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, 1999

Commission File No. 0-26770

NOVAVAX, INC.

(Exact name of registrant as specified in its charter)

Delaware	**22-2816046**
(State or other jurisdiction of incorporation or organization)	(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:	**Name of each exchange on which registered**
Common Stock ($.01 par value)	**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 16,437,216 shares of the registrant's Common Stock, par value $.01 per share, held by non-affiliates of the registrant at March 3, 2000, as computed by reference to the closing price of such stock, was approximately $164,372,160.

The number of shares of the registrant's Common Stock, par value $.01 per share, outstanding at March 3, 2000 was 18,100,716 shares.

Documents Incorporated By Reference

Portions of the 2000 Novavax, Inc. Proxy Statement are incorporated by reference into Part III of this Report.

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PART I

Item 1. *Business*

Novavax, Inc. ("Novavax" or the "Company") is a biopharmaceutical company focused on the research and development of proprietary drug delivery and vaccine 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. Novavax's recently acquired Biomedical Services Division is engaged in contract research and development and Phase I and Phase II vaccine manufacturing of human vaccines for the Company's own use and for government laboratories and other vaccine companies.

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"). 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.

Novavax Product Development Programs

Hormone Replacement Therapies. The Company's hormone replacement therapy program includes its two lead product candidates: ESTRASORB™, topical estrogen cream, and ANDROSORB™, a topical testosterone cream. The Company has completed various preclinical and human safety studies for both ESTRASORB and ANDROSORB. In addition, the Company initiated a multicenter Phase III study of ESTRASORB, during the third quarter of 1999. The study is designed to measure ESTRASORB's ability to deliver estradiol through the skin, when applied as a topical lotion. The Company has completed Phase I safety study in men of ANDROSORB; Phase II trials in testosterone deficient women are to begin in the first quarter of 2000. In addition, the Company is undergoing preclinical development of Andro-Ject™, a depot delivery of testosterone for testosterone deficient men. The Investigational New Drug application ("IND") for Andro-Ject is expected to be filed in the fourth quarter of 2000.

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. The Company also has a licensing agreement with Parkedale Pharmaceuticals,

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Inc., a wholly owned subsidiary of King Pharmaceuticals, Inc., for the right to a series of Novavax Novasome adjuvants to be used with Parkedale's FLUOGEN®, an influenza virus vaccine.

In August 1999, the Company acquired substantially all of the assets of DynCorp's vaccine manufacturing and development division, which is now called the Novavax Biomedical Services Division ("BSD"). Established in 1964, the BSD is engaged in contract research, development and pilot manufacturing of human vaccines for the Company's own use and for government laboratories and other vaccine companies. The Director of this division is Louis Potash, Ph.D., one of the original scientists to work on both the Salk-type inactivated polio vaccines and inactivated whole influenza virus vaccines during the 1950s. This acquisition significantly expands Novavax's internal vaccine developmental capabilities and allows the Company to combine its adjuvant technology with BSD's 35 years of experience in developing and manufacturing vaccines.

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®, an oral anti-bacterial preparation for the treatment of *Helicobacter pylori* (*"H. Pylori"*) infection, and two anti-microbial agents targeting biological threat agents such as Bacillus anthracis and influenza A, respectively, as well as a spermicide product candidate.

Novavax Product Technology Platforms

Novavax has developed proprietary topical, oral and injectable drug delivery technologies using microscopic, organized, non-phospholipid structures, including Novasome 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.

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 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. Novasomes are also currently licensed to King Pharmaceuticals as an adjuvant for its marketed influenza vaccine, Fluogen®.

Micellar Nanoparticle Emulsion

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 the may also cause less skin irritation than patch transdermal delivery systems. MNPs are the fundamental technology platform for Novavax's hormone replacement therapies.

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 microbe-killing agent. Preclinical 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, a subcontract from the University of Michigan, which is developing anti-infective defense systems against biological warfare agents for the U.S. military.

Vaccines

BSD is involved in three areas of vaccine development: virology, tissue culture and molecular virology. BSD's experimental virology research and development may lead to live virus vaccine production in the embryonated hens' eggs and in designated tissue culture systems. Tissue culture involves the growth, maintenance and characterization of cell systems as potential substrates for virus growth and vaccine production as well as cell systems for safety testing, plaque-purification and virus titers. BSD's work in molecular virology involves recombinant DNA cloning of viral and human genes, protein expression of these genes in prokaryotic and eukaryotic systems including baculoviruses, protein purification of the recombinant protein products, and biophysical characterization of recombinant proteins leading to vaccine and related product development.

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) 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

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$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.

The Company has completed four 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 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. This study indicated that ESTRASORB, administered daily to menopausal women, significantly reduced the number of hot flashes per day and significantly increased their trough serum estradiol levels.

During the third quarter of 1999, Novavax initiated a multi-center Phase III study of ESTRASORB in symptomatic menopausal women. The study, initiated ahead of schedule, will involve 200 subjects in at least 12 centers nationwide. The study is designed to measure ESTRASORB's ability to deliver 17b estradiol through the skin, when applied as a topical lotion. The clinical endpoint is reduction of hot flashes associated with menopause.

The positive reactions of the women in the Phase II study coupled with the Company's promising clinical results indicate that estrogen replacement therapy is an excellent initial target for the Company's topical drug delivery system, representing a multi-billion dollar worldwide market opportunity. As the Company begins the final stages of clinical development with ESTRASORB, the Company will continue to investigate its topical delivery system to other products.

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. The Company completed Phase I testing of ANDROSORB in 1999, with results that indicated ANDROSORB did not cause skin irritation in the patients tested, some of whom received daily dosages for 28 consecutive days at the same site. These studies have also all demonstrated delivery of the drug successfully results in elevated blood hormone levels. The Company plans to initiate a Phase II dose ranging study in testosterone deficient women in the first quarter of 2000.

Andro-Ject

Andro-Ject is a new oil-free, cholesterol-free depot drug delivery system delivery for testosterone, which is in preclinical development. Andro-Ject is delivered subcutaneously with a small 25 gauge needle. In animal studies supra-therapeutic levels of testosterone were maintained for two weeks after one subcutaneous injection.

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 preclinical 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. Preclinical studies indicate that viruses and spores vulnerable to BCTP include influenza A and bacillus anthracis, but it may also be appropriate for 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.

The Company currently has several anti-microbial agents in preclinical 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 Advance Research Projects Agency's ("DARPA") Unconventional Pathogen Countermeasures Program. In August 1999, the Company received an extension on its subcontract with The University of Michigan to continue supplying the University with the Company's proprietary microbial products against certain biologic warfare agents.

Vaccine Adjuvants

Adjuvants are substances that make vaccines more effective. The Company believes that its Novasome lipid vesicles 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; and (iii) presentation of small peptide antigens or proteins to elicit both heightened antibody and cellular immune responses.

The Company has recently entered into a licensing agreement with Parkedale Pharmaceuticals, Inc., a wholly owned subsidiary of King Pharmaceuticals, Inc. for the rights to Novavax's adjuvants to be used in Parkedale's US FDA licensed FLUOGEN® influenza virus vaccine, trivalent, type A and B. Under the terms of the agreement, the

Company has granted Parkedale an exclusive license to all Novasome adjuvants for use with influenza vaccine therapies, including worldwide development and marketing rights, with the exception of six Pacific Rim countries. In return, Novavax received an upfront licensing fee of $1 million, milestone payments, research support and royalties on future product sales. In 1998, the total influenza market was valued at over $240 million. Novasome adjuvanted FLUOGEN is expected to enter clinical trials in 2000.

Vaccine Projects

The Company's BSD operation currently has two products in clinical trials with collaborators at NIH. The first, an HPV-16 virus-like particle (VLP) vaccine is in Phase II clinical trials and is intended to prevent HPV-16 infection. The second product, a Hepatitis E vaccine, will be tested in a Phase II trial in Nepal.

In October 1999, Novavax signed its first contract since the acquisition of BSD with the National Cancer Institute (NCI), which awarded the Company the contract to manufacture recombinant chimeric virus-like particle vaccines (VLP) against Human papilloma virus (HPV). The novel recombinant chimeric virus-like particles are non-infectious vaccine candidates designed to either treat or prevent HPV infections that cause genital warts and cervical cancer. The HPV vaccines were developed by research and development teams lead by Robin Robinson, Ph.D., Associate Director of BSD and Douglas Lowy, M.D. of the Laboratory of Cellular Oncology at NCI. Dr. Robinson will serve as Principal Investigator on this new HPV vaccine project.

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.

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 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, 1999, the Company's research and development staff numbered 29 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 $3,354,000, $3,361,000 and $2,874,000 and in the years ended December 31, 1999, 1998 and 1997, respectively.

Patents And Proprietary Information

The Company, through a wholly-owned subsidiary, holds 50 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 NovamixR 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 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 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

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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 35 full-time employees as of December 31, 1999, of whom 29 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, analytical laboratories and pharmaceutical product storage at 8320 Guilford Road, Columbia, Maryland. The Company also leases 2,700 square feet of space located in Rockville, Maryland. This space contains the Company's certified animal facility and laboratories for its drug research and biologics development, which includes the vaccine adjuvant product and services group. The Company's Biomedical Services Division also leases 12,000 square feet of space located in Rockville, Maryland. This space is for contract vaccine research, development and manufacturing of Phase I and II products.

The Company believes its facilities are adequate to produce quantities of Novasome lipid vesicles, micellar nanoparticles, vaccines and adjuvants to support Phase I and Phase II clinical trials. It does not presently have FDA certified facilities capable of producing the larger quantities of pharmaceutical products required for commercial production. The Company presently relies on collaborators, licensees or contract manufacturers for Phase III clinical trial materials and commercial production of its own pharmaceuticals.

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, 1999.

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.

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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
John A. Spears	50	President, Chief Executive Officer and Director since May 1999. President and Chief Executive Officer of Vion Pharmaceuticals, Inc. from 1995 to May 1999. President and Chief Executive Officer of MelaRx Pharmaceuticals, Inc. from 1993 to 1995. Senior Vice President of Immunex Corp from 1989 to 1993.
D. Craig Wright, M.D.	49	President — Research 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.
Donald J. MacPhee	48	Vice President, Chief Financial Officer and Treasurer since February 1999. Corporate Controller of Environmental Tectonics Corporation from 1997 to 1998. Vice President of IGI, Inc., from 1990 to 1997 and Chief Financial Officer of IGI, Inc., from 1987 to 1997.

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PART II

Item 5. ***Market For Registrant's Common Equity and Related Stockholder Matters***

The Company's Common Stock was held by 904 stockholders of record as of March 3, 2000. 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 Company's Common Stock ($.01 par value) is traded on the American Stock Exchange under the symbol "NOX". The following table sets forth, for the periods presented, the high and low sales prices for the Company's Common Stock.

Quarter Ended	High	Low
December 31, 1999	$6.1875	$3.6250
September 30, 1999	4.5000	3.1250
June 30, 1999	4.1875	3.0625
March 31, 1999	4.0000	1.8750
December 31, 1998	$3.2500	$ 1.2500
September 30, 1998	3.8750	1.2500
June 30, 1998	4.7500	2.8125
March 31, 1998	6.1250	3.7500

Recent Sales of Unregistered Securities

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 agents' 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 agents. Other costs connected with the Private Placement, including legal, stock exchange listing and registration fees, were approximately $67,000. Net proceeds to the Company from the Private Placement were approximately $4,000,000.

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Item 6. ***Selected Financial Data***

	For the years ended December 31,				
	1995	1996	1997	1998	1999
	(amounts in thousands, except share and per share information)				
Statement of Operations Data:					
Revenues	$ 268	$ 56	$ 520	$ 681	$ 1,181
Loss from operations	(6,744)	(5,534)	(4,791)	(5,152)	(4,566)
Net loss	(8,494)	(5,495)	(4,547)	(4,817)	(4,506)
Loss applicable to common stockholders	(8,494)	(5,495)	(4,547)	(7,045)	(4,506)
Per share information: (basic and diluted)					
Loss applicable to common stockholders	$ (0.85)	$ (0.54)	$ (0.39)	$ (0.57)	$ (.31)
Weighted average number of shares outstanding	9,937,936	10,132,896	11,667,428	12,428,426	14,511,081

	As of December 31,				
	1995	1996	1997	1998	1999
Balance Sheet Data:					
Total current assets	$4,761	$3,221	$4,303	$1,207	$ 1,143
Working capital	4,330	2,640	4,014	349	270
Total assets	7,530	5,722	6,823	3,819	4,463
Stockholders' equity	7,099	5,117	6,522	2,961	2,840

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

In August 1999, the Company acquired substantially all of the assets (excluding cash and accounts receivable) of the Biomedical Services Laboratory ("BSD") division of DynCorp of Reston, Virginia for $592,000 and assumed liabilities of approximately $60,000. In addition, DynCorp entered into a five-year non-competition agreement, for which Novavax will make four quarterly payments of $37,000 each, which commenced in November 1999. Also, the Company incurred approximately $60,000 in direct costs (legal, accounting, etc.) associated with the acquisition. The total consideration and direct costs for the acquisition were $860,000. The research and development activities of BSD are conducted in a 12,000 square foot facility located in Rockville, Maryland. BSD is engaged in contract research, development and pilot manufacturing of human vaccines for government laboratories and other vaccine companies. The acquisition has been accounted for under the purchase method of accounting for business combinations. (See Note 5 of the Notes to the Consolidated Financial Statements).

1999 Compared to 1998

The net loss of $4,506,000 for the year ended December 31, 1999 was $311,000 or 6% lower than the net loss for the year ended December 31, 1998. In 1998, charges for a dividend, a deemed dividend and offering costs totaling $2,228,000, related to the mandatorily-redeemable convertible preferred stock, resulted in a loss applicable to common stockholders for the year ended December 31, 1998 of $7,045,000. There were no similar charges for the year ended December 31, 1999.

Revenues of $1,181,000 were recognized during 1999, compared to $681,000 in 1998. This $500,000 or 73% increase relates to payments made under license and research contracts for vaccines, vaccine adjuvants and microbicides. The Company's Biomedical Services division, which was acquired in August 1999, accounted for $370,000 or 31% of the 1999 total. In October 1999, the Company entered into a licensing agreement with Parkedale Pharmaceuticals, Inc., a wholly-owned subsidiary of King Pharmaceuticals, Inc. for the rights to Novavax's technologies, including the Novasome adjuvants to be used with Parkedale's U.S. Food and Drug Administration licensed influenza vaccine. Under the terms of the agreement, Novavax received a non-refundable license payment of $1,000,000. Novavax has recognized $250,000 under this agreement as revenue for the year ended December 31, 1999. The remaining $750,000 has been recorded in the accompanying balance sheet at December 31, 1999 as Deferred Revenue and will be recognized as revenue over the next year. Additional payments due under this agreement include milestone payments, research support and royalties on future product sales.

General and administrative expenses were $2,393,000 for the year ended December 31, 1999, compared to $2,472,000 for 1998. The $79,000 or 3% decrease in these expenses related to reduced salary expense due to a reduction in the number of administrative employees. As a result of the BSD acquisition, headcount increased from 15 to 38 employees, and the Company expects the number of employees to increase in future periods to meet its requirements.

Research and development expenses were $3,354,000 and $3,361,000 for the years ended December 31, 1999 and 1998, respectively. Research costs of the newly acquired BSD operation accounted for $704,000 or 21% of Novavax's research expenditures for 1999. This additional cost was offset by reductions in the number of products in clinical development programs. The Company expects these efforts to resume during 2000.

Interest income was $60,000 and $335,000 for the years ended December 31, 1999 and 1998, respectively. The reduction in interest income relates to lower average cash balances during 1999 compared to 1998.

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.

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.

Liquidity and Capital Resources

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.

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. In October 1998, the Company entered into agreements to repurchase the remaining Preferred Stock. 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. 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.

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 agents' 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 agents. Other costs connected with the Private Placement, including legal, stock exchange listing and registration fees, were approximately $67,000. Net proceeds to the Company from the Private Placement were approximately $4,000,000.

In January 2000, the Company closed a private placement of 2,813,850 shares of its Common Stock to accredited investors (the "2000 Private Placement"). The issuance price of the Common Stock was $4.00 per share. Each share was sold together with a non-transferable warrant for the purchase of .25 additional shares at an exercise price of $6.75. The warrants have a three-year term. Gross proceeds from the 2000 Private Placement were $11,255,400. Placement agent fees were approximately $675,000, which was paid in cash. Additionally, non-transferable warrants for the purchase of 281,385 shares of the Company's Common Stock, with an exercise price of $6.75 per share and a three-year term, were issued to the placement agent. Other costs connected with the 2000 Private Placement, including legal, stock exchange listing and registration fees, were approximately $67,000. Net proceeds to the Company from the 2000 Private Placement were approximately $10,530,000.

The Company used $3,700,000 during the year ended December 31, 1999 to fund the activities of its research and development programs and costs associated with obtaining regulatory approvals, preclinical and clinical testing. In addition, Novavax acquired the Biomedical Services Laboratories division of DynCorp for $592,000 in cash. Funding for these transactions was available from the private placement of the Company's Common Stock in April 1999 and from the $1,000,000 license payment due under the Parkedale agreement. On December 31, 1999, the Company had $732,000 in cash.

Cash, cash equivalents and marketable securities on March 3, 2000, totaled $10,800,000. 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 24 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 financing, 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.

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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.

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 May 9, 2000 (the "2000 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 2000 Proxy Statement within 120 days after the close of the fiscal year ended December 31, 1999.

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 2000 Proxy Statement under the captions "Executive Compensation" and "Director Compensation" and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management***

The information required by this item is contained in the Company's 2000 Proxy Statement under the caption "Beneficial Ownership of Common Stock" and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

The information required by this item is contained in the Company's 2000 Proxy Statement under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference.

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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, 1999 and 1998; Consolidated Statements of Operations for the years ended December 31, 1999, 1998 and 1997; Consolidated Statements of Cash Flows for the years ended December 31, 1999, 1998 and 1997; Consolidated Statements of Stockholders' Equity for the years ended December 31, 1999, 1998 and 1997; 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.

(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. [Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, File No. 0-26770, filed April 15, 1999. (the "1998 Form 10-K").]
††10.4	Director Stock Option Plan. [Incorporated by reference to Exhibit 10.5 to the Form 10.]
10.5	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.]
10.6	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").]

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10.7	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.]
10.8	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.]
††10.9	Employment Agreement dated March 31, 1998, by and between the Company and D. Craig Wright [Incorporated by reference to Exhibit 10.14 to the 1998 Form 10-K]
*††10.10	Employment Agreement dated May 13, 1999, by and between the Company and John A. Spears.
*††10.11	Employment Agreement dated March 5, 1999, by and between the Company and Richard J. Harwood.
10.12	Form of Stock and Warrant Purchase Agreement dated April 14, 1999, by and between the Company and the purchasers named therein [Incorporated by reference to Exhibit 10.16 to the 1998 Form 10-K]
*10.13	License Agreement by and between the Company and Parkedale Pharmaceuticals, Inc. dated October 21, 1999.
*10.14	License Agreement by and between the Company and Cantab Pharmaceuitcals Research Limited, dated April 22, 1999.
*10.15	Form of Stock and Warrant Purchase Agreement dated January 28, 2000, 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:

The Company filed a current report on Form 8-K on August 25, 1999 to report under Item 2 its acquisition of DynCorp's Biomedical Services Laboratory division. In addition, the Company filed an amendment to the Form 8-K on October 12, 1999 to include under Item 7 the following financial information:

Financial statements of DynCorp Biomedical Services Laboratory.

(1) Report of Independent Accountants dated October 6, 1999.

(2) Statement of Assets Acquired and Liabilities Assumed as of December 31, 1998 and June 30, 1999 (unaudited)

(3) Statement of Operating Revenue and Expenses for the year ended December 31, 1998 and for the six months ended June 30, 1999 (unaudited) and 1998 (unaudited).

(4) Notes to Financial Statements.

Unaudited Pro Forma Combined Financial Information of Novavax, Inc.

(1) Unaudited Pro Forma Combined Statement of Operations for the year ended December 31, 1998.

(2) Unaudited Pro Forma Combined Statement of Operations for the six months ended June 30, 1999.

(3) Unaudited Pro Forma Combined Condensed Balance Sheet as of June 30, 1999.

(4) Notes to the Unaudited Pro Forma Combined Financial Information

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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.

Date: March 7, 2000

NOVAVAX, INC.

