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, 2001

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: **NONE**

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

Common Stock ($.01 par value)

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

Indicate by check mark 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. ☐

The aggregate market value of 20,973,202 shares of the registrant's Common Stock, par value $.01 per share, held by non-affiliates of the registrant at March 8, 2002, as computed by reference to the closing price of such stock, was approximately $221,057,549.

The number of shares of the registrant's Common Stock, par value $.01 per share, outstanding at March 8, 2002 was 23,915,343 shares.

Documents Incorporated By Reference

Portions of the Registrant's Proxy Statement to be filed not later than 120 days after December 31, 2001, in connection with the Registrant's 2002 Annual Meeting of Stockholders, referred to herein as the "Proxy Statement," are incorporated by reference into Part III of this Form 10-K. Certain exhibits filed with the Registrant's prior registration statements and periodic reports under the Securities Exchange Act of 1934 are incorporated herein by reference into Part IV of this Report.

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PART I

Item 1. *Business*

Overview

Novavax is a fully-integrated specialty pharmaceutical company focused on the research, development and commercialization of products utilizing our proprietary drug delivery and vaccine technologies for large and growing markets, concentrating on the areas of women's healthcare and infectious diseases. Our lead product candidate, ESTRASORB™, is the first transdermal lotion for estrogen replacement therapy for which a New Drug Application has been accepted for filing by the Food and Drug Administration. The New Drug Application for ESTRASORB was submitted in June 2001 and was accepted for filing in August 2001. We are seeking FDA approval of ESTRASORB for the reduction of hot flashes in menopausal women and, if approved, we believe ESTRASORB will be competitively positioned to address the $1.8 billion estrogen replacement therapy market in the United States. In our Phase II and III clinical trials, women using ESTRASORB experienced a statistically significant reduction in the number of hot flashes, the primary endpoint of our study, with many women reporting a total elimination of hot flashes while using the product. We also believe that ESTRASORB offers additional advantages over other estrogen replacement therapies, including ease of use, more rapid onset of estrogen therapy and a lower incidence of skin irritation and nausea.

Our drug delivery technologies involve the use of our patented oil and water emulsions which we believe can be used as vehicles for the transdermal and injectable delivery of a wide variety of drugs and other therapeutic products, including hormones, anti-bacterial and anti-viral products and vaccine adjuvants, which are substances added to vaccines to enhance their effectiveness. We believe that our technologies represent the first time that alcohol soluble hormones, such as estrogen and testosterone, have been encapsulated and delivered through the skin. In addition to ESTRASORB, our product candidates using these technologies include ANDROSORB™, a transdermal testosterone lotion that is in Phase II clinical trials, ANDRO-JECT™, a long-acting subcutaneous injectable formulation of testosterone that is in preclinical development, and a transdermal progestin lotion that is also in preclinical development. We also conduct research and development on preventative and therapeutic vaccines for a variety of infectious diseases.

During 2001, we signed a co-promotion agreement with King Pharmaceuticals, Inc. ("King") for the promotion and marketing of ESTRASORB and ANDROSORB within the United States and licensed to King the right to sell these products outside the United States. This relationship with King has the potential to provide us with deeper women's healthcare market penetration for ESTRASORB and ANDROSORB. We will record all revenues from the sales of ESTRASORB and ANDROSORB in the United States and will pay to King 50% of these revenues less 50% of manufacturing and approved marketing costs, subject to certain modifications. We received licensing fees of $3.0 million and milestone payments totaling $5.0 million from King upon the submission to the FDA and acceptance for filing of the ESTRASORB New Drug Application. We also received from King $20.0 million in December 2000 and $10.0 million in September 2001 in the form of convertible note financings.

We currently market, sell and distribute a line of prescription pharmaceuticals and prenatal vitamins through our 85 person sales force including national accounts team, which has extensive experience selling to obstetricians, gynecologists, managed care organizations, wholesalers and retail pharmacies throughout the United States. In 2001, these products produced revenues of $17.3 million. If we receive marketing approval from the FDA, we expect to sell ESTRASORB both through our sales force and through King's salesforce. We intend to manufacture ESTRASORB for commercial sale in a dedicated 20,000 square foot facility, which is currently being built to our requirements.

Our Strategy

The primary elements of our strategy include:

- ***Maximize the commercial impact of ESTRASORB.*** We are currently developing commercialization and manufacturing infrastructures, programs and systems in anticipation of approval of our ESTRASORB New

Drug Application by the FDA in 2002. We believe that our marketing plan, together with the significant expertise of our management team in new product launches, will enable ESTRASORB to rapidly penetrate the $1.8 billion estrogen replacement therapy market in the U.S. We expect that the introduction of ESTRASORB, if approved, will increase our presence in the women's healthcare market, thereby enabling us to more effectively commercialize future products which we develop or acquire. Our co-promotion agreement with King should provide us with additional marketing and selling expertise which will assist us in achieving deeper market penetration for ESTRASORB.

- ***Leverage our unique drug delivery technology platforms to commercialize additional pharmaceutical products.*** A key component of our growth strategy is the introduction of new products based on our proprietary drug delivery technologies. In addition to ESTRASORB, we have three hormone replacement therapy candidates in various stages of clinical and preclinical development. We will continue to focus on developing improvements to existing therapies. We intend to target large markets where our products can be differentiated through increased efficacy and improved delivery technique.

- ***Continue to develop our capabilities as a fully-integrated specialty pharmaceutical company.*** We intend to continue to enhance our internal capabilities in the developing, testing, manufacturing and marketing of our product candidates. We believe that this fully-integrated platform differentiates us from many specialty pharmaceutical companies and enhances our ability to successfully introduce new products such as ESTRASORB and to grow our existing line of women's healthcare products. We plan to continue to focus our research and development efforts on advancing our existing product candidates towards commercialization and on identifying and commercializing new therapies using our unique drug delivery techniques. We perform many components of the ESTRASORB manufacturing process, and we are increasing our manufacturing capabilities in anticipation of the commercial launch of ESTRASORB in 2002. We have an 85 person sales force including national accounts team with experience in the area of women's health, and intend to continue to build that sales team as we are able to commercialize or acquire new products.

- ***Continue to expand our product lines through acquisition of new products and technologies.*** We believe we can continue to grow through the acquisition of product lines, individual products or additional technologies. We believe numerous opportunities exist to acquire such products and technologies as large pharmaceutical companies seek to divest many non-core product areas. We regularly evaluate opportunities to acquire products in markets we currently serve, as well as potential new markets where our management team has expertise, such as oncology. Our fully-integrated capabilities assist us in identifying, acquiring and successfully implementing new product and company acquisitions.

We have demonstrated our ability to successfully acquire and integrate products and research capabilities. For example, we acquired Fielding Pharmaceutical Company in December 2000, which enabled us to expand our women's healthcare product line and gave us an established national sales force with experience calling on obstetricians and gynecologists throughout the United States. In January 2001, we purchased the AVC™ Cream product line from King to provide us with additional products to sell through our sales force. In August 1999, we acquired a vaccine research and development group from DynCorp, which has enabled us to develop advanced vaccine product candidates.

- ***Exploit our expertise in vaccine technology to develop products for a large and underserved market.*** We currently have several vaccine candidates in clinical and preclinical development. In particular, we are pursuing an inactivated smallpox vaccine and a human papillomavirus vaccine that we believe could address large and underserved markets if approved. In order to pursue a number of vaccine development programs, we intend to collaborate with private companies and governmental agencies, including the National Institutes of Health, with which we have several ongoing projects.

Our Products and Product Candidates

We are focused on the successful introduction of new product candidates and the continued sales growth of the products we currently market. The table below provides a summary of our marketed products and product candidates, which are discussed elsewhere in further detail:

Product or Product Candidate	Product Description	Partner	Status
Nestabs®	Prescription prenatal vitamins	—	Marketed
Gynodiol™	Oral estrogen replacement therapy	—	Marketed
AVC™ cream and suppositories	Vaginal bacterial infection	—	Marketed
Nordette®	Birth control pill	King (co-promotion)	Marketed
ESTRASORB™	Transdermal lotion for estrogen replacement	King (co-promotion)	NDA filed
ANDROSORB™	Transdermal lotion for testosterone replacement	King (co-promotion)	Phase II
HPV16 vaccine	Human papillomavirus vaccine	NIH/ King	Phase II
ANDRO-JECT™	Injectable testosterone	—	Preclinical
Progestin lotion	Transdermal lotion for progestin replacement	—	Preclinical
Inactivated smallpox vaccine	Smallpox (vaccinia)	—	Preclinical

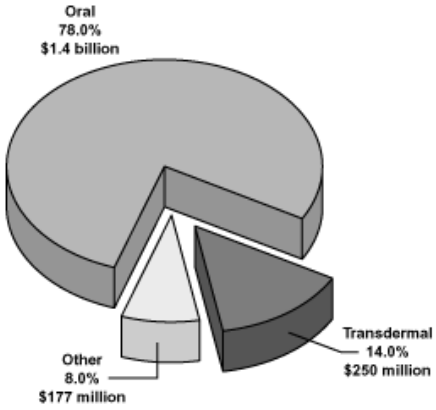
Our Lead Product Candidate — ESTRASORB

ESTRASORB is our lead product candidate and employs our patented micellar nanoparticle technology to deliver estrogen, in the form of 17ß estradiol, through the skin when applied topically in the form of a lotion. We submitted a New Drug Application for ESATRASORB to the FDA in June 2001, which was accepted for filing in August 2001. We are seeking FDA approval of ESTRASORB for the reduction of hot flashes in menopausal women. In clinical trials, participants using ESTRASORB experienced a statistically significant reduction in the number of hot flashes, the primary endpoint of the studies, with many reporting the complete elimination of hot flashes during the trial period. We believe that ESTRASORB offers advantages over competing therapies in the $1.8 billion estrogen replacement market in the United States. ESTRASORB is easy to use and lowers the incidence of skin irritation and stomach upset associated with other estrogen replacement products. Our marketing studies indicate that ESTRASORB's method of topical application will differentiate ESTRASORB from other estrogen replacement therapies.

Market Overview. As a woman approaches menopause, ovulation becomes less frequent and the production of estrogen decreases. Eventually, the estrogen produced is insufficient to bring about menstruation. Menopause is typically diagnosed when there has been an absence of menstruation for at least one year accompanied by the presence of hot flashes. Women are entering menopause at the rate of approximately 4,000 per day. An estimated 10.0 million women are currently on estrogen replacement therapy. This number is forecast to increase to 12.8 million in 2004 as diagnosis and medication efficacy increase and side effects associated with therapy decrease. The demographic expansion of the "baby boomer" generation will cause an increase in the estrogen replacement therapy market as more women reach the ages associated with menopause and seek medical attention for their symptoms.

Estrogen replacement therapy is currently used worldwide by menopausal women to treat the symptoms of menopause, such as hot flashes, and by post-menopausal women to prevent osteoporosis and other adverse health conditions. Current estrogen replacement products include oral tablets and, more recently, transdermal patches. Users of oral estrogen tablets may sometimes experience the side effect of nausea. Transdermal patches for estrogen replacement were developed in large part to eliminate this side effect of nausea and first became commercially available in the mid 1980's. Patches generally use alcohol to drive the estrogen through the skin to achieve therapeutic blood levels. These patches may cause skin irritation and the inconvenience to the patient associated with wearing and changing an external patch. As shown by the chart below, in the

12 months ended September 30, 2001, the estrogen replacement market in the U.S. was approximately $1.8 billion, with approximately 78% of the market using oral estrogen replacement therapy and 14% of the market using transdermals.



Clinical Trials of ESTRASORB. We have completed several preclinical and human safety and efficacy studies for ESTRASORB. A Phase II study completed in the first quarter of 1999 involved a 35-day dosing protocol and included 120 patients at six clinical sites in the United States. This study indicated that ESTRASORB, administered daily to menopausal women, significantly reduced the number of hot flashes per day. In the first quarter of 2001, we completed a pivotal Phase III study at 21 centers in the U.S. designed to determine the efficacy of ESTRASORB in reducing the frequency of hot flashes in menopausal women. The Phase III study was a randomized, double-blind, placebo-controlled, parallel-group study involving approximately 200 participants. During this study, a 3.0-gram daily dose of either ESTRASORB or placebo lotion was administered to the thigh and calf of each participant, with approximately 100 participants receiving ESTRASORB and the remainder receiving the placebo lotion. The results indicated that at weeks 3 through 12, ESTRASORB was statistically significantly superior to the placebo lotion in reducing the mean daily number of hot flashes. The Phase III study further demonstrated that ESTRASORB had no clinically relevant adverse effect on laboratory safety parameters, vital signs or dermal assessments. In June 2001, we submitted a New Drug Application to the FDA, which was accepted for filing in August 2001, for approval to market ESTRASORB for the treatment of hot flashes in menopausal women.

Marketing of ESTRASORB. The U.S. marketplace for estrogen replacement therapy is heavily saturated by competitors. In response, we have prepared an aggressive launch and marketing strategy for ESTRASORB. Our marketing efforts will target the high-volume prescribers and early adopters of women's healthcare products. Our public relations plan will focus on the ways in which ESTRASORB's topical method of application will assist in counteracting the poor compliance rate currently associated with estrogen replacement therapy. We have also established a Physician Advisory Board to advise us with respect to our goal of early adoption of ESTRASORB by targeted physicians. These efforts will be further supplemented by a publications strategy aimed toward the inclusion in specialty medical publications of in-depth clinical information regarding ESTRASORB.

Currently Marketed Products

Our acquisition of Fielding in 2000 enabled us to expand our women's healthcare product line and provided us with an established national sales force having extensive experience in selling to obstetricians and gynecologists throughout the United States. The acquisition included the Nestabs® product line and Gynodiol™, described below, and a sales force of 59 people. We believe that the expertise gained through the marketing of these products positions us for a successful launch of ESTRASORB, if approved by the FDA. We currently market the following four women's healthcare prescription products:

Nestabs®. Nestabs is a complete line of prenatal multivitamins for use before, during and after pregnancy. The product line includes Nestabs® Rx, Nestabs® CBF and Nestabs® FA. The Nestabs products are designed to prevent and control iron deficiency through low-dose iron supplementation. Nestabs provides a convenient once-a-day dosing regimen and a patient-friendly small, easy to swallow tablet. The Nestabs product line generated $11.3 million in sales in 2001.

Gynodiol™. Gynodiol is a safe, effective and economical option for women who require an oral estrogen replacement therapy, and is available in four dosage strengths. Gynodiol is indicated for the relief of moderate to severe vasomotor symptoms associated with menopause, the treatment of vulval and vaginal atrophy, the treatment of hypoestrogenism and the prevention of osteoporosis. Gynodiol is the only estradiol product available in a 1.5 mg strength, allowing for more precise titration. The total sales for Gynodiol in 2001 were $2.2 million.

AVC™ Cream and Suppositories. AVC cream and suppositories are an established line of women's hygiene products effective for the treatment of vaginal bacterial infection. AVC is designed to block certain metabolic processes essential for the growth of susceptible bacteria. We acquired the AVC product line from King for $3.3 million in 2001 and we believe there is opportunity for sales growth because AVC is the only sulfanilamide, in either a cream or suppository, on the market. The AVC product line generated $3.5 million in sales in 2001.

Nordette®. Nordette is an oral contraceptive owned by King. In partnership with King, we co-promote this product to obstetricians and gynecologists nationwide. The revenues are booked by King and we receive a payment from King which reflects 50% of these revenues above an established quarterly baseline, less related manufacturing and approved marketing expenses, subject to certain baseline modifications.

Other Hormone Replacement Therapy Product Candidates

We are using our innovative drug delivery technologies to expand our product pipeline through the development of new product candidates, including a testosterone replacement therapy product for women. Our hormone replacement therapy program includes the following products:

ANDROSORB™. ANDROSORB employs our patented micellar nanoparticle technology to deliver testosterone through the skin, when applied topically in lotion form. Although generally associated with men, testosterone is also a naturally occurring hormone in women. As a woman ages, she may experience a variety of symptoms of testosterone deficiency, including poor libido or sexual responsiveness, depression and cardiovascular, musculoskeletal and urological problems. ANDROSORB may be useful to treat the symptoms of testosterone deficiency, a condition that is increasingly prevalent in our aging population.

To date, there have been no approved testosterone therapy products for women in the U.S. other than a product which combines estrogen and testosterone. Current testosterone replacement therapy products for men include deep intramuscular injections, transdermal patches and gels. 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. We believe that ANDROSORB may offer several advantages over these current 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. We completed a Phase II dose ranging study in testosterone deficient women in the fourth quarter of 2000 and expect to begin additional Phase II trials in the first quarter of 2002.

ANDRO-JECT™. We also have in preclinical development ANDRO-JECT, a depot delivery system for testosterone. ANDRO-JECT represents our initial application for our Sterisome technology, a new oil-free, cholesterol-free depot drug delivery system. ANDRO-JECT is delivered subcutaneously with a small, 25 gauge needle and potentially has long-lasting effects. In animal studies, therapeutic levels of testosterone were maintained for two weeks after one subcutaneous injection. We expect to file an Investigational New Drug application for ANDRO-JECT in the first half of 2002.

Progestin Lotion. We are also currently undertaking preclinical development of a transdermal progestin lotion. We expect to file an Investigational New Drug application for this product in the second half of 2002. The use of progestins in combination with estrogen is becoming standard therapy for menopausal women who take estrogen replacement therapy and have an intact uterus. The use of ESTRASORB in combination with our progestin lotion would compete with estrogen/progestin combination products.

Infectious Diseases

We develop and produce live virus suspensions and vaccines for governmental, commercial and academic clients. Our capabilities include experimental vaccine development, vaccine safety testing, production and testing of tissue culture systems and repository management, including the storage, tracking and shipment of thousands of biological specimens. In addition, we have one of the few locations in the world that produces experimental live viral vaccines for Phase I and II clinical trials. We also develop recombinant virus-like particles for use as vaccines against infectious diseases.

Our vaccine product candidates include the following:

HPV 16 Vaccine. Our human papillomavirus type 16 virus-like particle vaccine product, a single protein vaccine, is being developed with sponsorship by the National Cancer Institute. Expected to begin lengthy Phase III trials in Costa Rica in 2002, the vaccine is being tested for the prevention of human papillomavirus infection, which has been implicated in a majority of cases of cervical cancer. We are also developing a multi-protein human papillomavirus vaccine which will be tested for the treatment and prevention of human papillomavirus infection. This multi-protein vaccine, which also uses our virus-like particle technology, is currently in pre-clinical development.

Inactivated Smallpox Vaccine. Based upon the potential threat of a smallpox outbreak due to terrorist activity, there is an urgent need for a safe and effective smallpox vaccine which can be administered to the entire U.S. population. The current live virus smallpox vaccine cannot safely be given to all persons. There are a significant number of people, up to 20% of the total population by some estimates, who may experience severe reactions to a live vaccine due to weakened immune systems. For example, people with HIV/ AIDS, the elderly, transplant recipients and people on chemotherapy may have compromised immune systems. We have in pre-clinical development an inactivated smallpox vaccine which may have a better safety profile than that of the existing live virus vaccine. Initial animal studies indicate that our inactivated smallpox vaccine achieved an immune response comparable to that of the live smallpox vaccine. We are currently in discussions with the NIH regarding the further development of this vaccine and we believe that Phase I trials could be initiated in 2002.

Collaborative Agreements

We have significant involvement in collaborations, sponsored research agreements and preclinical and clinical testing agreements with academic institutions and with U.S. government agencies in connection with the development of our pharmaceutical product candidates and our vaccine adjuvants. For example, we have executed a Cooperative Research and Development Agreement with the NIH under which we are working, in cooperation with the National Institute of Allergy and Infectious Diseases branch of the NIH, to make and evaluate a malaria vaccine candidate. Current efforts under this agreement are focused on producing a vaccine based on an antigen present in the malaria parasite responsible for the greatest mortality from this disease worldwide. We have also executed a Cooperative Research and Development Agreement with the NIH which is directed towards our work with the Stroke Branch of the National Institute of Neurological Disorders department of the NIH. The principal goal of this agreement is to evaluate the safety of therapeutics for the

prevention of strokes. These and other collaborative agreements provide us with the opportunity to utilize the technical expertise and staff of the institutions involved and to gain access to clinical evaluation models, patients and related technologies.

Our Platform Technologies

Technology	Description	Products
Micellar Nanoparticles	Submicron-sized, water miscible, lipid structures derived from amphiphilic molecules which allow transdermal delivery of alcohol-soluble materials	ESTRASORB and ANDROSORB
Novasomes®	Non-phospholipid liposomes which can be used as an adjuvant to enhance vaccine effectiveness	Smallpox vaccine
Virus-like particles	Non-infectious self assembling protein vaccines	Human papillomavirus vaccine and Malaria vaccine
Sterisome	Subcutaneous injections which deliver long-acting drug effect	ANDRO-JECT

Our product development efforts are focused on the research and development of proprietary transdermal, oral and injectable drug delivery and vaccine technologies and the applications of those technologies. Our technology platforms involve the use of proprietary microscopic lipid structures as vehicles for the delivery of a wide variety of drugs and other therapeutic products, including hormones, anti-bacterial and anti-viral products and vaccine adjuvants. In addition, our vaccine technology can be utilized for the development of prophylactic and therapeutic vaccines. We believe our innovative technologies may allow for a more cost-effective and stable delivery of a wider variety of drugs and other therapeutics than commercially available phospholipid liposomes and other delivery vehicles. Our technologies may also be preferred over other available transdermal delivery systems because they are easy to use, provide rapid onset of therapy and may reduce side effects such as skin irritation. In addition, future applications of our transdermal delivery systems may show advantages over injectable delivery technologies, which are invasive, inconvenient and sometimes painful.

Micellar Nanoparticle Emulsions. Micellar nanoparticle emulsions are proprietary, submicron-sized, water miscible, lipid structures derived from amphiphilic molecules. We believe that our micellar nanoparticle emulsions are the first substances able to encapsulate alcohol soluble materials for delivery through the skin. The micellar nanoparticle emulsion formulations we use for the transdermal delivery of drugs have properties similar to creams and lotions. Micellar nanoparticle emulsions are the fundamental technology platform for our hormone replacement therapies, including our ESTRASORB and ANDROSORB product candidates. We believe that our patent on this technology lasts until 2015.

Novasome Non-Phospholipid Vesicles. In addition to our micellar nanoparticle emulsion technology, we have developed Novasome non-phospholipid liposomes. Novasomes are proprietary liposomes in which drugs or other materials can be encapsulated for delivery into the body orally or by injection. They are made using our patented manufacturing processes from a variety of readily available chemicals called amphiphiles. We believe that our Novasome technology may provide effective and safe adjuvant carrier systems for a variety of vaccines. Our initial use of this technology will be in the development of vaccines for smallpox and other infectious diseases.

Virus-Like Particles. We also develop recombinant virus-like particles for use as vaccines against infectious diseases. Virus-like particles are self assembling protein structures which resemble viruses. These are non-infectious particles which can generate immune responses when administered as vaccines. We have several ongoing development programs involving virus-like particles, including human papillomavirus vaccines, melanoma vaccines, malaria vaccines, influenza vaccines and anti-stroke therapeutics.

Sterisomes. Sterisomes are our proprietary drug delivery system comprised of 80% water, 15% drug and 5% lipid. Sterisomes can be used as a depot delivery system for certain steroidal hormones. We currently have

in preclinical development a long-acting subcutaneous injectable formulation of testosterone utilizing this delivery system. Initial animal studies suggest that therapeutic levels of testosterone can be maintained for several weeks.

Manufacturing

The development and manufacture of our products are subject to good laboratory practices and good manufacturing practices prescribed by the FDA and to other standards prescribed by the appropriate regulatory agencies in other countries. We currently utilize third party contract manufacturers to manufacture our existing product line, but we do have the ability to produce limited quantities of products needed to support our current research and development program and clinical trials. We currently manufacture ESTRASORB in 100 liter-size vessels at a pilot facility owned by Packaging Coordinators, Inc., a division of Cardinal Health, Inc. We recently entered into an agreement with Packaging Coordinators to lease a 20,000 square foot facility at this same location and are in the process of building out the facility to our requirements and installing manufacturing equipment to accommodate larger-scale clinical trials and commercial production of ESTRASORB. This manufacturing facility may also provide us with sufficient capacity for the commercial production of other new products. Products at this facility will be manufactured using our machinery and employees. Packaging Coordinators will perform the final fill and packaging of these products on a dedicated line and we are in the process of selecting a third party logistics company to distribute the products. In addition, we have entered into an agreement with Parkedale Pharmaceuticals, Inc., a subsidiary of King, which allows us to use manufacturing facilities at Parkedale to manufacture HPV16 vaccines for Phase III clinical trials. Despite the addition of these new facilities, we may also need to rely on collaborators, licensees or direct access to other manufacturing facilities for future later-stage clinical trials and commercial production efforts. There can be no assurance that we will be able to enter into such relationships or obtain needed facilities to manufacture products in a timely manner at acceptable quality and prices, or that we or our suppliers will be able to comply with good laboratory practices or good manufacturing practices, as applicable, or manufacture an adequate supply of product.

Competition

The specialty pharmaceutical industry is intensely competitive and is characterized by rapid technological progress. We compete with specialized biopharmaceutical firms and large pharmaceutical companies, in the United States, Europe and elsewhere, that are engaged in the discovery, development and marketing of hormone replacement therapies, vaccine products and other products that do or could compete with our currently marketed products and our product candidates. These companies, as well as academic institutions, governmental agencies and private research organizations, also compete with us in recruiting and retaining highly qualified scientific personnel and consultants.

Many large companies currently produce and sell estrogen products for clinical indications identical to those that we seek for ESTRASORB. In the oral product segment of the estrogen replacement therapy market, which accounts for approximately 78% of the market, the Wyeth-Ayerst division of American Home Products Corporation commits significant resources to the sale and marketing of its product, Premarin®, in order to maintain its market leadership position. Warner-Chillcot also competes in the branded oral product segment with its product, Estrace®. ESTRASORB, if approved, will also compete with products produced and sold by generic manufacturers in the oral product segment of the market, such as Watson Pharmaceutical, Inc., with its generic product, Estropipate®, and Apothecon, Inc., with its generic product, Estradiol.

In the transdermal patch segment of the estrogen replacement therapy market, which accounts for approximately 14% of the market, several companies sell transdermal estrogen patches with which ESTRASORB will compete, if approved. For example, Novartis Pharma AG currently markets and sells its Vivelle® and Estraderm® transdermal products and Berlex Laboratories, Inc. and Forest Laboratories, Inc. co-promote the Climara® transdermal patch.

Several companies currently market estrogen gels, which deliver estrogen transdermally, outside the U.S. We are also aware of at least one U.S. company with a gel-based estrogen replacement product in clinical trials.

Our currently marketed products also face significant competition. The prenatal vitamin market, for example, is very fragmented with many competitors. A number of companies that are larger than us, and have greater resources than we do, sell prenatal vitamins that compete with Nestabs, including Warner-Chillcot, Solvay Pharmaceuticals, Mead Johnson and many generic manufacturers. The competition to develop new FDA-approved prenatal vitamins is also intense. In addition, Gynodiol, our oral estrogen replacement therapy product, competes with the estrogen replacement therapy products described above.

In general, competition among pharmaceutical products will be based in part on product efficacy, safety, reliability, availability, price and patent position. An important factor will be the relative timing of market introduction of our products and our competitors' products. Accordingly, the speed with which we 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. Our competitive position will also depend upon our 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 sale.

Patents and Proprietary Information

We currently have 54 U.S. patents and approximately 150 foreign patents and patent applications covering our technologies. We have three pending U.S. patent applications covering the composition, manufacture and use of our organized lipid structures and related technologies. We recently filed 15 new patent applications directed towards innovative discoveries made in the field of human vaccines.

A current U.S. patent issued in 1997 covers our micellar nanoparticle technology and methods of their production. Micellar nanoparticles are the structures which allow for ESTRASORB's unique transdermal delivery of estradiol.

The Federal Technology Transfer Act of 1986 is designed to encourage the dissemination of science and technology innovation and provide sharing of technology that has commercial potential. Consistent with statutory guidelines issued under the Act, the Company's collaborative research efforts with the government or with other private entities receiving federal funding may provide that developments and results will be freely published, that information or materials supplied by us will not be treated as confidential and that we will be required to negotiate a license to any such developments and results in order to commercialize products. There can be no assurance that we 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 our competitors on an exclusive or nonexclusive basis.

Government Regulation

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

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, 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 for a new drug or a Product License Application for a new biologic to the FDA and (v) FDA approval of the New Drug Application or Product License Application prior to any commercial sale or shipment of the product. Preclinical tests include laboratory evaluation of product formulation and 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 good manufacturing practices and preclinical safety tests must be conducted by laboratories that comply with FDA regulations regarding good laboratory practices.

The results of the preclinical tests are submitted to the FDA as part of an Investigational New Drug application and are reviewed by the FDA prior to the commencement of human clinical trials. There can be no assurance that submission of an Investigational New Drug application will result in FDA authorization to commence clinical trials. The FDA may deny a New Drug Application or Product License Application if applicable regulatory criteria are not satisfied, may require additional testing or information, or may require post-marketing testing and surveillance to monitor the safety of the applicable products.

In addition to obtaining FDA approval for each Product License Application, an Establishment License Application 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. This regulatory process may take many years and requires the expenditure of substantial resources.

In addition to regulations enforced by the FDA, we are also 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. Our research and development involves the controlled use of hazardous materials, chemicals and viruses. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result, and any such liability could exceed our resources.

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 payors for medical goods and services may take in response to any medical reform proposals or legislation. We cannot predict the effect medical reforms may have on our business, and no assurance can be given that any such reforms will not have a material adverse effect.

Employees

We currently have 173 full-time employees, of whom 38 are in research and development. Of those 38 employees in research and development, eight have earned PhD degrees and one is a medical doctor. We have no collective bargaining agreement with our employees and believe that our employee relations are good.

Risks and Uncertainties

You should carefully read the following risk factors in evaluating our business. Some of the following risks relate principally to our business and the industry in which we operate. Other risks relate principally to the securities market and ownership of our common stock. If any of the following risks occur, our business, financial condition or operating results could be adversely affected. You should also consider the other information described in this report.

Our success is heavily dependent on FDA approval and market acceptance of ESTRASORB

Our New Drug Application for ESTRASORB was accepted for filing by the FDA in August 2001. There is no guarantee that the FDA will approve our application and allow us to begin selling ESTRASORB in the United States. If we do not receive FDA approval of our application, our inability to sell ESTRASORB in the United States would have a significant negative effect on our business and results of operations. Even if ESTRASORB is approved by the FDA, there is no guarantee that we and King our marketing partner for ESTRASORB, will be able to successfully commercialize ESTRASORB. Many factors could negatively affect our ability to successfully commercialize ESTRASORB, including:

- a failure or delay in ESTRASORB gaining a meaningful share of the estrogen replacement therapy market, which currently is dominated by Premarin®, an oral estrogen tablet, sold by a division of

American Home Products Corporation, and estrogen patches sold by several companies including Novartis Pharma AG, Berlex Laboratories, Inc. and Forest Pharmaceuticals, Inc.;

- our inability to effectively promote and sell ESTRASORB with King in the United States, or King's inability to do so in the rest of the world;
- delays in the manufacture of ESTRASORB in commercial quantities; and
- the inability to obtain coverage and favorable reimbursement rates for ESTRASORB from insurers and other third party payors.

We will face substantial competition in connection with the sale of ESTRASORB and our other product candidates

We compete with numerous other companies worldwide that have developed or are developing products that compete or may compete with our product candidates. These competitors include both large and small pharmaceutical companies, biotechnology firms, universities and other research institutions. We may not succeed in developing technologies and products that are more effective than those being developed by our competitors.

