corporation, or in the event that it shall sell and transfer substantially all of its assets to another corporation, the terms of this Agreement shall inure to the benefit of, and be assumed by, the corporation resulting from such merger or consolidation, or to which the Company's assets shall be sold and transferred. This Agreement shall not be assignable by Employee, but it shall be binding upon, and to the extent provided in Section 7 shall inure to the benefit of, his heirs, executors, administrators and legal representatives.

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

15. Equitable Relief. Employee recognizes and agrees that the Company's remedy at law for any breach of the provisions of Sections 8, 9, 10 or 11 hereof

would be inadequate, and he agrees that for breach of such provisions, the Company shall, in addition to such other remedies as

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may be available to it at law or in equity or as provided in this Agreement, be entitled to injunctive relief and to enforce its rights by an action for specific performance. Should Employee engage in any activities prohibited by this Agreement, he agrees to pay over to the Company all compensation, remuneration or monies or property of any sort received in connection with such activities; such payment shall not impair any rights or remedies of the Company or obligations or liabilities of Employee which such parties may have under this Agreement or applicable law.

16. Amendments. This Agreement may not be amended, nor shall any change, waiver, modification, consent or discharge be effected except by written instrument executed by the Company and Employee.

17. Severability. If any part of any term or provision of this Agreement shall be held or deemed to be invalid, inoperative or unenforceable to any extent by a court of competent jurisdiction, such circumstances shall in no way affect any other term or provision of this Agreement, the application of such term or provision in any other circumstances, or the validity or enforceability of this Agreement.

18. Paragraph Headings. The paragraph headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation hereof.

19. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the law of the State of Delaware, without regard to the principles of conflict of law thereof.

20. Resolution of Disputes. With the exception of proceedings for equitable relief brought pursuant to Section 15 of this Agreement or any stock option agreement, any disputes arising under or in connection with this Agreement or any stock option agreement including, without limitation, any assertion by any party hereto that the other party has breached any provision of this Agreement, shall be resolved by arbitration, to be held in Baltimore, Maryland, in accordance with the rules and procedures of the American Arbitration Association. All costs, fees and expenses, including reasonable attorney fees, of any arbitration or equitable relief proceeding in connection with this Agreement shall be borne by, and be the obligation of, the Company. In no event shall the Employee be required to reimburse the Company for any of the costs and expenses incurred by the Company relating to any arbitration. The obligation of the Company under this Section 20 shall survive the termination for any reason of the Term (whether such termination is by the Company or by the Employee).

21. Indemnification. The Employee shall be entitled to liability and expense indemnification to the fullest extent permitted by the Company's current By-laws and Certificate of Incorporation, whether or not the same are subsequently amended.

22. Survivorship. The respective rights and obligations of the parties to this Agreement shall survive any termination of this Agreement or the Employee's employment hereunder for any reason to the extent necessary to the intended preservation of such rights and obligations.

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IN WITNESS WHEREOF, the parties have executed or caused to be executed

this Agreement as of the date first above written.

NOVAVAX, INC.

[SEAL]

By: /s/ Richard F. Maradie

Richard F. Maradie, President and CEO

/s/ Richard J. Harwood

Richard J. Harwood

EMPLOYMENT AGREEMENT

AGREEMENT (the "Employment Agreement" or this "Agreement") dated as of the 31st day of March, 1998, between Novavax, Inc., a Delaware corporation having its principal office at 8320 Guilford Road, Columbia, Maryland 21046 (the "Company") and D. Craig Wright, M.D. ("Employee") residing at 14740 Maine Cove Terrace, Gaithersburg, Maryland 20878.

The Company and Employee hereby agree as follows:

1. Employment. The Company hereby employs Employee and Employee hereby accepts employment upon the terms and conditions hereinafter set forth. (As used throughout this Agreement, "Company" shall mean and include any and all of its present and future subsidiaries and any and all subsidiaries of a subsidiary.) Employee warrants that he is free to enter into and perform this Agreement and is not subject to any employment, confidentiality, non-competition or other agreement which would restrict his performance under this Agreement.

2. Duties. Employee shall devote his full business time to the performance of services as President and Chief Scientific Officer of the Novavax Biologics division of the Company or such other senior management services as may from time to time be designated by the Company's Chief Executive Officer or the Board of Directors. During the term of this Agreement, Employee's services shall be completely exclusive to the Company and he shall devote his entire business time, attention and energies to the business of the Company and the duties to which the Company shall assign him from time to time. Notwithstanding the foregoing, it is understood and acknowledged by the parties that Employee may serve on the boards of civic and charitable organizations during his employment, may serve on the boards of one or two business entities during his employment, may accept academic appointments to teach in medical schools during one quarter of each year during his employment and may become a partner in investment entities (such as a mutual fund or a venture capital fund) provided that his time devoted to such investment entities is during non-business hours or on vacation days. Employee agrees to perform his services faithfully and to the best of his ability and to carry out the policies and directives of the Company. Employee agrees to take no action which is in bad faith and prejudicial to the interests of the Company during his employment hereunder.

3. Term. The term of this Agreement shall begin on the date of this Agreement and shall end on June 30, 2002, unless earlier terminated in accordance with Section 7 hereof (the "Term").

4. Compensation.

(a) Base Compensation. For all Employee's services and covenants under this Agreement, the Company shall pay Employee an initial annual salary of \$170,000, subject to annual review by the Board of Directors of the Company and payable in accordance with the Company's payroll policy as constituted from time to time.

(b) Stock Options. Employee shall be entitled to receive stock options to purchase 60,000 shares of the Company's Common Stock, \$.01 par value, at an exercise price equal to the closing price of the Company's Common Stock on March 11, 1998. The options will be subject to a Incentive Stock Option Agreement (and, to the extent required by the Internal Revenue Code, a Non-Statutory Stock Option Agreement) which shall include an option vesting schedule as follows: one-third of the shares on the six-month anniversary of the date of grant, one-third of the shares on the eighteen-month anniversary of the date of grant and one-third of the shares on the thirty-month anniversary of the date of grant.

(c) Bonus Program. During each calendar year of the Term, a bonus pool shall be established consisting of 5% of the revenues received during the prior

year by the Novavax

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Biologics division of the Company, such bonus pool not to exceed \$100,000 per year. Employee shall have exclusive discretion to determine which employees of the Novavax Biologics division of the Company, including Employee, shall receive bonuses from such bonus pool and the amounts of such bonuses.

(d) Patent Assignment Bonus. Employee shall be entitled to receive a bonus of \$5,000 for each patent application in which Employee is listed as the inventor that is assigned to the Company. If on any such patent application there is listed more than one inventor, the amount of the bonus shall be reduced proportionately.

5. Expenses. Employee shall be entitled to reimbursement for reasonable expenses incurred by Employee in connection with the performance of his duties hereunder upon receipt of vouchers therefor in accordance with such procedures as the Company has heretofore or may hereafter establish.

6. Employee Benefits.

(a) Employee shall be entitled to four weeks paid vacation time per year, calculated on a calendar year basis in accordance with Company policies in effect from time to time.

(b) Employee shall be entitled to participate in all group insurance programs, stock option plans or other fringe benefit plans which the Company may now or hereafter in its sole and absolute discretion make available generally to its employees, but the Company shall not be required to establish any such program or plan.

(c) Employee shall be entitled to the use of a Company automobile during the Term in accordance with Company policies in effect from time to time.

7. Termination of Employment. Notwithstanding any other provision of this Agreement, Employee's employment may be terminated:

(a) By the Company, in the event of Employee's willful failure or refusal to perform in all material respects the services required of him hereby, after a specific written warning with regard thereto, which shall include a statement of corrective actions and a 30 day period for the Employee to respond and implement such actions, has been given to Employee by the Chief Executive Officer of the Company or its Board of Directors, his willful failure or refusal to carry out any proper direction by the Chief Executive Officer or the Board of Directors with respect to the services to be rendered by him hereunder or the manner of rendering such services, his willful misconduct in the performance of his duties hereunder or his commission of a felony involving moral turpitude;

(b) By the Company, upon 30 days' notice to Employee, if he should be prevented by illness, accident or other disability (mental or physical) from discharging his duties hereunder for one or more periods totalling three months during any twelve-month period;

(c) By the Company, without cause, provided that if Employee's employment is terminated pursuant to this Section 7(c), Employee shall be entitled to receive his then current salary as set forth in Section 4(a) above, but not a performance bonus, for two years from the date of termination, payable in accordance with the Company's payroll policy as constituted from time to time together with any accrued vacation pay and in the amounts set forth in Section 4(a) above;

(d) By Employee with "Good Reason" (as hereinafter defined), provided that if Employee's employment is terminated pursuant to this Section 7(d), Employee shall be entitled to receive his then current salary as set forth in Section 4(a) above, but not a performance bonus, for

one year from the date of termination, payable in accordance with the Company's payroll policy as constituted from time to time together with any accrued vacation pay at his then current salary and in the amounts set forth in Section 4(a) above. The Employee shall be entitled to terminate his employment for "Good Reason" if his responsibilities and authority are reduced or diluted in any material way (other than for cause) without his consent.

