UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2003

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 [X] No [ ]

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [ ]

The aggregate market value of 21,543,402 shares of the Registrant's Common Stock, par value $.01 per share, held by non-affiliates of the Registrant at June 30, 2003, as computed by reference to the closing price of such stock, was approximately $118,500,000.

The number of shares of the Registrant's Common Stock, par value $.01 per share, outstanding at February 27, 2004 was 34,719,085 shares.

Documents Incorporated By Reference

Portions of the Registrant's definitive Proxy Statement to be filed not later than 120 days after December 31, 2003 in connection with the Registrant's 2003 Annual Meeting of Stockholders, referred to herein as the "2004 Proxy Statement," are incorporated by reference into Part III of this Form 10-K.

PART I

Item 1. *Business*

Overview

Novavax is a fully-integrated specialty biopharmaceutical 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 health and infectious diseases. On October 9, 2003, our lead product candidate, ESTRASORB®, the first topical emulsion for estrogen therapy, was approved for marketing by the Food and Drug Administration. The FDA approved ESTRASORB for the treatment of moderate to severe vasomotor symptoms (hot flashes) associated with menopause. We believe ESTRASORB will be competitively positioned to address the estimated $1.5 billion estrogen therapy market in the United States. In 2002, Novavax reported on ESTRASORB's Phase III clinical trial results at two major medical conferences. The study demonstrated that ESTRASORB treatment caused a statistically significant reduction in moderate and severe vasomotor symptoms at weeks four, eight and twelve of the clinical trial.

Our micellar nanoparticle technology involves the use of patented oil and water emulsions that we believe can be used as vehicles for the topical delivery of a wide variety of drugs and other therapeutic products, including hormones. We believe that our technology represents the first time that ethanol soluble hormones, such as estrogen and testosterone, have been encapsulated and delivered systemically. In addition to ESTRASORB, our product candidates using these technologies include ANDROSORB™, a topical testosterone emulsion that has completed two Phase I clinical trials, and PROGESTSORB™ NE, a topical progestin emulsion. Other drug delivery technologies, like our Novasome® and Sterisome® technologies, are being utilized to develop other products. Novasomes are used as adjuvants to enhance vaccine effectiveness. Sterisomes can be used as subcutaneous injections that deliver long-acting drug effects.

In 2001 and 2002, we entered into co-promotion agreements with King Pharmaceuticals, Inc. for the promotion and marketing of ESTRASORB and ANDROSORB within the United States and Puerto Rico, and we licensed to King the right to sell these products outside the United States. Under the terms of the co-promotion agreement, we will record all of the product sales, returns and allowances and cost of sales for ESTRASORB and ANDROSORB in the United States and Puerto Rico. The resultant gross margin will be shared equally with King, subject to a 17% limitation on cost of sales, and the payment to King will be recorded as a selling and marketing expense on our statement of operations. In addition, both parties will share equally in approved marketing expenses for the products. All direct marketing expenses will be recorded by us, for which King will reimburse us fifty percent. In 2001, 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 review of the ESTRASORB New Drug Application. We also received from King $20.0 million in December 2000, $10.0 million in September 2001, and $10.0 million in June 2002, in each instance in the form of convertible note financings.

We also currently market, sell and distribute a line of prescription pharmaceuticals and prenatal vitamins through our 64 person sales force that has extensive experience selling to obstetricians, gynecologists, managed care organizations, wholesalers and retail pharmacies throughout the United States. In 2003, these products generated revenues of $10.2 million. In 2004, we expect to sell ESTRASORB through both our sales force and King's women's health sales force. We also plan on expanding our sales force and initiating marketing programs for the commercial introduction of ESTRASORB. We will manufacture ESTRASORB for commercial sale in our dedicated, state-of-the-art, 24,000 square foot facility in Philadelphia, Pennsylvania, which was completed and substantially validated in 2003.

We also conduct research and development on preventative vaccines and proteins for infectious diseases and cancers, and tolerogens to prevent the initiation and progression of stroke and other illness. In September 2003, we were awarded a five-year $19.0 million contract from the National Institute of Allergy and Infectious Diseases, a component of the National Institutes of Health, for the design and development of a new class of human immunodeficiency virus vaccine candidates for preclinical and clinical studies. We will serve as the prime contractor with three other subcontractors participating in the contract and we expect to receive approximately $14.0 million over the five-year period. In August 2003, we were also part of a consortium that received a $5.0 million NIAID project program grant to develop another set of HIV vaccine candidates. We expect to receive approximately $4.0 million over four and a half years for our participation in this grant effort.

Our Strategy

The primary elements of our strategy include:

- ***Maximize the commercial impact of ESTRASORB.*** We are currently finalizing commercialization and manufacturing infrastructures, facilities, programs and systems for the commercial introduction of ESTRASORB in 2004. We believe that our sales and marketing plan will enable ESTRASORB to capture a meaningful share of the estimated $1.5 billion estrogen therapy market in the United States. We expect that the introduction of ESTRASORB will increase our presence in the women's health market, thereby enabling us to more effectively commercialize future products that we develop, acquire or in-license.

- ***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 and ANDROSORB, we have three hormone therapy product candidates in preclinical development that utilize our MNP technology. We will continue to focus on developing improvements to existing therapies and intend to target large markets where our products can be clinically differentiated through improved delivery technology.

- ***Continue to develop our capabilities as a fully-integrated specialty biopharmaceutical company.*** We expect to enhance our internal capabilities in the development, testing, manufacture and marketing of our product candidates. We believe that this fully-integrated platform differentiates us from many specialty biopharmaceutical companies and enhances our ability to successfully introduce new products such as ESTRASORB, and to grow our existing line of women's health 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 have completed the build-out of our ESTRASORB manufacturing facility and we are validating and expanding our manufacturing and marketing capabilities for the commercial launch of ESTRASORB. We currently have a 64 person sales force with experience in the area of women's health, and intend to continue to build that sales team as we commercialize, acquire and in-license 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. Numerous opportunities exist to acquire such products and technologies as large pharmaceutical companies seek to divest many non-core product areas. 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. We acquired Fielding Pharmaceutical Company in December 2000, which enabled us to expand our women's health product line and gave us an established national sales force with experience calling on obstetricians and gynecologists throughout the United States. In order to provide us with additional products to sell through our sales force, in January 2001 we purchased the AVC™ product line from King, and in July 2002 we entered into an agreement with privately-held Ferndale Laboratories, Inc. to co-promote Analpram HC®.

- ***Build a competitive vaccine program addressing urgent medical needs for large and underserved markets.*** We believe we are a leader in the use of insect cells for the manufacture of pharmaceutical proteins, which may be the most competitive commercial process for making certain vaccines. Because of this expertise we have collaborative contracts and grants with the National Institutes of Health for the development of a second generation acquired immune deficiency syndrome vaccine, and a new type of flu vaccine using Novasome adjuvants. We are also working with the NIH in the research and development of an E-selectin tolerogen for use in stroke prevention. If successful, we believe these could address large and underserved markets. Our strategy for building a comprehensive vaccine business is to identify urgent medical needs, assess the scientific and clinical feasibility, identify those opportunities with large and sustainable markets, and insure we have a competitive advantage by securing commercial rights and patent protection.

Our Products and Product Candidates

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

Product or Product Candidate	Product Description	Partner	Status
Nestabs® Product Line	Prescription prenatal vitamins	—	Marketed
NovaStart®	Prescription prenatal vitamins	—	Marketed
NovaNatal®	Prescription prenatal vitamins	—	Marketed
Gynodiol™	Oral estrogen therapy	Barr	Marketed
AVC™ cream	Vaginal infection	—	Marketed
Analpram HC®	Topical prescription corticosteroids for hemorrhoids	Ferndale	Marketed
ESTRASORB®	Topical emulsion for estrogen therapy	King	Approved by FDA for marketing
ANDROSORB™	Topical emulsion for testosterone therapy	King	Phase I
PROGESTSORB™ NE	Topical emulsion for progestin therapy	—	Preclinical
AIDS HIV-1 VLP Vaccine	A virus –like particle vaccine to prevent AIDS	NIH	Preclinical
Influenza VLP vaccine	Influenza prevention	NIH	Preclinical
E-Selectin tolerogen	Stroke prevention	NIH	Preclinical

Our Recently Approved Product —ESTRASORB

ESTRASORB was approved by the Food and Drug Administration in October, 2003 for the treatment of moderate to severe vasomotor symptoms (hot flashes) associated with menopause. ESTRASORB utilizes our patented micellar nanoparticle technology to deliver estrogen, in the form of 17ß-estradiol, through the skin when applied topically in the form of an emulsion. We believe that this formulation provides a unique and appealing option to many women suffering from vasomotor symptoms. The efficacy of ESTRASORB was demonstrated in a Phase III clinical trial. The results showed a statistically significant reduction in moderate and severe vasomotor symptoms at weeks four, eight and twelve of the clinical trial. Specifically, the occurrence of hot flashes was reduced by approximately 85% at week twelve when compared to the trial's baseline.

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 defined as the absence of menstruation for at least one year. The average age of menopause is approximately 51 years and menopausal symptoms are experienced by about 75% of women. Millions of women currently take estrogen therapy and as the "baby boomer" generation ages, the number of patients reaching menopause and needing estrogen therapy will increase.

The primary goal of hormone therapy is the safe and convenient relief of symptoms with minimal side effects. Estrogen therapy is used worldwide by menopausal women to relieve vasomotor symptoms, such as hot flashes and night sweats, and by post-menopausal women to prevent osteoporosis and other adverse health conditions. There are a variety of estrogen products available including oral, vaginal and transdermal preparations. Patients taking oral preparations may complain of nausea. Transdermal patches for estrogen therapy were developed in large part to eliminate the side effect of nausea and were first commercially available in the mid-1980's. Patches generally use alcohol to drive estrogen through the skin to achieve therapeutic blood levels. Patches may cause skin irritation and inconvenience associated with wearing and changing the patch.

Clinical Trials of ESTRASORB. There are 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 randomized, double-blind, placebo-controlled dosing protocol that included 120 patients at six clinical sites in the United States. The study demonstrated a statistically significant reduction in the number of hot flashes per day. The Phase III study supporting the efficacy of ESTRASORB was a randomized, double-blind,

placebo-controlled, parallel-group study with 200 participants. The study demonstrated that ESTRASORB treatment caused a statistically significant reduction in the frequency and severity of moderate to severe vasomotor symptoms at weeks four, eight and twelve. The Phase III study further demonstrated that ESTRASORB has a mild and manageable adverse event profile. In 2004, we will initiate a study to determine the lowest effective dose of ESTRASORB.

Marketing of ESTRASORB. The United States marketplace for estrogen therapy is currently estimated to be $1.5 billion and highly competitive. In response, we have prepared a focused and aggressive marketing strategy for launching ESTRASORB. The primary aim of this strategy is to leverage the unique profile of ESTRASORB as the first and only FDA-approved estrogen topical emulsion. Our efforts will target healthcare professionals who prescribe high volumes of estrogen therapy and who have demonstrated a propensity to adopt new products, specifically transdermal products. We will dedicate significant resources to create awareness about this unique delivery system. In addition, we believe that post-menopausal women suffering from vasomotor symptoms will embrace ESTRASORB as a natural and appealing product that offers potential advantages to oral and transdermal products.

In July 2002, the *Journal of the American Medical Association* published data from the Women's Health Initiative, a large-scale study to examine the long-term health effects of hormone therapy in healthy women. Published results of the trial indicated that the group of women on combination hormone therapy (in this case a single orally-administered product combining conjugated equine estrogens and a synthetic progestin) demonstrated overall health risks that warranted the discontinuation of this group from the study. The results have had a negative impact primarily on orally-administered, combination hormone therapy products and led to uncertainty by women about the long-term use of hormone therapy, especially for uses other than the treatment of vasomotor symptoms.