Many large companies currently produce and sell estrogen products for clinical indications identical to those that we seek for ESTRASORB. In the oral product segment of the estrogen replacement therapy market, which accounts for approximately 78% of the market, Wyeth-Ayerst Laboratories, a division of American Home Products Corporation, commits significant resources to the sale and marketing of its product, Premarin®, in order to maintain its market leadership position. Warner-Chillcot also competes in the branded oral product segment with its product, Estrace®. In addition, ESTRASORB will also compete with products produced and sold by generic manufacturers in the oral product segment of the market, such as Watson Pharmaceutical, Inc., with its generic product, Estropipate®, and Apothecon, Inc., with its generic product, Estradiol. In the patch segment of the market, which accounts for approximately 14% of the estrogen replacement therapy market, several companies market transdermal estrogen patches with which ESTRASORB will compete, if approved. For example, Novartis Pharma AG currently markets and sells its Vivelle® and Estraderm® patches and Berlex Laboratories, Inc. and Forest Pharmaceuticals Inc. co-promote the Climara® transdermal patch. Several companies also currently market alcohol-based estrogen gels and ointments outside the United States. For example, Schering Canada sells its estrogen gel, Estrogel®, in Canada. These and other products sold by our competitors have all been approved for sale and have achieved some degree of market penetration. If ESTRASORB is approved for sale in the Untied States, it will compete for market share with these products and we cannot guarantee that together with King, we will be able to effectively promote ESTRASORB against these competitive products. In order to effectively compete, we may make substantial investments in sales and marketing. Many of these products are sold by companies with greater resources than we have and there is no assurance that we will be successful in gaining significant market share for ESTRASORB or in earning a return on that investment.

Our technologies and products may be rendered obsolete or noncompetitive as a result of products introduced by competitors. Most of our competitors have substantially greater financial and technical resources, production and marketing capabilities, and related experience than us. The greater resources, capabilities and experience of our competitors may enable them to develop, manufacture and market their products more successfully and at a lower cost than we can. In addition, many of our competitors have significantly greater experience than us in conducting preclinical testing and clinical trials of human pharmaceuticals and obtaining regulatory approvals to market such products. Accordingly, our competitors may succeed in obtaining FDA approval for products more rapidly than us which may give them an advantage over us in achieving market acceptance of their products.

We may need additional capital to grow and operate our business and we are uncertain about obtaining future financing

We estimate that our existing cash resources will be sufficient to finance our operations at current and projected levels of development and general corporate activity for the next 12 to 15 months. We cannot be certain that we will be able to generate sufficient revenues from product sales in the near term or at all. We may require additional funds to continue our research and development, commence future preclinical and clinical trials, seek regulatory approvals, establish commercial-scale manufacturing capabilities and market our products. We may seek additional funds through public or private equity or debt financings, collaborative arrangements with pharmaceutical companies and other sources. We cannot be certain that adequate additional funding or bank financing will be available to us on acceptable terms, if at all. If we cannot raise the additional funds we may need to continue our current and anticipated operations, we may be required to delay significantly, reduce the scope of or eliminate one or more of our research or development programs. If that is the case we will seek other alternatives to avoid insolvency, including arrangements with collaborative partners or others that may require us to relinquish rights to certain of our technologies, product candidates or products.

We have a history of losses and our future profitability is uncertain

Our expenses have exceeded our revenues since our formation in 1987, and our accumulated deficit at December 31, 2001 was $64.8 million. Our revenues for the last three years were, $1.2 million in 1999, $2.5 million in 2000 and $24.0 million in 2001. Sales of products that we acquired as a result of our acquisition of Fielding Pharmaceutical Company have generated modest revenues, but based on our current business plan these revenues will not be sufficient to offset our expenses in the future. We cannot be certain of when or if we will generate substantial revenues from the sale of ESTRASORB. We have received a very limited amount of product-related revenue from research contracts, licenses and agreements to provide vaccine products, services and adjuvant technologies. We cannot be certain that we will be successful in entering into strategic alliances or collaborative arrangements with other companies that will result in other significant revenues to offset our expenses. Our net losses for the last three years were $4.5 million in 1999, $12.2 million in 2000 and $9.7 million in 2001. Our losses have resulted from research and development expenses, protection of our patents and other intellectual property and other general operating expenses. We expect that our annual losses will increase in the near term as we expand our manufacturing capacity, sales and marketing capabilities and conduct additional and larger clinical trials for other product candidates. Therefore, we expect our cumulative operating loss to increase until such time, if ever, as product sales, licensing fees and royalty payments generate sufficient revenue to fund our continuing operations. We cannot predict when, if ever, we might achieve profitability and cannot be certain that we will be able to sustain profitability, if achieved.

We intend to allocate a significant portion of our sales personnel's time to the product launch of ESTRASORB, if and when it is approved by the FDA. Accordingly, the sales of our other women's health products could be adversely affected by the efforts we allocate to the ESTRASORB product launch. The costs of maintaining our own sales force to market our current products and ESTRASORB, if approved, may in the future exceed product revenues. If we continue to market ESTRASORB or future products directly, significant additional expenditures and management resources may be required to increase the size of our internal sales force.

Our sales and marketing plan for ESTRASORB depends in large part on the success of our relationship with King

We have entered into a co-promotion agreement with King for the marketing and promotion of ESTRASORB in the United States using our sales and marketing personnel and King's sales and marketing personnel. We have also granted King exclusive rights to promote, market and distribute ESTRASORB outside the United States. In return, we received certain milestone payments, potential future milestone payments, licensing fees and royalties on future sales. While our agreements with King give us some limited protections with respect to King's marketing and sales efforts and, we believe, creates financial incentives for King consistent with our own, we cannot control the amount and timing of marketing efforts that King devotes to ESTRASORB or make any assurances that our and King's co-promotion of ESTRASORB in the United States and King's marketing of ESTRASORB in the rest of the world will be successful.

Our success in marketing other potential future products will also depend in large part on our relationship with King. Our co-promotion agreement with King also provides for co-promotion in the United States with King of our product candidate ANDROSORB™ and our human papillomavirus vaccine, if any of these products are approved for marketing by the FDA, and gives King an exclusive worldwide license, except in the United States, to market these future products. Under our co-promotion agreement, King has the right to co-promote future hormone replacement therapy products in the field of women's health. If King exercises this right with respect to a particular product candidate, King is obligated to share equally with us in the development costs of such product. In the future, we might enter into other licensing or co-promotion arrangements with King or other third parties for the marketing and sale of other future products. Any revenues we receive from sales of ANDROSORB™ and other future products will depend in large part on the terms of these agreements and the efforts of King and any other third-party marketing partners.

Our agreements with King may reduce the likelihood that we could be acquired by another company

Our co-promotion agreement and license agreement with King for the marketing of ESTRASORB and ANDROSORB contain several provisions which would take effect upon a change of control of Novavax. One provision allows King several options in the event of a change in control of Novavax including (i) terminating our right to co-promote King products, (ii) terminating our rights to promote ESTRASORB and ANDROSORB and any other hormone therapies for women for which King is paying 50% of the development costs or (iii) requiring us to assign and transfer to King all related rights of ownership for ESTRASORB and ANDROSORB and any such other hormone replacement therapies for women and license to King on an exclusive and perpetual basis all related intellectual property rights and know how. If King chooses to exercise its rights under either clause (ii) or (iii) above, King will pay us royalties on net sales of the products. In addition, King will pay us for the cost of manufacturing, plus a markup consistent with the terms of the license agreement for the handling costs. King could also require that we redeem the outstanding promissory notes, currently in the amount of $30.0 million, at 101% of the outstanding principal and accrued interest. These provisions may have the effect of making us less attractive as an acquisition candidate.

We need additional manufacturing capability to commercialize our products

We do not have any experience with the large capacity manufacturing required for commercial sale of a product. Although we have had the ability to produce the limited quantities of products needed to support our current research and development program and clinical trials, we will need more production capacity for larger, later-stage clinical studies and commercial sales. Our potential products may be too difficult or costly to manufacture on a large scale, to develop into commercially viable products or to market.

We are in the process of validating our manufacturing methods for ESTRASORB, which is required under FDA guidelines, and are awaiting FDA approval of these methods. We currently manufacture ESTRASORB at a facility of Packaging Coordinators, Inc., a subsidiary of Cardinal Health, Inc. We recently entered into an agreement with Packaging Coordinators to lease 20,000 square feet of space within their facility. Under the terms of this agreement, Packaging Coordinators will provide packaging services for the product we manufacture in their facility. We are in the process of building out the facility to meet our requirements and installing manufacturing equipment at this facility with the capacity required for commercial production of ESTRASORB. Once this new equipment is installed, we will need to confirm that the ESTRASORB made using this new equipment is identical to that used in our clinical trials. If we are unable to make ESTRASORB on a commercial scale or are delayed in validating the product manufactured with our new equipment, the commercialization of ESTRASORB would be delayed.

In the near term, we will be manufacturing ESTRASORB only in the Packaging Coordinators facility. If ESTRASORB is approved by the FDA, we plan to qualify at least one additional site for the manufacture of ESTRASORB. If we are unable to utilize the Packaging Coordinators facility to manufacture ESTRASORB prior to our qualification of a second site, however, we would not have immediate access to ESTRASORB and would be required to reestablish our validation process at a different facility which would cause us to lose sales of ESTRASORB and would adversely affect our business.

We currently utilize third party contract manufacturers to manufacture our other products. Any contract manufacturer's facility that we may use, including the Packaging Coordinators facility, must adhere to the FDA's regulations on current good manufacturing practices, which are enforced by the FDA through its facilities inspection program. These facilities are subject to periodic inspection by the FDA. The manufacture of products at these facilities will be subject to strict quality control testing and recordkeeping requirements. We may not be able to enter into alternative manufacturing arrangements at commercially acceptable rates, if at all. Moreover, the manufacturers utilized by us may not provide quantities of product sufficient to meet our specifications or our delivery, cost and other requirements.

If we decide to manufacture our own products, we will need to acquire additional manufacturing facilities and to improve our manufacturing technology. Establishing additional manufacturing facilities will require us to spend substantial funds, hire and retain a significant number of additional personnel and comply with extensive regulations applicable to such facilities here and abroad, including the current good laboratory practices and good manufacturing practices required by the FDA. If we elect to or need to manufacture our own products, we risk the possibility that we may not be able to do so in a timely fashion at acceptable quality and prices or in compliance with good laboratory practices and good manufacturing practices.

We have not completed the development of many of our products and we may not succeed in obtaining the FDA approval necessary to sell any additional products

The development, manufacture and marketing of our pharmaceutical products are subject to government regulation in the United States and other countries. In the United States and most foreign countries, we must complete rigorous preclinical testing and extensive human clinical trials that demonstrate the safety and efficacy of a product in order to apply for regulatory approval to market the product. Only a few of our products have been approved for sale and our application to sell ESTRASORB in the United States is currently being reviewed by the FDA. Two of our product candidates, ANDROSORB and our human papillomavirus virus-like particle vaccine, are now in Phase II human clinical studies. In addition, Phase I clinical trials for our Hepatitis E vaccine are currently being conducted. Our other product candidates are in preclinical laboratory or animal studies. Before applying for FDA approval to market any additional product candidates, we must conduct larger-scale Phase II and III human clinical trials that demonstrate the safety and efficacy of our products to the satisfaction of the FDA or other regulatory authorities. These processes are expensive and can take many years to complete. We may not be able to demonstrate the safety and efficacy of our products to the satisfaction of the FDA or other regulatory authorities. We may also be required to demonstrate that our proposed products represent an improved form of treatment over existing therapies and we may be unable to do so without conducting further clinical studies.

We may fail to obtain regulatory approval for our products on a timely basis. Delays in obtaining regulatory approval can be extremely costly in terms of lost sales opportunities and increased clinical trial costs. The speed with which we complete our clinical trials and our applications for marketing approval will depend on several factors, including the following:

- the rate of patient enrollment, which is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the study and the nature of the protocol;
- institutional review board approval of the protocol and the informed consent form;
- prior regulatory agency review and approval;
- analysis of data obtained from preclinical and clinical activities which are susceptible to varying interpretations, which interpretations could delay, limit or prevent regulatory approval;
- changes in the policies of regulatory authorities for drug approval during the period of product development; and
- the availability of skilled and experienced staff to conduct and monitor clinical studies and to prepare the appropriate regulatory applications.

We have limited experience in conducting and managing the preclinical and clinical trials necessary to obtain regulatory marketing approvals. We may not be able to obtain the approvals necessary to conduct clinical studies. Also, the results of our clinical trials may not be consistent with the results obtained in preclinical studies or the results obtained in later phases of clinical trials may not be consistent with those obtained in earlier phases. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after experiencing promising results in early animal and human testing. If regulatory approval of a drug is granted, such approval is likely to limit the indicated uses for which it may be marketed. Furthermore, even if a product of ours gains regulatory approval, the product and the manufacturer of the product will be subject to continuing regulatory review. We may be restricted or prohibited from marketing or manufacturing a product, even after obtaining product approval, if previously unknown problems with the product or its manufacture are subsequently discovered.

Our success depends on our ability to maintain the proprietary nature of our technology

Our success will, in large part, depend on our ability to maintain the proprietary nature of our technology and other trade secrets. To do so, we must prosecute and maintain existing patents, obtain new patents and pursue trade secret protection. We also must operate without infringing the proprietary rights of third parties or letting third parties infringe our rights. We currently have 54 U.S. patents and approximately 150 foreign patents and patent applications covering our technologies. We have three pending U.S. patent applications covering the composition, manufacture and use of our organized lipid structures and related technologies. We recently filed 15 new patent applications directed towards innovative discoveries made in the field of human papillomavirus. However, patent issues relating to pharmaceuticals involve complex legal, scientific and factual questions. To date, no consistent policy has emerged regarding the breadth of biotechnology patent claims that are granted by the United States Patent and Trademark Office or enforced by the federal courts. Therefore, we do not know whether our applications will result in the issuance of patents, or that any patents issued to us will provide us with any competitive advantage. We also cannot be sure that we will develop additional proprietary products that are patentable. Furthermore, there is a risk that others will independently develop or duplicate similar technology or products or circumvent the patents issued to us.

There is a risk that third parties may challenge our existing patents or may claim that we are infringing their patents or proprietary rights. We could incur substantial costs in defending patent infringement suits or in filing suits against others to have their patents declared invalid or claim infringement. It is also possible that we may be required to obtain licenses from third parties to avoid infringing third-party patents or other proprietary rights. We cannot be sure that such third-party licenses would be available to us on acceptable terms, if at all. If we are unable to obtain required third-party licenses, we may be delayed in or prohibited from developing, manufacturing or selling products requiring such licenses.

Although our patents include claims covering various features of our product candidates, including composition, methods of manufacture and use, our patents do not provide us with complete protection against the development of competing products. For example, our patents do not prohibit third parties from developing and selling products for estrogen replacement therapy that deliver estrogen through a topical lotion, ointment or similar medium.

Some of our know-how and technology is not patentable. To protect our proprietary rights in unpatentable intellectual property and trade secrets, we require employees, consultants, advisors and collaborators to enter into confidentiality agreements. These agreements may not provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure.

Health care insurers and other payors may not pay for our products or may impose limits on reimbursement

Our ability to commercialize ESTRASORB and our future products will depend, in part, on the extent to which reimbursement for such products will be available from third-party payors, such as Medicare, Medicaid, health maintenance organizations, health insurers and other public and private payors. If we succeed in bringing ESTRASORB or other products in the future to market, we cannot assure you that third-party payors

will pay for ESTRASORB or will establish and maintain price levels sufficient for realization of an appropriate return on our investment in product development. For example, ESTRASORB, if approved for commercial sale in the United States, would be sold as an outpatient prescription drug. Medicare does not cover the costs of most outpatient prescription drugs. We expect that ESTRASORB will be treated the same as other estrogen replacement therapy products with respect to government and third-party payor reimbursement. However, we cannot assure you that ESTRASORB will receive similar reimbursement treatment.

Many health maintenance organizations and other third-party payors use formularies, or lists of drugs for which coverage is provided under a health care benefit plan, to control the costs of prescription drugs. Each payor that maintains a drug formulary makes its own determination as to whether a new drug will be added to the formulary and whether particular drugs in a therapeutic class will have preferred status over other drugs in the same class. This determination often involves an assessment of the clinical appropriateness of the drug and sometimes the cost of the drug in comparison to alternative products. We cannot assure you that ESTRASORB or any of our future products will be added to payor's formularies, whether our products will have preferred status to alternative therapies, nor whether the formulary decisions will be conducted in a timely manner. We may also decide to enter into discount or formulary fee arrangements with payors, which could result in us receiving lower or discounted prices for ESTRASORB or future products.

We may have product liability exposure

The administration of drugs to humans, whether in clinical trials or after marketing clearances are obtained, can result in product liability claims. We maintain product liability insurance coverage in the total amount of $9.0 million for claims arising from the use of our currently marketed products and products in clinical trials prior to FDA. Coverage is becoming increasingly expensive, however, and we may not be able to maintain insurance at a reasonable cost. We cannot assure you that we will be able to maintain our existing insurance coverage or obtain coverage for the use of our other products in the future. This insurance coverage and our resources may not be sufficient to satisfy liabilities resulting from product liability claims. A successful claim may prevent us from obtaining adequate product liability insurance in the future on commercially desirable terms, if at all. Even if a claim is not successful, defending such a claim may be time-consuming and expensive and may damage our reputation in the marketplace.

The price of our common stock has been, and may continue to be, volatile

Historically, the market price of our common stock has fluctuated over a wide range. In fiscal 2001, our common stock ranged from a low of $6.35 to a high of $15.55. It is likely that the price of our common stock will fluctuate in the future. The market prices of securities of small capitalization Specialty pharmaceutical companies, including ours, from time to time experience significant price and volume fluctuations unrelated to the operating performance of such companies. In particular, over the next year, the market price of our common stock may fluctuate significantly due to a variety of factors, including:

- sales of our products, particularly ESTRASORB, if it is approved for sale; and
- governmental agency actions, including the FDA's determination with respect to our pending New Drug Application for ESTRASORB.

In addition, the occurrence of any of the risks described in this "Risks and Uncertainties" section could have a dramatic and adverse impact on the market price of our common stock.

Item 2. *Properties*

We lease approximately 12,000 square feet of administrative offices for our corporate headquarters in Columbia, Maryland. We lease two facilities in Rockville, Maryland. One facility is approximately 6,000 square feet and contains our certified animal facility and laboratories for our drug research and biologics development, which includes our vaccine adjuvant product and services group. In the other facility in Rockville, we lease approximately 12,000 square feet of space. This facility is for contract vaccine research, development and manufacturing of Phase I and II products. Our Fielding subsidiary leases a facility in

Maryland Heights, Missouri. This facility is approximately 12,000 square feet and is used for administrative offices, manufacturing and warehousing. In addition, in February 2002, we entered into a facilities reservation agreement through which we lease approximately 20,000 square feet of manufacturing space to meet our current and anticipated future production requirements for ESTRASORB. This facility is currently undergoing construction which is expected to be completed in the second quarter of 2002. We also lease one smaller facility. A summary of our material leased facilities is set forth below.

Property	Square Footage	Purpose
Columbia, Maryland	12,000	Corporate headquarters
Rockville, Maryland	6,000	Research and development activities and office space
Rockville, Maryland	12,000	Research and development activities and office space
Maryland Heights, Missouri	12,000	Administrative, repackaging, warehousing and distribution
Philadelphia, Pennsylvania	20,000	Manufacturing and packaging of ESTRASORB

We believe our facilities are adequate to accommodate our current business plan and anticipated short-term needs and that we will be able to lease additional comparable space, if necessary. However, if we choose to expand our manufacturing capacity, the lease or acquisition of, and the receipt of required regulatory approvals for, additional pharmaceutical manufacturing space may be time-consuming and expensive. In addition, we might not be able to obtain such additional manufacturing space on a timely basis or on terms acceptable to us, if at all.

Item 3. ***Legal Proceedings***

We are not a party to any pending 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, 2001.

Executive Officers Of The Registrant

Our 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 our By-laws.

The following table provides certain information with respect to our executive officers.

Name	Age	Principal Occupation and Other Business Experience During the Past Five Years
John A. Spears	52	President, Chief Executive Officer and Director since May 1999. President and Chief Executive Officer of Vion Pharmaceuticals, Inc. from August 1995 to May 1999.
Denis M. O'Donnell, M.D.	48	Chairman of the Board of Directors of Novavax, Inc. since May 2000. General Partner at Seaside Partners, LP, a private equity limited partnership, since 1997. Vice Chairman of the Board of Directors of Novavax, Inc. from June 1999 to May 2000. Senior Advisor to Novavax from 1997 to 1998. President of Novavax from 1995 to 1997. Vice President, Business Development of Novavax from 1992 to 1995.
D. Craig Wright, M.D.	51	Chief Scientific Officer of Novavax since 1993.

Name	Age	Principal Occupation and Other Business Experience During the Past Five Years
James R. Mirto	59	Senior Vice President and Chief Operating Officer since May 2000. Vice President, New Product Development and Licensing of Ligand Pharmaceuticals, Inc. from August 1993 to February 2000.
Dennis W. Genge	49	Vice President and Treasurer, Chief Financial Officer since October 2000. Vice President and Controller of Pyxis Corporation from April 1999 to September 2000. Executive Director of Accounting and Finance and Controller of Ligand Pharmaceuticals, Inc. from July 1991 to March 1999.
Ann P. McGeehan	32	General Counsel since February 2002. Registered Patent Attorney of Covington & Burling from July 2000 to January 2002. Intellectual Property and Corporate Associate of McDermott Will & Emery from November 1998 to January 2000. Intellectual Property and Corporate Associate of Pepper Hamilton from January 1998 to September 1998. Intellectual Property Associate of Seidel Gonda Lavorgna Monaco from June 1996 to January 1998.

PART II

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

Our common stock was held by approximately 770 stockholders of record as of March 8, 2002. We have never paid cash dividends on our common stock. We currently anticipate that we will retain all of our earnings for use in the development of our business and do not intend to pay any cash dividends in the foreseeable future.

Our common stock ($.01 par value) is traded on the Nasdaq National Market under the symbol NVAX. Prior to July 2001, our common stock was 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 our common stock, on the applicable exchange.

Quarter Ended:	High	Low
December 31, 2001	$15.55	$10.51
September 30, 2001	14.50	9.06
June 30, 2001	11.00	6.35
March 31, 2001	11.00	7.10
December 31, 2000	9.48	6.75
September 30, 2000	9.19	6.13
June 30, 2000	8.63	4.50
March 31, 2000	12.38	4.75

Recent Sales of Unregistered Securities

In January 2002, we issued 362,319 shares of common stock, valued at $5.0 million, to the former shareholders of Fielding Pharmaceutical Company pursuant to the terms of an earn-out provision set forth in our merger agreement with Fielding, executed in December 2000. The shares were issued in a private placement in reliance on Section 4(2) of the Securities Act and a resale registration statement was filed with the Commission and has become effective.

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

The selected consolidated financial data set forth below has been derived from our audited consolidated financial statements. This information should be read in conjunction with the financial statements and the related notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and other financial information included elsewhere in this Annual Report on Form 10-K.

	For the years ended December 31,				
	1997	1998	1999	2000	2001
	(amounts in thousands, except share and per share information)				
Statement of Operations Data:					
Revenues	$ 520	$ 681	$ 1,181	$ 2,475	$ 24,066
Loss from operations	(4,791)	(5,152)	(4,566)	(12,742)	(9,255)
Net loss	(4,547)	(4,817)	(4,506)	(12,191)	(9,745)
Loss applicable to common stockholders	(4,547)	(7,045)	(4,506)	(12,191)	(9,745)
Basic and diluted per share information:					
Loss applicable to common stockholders	$ (0.39)	$ (0.57)	$ (0.31)	$ (0.64)	$ (0.43)
Weighted average number of shares outstanding	11,667,428	12,428,246	14,511,081	19,015,719	22,670,274

	As of December 31,				
	1997	1998	1999	2000	2001
Balance Sheet Data:					
Total current assets	$4,303	$1,207	$1,143	$17,036	$25,027
Working capital	4,014	349	(480)	12,331	18,030
Total assets	6,823	3,819	4,463	56,529	67,115
Convertible debt	—	—	—	20,000	30,000
Stockholders' equity	6,522	2,961	2,840	31,824	27,493

Summarized Quarterly Financial Information for the Years ended December 31, 2001 and 2000:

	Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
	(in thousands except per share data) "unaudited"			
2001				
Revenues	$ 4,966	$ 7,945	$ 5,038	$ 6,117
Cost of sales	1,043	1,061	822	1,126
Research and development costs	2,592	3,837	1,757	2,589
Selling, general and administrative expenses	3,484	4,729	4,831	5,450
Net loss	(2,232)	(1,808)	(2,513)	(3,192)
Net loss per share	$ (.10)	$ (.08)	$ (.11)	$ (.14)
2000				
Revenues	$ 710	$ 588	$ 370	$ 807
Research and development costs	1,524	2,113	2,924	2,797
General and administrative expenses	641	1,302	822	3,094
Net loss	(1,350)	(2,641)	(3,213)	(4,987)
Net loss per share	$ (0.08)	$ (0.14)	$ (0.17)	$ (0.25)

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Forward-Looking Statements: The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in our filings with the Securities and Exchange Commission and in our reports to stockholders. Generally, the inclusion of the words "believe," "expect," "intend," "estimate," "anticipate," "will," and similar expressions identify statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. The forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. This outlook represents our current judgment on the future direction of our business. Forward-looking statements include, but are not limited to, statements regarding future product development and related clinical trials, statements regarding future research and development and statements concerning future results of operations. 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. See our detailed discussion in "Risks and Uncertainties". Past results and trends should not be used by investors to anticipate future results or trends.

Overview

Novavax is a fully-integrated specialty pharmaceutical company focused on the research, development and commercialization of products utilizing our proprietary drug delivery and vaccine technologies for large and growing markets, concentrating on the areas of women's healthcare and infectious diseases. Our lead product candidate, ESTRASORB™, is the first transdermal lotion for estrogen replacement therapy for which a New Drug Application has been accepted for filing by the Food and Drug Administration. The New Drug Application for ESTRASORB was submitted in June 2001 and was accepted for filing in August 2001. We

are seeking FDA approval of ESTRASORB for the reduction of hot flashes in menopausal women and, if approved, we believe ESTRASORB will be competitively positioned to address the $1.8 billion estrogen replacement therapy market in the United States. In our Phase II and III clinical trials, women using ESTRASORB experienced a statistically significant reduction in the number of hot flashes, the primary endpoint of our study, with many women reporting a total elimination of hot flashes while using the product. We also believe that ESTRASORB offers additional advantages over other estrogen replacement therapies, including ease of use, more rapid onset of estrogen therapy and a lower incidence of skin irritation and nausea.

Our drug delivery technologies involve the use of our patented oil and water emulsions which we believe can be used as vehicles for the transdermal and injectable delivery of a wide variety of drugs and other therapeutic products, including hormones, anti-bacterial and anti-viral products and vaccine adjuvants, which are substances added to vaccines to enhance their effectiveness. We believe that our technologies represent the first time that alcohol soluble hormones, such as estrogen and testosterone, have been encapsulated and delivered through the skin. In addition to ESTRASORB, our product candidates using these technologies include ANDROSORB™, a transdermal testosterone lotion that is in Phase II clinical trials, ANDRO-JECT™, a long-acting subcutaneous injectable formulation of testosterone that is in preclinical development, and a transdermal progestin lotion that is also in preclinical development. We also conduct research and development on preventative and therapeutic vaccines for a variety of infectious diseases.

In December 2000, we acquired privately owned Fielding Pharmaceutical Company (“Fielding”), based in St. Louis, Missouri, which sells, markets and distributes a proprietary line of pharmaceutical products focused on women’s health. Under the terms of the acquisition agreement, we acquired 100% of Fielding for $36.5 million. The acquisition has been accounted for in the accompanying financial statements under the purchase method of accounting for business combinations.

In December 2000 we entered into a Note Purchase Agreement with King Pharmaceuticals, Inc. (“King”) whereby we agreed to issue to King 4% senior convertible promissory notes up to $25.0 million. On that same date, we issued a 4% senior convertible promissory note to King for $20.0 million in principal. In September 2001, we issued two additional 4% senior convertible promissory notes for $5.0 million each. All of the notes, totaling $30.0 million (the “Notes”), are due December 19, 2007 with interest payable in semi-annual installments in cash, or in certain circumstances, up to 50% in our common stock.

In January 2001, we entered into a co-promotion agreement with King for the Company’s topical transdermal estrogen replacement therapy, ESTRASORB in the United States and Puerto Rico (the “Territory”). We also entered into a license agreement with King for many countries outside the United States. In June 2001, we expanded and amended the agreements (the “Amended Agreements”). The Amended Agreements grant King exclusive rights to promote, market and distribute ESTRASORB in Canada, and five additional countries in Europe, and added ANDROSORB, a topical testosterone replacement therapy for testosterone deficient women. We feel this partnership has the potential to provide us with deeper penetration into the women’s healthcare market for ESTRASORB and ANDROSORB. Under the terms of the Amended Agreements we received $3.0 million from King in up-front licensing fees, and we will also receive additional milestone payments of $1.0 million upon ESTRASORB’s approval in Canada and $2.0 million upon the first approval of ESTRASORB in one of the five additional countries in Europe. We will also receive royalties on future sales outside the Territory. Under the Amended Agreements, we also received a milestone payment from King of $2.5 million for our submission of the ESTRASORB New Drug Application, in June 2001, and an additional milestone payment of $2.5 million for the acceptance for filing of our New Drug Application by the FDA in August 2001. In addition, the Amended Agreements also combined U.S. sales efforts with King to begin co-promoting one of King’s products already on the market, Nordette®, a birth control pill.

In another agreement in January 2001, we also acquired AVC™Cream and Suppositories (“AVC”) from King for $3.3 million, which had previously been marketed by King for the treatment of vaginal bacterial infections.

Significant Accounting Policies and Changes to Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Actual results could differ from those estimates.

We have identified below some of our more significant accounting policies and changes to accounting policies. For further discussion of our accounting policies see Footnote 2 *"Summary of Significant Accounting Policies"* in the Notes to Consolidated Financial Statements.

Revenue Recognition

We recognize revenue in accordance with the provisions of Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements,* whereby revenue is not recognized until it is realized or realizable and earned. Revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable and collectibility is reasonably assured. Up-front payments and licensing fees are deferred and recognized as earned over the life of the related agreement. Milestone payments are recognized as revenue upon achievement of contract-specified events and when there are no remaining performance obligations. Revenues from product sales are recognized upon shipment, net of allowances for returns, rebates and chargebacks. We are obligated to accept from customers the return of pharmaceuticals, which have reached their expiration date. Revenues from the sale of scientific prototype vaccines and adjuvants are recorded as the products are shipped.

Revenues earned under research contracts are recognized on the percentage of completion method as described in Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*. The extent of progress toward completion is measured on the cost-to-cost method. When the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract is made.

Advertising and Promotion Costs

All costs associated with advertising and promotion is expensed as incurred. Advertising and promotion expense, including samples, was $1.9 million in 2001. Prior to 2001, we incurred no material advertising or promotional expenses. Our advertising and promotion expenses will substantially increase in 2002 as we prepare for the anticipated approval and subsequent launch of ESTRASORB. If the approval of ESTRASORB is delayed we will be able to defer some, but not all, of the expenses related to this product launch.

Research and Development Costs

Research and development costs are expensed as incurred. We will continue to incur research and development costs as we continue to expand our product development activities in our women's healthcare and infectious disease programs. Our research and development costs have, and will continue to include expenses for internal development personnel, supplies and facilities, clinical trials, regulatory compliance and filings, validation of processes and start up costs to establish commercial manufacturing capabilities.