(e) By the event of Employee's death during the term of his employment; whereupon the Company's obligation to pay further compensation hereunder shall cease forthwith, except that Employee's legal representative shall be entitled to receive his fixed compensation for the period up to the last day of the month in which such death shall have occurred.

8. All Business to be Property of the Company; Assignment of Intellectual Property.

(a) Employee agrees that any and all presently existing business of the Company and all business developed by him or any other employee of the Company including without limitation all contracts, fees, commissions, compensation, records, customer or client lists, agreements and any other incident of any business developed, earned or carried on by Employee for the Company is and shall be the exclusive property of the Company, and (where applicable) shall be payable directly to the Company.

(b) Employee hereby grants to the Company (without any separate remuneration or compensation other than that received by him from time to time in the course of his employment) his entire right, title and interest throughout the world in and to, all research, information, procedures, developments, all inventions and improvements whether patentable or nonpatentable, patents and applications therefor, trademarks and applications therefor, copyrights and applications therefor, programs, trade secrets, plans, methods, and all other data and know-how (herein sometimes "Intellectual Property") made, conceived, developed and/or acquired by him solely or jointly with others during the period of his employment with the Company, which are either (i) made, conceived, developed or acquired during regular business hours or on the premises of, or using properties of, the Company or in the regular scope of Employee's employment by the Company or (ii) if related to the Company's business, whether or not made, conceived, developed or acquired during regular business hours or on the premises of, or using properties of, the Company or in the regular scope of Employee's employment by the Company.

(c) Subject to any prior rights granted to IGEN, Inc., a subsidiary of IGI, Inc., if the Company decides to abandon an application or patent, for which Employee was the inventor, the Company will give 30 days' notice to Employee of its intent to abandon such patent or application and, upon notice from Employee that he desires to receive an assignment of such patent or application, the Company shall assign all of its rights in and to such patent or application to Employee for no additional consideration from the Employee.

9. Confidentiality. Except as necessary in performance of services for the Company or if required by law and except for such information that becomes generally available to the public through no fault of Employee, Employee shall not, either during the period of his employment with the Company or thereafter, use for his own benefit or disclose to or use for the benefit of any person outside the Company, any information concerning any Intellectual Property, or other confidential or proprietary information of the Company, including without limitation, any of the materials listed in Section 8(a), whether Employee has such information in his memory or embodied in writing or other tangible form. All originals and copies of any of the foregoing, however and whenever produced, shall be the sole property of the Company, not to be removed from the premises or custody of the Company without in each instance first obtaining authorization of the Company, which authorization may be revoked by the Company at any time.

Upon the termination of Employee's employment in any manner or for any reason, Employee shall promptly surrender to the Company all copies of any of the foregoing, together with any documents,

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materials, data, information and equipment belonging to or relating to the Company's business and in his possession, custody or control, and Employee shall not thereafter retain or deliver to any other person any of the foregoing or any summary or memorandum thereof.

10. Non-Competition Covenant. As the Employee is a significant stockholder of the Company and as such has a financial interest in the success of the Company's business and as Employee recognizes that the Company would be substantially injured by Employee competing with the Company, Employee agrees and warrants that within the United States, he will not, unless acting with the Company's express prior written consent, directly or indirectly, while an employee of the Company and during the Non-Competition Period, as defined below, own, operate, join, control, participate in, or be connected as an officer, director, employee, partner, stockholder, consultant, or otherwise with, any business or entity which competes with the business of the Company (or its successors or assigns) as such business is now constituted or as it may be constituted at any time during the term of this Agreement; provided, however, that Employee may own less than one percent of the equity of a publicly traded company. The "Non-Competition Period" shall be a period of two years following termination of employment.

Employee and the Company are of the belief that the period of time and the area herein specified are reasonable in view of the nature of the business in which the Company is engaged and proposes to engage, the state of its business development and Employee's knowledge of this business. However, if such period or such area should be adjudged unreasonable in any judicial proceeding, then the period of time shall be reduced by such number of months or such area shall be reduced by elimination of such portion of such area, or both, as are deemed unreasonable, so that this covenant may be enforced in such area and during such period of time as is adjudged to be reasonable.

11. Non-Solicitation Agreement. Employee agrees and covenants that he will not, unless acting with the Company's express written consent, directly or indirectly, during the term of this Agreement or for a period of two years thereafter, solicit, entice away or interfere with the Company's contractual relationships with any customer, officer or employee of the Company.

12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been given upon the earlier of actual receipt or three days after having been mailed by first class mail, postage prepaid, or twenty-four hours after having been sent by Federal Express or similar overnight delivery services, as follows: (a) if to Employee, at the address shown at the head of this Agreement, or to such other person(s) or address(es) as Employee shall have furnished to the Company in writing; and (b) if to the Company, at the address shown at the head of this Agreement, Attention: Richard F. Maradie, with a copy to David A. White, Esq., White & McDermott, P.C., 65 William Street, Suite 209, Wellesley, Massachusetts 02181, or to such other person(s) or address(es) as the Company shall have furnished to the Employee in writing.

13. Assignability. In the event that the Company shall be merged with, or consolidated into, any other corporation, or in the event that it shall sell and transfer substantially all of its assets to another corporation, the terms of this Agreement shall inure to the benefit of, and be assumed by, the corporation resulting from such merger or consolidation, or to which the Company's assets shall be sold and transferred. This Agreement shall not be assignable by Employee, but it shall be binding upon, and to the extent provided in Section 7 shall inure to the benefit of, his heirs, executors, administrators and legal representatives.

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

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15. Equitable Relief. Employee recognizes and agrees that the Company's remedy at law for any breach of the provisions of Sections 8, 9, 10 or 11 hereof would be inadequate, and he agrees that for breach of such provisions, the Company shall, in addition to such other remedies as may be available to it at law or in equity or as provided in this Agreement, be entitled to injunctive relief and to enforce its rights by an action for specific performance. Should Employee engage in any activities prohibited by this Agreement, he agrees to pay over to the Company all compensation, remuneration or monies or property of any sort received in connection with such activities; such payment shall not impair any rights or remedies of the Company or obligations or liabilities of Employee which such parties may have under this Agreement or applicable law.

16. Amendments. This Agreement may not be amended, nor shall any change, waiver, modification, consent or discharge be effected except by written instrument executed by the Company and Employee.

17. Severability. If any part of any term or provision of this Agreement shall be held or deemed to be invalid, inoperative or unenforceable to any extent by a court of competent jurisdiction, such circumstances shall in no way affect any other term or provision of this Agreement, the application of such term or provision in any other circumstances, or the validity or enforceability of this Agreement.

18. Paragraph Headings. The paragraph headings used in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation hereof.

19. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the law of the State of Delaware, without regard to the principles of conflict of law thereof.

20. Resolution of Disputes. With the exception of proceedings for equitable relief brought pursuant to Section 15 of this Agreement or any stock option agreement, any disputes arising under or in connection with this Agreement or any stock option agreement including, without limitation, any assertion by any party hereto that the other party has breached any provision of this Agreement, shall be resolved by arbitration, to be held in Baltimore, Maryland, in accordance with the rules and procedures of the American Arbitration Association. All costs, fees and expenses, including reasonable attorney fees, of any arbitration or equitable relief proceeding in connection with this Agreement shall be borne by, and be the obligation of, the Company. In no event shall the Employee be required to reimburse the Company for any of the costs and expenses incurred by the Company relating to any arbitration. The obligation of the Company under this Section 20 shall survive the termination for any reason of the Term (whether such termination is by the Company or by the Employee).

21. Indemnification. The Employee shall be entitled to liability and expense indemnification to the fullest extent permitted by the Company's current By-laws and Certificate of Incorporation, whether or not the same are subsequently amended.

22. Survivorship. The respective rights and obligations of the parties to this Agreement shall survive any termination of this Agreement or the Employee's employment hereunder for any reason to the extent necessary to the intended preservation of such rights and obligations.

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Agreement as of the date first above written.

NOVAVAX, INC.