By: /s/ JOHN A. SPEARS

John A. Spears,
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/ JOHN A. SPEARS John A. Spears	President and Chief Executive Officer and Director	March 7, 2000
/s/ DONALD J. MACPHEE Donald J. MacPhee	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 7, 2000
/s/ GARY C. EVANS Gary C. Evans	Director	March 7, 2000
/s/ MITCHELL J. KELLY Mitchell J. Kelly	Director	March 7, 2000
/s/ J. MICHAEL LAZARUS J. Michael Lazarus, M.D.	Director	March 7, 2000
/s/ JOHN O. MARSH, JR. John O. Marsh, Jr.	Director	March 7, 2000
/s/ MICHAEL A. MCMANUS Michael A. McManus	Director	March 7, 2000
/s/ DENIS M. O'DONNELL Denis M. O'Donnell, M.D.	Director	March 7, 2000
/s/ RONALD H. WALKER Ronald H. Walker	Director	March 7, 2000

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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 related consolidated statements of operations, of cash flows and of changes in stockholders' equity, present fairly, in all material respects, the consolidated financial position of Novavax, Inc. and subsidiaries at December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. 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 auditing standards generally accepted in the United States, 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

February 26, 2000

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NOVAVAX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except share and per share information)

	For the years ended December 31,		
	1999	1998	1997
Revenues	$ 1,181	$ 681	$ 520
Operating expenses:			
General and administrative	2,393	2,472	2,437
Research and development	3,354	3,361	2,874
Total operating expenses	5,747	5,833	5,311

Loss from operations	(4,566)	(5,152)	(4,791)
Interest income, net	60	335	244
Net loss	(4,506)	(4,817)	(4,457)
Dividend on preferred stock	—	(225)	—
Deemed dividend on preferred stock	—	(1,583)	—
Accretion of offering cost	—	(420)	—
Loss applicable to common stockholders	$ (4,506)	$ (7,045)	$ (4,547)
Per share information: (basic and diluted) Loss applicable to common stockholders	$ (0.31)	$ (0.57)	$ (0.39)
Weighted average number of common shares outstanding (basic and diluted)	14,511,081	12,428,426	11,667,428

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,	
	1999	**1998**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 732	$ 1,031
Accounts receivable	341	138
Prepaid expenses and other current assets	70	38
Total current assets	1,143	1,207
Property and equipment, net	1,053	1,020
Patent costs, net	1,619	1,590
Other assets, net	648	2
Total assets	$ 4,463	$ 3,819
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Debt obligations	$ 111	$ 36
Accounts payable	637	793
Accrued payroll	125	29
Total current liabilities	873	858
Deferred revenue	750	—
Total liabilities	1,623	858
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; 15,173,688 issued and 15,167,166 outstanding at December 31, 1999, and 13,253,118 issued and outstanding at December 31, 1998	152	133
Additional paid-in capital	45,622	41,231
Accumulated deficit	(42,894)	(38,388)

Deferred compensation on stock options granted	(5)	(15)
Treasury stock, 6,522 shares, cost basis at December 31, 1999	(35)	—
Total stockholders' equity	2,840	2,961
Total liabilities and stockholders' equity	$ 4,463	$ 3,819

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,		
	1999	**1998**	**1997**
Cash flows from operating activities:			
Net loss	$ (4,506)	$ (4,817)	$ (4,547)
Reconciliation of net loss to net cash used by operating activities:			
Gain on sale of asset	(23)	—	—
Non-cash compensation expense	10	10	577
Depreciation and amortization	382	281	254
Issuance of stock to 401(k) plan	—	22	10
Issuance of stock as compensation	115	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(203)	112	(257)
Prepaid expenses and other assets	(45)	224	4
Accounts payable and accrued expenses	(180)	544	(286)
Deferred revenue	750	—	—
Net cash used by operating activities	(3,700)	(3,624)	(4,245)
Cash flows from investing activities:			
Proceeds from the sale of marketable securities	—	—	501
Acquisition of business	(592)	—	—
Capital expenditures	(48)	(231)	(45)
Deferred patent costs	(171)	(146)	(198)
Proceeds from sale of asset	25	—	—
Net cash (used) provided by investing activities	(786)	(377)	258
Cash flows from financing activities:			
Payment of capital lease obligations	(73)	(38)	(11)
Issuance of preferred stock	—	6,500	—
Dividend on preferred stock	—	(179)	—
Offering costs of preferred and common stock	(173)	(502)	—
Repurchase of preferred stock	—	(4,979)	—
Proceeds from private placements of common stock	4,128	50	5,003
Proceeds from the exercise of stock options	305	333	361
Net cash provided by financing activities	4,187	1,185	5,353
Net change in cash and cash equivalents	(299)	(2,816)	1,366
Cash at beginning of period	1,031	3,847	2,481
Cash and cash equivalents at end of period	$ 732	$ 1,031	$ 3,847

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NOVAVAX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31, 1999, 1998 and 1997
(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, 1996	**10,660,710**	**$ 106**	**$ 32,410**	**$ (26,796)**	**$ (603)**	**$ —**	**$ 5,117**
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
Private sale of preferred stock, net	—	—	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	—	—	—	(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**
Amortization of deferred compensation	—	—	—	—	10	—	10
Private sale of common stock	1,651,100	17	4,111	—	—	—	4,128
Offering costs	42,933	—	(173)	—	—	—	(173)
Stock issued as compensation	—	—	(43)	—	—	158	115
Exercise of stock options	226,537	2	496	—	—	(193)	305
Net loss	—	—	—	(4,506)	—	—	(4,506)
Balance, December 31, 1999	**15,173,688**	**$ 152**	**$ 45,622**	**$ (42,894)**	**$ (5)**	**$ (35)**	**$ 2,840**

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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. Novavax's recently acquired Biomedical Services Division is engaged in contract research and development and Phase I and Phase II vaccine manufacturing of human vaccines for the Company's own use and for government laboratories and other vaccine companies. 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 financing, 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.

Subsequent Event

In January 2000, the Company closed a private placement of 2,813,850 shares of its Common Stock to accredited investors (the "2000 Private Placement"). The issuance price of the Common Stock was $4.00 per share. Each share was sold together with a non-transferable warrant for the purchase of .25 additional shares at an exercise price of $6.75. The warrants have a three-year term. Gross proceeds from the 2000 Private Placement were $11,255,400. Placement agent fees were approximately $675,000, which was paid in cash. Additionally, non-transferable warrants for the purchase of 281,385 shares of the Company's Common Stock, with an exercise price of $6.75 per share and a three-year term, were issued to the placement agent. Other costs connected with the 2000 Private Placement, including legal, stock exchange listing and registration fees, were approximately $50,000. Net proceeds to the Company from the 2000 Private Placement were approximately $10,530,000.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents are considered to be short-term highly liquid investments with original maturities of 90 days or less.

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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, which ever 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 $871,000 and $691,000 at December 31, 1999 and 1998, 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. Accumulated amortization of patent costs was $820,000 and $678,000 at December 31, 1999 and 1998, respectively.

Stock Based Compensation

The Company measures compensation expense for its employee stock-based compensation using the intrinsic value method and provides pro forma disclosures of net loss as if the fair value method had been applied in measuring compensation expense. Under the intrinsic value method of accounting for stock-based compensation, when the exercise price of options granted to employees is less than the estimated fair value of the underlying stock on the date of grant, deferred compensation is recognized and is amortized to compensation expense over the applicable vesting period.

Impairment of Long-lived Assets

The Company evaluates the recoverability of the carrying value of its long-lived assets periodically. The Company considers historical performance and anticipated future results in its evaluation of potential impairment. Accordingly, when indicators of impairment are present, the Company evaluates the carrying value of these assets in relation to the operating performance of the business and future discounted and undiscounted cash flows expected to result from the use of these assets. Impairment losses are recognized when the sum of expected future cash flows are less than the assets' carrying value. No such impairment losses have been recognized to date.

Research and Development Costs

Research and development costs are expensed as incurred.

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.

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

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2. Summary of Significant Accounting Policies — (Continued)

Net Loss Per Share — (Continued)

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. The Company has provided a full valuation allowance against its net deferred tax asset as of December 31, 1999 and 1998.

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.

Comprehensive Income

The Company has adopted the accounting treatment prescribed by SFAS 130, *Comprehensive Income.* The adoption of this statement had no impact on the Company's financial statements because the Company did not have any other comprehensive income components.

Concentration of Credit Risk

Financial instruments, which possibly expose the Company to concentration of credit risk, consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses on such accounts. Accounts receivable consist principally of amounts due from the Federal Government, other large institutions and credit worthy companies. The Company monitors the balances of individual accounts to assess any collectibility issues. The Company has not experienced losses related to receivables in the past. As of December 31, 1999, three customers accounted for 53%, 11% and 10% of accounts receivable, which totaled $341,000. As of December 31, 1998, two customers accounted for 65% and 27% of accounts receivable, which totaled $138,000.

New Accounting Standards

The Financial Accounting Standards Board ("FASB") has issued Statement of Accounting Standards No. 137 (SFAS 137), Accounting for Derivative Instruments and Hedging Activities — Deferral of the

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2. Summary of Significant Accounting Policies — (Continued)

New Accounting Standards — (Continued)

Effective Date of SFAS No. 133. This statement amends SFAS No. 133 to be effective for all fiscal quarters of all fiscal years beginning after June 15, 2000.

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, 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, 2001. 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

	1999	1998	1997
	(amounts in thousands)		
Cash paid for:			
Interest	$ 9	$ 9	—

For the years ended December 31, 1999, 1998 and 1997, the Company had the following non-cash financing and investing activities:

	1999	1998	1997
	(amounts in thousands)		
Capital lease obligation for the purchase of furniture and equipment	$ —	$ 50	$ —

4. Property and Equipment

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

	1999	1998
	(amounts in thousands)	
Machinery and equipment	$1,433	$1,249
Leasehold improvements	428	329
Equipment under capital leases	—	87
Furniture and fixtures	63	46
	1,924	1,711
Less accumulated depreciation	(871)	(691)
	$ 1,053	$ 1,020

Depreciation expense of $183,500, $152,000 and $134,000 was recorded in the years ended December 31, 1999, 1998 and 1997, respectively. Accumulated depreciation on equipment under capital leases was $33,000 at December 31, 1998.

5. Acquisition of Biomedical Services Laboratories

On August 10, 1999, the Company acquired substantially all of the assets (excluding cash and accounts receivable) of the Biomedical Services Laboratory ("BSD") division of DynCorp of Reston, Virginia for

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5. Acquisition of Biomedical Services Laboratories — (Continued)

$592,000 in cash and assumed liabilities of approximately $60,000. In addition, DynCorp entered into a five-year non-competition agreement, for which Novavax will make four quarterly payments of $37,000 each, commencing on November 10, 1999. The research and development activities of BSD are conducted in a leased 12,000 square foot facility located in Rockville, Maryland. BSD is engaged in contract research, development and pilot manufacturing of human vaccines for government laboratories and other vaccine companies.

The acquisition has been accounted for under the purchase method of accounting for business combinations. The total consideration and direct costs (which include legal and accounting fees of approximately $60,000) for the acquisition was $860,000. The following summarizes management's allocation of the purchase price based on estimated fair value as of the acquisition date.

	Cost	Estimated lives
	(thousands)	
Property and equipment	$ 170	3-7 years
Goodwill and other intangible assets	$ 690	5 years

Property and equipment consists primarily of laboratory equipment that the Company believes will continue to be used in the operations of the Division. Other intangible assets included patents, workforce, favorable lease and approved FDA facility. Goodwill and other intangible assets of $690,000 are included in non-current other assets at December 31, 1999. Goodwill and other intangible assets are being amortized over their useful lives of five years. At December 31, 1999, accumulated amortization was $57,500.

The operating results of BSD have been included in the consolidated statement of operations from the acquisition date. The following summary represents pro forma results of operations as if the acquisition had occurred at the beginning of 1998. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would have actually resulted had the combination been in effect and are not intended to be indicative of future results.

	Year ended December 31,

	1999	1998
	(amounts in thousands, except per share information)	
Revenue	$ 3,597	$ 3,037
Net loss	$ (4,484)	$ (4,798)
Loss per share	$ (.31)	$ (.57)

6. 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.

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6. Stock Options and Warrants — (Continued)

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. 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.

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, 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
Granted at weighted average price of $3.80 per share	1,078,500	—
Exercised at weighted average price of $2.20 per share	(226,537)	—
Expired or canceled at weighted average price of $4.28 per share	(577,757)	—
Balance, December 31, 1999	3,388,453	440,000
Price range	$0.01 to 7.00	$ 1.94 to 5.81
Weighted average exercise price	$ 3.58	$ 3.45
Exercisable	2,386,499	440,000

Available for grant:		
December 31, 1999.	202,124	60,000

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NOVAVAX, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

6. Stock Options and Warrants — (Continued)

1995 Director Stock Option Plan — (Continued)

Information with respect to stock options outstanding at December 31, 1999 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	447,308	6.0	$ 0.01
Options issued at market value:			
$1.21 to 2.50	102,811	8.7	$ 1.86
$2.51 to 3.50	793,566	5.8	$ 3.18
$3.51 to 4.50	1,666,518	7.6	$ 3.81
$4.51 to 7.00	818,250	6.2	$ 5.60
	3,828,453	6.8	$ 3.56

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. $10,000, $9,000 and $472,000 related to such options has been included as compensation expense in 1999, 1998 and 1997, respectively.

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:

	1999	1998	1997
Net loss applicable to common stockholders (amounts in thousands):			
As reported	$(4,506)	$(7,045)	$ (4,547)
Pro forma	$(6,430)	$(7,983)	$ (5,114)
Basic and diluted loss per share:			
As reported	$ (.31)	$ (.57)	$ (.39)
Pro forma	$ (.44)	$ (.64)	$ (.44)
Risk-free interest rates	5.8%	6.0%	5.2%- 7.2%
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	69%	105%	47%
Weighted average remaining contractual life in years	6.8	6.7	6.9
Weighted average fair value at date of grant	$ 3.56	$ 1.21	$ 3.41

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

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NOVAVAX, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

6. Stock Options and Warrants — (Continued)

Non-Employee Options — (Continued)

been granted to these individuals under the 1995 Stock Option Plan. Using the Black-Scholes option-pricing model, charges of $2,000, $2,000 and $40,000 related to these options have been recorded in the Consolidated Statements of Operations during 1999, 1998 and 1997, respectively.

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. The warrants are fully exercisable at $3.75 per share and expire in October 2001. After giving effect to the anti-dilution provision of these warrants for the April 1999 private placement of the Company's common stock, the warrants have been revised to allow for the purchase of 51,911 shares at $3.61 per share. In November 1996, in consideration for services performed by a consultant, the Company also issued warrants for 50,000 shares of common stock. The warrants are exercisable at $5.00 per share and 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. After giving effect to the anti-dilution provision of these warrants for the April 1999 private placement of the Company's common stock, the warrants have been revised to allow for the purchase of 622,937 shares at $5.77 per share and 622,937 at $7.70 per share. The warrants have a three-year term and expire in March 2000. In April 1999, Novavax privately placed 1,651,100 shares of common stock. As part of the transaction, Novavax also granted warrants to purchase 412,775 additional shares at an exercise price of $3.75. The placement agent for this transaction was given warrants to purchase 10,733 additional shares at $3.75 and 143,000 additional shares at $3.00. These warrants have a three-year term and expire in April 2002. As of December 31, 1999, no warrants had been exercised. Using the Black-Scholes option-pricing model, charges related to these warrants of $66,000 in 1997 are included in the Statement of Operations.

Information with respect to warrants to purchase the Company's common stock at December 31, 1999 is as follows:

Number of Warrants Outstanding	Exercise Price	Expiration Date
51,911	$ 3.61	October 2001
50,000	$ 5.00	November 2001
622,937	$ 5.77	March 2000
622,937	$ 7.70	March 2000
423,508	$ 3.75	April 2002
143,000	$ 3.00	April 2002
1,914,293		

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NOVAVAX, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

7. Income Taxes

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

	1999	1998
	(amounts in thousands)	
Net operating losses	$ 8,420	$ 6,880
Research tax credits	1,024	826

Disqualifying stock options	671	719
Alternative-minimum tax credit	94	94
Equipment and furniture	51	30
Intangibles from acquisition	15	—
Deferred patent costs	(626)	(614)
Accrued vacation pay	28	6
Deferred revenues	290	—
	9,967	7,941
Less valuation allowance	(9,967)	(7,941)
Deferred taxes, net	$ —	$ —

The differences between the U.S. federal statutory tax rate and the Company's effective tax rate are as follows:

	1999	1998
Statutory federal tax rate	(34)%	(34)%
State income taxes, net of federal benefit	(4)%	(4)%
Disqualifying stock options	3%	1%
Research and development credit	(8)%	(6)%
Alt-min credits	(1)%	(1)%
Other	(1)%	2%
Change in valuation allowance	45%	42%
	—%	—%

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, 1999 and 1998.

Novavax has recorded no net provision for income taxes in 1999, 1998 and 1997 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 2019	$ 21,235
State net operating losses expiring through the year 2014.	25,977
Research tax credits expiring through the year 2019.	1,024
Alternative-minimum tax credit (no expiration)	94

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8. 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 non-cancelable leases as of December 31, 1999 are as follows:

Year	Operating Leases
	(amounts in thousands)
2000	$ 393

2001	347
2002	356
2003	366
2004	364
Thereafter	537
Total lease payments	$ 2,363

Aggregate rental expenses approximated $299,000, $219,000 and $279,000 in 1999, 1998 and 1997, respectively.

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.

In connection with the BSD acquisition, the Company entered into a five-year operating lease for office and laboratory facilities, which extends through March 2005.

9. Significant Customers

Novavax's revenue includes amounts earned from arrangements with various industry partners. In the year ended December 31, 1999, three customers accounted for 15%, 23% and 35% of the Company's total revenue. For the year ended December 31, 1998, three customers accounted for 56%, 25% and 11%, compared to 46%, 1% and 43% for the same respective customers for 1997.

10. 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 $10,500 and $10,000 in 1999 and 1998, 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 $16,000, $23,000 and $16,000 in 1999, 1998 and 1997, respectively.

11. Financing Transactions

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

NOVAVAX, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Financing Transactions — (Continued)

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.

On January 23, 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 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:

	(amount in thousands)
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)
	—

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 agents' 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 agents. Other costs connected with the Private Placement, including legal, stock exchange listing and registration fees, were approximately $67,000. Net proceeds to the Company from the Private Placement were approximately $4,000,000.

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* These exhibits are incorporated by reference

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Employment Agreement" or this "Agreement") dated as of May 13, 1999, between Novavax, Inc., a Delaware corporation having its principal office at 8320 Guilford Road, Columbia, Maryland 21046 (the "Company") and John A. Spears ("Employee") residing at 5 White Pine Lane, Guilford, Connecticut 06437.

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 President and Chief Executive Officer and such other senior management services as may from time to time be designated by the Company's 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; provided, however, that nothing contained herein shall prevent Employee from being a passive investor in any business or venture, except as prohibited pursuant to Section 10 hereof. 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 a period beginning on May 17, 1999 and ending May 16, 2002, 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 May 16, 2002, 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 and minimum salary of $250,000, 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) Performance Bonus. In addition to the base compensation payable to Employee, the Employee shall be eligible to receive an annual performance bonus in such amount, if any, as the Compensation and Stock Option Committee of the Company's Board of Directors (or any committee of the Board of Directors which shall replace such committee, or in the absence of any such committee, the Board of Directors) shall, in its sole discretion, deem appropriate. Such determination will be based, in part, upon the achievement of certain specified goals, which shall be determined in consultation with the Employee. Payment of the performance bonus, if any, will be made in cash or restricted stock of the Company, or a combination thereof, at the discretion of the Board of Directors, within 60 days following the end of the Company's fiscal year.

(c) Stock Options. In connection with his employment, Employee has received stock options to purchase 400,000 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, May 7, 1999. 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 shall vest on May 7, 2000, one-third of the shares shall vest on May 7, 2001 and one-third of the shares shall vest on May 7, 2002. 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.

5. Reimbursable Expenses.

(a) Employee is expected to relocate to the Columbia, Maryland area within six months of the date hereof, for which the Company will reimburse Employee, or cover expenses in connection with a relocation management service program established by the Company, for actual moving expenses in an amount not to exceed $50,000, which expenses may include those related to the sale and purchase of Employee's residence.

(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 four weeks of 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.

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 (i) Employee's willful failure or refusal to perform in all material respects the services required of him hereby, or his willful failure or refusal to carry out any proper direction by the Board of Directors with respect to the services to be rendered by him hereunder or the manner of rendering such services, or his willful misconduct in the performance of his duties hereunder, in each case 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 Board of Directors, or (ii) Employee's 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 or authority are reduced or diluted in any material way 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, client, 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: Chairman of the Board, with a copy to David A. White, Esq., White & McDermott, P.C., 65 William Street, 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, 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 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 principles of conflict of law.