Goodwill and Intangibles Assets

Goodwill and intangible assets principally result from business acquisitions. Assets acquired and liabilities assumed are recorded at their fair values; the excess of the purchase price over the identifiable net assets acquired is recorded as goodwill. Goodwill and intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 5 to 15 years. The company periodically evaluates the periods of amortization to determine whether later events and circumstances warrant revised estimates of useful lives.

In June 2001, the FASB issued SFAS No. 141 “Business Combination,” and SFAS No. 142 “Goodwill and Other Intangible Assets,” effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

We will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. We will begin to perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002 and have not yet determined what the effect these test may have on our earnings and financial position. Amortization of goodwill for the year ended 2001 was approximately $2.5 million and will no longer be recorded subsequent to December 31, 2001.

Future Accounting for Co-promotion Agreement

In 2002 we anticipate marketing and selling ESTRASORB in the Territory. Under the terms of the co-promotion agreement with King we will record all of the product sales, returns and allowances and cost of sales for ESTRASORB. The resultant gross margin will be shared equally with King and the payment to King will be recorded as a selling and marketing expense on our statement of operations. In the co-promotion agreement both parties will also share equally in committee approved marketing expenses for the products. All direct marketing expenses will be recorded by us, for which King will reimburse us fifty percent.

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

Results of Operations for the Years Ended 2001, 2000 and 1999

Revenues

Revenues for the year ended 2001 were $24.1 million compared to $2.5 million in 2000 and $1.2 million in 1999. This represents an increase of $21.6 million or 864% from 2000 to 2001, and an increase of $1.3 million or 108% from 1999 to 2000. The increase from 2000 to 2001 relates primarily to $17.3 million from products sales related to our acquisitions of Fielding and the AVC product line, $4.0 million for one-time milestone payments from King for the timely submission and acceptance of our ESTRASORB New Drug Application by the FDA, and $125,000 for license fees. In addition to our new revenue sources, we recorded $2.7 million from research and development contracts, primarily from the National Institutes of Health and other governmental agencies. Revenues for 2000 included $750,000 in license fees from King and $1.7 million from research and development contracts, including $1.4 million for contracts with the NIH and other government agencies. In 1999, our revenues included $250,000 from a license agreement with King and $370,000 from contracts with the NIH and other governmental agencies. A summary of our revenues is set forth below.

	2001	2000	1999
Product sales	$17,252	$ —	$ —
Contract research and development	2,689	1,725	931
Milestone and licensing fees	4,125	750	250
Total revenue	$24,066	$2,475	$1,181

Net Losses

Net loss for 2001 was $9.7 million or $(0.43) per share, compared to $12.2 million or $(0.64) per share for 2000 and $4.5 million or $(0.31) per share in 1999. The improvement from 2000 to 2001 of $2.5 million or $0.21 per share relates primarily to gross margin on product sales due to our acquisitions of Fielding and the AVC product line and milestone revenue for payments from King, offset in 2001 by additional selling, general and administrative costs to support those product sales, the initiation of commercialization activities for ESTRASORB

and additional research and development costs. The increase in losses from 1999 to 2000 of $7.7 million or $(0.33) per share resulted from additional general and administrative costs associated with financing and acquisitions activities, the hiring of additional senior management and personnel to support our growth and increases in research and development expenses primarily due to costs associated with our clinical trials and manufacturing process validation activities related to our ESTRASORB product candidate.

Cost of Sales

Cost of sales was $4.1 million in 2001. We had no product sales or cost of sales in 2000 or 1999. The increase relates to the acquisition of products from Fielding and the AVC product line in December 2000 and January 2001, respectively. Our cost of sales, and related investment in inventory, will increase in 2002 as we prepare for the anticipated launch of ESTRASORB.

Research and Development Expenses

Research and development expenses were $10.8 million for 2001, compared to $9.4 million for 2000 and $3.4 million in 1999. The increase from 2000 to 2001 of $1.4 million or 15% was primarily due to costs associated with the filing of a New Drug Application for ESTRASORB and for internal development costs associated with our infectious diseases programs offset by a decrease in clinical trial expenses. The increase from 1999 to 2000 of $6.0 million or 176% was primarily due to costs associated with our clinical trials and manufacturing process validation of our ESTRASORB product candidate, which completed Phase III clinical trials in 2000, and the full year effect of expenses incurred by our vaccine development group which was acquired in late 1999.

We generally do not track our historical research and development total costs by project; rather, we track external direct costs incurred by project. Internal direct costs, such as labor in addition to overhead costs are not tracked by project. For this reason, we cannot accurately estimate with any degree of certainty what our historical costs have been for any particular research and development project.

Reconciliation of Significant Research and Development Projects

The following table reconciles the external direct costs incurred to date for our major projects to our total research and development expense.

Project	2001	2000	1999
ESTRASORB (external cost)	$ 4,327	$3,902	$ 945
Infectious Disease Vaccines	3,348	2,219	639
Direct costs	7,675	6,121	1,584
Other costs (labor & overhead)	3,100	3,237	1,770
Total	$10,775	$9,358	$3,354

Estimated Cost and Time to Complete Major Projects

The amounts of the expenditures that will be necessary to execute our business plan are subject to numerous uncertainties, which may adversely affect our liquidity and capital resources. As of December 31, 2001, several of our proprietary product candidates were in various stages of development. Due to the inherent nature of our development, future market demand for products and factors outside of our control, such as clinical results and regulatory approvals, we are unable to estimate the completion dates and the estimated total costs for several of our products. However, due to the late stage status of our ESTRASORB project we

believe that the duration and estimated cost to complete is reasonably predictable. We have included that information in the following table.

Project	Current Status	2002 Estimated Development Costs	Estimated Completion Dates
ESTRASORB	NDA filed	$ 1-3 million	2002

In addition to the project listed above we are currently developing other product candidates, but do not believe that it is possible to estimate the completion date or cost to complete. The duration and the cost of clinical trials may vary significantly over the life of a project as a result of differences arising during clinical trial protocol, including, among others, the following:

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

In addition, we test our potential products in numerous pre-clinical studies to identify among other things the daily dosage amounts. We may conduct multiple clinical trials to cover a variety of indications for each product candidate. As we obtain results for our trials we may elect to discontinue clinical trials for certain product candidates or indications. We further believe that it is not possible to predict the length of regulatory approval time. Factors that are outside our control could significantly delay the approval and marketability of our product candidates.

As a result of the uncertainties discussed above, among others, the duration and completion costs of our research and development projects are difficult to estimate and are subject to numerous variations. Our inability to complete our research and development projects in a timely manner could significantly increase our capital requirements and could adversely impact our liquidity. These uncertainties could force us to seek additional, external sources of financing from time to time in order to continue with our business strategy. For more discussion of the risk and uncertainties and our liquidity, see “Risks and Uncertainties” and “Liquidity and Capital Resources”.

Selling and Marketing Expenses

Selling and marketing expenses were $8.5 million for 2001. Prior to our acquisition of Fielding and the AVC product line in 2000 and 2001, respectively, and the anticipated approval of ESTRASORB we had no sales or marketing expense. In 2001, we incurred $4.1 million of selling expenses and $4.4 million of marketing costs to support our current product sales, as well as pre-launch marketing expense for our anticipated launch of ESTRASORB. We expect selling and marketing costs to increase substantially with the commercialization of ESTRASORB in 2002. In addition, all payments made to King in connection with the co-promotion of ESTRASORB will be recorded as selling and marketing expenses in our statement of operations.

General and Administrative

General and administrative expenses were $10.0 million in 2001, compared to $5.9 million in 2000 and $2.4 million in 1999. The increase from 2000 to 2001 of $4.1 million or 69% was due to a number of factors, including approximately $2.8 million of goodwill and intangible asset amortization related to our acquisitions of Fielding and the AVC product line, the increase in personnel from the Fielding acquisition, and the full effect of increases in administrative and executive employees hired during 2000 to support our growth. The increase from 1999 to 2000 of $3.5 million or 145% was due primarily to costs incurred for financing and acquisition activities and the hiring of additional senior management and personnel to support our growth.

Interest Income/(Expense)

Net interest expense was $490,000 in 2001 compared to interest income $551,000 in 2000 and $60,000 in 1999. The increase in the interest expense relates to the issuance of the Notes, totaling $30.0 million to King, offset by additional interest income from higher cash balances during 2001 compared to 2000. The increase in the interest income in 2000 relates to higher average cash balances from financing activities during 2000 compared to 1999.

Liquidity and Capital Resources

Our capital requirements depend on numerous factors, including but not limited to the progress of our research and development programs, the progress of preclinical and clinical testing, the time and costs involved in obtaining regulatory approvals, the commercialization of our product candidates, the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, competing technological and market developments, and changes in our development of commercialization activities and arrangements. We plan to have multiple products in various stages of product development and we believe our research and development as well as selling, marketing and general administrative expenses and capital requirements will continue to increase. Future activities including clinical development, the establishment of commercial-scale manufacturing capabilities and the development of sales and marketing programs are subject to our ability to raise funds through debt or equity financing, or collaborative arrangements with industry partners. From 1999 through December 31, 2001 we have financed our operations primarily from:

- the private placement of 1,651,000 shares of common stock in 1999 with net proceeds of approximately $4.0 million;
- the private placement of 2,813,850 shares of common stock in 2000 with net proceeds of approximately $10.5 million;
- proceeds of approximately $30.0 million in 2000 and 2001 from issuance of the Notes to King (for details on these transactions, refer to our discussion in the Overview section above);
- proceeds of $8.0 million from King in 2001 from licensing fees and milestone payments (for details on these transactions, refer to our discussion in the Overview section above);
- and net proceeds of $12.9 million from 1999 through 2001 from the exercise of stock options and warrants.

At December 31, 2001 we had cash and cash equivalents of $20.0 million, compared to $14.9 million at December 31, 2000. We invest our cash and cash equivalents in highly liquid, interest bearing, investment grade and government securities in order to preserve principal. The $5.1 million increase in 2001 was due to $15.4 million of financing activities from the issuance of $10.0 million of convertible notes and the exercise of $5.4 million in options and warrants, offset by our investments in capital equipment of $2.4 million and in the AVC product line of $3.3 million and cash used in operations of $4.6 million. Of the net $4.6 million used in operations, we used approximately $10.8 million to fund the activities of our research and development programs and costs associated with obtaining regulatory approvals, clinical testing and manufacturing process validation. Working capital was $18.0 million at December 31, 2001 compared to $12.3 million at December 31, 2000. The increase in working capital was primarily due to the cash flow activities above and the increase in accounts receivable of $2.9 million, offset by an increase in current liabilities of $2.3 million.

We estimate that based on historical and projected levels of spending and revenues, and without giving effect to any future equity financing, existing cash resources will be sufficient to finance our operating activities for approximately 12 to 15 months. Past spending levels will not be indicative of future spending as we are currently incurring increased expenses for selling, marketing and start-up manufacturing costs in anticipation of the approval and subsequent launch of ESTRASORB. In addition, we have recently entered into a long term lease agreement for a 20,000 square foot manufacturing facility for ESTRASORB. The leased area is currently being built out to meet our requirements and is expected to be available in the second quarter of 2002. We have also placed orders for the equipment required to manufacture ESTRASORB at projected

commercial levels. The capital expenditures required for these activities will be between $9.0 and $12.0 million in 2002, and we are currently seeking debt financing from public and private sources, to fund these capital requirements. If the approval of ESTRASORB is delayed or denied we will be able to reduce some, but not all, of the expenses and capital expenditures related to this product introduction. Additional future expenditures for other product development, including those related to outside testing and human clinical trials, are discretionary and, accordingly, can be adjusted to available cash. We currently plan to continue to progress in our clinical development activities and commercial scale-up of product manufacturing of additional product candidates and we anticipate future increases in spending associated with these activities.

We may seek to establish additional collaborations with industry partners to defray the costs of clinical trials and other related activities. We will also consider sources of additional funds through public or private equity or debt financing, collaborative arrangements with pharmaceutical companies, government agency contracts 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 all our technologies and products. If adequate funds are not available, we may be required to significantly delay, reduce the scope of or eliminate one or more of our research or development programs, or seek alternative measures including arrangements with collaborative partners or others that may require us to relinquish rights to certain of our technologies, product candidates or products.

Contractual Obligations and Commitments

The following table summarizes our current obligations and commitments:

	Total	Less than 1 Year	1–3 Years	4–5 Years	After 5 Years
Commitments & Obligations					
Convertible notes	$30,000	$ —	$ —	$ —	$30,000
Operating leases	2,766	1,052	1,380	334	—
Manufacturing facility lease	8,433	1,560	3,262	3,461	150
Purchase commitments	7,199	7,199	—	—	—
Total commitments & obligations	$48,398	$ 9,811	$4,642	$3,795	$30,150

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risks***

Information required under this section is contained in Part I, Item I of this report under the caption “Risk and Uncertainties” and in Item 8 of this report, and is incorporated herein by reference.

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 on Form 10-K and are incorporated herein by reference.

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

Not applicable.

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 our Proxy Statement for our Annual Meeting of Stockholders to be held on May 8, 2002 (the "2002 Proxy Statement") under the captions "Proposal 1 — Election of Directors" and "Beneficial Ownership of Common Stock" and is incorporated herein by this reference. We expect to file the 2002 Proxy Statement within 120 days after the close of the fiscal year ended December 31, 2001.

Item 11. ***Executive Compensation***

The information required by this item is contained in the 2002 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 2002 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 2002 Proxy Statement under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference.

PART IV

Item 14. ***Exhibits, Financial Statement Schedules, and Reports on Form 8-K***

(a)(1)	Financial Statements: Reports of Independent Accountants; Consolidated Balance Sheets as of December 31, 2001 and 2000; Consolidated Statements of Operations for the years ended December 31, 2001, 2000 and 1999; Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999; Consolidated Statements of Stockholders' Equity for the years ended December 31, 2001, 2000 and 1999; 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 Novavax is omitted since there are no substantial amounts of restricted net assets applicable to Novavax'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 refer to 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 the Company (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")), as amended by the Certificate of Amendment dated December 18, 2000 (Incorporated by reference to Exhibit 3.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, File No. 0-26770, filed March 29, 2001 (the "2000 Form 10-K"))
3.2	Amended and Restated By-Laws of the Registrant (Incorporated by reference to Exhibit 3.5 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001, File No. 0-26770, filed August 13, 2001 (the "2001 Q2 Form 10-Q"))
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	1995 Stock Option Plan (Incorporated by reference to Exhibit 10.4 to the Form 10)
††10.2	First Amendment to the Company's 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"))
††10.3	Second Amendment to the Company's 1995 Stock Option Plan, approved by the stockholders of the Company on May 9, 2000, and by the Board of Directors on March 7, 2000 (Incorporated by reference to Exhibit 10.4 to the 2000 Form 10-K)
††10.4	Director Stock Option Plan (Incorporated by reference to Exhibit 10.5 to the Form 10)
††10.5	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)
††10.6	Employment Agreement dated May 13, 1999, by and between the Company and John A. Spears (Incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, File No. 0-26770, filed March 9, 2000 (the "1999 Form 10-K"))
*††10.7	Employment Agreement dated January 1, 2002 by and between the Company and James R. Mirto

*††10.8	Employment Agreement dated January 1, 2002 by and between the Company and Dennis W. Genge
10.9	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)
*10.10	Agreement of Lease by and between W.M. Rickman Construction Co. and Dyncorp Advanced Technology Services, Inc. dated March 30, 1995, as assigned to Company by letter from W.M. Rickman Construction Co. dated September 1, 1999, and as amended letter from Company dated September 29, 1999
*10.11	Agreement of Lease by and between GPG Enterprises, L.L.C. and The Fielding Pharmaceutical Company dated September 1, 2000
*10.12	Agreement of Lease by and between Association of Enterepreneurial Sciences, Inc. and Novavax, Inc. dated March 8, 2002
*10.13	Facilities Reservation Agreement dated as of February 11, 2002, between the Company and Packaging Coordinators, Inc.
10.14	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)
10.15	License Agreement by and between the Company and Parkedale Pharmaceuticals, Inc. dated October 21, 1999 (Incorporated by reference to Exhibit 10.13 to the 1999 Form 10-K)
10.16	Agreement and Plan of Merger dated October 4, 2000 between the Company and the parties identified therein (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed October 19, 2000)
10.17	Agreement for Purchase and Sale of Assets Relating to AVC™ Product Line dated as of January 8, 2001, between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 19, 2001)
10.18	Copromotion Agreement dated as of January 8, 2001, between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed January 19, 2001)
10.19	First Amendment to the Copromotion Agreement dated as of June 29, 2001, between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.1 to the 2001 Q2 Form 10-Q)
10.20	Second Amendment to the Copromotion Agreement dated as of June 29, 2001, between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.2 to the 2001 Q2 Form 10-Q)
10.21	Exclusive License and Distribution Agreement dated as of January 8, 2001, between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed January 19, 2001)
10.22	First Amendment to the Exclusive License and Distribution Agreement dated as of June 29, 2001, between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.3 to the 2001 Q2 Form 10-Q)
10.23	Second Amendment to the Exclusive License and Distribution Agreement dated as of June 29, 20001, between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.4 to the 2001 Q2 Form 10-Q)
10.24	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)

10.25	Form of Stock and Warrant Purchase Agreement dated January 28, 2000, by and between the Company and the purchasers named therein (Incorporated by reference to Exhibit 10.15 to the 1999 Form 10-K)
10.26	Note Purchase Agreement dated as of December 19, 2000, between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed January 2, 2001)
10.27	September 2001 Note Purchase Agreement dated as of September 7, 2001, between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed September 5, 2001)
10.28	Investor Rights Agreement dated December 19, 2000, between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K, filed January 2, 2001)
10.29	First Amendment to Investor Rights Agreement dated September 7, 2001, between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 99.6 to the Registrant's Current Report on Form 8-K, filed September 5, 2001)
*21	List of Subsidiaries.
*23.1	Consent of Ernst & Young LLP, Independent Auditors.
*23.2	Consent of PricewaterhouseCoopers LLP, Independent Accountants.
(b)	Reports on Form 8-K: None.

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 15, 2002

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 15, 2002
/s/ DENNIS W. GENGE Dennis W. Genge	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2002
/s/ GARY C. EVANS Gary C. Evans	Director	March 15, 2002
/s/ WILLIAM E. GEORGES William E. Georges	Director	March 15, 2002
/s/ MITCHELL J. KELLY Mitchell J. Kelly	Director	March 15, 2002
/s/ J. MICHAEL LAZARUS, M.D. J. Michael Lazarus, M.D.	Director	March 15, 2002
/s/ JOHN O. MARSH, JR. John O. Marsh, Jr.	Director	March 15, 2002
/s/ MICHAEL A. MCMANUS Michael A. McManus	Director	March 15, 2002
/s/ DENIS M. O'DONNELL, M.D. Denis M. O'Donnell, M.D.	Director	March 15, 2002
/s/ RONALD H. WALKER Ronald H. Walker	Director	March 15, 2002

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2001, 2000 and 1999

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REPORT OF INDEPENDENT AUDITORS

Board of Directors

Novavax, Inc.

We have audited the accompanying consolidated balance sheet of Novavax, Inc. as of December 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit, the consolidated financial statements of Novavax, Inc. for the year ended December 31, 1999 were audited by other auditors, whose report dated February 26, 2000, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Novavax, Inc. at December 31, 2001 and 2000 and the results of its operations and it cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst and Young LLP

McLean, Virginia

February 12, 2002

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated statement of operations, of cash flows and of stockholders' equity, present fairly, in all material respects, the consolidated results of operations of Novavax, Inc. and subsidiaries and their cash flows for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America. 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 audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, 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 audit provides a reasonable basis for our opinion. We have not audited the consolidated financial statements of Novavax, Inc. for any period subsequent to December 31, 1999.

/s/ PRICEWATERHOUSECOOPERS LLP

McLean, Virginia

February 26, 2000

NOVAVAX, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)

	December 31,	
	2001	**2000**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,045	$ 14,864
Trade Accounts receivable, net	3,878	954
Inventory, net	537	461
Prepaid expenses and other current assets	567	757
Total current assets	25,027	17,036
Property and equipment, net	4,326	1,927
Goodwill and other intangible assets, net	37,762	37,566
Total assets	$ 67,115	$ 56,529
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,410	$ 1,401
Accrued expenses	4,337	3,200
Deferred revenue – current	1,250	104
Total current liabilities	6,997	4,705
Convertible notes	30,000	20,000
Deferred revenue – non-current	2,625	—
Stockholders' equity:		
Preferred stock, $.01 par value, 2,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $.01 par value, 50,000,000 shares authorized; 23,871,794 issued and 23,294,633 outstanding at December 31, 2001, and 22,586,304 issued and 22,104,087 outstanding at December 31, 2000.	239	226
Additional paid-in capital	97,861	91,611
Accumulated deficit	(64,830)	(55,085)
Treasury stock, 577,161 shares and 482,217 shares, cost basis, at December 31, 2001 and 2000, respectively	(5,777)	(4,928)
Total stockholders' equity	27,493	31,824
Total liabilities and stockholders' equity	$ 67,115	$ 56,529

See accompanying notes.

NOVAVAX, INC.

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

	For the years ended December 31,		
	2001	**2000**	**1999**
Revenues			
Product sales	$ 17,252	$ —	$ —
Contract research and development	2,689	1,725	931
Milestone and licensing fees	4,125	750	250
Total revenues	24,066	2,475	1,181
Operating cost and expenses:			
Cost of sales	4,052	—	—
Research and development	10,775	9,358	3,354
Selling and marketing	8,539	—	—
General and administrative	9,955	5,859	2,393
Total operating costs and expenses	33,321	15,217	5,747
Loss from operations	(9,255)	(12,742)	(4,566)
Interest (expense)/income, net	(490)	551	60
Net loss	$ (9,745)	$ (12,191)	$ (4,506)
Basic and diluted loss per share	$ (0.43)	$ (0.64)	$ (0.31)
Basic and diluted weighted average number of common shares outstanding	22,670,274	19,015,719	14,511,081

See accompanying notes.

NOVAVAX, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2001, 2000 and 1999
(in thousands, except share information)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Deferred Stock Compensation	Treasury Stock	Total Stockholders' Equity
	Shares	Dollars					
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**
Amortization of deferred compensation	—	—	—	—	5	—	5
Private sale of common stock, net	2,813,850	28	10,470	—	—	—	10,498
Stock issued for acquisition	2,312,501	23	18,477	—	—	—	18,500
Acquisition obligation	—	—	5,000	—	—	—	5,000
Exercise of stock options and warrants	2,286,265	23	12,042	—	—	(4,893)	7,172
Net loss	—	—	—	(12,191)	—	—	(12,191)
Balance, December 31, 2000	**22,586,304**	**226**	**91,611**	**(55,085)**	**—**	**(4,928)**	**31,824**
Exercise of stock options and warrants	1,285,490	13	6,250	—	—	(849)	5,414
Net loss	—	—	—	(9,745)	—	—	(9,745)
Balance, December 31, 2001	**23,871,794**	**$ 239**	**$ 97,861**	**$ (64,830)**	**$ —**	**$ (5,777)**	**$ 27,493**

See accompanying notes.

NOVAVAX, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the years ended December 31,		
	2001	**2000**	**1999**
Operating Activities			
Net loss	$ (9,745)	$ (12,191)	$ (4,506)
Reconciliation of net loss to net cash used by operating activities:			
Loss(gain) on disposal/sale of asset	137	—	(23)
Non-cash compensation expense	—	5	10
Amortization	3,136	362	199
Depreciation	353	232	183
Provision for bad debt	70	—	—
Issuance of stock to 401(k) plan and as compensation	—	—	115
Changes in operating assets and liabilities:			
Accounts receivable	(2,994)	220	(203)
Inventory	(76)	(211)	—
Prepaid expenses and other current assets	190	(555)	(45)
Accounts payable and accrued expenses	592	2,740	(180)
Deferred revenue	3,771	(646)	750
Net cash used by operating activities	(4,566)	(10,044)	(3,700)
Investing activities			
Acquisition of businesses, net of cash acquired	—	(12,466)	(592)
Acquisition of product lines	(3,332)	—	—
Capital expenditures	(2,335)	(831)	(48)
Deferred patent costs	—	(86)	(171)
Proceeds from sale of asset	—	—	25
Net cash used in investing activities	(5,667)	(13,383)	(786)
Financing activities			
Proceeds from issuance of convertible notes	10,000	20,000	—
Payment of capital lease obligations	—	(111)	(73)
Proceeds from private placements of common stock	—	10,498	3,955
Proceeds from the exercise of stock options and warrants	5,414	7,172	305
Net cash provided by financing activities	15,414	37,559	4,187
Net change in cash and cash equivalents	5,181	14,132	(299)
Cash and cash equivalents at beginning of year	14,864	732	1,031
Cash and cash equivalents at end of year	$ 20,045	$ 14,864	$ 732

See accompanying notes.

NOVAVAX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001, 2000 and 1999

1. Description of Business

Novavax, Inc., a Delaware corporation, ("Novavax" or "the Company") was incorporated in 1987, and is a specialty pharmaceutical company engaged in the research, development and commercialization of proprietary products focused on women's health and infectious diseases. The Company sells, markets, and distributes a line of prescription pharmaceuticals and prenatal vitamins. The Company's principal technology platform involves the use of patented oil and water emulsions which are used as vehicles for the delivery of a wide variety of drugs and other therapeutic products. These include certain hormones, anti-bacterial, and anti-viral products and vaccine adjuvants, which are substances added to vaccines to enhance their effectiveness. In June 2001, Novavax filed a New Drug Application with the Food and Drug Administration for ESTRASORB™, a transdermal lotion for estrogen replacement therapy. Novavax has several product candidates in pre-clinical and human clinical trials, including ANDROSORB™, a transdermal lotion for testosterone replacement therapy which we expect to begin Phase II testing in the first quarter of 2002. In addition, Novavax conducts research and development on preventative and therapeutic vaccines for a variety of infectious diseases, including human papillomavirus.

The products currently under development or in clinical trials by the Company will require significant additional research and development efforts, including extensive pre-clinical and clinical testing and regulatory approval, prior to commercial use. There can be no assurance that the Company's research and development efforts will be successful and that any of the Company's potential products will prove to be safe and effective in clinical trials. Even if developed, these products may not receive regulatory approval or be successfully introduced and marketed at prices that would permit the Company to operate profitably. 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. No assurance can be given that the Company can generate sufficient product revenue to become profitable or generate positive cash flow from operations at all or on a sustained basis.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly-liquid investments with insignificant interest rate risk and original maturities of three months or less from the date of purchase to be cash equivalents. Substantially all cash equivalents are held in short-term money market accounts with banks and brokerage accounts with large high quality financial institutions.

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

2. Summary of Significant Accounting Policies — (Continued)

Financial Instruments and Concentration of Credit Risk

Financial instruments, which possibly expose the Company to concentration of credit risk, consist primarily of cash and cash equivalents, accounts receivable and convertible notes payable. The Company maintains its cash and cash equivalents in bank and brokerage accounts with high credit quality financial institutions. The balances, at times, may exceed federally insured limits. The Company has not experienced any losses on such accounts and management believes the risk of loss to be minimal. Accounts receivable consist principally of amounts due from credit worthy wholesale drug distributors, the federal government and other large institutions. The Company extends credit to its customers generally without requiring collateral. The Company monitors the balances of individual customer accounts to assess collectibility and has provided a reserve for potential bad debts of $120,000 and $50,000 as of December 31, 2001 and 2000, respectively. Credit losses have historically been within management's expectations. The carrying amount of cash and cash equivalents and accounts receivable approximates their fair value based on their short-term maturities at December 31, 2001 and 2000. The fair values of convertible notes approximate their fair value as of December 31, 2001.

As of December 31, 2001, three customers accounted for 40.5% of the Company's revenues and 50.7% of the Company's accounts receivable.

Inventories

Inventories consist of raw materials of $263,000 and finished goods of $299,000 and are priced at the lower of cost or market, using the first-in-first-out method. The December 31, 2001 inventory balance includes a $25,000 reserve for obsolete and slow moving items.

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 3 to 7 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. Repairs and maintenance costs are expensed as incurred.

Patent Costs

Costs associated with obtaining patents, principally legal costs and filing fees, are being amortized on a straight-line basis over the remaining estimated economic lives of the respective patents.

Goodwill and Intangible Assets

Goodwill and intangible assets principally result from business acquisitions. Assets acquired and liabilities assumed are recorded at their fair values; the excess of the purchase price over the identifiable net assets acquired is recorded as goodwill. Goodwill and intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 5 to 15 years. Accumulated amortization expense was $3.3 million and $273,000 as of December 31, 2001 and 2000, respectively. The Company periodically evaluates the periods of amortization to determine whether later events and circumstances warrant revised estimates of useful lives.

Impairment of Long-Lived Assets and Recoverability of Intangibles

The Company periodically evaluates the recoverability of the carrying value of its long-lived assets and identifiable intangibles whenever events or changes in circumstances indicate that the carrying value of the

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

2. Summary of Significant Accounting Policies — (Continued)

Impairment of Long-Lived Assets and Recoverability of Intangibles (Continued)

asset may not be recoverable. Examples of events or changes in circumstances that indicate that the recoverability of the carrying value of an asset should be assessed include but are not limited to the following: a significant decrease in the market value of an asset, a significant change in the extent or manner in which an asset is used or a significant physical change in an asset, a significant adverse change in legal factors or in the business climate that could affect the value of an asset or an adverse action or assessment by a regulator, an accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset, and/ or a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with an asset used for the purpose of producing revenue. 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.

Revenue Recognition

The Company recognizes revenue in accordance with the provisions of Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements,* whereby revenue is not recognized until it is realized or realizable and earned. Revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable and collectibility is reasonably assured. Up-front payments and licensing fees are deferred and recognized as earned over the life of the related agreement. Milestone payments are recognized as revenue upon achievement of contract-specified events and when there are no remaining performance obligations. Revenues from product sales are recognized upon shipment, net of allowances for returns, rebates and chargebacks. The Company is obligated to accept from customers the return of pharmaceuticals, which have reached their expiration date. Revenues from the sale of scientific prototype vaccines and adjuvants are recorded as the products are shipped.

Revenues earned under research contracts are recognized on the percentage of completion method as described in Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*. The extent of progress toward completion is measured on the cost-to-cost method. When the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract is made.

Net Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders (the numerator) by the weighted average number of common shares outstanding (the denominator), during the period. Shares issued during the period and shares reacquired during the period are weighted for the portion of the period that they were outstanding. The computation of diluted loss per share is similar to the computation of basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Potentially dilutive 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.

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

2. Summary of Significant Accounting Policies — (Continued)

Stock-Based Compensation

The Company recognizes expense for stock-based compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees,* and related Interpretations. Disclosures regarding alternative fair values of measurement and recognition methods prescribed by Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123) are presented in Note 7. Accordingly, compensation cost is recognized for the excess of the estimated fair value of the stock at the grant date over the exercise price, if any. The Company accounts for equity instruments issued to non-employees in accordance with EITF 96-18, *Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods, or Services*.

Advertising and Promotion Costs

All costs associated with advertising and promotion are expensed as incurred. Advertising and promotion expense, including samples, was $1.9 million in 2001. Prior to 2001 the Company incurred no material advertising or promotional expenses.

Research and Development Costs

Research and development costs are expensed as incurred.

Income Taxes

The Company's income taxes are accounted for using the liability method. Under the liability method, deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss carryforward. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of changes in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce net deferred tax assets to the amount expected to be realized. The Company has provided a full valuation allowance against its net deferred tax assets as of December 31, 2001 and 2000.