It is important to note that ESTRASORB is a single agent estrogen therapy product indicated for the treatment of moderate to severe vasomotor symptoms associated with menopause. This is in marked contrast to the combination product discontinued in the Women's Health Initiative. Specific key differences when comparing ESTRASORB to the combination products in the Women's Health Initiative include:

- ESTRASORB utilizes a proprietary topical delivery system that avoids first-pass liver metabolism
- ESTRASORB contains 17β-estradiol, which is identical to the estrogen produced by a woman's body and
- ESTRASORB is approved and will be marketed for the treatment of moderate and severe vasomotor symptoms associated with menopause.

Product Development Candidates

ANDROSORB. ANDROSORB utilizes our patented micellar nanoparticle technology to deliver testosterone through the skin, when applied topically as an emulsion. 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 United States other than a product that combines estrogen and methyltestosterone. Current testosterone 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 patches. We believe that ANDROSORB may offer several advantages over these current therapies. ANDROSORB is an emulsion 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 I study in 2000 and completed a second Phase I study in 2002.

In addition to other hormone product candidates, our micellar nanoparticle technology has the potential to be used with a wide variety of drug classes including analgesics, central nervous system drugs and anti-inflammatory agents. We have a two-pronged strategy as it relates to our product candidates. We plan to introduce internally developed additional proprietary hormone products that utilize our MNP technology platform and we will also look to partner with other pharmaceutical companies to introduce products that target these other significant market opportunities. We believe that our MNP technology could be particularly attractive to pharmaceutical companies that are looking to extend their patent protection, where the product could be clinically differentiated through improved delivery technology, or where a portion of the patient population is experiencing difficulties associated with oral delivery.

Currently Marketed Prescription Products

Our women's health product line provides us with an established national sales force having extensive experience in selling to currently marketed obstetricians and gynecologists throughout the United States. Our products include the Nestabs® line, NovaNatal®, NovaStart®, AVC™ cream and Gynodiol™. As a result, with the approval of ESTRASORB, and in anticipation of the market launch of ESTRASORB, we are increasing our sales force of 64 people to approximately 80 people. We believe that the expertise gained through the marketing of our current products positions us well for a successful launch of ESTRASORB. We currently market the following women's health prescription products.

NovaNatal®, NovaStart® & Nestabs® product line. We market a full line of prenatal multi-vitamins for use before, during and after pregnancy. Our newest additions to our family of prenatal vitamins are NovaNatal and NovaStart. NovaNatal is a convenient, once-a-day dosing prenatal vitamin that is a patient-friendly, small, easy to swallow tablet. NovaStart is designed as a preconception vitamin. Our prenatal vitamin product line generated $5.7 million in sales in 2003, $8.8 million in 2002 and $10.8 million in 2001.

Gynodiol™. Gynodiol is a safe, effective and economical option for women who require an oral estrogen 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. The total sales for Gynodiol in 2003 were $2.2 million, $1.7 million in 2002 and $2.1 million in 2001.

AVC™ Cream. AVC is an established women's hygiene product effective for the treatment of vaginal infection. We acquired AVC from King for $3.3 million in 2001 and we believe there is opportunity for sales growth because AVC is the only sulfanilamide on the market. AVC generated $1.8 million in sales in 2003, $1.9 million in 2002 and $3.5 million in 2001.

Analpram HC®. Analpram HC is a topical prescription of corticosteroids that are anti-inflammatory and anti-pruritic agents targeted at women suffering from hemorrhoids. We began selling this product in August 2002 after entering into a co-promotion agreement with Ferndale in July 2002. We received $0.5 million in co-promotion revenues from Ferndale in 2003.

We distribute our women's health products primarily through three national distributors and a number of regional distributors in the United States, which in turn supply our products to retail pharmacies. In 2003, sales to these three distributors accounted for 74% of the Company's revenues and 76% of the Company's accounts receivable. We consider our relationship with these companies, which are the primary distributors for pharmaceutical companies in the United States, to be good. However, in the event that one or more of these distributors terminated their relationship with us, it could have a material, adverse effect on our business.

Vaccines Infectious Diseases and Tolerogens

We develop and produce biopharmaceutical proteins for use as vaccines against infections diseases and as tolerogens to prevent inflammatory and immune responses in the initiation and progression of stroke and other illness. We collaborate with governmental, commercial and leading academic institutions in development, safety testing and clinical trials. We also develop virus-like particles which imitate important three dimensional structures of viruses but are composed of recombinant proteins and therefore are incapable of causing infection and disease. Our vaccine and tolerogen product candidates include the following:

HIV Vaccine. The human toll of AIDS is staggering and now kills more people worldwide than any other infectious disease. More than 40 million people are infected with HIV and an estimated 5 million people were newly infected with HIV in 2003. Under NIH contracts, we are working with one of the leading scientific teams in the development of a second generation AIDS vaccine. The HIV vaccine candidates will be based on our knowledge and experience in producing VLP vaccines and manufactured using our insect cells technology. Promising HIV virus-like particle vaccine candidates will also be formulated with Novasome® adjuvants, our proprietary Novavax technology that is designed to boost the body's immune response to certain vaccine formulations. The HIV vaccine candidates will be used in animal studies and subsequent clinical studies in humans.

As noted earlier, in 2003 the Company was awarded one contract under which it will act as prime contractor and was selected to participate in another as a sub-contractor, relating to the design and development of a new class of HIV vaccine candidates. Both of these contracts were awarded by the National Institute of Allergy and Infectious Diseases, a component of NIH. Like most government contracts, our HIV agreements with the NIAID incorporate federal regulations that permit the government to terminate performance of work under the agreement, in whole or in part, at any time, if the government determines that termination is in the government's best interest.

E-Selectin Tolerogen. Novavax and the National Institute of Neurological Disorders and Stroke have been developing E-selectin-based molecularly derived products for the prevention of strokes. In September 2002, a published report in the professional journal *Stroke* provided experimental evidence on prevention of stroke in stroke-prone rats. These results provided supportive evidence that E-selectin tolerization may someday be useful in the prevention of strokes and other illness where inflammatory and immune responses are involved in the initiation and progression of disease.

Our Platform Technologies

Technology	Description	Products
Micellar Nanoparticles	An oil and water nanoemulsion (under 1 micron in diameter) that allows topical delivery of alcohol-soluble materials	ESTRASORB, ANDROSORB and PROGESTSORB NE
Novasomes®	Non-phospholipid liposomes that can be used as adjuvants to enhance vaccine effectiveness	Novasome adjuvanted influenza and HIV vaccines
Sterisomes®	Sterol and oil free emulsion	ANDRO-JECT™ and PROSTERISORB™
Recombinant vaccines	Virus-like particle vaccines produced in cultured insect cells	HIV/AIDS, influenza, SARS, and HPV chimeric vaccines
Viral Vaccines	Tissue culture derived live or attenuated vaccines	Smallpox and Dengue vaccines
Recombinant tolerogens	Tolerization for prevention of strokes and other illnesses	E-selectin tolerogen

Our product development efforts are focused on the research and development of proprietary topical and injectable drug delivery systems and vaccine technologies and the application of those technologies. Our technology platforms involve the use of proprietary microscopic structures as vehicles for the delivery of a wide variety of drugs, including hormones and vaccine adjuvants. In addition, our vaccine technology can be utilized for the development of prophylactic 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 topical delivery technology may also be preferred over other available injectable delivery technologies that are invasive, inconvenient and sometimes painful.

Micellar Nanoparticle Emulsions. Micellar nanoparticles are proprietary oil and water nanoemulsions. We believe that our micellar nanoparticle emulsions are the first substances able to encapsulate ethanol-soluble materials. The micellar nanoparticle emulsion formulations we use for the topical delivery of drugs have properties similar to creams and lotions. Micellar nanoparticle emulsions are the fundamental technology platform for our hormone therapies, including our recently approved product ESTRASORB and our ANDROSORB product candidate. We believe that our patent on this technology lasts until 2015.

Novasome Non-Phospholipid Liposomes. In addition to our micellar nanoparticle emulsion technology, we have developed Novasome non-phospholipid liposomes. Novasomes are proprietary liposomes in which vaccines can either be encapsulated, or mixed with, for delivery into the body 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 an effective and safe adjuvant system for a variety of vaccines. Our initial use of this technology will be in the development of vaccines for HIV/AIDS and other infectious diseases.

Sterisomes. Sterisomes are our proprietary oil-free drug delivery system comprised predominately of water. 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 and a vaginal progesterone product utilizing this delivery system.

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 that resemble viruses. These are non-infectious particles that can generate immune responses when administered as vaccines. We have several ongoing development programs involving virus-like particles, including HIV/AIDS, influenza, melanoma, and HPV chimeric vaccines.

Manufacturing

The development and manufacture of our products are subject to good laboratory practices and current good manufacturing practices prescribed by the FDA and to other standards prescribed by the appropriate regulatory agencies in other countries. We currently utilize contract manufacturers to produce our existing marketed product lines. We have recently completed the build-out of a 24,000 square foot manufacturing facility within a Cardinal Health facility in Philadelphia, Pennsylvania to our specifications and requirements, and have installed manufacturing equipment to accommodate commercial production of ESTRASORB. We have substantially completed the validation of the facility and equipment and we are now manufacturing bulk product and packaging ESTRASORB for commercial distribution using our machinery and employees. Cardinal will perform the final fill of these products on our dedicated line and we have selected a logistics company to warehouse, distribute and provide customer service and collection activities for all of our products. Despite the addition of this new facility, we may also need to rely on collaborators, licensees or 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.

In August and September 2003 we received a grant and a contract from the National Institute of Allergy and Infectious Diseases which could total up to $18 million for the design and development of a new series of human immunodeficiency virus candidates for preclinical and clinical studies. The contract and grant cover four to five year periods. To meet any manufacturing requirements of the contract and grant over their terms, we will need to enhance and expand the capabilities of our current lab facilities.

Competition

The specialty biopharmaceutical 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 therapies, vaccine products and other products that do or could compete with our currently marketed and approved 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.

The estrogen therapy market is highly competitive, well-established and includes many products marketed by major pharmaceutical companies. The oral segment, which accounts for over 75% of the estrogen therapy market, is dominated by Wyeth's Premarin®. Wyeth commits significant resources to promoting its portfolio of estrogen products and has a dominant presence with healthcare professionals that utilize oral estrogen therapy products. We will have to compete with Wyeth and numerous other companies marketing oral products, including manufacturers of generic 17β-estradiol. Transdermal estrogen therapy products (patches) currently account for approximately 15% of the estrogen therapy market. Patch products are well accepted and many such as Vivelle DOT® have been marketed for several years. In addition to currently approved and marketed products, several estrogen therapy products are in development. Also, we are aware of companies that market estrogen gel topical products outside of the United States and know of one estrogen gel that recently received marketing approval from the FDA.

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 our line of prenatal vitamins, 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 marketed oral estrogen therapy product, competes in the crowded, competitive oral estrogen therapy market.

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 the 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 51 United States patents and corresponding foreign patents and patent applications covering our technologies. We have pending U.S. patent applications in both the U.S. and worldwide covering the composition, manufacture and use of our organized lipid structures and related technologies. A current U.S. patent issued in 1997 covers our micellar nanoparticles technology and methods of their production. Micellar nanoparticles are the structures that allow for ESTRASORB's topical delivery of estradiol.

Consistent with statutory guidelines issued under the Federal Technology Transfer Act of 1986 designed to encourage the dissemination of science and technology innovation and provide sharing of technology that has commercial potential, the Company's collaborative research efforts with the government or with other private entities receiving federal funding 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 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, additional testing or information is required, or post-marketing testing and surveillance to monitor the safety of the applicable products is required.