[SEAL]

By: /s/ Richard F. Maradie

Richard F. Maradie, President and CEO

/s/ D. Craig Wright

D. Craig Wright, M.D.

[Novavax Letterhead]

September 10, 1998 (as amended by letter dated September 25, 1998)

Richard F. Maradie
325 Epping Way
Annapolis, MD 21401

Dear Rick:

This letter contains information regarding your separation from employment with Novavax on September 4, 1998. The Company has agreed to offer you separation benefits as summarized below.

Separation Pay

You have been paid through September 4, 1998, and you will be paid two weeks in lieu of notice in your last paycheck. If you sign your separation agreement and your period of revocation has expired, you will receive 50 weeks of separation pay, not including the two weeks pay in lieu of notice, at your base compensation rate.

Medical and Dental Benefits

Your medical, dental and vision coverage with Great West will end on September 30, 1998. Information on extending this coverage through COBRA is attached. Your COBRA payments will be paid by Novavax for a period of one year from October 1, 1998 through September 30, 1999.

Life Insurance And Disability

Your group term life insurance policy will end on September 30, 1998. You may convert to an individual policy, as described in the information attached. Your short and long term disability coverage will end as of September 4, 1998.

401(k) Savings Plan

Our records indicate that you are participating in the Employee Savings and Investment Plan. There is information attached describing your distribution options for funds currently in your account. Please be aware that you have 60 days from the date you receive this information to chose a distribution option.

Manchester Transition Program

Novavax has negotiated a contract for outplacement support with a Career Consultant to assist you during the transition process. Your six month program begins with your first appointment on Monday September 21, 1998 at 9:00 a.m. Documentation is required.

Legal Services

Novavax has agreed to cover a maximum of \$5,000.00 in costs for legal counsel regarding corporate indemnification. Invoices from the attorney should be submitted directly to Novavax.

If you have any questions relating to any of the benefits described above, please contact me.

Sincerely,
/s/ Brenda Fugagli
Brenda Fugagli
Executive Vice President and COO
enclosures

NOVAVAX, INC.

SEPARATION AND RELEASE AGREEMENT

Novavax, Inc. and Richard F. Maradie hereby agree the following sets out the complete agreement and understanding regarding the termination of my employment with Novavax, Inc. (the "Company" or "Novavax"), which shall be effective September 4, 1998.

1. I hereby acknowledge that the separation compensation offered to me has been explained. I also acknowledge that I have been given at least twenty-one (21) days to review Novavax' Separation and Release Agreement ("Agreement") required for my receipt of separation benefits. I certify that I have been advised in writing to consult an attorney, and that I have had the opportunity to obtain all advice and information deemed necessary with respect to the matters covered by this Agreement, including the opportunity to consult with legal counsel or anyone else of my choosing.
2. In consideration for the separation benefits I am eligible to receive, as described to me by letter dated September 10, 1998 as amended September 25, 1998:
 - (i) I agree not to take any action which disparages or criticizes the Company, its management, or its practices or which disrupts or impairs its normal operations, including actions that would result in the filing of any claims, lawsuits or charges against the Company as a result of anything which has occurred up to and including the present date.
 - (ii) I also understand and agree that the Company may terminate my continued eligibility for separation benefits and immediately recover all benefits previously paid to me if I engage in misconduct or otherwise violate Company policy, including, but not limited to any action that violates this Agreement or harms the reputation of the Company with its customers, suppliers or the public; interferes with existing contractual or employment relationships with customers, suppliers or Company employees; or misappropriates, misuses, or discloses any trade secret or other confidential information I learned while actively employed by the Company.
 - (iii) In addition, and in further consideration of my eligibility for the separation pay and benefits described to me, the sufficiency of which consideration I acknowledge, I hereby agree to release and discharge the Company, its affiliate corporations, and all of its officers, directors, employees, agents and attorneys from any and all losses, expenses, claims, rights, entitlements, whether known or unknown, I now have or have had or may later claim to have had arising out of any alleged violation of my rights while employed by the Company, including but not limited to, claims for back pay, for reinstatement or for recovery of any losses or other damages to me or my property resulting from any alleged violation of local, state or federal law, such as (but not limited to) claims arising under Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 200 et seq. (prohibiting discrimination on account of race, sex, national origin or religion); the Age Discrimination in Employment Act of 1967, 29 U.S.C. Section 621 et seq. (prohibiting discrimination on account of age), the Americans with Disabilities Act of 1990, 42 U.S.C. Section 12, 101 et seq., (prohibiting discrimination on account of disabilities), or any similar federal, state, or local law relating to my employment.

(iv) I will not hereafter pursue any individual claim against the Company, its affiliated corporations, or any of its officers, directors, employees or agents, by filing a lawsuit in any local, state or federal court for or on account of anything which has occurred up to the present time as a result of my previous employment.

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3. I understand that I may revoke this Agreement entirely by delivering a signed notice of revocation to the Company within seven (7) days after I sign this Agreement. In that event, this Agreement will be canceled and void, I will not be entitled to any of the separation benefits provided by this Agreement, and neither party to this Agreement shall have any rights or obligations arising under it.
4. This Agreement shall be binding upon and shall be for the benefit of the Company and myself, as well as our respective heirs, personal representatives, successors and assigns.
5. The provisions of this Agreement shall be severable, and the invalidity of any provision shall not affect the validity of other provisions.
6. I have carefully read this Agreement, I understand its meaning and intent, I have not been coerced into signing this Agreement, and I voluntarily agree to abide by its terms. I acknowledge that the separation benefits described in this Agreement are adequate consideration for my signing it and that no other promise or agreement of any kind has been made to me by the Company to cause me to execute this Agreement and that the only consideration for my execution of this Agreement is set forth in this document.

/s/ Richard F. Maradie

9/22/98

Employee Signature

Dated

For Novavax,

In exchange for the employee's execution of this release, the Company promises to provide separation benefits as described to him or her.

Witnessed: /s/ Sally Kiernan

Dated: 9/22/98

NOTE: This Agreement must be signed, dated and returned to the Company without any alternation. Any modification or alternation of any terms of this Agreement will void the Agreement in its entirety.

NOVAVAX, INC.

STOCK AND WARRANT PURCHASE AGREEMENT

This Stock and Warrant Purchase Agreement (the "Agreement") is made as of April 14, 1999 between Novavax, Inc., a Delaware corporation (the "Company"), and the purchasers who are signatories hereto (the "Purchasers").

WHEREAS, the Company wishes to sell and the Purchasers desire to purchase shares of the Company's Common Stock, \$.01 par value per share (the "Shares") and warrants for the purchase of shares of Common Stock exercisable for a term of three years from the date of issuance at an exercise price equal of \$3.75 per share (the "Warrants"), as such are being offered by the Company pursuant to a Private Placement Memorandum dated January 25, 1999 (together with its Appendices, the "Memorandum");

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Purchase and Sale of Shares and Warrants.

1.1 Sale to the Purchasers. Subject to the terms and conditions hereof, the Company will issue and sell to the Purchasers, and each Purchaser will purchase from the Company the nearest whole number of Shares that can be purchased at the Purchase Price (as defined in Section 1.4) on the Closing Date for the dollar amount of the Purchaser's Investment (a "Purchaser's Investment Amount") as set forth opposite such Purchaser's name on the signature page hereto. The obligations of each Purchaser hereunder are several and not joint and no Purchaser shall be obligated to purchase any number of Shares in excess of the number that may be acquired for such Purchaser's Investment Amount.

1.2 Warrants. Each Share sold shall be sold together with a Warrant, substantially in the form of the Warrant appearing as Exhibit B hereto, for the purchase of 0.25 additional shares of Common Stock (the "Warrant Shares") at an exercise price equal of \$3.75 per share.

1.3 Aggregate Sale. Pursuant to this Agreement, the Company shall sell Shares for aggregate Purchaser's Investment Amounts totaling between \$2,000,000 and \$6,000,000.

1.4 Purchase Price. The Purchase Price for each Share shall be \$2.50.

2. Closing Date and Delivery.

2.1 Closing Date. The closing of the purchase and sale of the Shares and Warrants hereunder (the "Closing") will be held at 10:00 a.m. on April 13, 1999 or such later date as the Company may designate by written notice to all offerees and Purchasers but not later than April 30, 1999 (the "Closing Date"). The Closing will be conducted at the offices of White & McDermott, P.C., 65 William Street, Wellesley, Massachusetts 02481.

2.2 Delivery. On the Closing Date, the Company shall deliver the following to each Purchaser: (a) a stock certificate registered in each Purchaser's name representing the Shares purchased by such Purchaser, (b) a Warrant in such Purchaser's name representing the right to acquire 0.25 Warrant Shares for each Share purchased and (c) an opinion of White & McDermott, P.C. dated the Closing Date and substantially in the form attached hereto as Exhibit A. Before 5:00 p.m. eastern time on April 12, 1999, each Purchaser shall pay to the Company by certified check or wire transfer the amount of the Purchaser's Investment Amount as set forth opposite such Purchaser's name on the signature page hereto.