Comprehensive Loss

Under Financial Accounting Standards No. 130, "Reporting Comprehensive Income," the Company is required to display comprehensive loss and its components as part of the consolidated financial statements. Comprehensive loss is comprised of the net loss and other comprehensive income (loss), which includes certain changes in equity that are excluded from the net loss. Comprehensive loss for the Company was the same as net loss for the years ended December 31, 2001, 2000 and 1999.

Segment Information

The Company currently operates in one business segment, which is the development and commercialization of products focused on women's health and infectious diseases. The Company is managed and operated as one business. A single management team that reports to the Chief Executive Officer comprehensively manages the entire business. The Company does not operate separate lines of business with respect to its

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

2. Summary of Significant Accounting Policies — (Continued)

Segment Information (Continued)

products or product candidates. Accordingly, the Company does not have separately reportable segments as defined by FASB Statement No. 131, *Disclosure about Segments of an Enterprise and Related Information.*

Recent Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 141 *"Business Combinations,"* and SFAS No. 142 *"Goodwill and Other Intangible Assets,"* effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. The Company will begin to perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002 and has not yet determined what the effect these tests may have on the earnings and financial position of the Company. Amortization of goodwill for the year ended 2001 was approximately $2.5 million and will no longer be recorded subsequent to December 31, 2001.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Product Agreements and Acquisitions

King Pharmaceuticals Agreements

In January 2001, we entered into a co-promotion agreement with King Pharmaceuticals, Inc., ("King") for the Company's topical transdermal estrogen replacement therapy, ESTRASORB™ in the U.S. and Puerto Rico (the "Territory"). We also entered into a license agreement with King for many countries outside the United States. The co-promotion and license agreements (the "Agreements") grant King the right to share equally in the revenues and expenses for manufacturing and marketing ESTRASORB in the Territory and exclusive rights to many countries outside the U.S. The Agreements also entitled us to receive up to $5.0 million in milestone payments from King for achievement of milestones outlined in the Agreements. In addition, we agreed to combine U.S. sales efforts with King to begin co-promoting one of King's products already on the market, Nordette®, a birth control pill.

In June 2001, we amended the Agreements (the "Amended Agreements"). The Amended Agreements modified the terms of the milestone payments and in June 2001, we recognized $2.5 million as the first milestone was achieved upon the filing of the ESTRASORB New Drug Application with the Food and Drug Administration. The second milestone was achieved upon the acceptance for filing of the New Drug Application by the FDA in August 2001. This entitled us to receive an additional $2.5 million milestone payment, which was received in September 2001.

The Amended Agreements also grant King exclusive rights to promote, market and distribute ESTRASORB in Canada, Switzerland, Greece, Italy, Spain and the Netherlands, the only countries excluded from the original license agreement. In addition the Amended Agreements included the co-promotion and license of ANDROSORB, a topical transdermal testosterone replacement therapy for testosterone deficient women. Under the terms of the Amended Agreements we received $3.0 million from King in up-front licensing fees, which was recorded as deferred revenue and is recognized over the term of the Amended Agreements. We will also receive additional milestone payments of $1.0 million upon ESTRASORB's

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

3. Product Agreements and Acquisitions — (Continued)

King Pharmaceuticals Agreements (Continued)

regulatory approval in Canada and $2.0 million upon regulatory approval of ESTRASORB in one of the five European countries listed above. We are also entitled to receive royalties on future sales of ESTRASORB and ANDROSORB outside the United States.

The Amended Agreements also have a change of control provision. The provision allows King several options in the event of a change in control at Novavax including, (i) terminating our right to co-promote King products, (ii) terminating our rights to promote ESTRASORB and ANDROSORB and any other hormone therapies for women for which King is paying 50% of the development costs or (iii) requiring Novavax to assign and transfer to King all related rights of ownership for ESTRASORB and ANDROSORB and any such other hormone replacement therapies for women and license to King on an exclusive and perpetual basis all related intellectual property rights and know how. If King chooses to exercise its rights under clause (ii) or (iii) above, King will have to pay royalties on net sales of the products. In addition, King will have to pay for the cost of manufacturing plus a markup consistent with the terms of the license agreement for the handling cost.

In January 2001, we also acquired the rights to AVC™ Cream and Suppositories ("AVC") from King for approximately $3.3 million in cash. The AVC product line generated $3.5 million in revenue in 2001.

Fielding Pharmaceutical Company

In December 2000, Novavax acquired privately owned Fielding Pharmaceutical Company ("Fielding"), based in St. Louis, Missouri. Fielding sells, markets and distributes a proprietary line of pharmaceutical products focused on women's health. The purchase method of accounting was used to account for the transaction.

The total purchase price and related expenses of $38.7 million consisted of $18.5 million in Novavax common stock, $13.0 million in cash, $5.0 million paid in common stock to the former owners of Fielding in January 2002, $1.1 million in assumed liabilities and $1.1 million in transaction costs.

The aggregate consideration of $38.7 million was allocated to cash ($1.7 million), accounts receivable and inventory ($1.2 million), property and equipment ($275,000) and goodwill ($35.5 million).

Biomedical Services Laboratory

In August 1999, the Company acquired substantially all of the assets (excluding cash and accounts receivable) of the Biomedical Services Laboratory ("BSL"), a division of DynCorp of Reston, Virginia. In addition, DynCorp entered into a five-year non-competition agreement. The research and development activities of BSL are conducted in a 12,000 square foot leased facility located in Rockville, Maryland. BSL is engaged in contract research, development and pilot manufacturing of human vaccines for government laboratories and other vaccine companies.

The purchase method of accounting was used to account for the transaction. The total purchase price and related expenses of $860,000 consisted of $740,000 in cash, $60,000 in assumed liabilities and $60,000 in transaction costs.

The aggregate consideration of $860,000 was allocated to property and equipment ($170,000) and goodwill and other intangible assets ($690,000).

Property and equipment consists primarily of laboratory equipment that has continued to be used in the operations of BSL. Other intangible assets included patents, workforce and favorable lease terms in an approved Food and Drug Administration facility.

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

3. Product Agreements and Acquisitions — (Continued)

Biomedical Services Laboratory (Continued)

The operating results of the AVC Product Line, Fielding and BSL have been included in the consolidated statements of operations from the acquisition date. The following summary represents pro forma results of operations as if the acquisitions had occurred at the beginning of 1999. 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 combinations been in effect and are not intended to be indicative of future results.

Pro forma results of operations for the years ended December 31:

	2000	1999
	(in thousands, except per share information)	
Revenue	$ 14,098	$17,100
Net loss	(13,689)	(3,475)
Loss per share applicable to common stockholders	(.64)	(.21)

4. Supplemental Financial Data

Property and Equipment

Property and equipment is comprised of the following at December 31:

	2001	2000
	(in thousands)	
Construction in progress and deposits on machinery	$ 1,422	$ —
Machinery and equipment	2,772	2,029
Leasehold improvements	1,086	835
Computer software and hardware	269	166
	5,549	3,030
Less accumulated depreciation	(1,223)	(1,103)
	$ 4,326	$ 1,927

Depreciation expense was $353,000, $232,000 and $183,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

4. Supplemental Financial Data — (Continued)

Goodwill and Intangible Assets

Goodwill and intangible assets consist of the following at December 31:

	2001	2000
	(in thousands)	
Goodwill — Fielding Acquisition	$35,590	$35,590
Goodwill — Biomedical Services Acquisition	542	542
AVC — Product Acquisition	3,332	—
Non-Compete — Biomedical Services Acquisition	148	148
Patents	2,525	2,525
	42,137	38,805
Accumulated Amortization	(4,375)	(1,239)
	$37,762	$37,566

Amortization expense was $3,136,000, $362,000 and $199,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Accrued Expenses

Accrued expenses consist of the following at December 31:

	2001	2000
	(in thousands)	
Operating expenses	$2,469	$ 618
Employee benefit and compensation	1,082	759
Property and equipment	554	—
Interest	232	26
Clinical trial expenses	—	900
Acquisition costs	—	897
	$4,337	$3,200

As of December 31, 2001, the Company has accrued for $554,000 of construction in progress additions which was accounted for as a non-cash transaction in its Statement of Cash Flows.

5. Convertible notes

On December 19, 2000, Novavax entered into a Note Purchase Agreement with King whereby it agreed to issue to King 4% senior convertible promissory notes in the aggregate amount up to $25.0 million. On that same date, the Company issued a 4% senior convertible promissory note to King for $20.0 million in principal. On September 7, 2001, the Company issued a second 4% senior convertible promissory note to King for $5.0 million in principal. These notes are convertible into Novavax common stock at $10.00 per share or 2,500,000 shares.

On September 7, 2001 the Company entered into a second Note Purchase Agreement with King and issued a third 4% senior convertible promissory note to King for $5.0 million principal. The third note is convertible into common stock at $13.87 per share or 360,490 shares.

All of the notes, which total $30.0 million, mature on December 19, 2007 with interest payable in semi-annual installments on June 30 and December 31. Up to 50% of the interest may be paid in common stock of

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

5. Convertible notes — (Continued)

the Company, subject to certain conditions. The conversion prices on all the notes represent an 18% premium to the trailing 20-day average stock price prior to the agreed upon lock in dates. Each note has a conversion feature, which allows us to convert the notes to common stock of the Company from January 2002 through December 31, 2004 if the closing price of our common stock exceeds 180% of the conversion price of the note for at least 30 trading days in any period of 45 consecutive trading days. After December 31, 2004, the notes can be redeemed by the Company at 102%, 101% and 100% of face value during the years ended December 31, 2005, 2006 and 2007, respectively.

For the year ended December 31, 2001 we made cash interest payments of $720,000 and accrued an additional $232,000 for interest expense which will be paid in our common stock. The notes and related agreements also have covenants which require the Company to obtain written approval from King prior to entering into transactions, above defined limits, to secure additional indebtedness, or acquire additional product lines or businesses. In addition to the covenants, the notes have a change in control provision as well. In the event of a change of control, the Company will be required to repurchase the notes at 101% of the principal amount, plus accrued interest within sixty days of the change in control.

6. Stockholders' Equity

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 0.25 additional shares at an exercise price of $6.75. The related warrants have a three-year term. Gross proceeds from the 2000 Private Placement were $11,255,400. The Company issued non-transferable warrants to the Placement agent, 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. In addition, the Placement agent received fees of approximately $675,000. The Company incurred other costs in conjunction with the 2000 Private Placement of approximately $80,000. Net proceeds to the Company from the 2000 Private Placement were approximately $10.5 million.

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 certain accredited investors (the "1999 Private Placement"). A principal of one of the accredited investors is also a director of the Company. The issuance price of the common stock was $2.50 per share. Each share was sold with a non-transferable warrant for the purchase of 0.25 additional shares at an exercise price of $3.75. The warrants have a three-year term. Placement agents' fees were approximately $215,000, which were paid with cash of $107,000 and 42,933 shares of the Company's common stock, which were issued 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 1999 Private Placement approximated $67,000. Net proceeds to the Company from the 1999 Private Placement were approximately $4.0 million.

7. Stock Options and Warrants

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 8,000,000 shares of Novavax common stock. The recent amendments to the Plan increases the number of shares that can be granted from 6,000,000 to 8,000,000, subject to stockholder approval in May 2002. 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

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

7. Stock Options and Warrants — (Continued)

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.

The 1995 Director Stock Option Plan (the "Director Plan") provided for the issuance of up to 500,000 shares of Novavax common stock. The exercise price is the fair market value per share of the Company's common stock on the date of grant. Options granted to eligible directors are exercisable in full, beginning six months after the date of grant and expire ten years from the grant date. All options available under the Director Plan have been granted.

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 as follows:

	1995 Stock Option Plan		1995 Director Stock Option Plan	
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Balance, December 31, 1998	3,114,247	$ 3.53	440,000	$ 3.66
Granted	1,078,500	3.80	—	—
Exercised	(226,537)	2.20	—	—
Expired or canceled	(577,757)	4.28	—	—
Balance, December 31, 1999.	3,388,453	3.58	440,000	3.66
Granted	1,019,500	7.62	60,000	5.63
Exercised	(485,728)	3.87	(80,000)	3.25
Expired or canceled	(28,040)	3.75	—	—
Balance, December 31, 2000	3,894,185	4.60	420,000	4.02
Granted	1,227,601	9.47	—	—
Exercised	(668,980)	3.18	(70,000)	3.95
Expired	(52,400)	4.95	—	—
Balance, December 31, 2001	4,400,406	6.17	350,000	4.03
Shares exercisable at December 31, 1999	2,386,499	3.43	440,000	3.66
Shares exercisable at December 31, 2000	2,278,428	3.48	420,000	4.02
Shares exercisable at December 31, 2001	2,282,578	$ 4.41	350,000	$ 4.03
Available for grant at December 31, 2001	1,184,663			

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

7. Stock Options and Warrants — (Continued)

The following table provides certain information with respect to stock options outstanding at December 31, 2001:

	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
Options issued at below market value:			
$0.01	281,937	4.0	$ 0.01
Options issued at market value:			
$1.17 to 3.49	443,952	4.8	3.06
$3.50 to 6.99	2,165,595	6.3	4.72
$7.00 to 9.32	1,441,400	8.8	8.77
$9.33 to 11.65	417,522	9.6	10.36
	4,750,406	7.1	$ 6.01

The following table provides certain information with respect to stock options exercisable at December 31, 2001:

	Number of Options Exercisable	Weighted Average Exercise Price
Options issued at below market value:		
$0.01	281,937	$ 0.01
Options issued at market value:		
$1.17 to 3.49	443,326	3.06
$3.50 to 6.99	1,542,897	4.58
$7.00 to 9.32	351,918	8.30
$9.33 to 11.65	12,500	10.63
	2,632,578	$ 4.36

For the years ended December 2001, 2000 and 1999, the Company recorded stock compensation expense of $0, $5,000, and $10,000, respectively.

Pro forma information regarding net loss and loss per share is required by SFAS No. 123, Accounting for Stock-Based Compensation, and has been determined as if Novavax had accounted for its employee and director stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because Novavax's employee and director stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

7. Stock Options and Warrants — (Continued)

For purposes of pro forma disclosures below, the estimated fair value of the options is amortized to expense over the option's vesting period. Novavax's pro forma information follows:

	Year ended December 31,		
	2001	2000	1999
		(in thousands)	
Net loss applicable to common stockholders:			
As reported (in thousands)	$ (9,745)	$(12,191)	$(4,506)
Pro forma (in thousands)	$(15,525)	$(14,609)	$(6,430)
Basic and diluted loss per share:			
As reported	$ (.43)	$ (.64)	$ (.31)
Pro forma	$ (.68)	$ (.77)	$ (.44)
Risk-free interest rates	5.0%	6.0%	5.8%
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	58%	80%	69%
Weighted average remaining contractual life in years	7.1	6.8	6.8
Weighted average fair value at date of grant	$ 5.58	$ 5.87	$ 3.56

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 were granted in prior years, for which the Company recognized compensation expense for these individuals under the 1995 Stock Option Plan.

Common Stock Warrants

In March 1997, the Company privately placed 1,200,000 shares of common stock. As part of the transaction, we 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, the warrants were revised to allow for the purchase of 659,090 shares at $5.46 per share and 659,090 shares at $7.28 per share. The warrants had a three-year term and were exercised in March 2000 for cash of $3.6 million and a "cashless" exercise of 465,410 shares of common stock, which were placed into treasury shares.

In April 1999, the Company entered into the 1999 Private Placements, and as part of the transaction, we granted warrants to purchase 412,775 additional shares at an exercise price of $3.75. In addition, 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. After giving effect to the anti-dilution provision, the warrants were revised to allow for the purchase of 448,087 shares at $3.54 per share and 151,299 shares at $2.84 per share. These warrants have a three-year term and expire in April 2002. As of December 31, 2001, 260,021 of the $3.54 warrants and all of the $2.84 warrants were exercised.

In connection with the 2000 Private Placement the Company granted warrants to purchase an additional 703,460 shares at an exercise price of $6.75. In addition, warrants of 281,385 shares were issued to the placement agent at an exercise price of $6.75 per share. The warrants have a three year term. As of December 31, 2001, 464,284 of these warrants have been exercised.

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

7. Stock Options and Warrants — (Continued)

Common Stock Warrants (Continued)

Information with respect to warrants to purchase the Company's common stock at December 31, 2001 is as follows:

Number of Warrants Outstanding	Exercise Price	Expiration Date
188,066	$ 3.54	April 2002
520,561	$ 6.75	January 2003
708,627		

8. Employee Benefits

The Company maintains a defined contribution 401(k) retirement plan, pursuant to which employees who have completed ninety days of service may elect to contribute up to 15% of their compensation on a tax deferred basis up to the maximum amount permitted by the Internal Revenue Code, as amended.

The Company matches 25% of the first 5% of the participants deferral and $4.00 per week of employment during the year. At the option of the Company matching contributions to the 401(K) retirement plan can be made in the form of the Company's common stock. All contributions to the 401(k) Plan are immediately vested. The Company has expensed approximately $35,000, $28,000 and $16,000 in 2001, 2000 and 1999, respectively.

9. Income Taxes

Deferred tax assets (liabilities) consist of the following at December 31:

	2001	2000
	(in thousands)	
Net operating losses	$ 13,540	$ 12,513
Research tax credits	1,464	1,229
Disqualifying stock options	673	673
Alternative-minimum tax credit	94	94
Equipment and furniture	34	44
Intangibles from acquisition	184	12
Allowance for doubtful accounts	47	19
Accrued vacation pay	52	28
Deferred revenues	1,496	40
Total deferred tax assets	17,584	14,652
Deferred patent costs	(544)	(602)
Total deferred tax liabilities	(544)	(602)
Net deferred tax assets	17,040	14,050
Less valuation allowance	$(17,040)	$(14,050)
Deferred tax assets, net	—	—

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

9. Income Taxes — (Continued)

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

	2001	2000
Statutory federal tax rate	(34)%	(34)%
State income taxes, net of federal benefit	(3)	(5)
Research and development credit	(3)	(2)
Alternative-minimum credit	—	0
Other	9	1
Change in valuation allowance	31	40
	—%	—%

Realization of net deferred tax assets 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, 2001 and 2000.

Novavax has recorded no net benefit for income taxes in 2001, 2000 and 1999 in the accompanying consolidated 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 the Company are as follows:

	2001
	(in thousands)
Federal net operating losses expiring through the year 2021	$ 35,060
State net operating losses expiring through the year 2021	35,060
Research tax credits expiring through the year 2021	1,464
Alternative-minimum tax credit (no expiration)	94

10. Commitments and Contingencies

Novavax leases manufacturing, laboratory and office space, machinery and equipment and automobiles under non-cancelable operating lease agreements expiring at various dates through January 2007. Future minimum rental commitments under non-cancelable leases as of December 31, 2001 are as follows:

Year	Operating Leases
	(in thousands)
2002	$ 2,611
2003	2,431
2004	2,212
2005	1,909
2006	1,886
Thereafter	150
	$ 11,199

Aggregate rental expenses approximated $1,050,000, $411,000, and $299,000 in 2001, 2000 and 1999, respectively.

NOVAVAX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
December 31, 2001, 2000 and 1999

10. Commitments and Contingencies — (Continued)

In connection with one of the leases for office and laboratory facilities, the Company is required to maintain a "Net Asset Value" of $2.0 million. 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 $2.0 million, the Company is required to provide other reasonable financial assurances to the landlord within five days of the landlord's request.

The Company has entered into several purchase commitments related to scaling-up of manufacturing capacity. The Company entered into a construction agreement to build-out approximately 20,000 square feet of leased space to manufacture and package ESTRASORB. The fee for the construction is a cost plus fee with a guaranteed maximum price of no more than $6.6 million. In addition to the construction agreement, the Company has entered into agreements to purchase machinery and equipment to manufacture and package ESTRASORB totaling approximately $2.0 million. To date, progress payments of approximately $1.4 million have been made.

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") dated as of January 1, 2002, between Novavax, Inc., a Delaware corporation having its principal office at 8320 Guilford Road, Columbia, Maryland 21046 (the "Company"), and James R. Mirto, an individual residing at 203 Fritillary Court, Edgewater, Maryland 21037 ("Employee").

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 and represents 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 Senior Vice President and Chief Operating Officer or such other senior management services as may from time to time be designated by the Company's Chief Executive Officer or the Board of Directors. During the Term (as defined below) 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 which the Company shall assign to him from time to time. Employee agrees to perform his services faithfully and to the best of his ability and to carry out the policies and directives of the Company. Employee agrees to take no action which is in bad faith and prejudicial to the interests of the Company during his employment hereunder. Employee shall be based in Columbia, Maryland but he also may be required from time to time to perform duties hereunder for reasonably short periods of time outside of said area.

3. Term. The term of this Agreement shall be a period beginning on the date hereof and shall continue until terminated in accordance with Section 7 hereof (the "Term").

4. Compensation.

(a) Base Compensation. For all Employee's services and covenants under this Agreement, the Company shall pay Employee an initial annual salary of $215,000, 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) Bonus Program. During the Term, the Employee shall be entitled to participate in a bonus program, if any, maintained from time to time by the Company for the benefit of senior executives and other employees of the Company under which award payments, if any, are based on performance criteria and milestones to be mutually determined by the Employee and the Company.

5. Reimbursable Expenses. 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 starting from date of hire, calculated on a monthly 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 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 totaling 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), then in addition to any unpaid bonus with respect to the prior year, Employee shall be entitled to receive his then current salary for one year from the date of termination, together with a performance bonus equal to a fraction the numerator of which is the number of weeks of employment of Employee at the Company during the then current calendar year and the denominator of which is 52, times the amount of performance bonus, if any, paid to the Employee with respect to the prior year, all of which shall be 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. The Employee shall be entitled to terminate his employment for "Good Reason" if his responsibilities and authority are reduced or diluted in any material way (other than for cause) without his consent or if he is relocated to another Company office or facility more than 50 miles from Columbia, Maryland without his consent.

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

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

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

(b) Employee hereby grants to the Company (without any separate remuneration or compensation other than that received by him from time to time in the course of his employment) his entire right, title and interest throughout the world in and to, all research, information, procedures, developments, all inventions and improvements whether patentable or nonpatentable, patents and applications therefor, trademarks and applications therefor, copyrights and applications therefor, programs, trade secrets, plans, methods, and all other data and know-how (herein sometimes collectively referred to as "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 has been 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 24 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: John A. Spears, 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 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 laws thereof.

20. Resolution of Disputes. With the exception of proceedings for equitable relief brought pursuant to Section 15 of this Agreement, any disputes arising under or in connection with this 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 conducted in Baltimore, Maryland, in accordance with the rules and procedures of the American Arbitration Association. The parties shall bear equally the cost of such arbitration, excluding attorneys' fees and disbursements which shall be borne solely by the party incurring the same; provided, however, that if the arbitrator rules in favor of Employee, Company shall be solely responsible for the payment of all costs, fees and expenses (including without limitation

reasonable attorneys' fees and disbursements) of such arbitration. The provisions of this Section 20 shall survive the termination for any reason of the Term (whether such termination is by the Company, by Employee or upon the expiration of the Term).

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 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: _____

Name:John A. Spears
Title: President and Chief Executive Officer

_____

James R. Mirto

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") dated as of January 1, 2002, between Novavax, Inc., a Delaware corporation having its principal office at 8320 Guilford Road, Columbia, Maryland 21046 (the "Company"), and Dennis Genge, an individual residing at 132 Seabiscuit Place, Edgewater, Maryland, 21037 ("Employee").

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 and represents 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 Chief Financial Officer, Vice President and Treasurer 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 (as defined below) 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 which the Company shall assign to him from time to time. Employee agrees to perform his services faithfully and to the best of his ability and to carry out the policies and directives of the Company. Employee agrees to take no action which is in bad faith and prejudicial to the interests of the Company during his employment hereunder. Employee shall be based in Columbia, Maryland but he also may be required from time to time to perform duties hereunder for reasonably short periods of time outside of said area.

3. Term. The term of this Agreement shall be a period beginning on the date hereof and shall continue until terminated in accordance with Section 7 hereof (the "Term").

4. Compensation.

(a) Base Compensation. For all Employee's services and covenants under this Agreement, the Company shall pay Employee an initial annual salary of $165,000, 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) Bonus Program. During the Term, the Employee shall be entitled to participate in a bonus program, if any, maintained from time to time by the Company for the benefit of senior executives and other employees of the Company under which award payments, if any, are based on performance criteria and milestones to be mutually determined by the Employee and the Company.

5. Reimbursable Expenses. 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 starting from date of hire, calculated on a monthly 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 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 totaling 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), then in addition to any unpaid bonus with respect to the prior year, Employee shall be entitled to receive his then current salary for one year from the date of termination, together with a performance bonus equal to a fraction the numerator of which is the number of weeks of employment of Employee at the Company during the then current calendar year and the denominator of which is 52, times the amount of performance bonus, if any, paid to the Employee with respect to the prior year, all of which shall be 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. The Employee shall be entitled to terminate his employment for "Good Reason" if his responsibilities and authority are reduced or diluted in any material way (other than for cause) without his consent or if he is relocated to another Company office or facility more than 50 miles from Columbia, Maryland without his consent.

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

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

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

(b) Employee hereby grants to the Company (without any separate remuneration or compensation other than that received by him from time to time in the course of his employment) his entire right, title and interest throughout the world in and to, all research, information, procedures, developments, all inventions and improvements whether patentable or nonpatentable, patents and applications therefor, trademarks and applications therefor, copyrights and applications therefor, programs, trade secrets, plans, methods, and all other data and know-how (herein sometimes collectively referred to as "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 has been 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 24 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: John A. Spears, 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 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 laws thereof.

20. Resolution of Disputes. With the exception of proceedings for equitable relief brought pursuant to Section 15 of this Agreement, any disputes arising under or in connection with this 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 conducted in Baltimore, Maryland, in accordance with the rules and procedures of the American Arbitration Association. The parties shall bear equally the cost of such arbitration, excluding attorneys' fees and disbursements which shall be borne solely by the party incurring the same; provided, however, that if the arbitrator rules in favor of Employee, Company shall be solely responsible for the payment of all costs, fees and expenses (including without limitation

reasonable attorneys' fees and disbursements) of such arbitration. The provisions of this Section 20 shall survive the termination for any reason of the Term (whether such termination is by the Company, by Employee or upon the expiration of the Term).

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 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: _____

Name: John A. Spears
Title: President and Chief Executive Officer

_____

Dennis Genge

[NOVAVAX INC LETTERHEAD]

September 29, 1999

W.M. Rickman Construction Company
15215 Shady Grove Road
Rockville, MD 20850

Fax: 301 840 5992

Attention: Ross L. Englehart
Subject: One Taft Court

Dear Mr. Englehart:

This letter serves as notice that Novavax is exercising its option to extend the term of the lease for the property at One Taft Court, Rockville, MD 20850, pursuant to the conditions stated in Section 2 (TERMS) of the Lease Agreement dated March 30, 1995 between W.M. Rickman Construction Co. and Dyncorp Advanced Technology Services, Inc., which was assigned to Novavax, Inc. on August 10, 1999. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ DONALD J. MACPHEE

Donald J. MacPhee
Vice President and Treasurer

cc: H. Montgomery Hougen, DynCorp

[W.M. RICKMAN CONSTRUCTION CO. LETTERHEAD]

September 1, 1999

DynCorp Advanced Technology Services, Inc.
Attention: H. Montgomery Hougen
2000 Edmund Halley Drive
Reston, Virginia 20191-3436

Dear Mr. Hougen:

W.M. Rickman Construction Company grants permission for DynCorp to assign the Lease dated March 30, 1995, between W. M. Rickman Construction Co. and DynCorp Advanced Technology Services, Inc., to Novavax, Inc., effective August 10, 1999. The Premises is located on the second floor (11,743 square feet) at 1 Taft Court, Rockville, Maryland.

Novavax, Inc., is obligated to abide by all terms, covenants and conditions of the Lease.

DynCorp shall remain liable for the performance of all terms, covenants, and conditions as stated in paragraph 19 “Assignment or Subletting” of the Lease.

Sincerely,

/s/ ROSS L. ENGLEHART

Ross L. Englehart
Director of Facilities

cc: Donald J. MacPhee, CFO
Novavax

LEASE AGREEMENT

THIS LEASE AGREEMENT, made this 30 day of March 1995, by and between W.M. RICKMAN CONSTRUCTION CO., hereinafter called "LANDLORD" and DYNCORP ADVANCED TECHNOLOGY SERVICES, INC., a Virginia corporation, hereinafter called "TENANT".

WITNESSETH

1. LEASED PREMISES

LANDLORD hereby demises unto tenant, and TENANT hereby leases from LANDLORD for the terms and upon the conditions set forth in this Lease 11,743 square feet of space in the building located at 1 Taft Court, Rockville, MD 20850, (hereinafter referred to as "BUILDING"), as laboratory facilities, all as set forth on Exhibit A, hereto attached, said space being referred to as "PREMISES".

2. TERM

The term of this lease shall be for a period of five years, commencing on the 1st day of April, 1995, and terminating on the 31st day of March, 2000 with an option for an additional five years at the same terms and conditions in this lease, provided that TENANT shall have given the LANDLORD written notice of TENANT's intention to do so six (6) months prior to the expiration of this lease and that the Tenant is not in default of the Lease.

3. RENT

The TENANT shall pay to the LANDLORD an annual rental (herein called "minimum rent") in the amount of One Hundred fifty eight thousand five hundred thirty & 50/100 DOLLARS ($158,530.50), subject to adjustment as hereinafter set forth, payable without deduction or set off in equal monthly installments of Thirteen thousand two hundred ten & 88/100 DOLLARS ($13,210.88) per month in advance, the first installment of which is due and payable April 1,1995 and all subsequent installments due and payable on the 1st day of each calendar month hereafter until the total rent provided for herein is paid. No payment by TENANT or receipt of LANDLORD of a lesser amount than a monthly installment of rent herein stipulated shall be deemed to be other than on account of such stipulated rent, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and LANDLORD may accept such check for payment without prejudice to LANDLORD's right to recover the balance of such rent or pursue any other remedy provided for in this lease.

4. ADJUSTMENT OF MINIMUM RENT

The minimum rent shall be adjusted at the end of each year during the term hereof by a 3% increase over the rent then being paid. There also shall be no additional pass-throughs of increases in operating expenses except as specifically referenced herein.

5. REAL ESTATE TAXES

In the event the real estate taxes levied or assessed against the land and building of which the premises are a part in future tax years are greater than the real estate taxes for the base tax year, the TENANT, shall pay within thirty

(30) days after submission of the bill to TENANT for the increase in real estate taxes, as additional rent a proportionate share of such increases, which proportionate share shall be computed at 22.08% of the increase in taxes, but shall exclude any fine, penalty, or interest charge for late or non-payment of taxes by LANDLORD. The base tax year shall be July 1, 1994 to June 30, 1995.

In the event that LANDLORD's contest or appeal of the Real Estate Taxes and/or assessment regarding the building of which the Premises form a part shall result in a reduction or refund of Real Estate Taxes, TENANT shall receive a proportionate share, as defined in this section of said refund for taxes TENANT has paid, or in the case of a tax reduction before payment by TENANT, TENANT shall be obligated only to pay its share of the reduced amount. LANDLORD shall provide TENANT with copies of all Real Estate tax bills and copies, in reasonable detail, of LANDLORD's computations showing TENANT's proportionate share. LANDLORD shall be under no obligation to appeal any proposed re-assessment of the land or building.

6. UTILITIES

TENANT shall be responsible for the payment of all utilities used or consumed by the TENANT in and upon the Premises. Electric is to be separately metered. Water is to be either separately metered or an equitable allocation be made between the tenants based on the quantity of water consumed. In the event any utility service to the premises shall be interrupted for a period of more than two (2) days due to the negligence or willful misconduct of LANDLORD, its agents or servants, then the minimum rent shall abate from the interruption of such services until such services are fully restored.