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.

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 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 or health care 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 117 full-time employees, 28 of whom are employed in research and development. Of those 28 employees in research and development, seven have earned Ph.D. degrees and two are medical doctors. 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 the market acceptance of ESTRASORB.

ESTRASORB was approved for commercial sale by the FDA on October 9, 2003. Even with ESTRASORB's approval, there is no guarantee that, in conjunction with King Pharmaceuticals, Inc., our marketing partner for ESTRASORB, we will be able to successfully commercialize ESTRASORB, or that ESTRASORB will be a commercial success. Many factors could negatively affect our ability to successfully commercialize ESTRASORB, including:

- delays in the manufacture and validation of ESTRASORB in commercial quantities
- our inability to timely and effectively promote and sell ESTRASORB with King in the United States and Puerto Rico or by King outside those regions, so that ESTRASORB gains a meaningful share of the estrogen therapy market, which currently is dominated by Premarin®, an oral estrogen tablet sold by Wyeth, and estrogen patches sold by several companies including Novartis Pharma AG, Berlex Laboratories, Inc. and Forest Pharmaceuticals, Inc.
- our inability to manufacture ESTRASORB at acceptable gross margins and
- our 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 product candidates.

We compete with numerous other companies worldwide that have developed or are developing products that compete or may compete with ESTRASORB and 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 for ESTRASORB. In the oral product segment of the estrogen therapy market, which accounts for over 75% of the market according to 2003 IMS Health Incorporated data, Wyeth 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 compete with products produced and sold by generic manufacturers in the oral product segment of the market, such as Watson Pharmaceutical, Inc.'s generic product, Estropipate®. In the patch segment of the market, which according to IMS accounts for approximately 15% of the estrogen therapy market, several companies market transdermal estrogen patches with which ESTRASORB will compete. For example, Novartis currently markets and sells its Vivelle® and Estraderm® patches, and Berlex Laboratories and Forest Pharmaceuticals co-promote the Climara® transdermal patch. Several companies also currently market ethanol-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 achieved some degree of market penetration. ESTRASORB will compete in the United States 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 have and will continue to 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 our investment in ESTRASORB or our product candidates, if approved.

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. 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. In addition, many of our competitors have significantly greater experience 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 we will, which may give them an advantage in achieving market acceptance of their products.

We are uncertain about our ability to obtain future financing and the effects of such financing.

We cannot be certain that we will be able to generate revenues from product sales in the near term or at all in an amount sufficient to fund our operations, and we could require additional funds to continue our research and development programs, commence future preclinical and clinical trials, seek regulatory approvals, establish commercial-scale manufacturing capabilities, and market our products. We may seek such 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 will be available to us on acceptable terms, if at all. If we cannot raise the additional funds we may need for our anticipated operations, we may be required to delay significantly, reduce the scope of, or eliminate one or more of our research or development programs; downsize our selling, marketing, general and administrative infrastructure or programs; or seek alternative measures 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. If we raise additional funds through future offerings of shares of our common stock or other securities, such offerings would cause dilution of existing stockholders' percentage interest in our company. These future offerings also could have a material and adverse effect on the price of our common stock.

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, 2003 was $104.8 million. Our revenues for the last three years were $11.8 million in 2003, $15.0 million in 2002 and $24.1 million in 2001. Sales of products that we acquired as a result of our acquisition of Fielding Pharmaceutical Company in 2000 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 when or if we will generate substantial revenues from the sale of ESTRASORB. We have received a 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 $17.3 million in 2003, $22.7 million in 2002 and $9.7 million in 2001. Our losses have resulted from research and development expenses, pre-launch sales and marketing expenses in anticipation of FDA approval for ESTRASORB, protection of our intellectual property, and other general operating expenses.

Our losses may initially increase due to the launch of ESTRASORB as we expand our manufacturing capacity, sales and marketing capabilities and conduct additional and larger clinical trials for our product candidates. Therefore, we expect our cumulative operating loss to increase until such time, if ever, 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 force's time to the product launch of ESTRASORB and, consequently, the sales of our other women's health products could be adversely affected. The costs of maintaining our own sales force to market our current products and ESTRASORB 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 both King's and our 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. We are entitled to receive additional payments upon the achievement of specified milestones, and licensing fees and royalties on future sales. While our co-

promotion and licensing agreements with King give us some limited protections with respect to King's marketing and sales efforts and, we believe, create financial incentives for King consistent with our own, we cannot control the amount and timing of the marketing efforts that King devotes to ESTRASORB, or make any assurances that co-promotion efforts by the Company and King of ESTRASORB in the United States, and King's marketing of ESTRASORB outside the United States, will be successful. In addition, we agreed to charge King no greater than 17% for the cost of sales of ESTRASORB when calculating co-promotion payments. We believe this cost of sales percentage will be less than our actual costs during the initial period of the products introduction into the market and this limitation will restrict our profitability.

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 provides for the co-promotion with King in the United States of our product candidate ANDROSORB™. If this product is approved for marketing by the FDA, King has an exclusive worldwide license, except in the United States, to market this product. Under our co-promotion agreement, King also has the right to co-promote certain future hormone therapy products that we may develop in the field of women's health. 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. Assuming FDA approval, 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 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 that would take effect upon a change of control of the Company. 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 (if approved) and certain other hormone therapies for women, or (iii) requiring Novavax to assign and transfer to King all related rights of ownership for ESTRASORB and ANDROSORB and certain other hormone therapies for women and license to King on an exclusive and perpetual basis all intellectual property rights and know-how with respect to such products. If King chooses to exercise its rights under either clause (ii) or (iii) above, King will pay us royalties on the net sales of such products. In addition, King will pay us for the cost of manufacturing, plus a markup consistent with the terms of the license agreement for handling costs. In the event of a change in control, King could also require that we redeem $40.0 million in aggregate principal amount of our outstanding convertible promissory notes that it currently holds, at a redemption price equal to 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 the 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 programs and clinical trials (including utilizing contract manufacturing organizations), 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 have validated our manufacturing methods for ESTRASORB, which has been produced in 100-kilo size batches. Such validation is required under FDA guidelines, and we received FDA approval of these methods in connection with the approval of ESTRASORB. We currently manufacture ESTRASORB at a facility of Cardinal Health, Inc. in Philadelphia, Pennsylvania. We expect that Cardinal Health will provide packaging services for ESTRASORB that we manufacture in their facility. We have completed the build out of the facility to meet our requirements and have installed manufacturing equipment for commercial production of ESTRASORB. Now that this new equipment is installed, we need to validate 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 Philadelphia facility. Now that ESTRASORB has been approved by the FDA, we may determine to qualify an additional site or sites for the manufacture of ESTRASORB as our production requirements increase. If we are unable to utilize the Philadelphia 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 Cardinal Health 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 record-keeping requirements. If compliance issues exist at these facilities, thereby interfering with the manufacture of our products, we would have to seek alternative manufacturing arrangements. There can be no assurance that we would be able to enter into alternative manufacturing

arrangements at commercially acceptable rates, if at all. Moreover, the manufacturers we use may not provide sufficient quantities of product 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 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 in the United States and abroad, including the current good laboratory practices and good manufacturing practices required by the FDA. If we elect 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 other 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, including ESTRASORB. Our product candidate, ANDROSORB, has completed two Phase I human clinical studies. 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, including ANDROSORB, to the satisfaction of the FDA or other regulatory authorities. These processes are expensive and can take many years to complete, and 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. We also face the risk that the results of our clinical trials may be inconsistent with the results obtained in preclinical studies or that the results obtained in later phases of clinical trials may be inconsistent with those obtained in earlier phases. A number of companies in the specialty 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 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 and other intellectual property protection. We also must operate without infringing the proprietary rights of third parties or letting third parties infringe our rights. We currently have 51 U.S. patents and corresponding foreign patents and patent applications covering our technologies. 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 U. S. Patent and Trademark Office or enforced by the federal courts. Therefore, we do not know whether our patent 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 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 therapy that deliver estrogen through a topical emulsion, 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 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 be assured that third-party payors will pay for ESTRASORB or such products or establish and maintain price levels sufficient for realization of an appropriate return on our investment in product development. For example, ESTRASORB will 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 therapy products with respect to government and third-party payor reimbursement. However, there can be no assurance 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, in some cases, the cost of the drug in comparison to alternative products. There can be no assurance that ESTRASORB or any of our future products will be added to payors' formularies, that our products will have preferred status to alternative therapies, or that 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 $10.0 million for claims arising from the use of our currently marketed products and products in clinical trials prior to FDA approval. Coverage is becoming increasingly expensive, however, and we may not be able to maintain insurance at a reasonable cost. There can be no assurance 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, may damage our reputation in the marketplace, and may divert management's attention.

We have made loans to certain of our directors, and have guaranteed a brokerage margin loan for one of these directors which could have a negative impact on our stock price.

In 2002, pursuant to our Stock Option Plan, we approved the payment of the exercise price of options by two of our directors through the delivery of full-recourse, interest-bearing promissory notes, in the aggregate principal amount of approximately $1.5 million, secured by a pledge of the underlying shares. In addition, in 2002 we executed a conditional guaranty of a brokerage margin account for a director in the amount of $500,000. Due to heightened sensitivity in the current environment surrounding related party transactions, these transactions could be viewed negatively in the market and our stock price could be negatively affected.

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 2003, our common stock traded in a range from a low of $2.52 to a high of $ 8.62. It is likely that the price of our common stock will fluctuate in the future. The market prices of securities of small-capitalization, specialty biopharmaceutical companies, including ours, from time to time experience significant price and volume fluctuations unrelated to the operating performance of these companies. In particular, the market price of our common stock may fluctuate significantly due to a variety of factors, including:

- governmental agency actions including the FDA's determination with respect to NDA's for the new products
- our ability to obtain financing
- our ability to develop additional products and
- sales of our products, particularly ESTRASORB.

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

Our substantial indebtedness could adversely affect our cash flow and prevent us from fulfilling our obligations.

We currently have $42.2 million of outstanding indebtedness. Our substantial amount of outstanding indebtedness could have significant consequences. For example, it:

- could increase our vulnerability to general adverse economic and industry conditions
- will require us to dedicate a substantial portion of our cash flow from operations to service payments on our indebtedness, reducing the availability of our cash flow to fund future capital expenditures, working capital, execution of our growth strategy, research and development costs and other general corporate requirements
- could limit our flexibility in planning for, or reacting to, changes in our business and the pharmaceutical industry, which may place us at a competitive disadvantage compared with competitors that have less indebtedness and
- could limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity.

We may incur additional indebtedness for various reasons, which, if in excess of a certain amount, must be approved by King. Any such additional indebtedness would increase the risks associated with our substantial leverage.

Our inability to recruit and retain members of our management team and key personnel could have a material adverse effect on our business.

Our future success will depend in part on our ability to attract and retain highly-skilled employees, particularly those in regulatory, manufacturing and technical positions. The loss of services of members of our management team could adversely affect our business and impede or delay achievement of our corporate mission. Furthermore, recruiting and retaining qualified scientific and other key employees will be critical to our success, and competition for such employees in our targeted industry and in our geographic

regions is intense. In addition, many of the companies with which we compete for highly qualified personnel have greater financial and other resources. We may be unable to attract and retain key employees on acceptable terms given the level and nature of such competition.

Anti-takeover provisions could make a third-party acquisition of us more difficult.