3. Representations and Warranties by the Company. The Company represents and warrants to the Purchasers as of the date hereof that:

3.1 Organization and Standing. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Company is qualified to do business and is in good standing as a foreign corporation in every jurisdiction in which the failure to so qualify would have a material adverse effect on the financial condition or business of the Company.

3.2 Changes. Except as set forth in the Memorandum, since September 30, 1998, the Company has not, to the extent material to the Company, (i) incurred any debts, obligations or liabilities, absolute, accrued or contingent, whether due or to become due, other than in the ordinary course of business, (ii) mortgaged, pledged or subjected to lien, charge, security interest or other encumbrance any of its assets, tangible or intangible, (iii) waived any debt owed to the Company or its subsidiaries, (iv) satisfied or discharged any lien, claim or encumbrance or paid any obligation other than in the ordinary course of business, (v) declared or paid any dividends, or (vi) entered into any transaction other than in the usual and ordinary course of business.

3.3 Litigation. There are no legal actions, suits, arbitrations or other legal, administrative or governmental proceedings pending or, to the best of the Company's knowledge, threatened against the Company or its properties, assets or business, and the Company is not aware of any facts which might result in or form the basis for any such action, suit or other proceeding, in each case which, if adversely determined, would individually or in the aggregate have a material adverse effect on the financial condition or business of the Company.

3.4 Compliance with Other Instruments. Except for such matters which, either individually or in the aggregate, would not have a material adverse effect on the financial condition or business of the Company, the execution and delivery of, and the performance and compliance with, this Agreement and the Warrants and the transactions contemplated hereby or thereby, with or without the giving of notice or passage of time, will not (i) result in any breach of, or constitute a default under, or result in the imposition of any lien or encumbrance upon any asset or property of the Company pursuant to any agreement or other instrument to which the Company is a party or by which it or any of its properties, assets or rights is bound or affected, (ii) violate the Certificate of Incorporation or Bylaws of the Company, or any law, rule, regulation, judgment, order or decree, or (iii) except for the registration of the Shares and the Warrant Shares under the Securities Act of 1933, the listing of the Shares and the Warrant Shares on the American Stock Exchange, Inc. and such consents, approvals, authorizations, registrations or qualifications as may be required under the Securities Exchange Act of 1934 and applicable state securities laws in connection with the purchase of the Shares and the Warrants by the Purchasers, require any consent, approval, authorization or order of or filing with any court or governmental agency or body.

3.5 Reports and Financial Statements. The Appendices to the Memorandum contain true and complete copies of the Company's Form 10-K/A for the year ended December 31, 1997, the Company's Proxy Statement in connection with the 1998 Annual Meeting of Stockholders and all Forms 10-Q and 8-K filed by the Company with the Securities and Exchange Commission (the "SEC") after January 1, 1998, in each case without exhibits thereto (the "SEC Reports"). As of their respective filing dates, the Company SEC Reports were prepared in all material respects in accordance with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such Company SEC Reports. The audited consolidated financial statements and unaudited interim financial statements of the Company included in the Company SEC Reports have been prepared in accordance with United States generally accepted accounting principles applied on a consistent

basis (except as may be indicated therein or in the notes thereto) and fairly present, in all material respects, the financial

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position of the Company as at the dates thereof and the results of its operations and cash flows for the periods then ended subject, in the case of the unaudited interim financial statements, to normal year-end adjustments and any other adjustments described in such financial statements.

3.6 Shares. The Shares and the Warrant Shares, when issued and paid for pursuant to the terms of this Agreement or the Warrants, as the case may be, will be duly and validly authorized, issued and outstanding, fully paid, nonassessable and free and clear of all pledges, liens, encumbrances and restrictions (other than those arising from the private placement of the Shares and the Warrant Shares).

3.7 Securities Laws. Based in part upon the representations and warranties of the Purchasers contained in Article 4 of this Agreement, the offer, sale and issuance of the Shares and the Warrants as contemplated by this Agreement are exempt from the registration requirements of the Securities Act, and from the registration or qualifications requirements of the laws of any applicable state or other U.S. jurisdiction.

3.8 Capital Stock. On December 31, 1998, 13,253,188 shares of the Company's Common Stock were issued and outstanding, no shares of the Company's Preferred Stock were issued and outstanding, options to purchase 3,554,247 shares of the Company's Common Stock were issued and outstanding and warrants to purchase 1,300,000 shares of the Company's Common Stock were issued and outstanding. All of the outstanding shares of the Company's capital stock are validly issued, fully paid and nonassessable. Except as set forth in this Section 3.8 or the Memorandum, as of December 31, 1998, there are no outstanding subscriptions, options, warrants, calls, contracts, demands, commitments, conversion rights or other agreements or arrangements of any character or nature whatever under which the Company is or may be obligated to issue its Common Stock, preferred stock or warrants or options to purchase Common Stock or preferred stock. No holder of any security of the Company is entitled to any preemptive or similar rights to purchase any securities of the Company.

3.9 Corporate Acts and Proceedings. This Agreement has been duly authorized by the requisite corporate action and has been duly executed and delivered by an authorized officer of the Company, and is a valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the enforcement of creditors' rights generally and as to limitations on the enforcement of the remedy of specific performance and other equitable remedies. The requisite corporate action necessary to the authorization, reservation, issuance and delivery of the Shares, the Warrants and the Warrant Shares has been taken by the Company. Upon execution and delivery thereof by a duly authorized officer of the Company, the Warrants will be valid and binding obligations of the Company, enforceable in accordance with their terms except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the enforcement of creditors' rights generally and as to limitations on the enforcement of the remedy of specific performance and other equitable remedies.

3.10 No Implied Representations. All of the Company's representations and warranties are contained in this Agreement, and no other representations or warranties by the Company shall be implied.

3.11 Filing of Reports. Since the Company's Annual Report on

Form 10-K for the fiscal year ended December 31, 1995, the Company has filed with the Commission all reports and other material required to be filed by it therewith pursuant to Section 13, 14 or 15(d) of the Exchange Act and the Company is eligible to register the offer and resale of the Shares and the Warrant Shares on a Registration Statement on Form S-3, or a successor form.

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3.12 Closing Date. All the representations and warranties made by the Company in this Section 3 shall be true and complete from the date of this Agreement through the Closing Date and the Company shall provide each Purchaser, before the Closing, with any documents or information necessary for such representations and warranties to remain true and complete as of the Closing Date.

4. Representations and Warranties by the Purchasers; Restrictions on Transfer.

Each Purchaser severally represents and warrants to, and covenants and agrees with, the Company, as of the Closing Date, as follows:

4.1 Authorization. Purchaser has all requisite legal and corporate or other power and capacity and has taken all requisite corporate or other action to execute and deliver the Agreement, to purchase the Shares and the Warrants to be purchased by it and to carry out and perform all of its obligations under the Agreement. This Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the enforcement of creditors' rights generally and as to limitations on the enforcement of the remedy of specific performance and other equitable remedies.

4.2 Accredited Investor Status. Purchaser is an "Accredited Investor" as defined in Rule 501 of Regulation D under the Securities Act of 1933. Purchaser acknowledges receiving and reviewing the Memorandum (including its Appendices). Purchaser is aware of the Company's business affairs and financial condition and has had access to and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares and the Warrants. Purchaser has such business and financial experience as is required to give it the capacity to protect its own interests in connection with the purchase of the Shares and the Warrants and is able to bear the risks of an investment in the Shares and the Warrants. Purchaser is not itself a "broker" or a "dealer" as defined in the Exchange Act of 1934 and is not an "affiliate" of the Company as defined in Rule 405 of the Securities Act, except as indicated below:

4.3 Investment Intent. Purchaser is purchasing the Shares and the Warrants for its own account as principal, for investment purposes only, and not with a present view to or for resale, distribution or fractionalization thereof, in whole or in part, within the meaning of the Securities Act. Purchaser understands that its acquisition of the Shares and the Warrants has not been registered under the Securities Act or registered or qualified under any state securities law in reliance on specific exemptions therefrom, which exemptions may depend upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein. Purchaser has, in connection with its decision to purchase the number of Shares and the Warrants set forth in this Agreement, relied solely upon the Memorandum and the representations and warranties of the Company contained herein. Purchaser will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) any of the Shares or Warrants, except in compliance with the

Securities Act and the rules and regulations promulgated thereunder.