7. EXCLUSIVE USE

TENANT shall have the right to use the demised premises for the operation of offices and laboratories consistent with TENANT's business and for no other purpose, except as approved by the LANDLORD in advance in writing, such approval not to be unreasonably withheld.

8. LATE CHARGE

If any installment of rent accruing hereunder or any other sums payable hereunder shall not be paid within Fifteen (15) days after written notice to TENANT, such installment and other sums shall be increased without affecting the LANDLORD's other rights under this Lease, by a late charge of five (5%) percent of the delinquent installment. Anything contained herein to the contrary notwithstanding, LANDLORD shall waive the late charge set forth herein of for the first two (2) late payments during each lease year of the term of this Lease, provided that such payments shall be made with 10 days of written notice to TENANT to such lateness.

9. REPAIRS AND MAINTENANCE

LANDLORD shall be responsible for all structural repairs, including repairs to the roof and load-bearing walls of the building, and for maintaining the parking area. The LANDLORD shall be responsible for walkways, and all common areas within the building. The TENANT shall be responsible for the maintenance and repair of the Premises and all fixtures, appliances and equipment therein, including, but not limited to, the Heating and Air Conditioning system. LANDLORD will pay for major Heating and Air Conditioning component replacement and all repairs to the heating and air

conditioning system in excess of Two Hundred Fifty Dollars ($250.00) per occurrence.

TENANT shall also provide its own char service. LANDLORD will repair and replace any glass breakage, provided it is not the result of the TENANT's willful or negligent act.

10. LANDLORD'S WORK PRIOR TO COMMENCEMENT OF TERM

LANDLORD shall make the following improvements to the Premises prior to the commencement of the term of the Lease.

None

11. TENANT ALTERATIONS

The Landlord will supply the Tenant with an allowance of up to $30,000 for renovations and buildout of the Premises. The Tenant may hire the licensed contractor of his choice, and a draw schedule will be determined between the Tenant and the Landlord. Any unused portion of this allowance will be returned to the Landlord. All building materials must meet the specifications of the Landlord. The Tenant (and / or contractor) will be responsible for obtaining building & occupancy permits.

All alterations, improvements, or additions to the demised premises to be made by TENANT shall be subject to the written consent of the LANDLORD, which consent shall not be unreasonably withheld, provided such alterations and improvements do not weaken the structural integrity of the building or detract from its dignity and/or uniformity. All alterations and improvements and/or additions made by TENANT shall remain upon the premises at the expiration or earlier termination of this Lease and shall become the property of the LANDLORD, unless LANDLORD shall, at the time of approval of the alteration, provide written notice to TENANT to remove the same, in which event TENANT shall remove such alterations, improvements and/or additions, and restore the premises to the same good order and condition in which it was at the commencement of this Lease, reasonable wear and tear and unavoidable casualty excepted. Should TENANT fail to do so, LANDLORD may do so, collecting at LANDLORD's option, the reasonable cost and expense thereof from TENANT as additional rent.

12. TRADE FIXTURES

All trade fixtures, telephone equipment, and apparatus installed by TENANT in the leased premises shall remain the property of TENANT and shall be removed at the expiration or earlier termination of this lease, and provided further that in the event of such removal, TENANT shall promptly restore the premises to their good order and condition. Any such trade fixture not removed prior to such termination shall become the property of the LANDLORD.

13. HAZARDOUS STORAGE

TENANT shall be permitted to store hazardous materials on the premises, however, any such storage and use of such materials shall comply with all Federal, State, County and City regulations relative to such use and storage of said materials. Any hazardous materials stored or used on the premises must not, in any way, prejudice the insurance of the premises, or increase the fire hazards to a greater extent than necessarily incident to the business for which

the premises are leased, and all such materials must be completely removed upon expiration of this lease.

14. SIGNS

TENANT may display appropriate signs inside the building but such signs shall be subject to the written approval of the LANDLORD, which will not unreasonably be withheld, and said signs shall be in full conformance with any applicable regulations or ordinances of local governmental authorities having jurisdiction.

15. QUIET ENJOYMENT

LANDLORD covenants that, upon payment of the rent herein provided and performance by the TENANT of all other covenants herein contained, TENANT shall and may peaceably and quietly have, hold and enjoy the premises for the term hereof and options.

16. SURRENDER OF PREMISES

Upon the expiration or termination of this Lease, TENANT shall quit and surrender the premises to the LANDLORD broom clean and shall remove all of its property therefrom. The obligation of this paragraph shall survive the termination of the Lease.

17. FIRE AND LIABILITY INSURANCE

TENANT covenants and agrees to maintain and carry, at all times during the term of this Lease, in companies qualified and authorized to transact business in the State of Maryland, extended coverage in the amount of $500,000.00 per person, $1,000,000.00 per occurrence and $100,000.00 for damage to property on the Premises.

TENANT shall indemnify and save harmless the LANDLORD from any and all liability, damage, expense, cause of action, or claims arising out of injury to persons or to property on the Premises, except for the negligence or willful misconduct of LANDLORD, its agents, employees, or servants. TENANT shall maintain at all times during the term of this lease, in companies qualified and authorized to transact business in the State of Maryland, public liability insurance with limits in same coverage as above.

TENANT shall furnish LANDLORD with satisfactory proof that the insurance herein provided for is at all times in full force and effect.

18. DAMAGE BY FIRE

If the premises shall be partially damaged by fire, casualty, or the elements, but are not rendered unrentable, in TENANT's reasonable business judgement, in whole or in part, the LANDLORD shall promptly, at his expense, cause such damage to be repaired and the rent shall not be abated. If by reason of such occurrence the premises shall be rendered wholly or partially unfit for occupancy for the uses contemplated hereunder, LANDLORD shall promptly, at his own expense, cause the damage to be repaired, and the rent meanwhile shall be abated proportionately as to the proportion of the premises rendered unfit. If the building, or common areas appurtenant thereto, shall be rendered wholly unfit for the occupancy or for the use contemplated hereunder, in TENANT's reasonable business judgement, by reason of such occurrence, whether the premises have been damaged or not, and if such damage in the opinion of the LANDLORD cannot be restored to tenantable occupancy within

sixty days of the date of occurrence, either the LANDLORD or TENANT may terminate this Lease on thirty (30) days written notice to the other. In the event LANDLORD determines that the damage can be repaired to tenantable occupancy within sixty (60) days, but fails for any reason including reasons beyond the control of LANDLORD to commence such repairs within 30 days and complete them within 60 days, the TENANT may terminate this lease upon 30 days notice to the LANDLORD. In the event the Premises are rendered wholly untenable during the last two years of the term hereof, TENANT may terminate this lease upon thirty (30) days notice to the LANDLORD.

19. ASSIGNMENT OR SUBLETTING

TENANT agrees not to assign, mortgage, pledge or encumber this Lease, in whole or in part, but may sublet the whole or any part of the demised premises, and permit the use of the whole or any part of the demised premises by a license or concessionaire, by first obtaining the written consent of the LANDLORD, which shall not be unreasonably withheld or delayed. TENANT agrees that, in the event of any such assignment, subletting, licensing or granting of a concession the TENANT shall nevertheless remain liable for the performance of all terms, covenants, and conditions of this lease.

20. SUBORDINATION

This Lease shall be subject to and subordinate at all times to the lien of any mortgage and/or deeds of trust and all land leases now or hereafter made on any portion of the demised Premises, and to all advances thereunder, provided the mortgagee or trustee named in said mortgage or deed of trust shall agree to recognize this Lease Agreement and agrees, in the event of foreclosure, not to disturb the TENANT's possession hereunder, provided TENANT has not committed any event of default as to which the applicable cure period has not expired under the Lease Agreement. This subordination shall be self-operative and no further intrusions of subordination shall be required.

21. ATTORNMENT

If any proceedings are commenced to foreclose any mortgage or deed of trust encumbering the Premises, TENANT agrees to attorn the purchaser at the foreclosure sale, if required to do so by any such purchasers, and to recognize such purchaser as the LANDLORD under this lease, provided purchaser shall agree that TENANT's rights hereunder shall not be disturbed so long as TENANT has not committed any event of default as to which the applicable cure period has not expired.

22. CONDEMNATION

(a) If the whole of the demised Premises shall be taken by any governmental or quasi-governmental authority under the power of condemnation, eminent domain or expropriation, or in the event of conveyance in lieu thereof, the Lease shall terminate as of the day possession shall be taken by the governmental authority and the entire award shall be the property of the LANDLORD, except for the value of any improvements, alterations or addition made to the premises at TENANT's sole cost and expense, including but not limited to, fixtures or equipment installed by TENANT. TENANT shall have the right to claim and recover from the condemning authority such compensation as may be separately awarded or recoverable by TENANT's business by reason of the condemnation and for or on account of any cost or loss to which TENANT might be

incur for moving expenses, including but not limited to TENANT's fixtures, equipment and furnishings.

(b) In the event there is any taking by governmental or quasi-governmental authority of a portion of the demised Premises, or the building of which the premises form a part of the common area appurtenant thereto, which does not seriously and adversely affect the ability of the TENANT to conduct to its business on the premises, the lease shall remain in full force and effect and TENANT's rent shall be abated in proportion to the diminution in value of the premises.

(c) In the event of any such taking or conveyance of the Premises or the Building of which the Premises form a part or the common areas appurtenant thereto, or any portion thereof which shall render the Premises wholly unfit for the occupancy of TENANT or the uses contemplated hereunder in TENANT's reasonable business judgement, TENANT may terminate this lease upon thirty (30) days written notice to LANDLORD.

(d) In the event of any such taking or conveyance of the demised Premises, or the building of which the Premises form a part of the common area appurtenant thereto, or any portion thereof, TENANT shall pay rent to the day when possession thereof shall be taken by the governmental authority with an appropriate refund by LANDLORD of such rent as may have been paid in advance for a period subsequent to such date. If this Lease shall continue in effect as to any portion of the demised Premises not so taken or conveyed, the rent shall be reduced to an amount computed according to the floor space remaining. If this Lease shall continue, LANDLORD, at its expense, but only to the extent of any equitable proportion of the award or to other compensation for the portion taken or conveyed of the improved portion of the Premises and consequential damages to the remainder hereof not taken (excluding any award or other compensation for the land), shall make all necessary repair or alterations so as to constitute the remaining demised premises a complete architectural and tenantable unit. In the the event that LANDLORD's repairs and alterations to the premises, or to the building of which the Premises form a part, or to the common area appurtenant thereto, do not restore the Premises to a condition fit for the occupancy of or for the uses contemplated hereunder in TENANT's reasonable business judgement, TENANT may terminate this lease upon thirty (30) days written notice to LANDLORD.

(e) TENANT shall be entitled to such award as may be given to it by the condemning authority for the value of its fixtures and equipment (if separate awards are given) or if only one award is given by the condemning authority for all interests, said award shall be apportioned between the parties as their respective interest shall appear. In the event LANDLORD and TENANT are unable to agree as to the amount of rental reduction which may be required under sub-paragraphs b and c, above, or the apportionment of any award made by the condemning authority, such matter shall be submitted to arbitration under the rules of the American Arbitration Association then in effect.

25. EVENTS OF DEFAULT

The occurrence of any of the following shall constitute an event of default hereunder:

(a) Failure of TENANT to pay installment of rent hereunder within ten (10) days after receipt of written notice, or within twenty (20) days after receipt of written notice any other sum herein required to be paid by TENANT.

(b) TENANT's failure to perform any other covenant or condition of this Lease within thirty (30) days after receipt of written notice and demand, unless the failure is of such a character as to require more than thirty (30) days to cure in which event TENANT's failure to proceed diligently to cure such failure shall constitute an event of default.

24. LANDLORD'S REMEDIES

Upon the occurrence of any event of default, LANDLORD may, at LANDLORD's sole option, exercise any or all of the following remedies, together with any such other remedies as may be available to LANDLORD at law or in equity;

(a) LANDLORD may terminate this Lease by giving TENANT written notice of the election to do so, as of a specified date not less than thirty (30) days after the date of the giving of such notice and this Lease shall then expire on the date so specified and LANDLORD shall then be entitled to immediately regain possession of the demised premises as if the date had been originally fixed as the expiration date of the term of this Lease. LANDLORD may then re-enter upon the leased premises either with or without due process of law and remove all persons therefrom, the statutory notice to quit or any other notice to quit being hereby expressly waived by TENANT. TENANT expressly agrees that the exercise by LANDLORD of the right of re-entry shall not be a bar to or prejudice in any the other legal remedies available to LANDLORD. In that event, LANDLORD shall be entitled to recover from TENANT as and for liquidated damages an amount equal to the rent and additional rent reserved in this Lease less any and all amounts received by LANDLORD from the rental of the premises to another tenant. Any recovery by the LANDLORD shall be limited to the rent hereunder (plus any costs incurred in re-letting) less any rent actually paid by the new tenant.

(b) No termination of this lease nor any taking or recovery of possession of the demised premises shall deprive LANDLORD of any of his remedies or actions against TENANT for past or future rent, nor shall the bringing of any action for rent or breach of covenant, or the resort to any other remedy herein provided for the recovery of rent, be construed as a waiver of the right to obtain possession of the premises.

(c) In addition to any damages becoming due under subparagraph (a) hereof, LANDLORD shall be entitled to recovery from TENANT and TENANT shall pay to LANDLORD an amount equal to all expenses, if any, incurred by the LANDLORD in recovering possession of the demised premises, and all reasonable costs and charges for the care of said premises while vacant, which damages shall be due and payable by TENANT to LANDLORD at such time or times as such expenses are incurred by the LANDLORD.

(d) In the event of a default or threatened default by TENANT or any of the terms or conditions of this Lease, LANDLORD shall have the right of injunction and the right to invoke any remedy allowed by law or in equity as if no specific remedies of LANDLORD were set forth in this Lease.

(e) It is further provided that if, under the provisions of this lease, default be made and a compromise and settlement shall be had thereupon, it shall not constitute a waiver of any covenant herein contained, nor of the Lease itself, and it is hereby specifically agreed that this Lease shall not merge in any judgement had upon the same if compromise or settlement be made upon said judgement prior to termination of TENANT's possession, the lease in such event to continue by the payment of rent herein reserved, and the further performance of the covenants herein contained on the part of TENANT.

25. RIGHTS OF LANDLORD

LANDLORD reserves the following rights with respect to the demised premises:

(a) During normal business hours, upon 24 hours notice, by them or their duly authorized agents, to go upon and inspect the demised premises and every part thereof, and at LANDLORD's option, to make repairs, alterations and additions to the demised premises or the building of which the demised premises are a part, provided there is no interference with TENANT's occupancy. An Agent of the TENANT may be present for inspection, if required by TENANT.

(b) To display after notice from either party of intention to terminate this Lease, a "For Rent" sign, and all of said signs which shall be placed upon such part of the demised premises as LANDLORD shall require, except on display windows or doors leading into the demised premises. Prospective purchasers or tenants authorized by LANDLORD may inspect the premises during normal business hours following adequate notice to TENANT.

(c) To install or place upon, or fix to, the roof and exterior walls of the demised premise, equipment, signs, displays, antennae, and any other object or structure of any kind, providing the same shall not materially impair the structural integrity of the building or interfere with TENANT's occupancy.

26. HOLDING OVER

If TENANT holds possession of the premises after the termination of this Lease or any renewal or extension thereof, TENANT shall become a TENANT from month to month at 125% of the current escalated rental rate.

27. WAIVER OF CLAIMS

Except as may result from their negligence, LANDLORD and LANDLORD's agents, employees and contractors shall not be liable for, and TENANT hereby releases all claims for damages to persons or property sustained by TENANT or any person claiming through TENANT resulting from any fire, accident, occurrence to condition in or upon the demised premises or building of which they shall be part, including but not limited to such claims for damage resulting from (1) any defect in or failure of plumbing, heating or air-conditioning equipment, electric wiring or installation thereof, water pipes, stairs, railings or walks; (2) any equipment of apparatus becoming out of repair; (3) the bursting, leaking or running of any tank, washstand, water closet, water pipe, drain or any other pipe or tank in, upon or about such building or premises; (4) the backing up of any sewer pipe or downspout; (5) the escape of steam or hot water; (6) water, snow or ice being upon or coming through the roof of any other place upon or near such building or premises or otherwise;

(7) the falling of any fixtures, plaster or stucco; (8) broken glass; and (9) any act or omission of occupants of adjoining or contiguous property of buildings.

28. NOTICE

All notices required under this Lease shall be given in writing and shall be deemed to be properly serviced if sent by certified or registered United States Mail, postage prepaid, as follows:

If to the LANDLORD:	W.M. RICKMAN CONSTRUCTION CO. 15215 SHADY GROVE ROAD ROCKVILLE, MD 20850
If to the TENANT:	DynCorp Advanced Technology Services, Inc. 1 Taft Court Rockville, Maryland 20850

or to such other address as either may have designated from time to time by written notice to the other. The date of service of such notices shall be the date such notices are deposited in any United States Post Office.

29. COVENANTS OF TENANT

TENANT covenants and agrees:

(a) To give to LANDLORD prompt written notice of any accident, fire or damage occurring on or to the demised premises.

(b) To keep thermostat in the premises set at a temperature sufficient to prevent freezing of water pipes, fixtures and HVAC units.

(c) To keep the demised premises clean, orderly, sanitary, and free from all objectionable odors and from insects, vermin and other pests.

(d) To comply with the requirements of the State, Federal and County statutes, ordinances, and regulations applicable to TENANT and its use of the demised premises, and to save LANDLORD harmless from penalties, fines, costs, and expenses resulting from failure to do so, provided TENANT shall not be obligated to make structural repairs or alterations to so comply.

(e) TENANT shall promptly pay all contractors, material and men it engages to perform work and provide materials for construction work on the premises so as to minimize the possibility of a lien attaching to the premises, and should any such lien be made or filed, TENANT shall cause the same to be discharged and released of record by bond or otherwise within 10 days of receipt of written request from LANDLORD.

30. LANDLORD'S RIGHT TO ALTER SITE PLAN

LANDLORD shall, from time to time, have the right to alter or modify the site plan of the building and to rearrange the driveways and parking areas, as well as the entrance and exits to the premises, such alteration to be subject to TENANT approval.

31. PARKING SPACES

Landlord agrees to furnish 3 1/3 unreserved parking spaces per thousand square feet of space occupied by the TENANT.

32. ENTIRE AGREEMENT

This Lease contains the entire agreement of the parties. There are no oral agreements existing between them.

33. SUCCESSORS AND ASSIGNS

This Lease, and the covenants and conditions herein contained shall insure to the benefit of and be binding upon the LANDLORD, his heirs and assigns, and shall insure in the benefit of and be binding upon the TENANT, its successors and assigns, if permitted.

34. BANKRUPTCY

If TENANT shall make an assignment of its assets for the benefit of creditors, or if TENANT shall file a voluntary petition in bankruptcy, or if any involuntary petition in bankruptcy or for receivership be instituted against the TENANT and the same be not dismissed within thirty (30) days of the filing thereof, or if TENANT shall be adjudged bankrupt, then and in any of said events, this Lease shall immediately cease and terminate at the option of the LANDLORD with the same force and effect as though the date of said event was the date herein fixed for expiration of the term of this Lease.

35. NON-DELIVERY

N/A

36. PARTIAL INVALIDITY

If any term, covenant, or condition of this Lease or the application thereof to any person or circumstance shall be held to be invalid and unenforceable, the remainder of this Lease, and the application of such terms, covenants, or conditions shall be valid and enforceable to the fullest extent permitted by law.

37. FORCE MAJEURE

With the exception of those provisions contained herein regarding the payment of rent, the inability of either party to perform any of the terms, covenants or conditions of this Lease shall not be deemed a default if the same shall be due to any cause beyond the control of that party.

38. WAIVER OF SUBROGATION

If either party hereto is paid any proceeds under any policy of insurance naming such party as an insured on account of any loss, damage or liability, then such party hereby releases the other party to (and only to) the extent of the amount of such proceeds, from any and all liability for such loss or damage, notwithstanding negligent or intentionally tortious act or omission of the other party, its agents or employees; provided, such release shall be effective only as to a loss or damage occurring while the appropriate policy of insurance of the releasing party provides that such release shall not impair the effectiveness of such policy or the insured’s ability to recover thereunder. Each party hereto shall use reasonable efforts to have a clause to such effect included

in its said policies, and shall promptly notify the other in writing if such a clause cannot be included in any such policy.

39. ESTOPPEL CERTIFICATE

The TENANT shall from time to time, within five (5) days after being requested to do so by the LANDLORD or any Mortgages, execute, acknowledge and deliver to the LANDLORD (or, at the LANDLORD's request, to any existing or prospective purchaser, transferee, assignee or Mortgagee of any or all of the Premises) an instrument in recordable form, certifying if true and correct (a) that this Lease is unmodified and in full force and effect (or, if there has been any modification thereof, that it is in full force and effect as so modified stating therein the nature of such modification); (b) as to the dates to which the minimum Rent and other charges arising hereunder have been paid; (c) as to the amount of any prepaid Rent or any credit due to the Tenant hereunder; (d) that the TENANT has accepted possession of the Premises, and the date on which the Term commenced; (e) as to whether, to the best knowledge, information and belief of the signer of such certificate, the LANDLORD or the TENANT is then in default in performing any of its obligations hereunder (and, if so, specifying the nature of each such defaults); and (f) as to any other fact or condition reasonably requested by the LANDLORD or such other addresses. In the event the TENANT fails or refuses to provide such a certificate, TENANT shall be liable to LANDLORD for any loss or damage (including reasonable counsel fees) arising out of or in connection with such failure or refusal.

IN WITNESS WHEREOF, the parties have caused this Lease Agreement to be executed on the year and date first written.

WITNESS:	W.M. Rickman Construction Company	
/s/ SIGNATURE	/s/ WILLIAM M. RICKMAN	3/30/95
	William M. Rickman	Date
ATTEST:	PRI Dyncorp	
/s/ MATTHEW T. COHEN	/s/ RICHARD A. ZAKOUR	3/30/95
MATTHEW T. COHEN CONTRACTS MANAGER	Richard A. Zakour	Date

LEASE AGREEMENT

THIS LEASE is executed this first day of September, 2000, by and between GPG ENTERPRISES, L.L.C., a Missouri limited liability company ("Landlord"), and THE FIELDING PHARMACEUTICAL COMPANY, a Missouri corporation ("Tenant").

WITNESSETH:

ARTICLE 1 — LEASE OF PREMISES

Section 1.01. Basic Lease Provisions and Definitions.

A. Leased Premises: The office and warehouse building (the "Building") located at 11551 Adie Road, Maryland Heights, Missouri, and the land on which the Building is located, which land is described on Exhibit A attached hereto.

B. Monthly Rental Installments: Lease Year 1 $10,687.50 per month, Lease Year 2 $10,954.69,
Lease Year 3 $11,228.55
Lease Years 4 – 6 (Extension Term); See Section 15.09(b)

C. Lease Term: Three years plus one (1) renewal option for an additional Three years.

D. Commencement Date: September 1, 2000

E. Security Deposit: $10,687.50

F. Permitted Use: Office, warehouse and light industrial purposes.

G. Address for notices:

Landlord: GPG Enterprises, L.L.C.
133 Bryn Wyck
St. Louis, MO 63141

Tenant: The Fielding Pharmaceutical Company, Inc.
11551 Adie Road
Maryland Heights, Missouri 63043

Address for rental and other payments:

GPG Enterprises, L.L.C.
133 Bryn Wyck
St. Louis, MO 63141

Section 1.02. Leased Premises. Landlord hereby leases to Tenant and Tenant leases from Landlord, under the terms and conditions herein, the Leased Premises. Tenant hereby accepts the Leased Premises in their "as is" condition and subject to all restrictions, covenants, easements, rights-of-way of record, if any, and applicable zoning regulations regulating the use of the Leased Premises, and accepts this Lease subject thereto and to all matters disclosed thereby. Landlord makes and has made no representations or warranties with respect to the condition of the Leased Premises or as to its suitability for the use or uses contemplated by Tenant.

ARTICLE 2 — TERM AND POSSESSION

Section 2.01. Term. The term of this Lease ("Lease Term") shall be for the period of time as set forth in Section 1.01(C) hereof, and shall commence on the Commencement Date.

Section 2.02. Surrender of the Premises. Upon the expiration or earlier termination of this Lease, Tenant shall immediately surrender the Leased Premises to Landlord in good condition and repair. Tenant shall also remove its personal property, trade fixtures and any of Tenant's alterations designated by Landlord, promptly repair any damage caused by such removal, and restore the Leased Premises to the condition existing upon the Commencement Date, reasonable wear and tear excepted. If Tenant fails to do so, Landlord may restore the Leased Premises to such condition at Tenant's expense, Landlord may cause all of said property to be removed at Tenant's expense, and Tenant hereby agrees to pay all the costs and expenses thereby reasonably incurred. All Tenant property which is not removed within ten (10) days following Landlord's written demand therefor shall be conclusively deemed to have been abandoned by Tenant, and Landlord shall be entitled to dispose of such property at Tenant's cost without thereby incurring any liability to Tenant. The provisions of this section shall survive the expiration or other termination of this Lease.

Section 2.03. Holding Over. If Tenant retains possession of the Leased Premises after the expiration or earlier termination of this Lease, Tenant shall become a tenant from month to month at twice the Monthly Rental Installment in effect at the end of the Lease Term, and otherwise upon the terms, covenants and conditions herein specified, so far as applicable. Acceptance by Landlord of rent in such event shall not result in a renewal of this Lease, and Tenant shall vacate and surrender the Leased Premises to Landlord upon Tenant being given thirty (30) days' prior written notice from Landlord to vacate whether or not said notice is given on the rent paying date. This Section 2.03 shall in no way constitute a consent by Landlord to any holding over by Tenant upon the expiration or earlier termination of this Lease, nor limit Landlord's remedies in such event.

ARTICLE 3 — RENT

Section 3.01. Base Rent. Tenant shall pay to Landlord the Monthly Rental Installments, in advance, without deduction or offset, beginning on the Commencement Date and on or before the first day of each and every calendar month thereafter during the Lease Term. The Monthly Rental Installment for partial calendar months shall be prorated.

Section 3.02. Additional Rent. In addition to the Monthly Rental Installments, Tenant shall pay to Landlord for each calendar year during the Lease Term, as "Additional Rent" all costs and expenses incurred by Landlord during the Lease Term for (i) Real Estate Taxes, (ii) insurance premiums, and (iii) Common Area Charges.

"Real Estate Taxes" shall include any form of real estate tax or assessment or service payments in lieu thereof, and any license fee, commercial rental tax, improvement bond or other similar charge or tax (other than inheritance, personal income or estate taxes) imposed upon the Leased Premises (or against Landlord's business of leasing the Leased Premises) by any authority having the power to so charge or tax, together with costs and expenses of contesting the validity or amount of Real Estate Taxes which at Landlord's option may be calculated as if such contesting work had been performed on a contingent fee basis (whether charged by Landlord's counsel or representative; provided, however, that said fees are reasonably comparable to the fees charged for similar services by others not affiliated with Landlord, but in no event shall fees exceed thirty-three percent (33%) of the good faith estimated tax savings). Additionally, Tenant shall pay, prior to delinquency, all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all personal property of Tenant contained in the Leased Premises.

"Common Area Charges" shall mean all of Landlord's expenses for management, operation, repair, replacement and maintenance to keep the Leased Premises in good order, condition and repair, including, but not limited to: management fees; common area utilities; stormwater discharge fees; license, permit, inspection and other fees; fees and assessments imposed by any covenants or owners' association; professional fees; security services; costs in complying with any governmental laws or ordinances; and maintenance, repair and replacement of the driveways, parking and loading areas (including snow removal), exterior lighting, landscaped areas, walkways, curbs, drainage strips, sewer lines, exterior walls, foundation, structural frame, roof and gutters. The cost of any capital improvement shall be amortized over the useful life of such improvement (as reasonably determined by Landlord), and only the amortized portion shall be included in Common Area Charges. Notwithstanding the foregoing, Tenant shall not be responsible for the cost of replacing the roof, exterior walls, foundation and/or structural frame of the Building.

Section 3.03. Payment of Additional Rent. Landlord shall estimate the total amount of Additional Rent to be paid by Tenant during each calendar year of the Lease Term, pro-rated for any partial years. Commencing on the Commencement Date, Tenant shall pay to Landlord each month, at the same time the Monthly Rental Installment is due, an amount equal to one-twelfth (1/12) of the estimated Additional Rent for such year. Within a reasonable time after the end of each calendar year, Landlord shall submit to Tenant a statement of the actual amount of such Additional Rent, and within thirty (30) days after receipt of such statement, Tenant shall pay any deficiency between the actual amount owed and the estimates paid during such calendar year. In the event of overpayment, Landlord shall credit the amount of such overpayment toward the next Monthly Rental Installment.

Section 3.04. Late Charges. Tenant acknowledges that Landlord shall incur certain additional unanticipated administrative and legal costs and expenses if Tenant fails to timely pay any payment required hereunder. Therefore, in addition to the other remedies available to Landlord hereunder, if any payment required to be paid by Tenant to Landlord hereunder shall become overdue, such unpaid amount shall bear interest from the due date thereof to the date of payment at the prime rate (as reported in the Wall Street Journal) of interest ("Prime Rate") plus six percent (6%) per annum.

ARTICLE 4 — SECURITY DEPOSIT

Tenant, upon execution of this Lease, shall deposit with Landlord the Security Deposit as security for the performance by Tenant of all of Tenant's obligations contained in this Lease. In the event of a default by Tenant Landlord may apply all or any part of the Security Deposit to cure all or any part of such default; and Tenant agrees to promptly, upon demand, deposit such additional sum with Landlord as may be required to maintain the full amount of the Security Deposit. All sums held by Landlord pursuant to this section shall be without interest. At the end of the Lease Term, provided that there is then no uncured default, Landlord shall return the Security Deposit to Tenant.

ARTICLE 5 — USE

Section 5.01. Use of Leased Premises. The Leased Premises are to be used by Tenant solely for the Permitted Use and for no other purposes without the prior written consent of Landlord.

Section 5.02. Covenants of Tenant Regarding Use. Tenant shall (i) use and maintain the Leased Premises and conduct its business thereon in a safe, careful, reputable and lawful manner, (ii) comply with all laws, rules, regulations, orders, ordinances, directions and requirements of any governmental authority or agency, now in force or which may hereafter be in force, including without limitation those which shall impose upon Landlord or Tenant any duty with respect to or triggered by a change in the use or occupation of, or any improvement or alteration to, the Leased Premises, and (iii) comply with and obey all reasonable directions of the Landlord, including any rules and regulations that may be adopted by Landlord from time to time. Tenant shall not use the Leased Premises, or allow the

Leased Premises to be used, for any purpose or in any manner which would invalidate any policy of insurance now or hereafter carried on the Building or increase the rate of premiums payable on any such insurance policy unless Tenant reimburses Landlord as Additional Rent for any increase in premiums charged.

Section 5.03. Landlord's Rights Regarding Use. In addition to the rights specified elsewhere in this Lease, Landlord or Landlord's agent shall be permitted to inspect or examine the Leased Premises at any reasonable time upon reasonable notice (except in an emergency when no notice shall be required), and Landlord shall have the right to make any repairs to the Leased Premises which are necessary for its preservation; provided, however, that any repairs made by Landlord shall be at Tenant's expense, except as provided in Section 7.02 hereof. Landlord shall incur no liability to Tenant for such entry, nor shall such entry constitute an eviction of Tenant or a termination of this Lease, or entitle Tenant to any abatement of rent therefor.