In 2002, we adopted a Shareholder Rights Plan that provided for the issuance of rights to purchase shares of Series D Junior Participating Preferred Stock of our company. Under the plan, we distributed one preferred share purchase right for each outstanding share of our common stock. Each purchase right entitles the holder to purchase from our company one one-thousandth ($1/1000^{th}$) of a share of Series D Junior Participating Preferred Stock at a price of $40, subject to adjustment. The rights become exercisable, with certain exceptions, 10 business days after any party, without prior approval of our Board of Directors, acquires or announces an offer to acquire beneficial ownership of 15% or more of our common stock. In the event that any party acquires 15% or more of our common stock, we enter into a merger or other business combination, or if a substantial portion of our assets is sold after the time that the rights become exercisable, the holder of a right will receive, upon exercise of the right, shares of the common stock of the surviving or acquiring company, as applicable, having a market value of twice the exercise price of the right. The Shareholder Rights Plan may discourage or prevent certain types of transactions involving an actual or potential change in control of our company, which transactions may be beneficial to our shareholders, by causing substantial dilution to a party that attempts to acquire us on terms not approved by our Board.

Availability of Information

Novavax was incorporated in 1987 under the laws of the State of Delaware. Our principal executive offices are located at 8320 Guilford Road, Columbia, MD 21046. Our telephone number is (301) 854-3900 and our Internet address is www.novavax.com.

We make available, free of charge and through our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to any such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after filed with or furnished to the SEC.

Item 2. *Properties*

We currently have operations in five facilities. We lease approximately 12,000 square feet of administrative office space for our corporate headquarters in Columbia, Maryland. We lease two facilities in Rockville, Maryland. One facility is approximately 4,300 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 Rockville facility, we lease approximately 11,700 square feet of space for contract vaccine research, development and manufacturing of Phase I products. We have another approximately 2,800 square foot facility in Pacific Grove, California for new product research and development activities. Our manufacturing facility for ESTRASORB is in Philadelphia, Pennsylvania. In February 2002, we entered into a facilities reservation agreement with Cardinal Health at their facility, through which we lease approximately 24,000 square feet of manufacturing space to meet our current and anticipated future production requirements for ESTRASORB. We recently completed the build-out and construction of this manufacturing space and are in production. In December 2003, we closed our facility in Maryland Heights, Missouri, which was used for the repackaging of our vitamin lines and warehousing of our products. We have moved those operations to a third-party repackager and a third-party warehouse distribution company. A summary of our current facilities is set forth below.

Property Location	Approximate Square Footage	Purpose
Columbia, Maryland	12,000	Corporate headquarters
Rockville, Maryland	4,300	Research and development activities and office space
Rockville, Maryland	11,700	Vaccine research and development activities and office space
Philadelphia, Pennsylvania	24,000	Manufacturing and packaging of ESTRASORB, and office space
Pacific Grove, California	2,800	Research and development activities

We are currently reviewing alternatives to further consolidate corporate operations and facilities. In addition, we are looking to lease an alternative facility to expand and enhance the capabilities of our vaccine facility in Rockville in order to meet the requirements of recently awarded NIH contracts. 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***

Neither the Company nor its subsidiary is a party to any material 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, 2003.

PART II

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

Our common stock was held by approximately 649 stockholders of record as of February 27, 2004. 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. The following table sets forth, for the periods presented, the high and low sales prices for our common stock.

Quarter Ended:	High	Low
December 31, 2003.	$ 8.62	$5.00
September 30, 2003	7.94	4.76
June 30, 2003	6.87	3.26
March 31, 2003	4.75	2.52
December 31, 2002.	$ 4.37	$2.13
September 30, 2002	4.81	1.59
June 30, 2002	11.98	3.57
March 31, 2002	14.00	8.77

Recent Sales of Unregistered Securities

In February 2003, we issued 4,750,000 shares of common stock, for net proceeds of $16.6 million, to SJ Strategic Investments LLC. The shares were issued in a private placement in reliance on Section 4(2) of the Securities Act.

Securities Authorized for Issuance Under our Equity Compensation Plans

See Part III, Item 12.

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

The selected 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,				
	1999	2000	2001	2002	2003
	(amounts in thousands, except share and per share information)				
Statement of Operations Data:					
Revenues	$ 1,181	$ 2,475	$ 24,066	$ 15,005	$ 11,785
Loss from operations	(4,566)	(12,742)	(9,255)	(21,558)	(16,054)
Net loss	(4,506)	(12,191)	(9,745)	(22,697)	(17,273)
Basic and diluted per share information:					
Loss applicable to common stockholders	$ (0.31)	$ (0.64)	$ (0.43)	$ (0.93)	$ (0.58)
Weighted average number of shares outstanding	14,511,081	19,015,719	22,670,274	24,433,868	29,852,797

	As of December 31,				
	1999	2000	2001	2002	2003
Balance Sheet Data:					
Total current assets	$1,143	$17,036	$25,027	$ 6,242	$32,062
Working capital	(480)	12,331	18,030	378	27,226
Total assets	4,463	56,529	67,115	57,505	84,159
Long term obligations	—	20,000	30,000	41,103	41,100
Stockholders' equity	2,840	31,824	27,493	8,073	35,944

Summarized Quarterly Financial Information for the Years ended December 31, 2003 and 2002:

	Quarter Ended						
	(in thousands except per share data) unaudited						
	Previously Reported March 31	Restated March 31	Previously Reported June 30	Restated June 30	Previously Reported September 30	Restated September 30	December 31
2003							
Revenues	$ 1,194		$ 2,275		$ 4,269		$ 4,047
Cost of sales	234		388		761		674
Research and development costs	2,365		2,792		2,554		2,347
Selling and marketing	2,156		1,917		2,003		1,714
General and administrative	1,840		1,810		1,911		2,373
Net loss	(5,802)		(5,028)		(3,361)		(3,082)
Net loss per share	$ (.22)		$ (.17)		$ (.11)		$ (.10)
2002							
Revenues	$ 6,094	$ 5,713	$ 4,745	$ 4,464	$ 2,467	$ 2,328	$ 2,499
Cost of sales	1,057	1,057	1,008	1,008	762	762	732
Research and development costs	2,942	2,942	3,205	3,205	3,702	3,702	1,652
Selling and marketing	4,375	4,375	3,549	3,549	2,713	2,713	2,211
General and administrative	2,814	2,814	2,217	2,217	1,629	1,629	1,996
Net loss	(5,342)	(5,722)	(5,497)	(5,778)	(6,714)	(6,853)	(4,344)
Net loss per share	$ (.22)	$ (.24)	$ (.22)	$ (.24)	$ (.27)	$ (.28)	$ (.18)

During the fourth quarter of 2002, we reassessed the remaining costs, progress and milestones outstanding on four research contracts. Based on this review we determined that estimated costs to complete had been underestimated throughout the year and we reevaluated the estimated costs to complete on all contracts. The effect of this reevaluation was an $800,000 reduction to revenue, $600,000 of which relates to two of the contracts, with no corresponding reduction in expenses. The impact of this adjustment affects previously disclosed revenues in our 2002 quarterly reports.

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

The following discussion may contain statements that are not purely historical. Certain statements contained herein or as may otherwise be incorporated by reference herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements regarding product sales, future product development and related clinical trials and statements regarding future research and development, including Food and Drug Administration approval. 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; unexpected changes in technologies and technological advances; ability to obtain rights to technology; ability to obtain and enforce patents; ability to commercialize and manufacture products; ability to establish and maintain commercial-scale manufacturing capabilities; ability to enter into future collaboration with industry partners; results of clinical studies; progress of research and development activities; business abilities and judgment of personnel; availability of qualified personnel; changes in, or failure to comply with, governmental regulations; ability to obtain adequate financing in the future; and other factors referenced herein.

All forward-looking statements contained in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements, except as specifically required by law. Accordingly, past results and trends should not be used to anticipate future results or trends.

Overview

Novavax is a fully-integrated specialty biopharmaceutical 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 health and infectious diseases. We currently market, sell and distribute a line of prescription pharmaceutical and prenatal vitamins through our sales force, have recently completed the build-out of a manufacturing facility for our newly approved product, are conducting research and development on preventative vaccines and proteins, are developing new products using our drug delivery technology and are expanding our management team to meet our strategic objectives.

Our micellar nanoparticle technology involves the use of patented oil and water emulsions that we believe can be used as vehicles for the topical delivery of a wide variety of drugs and other therapeutic products, including hormones. We believe that our technology represents the first time that ethanol soluble hormones, such as estrogen and testosterone, have been encapsulated and delivered. In October 2003, we received our first commercial product approval utilizing our micellar nanoparticle technology. ESTRASORB, the first topical emulsion for estrogen therapy, was approved by the Food and Drug Administration for the treatment of moderate to severe vasomotor symptoms (hot flashes) associated with menopause.

The approval of ESTRASORB was a major milestone for Novavax that has presented us with numerous current and future opportunities and challenges. To successfully launch ESTRASORB and continue to develop future products using our drug delivery vehicle, we will need to focus our efforts and financial resources on:

- The development of marketing plans and programs to effectively compete in the highly competitive estrogen therapy market
- The expansion and training of our current sales force
- The manufacturing of products at commercial quantities and at acceptable gross margins
- The identification and development of future product candidates, and the
- The recruitment of management and key personnel

We believe the approval of ESTRASORB will provide us access to capital and human resources which previously were more difficult to obtain. Following the approval of ESTRASORB we raised approximately $26.0 million in November 2003 through the public offering of 4,500,000 shares of common stock. We may decide, or be required, to obtain additional financing, depending on the initial success of ESTRASORB, our marketing programs and our strategic objectives, and our success in identifying product development candidates. In addition, over the past few months we have added key senior management personnel in the areas of sales, marketing, human resources and vaccine development and we will continue to expand our senior management team as well as add key personnel. In preparation for the launch of ESTRASORB, we have developed the initial marketing strategies and programs with King Pharmaceuticals, Inc., our marketing partner, and we will be expanding our sales force from 64 to approximately 80 employees in the next few months. We will also be dedicating significant financial and human resources to create awareness about ESTRASORB and our unique drug delivery system.

In 2002, we entered into an agreement with Cardinal Health, Inc. to lease a 24,000 square foot facility within its existing facility in Philadelphia, PA. We have recently completed the build-out of this facility to our specifications and have installed the manufacturing equipment to accommodate commercial production of ESTRASORB. We have substantially completed the validation of the facility and equipment and are manufacturing bulk product as well as packaging the product. This facility was designed to be able to produce commercial quantities that we believe could meet our marketing requirements for the next 2 to 3 years. However, due to the costs associated with maintaining a facility at full capacity, until our production requirements reach a certain level our initial gross margins will be lower than industry averages. We believe we can significantly lower our costs of goods and improve our margins as we increase production quantities. In addition, we have already begun to design alternative packaging solutions to streamline production and lower costs of production.

While the majority of our efforts will be placed on the successful launch of ESTRASORB and the development of future products, we will continue to support and market our existing line of women's health products and look for opportunities to expand our products though the acquisition or further development of our prenatal vitamin line. In August and September 2003 we also received a grant and a contract from the National Institute of Allergy and Infectious Diseases which could total up to $18 million in revenues for the design and development of a new series of human immunodeficiency virus candidates for preclinical and clinical studies. The contract and grant cover four to five year periods and are the largest awards we have received to date. To meet the requirements of the contracts over their terms, we will need to enhance and expand the capabilities of our current lab facilities which, when completed, will allow us to qualify for other grants and contracts in the vaccine area.

Critical 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. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results that differ from our estimates could have a significant adverse effect on our operating results and financial position. We believe that the following significant accounting policies and assumptions may involve a higher degree of judgment and complexity than others.

For further discussion of our accounting policies see Footnote 2 "*Summary of Significant Accounting Policies"* in the Notes to Consolidated Financial Statements attached as an Exhibit to this Annual Report on Form 10-K.