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 controversy, claim or dispute of whatever nature arising between the parties, including but not limited to those arising out of or relating to this Agreement or any stock option agreement or the construction, interpretation, performance, breach, termination, enforceability or validity of such agreements or the arbitration provisions contained in this Agreement, whether such claim existed prior to or arises on or after the date of this Agreement, including the determination of the scope of this agreement to arbitrate, shall be determined by arbitration in Baltimore, Maryland by one arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association, except that (a) every person named on all lists of potential arbitrators shall be a neutral and impartial lawyer with excellent academic and professional credentials (i) who has practiced law for at least 15 years, specializing in either general commercial litigation or general corporate and commercial matters, with substantial experience in the preparation, negotiation and/or litigation of employment agreements and the grant of stock options, and (ii) who has had experience, and is generally available to serve, as an arbitrator, and (b) each party shall be entitled to strike on a peremptory basis, for any reason or no reason, any or all of the names of potential arbitrators on any list submitted to the parties by the AAA as well as any person selected by the AAA to serve as an arbitrator by administrative appointment. In the event the parties cannot agree on the selection of the arbitrator from the one or more lists submitted by the AAA within 30 days after the AAA transmits to the parties its first list of potential arbitrators, the President of the Maryland Bar Association shall nominate three persons who, in his or her opinion, meet the criteria set forth herein, which nominees may not

include persons named on any list submitted by the AAA. Each party shall be entitled to strike one of such three nominees on a peremptory basis within 10 days after its receipt of such list of nominees, indicating its order of preference with respect to the remaining nominees. If two such nominees have been stricken by the parties, the unstricken nominee shall be the arbitrator. Otherwise, the selection of the arbitrator shall be made by the AAA from the remaining nominees in accordance with the parties' mutual order of preference, or by random selection in the absence of a mutual order of preference. The arbitrator shall base his award on applicable law and judicial precedent, shall include in such award written findings of fact and conclusions of law upon which the award is based and shall not grant any remedy or relief that a court could not grant under applicable law. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

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:

Mitchell J. Kelly, Interim President and Chief Executive Officer

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John A. Spears

EMPLOYMENT AGREEMENT

AGREEMENT (the "Employment Agreement" or this "Agreement") effective as of March 5, 1999, 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 Product 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. Notwithstanding the foregoing, Employee may serve on the board of directors of civic and charitable organizations during his employment and may serve on the board of directors of one or two noncompeting business entities, provided that his time devoted to such 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. 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.

Notwithstanding the foregoing paragraph, Employee shall be entitled to engage in teaching and consulting services for third parties with the prior consent of the Chief Executive Officer of the Company, provided, however, that such services shall not interfere with the satisfactory performance of his duties hereunder and shall not exceed 20 days per year. The provisions of this Agreement including, without limitation, Sections 8, 9, 10 and 11 shall continue to apply with respect to such teaching and consulting services.

3. Term. The term of this Agreement shall be one year beginning on March 5, 1999 and ending March 4, 2000, 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, 2000, 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 $168,000 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. To the extent Employee's engagement in teaching

or consulting services as permitted by Section 2 above require him to be absent from work or to work less than a full day, Employee's salary shall be reduced proportionately.

(b) Stock Options. Employee shall be entitled to receive stock options to purchase 25,000 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 will be subject to an Incentive Stock Option Agreement (and, to the extent required by the Internal Revenue Code, a Non-Statutory Stock Option Agreement) and shall vest as to one-third of the shares on each of the first three anniversaries 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.

(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 such patent application lists more than one inventor, the amount of the bonus to Employee shall be reduced proportionately.

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 incurred by Employee in connection with his attendance at scientific meetings and professional seminars outside the Company, provided, however, that in each instance Employee will obtain the prior consent of the Chief Executive Officer of the Company.

6. Employee Benefits.

(a) Employee shall be entitled to three weeks of paid vacation time during the first year of his employment by the Company, 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 Employee, upon 30 days' notice to the Company, whereupon Employee shall be entitled to receive his then current salary as set forth in Section 4(a) above, but not a performance bonus, through the date of termination, together with any accrued vacation pay at his then current salary.

(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.

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: President, with a copy to David A. White, White & McDermott, P.C., 65 William Street, 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, 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 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:

John A. Spears, President

Richard J. Harwood

LICENSE AND SUPPLY AGREEMENT

THIS AGREEMENT (the "License and Supply Agreement") is made as of October 21, 1999 (the "Effective Date") by and between Parkedale Pharmaceuticals, Inc., a Michigan corporation having its principal place of business at 870 Parkedale Road, Rochester, Michigan 48307 ("Parkedale"), and Novavax, Inc., a Delaware corporation having its principal place of business at 8320 Guilford Road, Columbia, Maryland 21046 ("Novavax").

WITNESSETH:

WHEREAS, Novavax has certain proprietary know-how in the field of encapsulated drug delivery systems and has developed certain proprietary adjuvants, such as a Novasome(R) delivery system; and

WHEREAS, Parkedale has certain proprietary know-how in the field of vaccines and has developed and continues to develop proprietary vaccines, especially a vaccine comprising antigenic determinants of an influenza virus;

WHEREAS, Parkedale has developed and currently markets, distributes and sells a Fluogen(R) trivalent influenza vaccine;

WHEREAS, the parties hereto desire for Parkedale to develop, manufacture, market, distribute and sell a product for treating or preventing influenza virus and/or infection, such as a vaccine comprising antigenic determinants of an influenza virus, like Fluogen(R), which includes a proprietary adjuvant developed by Novavax; and

WHEREAS, the parties hereto desire for Novavax to supply such proprietary adjuvants to Parkedale, so that Parkedale can develop products, such as a vaccine comprising antigenic determinants of an influenza virus, like Fluogen(R), which incorporate proprietary adjuvants developed by Novavax to treat or prevent influenza virus and/or infection;

NOW, THEREFORE, for and in consideration of the premises and mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, the parties hereto agree as follows;

ARTICLE I
Definitions

1.01 "Adjuvant(s)" shall mean any and all agents which enhance a product or method involved in or concerned with the treatment or prevention or infection of influenza virus, e.g., an immune response of an influenza virus vaccine, which are owned, controlled, and/or developed by Novavax and/or its Affiliate(s), or to which Novavax and/or its Affiliate(s) has a license or right to use, such as Novasome(R) delivery system(s).

1.02 "Affiliate(s)" shall mean any corporation or other business entity controlled by, controlling, or under common control with Parkedale or Novavax, as the case may be. For this purpose, "control" means direct or indirect beneficial ownership of at least fifty percent (50%) of the voting stock in the case of a corporation, or of the right to receive distributable net income in the case of any other business entity.

1.03 "Confidential Information" as used in this License and Supply Agreement shall mean and include any and all confidential and proprietary information and Know-How which is not in the public domain, whether in oral, written, machine-readable or graphic form, and all prototypes or samples of an

Adjuvant, a Novasome(R) delivery system, a Parkedale Product and/or an Influenza Product, which is furnished by one Party or its Affiliate (the "Disclosing Party"), either directly or indirectly, pursuant to and under this License and Supply Agreement, to the other Party or its Affiliate (the "Receiving Party"), and which the Receiving Party has a reasonable basis to believe is confidential to the Disclosing Party or is treated by the Disclosing Party as confidential, unless such information: (a) was known to the Receiving Party prior to receipt from the Disclosing Party, as documented in written records or publications that lawfully are in the possession of the Receiving Party; (b) was lawfully available to the trade or to the public prior to receipt from the Disclosing Party; (c) becomes lawfully available to the trade or to the public after receipt from the Disclosing Party through no act on the part of the Receiving Party; (d) was received in good faith by the Receiving Party from any third Party without an obligation of confidentiality; (e) is in the general public domain other than as a result of a breach of this confidential relationship; (f) information is embodied in an agreement entered into by the parties hereto in writing which releases such information from the terms of this confidentiality obligation; (g) information that at any time is received in good faith by the Receiving Party from a third Party, which information was lawfully in possession of the third Party, and which the third Party had the right to disclose and did not receive from either of the parties to this License and Supply Agreement; or (h) is independently developed by an employee or agent of the Receiving Party without access to the Confidential Information, prior to receipt of such Confidential Information from the Disclosing Party, as demonstrated by contemporaneous written records. A Party receiving Confidential Information may disclose such information to the extent required by applicable law or pursuant to the requirement of a governmental or judicial entity; provided, however, that such Receiving Party shall give notice to the Disclosing Party of such requirement and shall cooperate with the Disclosing Party in its efforts to maintain the confidentiality of the Confidential Information.

1.04 "Field" shall mean (a) the use of Novavax IP in any manner whatsoever to develop, create, invent, manufacture, promote, market, offer-for-sale, sell, import and/or export an Influenza Product involved in or concerned with the treatment or prevention of influenza virus or any other purpose for which an Influenza Product may be indicated, and (b) the subsequent exploitation of an Influenza Product in the Territory.

1.05 "Influenza Product(s)" shall mean any Parkedale Product together with at least some portion or aspect of the Novavax IP, such as an Adjuvant and especially a Novasome(R) delivery system which is used to treat influenza.

1.06 "Joint Improvement(s)" shall mean any and all ideas, conceptions, reductions to practice, modifications, changes, alterations, adaptations, revisions, or improvements relating to and/or derivatives of any intellectual property or product that accrue or result from the joint activities of Novavax and/or its Affiliates with Parkedale and/or its Affiliates outside of the Field during the term of this License and Supply Agreement.

1.07 "Know-How" shall mean all tangible and intangible technical and other information including, but not limited to ideas, conceptions, reductions-to-practice, discoveries, data, designs, chemical structures, formulae, materials, intermediates, inventions (whether patentable or not), methods, models, prototypes, samples, influenza technology, works (whether copyrightable or not), assays, research plans, procedures, designs, experiments, tests, results of experimentation and testing (including results of research or development), processes (including manufacturing processes, uses, specifications

and techniques), laboratory records, note books, chemical, pharmacological, toxicological, clinical, analytical and quality control data, trial data, case report forms, data analyses, reports, manufacturing data, summaries and information contained in submissions to and from ethical committees and regulatory authorities, which relates to or concerns an Adjuvant, a Parkedale Product, Patent Rights, a Novasome(R) delivery system, a Novavax Improvement, a Parkedale Improvement and/or an Influenza Product. Know-How includes all documents and copies thereof (whether in written, machine-readable, physical or graphic form) and other things (such as prototypes, materials, samples, models, etc.) which contain, embody or refer to the Know-How. Such information, documents or things will not be excluded from being Know-How hereunder by reason of the fact that they become available to the public only through a wrongful act or omission to act of a Party hereto or a sublicensee or distributor of a Party hereto. The fact that an item is known to the public shall not be taken to exclude the possibility that a compilation including the item, and/or a development relating to the item, is (and remains) not known to the public. Know-How includes, but is not limited to, any and all rights that protect the Know-how, such as copyrights software, rights, trade secret rights, database rights and/or design rights.

1.08 "Novavax IP" shall mean the Adjuvants, Novasome(R) delivery system, Patent Rights, Novavax Improvements, and Novavax's Know-How, which is useful in the Field.

1.09 "Novavax Improvement(s)"shall mean any and all ideas, conceptions, reductions to practice, modifications, changes, alterations, adaptations, revisions, or improvements relating

to and/or derivatives of an Adjuvant, a Novasome(R) delivery system, Patent Rights, and/or Novavax Know-How that accrue or result from the activities of Novavax and/or Novavax' Affiliates or which are assignable to Novavax and/or Novavax' Affiliates.

1.10 "Net Sales" or "Net Selling Price" shall mean, with respect to the Influenza Products, the gross amount invoiced by Parkedale or its Affiliates to unrelated third parties for sales of the Influenza Products, less:

(a) Transportation, freight, and insurance charges and/or allowances actually or granted;

(b) Trade, quantity, cash and/or other discounts, if any, allowed and paid by Parkedale to unrelated third parties in arms-length transactions;

(c) Credits or allowances made or given on account of rejects, returns, recalls or retroactive price reductions for any amount not collected;

(d) Any tax, customs, duty and/or other governmental charges relating to the sale, transportation, use, delivery or services, which is paid by Parkedale and not recovered from the unrelated third Party purchaser; and

(e) Any and all costs paid to Novavax by Parkedale concerning any Novavax raw materials, including but not limited to an Adjuvant, which are used in connection with, inter alia, the development and/or manufacture of an Influenza Product.

For purposes of calculating and paying royalties, Influenza Products shall be deemed "sold" the earlier of when invoiced or shipped.

1.11 "Parkedale Improvement(s)" shall mean any and all ideas, conceptions, reductions to practice, modifications, changes, alterations, adaptations, revisions, or improvements relating to and/or derivatives of a

Parkedale Product, Parkedale's Know-How, and/or an Influenza Product that accrue or result from the activities of Parkedale and/or Parkedale's Affiliates or which are assignable to Parkedale and/or Parkedale's Affiliates.

1.12 "Parkedale Product(s)" shall mean any preparations, product, or pharmaceutical which is free of Novavax IP involved in or concerned with the treatment or prevention of an influenza virus, such as Fluogen(R), or any other purpose for which a Parkedale Product may be indicated.

1.13 "Patent Right(s)" shall mean: (a) any and all United States and foreign (i) pending and abandoned patent applications, (ii) patents issuing from such patent applications, and (iii) issued patents, together with any and all divisions, reissues, reexaminations, continuations, continuations-in part, extensions and additions thereof, which describe, relate to and/or claim an Adjuvant (including, but not limited to, an Adjuvant either alone or in combination, use of an

Adjuvant. and manufacture of an Adjuvant or an intermediate therefor) as of the date of this License and Supply Agreement; (b) any and all inventions which describe, relate to or concern a Novavax Improvement; (c) any and all United States and foreign (i) pending and abandoned patent applications, and (ii) patents issuing from such patent applications, together with any and all divisions, reissues, reexaminations, continuations, continuations-in part, extensions and additions thereof, which describe, relate to and/or claim a Novavax Improvement, now or in the future; and (d) any and all other United States and foreign pending and abandoned patent applications and issued patents necessary, useful or which permit Parkedale to accomplish the objectives of or to practice under the exclusive license and rights granted under this License and Supply Agreement. Each Patent Right shall be identified in detail on EXHIBIT A attached hereto by: (1) country; (2) serial number(s); (3) filing date(s); (4) priority date(s); (5) patent number; (6) issue date; (7) all related properties; (8) title; (9) assignee(s); (10) inventor(s); (11) applicant(s); and (12) status thereof.

1.14 "Regulatory Authority(ies)" shall mean any national, supranational (e.g.. the FDA, the European Commission, the Council of the European Union or the European Agency for the Evaluation of Medicinal Products), regional, state or local regulatory agency, department, bureau, commission, counsel or other governmental entity other in each country of the Territory involved in the granting of marketing authorization for the Influenza Product.

1.15 "Territory" shall mean the entire world, except for those countries specifically identified on EXHIBIT B attached hereto.

ARTICLE II
License for Novavax Know-How and Patent Rights

2.01 License. Novavax hereby grants to Parkedale the exclusive right and license in, to, and under the Novavax IP in the Field within the Territory. Novavax shall retain all rights not expressly granted under this Article II, not inconsistent, however, with other rights granted to Parkedale under this License & Supply Agreement. The exclusive license shall be for the period in which any Novavax IP or patents covering the Joint Improvement(s) shall remain valid and enforceable, unless earlier terminated as provided in Article IX hereof.

2.02 Parkedale Exclusivity. Consistent with Article II, Paragraph 2.01, Article IV, Paragraph 4.06 and Article V, Paragraph 5.07, Novavax agrees, during the term of this License and Supply Agreement, that it and its Affiliate(s) will not license, sublicense, approve a license for, approve a sublicense for or assign to another Party or entity the Novavax IP for use in the Field within the Territory.

2.03 Ownership of Intellectual Property. Each Party will retain

ownership of all information, data, Know-How, inventions, discoveries, programs, copyrights, improvements, devices, designs, apparatus, patents, patent applications, practices, processes, methods, products, techniques, trade secrets, ideas, or other intellectual property owned by it at the commencement of this License and Supply Agreement. The parties hereto agree that Novavax will own the

Novavax IP and an undivided joint interest in the Joint Improvements (with Parkedale) and that Parkedale will own the Parkedale Products and the Influenza Products (each to the extent that such products do not constitute Novavax IP, the Parkedale Know-How and an undivided joint interest in the Joint Improvements (with Novavax). Either Party shall be required to get approval from the other Party to use a Joint Improvement outside of the Field. The joint rights set forth herein shall include, without limitation, the right to domestic and foreign copyright, copyright renewal, trademark, and/or patent protection therein, and the right to register and claim priority therein (jointly with the other Party hereto, under any applicable law, treaties, or conventions. Nothing in this section shall grant Novavax any rights to the Influenza Product, Improvements in the Field, or any other technology that Parkedale may acquire or license.

2.04 Development. The parties hereto acknowledge that development of an Influenza Product and other related processes and products pursuant to this License and Supply Agreement may necessitate the modification, adaptation, improvement or revision of Novavax IP, a Parkedale Product, Parkedale Know-How, an Influenza Product, a Parkedale Improvement, existing technology or Know-How which is proprietary, controlled or licensed by a Party or the development of new products or processes by a Party hereto based upon such existing technology or Know-How. The parties hereto agree that each Party shall retain the sole and exclusive right, title and interest in and to any and all its own technology, information, data, Know-How, inventions, discoveries, programs, improvements, devices, designs, apparatus, practices, processes, methods, products, techniques, trade secrets, ideas or other intellectual property, which is proprietary, controlled or licensed by a Party and the development of new products or processes by a Party based upon such existing technology or Know-How, subject to its obligations and agreements set forth herein, and the right to domestic and foreign copyright, copyright renewal, trademark and/or patent protection therein, and the right to register and claim priority therein under any applicable law, treaties or conventions.

2.05 Execute and Deliver. Parkedale and Novavax each agree to execute and deliver to the other all reasonable copyright, patent and other applications, assignments and instruments tendered by the other, and perform such acts, as may be reasonably necessary or advisable for obtaining such rights and/or of vesting and maintaining the title to the rights of the tendering Party set forth in this Article II. The provisions of this Article II, Paragraphs 2.03, 2.04, and 2.05, shall survive the termination or other expiration of this License and Supply Agreement.

2.06 Novavax Trademark. Parkedale agrees that the Influenza Products, created, developed, invented, purchased, and/or licensed hereunder will be sold by Parkedale under the trademark or trade name of Parkedale and/or its Affiliate(s). No Influenza Products shall be marketed or sold under any Novavax trademark, trade name, or logo. Novavax, however, agrees that Parkedale may use with prior approval the Novavax trademark, Novasome(R) delivery system, on a nonexclusive basis only for the duration of this License and Supply Agreement and solely for advertising, displaying, marketing, promoting, using, manufacturing, offering-for-sale, selling, distributing, importing and/or exporting the Influenza Products in accordance with this License and Supply Agreement.

ARTICLE III
License Payments

3.01 License Payments. Parkedale shall pay to Novavax the following amounts:

(a) One million U.S. dollars ($1,000,000.00) upon execution of this License and Supply Agreement by both parties hereto;

(b) One hundred thousand U.S. dollars ($100,000.00) upon the commencement of the first Phase I product study or the equivalent in any other country for the Influenza Product;

(c) One hundred thousand U.S. dollars ($100,000.00) upon the date of entry of the first patient into a Phase II study or the equivalent in any other country, for the Influenza Product;

(d) One hundred thousand U.S. dollars ($100,000.00) upon the earliest of the date of entry of the first patient into a Phase III study, or the submission of an amended PLA filing, or, with respect to either, the equivalent in any other country, for the Influenza Product; and

(e) Five hundred thousand U.S. dollars ($500,000.00) upon the granting by a Regulatory Authority of a PLA (or amended PLA), or the equivalent in any other country, for the Influenza Product.

The parties hereto agree that the maximum License Payments that may be due under Paragraph 3.01(a) - (e) is $1,800,000.00. The parties therefore agree that each of the License Payments set forth in this Paragraph 3.01(a) - (e) shall be paid by Parkedale to Novavax only one time and that once each of the License Payments set forth in this Paragraph 3.01(a) - (e) have been paid one time by Parkedale, these License Payments shall be deemed paid in full and Parkedale shall owe no Further License Payments under this Paragraph 3.01(a) - (e).

3.02 Research and Development Support Payments. Parkedale shall pay to Novavax its cost of research and development for the Adjuvant for the term during which Novavax supplies Adjuvant to Parkedale, to a maximum of $100,000 per year. Notwithstanding the foregoing, Parkedale agrees to pay Novavax such maximum research and development costs for a period of not less than 24 months from the execution of this License and Supply Agreement. Novavax agrees to use commercially reasonable efforts to support the development and supply of the Influenza Product in accordance with the time-lines set forth herein, including the provision of reasonable research and development resources. One-twelfth of such costs will be paid monthly, on the 15th day of each month (except for the initial such payment, which will be

made upon execution of this License and Supply Agreement, in the event that this License and Supply Agreement is executed in any month after the 15th day thereof).

3.03 Royalties. Parkedale agrees to pay royalties only on the Net Sales of Influenza Products as follows: (a) an annual rate of 4% of Net Sales of the Influenza Products in the United States of America and its territories, Canada, all European countries, Finland, Norway, South Africa, South America and Sweden; and (b) an annual rate of 5% of Net Sales of Influenza Products in all other countries in the Territory. Such royalties on Net Sales are payable ninety (90) days after the end of each calendar year in which Influenza Products are sold during the term of this License and Supply Agreement. Parkedale shall keep adequate and complete records showing all Net Sales of Influenza Products with respect to which royalties are due under this License and Supply Agreement. Such records shall include all information necessary to verify the total amount and computation of royalties due hereunder, and shall be available once per year to inspection by or on behalf of Novavax during normal business hours to verify the

amounts thereof or to ascertain such amounts in the event of a failure of Parkedale to report. Parkedale shall retain such records for not fewer than five (5) years after the close of any calendar year to which they relate or such period as required by FDA. Parkedale agrees to make prompt adjustment, if necessary, to compensate for any errors or omissions disclosed by such inspection. Should such inspection reveal a shortfall of more than three percent (3%) between the royalties reported and those actually owed by Parkedale, the cost of such inspection shall be paid by Parkedale.