4.4 Registration or Exemption Requirements. Purchaser further acknowledges and understands that neither the Shares nor the Warrants may be resold or otherwise transferred except in a transaction registered under the Securities Act or unless an exemption from such registration is available. Purchaser understands that until the Shares and Warrant Shares have been registered for resale by the Purchasers in compliance with applicable securities laws, the certificates evidencing the Shares, the Warrants and Warrant Shares will be imprinted with a legend that prohibits the transfer of the Shares, Warrants and Warrant Shares unless (a) such transaction is

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5 registered or such registration is not required, and (b) if the transfer is pursuant to an exemption from registration an opinion reasonably satisfactory to the Company of counsel reasonably satisfactory to the Company is obtained to the effect that the transaction is not required to be registered or is so exempt.

4.5 Restriction on Sales, Short Sales and Hedging Transactions. Purchaser represents and agrees that during the period from the date Purchaser was first contacted with respect to the potential purchase of Shares and Warrants through the date of the execution of the Agreement by Purchaser, Purchaser did not, and from such date through the effectiveness of the Registration Statement (as defined below), Purchaser will not, directly or indirectly, execute or effect or cause to be executed or effected any short sale, option or equity swap transactions in or with respect to the Company's Common Stock or any other derivative security transaction the purpose or effect of which is to hedge or transfer to a third party all or any part of the risk of loss associated with the ownership of the Shares and Warrants by the Purchaser.

4.6 No Legal, Tax Or Investment Advice. Purchaser understands that nothing in the Memorandum, this Agreement or any other materials presented to Purchaser in connection with the purchase and sale of the Shares and the Warrants constitutes legal, tax or investment advice. Purchaser has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of the Shares and the Warrants.

4.7 Closing Date. All the representations and warranties made by each Purchaser in this Section 4 shall be true and complete from the date of this Agreement through the Closing Date and each Purchaser shall provide the Company, before the Closing, with any documents or information necessary for such representations and warranties to remain true and complete as of the Closing Date.

5. Covenants

5.1 Registration Requirements.

(a) Within 14 days after the Closing Date, the Company shall prepare and file a registration statement (the "Registration Statement") with the SEC under the Securities Act to register the offer and resale of the Shares and the Warrant Shares by the Purchasers (together, the "Registrable Securities"), and shall use its reasonable efforts to secure the effectiveness of such Registration Statement as soon as reasonably practicable thereafter.

(b) The Company shall pay all Registration Expenses (as defined below) in connection with any registration, qualification or compliance hereunder and each Purchaser shall pay all Selling Expenses (as

defined below) and other expenses that are not Registration Expenses relating to the Registrable Securities resold by such Purchaser. "Registration Expenses" shall mean all expenses, except for Selling Expenses, incurred by the Company in complying with the registration provisions herein described, including, without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for the Company, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration. "Selling Expenses" shall mean all selling commissions, underwriting fees and stock transfer taxes applicable to the Registrable Securities and all fees and disbursements of counsel for any Purchaser.

(c) If the Registration Statement becomes effective, the Company will use its best efforts to: (i) keep such registration effective until the second anniversary of the date such Registration Statement is declared effective (or, in the case of Warrant Shares, the first anniversary of the date of issuance of such Warrant Shares, but in any event not later than the fourth anniversary of the date such Registration Statement is declared effective); provided, however, if Rule 144 is

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amended so that the longest period that Rule 144 restricts the manner in which privately placed securities may be sold is a period shorter than two years, then the period required by this clause shall be reduced to (A) such shorter period, (B) such date as all of the Registrable Securities have been resold, or (C) such date as all Registrable Securities may be sold pursuant to Rule 144 (or any successor rule); (ii) except as provided in Section 5.1(e), prepare and file with the SEC such amendments and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by the Registration Statement; (iii) furnish such number of prospectuses and other documents incident thereto, including any amendment of or supplement to the prospectus, as Purchaser from time to time may reasonably request; (iv) cause the Shares and the Warrant Shares to be listed on the American Stock Exchange or any securities exchange or quoted on each quotation service on which the Common Stock of the Company is then listed or quoted; (v) provide a transfer agent and registrar for all securities registered pursuant to the Registration Statement and a CUSIP number for all such securities; and (vi) file the documents required of the Company and otherwise use its best efforts to maintain requisite blue sky clearance in all U.S. jurisdictions in which any of the Shares are originally sold and all other states specified in writing by Purchaser, provided, however, that the Company shall not be required to qualify to do business in any state in which it is not now so qualified or has not so consented.

(d) The Company shall furnish to each Purchaser upon request a reasonable number of copies of a supplement to or an amendment of the prospectus used in connection with the Registration Statement as may be necessary to facilitate the public sale or other disposition of all or any of the Registrable Securities held by Purchaser.

(e) At any time after the effective date of the Registration Statement, the Company may by notice to the Purchasers refuse to permit any Purchaser to resell any Registrable Securities pursuant to the Registration Statement for a period not to exceed 30 days; provided, however, that to exercise this right, the Company must deliver a certificate in writing to each Purchaser to the effect that a delay in such sale is necessary because a sale pursuant to such Registration Statement in its then-current form would not be in the best interests of the Company and its shareholders due to disclosure obligations of the Company. Notwithstanding the foregoing, the Company shall not be entitled to exercise its right to block such sales more than three times during the effectiveness of the Registration Statement nor

more than one time in any four month period. Each Purchaser hereby covenants and agrees that it will not sell any Registrable Securities pursuant to the Registration Statement during such blockage periods as set forth in this Section 5.1(e).

(f) In the event that the Registration Statement has not become effective on or before 120 days from the Closing Date, the Company shall issue to each Purchaser an additional warrant to purchase the nearest whole number of shares equal to five percent of the number of Shares purchased by such Purchaser on the Closing Date, at an exercise price of \$3.75 per share. Similarly, in the event that the Registration Statement has not become effective on or before the dates which are 150 days from the Closing Date, 180 days from the Closing Date, 210 days from the Closing Date and 240 days from the Closing Date, the Company shall issue to each Purchaser on each such occasion an additional warrant to purchase the nearest whole number of shares equal to five percent of the number of Shares purchased by such Purchaser on the Closing Date, at an exercise price of \$3.75 per share. The maximum number of shares purchasable pursuant to warrants issued pursuant to this Agreement shall be equal to twenty five percent of the number of Shares purchased by each such Purchaser on the Closing Date.

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5.2. Indemnification and Contribution

(a) The Company agrees to indemnify and hold harmless each Purchaser from and against any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) to which such Purchaser may become subject (under the Securities Act or otherwise) insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact or omission to state a material fact in the Registration Statement on the effective date thereof, or arise out of any failure by the Company to fulfill any undertaking included in the Registration Statement, and the Company will, as incurred, reimburse such Purchaser for any legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such action, proceeding or claim; provided, however, that the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of, or is based upon (i) an untrue statement or omission in such Registration Statement in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Purchaser specifically for use in preparation of the Registration Statement or (ii) an untrue statement or omission in any prospectus that is corrected in any subsequent prospectus, or supplement or amendment thereto, that was delivered to a Purchaser prior to the pertinent sale or sales by such Purchaser and not delivered by such Purchaser to the entity to which it made such sale(s) prior to such sale(s).

(b) Each Purchaser, severally and not jointly, agrees to indemnify and hold harmless the Company from and against any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) to which the Company may become subject (under the Securities Act or otherwise) insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon (i) an untrue statement or alleged untrue statement of a material fact or omission to state a material fact in the Registration Statement in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Purchaser specifically for use in preparation of the Registration Statement (provided, however, that no Purchaser shall be liable in any such case for any untrue statement or omission in any prospectus which statement has been corrected, in writing, by such Purchaser and delivered to the Company at least 14 days before the sale from which such loss occurred), or (ii) an untrue statement or omission in any prospectus that is corrected in any subsequent prospectus or

supplement or amendment thereto, that was delivered to a Purchaser prior to the pertinent sale or sales by such Purchaser and not delivered by such Purchaser to the entity to which it made such sale(s) prior to such sale(s), and each Purchaser, severally and not jointly, will, as incurred, reimburse the Company for any legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such action, proceeding or claim. Notwithstanding the foregoing, no Purchaser shall be liable, or required to indemnify the Company, in the aggregate, for any amount in excess of the net proceeds received by the Purchaser from the sale of the Shares or the Warrant Shares, as the case may be, to which such loss, claim, damage or liability relates.