Revenue Recognition

We recognize revenue in accordance with the provisions of Staff Accounting Bulletin No. 104. For our product sales, revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred to our distributor, the seller's price to the buyer is fixed or determinable and collectibility is reasonably assured. We recognize these sales net of allowances for returns, rebates and chargebacks. A large part of our product sales are to distributors who resell the products to their customers. We provide rebates to members of certain buying groups who purchase from our distributors, to distributors that sell to their customers at prices determined under a contract between us and the customer that administer various programs such as the federal Medicaid and Medicare programs. Rebate amounts are usually based upon the volume of purchases or by reference to a specific price for a product. We estimate the amount of the rebate that will be paid, and record the liability as a reduction of revenue when we record our sale of the products. Settlement of the rebate generally occurs from three to 12 months after sale. We regularly analyze the historical rebate trends and make adjustments to recorded reserves for changes in trends and terms of rebate programs. In a similar manner, we estimate amounts for returns based on historical trends and adjust those reserves as product returns occur. The shipping and handling costs we incur are included in cost of sales in the accompanying statements of operations.

For up-front payments and licensing fees related to our contract research or technology, we defer and recognize revenue 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 earned under current research contracts are recognized per the contracts' terms and conditions for invoicing of costs incurred and defined milestones. In 2002, revenue earned under research contracts was recognized on the percentage completion method whereby revenue was recognized in proportion to the estimated percentage to complete the contract. During the fourth quarter of 2002, we reassessed the remaining costs and progress on four contracts. Based on this review we determined that estimated costs to complete had been underestimated throughout the year. We reevaluated the estimated costs to complete on all contracts and the effect of this reevaluation was an $800,000 reduction to revenue, $600,000 of which related to two of the contracts, with no corresponding reduction in expenses. The impact of this adjustment affects previously disclosed revenues in our 2002 quarterly reports. We have shown the 2002 quarterly effects of these adjustments in Item 6 herein.

Research and Development Costs

Research and development costs are expensed as incurred. We will continue to incur research and development costs as we expand our product development activities in our women's health and vaccine programs. Our research and development costs have included, and will continue to include, expenses for internal development personnel, supplies and facilities, clinical trials, regulatory compliance and reviews, validation of processes and start-up costs to establish commercial manufacturing capabilities. At the time our new product candidates are approved by the FDA and we begin commercial manufacturing, we will be allocating costs at our manufacturing location to inventory or as research and development costs, depending on whether we are operating at or near our potential capacity. In 2004, we will be allocating our costs to manufacture ESTRASORB to inventory. As a result, our research and development costs will decrease and our inventory and cost of sales will increase.

Depreciation and Amortization

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, whichever is shorter.

In 2003 we substantially completed the build-out and validation of our new manufacturing facility in Philadelphia. In addition, we have purchased, validated and installed manufacturing equipment in preparation for the commercial launch of ESTRASROB in 2004. The total investment in the facility and equipment is approximately $12.0 million. We will begin recognizing amortization or depreciation on these assets when manufacturing for commercialization begins in early 2004. At that time, the yearly amortization and depreciation expense is estimated to be from $1.5 to $2.0 million per year.

Goodwill and Intangibles Assets

Goodwill and intangible assets principally result from business acquisitions, such as the $35.5 million of goodwill we recognized for our acquisition of Fielding Pharmaceuticals in December 2000. 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. Intangible assets other than goodwill 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 Financial Accounting Standards Board issued SFAS No. 142 Goodwill and Other Intangible Assets, which is effective for fiscal years beginning after December 15, 2001. Under these rules, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to impairment tests annually or more frequently should indicators of impairment arise. Other intangible assets continued to be amortized over their useful life beginning in the first quarter of 2002. The Company utilizes a discounted cash flow analysis, which includes profitability information, estimated future operating results, trends and other information in assessing whether the value of indefinite-lived intangible assets can be recovered. Under SFAS No. 142, goodwill impairment is deemed to exist if the carrying value of a reporting unit exceeds its estimated fair value. In accordance with the requirements of SFAS No. 142, the Company tested its goodwill for impairment as of January 1, 2002 and determined that no impairment was present. In the fourth quarters of 2002 and 2003, the Company performed the required annual impairment test on the carrying amount of its goodwill, which indicated the Company's estimated fair value of goodwill exceeded it carrying value; therefore, no impairment was identified at December 31, 2002 or 2003. If the appraisal had determined that the goodwill was impaired, the write down would have increased our net loss by a comparable amount.

Accounting for Co-promotion Agreement

Under the terms of our co-promotion agreement with King we will be responsible for manufacturing, receiving orders, invoicing and distribution of ESTRASORB. Thus, 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, subject to a 17% limitation on cost of goods sold, and the payment to King will be recorded as a selling and marketing expense on our statement of operations. Under the co-promotion agreement, both parties will share equally in approved marketing expenses for the product. All direct marketing expenses will be recorded by us, net of King's fifty percent reimbursement.

Stock Options

We apply the principles of APB No. 25, Accounting for Stock Issued to Employees, in accounting for stock options issued to our employees which generally does not require that options granted to employees be expensed.

Had we applied the fair value principles of SFAS No. 123, Accounting for Stock-Based Compensation, for our employee options, our net loss for the years ended December 31, 2003, 2002 and 2001 would have increased to approximately $23.5 million, $25.9 million and $15.5 million, respectively, as compared to approximately $17.3 million, 22.7 million and 9.7 million, respectively. The Financial Accounting Standards Board has indicated it will likely require that companies expense employee options in the future, but it has not yet finalized the timing or methods for such a change.

Guarantee

In April 2002, we executed a conditional guaranty of a brokerage margin account for a director, in the amount of $500,000. Prior to demanding payment from the Company, the brokerage firm must first make demand for payment to the director and then liquidate the account. Thereafter, if there remains a shortfall, they may demand payment from the Company. As of December 1, 2003 and 2002, the Company has not recorded any liability on its balance sheet related to this guarantee as we believe the possibility of required payment by the Company to be unlikely.

Results of Operations for Fiscal Years 2003, 2002 and 2001

Revenues:

	2003	Change from 2002		2002	Change from 2001		2001
Revenues:							
Vitamins	$ 5,703	$(3,123)	-35%	$ 8,826	$(1,891)	-18%	$10,717
Gynodiol	2,204	457	26%	1,747	(370)	-17%	2,117
AVC line	1,839	(71)	-4%	1,910	(1,556)	-45%	3,466
Other	463	137	42%	326	(626)	-66%	952
Total product sales	10,209	(2,600)	-20%	12,809	(4,443)	-26%	17,252
Contract research	1,301	330	34%	971	(1,718)	-64%	2,689
Milestone and licensing fees	275	(950)	-78%	1,225	(2,900)	-70%	4,125
	$11,785	$(3,220)	-21%	$15,005	$(9,061)	-38%	$24,066

Revenues for the fiscal year ended December 31, 2003 were $11.8 million compared to $15.0 million in 2002 and $24.0 million in 2001. This represents a year-to-year decrease of $3.2 million, or 21%, and $9.1 million, or 38%, for the years ending December 31, 2003 and 2002, respectively. Of the $3.2 million total revenue decrease from 2002 to 2003, a decline in product sales accounted for $2.6 million of that shortage. The product sales decrease was attributable to an overall decline in our prenatal vitamin lines due to generic competition offset by slightly higher sales from the Gynodiol product line and the fourth quarter introduction of our new prenatal vitamins, NovaNatal and NovaStart. Milestone revenue decreased by approximately $1.0 million, primarily due to a one-time recognition of $0.8 million on a milestone payment in 2002. Contract research revenue increased $0.3 million from $1.0 million in 2002 to $1.3 million in 2003.

The revenue decrease from 2001 to 2002 relates to a decline in product sales from $17.3 million in 2001 to $12.8 million in 2002, a decrease of $4.5 million, a decline in contract research revenue from $2.7 million in 2001 to $1.0 million in 2002, a decline of $1.7 million, and a decline in milestone and license fee revenue from $4.1 million in 2001 to $1.2 million in 2002, a decrease of 2.9 million. Product sales were negatively impacted in 2002 primarily due to an 18% decline in sales for our prenatal vitamin line as a result of increasing competitive pressure from generic alternatives, as well as declines in AVC cream and Gynodiol sales in 2002 due to first year sales promotions following our acquisition of these products in 2001. The reduction in contract research revenues was due to a one time payment for a contract in 2001 and a change in accounting for contract research revenues in 2002 from the percentage of completion method to recognition upon completion of all contract terms. The reduction in milestone and license fee revenues was primarily due to the one time recognition of a $2.5 million milestone received from King in 2001 for the timely filing of the NDA for ESTRASORB.

Net Losses:

	2003	Change from 2002		2002	Change from 2001		2001
Net loss	$ (17,273)	$5,424	24%	$ (22,697)	$(12,952)	(133%)	$ (9,745)
Net loss per share	$ (0.58)	$ 0.35	38%	$ (0.93)	$ (0.50)	(116%)	$ (0.43)
Weighted shares outstanding	29,852,797			24,433,868			22,670,274

Net loss for 2003 was $17.3 million, or $(0.58) per share, compared to $22.7 million, or $(0.93) per share for 2002, and $9.7 million, or $(0.43) per share in 2001. The decreased loss of $5.4 million from 2002 to 2003 related primarily to the $5.1 million reduction of sales and marketing expenses that was incurred in 2002 principally for the anticipated product launch of ESTRASORB,

$.7 million reductions in general and administrative expenses for similar reasons, $1.4 million reductions in research and development, as described below, offset by revenue reductions of $3.2 million, as previously discussed. The increased loss of $13.0 million from 2001 to 2002 related primarily to reduced product sales of $4.5 million, a reduction in contract research revenues of $1.7 million, a decrease in milestone revenues of $2.9 million as previously described, increases in selling and marketing expenses of $4.3 million in preparation of the anticipated approval and product launch of ESTRASORB, and an increase of $0.7 million in research and development expenses for manufacturing start-up activities.

Operating Costs and Expenses:

	2003	Change from 2002		2002	Change from 2001		2001
Operating costs and expenses:							
Cost of sales	$ 2,057	$(1,502)	-42%	$ 3,559	$ (493)	-12%	$ 4,052
Research and development	10,058	(1,443)	-13%	11,501	726	7%	10,775
Selling and marketing	7,790	(5,058)	-39%	12,848	4,309	50%	8,539
General and administrative	7,934	(721)	-8%	8,655	(1,300)	-13%	9,955
	$27,839	$(8,724)	-24%	$36,563	$ 3,242	10%	$33,321

Cost of Sales

Cost of sales was $2.1 million in 2003, compared to $3.6 million in 2002 and $4.1 million in 2001. The year-to-year decreases, in both 2003 and 2002, were primarily due to decreases in product sales for the same periods. As a percentage of sales, cost of sales decreased to 20% in 2003 from 28% and increased to 28% from 23% in 2002, due to product mix and sampling protocols which changed per the product mix year to year.

Research and Development Expenses

Research and development expenses were $10.1 million in 2003, compared to $11.5 million for 2002, and $10.8 million for 2001. The decrease of $1.4 million, or 13%, from 2002 to 2003 was primarily attributable to decreased spending in our vaccines programs, offset slightly by increased spending on manufacturing start-up costs related to preparing our manufacturing facility for commercial production of ESTRASORB. The increase from 2001 to 2002 of $0.7 million, or 6%, was primarily due to increases in manufacturing start-up costs as we prepared for the manufacturing of ESTRASORB, offset by decreases in 2002 for clinical trial and NDA preparation costs when compared to 2001. The manufacturing start-up costs relate primarily to facility lease expenses, validation services, product stability testing and personnel costs.