ARTICLE IV
Clinical Influenza Product Supply

4.01 Clinical Influenza Product Supply. Parkedale shall place purchase orders for Adjuvant for combination with a Parkedale Product, to be used for the phase I and phase II clinical trials of an Influenza Product (the "Clinical Influenza Product") pursuant to the terms and conditions set forth in this License and Supply Agreement (an "Order") and Novavax agrees to use commercially reasonably efforts to produce the Clinical Influenza Product in accordance with the terms and conditions set forth in this License and Supply Agreement. Consistent with this License and Supply Agreement, Novavax grants Parkedale the right to use the proprietary Know-How of Novavax required to combine an Adjuvant and a Parkedale Product and agrees to train Parkedale and its Affiliate(s), at Parkedale's expense, to perform such combination, for the purpose of permitting Parkedale and/o its Affiliate(s) to manufacture an Influenza Product for Phase III clinical trials and for production of an Influenza Product. The transfer of technology and training necessary to enable Parkedale and its Affiliate(s) to produce an Influenza Product with an Adjuvant will be made at Parkedale's expense; Parkedale shall reimburse Novavax for all reasonable costs and expenses Novavax incurs in connection with such transfer and training, including without limitation equipment, material, labor and travel expense (coach airfare and compact car rental only). Novavax agrees to produce Adjuvant for the Clinical Influenza Product in accordance with its product specifications and other applicable U.S. federal, state and local laws. Novavax agrees to notify Parkedale of any information of which it becomes aware which would be reasonably likely to have a material adverse effect on Parkedale's ability to

obtain marketing approval from a Regulatory Authority for an Influenza Product in the Territory, or which is reasonably likely to result in an action by a Regulatory Authority materially adverse to the marketing of an Influenza Products in the Territory, after the granting of marketing approval by such Regulatory Authority.

4.02 Forecasts and Purchase Orders. Parkedale shall provide Novavax with a rolling 12-month forecast of the quantity of Clinical Influenza Product that Parkedale reasonably anticipates it will order. The first three months of such forecast shall be binding upon Parkedale, and the last nine months shall be a non-binding planning estimate. Parkedale will provide a written Order to Novavax in support of the deliveries that are scheduled in the three firm months of the forecast. On the first of each month, Parkedale will provide Novavax with an updated 12 month forecast and new Orders for deliveries in the three-month firm period. In the event of any cancellation of an order, Parkedale shall reimburse Novavax for the reasonable cost of the materials required for such Order. Unless Parkedale requests otherwise, all Clinical Influenza Products shall be packed for shipment and storage in accordance with Novavax' standard commercial practices. Except to the extent expressly otherwise provided herein, and notwithstanding any provisions of any purchase order submitted by Parkedale, shipment of and payment for Clinical Influenza Product shall be made in accordance with the terms and conditions of sale set forth in this License and Supply Agreement. Such terms shall replace and supersede Novavax' and Parkedale's standard purchase Order forms, if any, and any other documentation presented by either Party, including without limitation, any and all standard terms and conditions appearing thereon.

4.03 Shipment and Delivery. Shipments will be made to an address

designated by Parkedale. Unless specified by Parkedale, Novavax will select the carrier on behalf of Parkedale. Novavax will use reasonable efforts to meet Parkedale's requested delivery schedules for Clinical Influenza Product. It is each Party's obligation to notify the other Party of any special packaging requirements in writing. In the event that Novavax fails or is unable to timely meet Parkedale's delivery schedule for Clinical Influenza Product, Parkedale shall have the right to seek alternative suppliers of the Adjuvants, and Novavax shall be responsible for and pay immediately any and all costs and expenses incurred by Parkedale resulting therefrom or associated therewith.

4.04 Prices and Payment. All prices are FCA Novavax' facility (in accordance with INCOTERMS 1990) and are exclusive of all taxes, assessments or duties of any nature, other than taxes measured solely by Novavax' net income, now in force or enacted in the future, all of which shall be paid by Parkedale. In the event Novavax is required to pay or pays any such tax, the amount thereof shall be added to and become a part of the amounts payable by Parkedale hereunder. Parkedale agrees to pay all expenses incurred by Novavax in the shipment and delivery of ordered Adjuvant, including without limitation freight charges, export and import duties and insurance premiums. The purchase price for the Clinical Influenza Product sold under the License and Supply Agreement shall be Novavax's fully allocated costs therefor plus 30%. The parties hereto agree, however, that Parkedale shall not pay or owe any royalty under Article III for any Clinical Influenza Product for which Parkedale has paid Novavax.

4.05 Payment with Offset. Parkedale agrees to pay appropriate amounts invoiced by Novavax, for the Clinical Influenza Product within thirty (30) days from the date of invoice. All payments are to be made in U.S. dollars.

4.06 Exclusivity of Supply. Consistent with Article II, Paragraphs 2.0l and 2.02, Novavax agrees that it and its Affiliate(s) shall not supply or caused to be supplied Adjuvant or any other Novavax IP to any third Party or entity in any manner whatsoever for use in the Field within the Territory during the term of this License and Supply Agreement. Also consistent with Article II, Paragraphs 2.01 and 2.02, and to the extent that the Novavax IP qualifies as Confidential Information, Novavax agrees that it and its Affiliate(s) shall not disclose, teach or make available or cause to teach, disclose or make available the Novavax IP to any third Party or entity in any manner whatsoever for use in the Field within the Territory.

ARTICLE V

Obligations.

5.01 Efforts. Parkedale hereto shall use all reasonable efforts, whenever applicable, to develop, create, invent, manufacture, market, distribute and sell and to assist in the developing, creating, inventing, manufacturing, marketing, distributing and selling of Influenza Products in the Field within the Territory, or to procure the same.

5.02 Notification of Information. Each Party hereto shall promptly notify the other Party in writing of any product safety, regulatory or marketing information of which it becomes aware that has the potential to adversely affect sales of the Influenza Product. Each Party shall promptly notify the other Party hereto in writing of any actual or suspected infringement of the Novavax IP or Influenza Products within the Territory which may come to its attention.

5.03 Meetings and Presentations. Each Party hereto shall provide at its own expense personnel, including a named contact involved in the development of Novavax IP and an Influenza Product, for all meetings and presentations (which may include, for example, in person or teleconference meetings or presentations,) with one another or a third Party to review research and clinical testing results and developments and whenever required by a regulatory or other governmental body, agency or entity, but in no event less frequently

than quarterly. Each Party also agrees to provide at its own expense personnel, including a named contact involved in the development of Novavax IP and an Influenza Product, for meetings and presentations concerning the Novavax IP and an Influenza Product which is required by law or involves a regulatory or other governmental body, agency or entity.

5.04 Studies. Each Party hereto shall cooperate to its fullest with one another and use its reasonable commercial efforts to comply with its respective obligations pursuant to this License and Supply Agreement to ensure that all steps, studies and other actions necessary

for the development of the Influenza Product can be accomplished to the satisfaction of Parkedale.

5.05 Reports. Each Party, to the extent applicable, shall provide, not less frequently than annually, any development reports, research reports, study records, or other material documents in its possession related to the Novavax IP or the Influenza Product, by reliable overnight delivery service.

5.06 Indemnification. Parkedale hereto shall indemnify and hold harmless Novavax from and against all liability, damages, or claims arising from its own development, manufacture, and/or use of the Influenza Product for research or clinical studies, and subsequently the exploitation of the Influenza Product, only in the event that such liability, damages, or claims concern only Parkedale know-how or a Parkedale product and not Novavax IP unless such liability arises from the negligence or willful default of Novavax or otherwise by reason of any breach by Novavax warranties given in this License and Supply Agreement. Novavax hereto shall indemnify Parkedale and hold Parkedale harmless from and against all liability, damages, or claims concerning or arising out of the Novavax IP.

5.07 Non-Compete. Novavax agrees that, during the term of this License and Supply Agreement, it and/or its Affiliate(s) shall not, directly or indirectly: (a) compete with or against Parkedale or its Affiliates in the Field within the Territory in the Field; (b) compete with or against Parkedale or its Affiliates in connection with the manufacture, use, sale, importation or exportation of any Influenza Product in the Field within the Territory; (c) engage in any activity or take any action that is inconsistent with this License and Supply Agreement or that will cause or result in the manufacture, marketing, introduction, distribution, offer-for-sale, sale, importation or exportation of any product that will directly or indirectly compete with any Influenza Product in the Field within the Territory; or (d) collaborate with any person, third Party or entity that will cause or result in the manufacture, marketing, introduction, distribution, offer-for-sale, sale, importation or exportation of a product that will compete with any Influenza Product in the Field within the Territory. Novavax further agrees that it and its Affiliate shall not provide or caused to be provided any Novavax IP to any person, third Party or entity that Novavax knows or should reasonably know directly or indirectly use the Novavax IP or cause the Novavax IP to be used in the Field within the Territory during the term of this License and Supply Agreement.

ARTICLE VI
Confidential Information

6.01 Use of confidential Information. Consistent with Article I, Paragraph 1.03, the Receiving Party (which term, for purposes of this paragraph shall include such parties' employees, agents, shareholders, officers, directors and Affiliates) shall not, either during the Term of this License and Supply Agreement or at any time thereafter, use for its own benefit or disclose to or use for the benefit of any person, third Party or entity other than the Receiving Party, any Confidential

Information or other confidential or proprietary information of the Disclosing Party, whether or not 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 Disclosing Party of such Confidential Information. The Receiving Party agrees that it sha1l make the Confidential Information of the Disclosing Party available to its employees or agents, only on a "need to know" basis, and further agrees that it shall require all of such employees, agents, or others who have access to any of such Confidential Information to comply with the obligations in Article I, Paragraph 1.03 and this Paragraph 6.01 and shall exercise reasonable diligence to obtain compliance with such obligations. Upon the termination or expiration of this License and Supply Agreement, the Receiving Party shall promptly surrender to the Disclosing Party all Confidential Information of the Disclosing Party that is in tangible form, including that Confidential Information which has been reduced to or placed on one or more writings, drawings, schematics, tapes, disks, or other forms of documentation, together with any materials, things, prototypes, samples and equipment belonging to the Disclosing Party, and the Receiving Party shall not thereafter retain or deliver to any other person, third Party or entity any of the foregoing or any summary memorandum thereof. Each Party hereby agrees that it shall be responsible for the obligations of its employees and agents hereunder and executes this License and Supply Agreement on behalf of itself and such employees and agents.

6.02 Degree of Care. In addition to its other obligations under this Article VI, the parties hereto agree that the Receiving Party shall use at least the same degree of care (which at a minimum shall be reasonable) to avoid unauthorized dissemination of Confidential Information as it employs for its own information of a similar nature that it does not want to have disseminated. In the event a Receiving Party is requested or required by a governmental, quasi-governmental, judicial or quasi-judicial entity to disclose Confidential Information it received from the Disclosing Party, it shall not be a violation of this License and Supply Agreement to comply provided, however, that the Receiving Party so requested or required shall notify the Disclosing Party of such request or requirement, promptly upon receipt of the same.

6.03 Commercial Use. The parties hereto agree that neither shall put the Confidential Information of the other Party to any use, except as expressly provided under this License and Supply Agreement.

ARTICLE VII
Representations and Warranties

7.01 Laws. Each Party hereto, at its own expense, shall at all times during the term of this License and Supply Agreement, and any extension or renewal thereof, comply with all applicable laws, statutes, codes, regulations, rules, ordinances, orders or directives of any applicable country, state, county, city, town, province, territory, government entity, agency or body wheresoever in effect including all export laws and regulations.

7.02 Licensee's Remedy. Except as set forth in Paragraph 7.03 below, a remedy in the event of defect is repair or replacement of all defective Adjuvant. Unless otherwise instructed in writing

by Parkedale, Novavax shall replace all defective Adjuvant with new Adjuvant at Novavax's sole expense. Novavax warrants such replacement Adjuvant on the same terms and conditions as the original.

7.03 Limitations. The warranties and remedies specified in this Article VII shall not apply if an Adjuvant is defective due to (i) natural disasters, including fire, smoke, water, earthquakes or lightning, (ii) the misuse or improper storage of an Adjuvant or other failure to comply with the instructions set forth in the documentation accompanying an Adjuvant, or (iii) use of an Adjuvant in a manner for which it was not designed.

7.04 Infringement Warranty. Novavax represents and warrants that the Adjuvants, the Novasome(R) delivery system, the Novasome(R) delivery system trademark, the Novavax Improvements, the Novavax Know-How, the Patent Rights and the Novavax IP do not and will not infringe upon or violate any valid patent, copyright, trademark or any other intellectual property rights in the Territory.

7.05 Validity and Ownership. Novavax represents and warrants that the Patent Rights and the trademark, Novasome(R) delivery system, are valid and enforceable, and that Novavax is the rightful, lawful and sole owner of the Patent Rights, the Adjuvants, the Novasome(R) delivery system, the Novasome(R) delivery system trademark, the Novavax Improvements, the Novavax Know-How, and the Novavax IP.

7.06 Organization and Standing. Novavax represents and warrants that it is a company duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation.

7.07 Power and Authority. Novavax represents and warrants that it has all requisite corporate power and authority to execute, deliver, and perform this License and Supply Agreement and the other agreements and instruments to be executed and delivered by it pursuant hereto and thereto and to consummate the transactions contemplated herein and therein. The execution, delivery, and performance of this License and Supply Agreement by Novavax does not, and the consummation of the transactions contemplated hereby will not, violate any provisions of Novavax's organizational documents, by laws, any law or regulation applicable to Novavax, or any agreement, mortgage, lease, instrument, order, judgment, or decree to which Novavax is a Party or by which Novavax is bound or result in the creation or acceleration of any lien charge, security interest, or other encumbrance on or concerning the Adjuvants, the Novasome(R) delivery system, the Novasome(R) delivery system trademark, the Patent Rights, the Novavax Know-How and/or the Novavax Improvements.

7.08 Corporate Action; Binding Effect. Novavax represents and warrants that it has duly and properly taken all action required by law, their organizational documents, or otherwise, to authorize the execution, delivery, and performance of this License and Supply Agreement and the other instruments to be executed and delivered by them pursuant hereto and thereto and the consummation of transactions contemplated hereby and thereby. This License and Supply

Agreement has been duly executed and delivered by Novavax and constitutes, and the other instruments contemplated hereby when duly executed and delivered by Novavax will constitute, legal, valid, and binding obligations of Novavax enforceable against them in accordance with their respective terms, except as enforcement may be affected by bankruptcy, insolvency, or other similar laws and by general principles of equity.

7.09 Consents. Novavax represents and warrants that no consent or approval of, or filing with or notice to, any federal, state, or local governmental or regulatory authority, agency, or department or any other person not a Party to this License and Supply Agreement is required or necessary to be obtained by Novavax or on its behalf in connection with the execution, delivery, and performance of this License and Supply Agreement or to consummate the transactions contemplated hereby, except which has been obtained prior to the

execution of this License and Supply Agreement.

7.10 Litigation or Disputes. Except as disclosed in EXHIBIT C attached hereto, Novavax represents and warrants that there is no actual or potential claim, outstanding commitment to any governmental regulatory agency, action, suit, proceeding, investigation or arbitration, either pending, known to Novavax or threatened against Novavax, which relates to or concerns the Adjuvants, the Novasome(R) delivery system, the Novasome(R) delivery system trademark, the Patent Rights, the Novavax Know-How, the Novavax Improvements and/or the Novavax IP. Novavax further represents and warrants that it is not in violation of or in default with respect to any applicable law, rule, regulation, judgment, order, writ, injunction, award, or decree of any arbitrator, court, or administrative body, the result of any of which, either individually or cumulatively, would have a materially adverse effect on the Adjuvants, the Novasome(R) delivery system, the Patent Rights, the Novavax Know-How, the Novavax Improvements or the Novavax IP in the Territory or Novavax's compliance with and performance under the terms of this License and Supply Agreement.

7.11 Influenza Product Competition. Novavax represents and warrants that: (a) Novavax and its Affiliates have no plans or intentions to manufacture, market, license, sublicense, distribute, introduce, offer-for-sale and/or sell an Influenza Product in the Territory; and (b) Novavax and its Affiliates have no plans or intentions to import into or export from the Territory an Influenza Product or import or export within the Territory an Influenza Product.

7.12 Patent Rights. Novavax represents and warrants that:

(a) all Patent Rights to accomplish the objectives of this License and Supply Agreement, i.e., to develop, manufacture, market, introduce, distribute, offer-for-sale, sell, import and/or export an Influenza Product in the Field within the Territory, are identified in detail on EXHIBIT A pursuant to Article I, Paragraph 1.12, and that EXHIBIT A recites all Patent Rights to which Novavax and/or its Affiliates has a right, title and/or interest which concern or relate to the objectives of this License and Supply Agreement, e.g., all issued patents and pending and abandoned patent applications, domestic or foreign, which concern, refer to, describe, disclose

and/or claim one more Adjuvants, the use of one or more Adjuvants and/or the manufacture of one or more Adjuvants or intermediates therefor, either alone or in combination;

(b) Other than those Patent Rights identified on EXHIBIT A, Novavax and its Affiliates have no interests, rights and/or titles of any kind or nature whatsoever in any other issued patents and/or pending or abandoned patent applications, domestic or foreign, which concern, refer to, describe, disclose and/or claim one more Adjuvants, use of one or more Adjuvants and/or manufacture of one or more Adjuvants or intermediates therefor, either alone or in combination, and/or which concern or relate to the objectives of this License and Supply Agreement;

(c) However, should Novavax, after the date of this License and Supply Agreement (and during the term of this License and Supply Agreement), discover that Novavax has omitted one or more patents or patent applications from the Patent Rights as set forth on EXHIBIT A, the parties shall immediately amend EXHIBIT A following such discovery to include such omitted patents and/or patent applications;

(d) No other person, entity or third Party has any option, license, sublicense or other right with respect to any Influenza Products or the Patent Rights, as identified on EXHIBIT A, which concern, relate to, describe, disclose and/or claim any Influenza Products; and

(e) Novavax and its Affiliates have disclosed to Parkedale all matters of fact and known allegations which under the circumstances could materially adversely impact, defeat and/or contradict the rights granted to Parkedale

pursuant to this License and Supply Agreement.

7.13 Rights. Novavax represents and warrants that it and its Affiliates own or otherwise possess all rights in, to and under the Novavax IP that are necessary to grant the rights and licenses to Parkedale pursuant to this License and Supply Agreement.

7.14 Disclosure. Novavax represents and warrants that this License and Supply Agreement, including the exhibits attached hereto, do not contain and will not contain any untrue or materially misleading statement or fact, and do not omit and will not omit to state a material statement or fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not materially misleading.

7.15 Influenza Product Infringement. Novavax represents and warrants that to the best of its and its Affiliates knowledge, the manufacture, use, distribution, offer-for-sale, sale, importation or exportation of the influenza Products do not and will not infringe upon or violate any patent, trademark, copyright or other intellectual property right in the Territory.

7.16 Adjuvants. Novavax hereby represents and warrants that, during the term of this License and Supply Agreement, it and its Affiliates shall not, and it and its Affiliates shall cause their respective, licensees, sublicensees and distributors and any person, third Party or entity to not, directly or indirectly, market, license, sublicense, distribute, offer-for-sale or sell any Adjuvant,

including the Novasome(R) delivery system, to anyone who will or intends to: (a) use or cause to be used, directly or indirectly, such an Adjuvant with or in an Influenza Product in the Territory; (b) market, license, sublicense, distribute, offer-for-sale or sell, directly or indirectly, an Influenza Product in the Territory; (c) cause to be marketed, licensed, sublicensed, distributed, offered-for-sale or sold, directly or indirectly, an Influenza Product in the Territory; (d) develop or manufacture or cause to be developed or manufactured, directly or indirectly, an Influenza Product in the Territory or outside of the Territory for importation into the Territory; or (e) import or export, directly or indirectly, an Influenza Product into or from the Territory, respectively, or cause an Influenza Product to be directly or indirectly imported into or exported from the Territory.

7.17 Organization and Standing. Parkedale represents and warrants that it is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan.

7.18 Power and Authority. Parkedale represents and warrants that it has all requisite corporate power and authority to execute, deliver, and perform this License and Supply Agreement, and the other agreements and instruments to be executed and delivered by it pursuant hereto and to consummate the transactions contemplated herein and therein. The execution, delivery, and performance of this License and Supply Agreement by Parkedale do not, and the consummation of the transactions contemplated hereby will not, violate any provision of Parkedale's articles of incorporation, by laws, any law or regulation applicable to Parkedale, or any agreement, mortgage, lease, instrument, order, judgment, or decree to which Parkedale is a Party or by which Parkedale is bound.

7.19 Corporate Action: Binding Effect. Parkedale represents and warrants that it has duly and properly taken all action required by law, its articles of incorporation, its by laws, or otherwise, to authorize the execution, delivery, and performance by it of this License and Supply Agreement and the other instruments to be executed by it pursuant hereto and the consummation of the transactions contemplated hereby and thereby. This License and Supply Agreement has been duly executed and delivered by Parkedale and

constitutes, and the other instruments contemplated hereby when duly executed and delivered by Parkedale will constitute, legal, valid, and binding obligations of Parkedale enforceable against it in accordance with their respective terms, except as enforcement may be affected by bankruptcy, insolvency, or other similar laws and by general principles of equity.