(c) Promptly after receipt by any indemnified person of a notice of a claim or the beginning of any action in respect of which indemnity is to be sought against an indemnifying person pursuant to this Section 5.2, such indemnified person shall notify the indemnifying person in writing of such claim or of the commencement of such action and, subject to the provisions hereinafter stated, in case any such action shall be brought against an indemnified person, the indemnifying person shall be entitled to participate therein, and, to the extent that it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to the indemnified person. After notice from the indemnifying person to such indemnified person of the indemnifying person's election to assume the defense thereof, the indemnifying person shall not be liable to such indemnified person for any legal expenses subsequently incurred by such indemnified person in connection with the defense thereof; provided, however, that if there exists or shall exist a conflict of interest that would make it inappropriate in the reasonable judgment of the indemnified person for the same counsel to represent both the indemnified person and such indemnifying person or

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any affiliate or associate thereof, the indemnified person shall be entitled to retain its own counsel at the expense of such indemnifying person; provided, further, that the indemnifying person shall not be obligated to assume the expenses of more than one counsel to represent all indemnified persons.

(d) If the indemnification provided for in this Section 5.2 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the Purchasers on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or a Purchaser on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Purchasers agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation (even if the Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Purchaser shall be required to contribute

in the aggregate any amount in excess of the net proceeds received by the Purchaser from the sale of the Shares or Warrant Shares, as the case may be, to which such loss, claim, damage or liability relates. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Purchaser's obligations in this subsection (d) to contribute are several in proportion to their sales of Shares or Warrant Shares, as the case may be, to which such loss relates and not joint.

(e) The obligations of the Company and the Purchasers under this Section 5.2 shall be in addition to any liability which the Company and the respective Purchasers may otherwise have and shall extend, upon the same terms and conditions, to directors, officers, employees and agents of the Company and the Purchasers and to each person, if any, who controls the Company or any Purchaser within the meaning of the Securities Act and the Exchange Act.

6. Restrictions on Transferability of Shares and Warrants; Compliance with Securities Act.

6.1 Restrictions on Transferability. Neither the Shares nor the Warrants shall be transferable in the absence of registration under the Securities Act or an exemption therefrom or in the absence of compliance with any term of the Agreement.

6.2 Restrictive Legend. Until and unless the Shares and Warrant Shares are registered under the Securities Act, each certificate representing the Shares and the Warrant Shares and each Warrant shall bear substantially the following legend (in addition to any legends required under applicable state securities laws):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT PURPOSES ONLY AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR THE SECURI-

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TIES LAWS OF ANY STATE. THE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM.

6.3 Transfer of Shares and Warrants. Each Purchaser hereby covenants with the Company not to make any sale of the Shares or Warrants except either (a) a sale of Shares or Warrant Shares in accordance with the Registration Statement, in which case the Purchaser covenants to comply with the requirement of delivering a current prospectus, (b) a sale of Shares or Warrant Shares in accordance with Rule 144, in which case the Purchaser covenants to comply with Rule 144 and to deliver such additional certificates and documents as the Company may reasonably request, or (c) subject to such conditions as the Company in its sole discretion shall impose, in accordance with another exemption from the registration requirements of the Securities Act. The legend set forth in Section 6.2 will be removed from a certificate representing Shares or the Warrant Shares, as the case may be, following and in connection with any sale of Shares or Warrant Shares pursuant to subsection (a) or (b) hereof but not in connection with any sale of Shares or Warrant Shares pursuant to subsection (c) hereof.

7. Miscellaneous.

7.1 Survival of Representations and Warranties. All representations and warranties contained herein shall survive the execution and delivery of this Agreement, any investigation at any time made by or on behalf of the Purchaser, and the sale and purchase of the Shares and the Warrants and

payment therefor.

7.2 Headings. The headings of the sections of this Agreement have been inserted for convenience of reference only and do not constitute a part of this Agreement.

7.3 Choice of Law. It is the intention of the parties that the internal laws of the State of Delaware, without regard to the body of law controlling conflicts of law, shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties set forth herein.

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

7.5 Assignment; Parties in Interest. This Agreement may not be pledged, assigned or otherwise transferred by the Purchasers except by operation of law but all the terms and provision of this Agreement shall be binding upon and inure to the benefit of and be enforced by the successors in interest of the parties hereto. Each successive transferee of the Purchasers shall be deemed to be a Purchaser for the purpose of Section 5 of this Agreement.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their proper and duly authorized representatives as of the day and year first above written.

NOVAVAX, INC.

By: /s/ Mitchell J. Kelly

Title: President and CEO

No. of Shares	Investment Amount	Signature of Purchaser	Date
-----	-----	-----	-----
-----	\$ -----	-----	-----
	(No. Shares x \$2.50)	Name: Address:	

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FORM OF OPINION OF COUNSEL TO BE DELIVERED TO THE PURCHASERS ON
CLOSING DATE.

The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware.

The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as now being conducted and to enter into and perform its obligations under this Agreement.

The Shares and the Warrant Shares have been duly authorized for issuance and sale to the Purchasers pursuant to this Agreement and the Warrants and, when issued and delivered by the Company pursuant to this Agreement or the Warrants against payment of the consideration set forth herein, will be validly issued and fully paid and non-assessable.

This Agreement and each Warrant have been duly authorized, executed and delivered by the Company and are enforceable in accordance with their terms except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the enforcement of creditors' rights generally and as to limitations on the enforcement of the remedy of specific performance and other equitable remedies.

Except for such matters which, either individually or in the aggregate, would not have a material adverse effect on the financial condition or business of the Company, the execution, delivery and performance of this Agreement and the consummation of the transactions in the manner contemplated herein and the compliance by the Company with its obligations hereunder and thereunder will not (i) conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, any contract or other instrument or agreement to which the Company is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company is subject, (ii) result in any violation of the provisions of the charter or bylaws of the Company or any applicable statute, law, rule, regulation, ordinance, code, or any applicable decision or order of any court or regulatory agency exercising appropriate jurisdiction, and (iii) except for the registration of the Shares and the Warrant Shares under the Securities Act and the listing of the Shares and the Warrant Shares on the American Stock Exchange, Inc. and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase of the Shares or the Warrants by the Purchasers, no consents, approval, authorization or order of or filing with any court or governmental agency or body is required for the execution, delivery and performance of the Agreement by the Company and the consummation of the transactions contemplated by the Agreement.

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EXHIBIT B -

FORM OF WARRANT AGREEMENT

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THIS WARRANT AND ANY SHARES ACQUIRED UPON THE EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE TRANSFERRED EXCEPT AS PERMITTED HEREIN AND PURSUANT TO (i) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND SUCH REGISTRATION OR QUALIFICATION AS MAY BE REQUIRED UNDER THE SECURITIES LAWS OF ANY STATE OR (ii) AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH SECURITIES LAWS.

NONTRANSFERABLE WARRANT FOR THE PURCHASE OF COMMON STOCK

No. [99-1]

_____ Shares

THIS CERTIFIES that, for receipt in hand of \$50.00 and other value received, _____ (the "Holder") is entitled to subscribe for and purchase from Novavax, Inc., a Delaware corporation (the "Company"),

upon the terms and conditions set forth herein, at any time or from time to time after the date hereof, and before 5:00 p.m. on April __, 2002, eastern time (the "Exercise Period"), _____ fully paid and nonassessable shares (the "Warrant Shares") of the Company's Common Stock, par value \$.01 per share (the "Common Stock"), at a price of \$3.75 per share (the "Exercise Price"). This Warrant may not be sold, transferred, assigned or hypothecated, in whole or in part, at any time except by will or the laws of descent and distribution (a "Permitted Transfer"). As used herein the term "this Warrant" shall mean and include this Warrant and any Warrant or Warrants hereafter issued as a consequence of the exercise of this Warrant in whole or in part.

The number of shares of Common Stock issuable at the Exercise Price may be adjusted from time to time as hereinafter set forth.

1. Exercise of Warrant.

(a) Manner of Exercise. This Warrant may be exercised in whole or in part at any time or from time to time during the Exercise Period by the surrender of this Warrant (with the form of election to exercise attached hereto duly executed) to the Company at its office at 8320 Guilford Road, Columbia, MD 21046 or such other place as is designated in writing by the Company, together with a certified or bank cashier's check payable to the order of the Company in an amount equal to the Exercise Price multiplied by the number of Warrant Shares for which this Warrant is being exercised.

(b) Delivery of Stock Certificates, etc. Upon each exercise of the Holder's rights to purchase the Warrant Shares granted pursuant to this Warrant, as reissued from time to time, the Holder shall be deemed to be the holder of record of the Warrant Shares issuable upon such exercise, notwithstanding that the transfer books of the Company shall then be closed or certificates representing such Warrant Shares shall not then have been actually delivered to the Holder. As soon as practicable after each such exercise of this Warrant, the Company shall issue and deliver to the Holder a certificate or certificates for the Warrant Shares issuable upon such exercise, registered in the name of the Holder or its designee. If this Warrant should be exercised in part only, the Company shall, upon surrender of this Warrant for cancellation, execute, and deliver a new Warrant evidencing the right of the Holder to purchase the balance of the Warrant Shares (or portions thereof) subject to purchase hereunder.