Reconciliation of Significant Research and Development Projects

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

Project	2003	2002	2001
ESTRASORB	$ 5,417	$ 4,738	$ 4,327
ANDROSORB	269	678	—
Infectious disease vaccines	3,001	3,755	3,348
Allocated project costs	8,697	9,171	7,675
Other unallocated costs	1,371	2,330	3,100
Total	$10,058	$11,501	$10,775

Estimated Cost and Time to Complete Major Projects

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, 2003, our proprietary product candidates were in early stages of development. Due to the inherent nature of product 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 those product candidates. 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 preclinical 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 $7.8 million in 2003, $12.8 million in 2002 and $8.5 million in 2001. The costs variances on a year-to-year basis are primarily the result of the variations in marketing expenses associated with the anticipated product launch for ESTRASORB. Of these total selling and marketing costs, marketing costs represented $0.2 million, $4.3 million and $2.0 million for the years ending 2003, 2002, and 2001, respectively, which accounts for the yearly fluctuations. In anticipation of FDA approval for ESTRASORB occurring in 2002, the Company began incurring costs associated with actively developing marketing materials and programs for the product launch. Later, the Company withdrew its application. This decision, and the related decision to defer marketing ESTRASORB until we received approval, resulted in the variances in marketing costs. Since receiving approval in October 2003, we have accelerated our marketing programs and we expect to incur increasing costs for our 2004 launch of ESTRASORB.

General and Administrative

General and administrative expenses were $7.9 million is 2003, compared to $8.7 million in 2002 and $10.0 million in 2001. The reduction of $0.8 million in 2003 over 2002 was due to major reductions in administrative and executive personnel and other expenses in the second half of 2002, resulting from the delay in the approval of ESTRASORB. These reductions continued through the third quarter of 2003, at which time we began rehiring in anticipation of the ESTRASORB approval. The reduction from 2001 to 2002 of $1.3 million was primarily due to the accounting change for goodwill amortization, as described above in “Goodwill and Intangible Assets,” offset by increases in administrative and executive personnel to support our growth for anticipated initiation of commercialization activities for ESTRASORB and increases in legal costs related to patent filings and research contract reviews.

Interest Income/(Expense):

	2003	Change from 2002		2002	Change from 2001		2001
Interest income (expense)							
Interest income	$ 195	$(41)	-21%	$ 200	$(244)	-55%	$ 444
Interest expense	(1,414)	(39)	3%	(1,339)	(405)	43%	(934)
	$(1,219)	$(80)	7%	$(1,139)	$(649)	132%	$(490)

Net interest expense was $1.2 million in 2003, $1.1 million in 2002, and $0.5 million in 2001. Our interest expenses relate primarily to the promissory notes with King, which increased from $30.0 million in 2001 to $40.0 million in 2002. Net interest expenses remained relatively unchanged from 2002 to 2003. The increase from 2001 to 2002 of $0.6 million was due to the issuance of an additional $10.0 million note to King, and to a lesser extent overall lower cash balances in 2002.

Liquidity and Capital Resources:

Our capital requirements depend on numerous factors, including but not limited to the marketing and manufacturing costs related to the launch of ESTRASORB, the commitments and progress of our research and development programs, the progress of preclinical and clinical testing, the time and costs involved in obtaining regulatory approvals, the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, competing technological and market developments, and changes in 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 the development of sales and marketing programs, the expansion of commercial-scale manufacturing capabilities and clinical development, are subject to our ability to raise funds through debt or equity financing, or collaborative arrangements with industry partners.

In addition to product and contract research revenues of $45.2 million from 2001 through December 31, 2003, we have financed our operations primarily from:

(In Millions)	2001	2002	2003	Total
Proceeds from notes with King	$10.0	$10.0	—	$20.0
Proceeds from King for licensing and milestone payments	8.0	—	—	8.0
Private placement of 4,750,000 shares of common stock	—	—	16.6	16.6
Public offering of 4,500,000 shares of common stock	—	—	25.9	25.9
Proceeds for exercise of stock options and warrants	5.4	2.9	1.6	9.9
	$23.4	$12.9	$44.1	$80.4

Cash and cash equivalents were $27.6 million at December 31, 2003, an increase of $24.6 million from the December 31, 2002 balance of $3.0 million. The increase during the year was primarily due to the net proceeds from two sales of common stock totaling $42.5 million. In February 2003, we completed the private placement of 4,750,000 shares of common stock at $3.50 per share for net proceeds of $16.6 million, and in November 2003 we completed the sale of 4,500,000 shares of common stock at $6.15 per share for net proceeds of $25.9 million. These two financing activities were offset by $17.6 million of cash used for operating activities and $2.0 million used for capital expenditures in 2003. Cash used for operating activities in 2003 decreased by $3.5 million from $21.1 million used in 2002. Of the $17.6 million used for operating activities, we used approximately $10.0 million to fund the activities in our research and development operations, which included clinical trials for ESTRASORB, preparing our manufacturing operations for commercial production and vaccine contract research. The $2.0 million for capital expenditures in 2003, which was a decrease of $7.7

million from the $9.7 million used in 2002, was primarily for manufacturing equipment and the validation of our manufacturing equipment and facility in Philadelphia. Working capital was $27.2 million at December 31, 2003 compared to $0.4 million at December 31, 2002. The increase of $26.8 million in working capital was primarily due to the cash flow activities described above.

As noted in the Overview, we received FDA approval for ESTRASORB in October 2003. We currently anticipate that the commercial launch of ESTRASORB will occur in the second quarter of 2004. During 2004, we will be incurring substantial costs to support the selling, marketing and manufacturing expenses associated with the initial year of commercial production, recruiting and retaining personnel and developing marketing programs necessary for the launch of ESTRASORB. We will not receive any receipts from potential product sales of ESTRASORB until a few months after the initial shipments, and our 2004 sales for ESTRASORB and subsequent cash receipts will probably not offset the 2004 expenses noted above. In addition to the costs related to ESTRASORB, we will incur increasing costs in 2004 to build our senior management team and to develop our other product candidates that will be using our drug delivery technology.

The Company will continue to pursue raising capital through the public or private sale of securities of the Company. There can be no assurance that the Company will be able to raise additional financing or that if such financing is available, that the terms of the financing will be satisfactory to the Company. If we are unable to raise additional capital, we may be required to delay, reduce the scope of, or eliminate one or more of our product research and development programs, downsize our sales force, reduce or defer our marketing expenses, or reduce general and administrative infrastructure. Based on our assessment of the availability of capital and the above described actions, in the absence of new financing, we believe we will have adequate resources to meet our 2004 obligations as they become due.

Contractual Obligations and Commitments

The following table summarizes our current obligations and commitments:

Commitments & Obligations	Total	Less than 1 Year	1 - 3 Years	4 – 5 Years	After 5 Years
Convertible notes	$40,000	$ —	$ —	$40,000	$ —
Operating leases	1,713	997	716	—	—
Financing Leases	1,435	256	707	459	13
Manufacturing facility lease	5,193	1,841	3,352	—	—
Total commitments & obligations	$48,341	$ 3,094	$4,775	$40,459	$ 13

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

The Company is exposed to interest rate risk primarily through its investments in cash equivalents. The Company's investment policy requires investments in short-term, low-risk instruments. At December 31, 2003, the Company had $27.6 million in cash and cash equivalents. If interest rates fall, floating rate securities will generate less interest income. The Company does not believe that it is exposed to any material interest rate risk as a result of its investments in cash equivalents.

At December 31, 2003, the Company has total debt of $42.1 million, most of which bears interest at fixed interest rates. Thus the Company does not believe that it is exposed to any material interest rate risk as a result of its borrowing activities.

Information required under this section is also 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 15) 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.

Item 9A. ***Controls and Procedures***

The Company's chief executive officer and chief financial officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 as amended) as of the end of the period covered by this annual report. Based on that review and evaluation, which included the participation of management and certain other employees of the Company, the chief executive officer and chief financial officer have concluded that the Company's current disclosure controls and procedures, as designed and implemented, are reasonably adequate to ensure that such officers are provided with information relating to the Company required to be disclosed in the reports the Company files or submits under the Exchange Act and that such information is recorded, processed, summarized and reported within the specified time periods. During the year, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Certain of the information required by this item is set forth below. The remainder is contained in our Proxy Statement for our Annual Meeting of Stockholders to be held on May 5, 2004 (the "2004 Proxy Statement") under the captions "Proposal 2 — Election of Directors" and "Beneficial Ownership of Common Stock" and is incorporated herein by this reference. We expect to file the 2004 Proxy Statement within 120 days after the close of the fiscal year ended December 31, 2003.

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 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
Nelson M. Sims	56	President, Chief Executive Officer and a Director of Novavax since August 2003. Executive Director of Strategic Alliance Management for Eli Lilly and Company from 1999 to 2001. President of Eli Lilly Canada, Inc. from 1991 to 1999. Served Eli Lilly and Company in various capacities since 1973.
Denis M. O'Donnell, M.D	50	Chairman of the Board of Directors of Novavax since May, 2000. Chief Executive Officer of Molecular Diagnostics, Inc. since February 2003. General Partner at Seaside Partners, LP, a private equity limited partnership, from 1997 to 2003. 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.
D. Craig Wright, M.D	53	Chief Scientific Officer of Novavax since 1995.
Dennis W. Genge	51	Vice President, Chief Financial Officer and Treasurer of Novavax 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.
Ford R. Lynch	57	Senior Vice President of Sales and Marketing of Novavax since October 2003. Area Director, Women's Health Products, Eli Lilly and Company from 1998 to 2003. Area Director, CNS Division, Eli Lilly and Company from 1992 to 1998. Director of Marketing and Sales, Eli Lilly Canada, Inc., from 1985 to 1992.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics applicable to its principal executive officer, principal financial officer, controller, and persons performing similar functions, and has made the code an exhibit to this annual report on Form 10-K. The Code will also be made available and the Company will file and post a current report on Form 8-K for amendments to and waivers of its Code of Ethics for its principal executive and financial officers, on its website at: www.novavax.com.

Item 11. ***Executive Compensation***

The information required by this item is contained in the 2004 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 and Related Stockholder Matters***

The information required by this item is contained in the 2004 Proxy Statement under the captions "Beneficial Ownership of Common Stock" and "Stock Options" and is incorporated herein by reference.

The following table provides the Company's equity compensation plan information as of December 31, 2003. Under these plans, the Company's common stock may be issued upon the exercise of options. See also the information regarding stock options of the Company in Note 8, "Stock Options and Warrants" to the Consolidated Financial Statements of the Company attached as an exhibit to this Annual Report on Form 10-K.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	4,481,643	$ 5.51	1,936,524
Equity compensation plans not approved by security holders	70,000	$ 6.00	—
Total	4,551,643	$ 5.52	1,936,524

(1) Includes the Company's 1995 Stock Option Plan and 1995 Director Stock Option Plan.

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

The information required by this item is contained in the 2004 Proxy Statement under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is contained in the 2004 Proxy Statement under the caption "Proposal Three – Ratification of Appointment of Auditors" and is incorporated herein by reference.

PART IV

Item 15. ***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, 2003 and 2002; Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001; Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001; Consolidated Statements of Stockholders' Equity for the years ended December 31, 2003, 2002 and 2001; 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.

Exhibits marked with a double plus sign (††) refer to management contracts, compensatory plans or arrangements.