7.20 Consents. Parkedale represents and warrants that no consent or approval of, or filing with or notice to, any federal, state, or local governmental or regulatory authority, agency, or department or any other person not a Party to this License and Supply Agreement is required or necessary to be obtained by Parkedale or on its behalf in connection with the execution, delivery, and performance of this License and Supply Agreement or to consummate the transactions contemplated hereby, except which have been obtained prior to the execution of this License and Supply Agreement.

7.21 Influenza Products. Novavax represents and warrants that, during the term of this License and Supply Agreement, it shall not, and Novavax shall cause its Affiliates and any person, third Party or entity: (a) to not manufacture, advertise, market, promote, license, sublicense, deliver,

introduce, distribute, offer-for-sale or sell or cause to be manufactured, advertised, marketed, promoted, licensed, sublicensed, delivered, introduced, distributed, offered-for-sale or sold, directly or indirectly, any Influenza Product in the Territory; or (b) to import into or export from or cause to be imported into or exported from, directly or indirectly, the Territory any Influenza Product.

7.22 Adjuvants and Influenza Products. Novavax further represents and warrants that, during the term of this License and Supply Agreement, it shall cause any person, third Party or entity, which is acquired by, or which acquires, Novavax or any of its Affiliates through a stock or asset purchase, merger, consolidation or other transaction, or which merges with Novavax or any of its Affiliates, whether through the formation of a new company or otherwise, in each case, whether in a single transaction or a series of transactions, to not develop, manufacture, market, license, sublicense, introduce, distribute, offer-for-sale or sell, or cause to be developed, manufactured, marketed, licensed, sublicensed, introduced, distributed, offered-for-sale or sold, directly or indirectly, any Influenza Product in the Field within the Territory.

7.23 Competing Product. Novavax further represents and warrants that, during the term of this License and Supply Agreement, if Novavax or any of its Affiliates divest a product that competes with an Influenza Product during this License and Supply Agreement, Parkedale shall have a right of first offer to acquire such competing product. Novavax shall provide Parkedale with written notice of its intention to divest such competitor product, including the material terms upon which Parkedale may acquire such competitor product.

ARTICLE VIII
Infringement.

8.01 Claim. In the event of any claim, action or allegation by a third Party asserting or involving a patent, copyright or trademark or any other intellectual property right, which concerns (a) an Influenza Product, or (b) an Influenza Product in which an Adjuvant, a Novasome(R) delivery system, Novavax's Know-How, a Novavax Improvement, the Novavax IP and/or Patent Rights, or any portion or aspect thereof, is utilized in connection therewith or incorporated therein, Novavax will pay all damages, royalties and costs awarded in any such action, and all attorney's fees and costs incurred by Parkedale in its defense to any such allegation, claim, and/or action. Parkedale agrees to notify Novavax promptly upon learning that the claim might be asserted. Novavax agrees that Parkedale and Novavax shall have joint control over the defense of any allegation, claim, and/or action and any negotiation for its settlement or compromise, and Parkedale and Novavax shall have the right to jointly settle any claim on behalf of Parkedale and Novavax. Any recovery from a third Party for an infringement action regarding Influenza Product shall belong to Parkedale and

shall be subject to the royalty provisions of this Agreement. Both parties agree to provide reasonable assistance in the defense of any such allegation, claim, and/or action without the express authorization of the other Party hereto.

8.02 Indemnification. In the event a claim, action or allegation of infringement or violation of any other intellectual property right is made against the Novavax IP in connection with

its use with or in an Influenza Product or Parkedale's use thereof, or an injunction or order shall be obtained against Parkedale's use of the Novavax IP, or any portion or aspect thereof, by reason of any such claim, action or allegation, Parkedale shall have the right, without in any way limiting the foregoing, and at Novavax's expense, to (a) procure for Parkedale the right, to continue using the Novavax IP; (b) replace or modify the Novavax IP so that it becomes non-infringing, or (c) in the event (a) and (b) are not practical, terminate the license, and this License and Supply Agreement shall terminate as of the date upon which Parkedale first notified Novavax, or Novavax otherwise obtained knowledge, of the existence of the applicable allegation, claim and/or of infringement or violation. Novavax agrees to indemnify and hold Parkedale harmless for all costs and damages incurred by Parkedale as a result of any such allegation, claim, and/or action.

8.03 Non-Influenza Product Claim. In the event of any claim, action or allegation by a third Party asserting or involving a patent, copyright or trademark or any other intellectual property right, which solely concerns an Adjuvant, a Novasome(R) delivery system, Novavax's Know-How, a Novavax Improvement, the Novavax IP and/or Patent Rights, or any portion or aspect thereof, which is outside of the Field and has no bearing on the development, manufacture, use, offer-for-sale, sale, importation and/or exportation of an Influenza Product of any kind whatsoever, Novavax will pay all damages, royalties and costs awarded in any such action, and all attorney's fees and costs incurred by Novavax in its defense to any such allegation, claim and/or action. Novavax agrees to notify Parkedale promptly upon learning of any such allegation, claim and/or action and that such allegation, the claim and/or action might be asserted. Novavax agrees that it shall not adopt, advocate or willingly accept any position that will in any frustrate or negatively impact upon the terms and/or purpose of this License and Supply Agreement. Parkedale agrees that Novavax shall have sole control over the defense of any such allegation, claim and/or action and any negotiation for its settlement or compromise, and Novavax shall have the right to settle any claim on behalf of Novavax, so long as such settlement or compromise in no way frustrates or negatively impact upon the terms and purpose of this License and Supply Agreement. Parkedale agrees to provide Novavax with reasonable assistance, at Novavax's expense, in the defense of any such allegation, claim, and/or action.

8.03 Notice of Third Party Infringement. If either Novavax or Parkedale learns that the Novavax IP, or any portion or aspect thereof, is allegedly infringed or contributorily infringed or misappropriated by a third Party, the Party learning of the alleged infringement or contributory infringement shall promptly notify the other Party. Within 30 days after learning of such infringement or contributory infringement, the parties shall jointly determine whether or not to bring an action against the alleged infringer or misappropriator, and who shall bring such action.

8.04 Parkedale Action for Third Party Infringement. In the event that Parkedale brings an action for infringement, contributory infringement, misappropriation and/or violation of any other intellectual property right concerning an Influenza Product or the Novavax IP, or any aspect or portion thereof, in the name of Novavax and/or the name of Parkedale, Novavax shall cooperate with Parkedale, and Parkedale will bear all costs and the expenses relating to the litigation, including those incurred by Novavax. Parkedale shall be entitled to keep all damages, royalties, legal fees, costs, and other recoveries awarded in such litigation. Novavax agrees that Parkedale shall have

the

first right to prosecute any claims and/or actions concerning an Influenza Product or the Novavax IP, or any portion or aspect thereof, which relates to, concerns or results from its use with or in an Influenza Product.

8.05 Novavax Right to Prosecute Third Party Infringement. In the event that Parkedale decides not to initially bring an action for infringement, for contributory infringement, misappropriation and/or any other intellectual property violation of the Novavax IP, then Novavax shall have the right, but not the obligation, to bring an action in the name of Novavax and/or the name of Parkedale. Parkedale will cooperate with Novavax at Novavax's expense. Novavax shall bear all costs and expenses relating to the litigation, including those incurred by Parkedale, and Novavax will be entitled to all damages and other recoveries awarded in such litigation.

8.06 Novavax Right to Join Parkedale Prosecution of Third Party Infringement. If, after Novavax fails to cause such infringement, misappropriation or any other intellectual property right violation to terminate or cease or to bring a suit or action to compel termination or cessation pursuant to Paragraph 8.05 above, and Parkedale elects to initiate suit or action to compel termination or cessation, Novavax independently shall have the right to join any such suit or action brought by Parkedale and, in such event, Novavax shall pay one-half of the cost of such suit or action from the date of joining.

8.07 Recovery in a Third Party Infringement Action. Upon final disposition of any event described in Paragraphs 8.05 or 8.06 above, any recovery obtained shall be distributed as follows: (a) each Party shall be reimbursed for any expenses incurred in the action; (b) as to ordinary damages, Parkedale shall receive an amount equal to its lost profits or a reasonable royalty on the infringing sales (whichever measure of damages the court shall have applied), less a reasonable approximation of the royalties (I) that Parkedale would have paid to Novavax if Parkedale had sold the infringing products and services rather than the infringer, or (ii) of the reasonable royalty on the infringing sales awarded to Parkedale (whichever measure of damages the court shall have applied), which amount will be distributed to Novavax; and (c) Parkedale shall receive 100% of any special, punitive or other damages. Parkedale may offset any expenses incurred under this Article VIII against any royalty payments due to Novavax.

8.08 Cooperation of Each Party in Third Party Infringement Action. In any infringement, misappropriation and/or intellectual property violation suit as either Party may institute to enforce the Patent Rights pursuant to this License and Supply Agreement, the other Party hereto shall, at the request and expense of the Party initiating such suit, cooperate in all respects and, to the extent possible, have its employees testify when requested and make available relevant records, papers, information, samples and the like.

ARTICLE IX
Term and Termination.

9.01 Term. The term of this License and Supply Agreement shall be the period beginning on the date of execution by both parties to this License and Supply Agreement, i.e., the Effective Date, and continuing for the period that any portion or aspect of the Novavax IP is proprietary to Novavax, unless earlier terminated under Paragraphs 9.02 and 9.03 below or otherwise, and so long as this License and Supply Agreement provides Parkedale with exclusivity with respect to the Influenza Product in the Territory (the "Term"). Thereafter, this License and Supply Agreement shall automatically be renewed for successive 12-month periods (the "Renewal Periods"), unless either Party gives notice of non-renewal to the other Party at least ninety (90) days before the

then-current expiration date. In the event that a generic product to an Influenza Product is approved for use in the Field within the Territory, Novavax agrees that the obligation for Parkedale to pay royalties pursuant to Article III, Paragraph 3.03 above shall cease and terminate upon such immediate generic approval.

9.02 Termination by Novavax. Novavax may terminate this License and Supply Agreement upon ninety (90) days written notice to Parkedale, upon the occurrence of any termination event as follows: (a) Parkedale or any of its employees breaches any obligation under this License and Supply Agreement, including without limitation violation of any payment terms, if such breach is not cured within thirty (30) days after Novavax demands its cure in writing; or (b) Parkedale becomes insolvent, enters into reorganization or bankruptcy, makes a general assignment for the benefit of creditors, admits in writing its inability to pay debts as they mature, suffers or permits the appointment of a receiver for its business or assets, or avails itself of or becomes subject to any other judicial or administrative proceeding related to insolvency or protection of creditors' rights (and, if such action or proceeding is involuntary on the part of Parkedale, such action or proceeding is not dismissed within 90 days).

9.03 Termination by Parkedale. Parkedale may terminate this License and Supply Agreement upon ninety (90) days written notice to Novavax, upon the occurrence of any termination event as follows: (a) Novavax or any of its employees breaches any obligation under this License and Supply Agreement, including without limitation violation of any payment terms, if such breach is not cured within thirty (30) days after Parkedale demands its cure in writing; or (b) Novavax becomes insolvent, enters into reorganization or bankruptcy, makes a general assignment for the benefit of creditors, admits in writing its inability to pay debts as they mature, suffers or permits the appointment of a receiver for its business or assets, or avails itself of or becomes subject to any other judicial or administrative proceeding related to insolvency or protection of creditors' rights (and, if such action or proceeding is involuntary on the part of Novavax, such action or proceeding is not dismissed within 90 days).

9.04 Effect of Termination. From and after the date of any expiration or termination of this License and Supply Agreement, neither Party shall have any further rights, privileges, or obligations hereunder except that: (a) such expiration or termination shall not relieve either Party of any

liability or obligation accrued prior to the effective date of expiration or termination; (b) such expiration or termination shall not affect the continued operation or enforcement of any provision of this License and Supply Agreement which is to survive expiration or termination; and (c) upon such expiration or termination, each Party shall immediately return to the other Party all Confidential Information as required by Article VI of this License and Supply Agreement. In no event upon the expiration or termination of this License and Supply Agreement shall the terminating Party (or in the case of expiration of this License and Supply Agreement, any Party) be liable to the other Party for any damages, indemnities, loss of profits, loss of revenues, or other losses by reason of any such expiration or termination, unless the License and Supply Agreement is wrongfully terminated.

ARTICLE X
Miscellaneous

10.01 Authority. Each Party represents and warrants to the other that it has the right, and has obtained all necessary corporate approvals, to enter into this License and Supply Agreement and perform the obligations to be performed by it under this License and Supply Agreement and that this License and Supply Agreement constitutes its valid, binding and enforceable obligation, enforceable against it in accordance with its terms.

10.02 Force Majeure. The failure of either Party hereto to perform any obligation under this License and Supply Agreement (except any payment obligation hereunder of Parkedale to Novavax) due to acts of God, acts of government, civil disturbances, wars, strikes, transportation problems, unreasonable delay by vendors in delivery, failure to provide products or materials by its vendors, or other causes beyond its reasonable control shall not be deemed to be a breach of this License and Supply Agreement; provided, however, that the Party so prevented from complying herewith shall immediately give notice thereof to the other Party and shall continue to take all commercially reasonable actions to comply as fully as possible herewith. After removal of the basis for the nonperformance, the Party failing to perform shall resume performance within a reasonable time.

10.03 Entire Agreement. This License and Supply Agreement, together with its Exhibits, constitutes the sole and entire agreement between the parties relating to the subject matter herein, and terminates and supersedes any and all prior agreements and understandings between the parties.

10.04 Waiver and Amendment. No change in, addition to, or waiver of any of the terms and provisions herein shall be binding upon any Party unless approved by it in writing by both parties hereto.

10.05 No Waiver. The failure by any Party to exercise or to enforce any of the terms or conditions of this License and Supply Agreement shall not constitute or be deemed a waiver of that Party's right thereafter to enforce each and every term and condition of this License and Supply Agreement.

10.06 Severability. Should a court of law or arbitrator hold that any one or more of the provisions in this License and Supply Agreement is invalid, illegal or unenforceable, no other provision of this License and Supply Agreement shall be affected thereby, and the remaining provisions of this License and Supply Agreement shall be both construed and reformed and shall continue with the same effect as if such unenforceable, illegal or invalid provision shall not have been inserted in this License and Supply Agreement.

10.07 Governing Law. This License and Supply Agreement and the respective rights and obligations of the parties hereto shall be governed by and determined in accordance with the domestic internal laws of the State of Maryland, without giving effect to conflict of laws principles thereof.

10.07 Independent Parties. Novavax and Parkedale are independent parties. It is understood and agreed that Novavax is not by this License and Supply Agreement or anything herein contained, constituted or appointed the legal representative or agent of Parkedale, nor shall Novavax have the right or authority to make any representation, warranty, covenant, guarantee or commitment or assume, create or incur any liability or any obligation of any kind, expressed or implied, in the name of or otherwise on behalf of Parkedale, whether directly or indirectly. It is understood and agreed that Parkedale is not by this License and Supply Agreement or anything herein contained, constituted or appointed the legal representative or agent of Novavax, nor shall Parkedale have the right or authority to make any representation, warranty, covenant, guarantee or commitment or assume, create or incur any liability or any obligation of any kind, expressed or implied, in the name of or otherwise on behalf of Novavax, whether directly or indirectly.

10.08 Notices. All notices and other communications which are required or permitted under the terms or conditions of this License and Supply Agreement shall be in writing and sent by overnight courier, or registered or certified mail, postage prepaid, to the receiving Party at the following addresses:

If to Novavax: Novavax, Inc.

8320 Guilford Road
Columbia, MD 21046

with a copy to: White & McDermott, P.C.
65 William Street
Wellsley, MA 02481
Attention: Sharon Goddard White, Esq.

If to Parkedale: Parkedale Pharmaceuticals, Inc.

870 Parkedale Road
Rochester, MI 48307
Attention: Corporate Counsel

with a copy to: King Pharmaceuticals, Inc.
501 Fifth Street
Bristol, Tennessee 37620
Attention: General Counsel

or to any other address that the receiving Party may have provided to the sending Party in writing as provided aforesaid. Any notice or other communication sent by overnight courier shall be deemed to have been received on the business day after it is delivered to the courier. Any notice or other communication sent by registered or certified mail shall be deemed to have been received on the third business day after its date of posting.

10.09 Binding on Successors: Assignment. This License and Supply Agreement and each and every covenant, term, and condition herein shall be binding upon and inure to the benefit of both the parties hereto and their respective successors. Neither this License and Supply Agreement nor any rights hereunder may be assigned or otherwise transferred by either Party without first receiving the express prior written consent of the other Party; except that without such consent, either Party may assign or transfer this License and Supply Agreement and all of its rights hereunder to any corporation which beneficially owns a majority in interest of the equity of such Party or to a majority-owned subsidiary of such Party or to any successor of such Party by merger or consolidation or to any person, third Party or entity to which all or substantially all of the assets of such Party are sold.

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

10.11 Survival. The provisions of Articles I, V, VI, VII, VIII, IX, and X shall survive the expiration or termination of this License and Supply Agreement.

IN WITNESS WHEREOF, Novavax and Parkedale have caused this License and Supply Agreement to be executed by their duly authorized representatives as of the date first set forth above.

NOVAVAX, INC.

By: [SIG]

Name: /s/ John Spears

Title: President & CEO

Dated: 10/21/99

PARKEDALE PHARMACEUTICALS, INC.

By: [SIG]

Name: Jefferson J. Gregory

Title: President & CEO

Dated: October 21, 1999

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EXHIBIT A

Novavax Novasome Patent Portfolio Relative to Adjuvants and Vaccines

USA Patent #	Patent Title	Date of Issuance in USA	USA Expiration Date
4,853,228	Method of Manufacturing Unilamellar Lipid Vesicles	08/01/89	07/28/07
4,855,090	Method of Producing High Aqueous Volume Multi-lamellar Vesicles	08/08/89	03/13/07
4,895,452	Method and Apparatus for Producing Lipid Vesicles	01/23/90	03/03/08
4,911,928	Paucilamellar Lipid Vesicles	03/27/90	03/07/07
4,917,951	Lipid Vesicles Formed of Surfactants and Steroids	04/17/90	11/24/07
5,000,960	Protein Coupling to Lipid Vesicles	03/19/91	01/19/09
5,013,497	Method and Apparatus for Producing Lipid Vesicles	05/07/91	
5,032,457	Paucilamellar Lipid Vesicles Using Charge-Localized, Single-Chain, Nonphospholipid Surfactants	07/16/91	07/16/06
5,104,736	Reinforced Paucilamellar Lipid Vesicles	04/14/92	06/26/09
5,147,723	Paucilamellar Lipid Vesicles	09/15/92	06/08/06
5,160,669	Method of Making Oil-Filled Paucilamellar Lipid Vesicles	11/03/92	10/16/10
5,234,767	Hybrid Paucilamellar Lipid Vesicles	08/10/93	03/27/07
5,256,422	Lipid Vesicle Containing Water-In-Oil Emulsion	10/26/93	03/28/11
5,474,848	Paucilamellar Lipid Vesicles	12/12/95	03/13/07
5,561.62	Method of Inhibiting Viral Reproduction Using Nonphospholipid Paucilamellar Liposomes	10/01/96	
NVR 213CP	Vaccines Containing Paucilamellar Lipid Vesicles as Immunological Adjuvants	*CIP	

*Continuation in-part filing

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EXHIBIT B

Countries Excluded from the Territory

Japan

Australia

Singapore

Indonesia

Malaysia

Thailand

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EXHIBIT C

Nothing to Disclose

NOVAVAX, INC.

- and -

CANTAB PHARMACEUTICALS RESEARCH LIMITED

LICENCE AGREEMENT

April 22 1999

THIS AGREEMENT is made the day of 1999
BETWEEN

(1) NOVAVAX, INC. a company incorporated under the law of the State of Delaware, whose principal place of business is at Suite C, 8320 Guilford Road, Columbia, MD 21046, USA (together with its subsidiaries (including without limitation its wholly-owned subsidiaries Micro-Pak, Inc. and Micro Vesicular Systems Inc), "Novavax"); and

(2) CANTAB PHARMACEUTICALS RESEARCH LIMITED (Company number 2270217) a company incorporated under the laws of England whose registered office is at 310 Cambridge Science Park, Milton Road, CB4 0WG ("Cantab").

RECITALS

(A) Pursuant to an agreement of 23 December 1997 between Novavax and Cantab, Novavax granted Cantab an exclusive option to acquire a worldwide exclusive licence under the Novavax IP (as defined herein).

(B) Cantab has exercised that option and Novavax (including Novavax's wholly-owned subsidiaries Micro-Pak, Inc., and Micro Vesicular Systems, Inc., which is/are registered owner(s) of patent rights included in the Novavax IP as hereinbelow defined, and which have endorsed their consent to the transaction hereby effected and their agreement to be bound thereby insofar as their proprietary interests are affected) hereby grants Cantab an exclusive worldwide licence to the Novavax IP on the terms and conditions set out herein.