(c) Warrant Register. Any Warrants issued upon a Permitted Transfer or exercise in part of this Warrant (together with this Warrant, the "Warrants") shall be numbered and shall be registered in a warrant register as they are issued. The Company shall be entitled to treat the

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registered holder or his permitted transferees of any Warrant on the Warrant Register as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Warrant on the part of any other person, and shall not be liable for any registration or transfer of such Warrants which are registered or to be registered in the name of a fiduciary or the nominee of a fiduciary. Such Warrants shall be transferable on the books of the Company only upon delivery thereof duly endorsed by the Holder or by his duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment, or authority to transfer. In all cases of transfer by an attorney, executor, administrator, guardian, or other legal representative, duly authenticated evidence of his or its authority shall be produced. Upon any registration of transfer, the Company shall deliver a new Warrant or Warrants to the person entitled thereto. The Warrants may be exchanged, at the option of the Holder thereof, for another Warrant, or other Warrants of different denominations, of like tenor, and representing in the aggregate the right to purchase a like number of Warrant Shares (or portions thereof) upon surrender to the Company or its duly authorized agent. Notwithstanding the foregoing, the Company shall have no obligation to cause Warrants to be transferred on its books to any person if, in the written opinion of counsel to the Company, such transfer does not comply with the provisions of the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations thereunder.

2. Authorized Stock; Listing. The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of providing for the exercise of the rights to purchase all Warrant Shares granted pursuant to this Warrant, such number of shares of Common Stock as shall, from time to time, be sufficient therefor. The Company covenants that all shares of Common Stock issuable upon exercise of this Warrant, upon receipt by the Company of the purchase price therefor, shall be validly issued, fully paid, nonassessable, and free of preemptive or similar contractual rights to subscribe for shares of Common Stock. The Company shall list and maintain the listing of the Warrant Shares on the American Stock Exchange (or other national securities exchange upon which the Common Stock is listed).

3. Adjustments.

(a) Stock Dividends, Splits, Combinations, etc. In case the Company shall at any time after the date of this Warrant (i) declare a dividend, or make a distribution, on the outstanding Common Stock in shares of its capital stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock by reclassification of the Common Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing corporation), then, in each case, the Exercise Price, and the number and kind of shares of Common Stock receivable upon exercise of this Warrant, in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination, or reclassification, shall be proportionately adjusted so that the Holder after such time shall be entitled to receive the aggregate number and kind of shares which if such Warrant had been exercised immediately prior to such time, it would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. Such adjustment shall be made successively whenever any event listed above shall occur.

(b) Sale of Stock, Options, Rights, etc. In case the Company shall issue, or fix a record date for the issuance of, shares of Common Stock or rights, options, or warrants entitling the holders thereof to subscribe for or purchase Common Stock (or securities convertible into or exchangeable for Common Stock) at a price per share (or having a conversion price per share, if a security convertible into or exchangeable for Common Stock) less than the Current Market Price, (as defined in Section 3(d)) the Exercise Price shall be reduced to a price determined by multiplying the then current Exercise Price by a fraction (i) numerator of which shall be (a) the number of shares of Common Stock outstanding immediately prior to such issue or sale plus (b) the number

of shares of Common Stock which the aggregate consideration received by the Company in connection with such issuance or sale would purchase at the Current Market Price, and (ii) the denominator of which shall be the number of shares of Common Stock outstanding immediately after such issuance or sale. Such adjustment shall become effective at the close of business on such date of issuance or record date; provided, however, that, to the extent the shares of Common Stock (or securities convertible into or exchangeable for shares of Common Stock) are not delivered, the Exercise Price shall be readjusted after the expiration of such rights, options, or warrants (but only with respect to Warrants exercised after such expiration), to the Exercise Price which would then be in effect had the adjustments made upon the issuance of such rights, options, or warrants been made upon the basis of delivery of only the number of shares of Common Stock (or securities convertible into or exchangeable for shares of Common Stock) actually issued. No readjustment shall have the effect of increasing the Exercise Price by an amount greater than the original adjustment. In case part or all of any consideration may be paid in a form other than cash, the value of such consideration shall be as determined in good

faith by the Board of Directors of the Company, whose determination shall be conclusive absent manifest error. Shares of Common Stock owned by or held for the account of the Company or any majority-owned subsidiary shall not be deemed outstanding for the purpose of any such computation.

In the case of the issuance of options to purchase or rights to subscribe for Common Stock, securities by their terms convertible into or exchangeable for Common Stock or options to purchase or rights to subscribe for such convertible or exchangeable securities, the following provisions shall apply:

(i) the shares of Common Stock deliverable upon exercise of such options to purchase or rights to subscribe for Common Stock shall be deemed to have been issued at the time such options or rights were issued and for a consideration equal to the consideration, if any, received by the Company upon the issuance of such options or rights plus the purchase price provided in such options or rights for the Common Stock covered thereby;

(ii) the shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable securities or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof shall be deemed to have been issued at the time such securities were issued or such options or rights were issued and for a consideration equal to the consideration, if any, received by the Company for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the additional consideration, if any, to be received by the Company upon the conversion or exchange of such securities or the exercise of any related options or rights;

(iii) in the event of any increase in the consideration payable to the Company upon exercise of such options or rights or upon conversion of or in exchange for such convertible or exchangeable securities, including, but not limited to, a change resulting from any antidilution provisions thereof, the Exercise Price with respect to the adjustment which was made upon the issuance of such options, rights or securities, and any subsequent adjustments based thereon, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of Common Stock or any payment of such consideration upon the exercise of any such options or rights or the conversion or exchange of such securities.

(c) Extraordinary Dividends. In case the Company shall distribute to all holders of Common Stock (including any such distribution made to the stockholders of the Company in connection with a consolidation or merger in which the Company is the continuing corporation) evidences of its indebtedness or assets (other than dividends payable in shares of Common Stock), or subscription rights, options, or warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock (excluding those referred to in

paragraph 3(b) hereof), then, in each case, the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date for the determination of stockholders entitled to receive such distribution by a fraction, the numerator of which shall be the current Exercise Price per share of Common Stock on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive absent manifest error) of the portion of the evidences of indebtedness or assets so to be distributed, or of such subscription rights, options, or warrants or convertible or exchangeable securities containing the right to subscribe for or purchase shares of Common Stock, applicable to one share, and the denominator of which shall be such

current Exercise Price per share of Common Stock. Such adjustment shall be made whenever any such distribution is made, and shall become effective on the date of such distribution retroactive to the record date for the determination of stockholders entitled to receive such distribution.

(d) Current Market Price. For the purpose of any computation under this paragraph 3, Current Market Price per share of Common Stock on any date shall be deemed to be the average daily closing price for the ten trading days immediately preceding such day. The closing price for any day shall be the last reported sales price regular way or, in case no such reported sale takes place on such day, the closing bid price regular way, in either case on the principal national securities exchange (including the NASDAQ National Market System) on which the Common Stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, the highest reported bid price as furnished by the National Association of Securities Dealers, Inc. through NASDAQ or a similar organization if NASDAQ is no longer reporting such information. If on any such date the Common Stock is not quoted by any such organization, the fair value of a share of Common Stock on such date, as determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive absent manifest error, shall be used.

(e) De Minimis Exception. No adjustment in the Exercise Price shall be required if such adjustment is less than \$.05; provided, however, that any adjustments which by reason of this paragraph 3 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph 3 shall be made to the nearest cent or to the nearest one-thousandth of a share, as the case may be.

(f) Date of Issuance. In any case in which this paragraph 3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Company may elect to defer, until the occurrence of such event, issuing to any Holder who exercised any Warrants after such record date, the shares of Common Stock, if any, issuable upon such exercise over and above the shares of Common Stock, if any, issuable upon such exercise on the basis of the Exercise Price in effect prior to such adjustment.

(g) Adjustment to Number of Shares. Upon each adjustment of the Exercise Price as a result of the calculations made in paragraphs 3(a), 3(b), or 3(c) hereof, each Warrant outstanding prior to the making of the adjustment in the Exercise Price shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of shares (calculated to the nearest thousandth) obtained by dividing (i) the product obtained by multiplying the number of shares purchasable upon exercise of a Warrant prior to adjustment of the number of shares by the Exercise Price in effect prior to adjustment of the Exercise Price by (ii) the Exercise Price in effect after such adjustment of the Exercise Price.