All 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"))
4.1	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"))
4.2	Rights Agreement, dated as of August 8, 2002 by and between the Company and Equiserve Trust Company, which includes the Form of Summary of Rights to Purchase Series D Junior Participating Preferred Stock as Exhibit A, the Form of Right Certificate as Exhibit B and the Form of Certificate of Designation of Series D Junior Participating Preferred Stock as Exhibit C. (Incorporated by reference to Form 8-K of the Company, File No. 000-26770, filed August 9, 2002)
††10.1	1995 Stock Option Plan, as amended (Incorporated by reference to Appendix A of the Company's Proxy Statement in connection with the Annual Meeting held on May 7, 2003)
††10.2	Director Stock Option Plan (Incorporated by reference to Exhibit 10.5 to the Form 10)
††10.3	Employment Agreement, dated January 1, 2002, by and between the Company and Dennis W. Genge (Incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, File No. 0-26770, filed March 15, 2002 (the "2001 Form 10-K"))
††10.4	Employment Agreement, dated January 14, 2002, by and between the Company and Ann O. McGeehan (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, File No. 0-26770, filed August 14, 2002)

††10.5	Employment Letter, dated September 24, 2003, by and between the Company and Ford R. Lynch (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, File No. 000-26770, filed November 12, 2003)
††10.6	Employment Agreement, dated August 7, 2003, by and between the Company and Nelson M. Sims (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, File No. 000-26770, filed August 13, 2003)
10.7	Secured Promissory Note, dated March 21, 2002, by and between the Company and Mitchell J. Kelly (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, File No. 0-26770, filed March 28, 2003 (the "2002 Form 10-K"))
10.8	Pledge Agreement, dated March 21, 2002, by and between the Company and Mitchell J. Kelly (Incorporated by reference to Exhibit 10.10 to the 2002 Form 10-K)
10.9	Secured Promissory Note, dated March 21, 2002, by and between the Company and Denis M. O'Donnell, M.D. (Incorporated by reference to Exhibit 10.11 to the 2002 Form 10-K)
10.10	Pledge Agreement, dated March 21, 2002, by and between the Company and Denis M. O'Donnell, M.D. (Incorporated by reference to Exhibit 10.12 to the 2002 Form 10-K)
10.11	Guaranty of Account, dated April 29, 2002, by and between the Company and CIBC World Markets Corporation for Denis M. O'Donnell, M.D. (Incorporated by reference to Exhibit 10.13 to the 2002 Form 10-K)
10.12	Agreement of Lease, dated September 25, 1996, by and between the Company and Rivers Center Associates Limited Partnership (Incorporated by reference to Exhibit 10.7 to the 1996 Form 10-K)
10.13	Agreement of Lease, dated March 30, 1995, by and between W.M. Rickman Construction Co. and DynCorp Advanced Technology Services, Inc., as assigned to the Company by letter from W.M. Rickman Construction Co. dated September 1, 1999, and as amended by letter from the Company dated September 29, 1999 (Incorporated by reference to Exhibit 10.10 to the 2001 Form 10-K)
10.14	Agreement of Lease, dated September 1, 2000, by and between GPG Enterprises, L.L.C. and The Fielding Pharmaceutical Company (Incorporated by reference to Exhibit 10.11 to the 2001 Form 10-K)
10.15	Agreement of Lease, dated March 8, 2002, by and between Association of Entrepreneurs Sciences, Inc. and the Company (Incorporated by reference to Exhibit 10.12 to the 2001 Form 10-K)
10.16	Facilities Reservation Agreement, dated as of February 11, 2002, by and between the Company and Packaging Coordinators, Inc. (Incorporated by reference to Exhibit 10.13 to the 2001 Form 10-K)
10.17	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)
10.18	License Agreement, dated October 21, 1999, by and between the Company and Parkedale Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.13 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"))
10.19	Agreement and Plan of Merger, dated October 4, 2000, by and among 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)
10.20	Agreement for Purchase and Sale of Assets Relating to AVCTM Product Line, dated as of January 8, 2001, by and 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)

10.21	Copromotion Agreement, dated as of January 8, 2001, by and 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)
10.22	First Amendment to the Copromotion Agreement, dated as of June 29, 2001, by and between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.1 to the 2001 Q2 Form 10-Q)
10.23	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)
10.24	Third Amendment to the Copromotion Agreement, dated June 26, 2002, by and between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K, filed July 2, 2002 (the "July 2002 Form 8-K"))
10.25	Exclusive License and Distribution Agreement, dated as of January 8, 2001, by and 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)
10.26	First Amendment to the Exclusive License and Distribution Agreement, dated as of June 29, 2001, by and between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.3 to the 2001 Q2 Form 10-Q)
10.27	Second Amendment to the Exclusive License and Distribution Agreement, dated as of June 29, 20001, by and between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.4 to the 2001 Q2 Form 10-Q)
10.28	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)
10.29	Note Purchase Agreement, dated as of December 19, 2000, by and 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)
10.30	September 2001 Note Purchase Agreement, dated as of September 7, 2001, by and 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)
10.31	June 2002 Note Purchase Agreement, dated June 26, 2002, by and between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 99.2 to the July 2002 Form 8-K)
10.32	Amended and Restated Investor Rights Agreement, dated June 26, 2002, by and between the Company and King Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 99.4 to the July 2002 Form 8-K)
10.33	Common Stock Purchase Agreement, dated as of February 17, 2003, by and among the Company and the purchasers named therein (Incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K, filed February 25, 2003)
10.34	Note, dated December 20, 2002, by and between the Company and PIDC Local Development Corporation (Incorporated by reference to Exhibit 10.35 to the 2002 Form 10-K)
10.35	Security Agreement, dated December 20, 2002, by and between the Company and PIDC Local Development Corporation (Incorporated by reference to Exhibit 10.36 to the 2002 Form 10-K)
10.36	Note, dated December 20, 2002, by and between the Company and PIDC Local Development Corporation (Incorporated by reference to Exhibit 10.37 to the 2002 Form 10-K)
10.37	Security Agreement, dated December 20, 2002, by and between the Company and PIDC Local Development Corporation (Incorporated by reference to Exhibit 10.38 to the 2002 Form 10-K)

*10.38	HIV Vaccine Design and Development Agreement, effective September 26, 2003, by and between the Company and the National Institute of Allergy and Infectious Diseases, a component of the National Institutes of Health, an agency of the Department of Health and Human Services
*14	Code of Business Conduct and Ethics
*21	List of Subsidiaries
*23	Consent of Ernst & Young LLP, Independent Auditors
*31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Nelson M. Sims, President and Chief Executive Officer of the Company
*32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Dennis W. Genge, Vice President and Chief Financial Officer of the Company

(b) Reports on Form 8-K:

On November 18, 2003, the Company filed a current report on Form 8-K to report the execution on November 12, 2003 of an underwriting agreement with C. E. Unterberg, Towbin for the sale of 4.5 million shares of the Company's Common Stock in connection with the Company's shelf takedown.

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 10, 2004

NOVAVAX, INC.

By: /s/ Nelson M. Sims
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 and in the capacities and on the dates indicated.

Name	Title	Date
/s/ NELSON M. SIMS Nelson M. Sims	President and Chief Executive Officer and Director	March 10, 2004
/s/ DENNIS W. GENGE Dennis W. Genge	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2004
/s/ GARY C. EVANS Gary C. Evans	Director	March 10, 2004
/s/ MITCHELL J. KELLY Mitchell J. Kelly	Director	March 10, 2004
/s/ J. MICHAEL LAZARUS, M.D. J. Michael Lazarus, M.D.	Director	March 10, 2004
/s/ JOHN O. MARSH, JR. John O. Marsh, Jr.	Director	March 10, 2004
/s/ MICHAEL A. MCMANUS Michael A. McManus	Director	March 10, 2004
/s/ DENIS M. O'DONNELL, M.D. Denis M. O'Donnell, M.D.	Director	March 10, 2004
/s/ RONALD H. WALKER Ronald H. Walker	Director	March 10, 2004

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Years ended December 31, 2003, 2002 and 2001

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Novavax, Inc.

We have audited the accompanying consolidated balance sheets of Novavax, Inc. as of December 31, 2003 and 2002 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Novavax, Inc. at December 31, 2003 and 2002 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the financial statements, in 2002 the Company changed its method for accounting for goodwill and other intangible assets to comply with the accounting provisions of Statement of Financial Accounting Standards No. 142.

/s/ Ernst and Young LLP

February 13, 2004
McLean, Virginia

NOVAVAX, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)

	December 31,	
	2003	**2002**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,633	$ 3,005
Trade accounts receivable, net allowance for doubtful accounts of $376 and $193 for the years ended December 31, 2003 and 2002	1,960	1,882
Inventory, net	855	633
Prepaid expenses and other current assets	1,614	722
Total current assets	32,062	6,242
Property and equipment, net	15,244	13,655
Goodwill, net	33,141	33,141
Other intangible assets, net	3,310	3,966
Other long term assets	402	501
Total assets	$ 84,159	$ 57,505
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,342	$ 2,534
Accrued expenses	1,179	2,844
Deferred revenue – current	250	275
Current portion of long term debt and capital lease obligations	1,065	211
Total current liabilities	4,836	5,864
Convertible notes	40,000	40,000
Deferred revenue – non-current	2,125	2,375
Deferred rent	154	90
Non current portion of long term debt and capital lease obligations	1,100	1,103
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; 34,972,183 issued and 34,718,335 outstanding at December 31, 2003, and 25,222,110 issued and 24,664,359 outstanding at December 31, 2002	349	252
Additional paid-in capital	144,288	102,361
Notes receivable from directors	(1,480)	(1,480)
Accumulated deficit	(104,800)	(87,527)
Treasury stock, 253,848 and 557,752 shares, cost basis, at December 31, 2003 and 2002, respectively	(2,413)	(5,533)
Total stockholders' equity	35,944	8,073
Total liabilities and stockholders' equity	$ 84,159	$ 57,505

See accompanying notes.

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

	For the years ended December 31,		
	2003	**2002**	**2001**
Revenues			
Net product sales	$ 10,209	$ 12,809	$ 17,252
Contract research and development	1,301	971	2,689
Milestone and licensing fees	275	1,225	4,125
Total revenues	11,785	15,005	24,066
Operating cost and expenses:			
Cost of products sold	2,057	3,559	4,052
Research and development	10,058	11,501	10,775
Selling and marketing	7,790	12,848	8,539
General and administrative	7,934	8,655	9,955
Total operating costs and expenses	27,839	36,563	33,321
Loss from operations	(16,054)	(21,558)	(9,255)
Interest expense, net	(1,219)	(1,139)	(490)
Net loss	$ (17,273)	$ (22,697)	$ (9,745)
Basic and diluted loss per share	$ (0.58)	$ (0.93)	$ (0.43)
Basic and diluted weighted average number of common shares outstanding	29,852,797	24,433,868	22,670,274

See accompanying notes.

NOVAVAX, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2003, 2002 and 2001
(in thousands, except share information)

	Common Stock		Additional Paid-in Capital	Note Receivable From Directors	Accumulated Deficit	Treasury Stock	Total Stockholders Equity
	Shares	Dollars					
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**
Exercise of stock options and warrants	987,998	9	4,392	—	—	—	4,401
Warrants issued as compensation	—	—	108	—	—	—	108
Notes receivable from directors	—	—	—	(1,480)	—	—	(1,480)
Shares issued to Fielding shareholders	362,318	4	—	—	—	—	4
Shares issued to King	—	—	—	—	—	232	232
Shares issued to 401K plan	—	—	—	—	—	12	12
Net loss	—	—	—	—	(22,697)	—	(22,697)
Balance, December 31, 2002	**25,222,110**	**$ 252**	**$102,361**	**$ (1,480)**	**$ (87,527)**	**$(5,533)**	**$ 8,073**
Exercise of stock options	506,000	5	1,816	—	—	(212)	1,609
Shares retired	(5,927)	—	(31)	—	—	31	—
Sales of common stock	9,250,000	92	42,385	—	—	—	42,477
Shares issued to King and other non-cash expense	—	—	(2,242)	—	—	3,300	1,058
Net loss	—	—	—	—	(17,273)	—	(17,273)
Balance, December 31, 2003	**34,972,183**	**$ 349**	**$144,288**	**$ (1,480)**	**$ (104,800)**	**$(2,413)**	**$ 35,944**

See accompanying notes.