IT IS AGREED AS FOLLOWS:-

1. DEFINITION AND INTERPRETATION

1.1 In this Agreement and in the Schedules to this Agreement the following words and phrases shall have the following meanings unless the context

requires otherwise:-

1.1.1 "Affiliate" - any company, partnership or other entity which directly or indirectly Controls, is Controlled by or is under common Control with, either Party including as a Subsidiary or Holding Company.

1.1.2 "Agreement" - this agreement and any and all schedules, appendices and other addenda to it as may be varied from time to time in accordance with the provisions of this agreement.

1.1.3 "Business Day" - 9.30am to 5.30pm (local time at Cantab offices) on a day other than a Saturday, Sunday, bank or other public holiday in England and Wales.

1.1.4 "Cantab Net Sales" - shall mean all sums received by Cantab or an affiliate of Cantab upon the sale by Cantab or such affiliate of any Licensed Product (net only of any value added or other taxes thereon and of deductions for freight charges, insurance, allowances

actually made for returned defective products and customary trade, quantity or cash discounts to non-affiliated customers to the extent actually allowed and taken);

1.1.5 "Commencement Date" - the date of execution of this Agreement.

1.1.6 "Competent Authority" - any local or national agency, authority, department, inspectorate, minister, ministry official, parliament or public or statutory person (whether autonomous or not) of or of any government of any country having jurisdiction over either any of the activities contemplated by this Agreement or the Parties, including the European Commission and the European Court of Justice.

1.1.7 "Confidential Information" - in the case of obligations on Cantab shall mean Novavax IP, in the case of obligations on Novavax shall mean Cantab IP and in the case of obligations on both Cantab and Novavax shall mean trade secrets, know how or confidential information relating to the business affairs or finances of the other supplied or otherwise made available to them or coming into their possession in relation to the performance of this Agreement.

1.1.8 "Control" - the ownership of more than 50% of the issued share capital or legal power to direct or cause the direction of the general management and policies of the Party in question.

1.1.9 "Directive" - includes any present or future directive, regulation, requirement, instruction, direction or rule of any Competent Authority including any amendment, extension or replacement thereof then in force.

1.1.10 "Field" - the use of the Novasomes Adjuvant in the development and subsequent exploitation of an immunopharmaceutical comprising antigenic determinants of human papillomavirus for the prevention or treatment of cervical disease including CIN (cervical intraepithelial neoplasia), and of an immunopharmaceutical comprising antigenic determinants of human papillomavirus type 16 or 18 for any other treatment purposes for which that immunopharmaceutical may be used;

1.1.11 "First Commercial Sale" - the first commercial sale by Cantab or its sub-licensees or distributors, in any country, of Licensed Product after grant of required Marketing Authorisation and pricing approval has been granted by the appropriate Regulatory Authority or other

Competent Authority.

1.1.12 "Force Majeure - in relation to either Party any event or circumstances which is beyond the reasonable control of that Party which event that Party could not reasonably be expected to have taken into account at the date of this Agreement and which results in or causes the failure of that Party to perform any or all of its obligations under this Agreement, including act of God, lightning, fire, storm, flood, earthquake, accumulation of snow or ice, lack of water arising from weather or environmental problems, strike, lockout or other industrial disturbance, act of the public enemy, war declared or undeclared, threat of war, terrorist act, blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, prevention from or hindrance in obtaining in any way materials energy or other supplies, explosion, fault or failure of plant or machinery (which could not have been prevented by good industry practice), Directive or requirement of a Competent Authority governing either Party provided that lack of funds shall not be interpreted as a cause beyond the reasonable

control of that Party.

1.1.13 "Half Year" - shall mean each six month period in any year ending on 30 June or 31 December, and "Half Yearly" shall be construed accordingly.

1.1.14 "Insolvency Event" - in relation to Cantab, means any one of the following:
(a) a notice shall have been issued to convene a meeting for the purpose of passing a resolution to wind up Cantab or such a resolution shall have been passed; or
(b) a resolution shall have been passed by Cantab's directors to seek a winding up or administration order or a petition for a winding up or administration order shall have been presented against Cantab's or such an order shall have been made; or
(c) a receiver, administrative receiver, receiver and manager, interim receiver, custodian, sequestrator or similar officer is appointed in respect of Cantab or over a substantial part of its assets or any third party takes steps to appoint such an officer in respect of Cantab or an encumbrancer takes steps to enforce or enforces its security; or
(d) a proposal for a voluntary arrangement shall have been made in relation to Cantab under Part I Insolvency Act 1986; or
(e) a step or event shall have been taken or arisen outside the United Kingdom which is similar or analogous to any of the steps or events listed at (a) to (d) above; or
(f) that Cantab proposes to readjust, reschedule or defer all or substantially all of its indebtedness, or proposes or makes any general assignment, composition or arrangement with or for the benefit of all or some of its creditors or makes or suspends or threatens to suspend making payments to all or some of its creditors or submits to any type of voluntary arrangement; or
(g) Cantab is deemed to be unable to pay its debts within the meaning of Section 123 Insolvency Act 1986.

1.1.15 "Know-How" - unpatented technical and other information which is not in the public domain including information comprising or relating to concepts, discoveries, data, designs, formulae, ideas, information relating to materials, inventions, methods, models, assays, research plans, procedures, designs for experiments and tests and results of experimentation and testing (including results of research or development) processes (including manufacturing processes, specifications and techniques), laboratory records, chemical,

pharmacological, toxicological, clinical, analytical and quality control data, trial data, case report forms, data analyses, reports, manufacturing data or summaries and information contained in submissions to an information from ethical committees and regulatory authorities, but at any time does not include any matter that has become and remains available to the public through no wrongful act or omission to act of the party (or its sublicensee or distributor) owing obligation to the other in respect of such matter as part of Know-How, as from the time when that matter becomes available to the public. Know-How includes documents containing Know-How. Information will not be excluded from being Know-How hereunder by reason only of the fact that it becomes available to the public through a wrongful act or omission to act of a Party hereto or a sublicensee or distributor of a Party hereto. The fact that an item is known to the public shall not be taken to exclude the possibility that a compilation including the item, and/or a development relating to the item, is (and remains) not known to the public. Know-

How includes any rights including copyright, database or design rights protecting such Know-How.

1.1.16 "Licensed IP" - the Licensed Patent Rights and the Licensed Know-How.

1.1.17 "Licensed Know-How" - any and all Know How within the Field which is owned by or licensed to Novavax at the Commencement Date or which becomes owned by or licensed to Novavax during the term of this Agreement, in either case insofar as it continues to be Know-How.

1.1.18 "Licensed Patent Rights" - the Patent Rights listed in Schedule 1 and any Patent Rights claiming or covering or otherwise based on inventions forming part of the Licensed Know How.

1.1.19 "Licensed Product" - a product made for use in the Field and either sold or to be sold for use in the Field, incorporating or using any part of the Licensed IP, such that in the absence of the licence granted by this agreement Cantab's (or Cantab's sublicensee's or distributor's) acts in relation to manufacture, use or sale of such product would constitute an infringement of the Licensed IP;

1.1.20 "Major Markets" - United States, United Kingdom, France, Germany, Spain, Italy and Japan.

1.1.21 "Marketing Authorisation" - any approval required from a Regulatory Authority to market and sell Licensed Product in any country.

1.1.22 "Materials Transfer Agreement" - the materials transfer agreement between the Parties dated 16 May 1997.

1.1.23 "Net Cantab Receipts" - shall mean all sums received by Cantab upon the sale of any Licensed Product by any sublicensee or otherwise received under the terms of any sublicense agreement authorised hereunder.

1.1.24 "Novasomes Adjuvant" - the adjuvant and associated technology specified in the Licensed Patent Rights with respect to Paucilamellar non-phospholipid liposomes.

1.1.25 "Novavax Materials" - physical samples of Novasomes Adjuvant and other compounds supplied by Novavax to Cantab under the Materials Transfer Agreement or corresponding term of this Agreement.

1.1.26 "Parties" - Cantab and Novavax.

1.1.27 "Patent Rights" - patent applications or patents, author certificates, inventor certificates, utility certificates, improvement patents and models and certificates of addition and all foreign counterparts of them and includes any divisions, renewals, continuations, continuations-in-part, extensions, reissues, substitutions, confirmations, registrations, revalidation or additions of or to them, as well as any supplementary protection certificate in respect of them.

1.1.28 "Regulatory Authority" - any national, supranational (e.g., the European Commission, the Council of the European Union, the European Agency for the Evaluation of Medicinal Products or the FDA), regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity other in each country of the Territory involved in the granting of Marketing Authorisation for the Licensed Product.

1.1.29 "Subsidiary or Holding Company" - as relates to Cantab, shall have the meaning ascribed to such expressions by Section 736 of the Companies Act 1985 (as amended),

and as it relates to Novavax, shall mean any legal entity (such as a corporation, partnership, or limited liability company) that is controlled by, under common control with, or controls Novavax. For the purpose of this definition, control means (i) beneficial ownership of at least 50% of the voting securities of a corporation or other business organisation with voting securities or (ii) a fifty percent or greater interest in the net assets or profits of a partnership or other business organisation without voting securities.

1.1.30 "Valid Claim" - either:
(a) a claim of an issued and unexpired patent included within Patent Rights, which has not been held permanently revoked, unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid or unenforceable through reissue or disclaimer or otherwise; or
(b) a claim of a pending patent application included within Patent Rights, which claim was filed in good faith and has not been abandoned or finally disallowed without the possibility of appeal or refiling of said application.

1.2 In this Agreement:

1.2.1 unless the context otherwise requires all references to a particular Clause, paragraph or Schedule shall be a reference to that Clause, paragraph or Schedule, in or to this Agreement as the same may be amended from time to time pursuant to this Agreement;

1.2.2 a table of contents and headings are inserted for convenience only and shall be ignored in construing this Agreement;

1.2.3 unless the contrary intention appears words importing the masculine gender shall include the feminine and vice versa and words in the singular include the plural and vice versa;

1.2.4 unless the contrary intention appears words denoting persons shall include any individual, partnership, company, corporation, joint venture, trust, association, organisation or other entity, in each case whether or not having separate legal personality;

1.2.5 reference to the words "include" or "including" are to be construed without limitation to the generality of the preceding words; and

1.2.6 reference to any statute or regulation includes any modification or re-enactment of that statute or regulation.

2. GRANT OF LICENCE

2.1 Subject to this Agreement and in consideration of all of its terms, Novavax grants Cantab an exclusive world-wide licence to develop, use, have used, manufacture, have made, exploit, market, sell and have sold Licensed Products solely for use in the Field and to use the Licensed IP within the Field. Subject to Cantab's rights under this Agreement, Novavax shall retain all rights not expressly granted in this Clause 2.1. The licence shall be for the period in which any Licensed IP shall remain valid and enforceable (the "License Period"), unless earlier terminated as provided in Section 10

hereof.

2.2 Cantab shall be entitled to sublicense all or any part of its rights granted under Clause 2.1 above to third parties in such manner as it considers appropriate: Cantab shall promptly provide Novavax with information relating to the terms of such sublicence agreement and arrangements made in pursuance of such sublicence agreement to the extent appropriate to enable Novavax to ascertain Novavax's legal rights and financial expectations and enforce its legal rights arising in consequence of such sublicence, and such information shall without limitation include: parties to the agreement and its date of execution; the scope of the sublicence, as it relates to Licensed IP, including technical and geographical scope and whether the scope include the right to make, use and/or sell; the nature of measures taken by the sublicence terms to protect confidentiality of Novavax's Know-How and other confidential, proprietary or nonpublic information; and information relating to the development plan to be undertaken under such sublicense agreement, sufficient to ascertain the measures to be taken to achieve the milestones referred to in this agreement and to achieve and advance product marketing and sales.

2.3 Novavax shall during the term of this Agreement promptly notify Cantab of all information relating to improvements and/or developments to the Novasomes Adjuvant, the Licensed IP (including the legal status of the Licensed Patent Rights) or their application which are of relevance within the Field to the manufacturing or marketing of Licensed Product and any such improvements or developments shall form part of the Licensed IP licensed to Cantab free of any further charge or payment.

2.4 Novavax agrees to deliver, at the request and administrative expense of Cantab, such documents as may reasonably be necessary to permit Cantab to record its licensee interest in the Licensed IP, provided That no such filing shall contain any confidential proprietary or non-public information of Novavax, and Cantab shall take all action necessary to ensure that no right title or interest in any licensed IP vests in Cantab by such recordal except the licence granted Clause 2.1 hereof, and Cantab shall in the event of termination in whole or in part of such licence, (upon request of Novavax and at Cantab's administrative expense) execute or procure for Novavax the execution of and file all such documents as may reasonably be necessary to record the termination of any such rights granted to Cantab under this Agreement with any relevant registry or agency.

3. FEES

3.1 In consideration of the licence granted to Cantab under Clause 2 Cantab will pay to Novavax the following:

3.1.1 US$ 75,000 on the Commencement Date; and

3.1.2 US$ 75,000 on the first anniversary of the Commencement Date provided that such licence fees set out in Clauses 3.1.1 and 3.1.2 will be non-refundable

and not subject to deduction or set-off for any reason against any amounts owing to Novavax, including future royalties.

3.1.3 US$ 25,000 upon the execution of the first sub-licence in the United States of America;

3.1.4 US$ 25,000 upon the execution of the first sub-licence in the United Kingdom or the European Union;

3.1.5 US$ 12,500 upon the execution of the first sub-licence in Japan; and

3.1.6 US$ 15,000 upon the execution of the first sub-licence in any country outside the USA, the European Union and Japan;
provided that all such fees set out in Clauses 3.1.3 to 3.1.6 shall be credited against and deducted from royalties payable pursuant to paragraph 3.3.

3.2 In addition to the fees set out in Clause 3.1, Cantab shall pay to Novavax the following milestone fees:-

3.2.1 US$ 50,000 upon the earlier of: (a) the date of entry of the first patient into a Phase I/lI dose ranging study or the equivalent in any other country carried out by or on behalf of Cantab or its sublicensee; (b) 6 months after completion of a Phase I study or the equivalent in any other country carried out by or on behalf of Cantab or its sublicensee; or (c) 30 June, 2000;

3.2.2 US$ 50,000 upon the date of the first patient into a Phase II study or the equivalent in any other country carried out by or on behalf of Cantab or its sublicensee;

3.2.3 US$ 75,000 upon the date of the first patient into a pivotal efficacy clinical trial in humans or the equivalent in any other country carried out by or on behalf of Cantab or its sublicensee; and

3.2.4 US$ 100,000 upon the first PLA filing by or on behalf of Cantab or its sublicensee of a Licensed Product anywhere, or the equivalent in any country.

All such milestone fees described in this Clause 3.2 shall be credited against and deducted from any royalties payable pursuant to Clause 3.3.

Provided that the deduction actually made in any one year of royalty account is not more than $50,000.

3.3 Cantab shall also pay Novavax the following royalties in respect of sales of Licensed Product made during the Royalty Period (payable within 30 days of the end of each Half Year for sales effected in the preceding Half Year):

3.3.1 10% of Net Cantab Receipts on all sales of Licensed Product effected by any sublicensee;

3.3.2 2% of Cantab Net Sales on all sales of Licensed Product effected by Cantab or an affiliate of Cantab, or by a distributor of Cantab or of an affiliate of Cantab; Such royalties to continue to be payable in respect of sales of Licensed Product on a country by country basis

until the last to expire of any Licensed Patent Rights in respect of such country ("Royalty Period").

3.4 Minimum annual fees in line with standard industry norms for minimum royalties (but in any event not exceeding US$ 300,000 pa for the first 12 month period commencing 1st January after the date of launch of a Licensed Product and for each subsequent calendar year) shall be payable in respect of each calendar year after First Commercial Sale of a Licensed Product, in respect of the Major Markets for the period in which royalties shall continue to be payable in respect of Licensed Product into such Major Markets at a rate to be negotiated in good faith prior to commercial launch of a Licensed Product by reference to anticipated and forecast sales of Licensed Product. For the abovementioned first 12 month period and for each of the three next following 12 month periods thereafter the minimum annual royalty shall be $50,000 per 12 month period.

3.5 Cantab shall and shall ensure that its Affiliates and other sub-licensees shall keep true and accurate records and books of account containing all data necessary for the calculation of the amounts payable by it to Novavax pursuant to this Agreement. Those records and books of account shall be kept for six years following the end of the calendar year to which they relate and shall, upon reasonable notice having been given by Novavax, be open on Business Days for inspection, under terms of confidentiality, by Novavax's accountants or by an independent firm of accountants appointed by agreement between the Parties. In the absence of any fraud, obvious error or in connection with the payment of taxes or other third party investigations, or actions or claims, any such examination shall take place not later than two years following the expiration of the period to which it relates and there shall be no more than one examination per year. The cost of the inspection shall be the responsibility of Cantab if the certificate is shown to have underestimated the monies payable to Novavax by more than two percent and the responsibility of Novavax otherwise. Following any such certification the Parties shall make any adjustments necessary in respect of the monies already paid to Novavax in relation to the period in question.

3.6 Within 60 days of the end of each Half Year, Cantab shall prepare a statement which shall show on a Product by Product and a country by country basis for the previous Half Year, all monies due to Novavax under this Agreement with respect to such Half Year period, including payments due under Clause 3.3. That statement shall be submitted to Novavax within 60 days of the end of the period to which it relates together with remittance for monies due to Novavax, if any.

3.7 All payments to Novavax under this Agreement shall be made in US Dollars to the account of Novavax at CITIBANK FSB WASHINGTON, sort code ABA# 254070116, account no. # 17511640, in the name of Novavax, Inc., by telegraphic transfer.

3.8 Where revenues are received from sales of Licensed Product or payments made under sublicense agreements, and for purposes of calculating the Net Cantab Sales and Net Cantab Receipts for purposes of this Section 3, in a currency other than US Dollars, the

rate of exchange to be used for converting such other currency into US Dollars, shall be the rate published in the Wall Street Journal under

the heading "Currency Trading, Exchange Rates, 135$ Equiv." for the last business day of the period to which the calculation applies.

4. SUPPLY

It is agreed that the provisions, in regard to supply and purchase, of section 4 in Schedule 2 (form of licence) to the Option Agreement shall continue to apply until further agreement between the Parties.

5. INTELLECTUAL PROPERTY

5.1 The Licensed Patent Rights shall remain vested in Novavax. Novavax shall at Novavax' cost and expense be solely responsible for the prosecution and maintenance of the Licensed Patent Rights and for the conduct of any claims or proceedings relating to it including any interference or opposition proceedings. Should Novavax decide at any time that it does not wish to prosecute or maintain any of the Licensed Patent Rights it shall notify Cantab in writing and Cantab shall have the right, insofar as any such patent is not maintained by Novavax or by a party in privity with Novavax having a right to maintain the same, to take-over at its own cost and expense the prosecution and maintenance of the Licensed Patent Rights or part thereof upon giving written notice to Novavax within 30 days of the date of Novavax' notice.

5.2 Each of Novavax and Cantab shall as soon as practicable after it becomes aware thereof give to the other in writing reasonable particulars of any use or proposed use by another person which in that Party's view amounts to or might amount to an infringement of the Licensed Patent Rights. Novavax may, but shall not be obliged to, at its own cost and expense enforce and defend the Licensed Patent Rights. Where Novavax does, it shall notify Cantab and Cantab shall lend its name to any infringement proceedings and shall sign any documents that Novavax reasonably requests in relation to any such activity or proceedings and shall give Novavax all reasonable assistance requested by Novavax in relation to them (at no charge or expense to Novavax, other than with respect to reasonable out-of-pocket expenses, but Cantab shall not be bound to incur unreasonable expenses). Novavax shall keep Cantab informed of the progress of such enforcement or defence of the Licensed Patent Rights. If Novavax succeeds in any such proceedings whether at trial or by way of settlement, the parties shall negotiate in good faith for a reasonable share to Cantab of any sums recovered or awarded in respect of the infringement to compensate Cantab as well as Novavax for losses sustained by reason of the infringement, taking into account Cantab's interest relative to other interests in the Licensed IP and the nature of the infringement.

5.3 If Novavax decides not to enforce or defend the Licensed Patent Rights, it shall notify Cantab in writing and Cantab shall be entitled to do so at its own cost and expense upon

giving written notice to Novavax within 30 days of the date of Novavax' notice. Where Cantab does so, Novavax shall lend its name to any infringement proceedings and shall sign any documents that Cantab reasonably requests in relation to any such activity or proceedings and shall give Cantab all reasonable assistance requested by Cantab in relation to them (at no charge or expense to Cantab, other than with respect to reasonable out-of-pocket expenses, but Novavax shall not be bound to incur unreasonable expenses). If Cantab succeeds in any such proceedings whether at trial or by way of settlement, the parties shall negotiate in good faith for a reasonable share to Cantab of any sums recovered or awarded in respect of the infringement to compensate Cantab as well as Novavax for losses sustained by reason of the

infringement, taking into account Cantab's interest relative to other interests in the Licensed IP and the nature of the infringement.