(h) Notice of Adjustments. Whenever there shall be an adjustment as provided in this paragraph 3, the Company shall promptly cause written notice thereof to be sent by overnight courier, to the Holder, at its principal office, which notice shall be accompanied by an officer's certificate setting forth the number of Warrant Shares purchasable upon the exercise of this Warrant and the Exercise Price after such adjustment and setting forth a brief statement of the facts requiring

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such adjustment and the computation thereof, which officer's certificate shall be conclusive evidence of the correctness of any such adjustment absent any error.

(i) No Fractional Shares. The Company shall not be required

to issue fractions of shares of Common Stock or other capital stock of the Company upon the exercise of the Warrants. If any fraction of a share would be issuable on the exercise of any Warrant (or specified portions thereof), the Company shall purchase such fraction for an amount in cash equal to the same fraction of the Current Market Price on the date of exercise of the Warrant.

(j) Employee Stock Options; Outstanding Options/Warrants. No adjustment in the Exercise Price shall be required in the case of the issuance of shares under or grant by the Company of options to employees, directors or consultants of the Company under any stock option plan of the Company approved by the stockholders of the Company, or the issuance of any and all shares of Common Stock upon exercise of such options or upon the issuance of shares under any options, warrants, or convertible securities outstanding as of the date hereof.

4. Business Combinations.

(a) In case the Company, after the date hereof (i) shall consolidate with or merge into any other person and shall not be the continuing or surviving corporation of such consolidation or merger, or (ii) shall permit any other person to consolidate with or merge into the Company and the Company shall be the continuing or surviving person but, in connection with such consolidation or merger, the Common Stock or other securities of the Company which the Holder of this Warrant may receive upon exercise ("Other Securities") shall be changed into or exchanged for stock or other securities of any other person or cash or any other property, or (iii) shall transfer all or substantially all of its properties or assets to any other person, or (iv) shall effect a capital reorganization or reclassification of the Common Stock or Other Securities (other than a capital reorganization or reclassification resulting in the issue of additional shares of Common Stock for which adjustment in the Exercise Price is provided in paragraph 3(a) or 3(b)), then, and in the case of each such transaction, proper provision shall be made so that, upon the basis and the terms and in the manner provided in this Warrant, the Holder of this Warrant, upon the exercise hereof at any time after the consummation of such transaction, shall be entitled to receive (at the aggregate Exercise Price in effect at the time of such consummation for all Common Stock or Other Securities issuable upon such exercise immediately prior to such consummation), in lieu of the Common Stock or Other Securities issuable upon such exercise prior to such consummation, the highest amount of securities, cash or other property to which such Holder would actually have been entitled as a shareholder upon such consummation if such Holder had exercised the rights represented by this Warrant immediately prior thereto, subject to adjustments (subsequent to such consummation) as nearly equivalent as possible to the adjustments provided in paragraph 3; provided that if a purchase, tender or exchange offer shall have been made to and accepted by the holders of more than 50% of the outstanding shares of Common Stock, and if the Holder of this Warrant so designates in a notice given to the Company on or before the date immediately preceding the date of the consummation of such transaction, the Holder of this Warrant shall be entitled to receive the highest amount of securities, cash or other property to which such Holder would actually have been entitled as a shareholder if the Holder of this Warrant had exercised such Warrant prior to the expiration of such purchase, tender or exchange offer and accepted such offer, less the Exercise Price that would have been payable upon such exercise, subject to adjustments (from and after the consummation of such purchase, tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in paragraph 3.

(b) In the event of any transaction described in clauses (i) through (iv) of paragraph 4(a), each person (other than the Company) which may be required to deliver any stock, securities, cash or property upon the exercise of this Warrant as provided herein shall assume in writing (i) the obligations of the Company under this Warrant (and if the Company shall survive the

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consummation of such transaction, such assumption shall be in addition to, and shall not release the Company from, any continuing obligations of the Company under this Warrant) and (ii) the obligation to deliver to such Holder such shares of stock, securities, cash or property as, in accordance with the foregoing provisions of this paragraph 4, such Holder may be entitled to receive.

5. Notice. In case at any time the Company shall propose:

(a) to pay any dividend or make any distribution on shares of Common Stock in shares of Common Stock or make any other distribution to all holders of Common Stock; or

(b) to issue any rights, warrants, or other securities to all holders of Common Stock entitling them to purchase any additional shares of Common Stock or any other rights, warrants, or other securities; or

(c) to effect any consolidation, merger, sale, reorganization or reclassification described in paragraph 4; or

(d) to effect any liquidation, dissolution, or winding-up of the Company; or

(e) to take any other action which would cause an adjustment to the Exercise Price;

then, and in any one or more of such cases, the Company shall give written notice thereof, by overnight courier, to the Holder at the Holder's address as it shall appear in the Warrant Register, mailed at least 20 business days prior to (i) the date as of which the holders of record of shares of Common Stock to be entitled to receive any such dividend, distribution, rights, warrants, or other securities are to be determined, (ii) the date on which any such consolidation, merger, sale, reorganization or reclassification, liquidation, dissolution, or winding-up is expected to become effective, and the date as of which it is expected that holders of record of shares of Common Stock shall be entitled to exchange their shares or warrants for securities or other property, if any, deliverable upon such reclassification, change of outstanding shares, consolidation, merger, sale, lease, conveyance of property, liquidation, dissolution, or winding-up; or (iii) the earlier of the date or record date in respect of such action which would require an adjustment to the Exercise Price.

6. Taxes. The issuance of any shares or warrants or other securities upon the exercise of this Warrant, and the delivery of certificates or other instruments representing such shares, warrants, or other securities, shall be made without charge to the Holder for any tax or other charge in respect of such issuance. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of any certificate in a name other than that of the Holder and the Company shall not be required to issue or deliver any such certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

7. Certain Rights.

(a) In case any event shall occur as to which the provisions of paragraph 3 or 4 are not strictly applicable but the failure to make any adjustment would not fairly protect the purchase rights represented by this Warrant in accordance with the essential intent and principles of such paragraphs, then in each such case, the Exercise Price and/or the amount of any Common Stock, cash, securities or other assets to be delivered upon exercise of this Warrant shall be adjusted on a basis consistent with the essential intent and principles established in paragraph 3 or 4, as necessary to preserve the purchase rights represented by this Warrant.

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(b) The Company will not, by amendment of its Certificate of Incorporation or through any consolidation, merger, reorganization, transfer of assets, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant.

8. Legend. The securities issued upon exercise of the Warrants shall be subject to a stop transfer order and the certificate or certificates evidencing any such securities shall bear the following legend:

THESE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO (i) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW AND SUCH REGISTRATION OR QUALIFICATION AS MAY BE REQUIRED UNDER THE SECURITIES LAWS OF ANY STATE OR (ii) AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH SECURITIES LAWS.

9. Miscellaneous.

(a) Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction, or mutilation of any Warrant (and upon surrender of any Warrant if mutilated), and upon reimbursement of the Company's reasonable incidental expenses, the Company shall execute and deliver to the Holder thereof a new Warrant of like date, tenor, and denomination.

(b) The Holder of any Warrant shall not have, solely on account of such status, any rights of a stockholder of the Company, either at law or in equity, or to any notice of meetings of stockholders or of any other proceedings of the Company, except as provided in this Warrant.

(c) This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

(d) This Warrant shall be construed in accordance with the laws of the State of Delaware, without giving effect to conflict of laws.

IN WITNESS WHEREOF, the undersigned have set their hand to this Warrant Agreement as of April ___, 1999.

NOVAVAX, INC.

By:

Mitchell J. Kelly, Interim President &
Chief Executive Officer

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To: Novavax, Inc.
8320 Guilford Road
Columbia, MD 21046
Attention: President

ELECTION TO EXERCISE

The undersigned hereby exercises its or his rights to purchase Warrant Shares covered by the within Warrant and tenders payment herewith in the amount of \$_____ in accordance with the terms thereof, and requests that certificates for such securities be issued in the name of, and delivered to:

(Print Name, Address and Social Security or Tax Identification Number)

and, if such number of Warrant Shares shall not be all the Warrant Shares covered by the within Warrant, that a new Warrant for the balance of the Warrant Shares covered by the within Warrant be registered in the name of, and delivered to, the undersigned at the address stated below.

Dated: _____ Name: _____
(Print)

Address: _____

(Signature)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-80277, 33-80279 and 333-3384) and in the Prospectus constituting part of the Registration Statements on Form S-3 (Nos. 333-14305, 333-5367, 333-22685 and 333-46409) of Novavax, Inc. of our report dated March 17, 1999 except for the fourth paragraph of Note 1 which is as of April 14, 1999, appearing on page F-2 of this Annual Report on Form 10-K.

PRICEWATERHOUSECOOPERS LLP

McLean, Virginia
April 14, 1999

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