ARTICLE 6 — UTILITIES AND SERVICES

Tenant shall obtain in its own name and pay directly to the appropriate supplier the cost of all utilities and services serving the Leased Premises. Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility or other building service and no such failure or interruption shall entitle Tenant to terminate this Lease or withhold sums due hereunder.

ARTICLE 7 — MAINTENANCE AND REPAIRS

Section 7.01. Tenant's Responsibility. During the Lease Term, Tenant shall, at its own cost and expense, maintain the Building in good condition, regularly servicing and promptly making all repairs and replacements thereto, including but not limited to the electrical systems, heating and air conditioning systems, plate glass, floors, windows and doors, sprinkler and plumbing systems, and shall obtain a preventive maintenance contract on the heating, ventilating and air-conditioning systems, and provide Landlord with a copy thereof. The preventive maintenance contract shall meet or exceed Landlord's standard maintenance criteria, and shall provide for the inspection and maintenance of the heating, ventilating and air conditioning system on not less than a semi-annual basis.

Section 7.02. Landlord's Responsibility. During the Lease Term, Landlord shall maintain in good condition and repair, and replace as necessary, the roof, exterior walls, foundation and structural frame of the Building and the parking and landscaped areas, the costs of which shall be included in Common Area Charges (except as limited by Section 3.02); provided, however, that to the extent any of the foregoing items require repair because of the negligence, misuse, or default of Tenant, its employees, agents, customers or invitees, Landlord shall make such repairs solely at Tenant's expense.

Section 7.03. Alterations. Tenant shall not permit alterations in or to the Leased Premises unless and until the plans have been approved by Landlord in writing. As a condition of such approval, Landlord may require Tenant to remove the alterations and restore the Leased Premises upon termination of this Lease; otherwise, all such alterations shall at Landlord's option become a part of the realty and the property of Landlord, and shall not be removed by Tenant. Tenant shall ensure that all alterations shall be made in accordance with all applicable laws, regulations and building codes, in a good and workmanlike manner and of quality equal to or better than the original construction of the Building. No person shall be entitled to any lien derived through or under Tenant for any labor or material furnished to the Leased Premises, and nothing in this Lease shall be construed to constitute a consent by Landlord to the creation of any lien. If any lien is filed against the Leased Premises for work claimed to have been done for or material claimed to have been furnished to Tenant, Tenant shall cause such lien to be discharged of record within thirty (30) days after filing. Tenant shall indemnify Landlord from all costs, losses, expenses and attorneys' fees in connection with any construction or alteration and any related lien.

ARTICLE 8 — CASUALTY

Section 8.01. Casualty. In the event of total or partial destruction of the Building or the Leased Premises by fire or other casualty, Landlord agrees to promptly restore and repair same; provided, however, Landlord's obligation hereunder shall be limited to the reconstruction of such of the tenant finish improvements as were originally required to be made by Landlord, if any. Rent shall proportionately abate during the time that the Leased Premises or part thereof are unusable because of any such damage. Notwithstanding the foregoing, if the Leased Premises are (i) so destroyed that they cannot be repaired or rebuilt within one hundred eighty (180) days from the casualty date; or (ii) destroyed by a casualty which is not covered by the insurance required hereunder or, if covered, such insurance proceeds are not released by any mortgagee entitled thereto or are insufficient to rebuild the Building and the Leased Premises; then, in case of a clause (i) casualty, either Landlord or Tenant may, or, in the case of a clause (ii) casualty, then Landlord may, upon thirty (30) days' written notice to the other party, terminate this Lease with respect to matters thereafter accruing.

Section 8.02. All Risk Coverage Insurance. During the Lease Term, Landlord shall maintain all risk coverage insurance on the Building, but shall not protect Tenant's property on the Leased Premises; and, notwithstanding the provisions of Section 9.01, Landlord shall not be liable for any damage to Tenant's property, regardless of cause, including the negligence of Landlord and its employees, agents and invitees. Tenant hereby expressly waives any right of recovery against Landlord for damage to any property of Tenant located in or about the Leased Premises, however caused, including the negligence of Landlord and its employees, agents and invitees. Notwithstanding the provisions of Section 9.01 below, Landlord hereby expressly waives any rights of recovery against Tenant for damage to the Leased Premises or the Building, which is insured against under Landlord's all risk coverage insurance. All insurance policies maintained by Landlord or Tenant as provided in this Lease shall contain an agreement by the insurer waiving the insurer's right of subrogation against the other party to this Lease.

ARTICLE 9 — LIABILITY INSURANCE

Section 9.01. Tenant's Responsibility. Landlord shall not be liable to Tenant or to any other person for (i) damage to property or injury or death to persons due to the condition of the Leased Premises or the Building, or (ii) the occurrence of any accident in or about the Leased Premises, or (iii) any act or neglect of Tenant or of any other person, unless such damage, injury or death is directly and solely the result of Landlord's negligence; and Tenant hereby releases Landlord from any and all liability for the same. Tenant shall be liable for, and shall indemnify and defend Landlord from, any and all liability for (i) any act or neglect of Tenant and any person coming on the Leased Premises by the license of Tenant, express or implied, (ii) any damage to the Leased Premises, and (iii) any loss of or damage or injury to any person (including death resulting therefrom) or property occurring in, on or about the Leased Premises, regardless of cause, except for any loss or damage covered by Landlord's all risk coverage insurance as provided in Section 8.02 and except for that caused solely and directly by Landlord's negligence. This provision shall survive the expiration or earlier termination of this Lease.

Section 9.02. Tenant's Insurance. Tenant shall carry general public liability and property damage insurance, issued by one or more insurance companies acceptable to Landlord, with the following minimum coverages:

A. Worker's Compensation: minimum statutory amount.

B. Commercial General Liability Insurance, including blanket, contractual liability, broad form property damage, personal injury, completed operations, products liability, and fire damage: Not less than $3,000,000 Combined Single Limit for both bodily injury and property damage.

C. All Risk Coverage, Vandalism and Malicious Mischief, and Sprinkler Leakage insurance, if applicable, for the full cost of replacement of Tenant's property.

D. Business interruption insurance.

The insurance policies shall protect Tenant and Landlord as their interests may appear, naming Landlord and Landlord's managing agent and mortgagee as additional insureds, and shall provide that they may not be canceled on less than thirty (30) days' prior written notice to Landlord. Tenant shall furnish Landlord with Certificates of Insurance evidencing all required coverages on or before the Commencement Date. If Tenant fails to carry such insurance and furnish Landlord with such Certificates of Insurance after a request to do so, Landlord may obtain such insurance and collect the cost thereof from Tenant.

ARTICLE 10 — EMINENT DOMAIN

If all or any substantial part of the Leased Premises shall be acquired by the exercise of eminent domain, Landlord may terminate this Lease by giving written notice to Tenant on or before the date that actual possession thereof is so taken. If all or any part of the Leased Premises shall be acquired by the exercise of eminent domain so that the Leased Premises shall become unusable by Tenant for the Permitted Use, Tenant may terminate this Lease as of the date that actual possession thereof is so taken by giving written notice to Landlord, and all damages awarded shall belong to Landlord; provided, however, that Tenant may claim dislocation damages if such amount is not subtracted from Landlord's award.

ARTICLE 11 — ASSIGNMENT AND SUBLEASE

Tenant shall not assign this Lease or sublet the Leased Premises in whole or in part without Landlord's prior written consent, which consent shall not be unreasonably withheld, delayed or denied. In the event of any assignment or subletting, Tenant shall remain primarily liable hereunder, and any extension, expansion, rights of first offer, rights of first refusal or other options granted to Tenant under this Lease shall be rendered void and of no further force or effect. The acceptance of rent from any other person shall not be deemed to be a waiver of any of the provisions of this Lease or to be a consent to the assignment of this Lease or the subletting of the Leased Premises. Without in any way limiting Landlord's right to refuse to consent to any assignment or subletting of this Lease, Landlord reserves the right to refuse to give such consent if in Landlord's opinion (i) the Leased Premises are or may be in any way adversely affected; (ii) the business reputation of the proposed assignee or subtenant is unacceptable; or (iii) the financial worth of the proposed assignee or subtenant is insufficient to meet the obligations hereunder. Landlord further expressly reserves the right to refuse to give its consent to any subletting if the proposed rent is to be less than the then current rent for similar premises in the Park. Tenant agrees to reimburse Landlord for reasonable accounting and attorneys' fees incurred in conjunction with the processing and documentation of any such requested assignment, subletting or any other hypothecation of this Lease or Tenant's interest in and to the Leased Premises.

ARTICLE 12 — TRANSFERS BY LANDLORD

Section 12.01. Sale of the Building. Landlord shall have the right to sell the Building at any time during the Lease Term, subject only to the rights of Tenant hereunder; and such sale shall operate to release Landlord from liability hereunder after the date of such conveyance.

Section 12.02. Subordination and Estoppel Certificate. Landlord shall have the right to subordinate this Lease to any mortgage presently existing or hereafter placed upon the Building by so declaring in such mortgage. Within ten (10) days following receipt of a written request from Landlord,

Tenant shall execute and deliver to Landlord, without cost, any instrument which Landlord deems necessary or desirable to confirm the subordination of this Lease and an estoppel certificate in such form as Landlord may reasonably request certifying (i) that this Lease is in full force and effect and unmodified or stating the nature of any modification, (ii) the date to which rent has been paid, (iii) that there are not, to Tenant's knowledge, any uncured defaults or specifying such defaults if any are claimed, and (iv) any other matters or state of facts reasonably required respecting the Lease. Such estoppel may be relied upon by Landlord and by any purchaser or mortgagee of the Building. Notwithstanding the foregoing, if the mortgagee shall take title to the Leased Premises through foreclosure or deed in lieu of foreclosure, Tenant shall be allowed to continue in possession of the Leased Premises as provided for in this Lease so long as Tenant shall not be in default.

ARTICLE 13 — DEFAULT AND REMEDY

Section 13.01. Default. The occurrence of any of the following shall be a "Default":

(a) Tenant fails to pay any Monthly Rental Installment or Additional Rent within five (5) days after the same is due, or Tenant fails to pay any other amounts due Landlord from Tenant within ten (10) days after the same is due.

(b) Tenant fails to perform or observe any other term, condition, covenant or obligation required under this Lease for a period of thirty (30) days after notice thereof from Landlord; provided, however, that if the nature of Tenant's default is such that more than thirty days are reasonably required to cure, then such default shall be deemed to have been cured if Tenant commences such performance within said thirty-day period and thereafter diligently completes the required action within a reasonable time.

(c) Tenant shall assign or sublet all or a portion of the Leased Premises in contravention of the provisions of Article 11 of this Lease.

(d) All or substantially all of Tenant's assets in the Leased Premises or Tenant's interest in this Lease are attached or levied under execution (and Tenant does not discharge the same within sixty (60) days thereafter); a petition in bankruptcy, insolvency or for reorganization or arrangement is filed by or against Tenant (and Tenant fails to secure a stay or discharge thereof within sixty (60) days thereafter); Tenant is insolvent and unable to pay its debts as they become due; Tenant makes a general assignment for the benefit of creditors; Tenant takes the benefit of any insolvency action or law; the appointment of a receiver or trustee in bankruptcy for Tenant or its assets if such receivership has not been vacated or set aside within thirty (30) days thereafter; or, dissolution or other termination of Tenant's corporate charter if Tenant is a corporation.

Section 13.02. Remedies. Upon the occurrence of any Default, Landlord shall have the following rights and remedies, in addition to those allowed by law or in equity, any one or more of which may be exercised without further notice to Tenant:

(a) Landlord may apply the Security Deposit or re-enter the Leased Premises and cure any default of Tenant, and Tenant shall reimburse Landlord as Additional Rent for any costs and expenses which Landlord thereby incurs; and Landlord shall not be liable to Tenant for any loss or damage which Tenant may sustain by reason of Landlord's action.

(b) Landlord may terminate this Lease or, without terminating this Lease, terminate Tenant's right to possession of the Leased Premises as of the date of such Default, and thereafter (i) neither Tenant nor any person claiming under or through Tenant shall be entitled to possession of the Leased Premises, and Tenant shall immediately surrender the Leased Premises to Landlord; and (ii) Landlord may re-enter the Leased Premises and dispossess Tenant and any other occupants of the Leased

Premises by any lawful means and may remove their effects, without prejudice to any other remedy which Landlord may have. Upon the termination of this Lease, Landlord may declare the present value (discounted at the Prime Rate) of all rent which would have been due under this Lease for the balance of the Lease Term to be immediately due and payable, whereupon Tenant shall be obligated to pay the same to Landlord, together with all loss or damage which Landlord may sustain by reason of Tenant's default ("Default Damages"), which shall include without limitation expenses of preparing the Leased Premises for re-letting, demolition, repairs, tenant finish improvements, brokers' commissions and attorneys' fees, it being expressly understood and agreed that the liabilities and remedies specified in this subsection (b) shall survive the termination of this Lease.

(c) Landlord may, without terminating this Lease, re-enter the Leased Premises and re-let all or any part thereof for a term different from that which would otherwise have constituted the balance of the Lease Term and for rent and on terms and conditions different from those contained herein, whereupon Tenant shall be immediately obligated to pay to Landlord as liquidated damages the present value (discounted at the Prime Rate) of the difference between the rent provided for herein and that provided for in any lease covering a subsequent re-letting of the Leased Premises, for the period which would otherwise have constituted the balance of the Lease Term, together with all of Landlord's Default Damages.

(d) Landlord may sue for injunctive relief or to recover damages for any loss resulting from the Default.

Section 13.03. Landlord's Default and Tenant's Remedies. Landlord shall be in default if it fails to perform any term, condition, covenant or obligation required under this Lease for a period of thirty (30) days after written notice thereof from Tenant to Landlord; provided, however, that if the term, condition, covenant or obligation to be performed by Landlord is such that it cannot reasonably be performed within thirty (30) days, such default shall be deemed to have been cured if Landlord commences such performance within said thirty-day period and thereafter diligently undertakes to complete the same. Upon the occurrence of any such default, Tenant may sue for injunctive relief or to recover damages for any loss directly resulting from the breach, but Tenant shall not be entitled to terminate this Lease or withhold, offset or abate any sums due hereunder.

Section 13.04. Limitation of Landlord's Liability. If Landlord shall fail to perform any term, condition, covenant or obligation required to be performed by it under this Lease and if Tenant shall, as a consequence thereof, recover a money judgment against Landlord, Tenant agrees that it shall look solely to Landlord's right, title and interest in and to the Leased Premises for the collection of such judgment; and Tenant further agrees that no other assets of Landlord shall be subject to levy, execution or other process for the satisfaction of Tenant's judgment.

Section 13.05. Nonwaiver of Defaults. Neither party's failure or delay in exercising any of its rights or remedies or other provisions of this Lease shall constitute a waiver thereof or affect its right thereafter to exercise or enforce such right or remedy or other provision. No waiver of any default shall be deemed to be a waiver of any other default. Landlord's receipt of less than the full rent due shall not be construed to be other than a payment on account of rent then due, nor shall any statement on Tenant's check or any letter accompanying Tenant's check be deemed an accord and satisfaction. No act or omission by Landlord or its employees or agents during the Lease Term shall be deemed an acceptance of a surrender of the Leased Premises, and no agreement to accept such a surrender shall be valid unless in writing and signed by Landlord.

Section 13.06. Attorneys' Fees. If either party defaults in the performance or observance of any of the terms, conditions, covenants or obligations contained in this Lease and the non-defaulting party obtains a judgment against the defaulting party, then the defaulting party agrees to reimburse the non-defaulting party for reasonable attorneys' fees incurred in connection therewith.

ARTICLE 14 — TENANT'S RESPONSIBILITY REGARDING
ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES.

Section 14.01. Definitions.

a. "Environmental Laws" — All present or future federal, state and municipal laws, ordinances, rules and regulations applicable to the environmental and ecological condition of the Leased Premises, the rules and regulations of the Federal Environmental Protection Agency or any other federal, state or municipal agency or governmental board or entity having jurisdiction over the Leased Premises.

b. "Hazardous Substances" — Those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances" "solid waste" or "infectious waste" under Environmental Laws.

Section 14.02. Compliance. Tenant, at its sole cost and expense, shall promptly comply with the Environmental Laws including any notice from any source issued pursuant to the Environmental Laws or issued by any insurance company which shall impose any duty upon Tenant with respect to the use, occupancy, maintenance or alteration of the Leased Premises whether such notice shall be served upon Landlord or Tenant.

Section 14.03. Restrictions on Tenant. Tenant shall operate its business and maintain the Leased Premises in compliance with all Environmental Laws. Tenant shall not cause or permit the use, generation, release, manufacture, refining, production, processing, storage or disposal of any Hazardous Substances on, under or about the Leased Premises, or the transportation to or from the Leased Premises of any Hazardous Substances, except as necessary and appropriate for its Permitted Use in which case the use, storage or disposal of such Hazardous Substances shall be performed in compliance with the Environmental Laws and the highest standards prevailing in the industry.

Section 14.04. Notices, Affidavits, Etc. Tenant shall immediately notify Landlord of (i) any violation by Tenant, its employees, agents, representatives, customers, invitees or contractors of the Environmental Laws on, under or about the Leased Premises, or (ii) the presence or suspected presence of any Hazardous Substances on, under or about the Leased Premises and shall immediately deliver to Landlord any notice received by Tenant relating to (i) and (ii) above from any source. Tenant shall execute affidavits, representations and the like within five (5) days of Landlord's request therefor concerning Tenant's best knowledge and belief regarding the presence of any Hazardous Substances on, under or about the Leased Premises.

Section 14.05. Landlord's Rights. Landlord and its agents shall have the right, but not the duty, upon advance notice (except in the case of emergency when no notice shall be required) to inspect the Leased Premises and conduct tests thereon to determine whether or the extent to which there has been a violation of Environmental Laws by Tenant or whether there are Hazardous Substances on, under or about the Leased Premises. In exercising its rights herein, Landlord shall use reasonable efforts to minimize interference with Tenant's business but such entry shall not constitute an eviction of Tenant, in whole or in part, and Landlord shall not be liable for any interference, loss, or damage to Tenant's property or business caused thereby.

Section 14.06. Tenant's Indemnification. Tenant shall indemnify Landlord and Landlord's managing agent from any and all claims, losses, liabilities, costs, expenses and damages, including attorneys' fees, costs of testing and remediation costs, incurred by Landlord in connection with any breach by Tenant of its obligations under this Article 14. The covenants and obligations under this Article 14 shall survive the expiration or earlier termination of this Lease.

Section 14.07. Landlord's Representation. Notwithstanding anything contained in this Article 14 to the contrary, Tenant shall not have any liability to Landlord under this Article 14 resulting from any conditions existing, or events occurring, or any Hazardous Substances existing or generated, at, in, on, under or in connection with the Leased Premises prior to the Commencement Date of this Lease except to the extent Tenant exacerbates the same.

ARTICLE 15 — MISCELLANEOUS

Section 15.01. Benefit of Landlord and Tenant. This Lease shall inure to the benefit of and be binding upon Landlord and Tenant and their respective successors and assigns.

Section 15.02. Governing Law. This Lease shall be governed in accordance with the laws of the state where the Leased Premises is located.

Section 15.03. Force Majeure. Landlord and Tenant (except with respect to the payment of any monetary obligation) shall be excused for the period of any delay in the performance of any obligation hereunder when such delay is occasioned by causes beyond its control, including but not limited to work stoppages, boycotts, slowdowns or strikes; shortages of materials, equipment, labor or energy; unusual weather conditions; or acts or omissions of governmental or political bodies.

Section 15.04. Examination of Lease. Submission of this instrument for examination or signature to Tenant does not constitute a reservation of or option for Lease, and it is not effective as a Lease or otherwise until execution by and delivery to both Landlord and Tenant.

Section 15.05. Indemnification for Leasing Commissions. The parties hereby represent and warrant that there are no real estate brokers involved in the negotiation and execution of this Lease. Each party shall indemnify the other from any and all liability for the breach of this representation and warranty on its part and shall pay any compensation to any other broker or person who may be entitled thereto.

Section 15.06. Notices. Any notice required or permitted to be given under this Lease or by law shall be deemed to have been given if it is written and delivered in person or by overnight courier or mailed by certified mail, postage prepaid, to the party who is to receive such notice at the address specified in Article 1. If delivered in person, notice shall be deemed given as of the delivery date. If sent by overnight courier, notice shall be deemed given as of the first business day after sending. If mailed, the notice shall be deemed to have been given on the date which is three business days after mailing. Either party may change its address by giving written notice thereof to the other party.

Section 15.07. Partial Invalidity; Complete Agreement. If any provision of this Lease shall be held to be invalid, void or unenforceable, the remaining provisions shall remain in full force and effect.. This Lease represents the entire agreement between Landlord and Tenant covering everything agreed upon or understood in this transaction. There are no oral promises, conditions, representations, understandings, interpretations or terms of any kind as conditions or inducements to the execution hereof or in effect between the parties. No change or addition shall be made to this Lease except by a written agreement executed by Landlord and Tenant.

Section 15.08. Representations and Warranties. The undersigned represent and warrant that (i) such party is duly organized, validly existing and in good standing (if applicable) in accordance with the laws of the state under which it was organized; and (ii) the individual executing and delivering this Lease has been properly authorized to do so, and such execution and delivery shall bind such party.

Section 15.09. Option to Extend.

a. Provided (i) Tenant has not been in default hereunder at any time during the Lease Term (the "Original Term"), (ii) the creditworthiness of Tenant is then acceptable to Landlord, (iii) Tenant originally named herein remains in possession of and has been continuously operating in the entire Leased Premises for the term immediately preceding the Extension Term (defined below), and (iv) the current use of the Leased Premises is acceptable to Landlord, Tenant shall have the option to extend the Original Term for one (1) successive period of two (2) years (the "Extension Term"). The Extension Term shall be upon the same terms and conditions contained in the Lease for the Original Term except the Monthly Rental Installments shall be adjusted as set forth below (the "Rent Adjustment"). Tenant shall exercise such option by delivering to Landlord, no later than six (6) months prior to the expiration of the Original Term, written notice of Tenant's desire to extend the Original Term. Unless Landlord otherwise agrees in writing, Tenant's failure to timely exercise such option shall waive it. Landlord shall notify Tenant of the amount of the Rent Adjustment no later than ninety (90) days prior to the commencement of the Extension Term. If Tenant properly exercises its option to extend, Landlord and Tenant shall execute an amendment to the Lease reflecting the amount of the Rent due under the Extension Term.

b. The Monthly Rental Installments for the Extension Term shall be (I) $11,509.27 for the first year of the Extension Term, and (ii) $11,797.00 for the second year of the Extension Term, and (iii) $12,091.93 for the third year of the Extension Term.

(c) Notwithstanding the foregoing, in no event shall the Monthly Rental Installments payable during the Extension Term as adjusted hereby be less than the Monthly Rental Installments paid during the Original Term.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

LANDLORD:

GPG ENTERPRISES, L.L.C., a
Missouri limited liability company

By:_____
Printed Name:_____
Title:_____

TENANT:

THE FIELDING PHARMACEUTICAL COMPANY, INC., a
Missouri corporation

By:_____
Printed Name:_____
Title:_____

EXHIBIT A

[INSERT: Legal Description of Leased Premises.]

Exhibit 10.12

LEASE AGREEMENT

THIS LEASE made as of this 8th day of March, 2002 and between Association for Entrepreneurial Sciences Inc., (AES), located at The Biomedical Research Institute, (BRI) , (actual lessor) located at the address of which is 12111 Parklawn Drive, Rockville, MD 20852 ("Landlord"), and the lessor name Novavax, Inc. a Corporation in the State of Delaware, ("Tenant")

ARTICLE I
GRANT AND TERM

SECTION 1.01 LEASED PREMISES.

(a) Landlord, in consideration of the rent to be paid and the covenants to be performed by Tenant, does hereby demise and lease unto Tenant, and Tenant hereby rents and hires from Landlord, those certain premises consisting of 6,161 square feet of laboratory, and animal facilities (the "Leased Premises") located at 12111 Parklawn Drive, and/or 12115 Parklawn Drive, Rockville, Maryland 20852, (the "Building"), as more particularly shown and described on Exhibit A attached hereto. Tenant agrees to accept the premises in "as is" condition.

(b) Said lease shall include all of the equipment, fixtures, furnishings, decor, decorations, installations, appurtenances and personal property presently existing on said premises or to be placed installed or erected on the premises, and together with the right to use all adjoining parking areas, driveways, sidewalks, roads, alleys and means of ingress and egress pertaining to the Leased Premises.

SECTION 1.02. COMENCEMENT AND ENDING DAY OF TERM. The term of this Lease shall commence upon March 8th, 2002, and shall end on March 8, 2003, (One (1) year lease).

SECTION 1.03. RENEWAL BY TENANT. Provided there is no continuing Event of Default, Tenant may RENEW this Lease for an additional ONE (1) year period by delivery of four (4) months prior written notice to Landlord.

ARTICLE II
RENT

SECTION 2.01. RENT. Tenant shall pay to Landlord, without deduction or set-off except as otherwise provided in this Lease, at the address specified herein or furnished pursuant to this Lease, a monthly rental ("net rent") of $10,561.40 ($ 20.57 per square foot on an annual basis) during the term of this lease. Monthly rental for the annual adjustment (on the anniversary date) renewal period will be adjusted based on Washington D.C. area CPI (Urban Wage Earners) and the determination of the adjusted rental for the renewal period shall be made and communicated to Tenant (along with the calculation therefore) at least thirty (30) days prior to the last date on which Tenant may exercise its renewal option pursuant to Section 1.03. The annual amount of increase payable by Tenant under this lease as rental, shall not be less than two and one-half (2 1/2%) percent.

The monthly rents are due and payable to the Landlord's office on the first of each month. Payments not received by the Landlord within seven (7) days of the due date shall incur a five (5%) late charge. Any account not settled within thirty (30) days shall, in addition, incur a one and one half (1 1/2) per month service charge on that outstanding balance.

SECTION 2.02 SERVICES AND BENEFITS INCLUDED IN ANNUAL RENTAL. Landlord shall provide Tenant as part of Tenant's Annual Rent the following services and benefits:

1. Occupancy of turnkey laboratory, and animal facilities in "as is" condition;

2. Adequate premise security consistent with other laboratories in business on Landlord's leasehold;

3. Fire, casualty and public liability coverage on the building and the common spaces;

4. All utilities (excluding Telephone) related to the Leased Premises; EXCEPT FOR SPACE LOCATED AT 12115 PARKLAWN DRIVE (Keats Plaza)

5. Janitorial services on a regular basis;

6. All real estate taxes payable on the

Property; and,

7. All regular maintenance and cleaning services on Leased Premises and the Property, unless due to the negligence or willful misconduct of Tenant or any special requests by tenant.

ARTICLE III
USE

SECTION 3.01. USE. Tenant shall use the Leased Premises only for the operation of a medical research laboratory, and animal rooms and for no other purpose without the prior written consent of Landlord; provided, however, that at Landlord's option, Tenant may use the Leased Premises for any legally permissible use which proves to be economically feasible, to be determined by Landlord within its good faith discretion.

SECTION 3.02. WASTE/PROHIBITED USE. Tenant shall not use or permit the Leased Premises or any part thereof to be used for any purpose or purposes other than the purpose or purposes for which the Leased Premises are leased. Tenant shall not commit or suffer to be committed any waste upon the Leased Premises. Tenant shall not use the Leased Premises or permit the same to be used in whole or in part for any purpose or use that violates the laws, ordinances, regulations or rules of any public authority or organization.

ARTICLE IV
MAINTENANCE

SECTION 4.01. MAINTENANCE OF BUILDING: Landlord agrees to maintain in good repair the outside walls, foundation and roof of the buildings and surface of the parking areas, sidewalks and driveways, as well as the structural soundness of the building, including all common areas and all component parts thereof the plumbing, electrical wiring, air conditioning and heating equipment.

SECTION 4.02. Tenant will at all times during the term of the lease, occupy the Leased Premises and will maintain the Leased Premises and the immediate area around the Leased Premises, at its own expense, in a clean, orderly, and sanitary condition.

ARTICLE V
ALTERATIONS AND ADDITIONS

SECTION 5.01. Tenant shall make no improvements or additions in or to the Leased Premises without Landlord's prior written permission which shall not be unreasonably withheld. If Tenant wishes to hire a contractor to repair any aspects of the building, the TENANT MUST NOTIFY BRI in writing and receive written approval and include in it's memo the name of the contractor, phone number, address and inform BRI of the hours and days the vendor contractor will be working. The contractor will

provide an Certificate of Insurance in the amount of $1,000,000 for general liability. In lieu of such insurance, a bond of $500,000 will be acceptable. Minor alterations, additions or decorating may be made by Tenant in a good workmanlike manner. All alterations, improvements or additions to the Leased Premises shall be at Tenant's sole expense unless otherwise agreed to in writing by both parties. Leasehold improvement will remain the property of the Landlord unless otherwise agreed in writing.

SECTION 5.02. In the event that any mechanics' or material men's liens shall at any time be filed against the Leased Premises purporting to be for work, labor, services or materials performed or furnished to Tenant or anyone holding the Leased Premises through or under Tenant, Tenant shall forthwith cause the same to be discharged of record or by bond, indemnification agreement or otherwise as agreed in writing between the parties within thirty (30) days following the date of such filing. If Tenant shall fail to cause lien to be discharged (or Landlord's interest protected as allowed in the preceding sentence) after being notified of the filing thereof as aforesaid, then, in addition to any other right or remedy of Landlord and Tenant shall pay as additional rent, on the first day of the next succeeding month all costs and expenses, including reasonable attorneys' fees incurred by Landlord in attempting to discharge such lien.

SECTION 5.03. REPLACEMENTS. Tenant may install or place or re-install or replace upon and, if there is no continuing Event of Default, remove from the Leased Premises any trade fixtures, signs, machinery, and equipment. Such trade fixtures, signs, machinery, and equipment shall not become the property of the Landlord (other than replacements of trade fixtures, machinery, and equipment which are the property of the Landlord, which replacements shall also be the property of Landlord). All personal property of the Tenant located on the Leased Premises is at Tenant's sole risk.

ARTICLE VI
LIMITATION ON LANDLORD'S LIABILITY

SECTION 6.01. Except with respect to any damages resulting from the willful or negligent act or omission of Landlord, its agents and employees. Landlord shall not be liable to Tenant its employees, agents, business invitee, licensees, customers, guests, or trespassers for any damage or loss to the property of Tenant or others located on the Leased Premises or for any accident or injury to person in the Leased Premises or the Building resulting from: the necessity of repairing any portion of the Building; the use or operation (by Tenant or any other person or persons whatsoever) of any elevators, or heating, cooling, electrical or plumbing equipment or apparatus; the termination of this Lease by reason of the destruction of the

Building or the Leased Premises; any fire, robbery, theft and/or any other casualty; any leaking in any part or portion of the Leased Premises or the Building; any water, wind, rain or snow that may leak into, or flow from, any part of the Leased Premises or the Building; any acts or omissions of any occupant of any space adjacent to or adjoining all or any part of the Leased Premises; any water, gas, steam, fire, explosion, electricity or falling plaster; the bursting, stoppage or leakage of any pipes, sewer pipes, drains, conduits, ducts, appliances or plumbing works; the functioning or malfunctioning of the fire sprinkler system; the functioning or malfunctioning of any security system installed in the building of any part thereof, or any other cause whatsoever.

SECTION 6.02. Landlord shall not be required to perform any of its obligations or any other provision of this Lease, nor be liable for loss or damage for failure to do so, nor shall Tenant be released from any of its obligations under this Lease because of the Landlord's failure to perform, where such failure arises from or through acts of God, strikes, lockouts, labor difficulties, explosions, sabotage, accidents, riots, civil commotions, acts of war, results of any warfare or warlike conditions in this or any foreign country, fire and casualty, requirements or other causes beyond the reasonable control of Landlord. If Landlord is so delayed or prevented from performing any of its obligations during the Term, the period of such delay or such prevention shall be deemed added to the time herein provided for the performance of any such obligation.