5.4 If during the term of this Agreement either Party: (a) receives any notice, claim or proceedings from any third party alleging infringement of that third party's intellectual property as a result of either Party's activities or proposed activities in relation to this Agreement or use and exploitation of the Licensed Patent Rights; or (b) receives any information that could reasonably give rise to a potential claim or proceedings alleging such patent infringement, the Party receiving that notice shall:

5.4.1 forthwith notify the other Party of such notice, claim or proceedings; and

5.4.2 make no admission of liability.

In the event of any such claim which alleges that the Licensed IP infringes such third party's patent or copyright, Novavax agrees to defend such claim and pay any settlement or judgment arising from such claim. Such obligation shall be subject to Novavax' receipt of prompt notice of such claim and its sole control of any such defence and/or the incurring of any expenses relating thereto. Such obligation shall not apply to any modification made to the Licensed IP, the method of practice of the Licensed IP by any person other than Novavax and/or the combination of any product provided by Novavax with any other product or technology.

5.5 In the event of any such claim which alleges that the Licensed Product infringes such third party's intellectual property rights, Cantab agrees to defend such claim, pay any settlement or judgment arising from such claim and to indemnify and hold Novavax harmless from and against any and all liability, loss, damage or expense arising from such claim other than a claim arising solely from the Licensed IP or the Novasome Adjuvant. Such obligation shall be subject to Cantab's prompt notice of such claim and its sole control of any such defence and/or the incurring of any expenses relating thereto.

6. WARRANTIES

6.1 Subject to the limitations set forth in Clause 11.2 hereto and to the disclosures set forth in Schedule 1 to this Agreement, Novavax warrants and undertakes as at the date of this Agreement that:-

6.1.1 to the best of its knowledge and belief, it is the sole owner with full title the Licensed IP and, to the best of its knowledge and belief, the use, exploitation or commercialisation of the Licensed IP under the terms of this Agreement will not infringe the rights of any third party, and Novavax has not received notice of any claim or threat of a claim by a third party alleging that the exploitation of the licensed IP would infringe such third party's intellectual property;

6.1.2 it will use commercially reasonable efforts to apply for, pursue to grant, maintain and protect against infringement all Licensed Patent Rights except as permitted by this Agreement; and

6.1.3 it will not, subject to Clause 10.5 of this Agreement, at any time during the term of this Agreement while Cantab is in compliance with its payment and confidentiality obligations hereunder, grant to any third party any right, title or licence to manufacture, use or exploit the Licensed IP within the Field in any manner whatsoever nor itself manufacture, use or exploit any Licensed Product, in the Field (except for the benefit of Cantab or except as permitted by this Agreement).

6.2 Novavax will name a contact who shall be an authorized representative of Novavax to conduct Novavax's part in the contacts meetings and transfers of documentation and other arrangements with Cantab defined in clauses 7.1.6 and 7.1.7 below.

7. CANTAB'S OBLIGATIONS

7.1 Cantab shall:-

7.1.1 use all commercially reasonable endeavours to market, distribute, promote and sell the Licensed Product within the Field or procure the same through a sublicensee;

7.1.2 only to appoint sub-licensees and distributors who have the requisite experience, staff and resources adequately to perform their obligations and who will use all reasonable efforts to market, distribute, promote and sell the Licensed Products;

7.1.3 promptly notify Novavax of any infringement of the Licensed IP which may come to its attention;

7.1.4 ensure that all Licensed Products sold and developed by it, its distributors or sub-licensees under this Agreement are of satisfactory quality and that the manufacture, distribution, promotion, marketing and sale of such product complies with all laws and regulations in operation in the jurisdiction in which they are supplied; and

7.1.5 promptly notify Novavax of any product safety, regulatory or marketing information of which it becomes aware that has the potential adversely to affect sales of the Licensed Product;

7.1.6 provide personnel including a named contact involved in the development of the Licensed Product for meetings with Novavax to review research and clinical testing results and developments, not less frequently than quarterly unless otherwise agreed between the named contact and the corresponding named contact from Novavax, which meetings each Party shall use commercially reasonable efforts to hold face-to-face (or if agreed impractical to hold face-to-face then by a conference call) at each Party's facility

on an alternating basis. Cantab and Novavax shall include in their periodical meetings and reviews under this agreement consideration and negotiation in good faith of appropriate performance obligations by Cantab concerning the achievement of milestones 3.2.2-3.2.4;

7.1.7 provide, not less frequently than quarterly, any research reports, study records, or other material documents in its possession related to the Novavax Materials, by reliable overnight delivery service;

7.1.8 at Cantab's own expense, comply with, and ensure that each sub-licensee and/or distributor complies with, all laws, regulations, rules, ordinances or directives relating to the manufacture, marketing, sale or distribution of Licensed Products, including any laws, regulations, rules, ordinances or directives relating to the export or import of Licensed Products to or from any country and/or relating to the recall of any Licensed Product.

7.1.9 Cantab agrees to use its commercially reasonable endeavours to find and enter agreement with a suitable sublicensee, and to use its commercially reasonable endeavours to ensure that the studies necessary for the achievement of milestones 3.2.2 to 3.2.4 inclusive are carried out.

8. LIABILITY

8.1 Cantab shall indemnify and hold harmless Novavax against all liability, damages or claims arising from the use of the Licensed IP by Cantab for research or clinical studies and subsequently by the exploitation of the Licensed Product save and to the extent where any such liability arises solely from the negligence or willful default of Novavax or otherwise by reason of any breach by Novavax of warranties given in this Agreement.

8.2 Novavax shall indemnify and hold harmless Cantab against all liability, damages or claims arising from the use and exploitation of the Licensed IP authorized under the terms of this Agreement or the sale by Cantab (or any sublicense or distributor) of Licensed Product incorporating Novasomes Adjuvant manufactured by Novavax where such liability arises from the negligence or willful default of Novavax or otherwise by reason of any breach by Novavax of warranties given in this Licence Agreement.

8.3 Neither party shall be liable to the other in contract, tort, negligence, breach of statutory duty or otherwise for any loss, damage, cost or expense of any nature incurred or suffered by that party of an indirect or consequential nature including any economic loss or other loss of turnover, profits, business or goodwill.

Notwithstanding anything to the contrary in this Agreement, Novavax shall not be liable to Cantab for any amount in excess of the greater of the amount actually received by Novavax pursuant to this Agreement or US$1,000,000.

8.4 Each party acknowledges that it shall be solely responsible for the performance of its obligations under this Agreement on its premises including (without prejudice to the generality of the foregoing) the health and safety of its employees and all other regulatory, legal and other requirements (including without limitation all health and safety and environmental legislation and guidelines) relating to the performance of its obligations under this Agreement and that the other party shall be in no manner responsible for the same.

9. CONFIDENTIALITY AND SECURITY

9.1 Each Party (the "Recipient Party") shall keep the Confidential Information of the other Party (the "Disclosing Party") secret and confidential and shall not without the prior consent of the other Party directly or indirectly disclose or permit the same to be disclosed to any third party for any reason or use the same save as expressly provided by this Agreement or the Option Agreement or the Materials Transfer Agreement.

9.2 The obligations of confidence referred to in Clause 9.1 shall not extend to all or any part of such Confidential Information which:-

9.2.1 is or becomes generally available to the public otherwise than by reason of breach by the Recipient Party of the provisions of this Agreement;

9.2.2 the Recipient Party can show by documentary evidence was within its possession or control prior to the date upon which it was received from the disclosing party free from any obligation of confidentiality; or which the recipient party can show by documentary evidence came into its possession or control from a third party free from any obligation of confidentiality by such third party subsequent to the date of the

Option Agreement; or

9.2.3 is subsequently disclosed to the Recipient Party without obligations of confidence by a third party owing no such obligations to the Disclosing Party in respect of that Confidential Information.

The Recipient Party may disclose Confidential Information to the extent such is required by law to be disclosed (including as part of any regulatory submission or approval process) and then only after prompt written notice of this requirement has been given to the Disclosing Party so that it may, if so advised, seek appropriate relief to prevent such disclosure provided always that in such circumstances such disclosure shall be only to the extent so required and shall be subject to prior consultation with the Disclosing Party with a view to agreeing timing and content of such disclosure.

9.3 The obligations of the Parties under Clause 9.1 shall survive the expiration or termination of this Agreement for whatever reason for a period expiring at the earlier of

five years following such termination or expiration or ten years following disclosure of the Confidential Information.

10. TERMINATION

10.1 Cantab shall have the right to terminate its rights and obligations under this Agreement in respect of any part (or the whole) of the Licensed IP on 120 days written notice. In the event of any partial termination the rights and obligations of Cantab shall cease in respect of any terminated part but shall continue thereafter in accordance with the terms of this Agreement in respect of any and all non-terminated parts of the Licensed IP.

10.2 Cantab shall have the right to terminate this Agreement upon giving written notice of termination to Novavax in the event Novavax commits a material breach of this agreement which is not cured within 30 days of Novavax's receipt of written notice of breach from Cantab identifying the breach and requiring its remedy.

10.3 Novavax shall have the right to terminate this Agreement upon giving written notice of termination to Cantab upon the occurrence of any of the following events at any time during this Agreement:-

10.3.1 Cantab commits a breach of this Agreement relating to the payment of money actually due to Novavax which shall not have been cured within 5 days of receipt by Cantab of written notice of breach from Novavax identifying the breach and requiring its remedy;

10.3.2 Cantab commits any material breach of this Agreement, other than a breach specified in clause 10.3.1, which shall not have been remedied within 30 days of the receipt by Cantab of a written notice from Novavax identifying the breach and requiring its remedy; or

10.3.3 if an Insolvency Event occurs in relation to Cantab.

10.4 In the event of any termination hereunder, Cantab shall promptly return all Novavax Confidential Information to Novavax. The license granted hereunder shall cease immediately upon such termination and Cantab shall no longer have any right or interest to use any Licensed IP or to manufacture, sell, market, distribute or sublicense the Licensed Product; provided however, that Cantab (and/or its sublicensee) shall have the right to continue to sell Licensed Product which has already been manufactured, for a period of 30 days after the effective date of

such termination, subject to the continued applicability of Clause 3 of this Agreement to any such sale and time period. In case of partial termination under clause 10.1, this subclause applies only to the terminated part. Termination of this Agreement, in whole or in part, shall be without prejudice to obligations and/or rights accrued prior to the effective date of such termination.

10.5 Novavax shall have the right, at its option, in the event Cantab breaches its obligations under Clause 3.4 of this Agreement to convert the license granted herein to a non-exclusive license, which shall result in the termination of Novavax' obligations under Clause 6.1.3 of this Agreement. Such right shall be in addition to any other right Novavax may have under this Agreement.

Beginning in 2004, in the event that Cantab does not, directly or indirectly, commence sales and/or marketing of a Licensed Product in a country in which such sales and/or marketing are planned (a 'Planned Country'), within six months of the date such sales or marketing are planned in accordance with Cantab's (or its sublicensee's) marketing plan, as delivered to Novavax in accordance with Clause 7.1.7 of this Agreement, which failure to commence sales and/or marketing is not caused directly by the inability to obtain regulatory approval necessary to commence such sales and/or marketing after commercially reasonable efforts to obtain such approval ('regulatory approval failure'), the Parties hereto shall promptly commence and diligently pursue discussion regarding such event. Such discussions shall include whether commercialization of the Licensed Products is reasonable with respect to the Planned Country and whether the exclusivity set forth in Clauses 2.1 and 6.1.3 should continue to apply to the Planned Country. In the event that Cantab and Novavax do not agree to an alternative plan during the period of 24 months from the date of the planned sale and/or marketing in the Planned Country, Novavax shall have the right, upon 10 days written notice to Cantab at the expiration of such 24 month period, if sales and/or marketing in the Planned Country have not yet commenced and if such failure is not caused directly by regulatory approval failure, to convert the license granted herein to a non exclusive license with respect to the Planned Country, which shall result in the termination of Novavax's obligations under Clause 6.1.3 of this Agreement with respect to the Planned Country.

11. GENERAL

11.1 This Agreement shall be deemed to have effect from the date hereof and shall supersede any other agreement whether written or oral with respect to the performance of their respective obligations by the parties provided that for the avoidance of doubt the Confidentiality Agreements and the Materials Transfer Agreement (save only as expressly amended by this Agreement) and clause 4 of Schedule 2 of the Option Agreement together with clauses 3.1, 5.1 and 8.2.1 of the Option Agreement shall remain in full force and effect in accordance with their terms.

11.2 Each party acknowledges that in entering into this Agreement it does not do so on the basis of and does not rely on any representation, warranty or other provision save as expressly provided herein and all conditions, warranties and other terms implied by statute or common law are hereby excluded to the fullest extent permitted by law.

11.3 Any notice given under this Agreement shall be sufficiently served if in writing and sent

by both facsimile transmission and air mail post or courier to the address and fax number of the recipient party set out below:

NOVAVAX, INC.
8320 Guilford Road, Suite C
Columbia, MD 21046 USA
Fax No.: (00)(1) 301-854-3901

CANTAB PHARMACEUTICALS RESEARCH LIMITED
310 Cambridge Science Park
Milton Road, Cambridge CB4 OWG
Fax No.: (011)(44) 1223 423458

Notice of any modification or amendment to the address or fax number of a party must itself be made in writing to the other party in accordance with the terms of this Clause.

11.4 Neither party is authorised to act as the agent of the other for any purpose whatsoever and neither party shall on behalf of the other enter into, or make, or purport to enter into or make or represent that it has any authority to enter into or make any contract or any representation or warranty. Nothing in the Agreement shall be deemed to constitute a partnership between the other parties and neither of the parties shall do or suffer to be done anything whereby it may be represented as a partner of the other party.

11.5 Each of the parties shall bear its own cost and expenses incidental to the preparation, negotiation and execution of this Agreement and the Supply Agreement.

11.6 This Agreement is personal to Cantab and shall not be capable of assignment, sublicensing (subject and without prejudice to Section 2.2 of this Agreement) or transfer by Cantab (whether in whole or in part) without the prior written consent of Novavax, which shall not be unreasonably withheld. Cantab shall have the right to assign or transfer this Agreement to an entity into which it is merged or which acquires all or substantially all of the assets of the business line using the Licensed IP or all or substantially all of Cantab's capital stock. Cantab shall give Novavax not less than 45 days advanced written notice of any such proposed merger or sale. Novavax agrees to notify Cantab in writing within 20 days of receipt of a notice of a proposed merger or sale from Cantab, whether the party with which Cantab proposes entering such merger or sale transaction is a competitor of Novavax, involved in the field of adjuvants, and whether Novavax objects to such assignment or transfer of this Agreement on the basis that such would result in confidential, proprietary or non-public information becoming known by a competitor. If Novavax so objects, Cantab shall notify Novavax within 10 days of receipt of Novavax's notice whether it intends to complete the sale or merger. In the event Cantab does not provide Novavax such notice or notifies Novavax that it intends to complete such merger or sale, Novavax may, upon 10 days notice to Cantab,

terminate this Agreement and the license granted hereby, such termination to take effect immediately before said sale or merger.

11.7 Any agreement to amend, vary or modify the terms of this Agreement in any manner shall be valid only if the amended, variation or modification is effected in writing and signed by duly authorised representatives of each of the parties hereto.

11.8 No delay by either party in enforcing any of the provisions of this

Agreement shall be deemed a waiver of that party's right subsequently to enforce such provision.

11.9 If any term or provision or any part thereof contained herein shall be declared or become unenforceable invalid or illegal in any respect under the law of any relevant jurisdiction: (i) such term or provision or part thereof shall be deemed to have been severed from the remaining terms of this Agreement and the terms and conditions hereof shall remain in full force and effect as if this Agreement had been executed without the offending provision appearing herein; and (ii) the parties shall endeavour to agree and amend which to the fullest extent possible will give lawful effect to their intentions as expressed in any term or provision severed under this Clause 11.9.

11.10 Any controversy or claim of whatsoever nature arising out of or relating in any manner whatsoever to this Agreement or any breach of any terms of this Agreement shall be governed by and construed in all respects in accordance with the laws of England, except that claims or controversies arising out of or relating to Cantab's obligations of confidentiality and non-disclosure hereunder shall be governed by and construed in all respects in accordance with the laws of the State of Maryland, USA. At the request of either party, any claim, dispute or controversy arising out of or in connection with this Agreement or a breach thereof shall be settled by arbitration conducted in London in accordance with the commercial arbitration rules then in effect of the American Arbitration Association. The costs of arbitration shall be divided equally between the parties except that the arbitrator(s) shall have the authority to allocate the costs according to equitable principles upon the request by either party. The arbitrator(s) shall have the express authority to award equitable remedies at the request of either party.

[Schedule 1 follows next:]

SCHEDULE 1
LICENSED PATENT RIGHTS

USA Patent Number	Patent Title	Date of Issuance in USA	USA Expiration Date	EC Expiration Date
4,853,228	Method of Manufacturing Paucimellar Lipid Vesicles	8/1/89	7/28/07	
4,855,090	Method of Producing High Aqueous Volume Multilamellar Vesicles	8/8/69	3/13/07	
4,895,452	Method and Apparatus for Producing Lipid Vesicles	1/23/90	3/3/08	
4,911,928	Paucilamellar Lipid Vesicles	3/27/90	3/7/07	
4,917,951	Lipid Vesicles Formed of Surfactants and Steroids	4/17/90	11/24/07	
5,000,960	Protein Coupling Lipid Vesicles	3/19/91	1/19/09	
5,013,497	Method and Apparatus for Producing Lipid Vesicles	5/7/91		
5,032,457	Paucilamellar Lipid Vesicles Using Charge-localised, single chain, non-phospholipid Surfaciants	8/16/91	7/16/06	

5,104,736	Reinforced paucilamellar Lipid Vesicles	4/14/92	6/26/09	
4,147,723	Paucilamellar Lipid Vesicles	9/15/92	6/8/06	
5,234,767	Hybrid Paucilamellar Lipid Vesicles	8/10/93	3/27/07	
5,256,422	Lipid Vesicles Containing Water-in-Oil Emulsions	10/23/93	3/28/11	
5,474,848	Paucilamellar Lipid Vesicles	12/12/95	3/13/07	3/8/08
5,561,062	Method of Inhibiting viral Reproduction Using non-phospholipid Paucilamellar Liposomes	10/1/96	10/1/93	
,*NVR-213CP	Vaccines Containing Paucilamellar Lipid Vesicles as Immunological Adjuvants	*CIP		

OTHER LICENSED PATENT AND APPLICATIONS INCLUDE:

European Patents and Applications:	PCT Applications:
0 349 583	WO 88/06881
0 349 579	WO 88/06882
0 352 282	WO 88/06883
0 406 273	WO 89/07929
0 746 338	WO 95/22989
	WO 91/04013

Disclosure: L'Oreal opposed European Patent No 0 352 282 of Micro-Pak, Inc. Such opposition was denied. L'Oreal has appealed such denial.

DISCLOSURE: NOVAVAX HAS LEARNED OF THE FOLLOWING PATENTS AND/OR APPLICATIONS, WHICH INCLUDE CLAIMS WHICH MAY BE ARGUED TO BE EMCOMPASSED BY THE LICENSED IP: US PATENT NO. 5,579,353 (WITH WO3/19781) AND W095/109751. NOVAVAX BELIEVES THAT TO THE EXTENT THAT ANY SUCH CLAIMS WOULD BE INFRINGED BY THE LICENSED PRODUCTS, SUCH CLAIMS MAY NOT BE VALID

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IN WITNESS WHEREOF the Parties have caused this Licence Agreement to be executed:

for and on behalf of Novavax, Inc.: [date] 29 April 1999
[signature] /s/ Mitchell J. Kelly

[name and official position of signatory]
Mitchell J. Kelly President & CEO
---

for and on behalf of Cantab Pharmaceuticals Research Limited
[date] 22 April 1999
[signature] /s/ Jurek S. Sikorski

[name and official position of signatory]
Jurek S. Sikorski CHIEF EXECUTIVE OFFICER

This Agreement is endorsed in accordance with its terms with an execution for and on behalf of Novavax Inc.'s subsidiaries Micro-Pak, Inc. and Micro Vesicular Systems, Inc., who agree to be bound hereby to

the extent within written:-

for and on behalf of Micro-Pak, Inc. [date] 29 April 1999
[signature] /s/ Mitchell J. Kelly

[name and official position of signatory]
Mitchell J. Kelly President

for and on behalf of Micro Vesicular Systems, Inc. [date] 29 April 1999
[signature] /s/ Mitchell J. Kelly

[name and official position of signatory]
Mitchell J. Kelly President

STOCK AND WARRANT PURCHASE AGREEMENT

This Stock and Warrant Purchase Agreement (the "Agreement") is made as of January 28, 2000 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 (the "Shares") of the Company's Common Stock, $.01 par value per share ("Common Stock") and Warrants (as defined in Section 1.3), as such are being offered by the Company pursuant to an Offering Circular dated January 4, 2000 (together with its Appendices, the "Offering Circular");

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 each Purchaser the number of Shares set forth opposite such Purchaser's name on the signature page hereto at a purchase price of $4.00 per share (the "Purchase Price") and a Warrant to purchase the number of shares of Common Stock 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 set forth opposite such Purchaser's name on the signature page hereto.

1.2 Aggregate Sale. Pursuant to this Agreement, the Company shall sell an aggregate number of Shares not less than 1,500,000 Shares for an aggregate Purchase Price of $6,000,000 (the "Minimum Investment Amount") nor more than 2,500,000 Shares for an aggregate Purchase Price of $10,0000,000 (the "Maximum Investment Amount").

1.3 Warrant Coverage. In consideration of the purchase by each Purchaser of the Shares to be purchased by it, and of fifty dollars, the Company agrees to issue such Purchaser at Closing a warrant (the "Warrant") to purchase the number of shares of Common Stock, rounded down to the nearest whole number (the "Warrant Shares"), equal to the product of (x) .25 and (y) the number of Shares purchased by such Purchaser. The Warrant shall be exercisable for a term of three years from the date of issuance at an exercise price equal to $6.75 per share.

1.4 Payment of Purchase Price. On or prior to the Closing Date, each Purchaser will deliver to Continental Stock Transfer & Trust Co., as Escrow Agent (the "Escrow Agent") the full amount of the aggregate Purchase Price for the Shares purchased by such Purchaser hereunder, by wire transfer of funds or by check to Jesup & Lamont Securities Corporation (the "Placement Agent"). The Purchase Price shall be maintained in a segregated account until the Closing Date and shall be released either (a) upon the consummation of the transaction contemplated hereunder; or (b) upon the termination of this Agreement in accordance with Section 7.

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 such time (the "Closing Date") as shall be agreed upon by the Company, Jesup & Lamont

Securities Corporation (the "Placement Agent") and the Purchasers at the offices of the Placement Agent, 650 Fifth Avenue, New York, NY 11019. The Closing Date shall occur upon the Closing of the sale of Shares resulting in the Maximum

Investment Amount (or such lesser amount as determined by the Company, but not less than the Minimum Investment Amount), but in no event shall the Closing Date be later than March 10, 2000.

2.2 Deliveries at Closing. At the Closing the Company shall deliver the following to each Purchaser: (a) a stock certificate registered in such Purchaser's name, or in such nominee name(s) as designated by the Purchaser in writing, representing the Shares purchased by such Purchaser; (b) a Warrant in such Purchaser's name, or in such nominee name(s) as designated by the Purchaser in writing; (c) an opinion of White & McDermott, P.C. dated the Closing Date and substantially in the form attached hereto as Exhibit A ("Opinion of Counsel"); and (d) a certificate, signed by the President of the Company, to the effect that (i) the representations and warranties of the Company contained in this Agreement are true and correct in all material respects on and as of the Closing Date as though newly made on and as of that date (except for representations and warranties which speak as of the date of the Agreement or as of another specific date or period, which shall continue to be true and correct in all material respects as of the respective dates and for the respective periods covered thereby) and (ii) the Company has performed and complied with, in all material respects, all of its covenants contained in this Agreement and required to be performed or complied with on or before the Closing. Each Purchaser's obligation to purchase the Shares shall be subject to the following conditions: (a) the accuracy of the representations and warranties made by the Company herein and the fulfillment of those undertakings of the Company to be fulfilled prior to Closing; and (b) delivery of the Opinion of Counsel.

Upon satisfaction of all the conditions to Closing set forth in this Agreement and the delivery of the certificates representing the Shares and of the Warrants to the Purchaser, the Escrow Agent shall be directed to deliver to the Company the Purchase Price for the Shares, less the Placement Agent fee due to the Placement Agent and any expense that the Company has agreed to reimburse to the Placement Agent and its counsel, which the Escrow Agent shall pay directly to them in accordance with the Company's engagement letter with the Placement Agent.

3. Representations and Warranties by the Company. The Company represents and warrants to each Purchaser as of the date hereof and as of the Closing Date 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 Offering Circular, since September 30, 1999, 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. Except as set forth in the Disclosure Schedule, 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, as amended (the "Securities Act"), 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, as amended (the "Exchange Act") 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. The Company is not in violation of its Certificate or Bylaws nor in violation of, or in default under, any lien, mortgage, lease, agreement or instrument, except for such defaults which would not, individually or in the aggregate, have a material adverse effect on the financial condition or business of the Company. The Company is not subject to any restriction which would prohibit the Company from entering into or performing its obligations under this Agreement or the Warrants, except for such restrictions which would not, individually or in the aggregate, have a material adverse effect on the ability of the Company to perform their obligations under this Agreement and the Warrants.

3.5 Reports and Financial Statements. The Company has delivered to the Purchasers true and complete copies of the Company's Form 10-K for the year ended December 31, 1998, the Company's Proxy Statement in connection with the 1999 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, 1999, 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 Company SEC Reports, when read as a whole, as updated by the Offering Circular, do not contain any untrue statements of a material fact and do not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. 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 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 arising under federal or state securities laws). The authorized capital stock of the Company, including the Shares, conforms, and when issued, the Warrant Shares will conform, to all statements relating thereto included in the Offering Circular. The issuance of the Shares, the Warrants and

the Warrant Shares is not subject to any preemptive or other similar rights. The Company has duly reserved 875,000 shares of its authorized but unissued Common Stock for issuance upon exercise of the Warrants by the Purchasers and the Placement Agent, and such shares shall remain so reserved (subject to reduction from time to time for Common Stock issued upon the exercise of the Warrants), as long as the Warrants are exercisable.

3.7 Securities Laws. Subject to the accuracy of the representations and warranties of the Purchasers contained in Article 4 of this Agreement, the offer, sale and issuance of the Shares, the Warrants and the Warrant Shares 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. As of November 30, 1999, 15,011,389 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 3,936,741 shares of the Company's Common Stock were issued and outstanding and warrants to purchase 1,712,775 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 Offering Circular, as of November 30, 1999, 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, 1996, the Company has filed with the SEC 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.

3.12 Compliance with Laws. The business and operations of the Company have been conducted in accordance with all applicable laws, rules and regulations of all governmental authorities, except for such violations which

would not, individually or in the aggregate, have a material adverse effect on the financial condition or business of the Company.

1.13 Offering Circular. The information contained in the Offering Circular is true and correct in all material respects; and the Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in light of the circumstances under which they were made, not misleading.

1.14 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.

3.15 Proprietary Rights. The Company owns or is licensed to use all patents, patent applications, inventions, trademarks, trade names, applications for registration of trademarks, service marks, service mark applications, copyrights, know-how, manufacturing processes, formulae, trade secrets, licenses and rights in any thereof and any other intangible property and assets (herein called the "Proprietary Rights") which are material to the business of the Company, as now conducted or as proposed to be conducted. The Company does not have any knowledge of, and the Company has not given or received any notice of, any pending conflicts with or infringement of the rights of others with respect to any Proprietary Rights or with respect to any license of Proprietary Rights. No action, suit, arbitration, or legal, administrative or other proceeding, or investigation is pending or, to the knowledge of the Company, threatened, which involves any Proprietary Rights. The Company is not subject to any judgment, order, writ, injunction or decree of any court or any Federal, state, local, foreign or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or any arbitrator, has not entered into or is a party to any contract which restricts or impairs the use of any such Proprietary Rights in a manner which would have a material adverse effect on the use of any of the Proprietary Rights. To the knowledge of the Company, no Proprietary Rights used by the Company, and no services or products sold by the Company, conflict with or infringe upon any proprietary rights owned or licensed by any third party. The Company has not received written notice of any pending conflict with or infringement upon such third-party proprietary rights. No claims have been asserted by any person with respect to the validity of the Company's ownership or right to use the Proprietary Rights and, to the knowledge of the Company, there is no reasonable basis for any such claim to be successful. To the knowledge of the Company, the Proprietary Rights are valid and enforceable.

3.16 Compliance with Environmental Laws. Except as would not, singly or in the aggregate, have a material adverse effect on the Company, the Company is not in violation of any applicable statute, law or regulation relating to the environment or occupational health and safety, and to the Company's knowledge, no expenditures material to the Company are or will be required to comply with any such existing statute, law or regulation. To the Company's knowledge, the Company does not have any liability to any governmental authority or other third party

arising under or as a result of any such past or existing statute, law or regulation, which liability would be material to the Company.

3.17 Permits, Licenses, Etc. The Company owns, possesses or has obtained, and is operating in compliance with, all governmental, administrative and third party licenses, permits, certificates, registrations, approvals, consents and other authorizations (collectively, "Permits") necessary to own or lease (as the case may be) and operate its properties, whether

tangible or intangible, and to conduct its businesses or operations as currently conducted, except such licenses, permits, certificates, registrations, approvals, consents and authorizations the failure of which to obtain would not have a material adverse effect on the business, properties, operations, financial condition or results of operations of the Company, and the Company has not received any notice of proceedings relating to the revocation, modification or suspension of any Permits or any circumstance which would lead it to believe that such proceedings are reasonably likely.

3.18 Insurance. The Company maintains insurance of the type and in the amount reasonably adequate for its business, including, but not limited to, insurance covering all real and personal property owned or leased by the Company against theft, damage, destruction, acts of vandalism and all other risks customarily insured against by similarly situated companies, all of which insurance is in full force and effect.

3.19 Registration Rights. Except as set forth in the Disclosure Schedule, there are no persons with registration or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the Securities Act.

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. Purchaser acknowledges receiving and reviewing the Offering Circular (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.

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 Offering Circular 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 registered or such registration is not required, and (b) if the transfer is pursuant to an exemption from registration an opinion 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 Offering Circular, 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) Promptly after, but not later than 45 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 best efforts to cause such Registration Statement to become effective within 105 days from the Closing Date or not more than five days from the date upon which the Securities and Exchange Commission shall allow the Company to accelerate effectiveness, whichever is shorter. In the event that the Company shall fail to file the Registration Statement within the 45-day period following the Closing Date or shall fail to obtain effectiveness of the Registration Statement within the 105--day period following the Closing Date, the Company hereby agrees that it shall issue to each Purchaser Warrants to purchase such number of shares of Common Stock equal to 5% of the total number of shares purchased by such purchaser for each and every thirty (30) day period with respect to which such Registration Statement shall not be filed or effective, as the case may be (the

"Penalty Warrant"); provided, however, that if the Placement Agent received an opinion of counsel to the Company to the effect that the delay in obtaining effectiveness of the Registration Statement was in no way attributable to any actions taken or failed to be taken by the Company, then, such 105-day period shall be extended to 135 days without any Penalty Warrants required to be issued. The Penalty Warrants shall have an exercise price per share equal to the market price of the Common Stock as quoted by AMEX on the Closing Date and shall be exercisable for a period of three years from the date of issuance and shall contain anti-dilution provisions and other provisions similar to those contained in the Warrants. Until such time as the Registration Statement is effective, the Company shall not grant any registration rights or other rights to register securities under the Securities Act unless such rights are subordinate to the rights of the Purchasers under this Section 5.1 or will not have the effect of delaying a sale or limiting the number of securities which may be sold by the Purchasers pursuant to the Registration Statement or otherwise adversely affect the rights of the Purchasers under this Section 5.1.

(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 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(f), 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) With a view to making available to Purchasers the benefits of Rule 144 and any other rule or regulation of the Commission that may at any time permit Purchaser to sell Registrable Securities to the public without registration or pursuant to a registration statement on Form S-3, the Company covenants and agrees to use its best efforts to: (i) make and keep public information available as those terms are understood and defined in Rule 144 until the earlier of (A) the date on which the Shares may be sold pursuant to Rule 144(k) (or any successor rule) or (B) such date as all of the Registrable Securities shall have been resold; (ii) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and Exchange Act; and (iii) furnish to any Purchaser upon request, as long as the Purchaser owns any Registrable Securities, (A) a written statement by the Company that it has complied with the reporting requirements of the Securities Act and the Exchange Act, (B) a copy of the most recent annual or quarterly report of the Company, and (C) such other information as may be reasonably requested in order to avail any Purchaser of any rule or regulation of the Commission that permits the selling of any such Registrable Securities without registration or pursuant to such registration statement on Form S-3.

(f) Purchaser hereby acknowledges that there may occasionally be times when the Company must suspend the use of the prospectus forming a part of the Registration Statement until such time as an amendment to such Registration Statement has been filed by the Company and declared effective by the SEC or until the Company has amended or supplemented such prospectus. The Purchaser hereby covenants that it will not sell any securities pursuant to said prospectus during the period commencing at the time at which the Company gives the Purchaser notice of the suspension of the use of said prospectus and ending at the time the Company gives the Purchaser notice that Purchaser may thereafter effect sales pursuant to said prospectus. Notwithstanding anything herein to the contrary, the Company shall not suspend use of the Registration Statement by Purchaser unless such suspension is required by the federal securities laws and the rules and regulations promulgated thereunder. Notwithstanding the foregoing, the Company shall not be entitled to exercise its right to block such sales or suspend use of such prospectus more than three times during the effectiveness of the Registration Statement nor more than one time in any four month period.

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) (including in settlement of litigation) 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 or alleged omission to state a material fact in the Registration Statement , including all documents filed as a part thereof and information deemed to be a part thereof, on the effective date thereof, or any amendment or supplements thereto, or arise out of any failure by the Company to fulfill any undertaking or covenant included in the Registration Statement or to perform its obligations hereunder or under law, and the Company will, as incurred, reimburse such Purchaser for any legal or other expenses reasonably incurred in investigating, defending or preparing to defend, settling, compromising or paying 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 and not corrected by the Purchaser in writing 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 or Registration Statement 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 at least 1 day 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 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 each Purchaser 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 NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR THE SECURITIES 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) 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. The Company will substitute one or more replacement certificates without the legend at the request of the Purchaser promptly after such time as the Registration Statement becomes effective.

7. Termination.

(a) By the Purchaser. The Purchaser may terminate this Agreement immediately, if at any time prior to the Closing, the Company shall cease conducting business in the normal course; become insolvent or become unable to meet its obligations as they become due; make a general assignment for the benefit of creditors; petition, apply for, suffer or permit with or without its consent the appointment of custodian, receiver, trustee in bankruptcy or similar officer for all or any substantial part of its business or assets; avail itself or become subject to any proceeding under the Federal Bankruptcy Code or any similar state, federal or foreign statute relating to bankruptcy, insolvency, reorganization, receivership, arrangement, adjustment of debts, dissolutions or liquidation.

(b) By the Company. The Company may terminate this Agreement at any time prior to the Closing if the Purchasers have not agreed to purchase an aggregate of at least 1,500,000 Shares pursuant to this Agreement prior to March 11, 2000 or such later date as the Company and the Placement Agent shall have agreed to extend the offering of the Shares with notice to the purchasers in accordance with the terms of Section 4(a) hereof.

8. Miscellaneous.

8.1 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.

8.2 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.

8.3 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.

8.4 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.

8.5 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.

8.6 Amendments. No amendment, modification, waiver, discharge or termination of any provision of this Agreement nor consent to any departure by the Purchasers or the Company therefrom shall in any event be effective unless the same shall be in writing and signed by the party to be charged with enforcement, and then shall be effective only in the specific instance and for the purpose for which given. No course of dealing between the parties hereto shall operate as an amendment of, or a waiver of any right under, this Agreement.

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:_____

Title:_____

[PURCHASER SIGNATURE PAGE CONTINUES ON THE FOLLOWING PAGE]

PURCHASER SIGNATURE PAGE AND QUESTIONNAIRE

The undersigned Purchaser hereby executes the Stock and Warrant Purchase Agreement with Novavax, Inc. (the "Company") and hereby authorizes this signature page to be attached to a counterpart of such document executed by a duly authorized officer of the Company.

No. of Shares to be Purchased: _____

No. of Shares Underlying Warrants: _____

Aggregate Purchase Price: $_____

_____
Name of Purchaser (PLEASE PRINT OR TYPE)

[SIGN HERE]

By:_____

Title: _____

Purchaser is a _____ qualified institutional buyer OR

_____ an accredited investor as defined in the Offering Circular

Name in which Shares and Warrants are to be registered: _____

Address of registered holder: _____

Social Security or Tax ID No. of registered holder: _____

Contact name and telephone number regarding Settlement and registration: _____
Name

_____
Telephone Number

Number of shares of common stock of the Company beneficially owned (meaning shares owned or controlled or which the Purchaser has the right to acquire or vote) by the Purchaser, other than the Shares and Warrants being purchased pursuant hereto: _____

Have you or your organization had any position, office or other material relationship with the Company within the past three years?

_____ Yes _____ No

Do you or your organization have any direct or indirect affiliation or association with any NASD member?

_____ Yes _____ No

If yes to either of the last two questions, please indicate the nature of any such

DISCLOSURE SCHEDULE TO STOCK AND WARRANT PURCHASE AGREEMENT

3.3 In January 2000, certain officers and directors of the Company were sued by a former employee o the Company, alleging that he should have received 12 months of severance pay. The Company, which is not a party to the lawsuit, has offered to pay the former employee 6 months severance pay.

3.19 Two holders of warrants to purchase an aggregate of 100,000 shares of Common Stock of the Company currently have registration rights.

EXHIBIT A

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, the Warrants 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; and the issuance of the Shares, the Warrants and the Warrant Shares is not subject to pre-emptive or other rights to subscribe for or purchase securitites.

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.

To our knowledge, as of November 30, 1999, 15,011,389 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 3,936,741 shares of the Company's Common Stock were issued and outstanding and warrants to purchase 1,712,775 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 non-assessable. Except as set forth in Section 3.8 of the Agreement or the Offering Circular and except for options to purchase not more then 100,000 shares, to our knowledge, 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.

The form of certificate used to evidence the Shares and the form of Warrant are in due and proper form and comply with all applicable statutory requirements.

EXHIBIT B

FORM OF WARRANT

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. 2000- _____ 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 January 28, 2003, 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 $6.75 per share (the "Exercise Price"). This Warrant is issued in connection with a Stock and Warrant Purchase Agreement dated as of January 28, 2000 by and between the Company and the Purchasers signatory thereto (the "Purchase Agreement"). This Warrant may not be sold, transferred, assigned or hypothecated, in whole or in part, at any time except in accordance with Section 5 hereof (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 hereunder 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 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 or the provisions of Section 5 hereunder.

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 distribution 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, distribution, 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 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 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. Transfer.

5.1 Securities Laws. Neither the Warrant nor the Warrant Shares has been registered under the Securities Act. The Company will not transfer this Warrant or the Warrant Shares unless (i) there is an effective registration statement covering such Warrant or Warrant Shares, as the case may be, under the Securities Act and applicable states securities laws; (ii) in the case of Warrant Shares, it first receives a letter from an attorney, acceptable to the Company's Board of Directors or its agents, stating that in the opinion of the attorney the proposed transfer is exempt from registration under the Securities Act and under all applicable state securities laws; or (iii) in the case of Warrant Shares the transfer is made pursuant to Rule 144 under the Securities Act.

5.2 Conditions to Transfer. Prior to any such proposed transfer, and as a condition thereto, if such transfer is not made pursuant to an effective registration statement under the Securities Act, the Holder will, if the restrictive legend has not been removed pursuant to the Purchase Agreement and if requested by the Company, deliver to the Company (i) an Investment covenant signed by the proposed transferee; (ii) an agreement by such transferee that the restrictive investment legend set forth above be placed on the certificate or certificates representing the securities acquired by such transferee; and (iii) an agreement by such transferee that the Company may place a "stop transfer order" with its transfer agent or registrar, and (iv) an agreement by the transferee to indemnify the Company to the same extent as set forth in the next succeeding paragraph.

5.3 Indemnity. The Holder acknowledges that the Holder understands the meaning and legal consequences of this Section 5, and the Holder hereby agrees to indemnify and hold harmless the Company, its representatives and each officer and director thereof from and against any and all loss, damage or liability (including all attorney's fees and costs incurred in enforcing this indemnity provision) due to or arising out of (a) any transfer by the Holder of any of this Warrant or the Warrant Shares in violation of the Securities Act, the Securities Exchange Act of 1934, as amended or the rules and regulations promulgated under either of such acts, (b) any transfer by the Holder of this Warrant or any of the Warrant Shares not in accordance with this Warrant or (c) any untrue statement by the Holder or omission by the Holder to state any material fact in connection with the investment representations or with respect to the facts and representations supplied by the Holder to counsel to the Company upon which its opinion as to proposed transfer shall have been based.

5.4 Assignment and Transfer. Except as set forth in Section 5.1 (i), this Warrant may only be transferred to an affiliate of the Holder. Upon surrender of this Warrant certificate to the Company with the Assignment Form annexed hereto duly executed and funds sufficient to pay any transfer tax, and upon compliance with the foregoing provisions, the Company shall without charge, execute and deliver a new Warrant certificate in the name of the assignee named on such instrument of assignment, and this Warrant certificate shall promptly be cancelled. An

assignment, transfer, pledge, hypothecation or other disposition of this Warrant attempted contrary to the provision of this Warrant, or any levy of execution, attachment or other process attempted upon this Warrant, shall be null and void and without effect.

6. 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.

7. 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.

8. 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.

(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.

9. 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.

10. 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 January 28, 2000.

NOVAVAX, INC.

By: _____
John A. Spears, President and
Chief Executive Officer

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)

EXHIBIT 23

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 February 26, 2000, appearing on page F-2 of this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

McLean, Virginia
March 8, 2000

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