ARTICLE VII
RULES AND REGULATIONS

SECTION 7.01. RULES AND REGULATIONS. Tenant agrees to comply with and observe all rules and regulations established and amended by Landlord from time to time, provided the same shall apply uniformly to all tenants of the laboratories. Tenant's failure to keep and observe said rules and regulations shall constitute a breach of the terms of this Lease in the same manner as if the rules and regulations were contained herein as covenants. In the case of any conflict between said rules and regulations and this Lease, this Lease shall be controlling.

ARTICLE VIII
ACCESS BY LANDLORD

SECTION 8.01. RIGHT OF ENTRY. Landlord or Landlord's agents shall have the right to enter the Leased Premises at all reasonable times to examine the same. Landlord or Landlord's agents shall have the further right to enter the Leased Premises to make such repairs, alterations, improvements or additions as

Landlord may deem necessary or desirable, and Landlord shall be allowed to take all material into and upon the Leased Premises that may be required therefore without the same constituting an eviction of Tenant in whole or part, and the rent and other charges reserved shall in no wise abate while said repairs, alterations, improvements, or additions are being made, by reason of loss or interruption of business of Tenant, or otherwise. During the three (3) months prior to the expiration of the term of this lease, Landlord may exhibit the Leased Premises to prospective tenants.

ARTICLE IX
INDEMNIFICATION

SECTION 9.01. Tenant hereby indemnifies, and shall protect and hold Landlord harmless from and against all liabilities, losses, claims, demands, costs, expenses, and judgments of any nature arising, or alleged to arise, from or in connection with (a) any injury to, or the death of, any person or loss or damage to property on or about the Leased Premises or any adjoining property arising from or connected with the use of the Leased Premises by Tenant during the term, or (b) performance of any labor or services or the furnishing of any material or other property in respect of the Leased Premises or any part thereof by or at the request Tenant will resist and defend any action, suit, or proceeding brought against Landlord by reason of any such occurrence by counsel designated by Tenant and approved by Landlord.

ARTICLE X
INSURANCE AND INDEMNITY

SECTION 10.01. TENANT'S INSURANCE.

(a) Tenant, at its sole cost and expense, shall, during the entire term hereof, procure, pay for and keep in full force and effect:

(i) public liability and property damage insurance with respect to the leased premises and the operations of Tenant in, on or about the lease premises, in which the limits with respect to public liability shall be not less than One Million Dollars ($1,000,000.00) per occurrence for personal injury and death and in which the limits with respect to property damage liability shall not be less than five Hundred Thousand Dollars ($500,000.00);

(ii) insurance against vandalism, malicious mischief and

such other additional perils as now are or hereafter may be included in a standard extended coverage endorsement from time to time in general use in the county in which the Leased Premises are located, insuring tenant's merchandise, trade fixtures, equipment and all other items of personal property of Tenant located on or in the leased premises, in an amount equal to not less than eighty percent (80%) of the actual replacement cost thereof; and

(iii) workmen's compensation coverage as required by law.

(b) All policies of insurance required to be carried by Tenant pursuant to this Section 10.01 shall be written by responsible insurance companies authorized to do business in the State of Maryland, in which the Leased Premises are located, and shall name Landlord as an additional insured, and Tenant shall deliver a copy of said policy or the certificate showing the same to be in force and effect. In the event Tenant shall fail to maintain any policy of insurance required hereunder, then Landlord may, after three (3) days written notice to Tenant, obtain such policy and pay the premium thereon and the amount so paid shall be added to the next installment of rent. The Tenant will be reasonable for all fees associated with the effort to insurance the Tenant.

(c) Provided the insurance required to be maintained by Tenant pursuant to Section 10.01(a) is in full force and effect and remains so, Landlord waives, releases and discharges Tenant to the extent of insurance coverage maintained by Tenant from all claims or demand whatsoever which Landlord may have or acquire in the future arising out of damage to or destruction of the Leased Premises occasioned by fire or extended coverage risks whether such claim or demand may arise because of the negligence of Tenant, its agents or employees or otherwise, and Landlord agrees to look only to the insurance coverage to the extent of such coverage in the event of such loss.

(d) Landlord and Tenant hereby each release the other from any and all liability or responsibility to the other or any one claiming through or under them by was of sub-rogation or otherwise for any insured loss or damage to property caused by fire or other casualty, whether such loss, damage, fire or other insured event shall have been caused by the negligence but not willful misconduct of the other party, provided, however, that this release shall be applicable and in force and effect only with respect to loss or damage occurring during such time as the releasor's policies of insurance shall contain a clause or endorsement to the effect that any such release shall not adversely affect or impair said policies or prejudice the right of the releasor

to recover thereunder and shall apply only to the extent of the respective insurance coverage Landlord and Tenant agree that each will request its insurance carriers to include in its policies such a clause or endorsement provided that if an additional premium shall be charged therefore, each party shall advise the other thereof and of the amount of such additional premium, and the other party, at its election, may pay but shall not be obligated to do so. If both parties cannot obtain such a waiver subrogation at reasonable commercial rates, then both parties shall be released from their obligation to obtain such a waiver.

(e) Tenant agrees that it will indemnify and save the Landlord harmless from any and all liability, damage, expense, cause of action, suits, claims or judgements arising from injury to person or property on the demised premises, or upon the adjoining sidewalks, or parking lots due to the negligence of Tenant, its agents or employees. To assure such indemnity, Tenant shall carry and keep in full force and effect at all times during the term of this lease for the protection of the Landlord and Tenant herein, and deliver to the Landlord a copy of said policy or certificate showing the same to be in force and effect. in the event Tenant shall fail to maintain such policy of insurance then Landlord may, after three (3) days written notice to Tenant, obtain such policy and pay the premium thereon and the amount so paid shall be added to the next installment of rent.

Each party will be deemed to have provided within their respective insurance policies a waiver of subrogation until notice is provided that waiver of subrogation has not been obtained and the policy for which it has not been obtained.

ARTICLE XI
OFF-SET STATEMENT, ATTORNMENT AND SUBORDINATION

SECTION 11.01. OFF-SET STATEMENT. Tenant agrees within ten (10) days after request therefore by Landlord, to execute in recordable form and deliver to Landlord a statement, in writing, certifying:

(a) that this Lease is in full force and effect,
(b) the date of commencement of the term of this Lease,
(c) that rent is paid currently without any off-set or defense thereto,
(d) the amount of rent, if any, paid in advance,
(e) whether this Lease has been modified and, if so, identifying the modifications, and

(f) that there are no uncured defaults by Landlord or stating those claimed by Tenant, provided that, in fact, such facts are accurate and ascertainable.

SECTION 11.02. ATTORNMENT. In the event any proceedings are brought for the foreclosure of, or in the event of the conveyance by deed in lieu of foreclosure of, or in the event of exercise of the power of sale under, any mortgage and/or deed of trust made by Landlord covering the leased premises, or in the event Landlord sells, conveys or otherwise transfers its interest in the Leased Premises or any portion thereof containing the leased premises, this Lease shall remain in full force and effect and Tenant hereby attorn to and covenants and agrees to execute an instrument in writing reasonably satisfactory to the new owner whereby Tenant attorn to, such successor in interest and recognizes such successor as the landlord under this Lease. Payment by or performance of this Lease by any person, firm or corporation claiming an interest in this Lease or the leased premises by, through or under the Tenant without Landlord's consent in writing shall not constitute an ATTORNMENT or create any interest in this Lease or the Leased Premises.

SECTION 11.03 SUBORDINATION. Tenant agrees that this Lease shall, at the request of Landlord, be subordinate to any first mortgages or deeds of trust or primary leases that may hereafter be placed upon the leased premises and to any and all advances to be made thereunder, and to the interest thereon, and all renewals, replacements and extensions thereof, provided the mortgagees or beneficiaries named in said mortgages or trust deeds shall agree to recognize the interest of Tenant under this Lease in the event of foreclosure, if Tenant is not then in default. Tenant also agrees that any mortgagee or beneficiary may elect to have this Lease constitute a prior lien to its mortgage or deed of trust, and in the event of such election and upon notification by such mortgagee or beneficiary to Tenant to that effect, this Lease shall be deemed prior in lien to such mortgage or deed of trust. Tenant agrees that upon the request of Landlord, or any mortgagee or beneficiary, Tenant shall execute whatever instruments may be required to carry out the intent of this Section.

SECTION 11.04. REMEDIES. Failure of Tenant to execute any statements or instruments necessary or desirable to effectuate the foregoing provisions of this Article, within ten (10) days upon written request so to do by Landlord, shall constitute a breach of this Lease. In the event of such failure, Landlord, in addition to any other rights or remedies it might have, shall have the right by not less than ten (10) days notice to Tenant to declare this Lease terminated and the term ended, in which event this Lease shall cease and terminate on the date specified in

such notice with the same force and effect as though the date set forth in such notice were the date originally set forth herein and fixed for the expiration of the term; upon such termination Tenant shall vacate and surrender the leased premises, but shall remain liable as provided in this Lease by reason of said breach. Further, Tenant hereby irrevocably appoints Landlord as attorney-in-fact for the tenant with full power and authority to execute and deliver in the name of the Tenant any such statements or instruments.

ARTICLE XII
ASSIGNMENT AND SUBLETTING

SECTION 12.01. ASSIGNMENT AND SUBLETTING. Notwithstanding any provision herein to the contrary, Tenant agrees not to assign or in any manner transfer this Lease or any estate or interest therein, and not to lease or sublet the Leased Premises or any part or parts thereof or any right or privilege appurtenant thereto without the written consent of the Landlord, which consent shall not be unreasonably withheld.

SECTION XIII
DEFAULT

SECTION 13.01. If Tenant shall violate any covenant, including the covenant to pay rent, made by it in this Lease and shall fail to pay said rent within the five (5) day period after notice to Tenant, or in the event of a violation of any other covenant, failed to comply with said covenant within twenty (20) days after receipt of notice of such violation by Landlord, or Tenant shall abandon said Leased Premises, or shall be adjudicated insolvent or bankrupt pursuant to the provisions of any state Act or the Federal Bankruptcy Code ("Events of Default"), Landlord may, at its option, re-enter the leased premises without further notice or demand to re-enter and remove, and remove all persons and property from leased premises without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or breach of covenant and declare this Lease and the tenancy created terminated. Landlord may, at its election, provide Tenant with additional time to correct any Event of Default provided Tenant is utilizing its best efforts to correct such Event of Default. Landlord's agent or attorney may resume possession of the property and relet the same for the remainder of the term for the account of Tenant, who shall pay any deficiency. Landlord shall be entitled to the benefit of all

provisions of applicable laws respecting the speedy recovery of lands and tenements held over by Tenant or proceedings in forcible entry and detainer. If Landlord ends this Lease or ends Tenants' right to possess the Premises because of an Event of Default, Landlord may hold Tenant liable for rent and other indebtedness accrued to the date the Lease ends. Tenant shall also be liable for the rent, additional rent and other indebtedness that otherwise would have been payable by Tenant during the remainder of the term had there been no Event of Default, reduced by any sums Landlord receives by reletting the Leased Premises during the Term.

ARTICLE XIV
ATTORNEY'S FEES

SECTION 14.01. In case suit shall be brought for recovery of possession of the Leased Premises, for the recovery of rent of any other amount due under the provisions of this Lease, or because of the breach of any other covenant herein contained on the part of Tenant to be kept or performed, Tenant shall pay to Landlord all expenses incurred therefore, including reasonable attorneys' fees. In the event of such suit, both parties waive their respective rights to a trial by jury.

ARTICLE XV
QUIET ENJOYMENT

SECTION 15.01. Tenant upon paying the rent as provided in ARTICLE II, and performing the covenants and agreements of this Lease shall quietly have, hold and enjoy the Leased Premises and all rights granted Tenant in this Lease during the term thereof and extensions thereto, if any.

ARTICLE XVI
BANKRUPTCY OR INSOLVENCY

SECTION 16.01. TENANT'S INTEREST NOT TRANSFERABLE. Neither Tenant's interest in this Lease, nor any estate hereby created in Tenant nor any interest herein or therein, shall pass to any trustee or receiver or assignee for the benefit of creditors or otherwise by operation of law except as may specifically be

provided pursuant to the Bankruptcy Code.

SECTION 16.02. TERMINATION BY INSOLVENCY. In the event the interest or estate created in Tenant hereby shall be taken in execution or by other process of law or if Tenant is adjudicated insolvent or bankrupt pursuant to the provisions of any State Act or the Bankruptcy Code or if Tenant is adjudicated insolvent by a Court of competent jurisdiction other than the United States Bankruptcy Court, or if a receiver or trustee of the property of Tenant, if any, to pay its debts, or if any assignment shall be made of the property of Tenant or, if any, for the benefit of creditors, then and in any such events, this Lease and all rights of Tenant hereunder shall automatically cease and terminate with the same force and effect as though the date of such event were the date originally set forth herein and fixed for the expiration of the term, and Tenant shall vacate and surrender the Leased Premises but shall remain liable as herein provided.

ARTICLE XVII
MISCELLANEOUS

SECTION 17.01. WAIVER; ELECTION OF REMEDIES. One or more waivers of any covenant or condition by Landlord shall not be construed as a waiver of a subsequent breach of the same covenant or condition, and the consent or approval by Landlord to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to render unnecessary Landlord's consent or approval to or of any subsequent similar act by Tenant. No breach by Tenant of a covenant or condition of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord. The rights and remedies of Landlord under this Lease or under any specific Section, subsection or clause hereof shall be cumulative and in addition to any and all other rights and remedies which Landlord has or may have elsewhere under this Lease or at law or equity, whether or not such Section, subsection or clause expressly so states.

SECTION 17.02. NOTICES. Any notices required or permitted hereunder shall be in writing and delivered either in person to the other party or the other party's authorized agent, or by United States certified Mail, Return Receipt Requested, postage fully prepaid or by telegraphic communication, to the addresses set forth hereinafter, or to such other address as either party may designate in writing and deliver as herein provided.

Landlord: Association for Entrepreneurial Science
(Biomedical Research Institute — actual landlord)
James L. Leef, Ph.D., President
12111 Parklawn Drive

Rockville, Maryland 20852

with a copy to: Warren S. Oliveri, Jr.
King & Nordlinger, Attorneys at Law
4350 N. Fairfax Drive
Suite 950
Arlington, VA 22203

Tenant Novavax, Inc.
8320 Guilford Road, Suite C
Columbia, MD 21046
fax: (301) 854-3902

*Attention: Ann McGeehan, General Counsel
+
John Spears, CEO

SECTION 17.03 EXIT POLICY. When the Tenant vacates the premises, the area will be broom swept, trash removed, drawers, cabinets, refrigerators, freezers, walk-ins etc. cleaned. In addition, no reagents or chemicals may be left behind. If this is not done tenant agrees to pay landlord for such services. See Attachment 1, # 44 for other policy on exit.

SECTION 17.04. CAPTIONS. The captions and headings throughout this Lease are for convenience and reference only and the words contained therein shall in no way be held or deemed to define, limit, describe, explain, modify, amplify or add to the interpretation, construction or meaning of any provision or the scope or intent of this Lease nor in any way affect this Lease.

SECTION 17.05. LAW OF MARYLAND. This Lease Agreement shall be construed under the laws of the State of Maryland.

SECTION 17.06. HOLD OVER. During the period of any holding over after the termination or expiration of this Lease Agreement by Tenant, Tenant shall be deemed to be a Tenant from month to month.

SECTION 17.07. SUCCESSORS AND ASSIGNS. This Lease Agreement and the covenants and conditions herein contained shall inure to the benefit of and be binding upon Landlord, its successors and assigns, and shall inure to the benefit of Tenant and only such assigns of Tenant to whom the assignment by Tenant has been consented to by Landlord.

SECTION 17.08. ENTIRE AGREEMENT. This Lease Agreement constitutes the entire agreement of the parties and the same may not be amended or modified orally. All understandings, prior negotiations and agreements heretofore, oral and written, had between the parties are merged in this Lease Agreement, which alone fully and completely expresses their understanding and is

binding upon tenant, its successors and assigns.

SECTION 17.09. This Lease is subject to and subordinate to the Prime Lease Agreement between American Foundation for Biological Research as Tenant and William Klinedinst as Landlord, dated November, 1989, a copy of which is attached.

EXHIBITS/ATTACHMENTS

Exhibit A:	Floor plan consisting of laboratory and/or animal facilities in reference to this lease agreement.
ATTACHMENT 1:	Tenant Rules and Regulations
ATTACHMENT 2:	Considerations to AES from Tenant Companies.
ATTACHMENT 3:	Fire Safety Drill & Procedures
ATTACHMENT 4:	Parking Permit Rules
ATTACHMENT 5:	Maintenance of BRI Equipment
ATTACHMENT 6:	Autoclave Policies

IN WITNESS WHEREOF, Landlord and Tenant have signed and sealed this Leased on the day and year first above written.

Association for Entrepreneurial Sciences (Actual Landlord - Biomedical Research Institute)

By: /S/ JAMES L. LEEF

Title: James L. Leef, Ph.D., Director

TENANT NAME: Novavax, Inc.

By: /s/ ANN P. MCGEEHAN, ESQ. 3-08-02

Ann P. McGeehan, Esq.

Title: /s/ General Counsel

Novavax, Inc.

ATTACHMENT 1
TENANT RULES AND REGULATIONS

Below you will find information regarding general rules which must be followed here at the Parklawn Buildings.

1) **ACCIDENTS:** All accidents occurring in the common areas including hallways and parking lots must be reported to the Administrative office immediately. Any accidents occurring in the laboratory should be reported to the Safety Officer, Teresa Ponio.

2) **AIR LINE FILTER:** A hydrophobic filter must be placed on **ALL** vacuum lines. See the BRI Safety Officer, Teresa Ponio. This is for the safety of the personnel and the protection of the vacuum system.

3) **ANIMAL FACILITIES:** See Dr. Lewis or Dr. Leef for access. Charges for this service will be based on the number of cages per day housed in the facilities. Protective clothing must be worn at all times. Rabbits will be charged at a different rate than mice/rats/guinea pigs/rabbits. The BRI Institutional Animal Care and Use Committee (IACUC) is in charge of making sure the care of research animals in the facility conforms to the guidelines as set for the by the Animal Welfare Act, NIH, and other governing bodies for biomedical research. Any Tenant or employee with questions or concerns about the animal care or research protocols in our program is encouraged to submit comments, concerns or suggestions, in writing, to any member of the IACUC. Every tenant, or department must have a member present at all animals committee meetings.

4) **AUTOCLAVE:** You must sign up for its use for no more than two consecutive hours of time. See the office staff for the sign up sheet. Again, all the tenants must have access to this facility so DON'T use the autoclave for more than 2 hours at a time. Authorization can be granted for use of the autoclave after hours or on weekends.

   Each company is responsible for it's materials. To autoclave material:

   Place your items in an autoclave bag with the autoclave tape and label stating the material is sterile. After sterilizing place the autoclave bag in the large trash receptacle available in the room. NEVER discard the red bags in the trash receptacle or dumpster. The red bags are only to be used for material which is to be picked up for

incineration. If you need additional supplies please see Teresa Ponio, our Safety Officer. See the autoclave policies and procedures (Attachment # 6)

5) **CANVASSING, SOLICITING AND PEDDLING:** Canvassing, soliciting and peddling in the Building are prohibited, and Tenants shall cooperate to prevent such activities.

6) **COMMITTEES:** All tenants must assign a person(s) having authority to speak for the tenant to the following committees, attendance is mandatory: The general laboratory Safety Committee and The Animal Care and Use Committee: You will be notified of the time and date of the meetings which are held at least once a quarter.

7) **COMMON AREAS** are for the use of all personnel and are not to be unduly used by any one individual; Tenant shall use the Common Area only as a means of ingress and egress, Tenants shall permit no loitering by any persons upon Common Areas or elsewhere within the Building. The common Areas and roof of the Building are not for the use of the general public, and Landlord shall in all cases retain the right to control or prevent assess thereto by all persons whose presences, in the judgement of Landlord, shall be prejudicial to the safety, character, reputation or interest of the Building and it's tenants. Tenants shall not enter or install equipments in the mechanical rooms, air conditioning rooms, electrical closets, janitorial closets, or similar areas or go upon the roof of the Building without the prior written consent of the Landlord. After initial construction of space, no tenant shall install any radio or television antenna, loudspeakers, or other devise on the roof or exterior walls of the Building.

8) **CONFERENCE ROOM:** You must schedule its use; See the office staff for the availability of the room.

9) **CONTRACTING:** Anytime your company requires outside contracting in the building you must notify BRI of the work you plan on doing, or the work that has been completed. ALL work conducted must meet the specification of the fire, state or building codes. If you elect to make repairs at your expense, BRI must be notified so it may inspect the work to make sure it conforms to code standards. Also, advise the BRI office if the contractor expects to be here after normal business hours. It is the responsibility of the Tenant to assure that any outside contractor has proof of liability insurance and workman's compensation coverage.

10) **COPIER** You have access to the copier; a 15 cent charge per

page will be billed to your company monthly. See the office staff for your access number.

11) **DISPUTES:** Should a dispute arise between tenants it is hoped that the tenants can resolve the dispute amicably. Should third party intervention be desired the BRI Administration will serve as such third party. However, every effort should be exhausted to solve the dispute before third party intervention is requested because such third party opinion will be binding.

12) **EQUIPMENT, FURNISHING, ETC.** will not be stored in hallway, landings, stairs, load dock or any common area. This is in violation of fire safety code.

13) **EQUIPMENT:** All equipment and any other devise of any unusual electrical or mechanical nature shall be placed by Tenant in the Demised premises in settings that are structurally safe.

14) **FACSIMILE MACHINE:** Facsimile number: (301) 881-7640, the use fee is $1.00 per page (incoming or outgoing).

15) **FIRE SAFETY PROCEDURES:** See the (Attachment 3).

16) **1st FLOOR MENS ROOM:** A shower is available.

17) **FREEZER SPACE:** Freezer space is available through the Maintenance Staff at the Freezer repository for a monthly charge. The phone number is (301) 881-4513. The freezer space located at the Parklawn building, 1st floor is temporary storage only. ALL items must have your company name on it and what the contents are.

18) **GLASSWARE STERILIZING:** Companies must have prior authorization from Dr. Leef to use this facility. There is a charge to use the glassware facilities.

19) **GUEST PROCEDURES:** All guests must sign in at the guest desk in the lobby. All guests must be accompanied throughout the building.

20) **HEATER OTHER THAN THE BUILDING HEAT:** The only devices that are **not** exceptable to the fire safety code is electric resistant heaters (any glowing red strip) . The Tenants may have window air/heat conditioner only if they properly secure the apparatus to the building and have made provisions in the installation that the building security is

not breached. In addition such installation must be inspected and approved by BRI personnel.

21) **HOLD HARMLESS:** Tenant(s) will supply Landlord with a **"Hold Harmless"** agreement for the use of any of the "common equipment" or areas. Landlord also requires a Certificate of Insurance (general liability coverage) for their company with a minimum of $1,000,000 of coverage. The Certificate of Insurance must accompany your lease. It will be the responsibility of the tenant to provide the Administrative Office with the renewal agreement each year.

22) **INSECTICIDES:** Tenant agrees NOT to use or cause to have used any insecticides to control insect populations since tenant recognized the Landlord's research involves raising insects for life cycles. Insecticides could interrupt these cycles disastrously.

23) **JANITORIAL CLEANING:** Special cleaning will be done upon request for an additional fee. The janitor is responsible for the routine cleaning of the laboratories such as the trash removal, care of the floors and vacuuming in the offices. Please notify us, in writing, of any times we should not access your area. We will attempt to accommodate your request.

24) **KEYS:** All the OUTSIDE doors are keyed the same and under no circumstances are keys to be transferred. Obtain keys from the Administrative staff. If you lose your key report it immediately, there is a $10 per key replacement fee. If you change any locks, you must give us a copy of the key immediately. This is necessary in case of fire or other emergency. The exterior doors **must remained locked after normal business hours including holidays and weekends**. Do not prop any doors open unless you remain at the door. Do not let guests or vendors access the building. Refer all guest or vendors to the lobby. Under no circumstance are children (under the age of 18) permitted in the laboratory areas unless they have a work permit. The Administrative office is open from 8 to 5 PM Monday through Friday, except holiday(s) and weekends.

25) **LEASEHOLD IMPROVEMENTS** will remain the property of the Landlord unless otherwise agreed in writing. **All** improvement must be approved in writing by the Director, Dr. Leef, prior to the start of work.

26) **LIGHT FIXTURE REPLACEMENT:** Any new or replacement of light fixtures must be energy efficient with special ballast and

backdrops. BRI is in an energy saving program with PEPCO. Please see Administration for approval.

27) **LUNCH ROOM:** People use ice from the ice machine for their drinks, always use the ice scoop so the ice remains clean. Do not wear laboratory coats, gloves or bring lab materials into this room. Our staff will clean the refrigerator each Friday. All food and containers will be discarded. We recycle aluminum cans and card-board boxes only. The microwave is for food only and you must cover your dish. The coffee is available to guest and staff at cost. All companies should have their own recycling program.

28) **MAINTENANCE OF THE BUILDING:** All work orders should be directed to the Repository staff at (301) 881-4513. Regular maintenance involves repair and maintenance of ceilings, walls and floors inclusive of utilities. All other special maintenance work will be charged on the basis of parts, labor and overhead. No work on the ceilings, walls and floors is not to be done without the written consent of the Administrative office.

29) **MAINTENANCE OF BRI'S FURNISHING OR EQUIPMENT: ALL** equipment, freezers, walk-ins, furniture will be the tenants responsibility to repair and to return in good working condition when the tenant is through using said material. Exceptions to this rule may be made on a case by case basis. If repairs are required on our equipment, the tenant(s) must notify Administrative Office in writing that such repair are necessary. The tenant is responsible for incurred cost. BRI reserves the right to request equipment return upon 30 day written notice. See Attachment 5.

30) **MATERIAL DATA SAFETY SHEETS (MSDS):** All tenants must notify the Administrative Office in writing of the location of their MSDS.

31) **MEDICAL WASTE:** All tenants are responsible for the removal of their medical waste. See the office staff for a vendor.

32) **OBSTRUCT OR INTERFERE:** Tenants shall not obstruct or interfere with the rights of other tenants of the Building, or of persons have business in the building, or in any way conduct any activity within the Demised Premises which will create excessive traffic or noise anywhere in the Building.

33) **OFFICE SUPPORT:** You will be charged for Secretarial/receptionist, accounts payable, mail distribution, the use of the guest telephone in the lobby

and bookkeeping services according to your use.

34) **PARKING:** The building area is 30,000 square feet and has 53 legal parking spaces. Thus, there is one (1) parking space for each 566 square feet of leased space. Because more permits will be issued than there are spaces available, parking is on a first come, first serve basis. Please see Attachment 4 for specific parking rules.

35) **PLUMBING:** Tenants shall not use the washrooms, restrooms and plumbing fixtures of the Building, and appurtenance thereto, for any other purposes than the purpose for which they were constructed, and Tenants shall not deposit any sweepings, rubbish, jells, rags or other improper substances therein. If Tenants or Tenant's servants, employees, agents, contractors, jobber, licenses, invitee, guests or visitors cause any damage to such washrooms, restrooms, plumbing fixtures or appurtenances, such damage shall be repaired at Tenant's expense, and Landlord shall not be responsible therefore.

36) **READING ROOM:** When the conference room is being used this room is available; it seats 6 people. You must acquire authorization to use this room.

37) **SAFETY MEETINGS:** Every Tenant shall have a person designated to attend all Safety Meetings.

38) **TELEPHONE CHARGES:** See the office staff for the long distance access code.

39) **TELEPHONE CABLING:** All data and telephone lines installed must be plentium (Category 5) fire retardant grade equipment.

40) **THERMOSTAT CONTROL:** All thermostats will be set at 68 degrees. Do not change the settings without notifying maintenance.

41) **TRASH REMOVAL:** No broken glass bottles, glass pipettes, red hazard bags or any sharp materials are to be placed in the regular trash. The only material which will be removed from the lab or office is what is in the trash receptacle. Break down all card-board boxes and place the boxes in the hallway for disposal. Tenants shall not deposit any trash, refuse, cigarettes, or other substances of any kind within or out of the Building, except in the refuse containers provided therefore. No material shall be placed in the trash receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner

of removing and disposing of office building trash and garbage without being in violation of any law or ordinance governing such disposal. No tenant shall cause any unnecessary labor by reason of such tenant's carelessness or indifference in the preservation of good order and cleanliness. If the tenant is accumulating more trash than normal, the tenant is responsible for removing the trash or obtaining another dumpster. All the trash dumpster must be locked at all times.

42) **EXCEPTIONAL USE OF UTILITIES:** Incremental increases for utilities (inclusive of electric, gas, water) will be accessed if a given tenant requires an unusual demand. This will be agreed to by both Landlord and Tenant.

43) **INTERRUPTION OF UTILITIES:** A memo will be issued 24 hours in advance except in case of emergency. We will not be held responsible for any interruption of utilities.

44) **WALK-IN +4 DEGREE AND -20 WALK-IN SPACE:** This is a common area but all materials MUST be labeled with the name of contact person, phone number and a brief description of items. Item(s) with no manufacturer label must have an identification label with the following: name, description, and any harmful elements. This is a temporary storage facility for the tenants. If long term needs are required contact the repository staff. All the building tenants use this walk-in so if you need additional space, contact the Repository (301) 881-4513.

45) **WINDOWS:** Tenant may not install or permit the installation of any awnings, shades, mylar films or sun filters on windows. Prior written authorization is required. Tenants shall cooperate with Landlord in obtaining maximum effectiveness of the cooling system of the Building by closing drapes and other window coverings when the sun's rays fall upon windows of the Demised Premises. Tenant shall not obstruct, alter or impel the operation of Landlord's heating, ventilating, air conditioning, electrical, fans, safety or lighting systems.

46) **MOVING:** When the Tenant moves from premises, they must repair all damage to the walls (including nail holes) fixtures, equipment, all spackling must be smooth and ready to paint, clean all carpet, replace carpet damaged and repair all damage and remove all trash. There will be a scheduled walk-through before the Tenant officially the premises.

ATTACHMENT 2

Considerations to AES from tenant companies.

3) Publicity and Press Releases: While an AES facility tenant/client, COMPANY may include the following language in press release when appropriate, in tenant's sole judgment: "COMPANY is currently a tenant and client of the Association for Entrepreneurial Science, a biotechnology business incubator located in Rockville, Maryland." Upon graduation from the AES facility, COMPANY may include the following language in all press releases when appropriate, in tenant's sole judgment issued for a period of 3 years: "COMPANY is a graduate of the Association for Entrepreneurial Science, a biotechnology business incubator located in Rockville, Maryland."

4) _____

ATTACHMENT 3

FIRE SAFETY DRILL & PROCEDURES

IN CASE OF FIRE

There are seven fire alarm pull stations in the building. The most prominent are in the main hallways, (1st and 2nd floors) near the exits, at both the north and south ends of the building. Please familiarize yourself with these four locations.

Whether you are the person to activate the alarm or you hear it sounding, please do the following:

1) Immediately secure any procedure you may currently be performing. Do not leave something running which could create a further hazard. Turn out the lights if possible and close the door as you vacate the room, but DO NOT LOCK the door.

2) Contain the fire using common sense: If you can put out the fire — do so. Do not endanger yourself and others by trying to fight a fire you cannot control. Call 911 to report the fire.

3) Leave the building via the nearest exit. Never go up the stairs to do this.

4) Always proceed to the parking lot and form department or company groups. Each group must have a person able to confirm that everyone who should be in the group, is present. When the personnel survey is complete, please report the results to the BRI administrative staff (Leef, Smith or Dover). That will allow us to inform the firefighters of any missing person(s) and their probable location.

5) Please stay with your group until clearance is given to re-enter the building. If the time outside the building is a lengthy one and you, or any of your group decide to leave the premises, please notify one of the BRI administrative staff named above.

6) NOTE: We are told by the Fire Department that:

   Fire equipment will be at our building within 3-5 minutes after they receive our call.

   We should be able to vacate our building within 1 – 1.5 minutes after the alarm has been sounded.

7) A brief report of the fire drills should be recorded and a copy given to the Dr. Leef or Teri Smith. This report will be made available to the fire department when they make periodic inspections of the building.

8) If you use a fire extinguisher, please report its use to the BRI administrative staff. We must have the unit recharged after each use even if only a small portion of its contents are used. Annually, BRI's fire extinguishers will be inspected.

9) We are legally required to report all fires to the Fire Department even if we extinguish the fire.

ATTACHMENT 4

PARKING PERMIT RULES

1) The parking permits will be issued to an individual. This permit is a car pool permit and can be transferred from one car to another.

2) Each company will be responsible for their records. These records should contain the permit number and to whom the permit was issued. Visitors must have a permit to park in the lot.

3) It must be displayed at all times on the rear view mirror.

4) It is suggested you have the permits returned to you upon termination of an employee.

5) The building area is 30,000 square feet and has 53 legal parking spaces. Thus, there is one (1) parking space for each 566 square feet of leased space. Because more permits will be issued than there are spaces available, parking is on a first come, first serve basis.

6) Biomedical Research Institute will not be responsible for any damages incurred if a vehicle is towed away. We also will not be responsible for any damage to or stolen items from cars parked in the lot.

7) If a vehicle is towed for no permit, BRI will not be responsible for the towing bill.

8) Visitors must be issued a permit.

9) Vehicles must be parked in a legal parking space.

10) No vehicle is allowed to park in the loading dock or zones.

11) The towing company telephone number is on the signs at the entrances to the parking lot.

12) No vehicles will be left in the parking lot that needs repair. The vehicle will be towed at owners expense.

ATTACHMENT 5

MAINTENANCE OF BRI EQUIPMENT

Below are the procedures for the repair of BRI's equipment in tenant use.

1) The tenant is responsible for the repair of ALL BRI EQUIPMENT in tenant's possession.

2) The equipment is to be returned to BRI in good working order and will be examined and accepted by BRI Administrative personnel in writing. Exceptions to the status of equipment will be made on a case by case basis.

3) If the equipment needs repair BRI must be notified that the repair is/was necessary. BRI may require that certain equipment must have prior written approval. If BRI bids to do the repairs and if the bid is accepted BRI will be reimbursed for servicing the equipment.

4) No BRI equipment shall leave this building without the prior written consent of BRI.

5) Once a year, the BRI Office Manager or designee will coordinate a walk-through (physical inventory) of all equipment in possession of tenant.

ATTACHMENT 6

AUTOCLAVE POLICIES

1) YOU MUST SIGN UP TO USE THE AUTOCLAVE.

2) ALL BAGS MUST BE LABELED WITH A COMAR STICKER.

3) DO NOT USE MORE THAN TWO HOUR AT A TIME — DOES NOT EXTEND YOUR ALLOTTED TIME.

4) YOU MAY ONLY SIGN UP FOR ONE (1) DAY IN ADVANCE.

5) THE AUTOCLAVE ROOM MUST REMAIN LOCKED AT ALL TIMES.

6) NO UN-AUTOCLAVED TRASH MAY BE LEFT IN THIS ROOM. THIS MEANS YOU MUST LEAVE THE MATERIALS IN YOUR LAB UNTIL YOU ARE READY TO AUTOCLAVE.

7) AFTER AUTOCLAVING PLACE YOUR RED/ORANGE AUTOCLAVED BAG IN A **REGULAR TRASH BAG** IN THE TRASH CAN WITH THE COMAR STICKER ON THE OUTSIDE OF THE REGULAR TRASH BAG. DO NOT LEAVE THE TRASH ON THE FLOOR.

8) **MAKE SURE THAT THE** PAN IS IN THE AUTOCLAVE BEFORE AUTOCLAVING MATERIAL.

9) CLEAN UP THE YOUR MATERIAL IF IT OVERFLOWS IN THE AUTOCLAVE.

10) IF YOU HAVE NOT AUTOCLAVED YOUR MATERIAL DO NOT PUT A LABEL ON THE BAG.

11) ALLOW THE BIO-HAZARD BAGS TO COOL AND THEN PLACE THE MATERIALS IN THE REGULAR TRASH BAGS.

ANY PROBLEMS WITH THE AUTOCLAVE SHOULD BE REPORTED TO THE MAINTENANCE STAFF IMMEDIATELY AT (301) 881-4513.

Revised date: May 2000

FACILITY RESERVATION AGREEMENT

BY AND BETWEEN

PACKAGING COORDINATORS, INC.

and

NOVAVAX INC.

TABLE OF CONTENTS

FACILITY RESERVATION AGREEMENT

This Facility Reservation Agreement (the "Agreement") is made by and between Packaging Coordinators, Inc., a Pennsylvania corporation with offices at 3001 Red Lion Road, Philadelphia, Pennsylvania ("PCI"), and Novavax Inc., a Delaware corporation with offices at 8320 Guilford Road, Suite C, Columbia, Md. 21046 ("Novavax"), this _____ day of January, 2002 (the "Effective Date").

ARTICLE 1

REFERENCE

1.1. Definitions. Any term that is given a special meaning by any provision in this Agreement shall, unless otherwise specifically stated, have such meaning wherever used in this Agreement or in any Exhibit attached hereto. In addition, the following terms shall have the following meanings:

"*Area"* shall mean the interior space leased by PCI to Novavax within the Property consisting of approximately 19,300 square feet, including reasonable rights of ingress and egress, as mutually agreed from time to time.

"Area Design Plan" shall mean the design plans pursuant to which the Novavax Improvements shall be constructed in the Area and which are attached hereto as Exhibit A.

"Base Monthly Fee" shall mean the Base Monthly Fee set forth in Section 3.1 below..

"Hazardous Materials" shall mean any toxic substance, hazardous substance, hazardous material, hazardous constituent, hazardous waste, pollutant or contaminant which is or becomes regulated by any local governmental authority, the Commonwealth of Pennsylvania, or the United States government, including any material or substance defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq. (42 U.S.C. Section 6903) or as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response Compensation, and Liability Act, 42 U.S.C. Section 9601, et seq. (42 U.S.C. Section 9601), excluding ordinary cleaning and other solvents typically used in office spaces, provided that the same are used in accordance with applicable laws.

"Improvements" shall mean all modifications, alterations and improvements made or added to the Area by Novavax pursuant to the Area Design Plan, excluding Novavax equipment, moveable improvements and trade fixtures.

"Permitted Use" shall mean Novavax's manufacturing and PCI's packaging of the pharmaceutical products as set forth in the Supply Agreement (as defined below), as well as related office and warehouse uses.

"Property" shall mean the real property owned by PCI known as 3001 Red Lion Road, Philadelphia, Pennsylvania.

"Supply Agreement" shall mean that certain Supply Agreement between the parties dated March 22, 2001 whereby PCI shall provide certain services to Novavax in connection with the packaging of the products described in such agreement.

ARTICLE 2

AREA, TERM AND POSSESSION

2.1 Demise of Area. PCI hereby leases to Novavax and Novavax hereby leases from PCI for the Term of this Agreement, and upon the terms and subject to the conditions of this Agreement, the Area (as hereinafter defined).

2.2 Term. Subject to Paragraph 2.4 below, the term of this Agreement shall begin on the Effective Date and unless extended by mutual agreement of the Parties, shall continue for a period of five (5) years (the "Term"). Thereafter, this Agreement shall automatically renew for two (2) additional periods of one (1) year each, unless written notice of non-renewal is provided one hundred eighty (180) days prior to the end of the Term or any renewal term by one party to the other party.

2.3 Construction of the Area; Acceptance of Possession; Allowance. Novavax shall construct the Area in accordance with all applicable laws and the Area Design Plan, including, without limitation, the hiring of all contract personnel and the purchase of any and all materials necessary for the build-out of the Area. Novavax shall indemnify and hold PCI harmless from any and all claims, suits, demands, costs, expenses and liabilities (collectively, "Claims") resulting from or relating to such construction of the Area and all construction personnel or sub-contractors, provided, however, that the foregoing indemnification shall not apply to the extent that any such Claims are caused by the negligence or misconduct of PCI or its employees, agents or representatives.

2.4 Surrender of Possession. Within sixty (60) days following expiration or termination of this Agreement, Novavax shall remove all production equipment (including without limitation, the tank farm) and shall vacate and surrender the Area to PCI broom clean, in the same condition as existed prior to the construction in Section 2.3, reasonable wear and tear excepted. Novavax shall, at Novavax's sole expense, repair any damage to the Area or the Property, caused by Novavax's removal of such items. Any Improvements that Novavax does not remove from the Area shall be deemed to have been either (i) assigned, without cost or further action by Novavax to PCI; or (ii) abandoned by Novavax. In either case, at PCI's sole election and discretion, PCI may request that Novavax execute such additional documents as PCI may reasonably request to acknowledge and confirm such assignment, or if PCI elects to discard the abandoned property, then Novavax shall pay all fees and costs associated with such disposal and repair of the Area.

2.5 PCI Access to the Area. PCI shall have access to the Area upon no less than 24 hours prior notice to Novavax (except in the case of emergency): (i) to comply with its obligations under this Agreement and the Supply Agreement, (ii) for any necessary purpose in the event of an emergency, (iii) to perform any required or necessary maintenance or repairs to the Area or the Property, and (iv) if required to comply with applicable law. PCI shall retain the

master keys to the Area. Except in the case of emergency, PCI shall be accompanied while entering the Area by a Novavax representative.

ARTICLE 3

BASE MONTHLY FEE AND DEFERRED FEE

3.1 Base Monthly Fee. Commencing on January 1, 2002 and continuing with any fee increase throughout the Term of this Agreement, Novavax shall pay to PCI, without prior demand therefor, in advance on the first day of each calendar month, the amount of One hundred Thirty Thousand 00/100 Dollars ($130,000.00) as the Base Monthly Fee. The Base Monthly Fee shall increase annually by 3.5% beginning on July 1, 2003 and continuing thereafter on each July 1 of each contract year during the Term. The Base Monthly Fee shall be negotiated in good faith by the parties for any renewal term.

3.2 Deferred Fee. Commencing upon the Effective Date and continuing each month thereafter until June 1, 2002, PCI shall defer receipt of forty percent (40%) of the Base Monthly Fee (the "Deferred Fee"). The entire amount of the Deferred Fee shall become due and payable on or before June 30, 2002. Notwithstanding the foregoing, in Novavax's sole discretion, Novavax may elect to prepay all or any part of the Deferred Fee prior to its becoming due and payable.

ARTICLE 4

USE OF AREA

4.1 Permitted Use. Novavax shall be entitled to use the Area for the Permitted Use. Office space within the Area shall be allocated for the use of the Novavax technical representatives during the Term of the Agreement.

4.2 Compliance with Laws and Private Restrictions. Subject to the obligations of PCI pursuant to Sections 4.3 and 4.4 below, Novavax agrees that its use of the Area will be in compliance with all federal, state and local laws, rules and regulations respecting its use and occupancy of the Area.

4.3 Compliance with Insurance Requirements. PCI and Novavax shall comply with all requirements of any insurance company, insurance underwriter, or Board of Fire Underwriters which are necessary to maintain reasonable insurance coverages covering the Area within the Property.

4.4 Environmental Compliance and Hazardous Materials. Novavax shall be solely responsible for the transportation and disposal of any and all Hazardous Materials generated by Novavax in the use and occupancy of the Area, including all costs and expenses associated therewith. Novavax shall comply with all local, Commonwealth of Pennsylvania and federal laws regarding environmental compliance and Hazardous Materials ("Laws") in connection with Novavax's operations in, and use of the Area. Notwithstanding anything to the contrary contained in this Agreement, PCI agrees to indemnify, defend and hold harmless Novavax from and against any and all liabilities, losses, damages, suits, actions, causes of action, costs, expenses (including without limitation reasonable attorneys' fees and disbursements and court

costs), penalties, fines, demands, judgments, claims or liens (including without limitation claims or liens imposed under any so-called "Superfund" or other environmental legislation) arising from or in connection with the presence of any Hazardous Materials (as defined below), (i) in the Area or the Property, or the subsequent removal thereof from, the Property (including without limitation the Area) prior to Novavax's taking possession of the Area; and (ii) from or in connection with the Property (excluding the Area) after Novavax's possession of the Area. PCI shall have the right to assume exclusive control of the defense of any such suit, action or claim, and Novavax agrees to cooperate reasonably with PCI in the performance by PCI of its obligations under this Section 4.4.

Notwithstanding anything to the contrary contained in this Agreement, Novavax agrees to indemnify, defend and hold harmless PCI from and against any and all liabilities, losses, damages, suits, actions, causes of action, costs, expenses (including without limitation reasonable attorneys' fees and disbursements and court costs), penalties, fines, demands, judgments, claims or liens (including without limitation claims or liens imposed under any so-called "Superfund" or other environmental legislation) arising from or in connection with any Hazardous Materials including, without limitation presence, use release, discharge or disposal of the same, which are stored, generated or otherwise brought onto the Area by or at the direction of Novavax. Novavax shall have the right to assume exclusive control of the defense of any such suit, action or claim, and PCI agrees to cooperate reasonably with Novavax in the performance by Novavax of its obligations under Section 4.4. Novavax shall have the right, at Novavax's sole election and at Novavax's sole cost and expense, to perform or cause to be performed, from time to time during the Term, environmental testing to determine the presence of Hazardous Materials on or about the Area. It is expressly understood and agreed that, subject to Novavax's indemnification obligations under the foregoing provisions, that Novavax shall store and use at the Area, in the ordinary course of its business operations therein, chemicals and solvents used in support of the manufacturing and packaging of the Products, as well as ordinary cleaning and other solvents typically used in office spaces. Novavax shall provide to PCI a list of chemicals and solvents, by Product, prior to Novavax's use of the same in the Area.

"Hazardous Materials" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local, state or federal governmental authority or by common law decisions, including without limitation (i) all chlorinated solvents, (ii) petroleum products or by-products, (iii) asbestos and (iv) polychlorinated biphenyls.

The provisions of this Section 4.4 shall survive the expiration or earlier termination of this Agreement.

4.5 Furniture and Computers. Novavax shall supply any computer equipment, office furniture and fixtures that it devises or deems necessary for the Area (the "Novavax FF&E"). During the term of this Agreement, Novavax shall be responsible for any and all maintenance and upkeep of the Novavax FF&E and shall insure and assume all risk of loss therefor except to the extent caused by the negligence or willful misconduct of PCI, or its employees, agents or representatives. Novavax shall be responsible, at its own expense, for removal of such Novavax FF&E in accordance with Section 2.4 above.

ARTICLE 5

REPAIRS, MAINTENANCE, SERVICES AND UTILITIES

5.1 Utilities.

(a) PCI shall, at all times during the Term of this Agreement and at its sole cost and expense, maintain in good order, condition and repair all plumbing, electrical, wiring conduits, connectors and fixtures, the chillers and related piping up to the point where the main supply lines enter the Area and the return lines to the chillers. PCI shall also provide Novavax access to phone and computer lines for the Area.

(b) PCI shall pay all charges for water, and storm and sanitary sewer services supplied to the Area. Novavax shall pay for all process related utilities.

ARTICLE 6

ALTERATIONS AND IMPROVEMENTS

6.1 Ownership of Improvements. All Improvements (as well as Novavax equipment, moveable improvements and trade fixtures) shall remain the property of Novavax during the term of this Agreement. Upon expiration or termination of this Agreement, any Improvements not removed from the Area in accordance with the provisions of Section 2.4 shall be deemed to have been assigned, without cost or further action by Novavax to PCI.

ARTICLE 7

LIMITATION ON PCI'S LIABILITY AND INDEMNITY

7.1 Limitation on PCI's Liability and Release. PCI shall not be liable to Novavax for, and Novavax hereby releases PCI and its officers, agents, employees, attorneys, and consultants from, any and all liability, whether in contract, tort or on any other basis, for any injury to or any damage sustained by Novavax, its agents, employees or contractors in connection with Novavax's construction or use of the Area, except to the extent such damage was caused primarily by the negligence or willful misconduct of PCI or its employees, agents or representatives, or by PCI's breach of this Agreement. PCI shall indemnify, defend and hold harmless from any third party claims, loss, liability, penalties, or expense, made or legal actions filed or threatened against Novavax that are caused primarily by the negligence or willful misconduct of PCI or its employees, agents or representatives or by PCI's breach of this Agreement. Notwithstanding the foregoing, in no event shall PCI's indemnity obligations or any other financial obligation under this Agreement exceed the sum of One Million Dollars ($1,000,000.00), unless the same arises from PCI's intentional misconduct.

7.2 Novavax's Indemnification of PCI. Novavax shall indemnify, defend and hold harmless from any third party claims, loss, liability, penalties, or expense, made or legal actions filed or threatened against PCI with respect to the violation of any law, or the death, bodily injury, personal injury or property damage suffered by Novavax, it's agents, employees, subcontractors, representatives or any other third party occurring within the Area, or from Novavax's use or occupancy of the Area, except to the extent the same claim, loss, liability,

penalties, or expense is caused primarily by the negligence or misconduct of PCI or its employees, agents or representatives.

7.3 The indemnify obligations set forth above in Sections 7.1 and 7.2 shall survive termination or expiration of this Agreement.

ARTICLE 8

INSURANCE

8.1 Novavax Insurance. Novavax shall maintain insurance complying with all of the following:

(a) Novavax shall procure, pay for and keep in full force and effect, at all times during the term of this Agreement the following:

(i) Commercial general liability insurance insuring Novavax against liability for personal injury, bodily injury, death and damage to property occurring within the Area, or resulting from Novavax's use or occupancy of the Area, or resulting from Novavax activities in or about the Area or the Property, with coverage in the amount of at least five million dollars ($5,000,000), which insurance shall contain the equivalent of a "broad form liability" endorsement insuring Novavax's performance of Novavax's obligations to indemnify PCI as contained in this Agreement;

(ii) Fire and property damage insurance in so-called "fire and extended coverage" form insuring Novavax against loss from physical damage to Novavax's FF&E, products, finished products, raw materials, components, personal property, inventory, trade fixtures and improvements within the Area, including the Improvements, with coverage for the full actual replacement cost thereof; and

(iii) With respect to the construction of the Area, making of alterations or the construction of improvements or the like undertaken by Novavax, contingent liability and builder's risk insurance, in an amount and with coverage reasonably satisfactory to PCI; and

(iv) Workers' compensation insurance and any other employee benefit insurance sufficient to comply with all laws.

(b) Each policy of liability insurance required to be carried by Novavax pursuant to this paragraph or actually carried by Novavax with respect to the Area, the Building or the Property: (i) shall name PCI, and such others as are reasonably designated by PCI, as additional insureds; (ii) shall be primary insurance providing that the insurer shall be liable for the full amount of the loss, up to and including the total amount of liability set forth in the declaration of coverage, without the right of contribution from or prior payment by any other insurance coverage of PCI; (iii) shall be in a form reasonably satisfactory to PCI; (iv) shall be carried with companies reasonably acceptable to PCI with Best's ratings of at least A + VI; (v) shall provide that such policy shall not be subject to cancellation, lapse or change except after at least thirty days prior written notice to PCI; and (vi) shall contain a so-called "severability" or "cross liability" endorsement. Each policy of property insurance maintained by Novavax with respect to the Area or the Property shall contain a waiver and/or a permission to waive by the

insurer of any right or subrogation against PCI, its partners, principals, members, officers, employees, agents and contractors, which might arise by reason of any payment under such policy or by reason of any act or omission of PCI, its partners, principals, members, officers, employees, agents and contractors.

8.2 PCI's Insurance. With respect to insurance maintained by PCI:

(a) PCI shall maintain, as the minimum coverage required of it by this Agreement, fire and property damage insurance in so-called "fire and extended coverage" form insuring Novavax (and such others as Novavax may designate) against loss from physical damage to the Property, and shall provide coverage for physical damage to the Building so insured for up to the entire full actual replacement cost thereof. PCI shall not be required to cause such insurance to cover any of Novavax's personal property, Novavax's FF&E, inventory, products, finished products, raw materials, components and trade fixtures, or any modifications, alternations or improvements made or constructed by Novavax to or within the Area, including the Improvements.

8.3 Certificate of Insurance. Prior to the time Novavax or any of its contractors enters the Area, each Party shall deliver to the other Party, with respect to each policy of insurance required to be carried by it pursuant to this Article, a copy of such policy (appropriately authenticated by the insurer as having been issued, premium paid) or a certificate of the insurer certifying in form satisfactory to the other Party that a policy has been issued, premium paid, providing the coverage required by this Paragraph and containing the provisions specified herein. With respect to each renewal or replacement of any such insurance, the requirements of this Paragraph mush be complied with not less than thirty (30) days prior to the expiration or cancellation of the policies being renewed or replaced.

8.4 Mutual Waiver of Subrogation. PCI hereby releases Novavax, and Novavax hereby releases PCI and their respective partners, principals, members, officers, agents, employees and servants, from any and all liability for loss, damage or injury to the property of the other in or about the Area or the Property which is caused by or results from a peril or event or happening which is covered by insurance actually carried and in force at the time of the loss by the party sustaining such loss; provided, however, that such waiver shall be effective only to the extent permitted by the insurance covering such loss and to the extent such insurance is not prejudiced thereby.

ARTICLE 9

DAMAGE TO AREA

9.1 Novavax's Duty to Restore. If the Area is damaged by any peril after the Effective Date of this Agreement, Novavax shall restore the same within a commercially reasonable timeframe. Novavax shall commence and diligently prosecute to completion the restoration of the Area to either (i) substantially the same condition as the Area existed prior to the construction set forth in Section 2.3 above, or (ii) to substantially the same condition in which it existed as of the date production in the Area began at Novavax's election. Notwithstanding the foregoing, nothing set forth in this Section 9.1 shall in any way affect Novavax's obligations, and/or liability under Article 3 above.

ARTICLE 10

DEFAULT, REMEDIES AND TERMINATION

10.1 Events of Default. Novavax shall be in default of its obligations under this Agreement upon the occurrence of any of the following:

(a) If Novavax shall fail to pay when due any sum required to be paid hereunder by Novavax and such failure shall continue for fifteen (15) days after written notice thereof by PCI; or

(b) If Novavax shall fail to perform any term, covenant or condition of this Agreement other than an obligation to pay money, and such failure shall continue for thirty (30) days after written notice from PCI to Novavax specifying the nature of such failure and requesting Novavax to perform same (provided that, if longer than thirty (30) days is reasonably required in order to perform such term, covenant or condition, Novavax shall have such longer period); or

(c) If Novavax shall make a general assignment or general arrangement for the benefit of creditors, if a petition for adjudication of bankruptcy or for reorganization is filed by or against Novavax and is not dismissed within ninety (90) days, if a trustee or receiver is appointed to take possession of substantially all of Novavax's assets located at the Property or of Novavax's interest in this Agreement and possession is not restored to Novavax within ninety (90) days, or if substantially all of Novavax's assets located at the Property or of Novavax's interest in this Agreement is subjected to attachment, execution or other judicial seizure which is not discharged within ninety (90) days.

10.2 PCI's Remedies. In the event of any default by Novavax, PCI may, at PCI's election, terminate this Agreement by giving Novavax written notice of termination, in which event this Agreement shall terminate on the date set forth for termination in such notice. Any termination under this subsection shall not relieve Novavax from its obligation to pay to PCI all Base Monthly Fees then due, or to become due under this Agreement, or any other sums due to PCI, or from any claim against Novavax for damages previously accrued or then or thereafter accruing. Upon delivery of such notice of termination, Novavax's obligations under Article 3 shall be accelerated and shall become due and payable in full within thirty (30) days of the date of such notice.

10.3 PCI's Default. PCI shall be in default of its obligations under this Agreement if PCI fails to perform any term, covenant or condition of this Agreement within thirty (30) days after written notice from Novavax to PCI specifying the nature of such failure and requesting PCI to perform same (provided that, if longer than thirty (30) days is reasonably required in order to perform such term, covenant or condition, PCI shall have such longer period).

10.4 Novavax's Remedies. In the event of PCI's default, Novavax may proceed in equity or at law to compel PCI to perform its obligations, to terminate this Agreement and/or to recover damages proximately caused by such failure to perform (except as and to the extent Novavax has waived its right to damages as provided in this Agreement and except that in no event shall PCI be liable to Novavax for any special, indirect or consequential loss, damage,

costs or expenses of any nature whatsoever, including, without limitation, lost revenues or profits).

10.5 Termination of Supply Agreement. Notwithstanding Section 2.2 hereof, this Agreement shall terminate effective upon the termination of the Supply Agreement.

ARTICLE 11

ASSIGNMENT

11.1 Assignment and Subletting. Novavax shall not assign this Agreement or sublet the Area without the express written consent of PCI, provided, however, that Novavax may without consent, assign its interest in this Agreement to a direct or indirect parent or subsidiary of Novavax; to a party controlling, controlled by or under common control with Novavax; to any party with whom Novavax may merge or consolidate; or to any party acquiring all or substantially all of the assets of Novavax.

ARTICLE 12

GENERAL PROVISIONS

12.1 Taxes. PCI shall pay before delinquency any and all real property taxes, assessments, license fees, use fees, permit fees and public charges of whatever nature or description levied, assessed or imposed by a governmental agency arising out of, caused by reason of or based upon Novavax's estate in this Agreement or improvements made by Novavax to the Area. If any such taxes, assessments, fees or public charges are levied against Novavax, Novavax shall have the right to require PCI to pay such taxes.

12.2 Force Majeure. The obligations of each of the parties under this Agreement (other than the obligations to pay money) shall be temporarily excused if such party is prevented or delayed in performing such obligations by reason of any strikes, lockouts or labor disputes; government restrictions, regulations, controls, action or inaction; civil commotion; or extraordinary weather, fire or other acts of God.

12.3 Notices. Any notice required or desired to be given by a party regarding this Agreement shall be in writing and shall be personally served, or in lieu of personal service may be given by reputable overnight courier service, postage prepaid, addressed to the other party as follows:

If to PCI: Packaging Coordinators, Inc.
3001 Red Lion Road
Philadelphia, Pennsylvania
Attention: President

with a copy to: Cardinal Health, Inc.
7000 Cardinal Place
Dublin, Ohio 43017
Attention: General Counsel

If to Novavax: Novavax Inc.
8320 Guilford Road
Suite C
Columbia, MD 21046
Attention: Dennis W. Genge

with a copy to: White & McDermott, P.C.
65 William Street
Wellesley, MA 02481
Attention: David A. White

Any notice given in accordance with the foregoing shall be deemed received upon actual receipt or refusal to accept delivery.

12.4 General Waivers. One party's consent to or approval of any act by the other party requiring the first party's consent or approval shall not be deemed to waive or render unnecessary the first party's consent to or approval of any subsequent similar act by the other party. No waiver of any provision hereof, or any waiver of any breach of any provision hereof, shall be effective unless in writing and signed by the waiving party. The receipt by PCI of any Base Monthly Fee or payment with or without knowledge of the breach of any other provision hereof shall not be deemed a waiver of any such breach. No delay or omission in the exercise of any right or remedy accruing to either party upon any breach by the other party under this Agreement shall impair such right or remedy or be construed as a waiver of any such breach theretofore or thereafter occurring. The waiver by either party of any breach of any provision of this Agreement shall not be deemed to be a waiver of any subsequent breach of the same or any other provisions herein contained.

12.5 Holding Over. This Agreement shall terminate without further notice on the date set forth in Section 2.2. Any holding over by Novavax after such date shall neither constitute a renewal nor extension of this Agreement nor give Novavax any rights in or to the Area except as expressly provided in this Paragraph. Any such holding over to which PCI has consented shall be construed to be a tenancy from month to month, on the same terms and conditions herein specified insofar as applicable except that the Base Monthly Fee charged to Novavax shall be one hundred twenty-five percent (125%) of the Base Monthly Fee under this Agreement; provided, however, that the Base Monthly Fee shall not increase in the event Novavax is engaged in good faith negotiations to extend the terms of this Agreement.

12.6 Miscellaneous. Should any provisions of this Agreement prove to be invalid or illegal, such invalidity or illegality shall in no way affect, impair or invalidate any other provisions hereof, and such remaining provisions shall remain in full force and effect. Any copy of this Agreement which is executed by the parties shall be deemed an original for all purposes. This Agreement shall, subject to the provisions regarding assignment, apply to and bind the respective successors, and assigns of PCI and Novavax. The term "party" shall mean PCI or Novavax as the context implies. This Agreement shall be construed and enforced in accordance with the Laws of the Commonwealth of Pennsylvania. The captions in this Agreement are for convenience only and shall not be construed in the construction or interpretation of any provision hereof. When the context of this Agreement requires, the neuter gender includes the masculine, the feminine, a partnership, corporation, limited liability company, joint venture or other form of

business entity, and the singular includes the plural. The terms “must,” “shall,” “will,” and “agree” are mandatory. The term “may” is permissive. When a party is required to do something by this Agreement, it shall do so at its sole cost and expense without right of reimbursement from the other party unless specific provision is made therefor. The rule of construction that a document is to be construed against the drafting party shall not be employed in the construction or interpretation of this Agreement.

12.7 Entire Agreement. This Agreement and the Exhibits (as described in Article 1), which Exhibits are by this reference incorporated herein, constitute the entire agreement between the parties, and there are no other agreements, understandings or representations between the parties relating to the reservation of the Area, except as expressed herein.

In Witness Whereof, PCI and Novavax have executed this Agreement as of the respective dates below set forth with the intent to be legally bound thereby as of the Effective Date of this Agreement first above set forth.

PACKAGING COORDINATORS, INC.

By: _____

Title: _____

Dated: _____

NOVAVAX INC.

By: _____

Title: _____

Dated: _____

EXHIBIT 21

LIST OF SUBSIDIARIES OF NOVAVAX, INC.

Fielding Pharmaceutical Company, a Missouri Corporation.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference of our report dated February 12, 2002, with respect to the consolidated financial statements of Novavax, Inc. included in the Annual Report on Form 10-K for the year December 31, 2001, in the following registration statements:

(1) Registration Statement Number 33-80277 on Form S-8

(2) Registration Statement Number 33-80279 on Form S-8

(3) Registration Statement Number 333-3384 on Form S-8

(4) Registration Statement Number 333-46000 on Form S-8

(5) Registration Statement Number 333-77611 on Form S-8

(6) Registration Statement Number 333-22685 on Form S-3

(7) Registration Statement Number 333-77609 on Form S-3

(8) Registration Statement Number 333-32142 on Form S-3

(9) Registration Statement Number 333-53194 on Form S-3

(10) Registration Statement Number 333-69874 on Form S-3

(11) Registration Statement Number 333-76696 on Form S-3

/s/ Ernst & Young LLP

McLean, Virginia

March 15, 2002

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-69874, 333-76696, 333-22685, 333-77609, 333-32142 and 333-53194) and Form S-8 (Nos. 333-80277, 33-80279, 333-3384, 333-46000 and 33-77611) of Novavax, Inc. of our report dated February 26, 2000 relating to the financial statements, which appears in this Form 10-K.

/s/ Pricewaterhouse Coopers LLP

McLean, Virginia

March 13, 2002