NOVAVAX, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the years ended December 31,		
	2003	**2002**	**2001**
Operating Activities			
Net loss	$(17,273)	$(22,697)	$ (9,745)
Reconciliation of net loss to net cash used by operating activities:			
Loss on disposal/sale of asset	129	—	137
Amortization	656	655	3,136
Depreciation	530	483	353
Provision for bad debt	183	73	70
Deferred rent expense	64	90	—
Non-cash expense	258	343	—
Changes in operating assets and liabilities:			
Trade accounts receivable	(261)	1,923	(2,994)
Inventory	(222)	(96)	(76)
Prepaid expenses and other assets	51	(95)	190
Accounts payable and accrued expenses	(1,387)	(520)	592
Deferred revenue	(275)	(1,225)	3,771
Net cash used by operating activities	(17,547)	(21,066)	(4,566)
Investing activities			
Acquisition of product lines	—	—	(3,332)
Capital expenditures	(2,018)	(9,661)	(2,335)
Proceeds from disposal of property and equipment	100	—	—
Net cash used in investing activities	(1,918)	(9,661)	(5,667)
Financing activities			
Proceeds from issuance of convertible notes	—	9,448	10,000
Borrowing of long-term debt	226	1,332	—
Payment of capital lease obligations	(219)	(18)	—
Proceeds from sales of common stock, net	42,477	—	—
Proceeds from the exercise of stock options and warrants	1,609	2,925	5,414
Net cash provided by financing activities	44,093	13,687	15,414
Net change in cash and cash equivalents	24,628	(17,040)	5,181
Cash and cash equivalents at beginning of year	3,005	20,045	14,864
Cash and cash equivalents at end of year	$ 27,633	$ 3,005	$20,045
Non-cash transactions			
Equipment purchases included in accounts payable	$ 330	$ 705	$ 554
Financed insurance premiums	$ 844	$ —	$ —
Cashless stock option exercises	$ 181	$ —	$ —
Treasury stock reissued for accrued interest to King	$ 800	$ —	$ —

See accompanying notes.

1. Description of Business

Novavax, Inc., a Delaware corporation ("Novavax" or "the Company"), was incorporated in 1987, and is a specialty biopharmaceutical 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 can be used as vehicles for the topical delivery of a wide variety of drugs and other therapeutic products, including hormones. On October 9, 2003, the Company's lead product candidate, ESTRASORB®, the first topical emulsion for estrogen therapy, was approved for marketing by the Food and Drug Administration. The FDA approved ESTRASORB for the treatment of moderate to severe vasomotor systems (hot flashes) associated with menopausal women. The Company believes ESTRASORB will be competitively positioned to address the estimated $1.5 billion estrogen therapy market in the United States. The Company plans on expanding its sales force and manufacturing capabilities and initiating marketing programs for the commercial introduction of ESTRASORB. In addition, Novavax conducts research and development on preventative vaccines and proteins for infectious diseases.

The products currently under development or in clinical trials by the Company will require significant additional research and development efforts, including extensive preclinical 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 or that any of the Company's potential products will prove to be safe and effective in clinical trial. 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 corporation and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated 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.

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. The carrying value of cash and cash equivalents and accounts receivable approximates their fair value based on their short-term maturities at December 31, 2003 and 2002. The fair values of convertible notes approximate their fair value as of December 31, 2003, and 2002 based on rates currently available to the Company for debt with similar terms and remaining maturities.

2. Summary of Significant Accounting Policies (Continued)

Trade Accounts Receivables

Trade receivables that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported in the consolidated balance sheets as outstanding principal less any charge-offs and the allowance for doubtful accounts. The Company charges off uncollectible receivables when the likelihood of collection is remote. Generally, the Company considers receivables past due 30 days subsequent to the billing date; however, the Company may extend credit terms up to 180 days. The Company performs ongoing credit evaluations of its customers and generally extends credit without requiring collateral. The Company maintains an allowance for doubtful accounts that is determined based on historical experience and management's expectations of future losses. Losses have historically been within management's expectations. As of December 31, 2003 and 2002, the Company had an allowance for doubtful accounts of approximately $339,000 and $193,000, respectively.

As of December 31, 2003 and 2002, three customers accounted for 74% and 63% of the Company's revenues and 76% and 60% of the Company's accounts receivable, respectively.

Inventories

Inventories are priced at the lower of cost or market using the first-in-first-out method and consist of the following at December 31:

	2003	2002
	(in thousands)	
Raw materials	$500	$479
Work-in-progress	31	—
Finished goods	324	154
	$855	$633

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 shorter of the estimated useful lives of the improvements or the term of the lease. Repairs and maintenance costs are expensed as incurred.

Goodwill and Other Intangible Assets

Goodwill principally results 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. Other intangible assets are a result of product acquisitions, non-compete arrangements, and internally discovered patents. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142), goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to impairment tests annually, or more frequently should indicators of impairment arise. The Company utilizes a discounted cash flow analysis that includes profitability information, estimated future operating results, trends and other information in assessing whether the value of indefinite-lived intangible assets can be recovered. Under SFAS No. 142, goodwill impairment is deemed to exist if the carrying value of a reporting unit exceeds its estimated fair value. In accordance with the requirements of SFAS No. 142, the Company tested its goodwill for impairment as of January 1, 2002 and determined that no impairment was present. The Company

2. Summary of Significant Accounting Policies – (Continued)

Goodwill and Other Intangible Assets (continued)

thereafter performed the required annual impairment test as of October 1 of each year on the carry amount of its goodwill, which indicated the Company's estimated fair value of goodwill exceeded its carrying value, therefore, no impairment was identified during December 31, 2002 or 2003. Other intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from 5 to 15 years. Goodwill and other intangible assets consisted of the following, at December 31:

	2003			2002		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in thousands)					
Goodwill, net						
Goodwill-Fielding acquisition	$35,590	$ (2,449)	$33,141	$35,590	$ (2,449)	$33,141
Other intangible assets, net						
Acquisition	$ 148	$ (131)	$ 17	$ 148	$ (101)	$ 47
AVC-Product acquisition	3,332	(1,428)	1,904	3,332	(952)	2,380
Patents	2,525	(1,136)	1,398	2,525	(986)	1,539
Total other intangible assets, net	$ 6,005	$ (2,695)	$ 3,310	$ 6,005	$ (2,039)	$ 3,966

Amortization expense was $656,000, $655,000, and $3,136,000 for the years ended December 31, 2003, 2002 and 2001, respectively. Estimated future amortization expenses for intangible assets as of December 31, 2003 are as follows:

Year	Amortization Expense
2004	$ 643
2005	626
2006	626
2007	626
2008	150
Thereafter	639
	$ 3,310

If goodwill and other intangible assets had been accounted for in accordance with this guidance from the date of acquisition, net income and EPS would be as follows:

	2003	2002	2001
	(in thousands, except per share data)		
Net loss reported	$ (17,273)	$ (22,697)	$ (9,745)
Amortization expense	—	—	2,450
Pro forma net loss	$ (17,273)	$ (22,697)	$ (7,295)
EPS reported	$ (0.58)	$ (0.93)	$ (0.43)
EPS pro forma	$ (0.58)	$ (0.93)	$ (0.32)

2. Summary of Significant Accounting Policies – (Continued)

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 and whenever events or changes in circumstances indicate that the carrying value of the 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 is 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. 104. For our product sales, revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred to our distributor, the seller's price to the buyer is fixed or determinable and collectibility is reasonably assured. The Company recognizes these sales net of allowances for returns, rebates and chargebacks. A large part of our product sales are to distributors who resell the products to their customers. The Company provides rebates to members of certain buying groups who purchase from our distributors, to distributors that sell to their customers at prices determined under a contract between us and the customer that administer various programs such as the federal Medicaid and Medicare programs. Rebate amounts are usually based upon the volume of purchases or by reference to a specific price for a product. The Company estimates the amount of the rebate that will be paid, and record the liability as a reduction of revenue when we record our sale of the products. Settlement of the rebate generally occurs from three to 12 months after sale. The Company regularly analyzes the historical rebate trends and makes adjustments to recorded reserves for changes in trends and terms of rebate programs. In a similar manner, we estimate amounts for returns based on historical trends and adjust those reserves as product returns occur. The shipping and handling costs the Company incurs are included in cost of sales in accompanying statements of operations.

For up-front payments and licensing fees related to our contract research or technology, the Company defers and recognizes revenue 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.

Revenue earned under current research contracts are recognized per the contracts' terms and conditions for invoicing of costs incurred and defined milestones. In 2002, revenue earned under research contracts was recognized on the percentage completion method whereby revenue was recognized in proportion to the estimated percentage to complete the contract. During the fourth quarter of 2002, we reassessed the remaining costs and progress on four contracts. Based on this review the Company determined that estimated costs to complete had been underestimated throughout the year. The Company reevaluated the estimated costs to complete on all contracts and the effect of this reevaluation was an $800,000 reduction to revenue, $600,000 of which related to two of the contracts, with no corresponding reduction in expenses. The impact of this adjustment affects previously disclosed revenues in our 2002 quarterly reports. The Company has shown the 2002 quarterly effects of these adjustments in Item 6 herein.

2. Summary of Significant Accounting Policies (Continued)

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 (e.g. upon exercise of stock options). Potentially dilutive common shares are not included in the computation of dilutive earnings per share if they are anti-dilutive. Net loss per share as reported was not adjusted for potential common shares, as they are anti-dilutive.

Stock-Based Compensation

The Company applies the principles of APB No. 25, *Accounting for Stock Issued to Employees*, in accounting for stock options issued to its employees which generally does not require that options granted to employees be expensed. Had the Company applied the fair value principles of SFAS No. 123, Accounting *for Stock-Based Compensation*, for its employee options, its net loss for the years ended December 31, 2003, 2002 and 2001 would have increased as follows:

	Year Ended December 31, (in thousands, except per share data)		
	2003	2002	2001
Net loss, as reported	$ (17,273)	$ (22,697)	$ (9,745)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(6,254)	(3,204)	(5,780)
Pro forma net loss	$ (23,527)	$ (25,901)	$ (15,525)
Net loss per share:			
Basic and diluted – as reported	$ (0.58)	$ (0.93)	$ (0.43)
Basic and diluted – pro forma	$ (0.79)	$ (1.06)	$ (0.68)

These pro forma amounts are not necessarily indicative of future effects of applying the fair value-based method due to, among other things, the vesting period of the stock options and the fair value of the additional stock options issued in future years. The Financial Accounting Standards Board has indicated it will likely require that companies expense employee options in the future, but it has not yet finalized the timing or methods for such a change.

Advertising and Promotion Costs

All costs associated with advertising and promotions are expensed as incurred. Advertising and promotion expense was insignificant in 2003, $3.8 million in 2002 and $1.9 million in 2001.

2. Summary of Significant Accounting Policies (Continued)

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs include salaries and benefits, outside services, materials and supplies, facility costs and allocations of certain support costs.

In September 2003, the Company was awarded a five-year $19.0 million contract from the National Institute of Allergy and Infectious Diseases, a component of the National Institutes of Health, for the design and development of a new class of human immunodeficiency virus vaccine candidates for preclinical and clinical studies. The Company will serve as the prime contractor with three other subcontractors participating in the contract and will receive approximately $14.0 million over the five-year period. In August 2003, the Company was also part of a consortium that received a NIAID project program grant to develop another set of HIV vaccine candidates. The Company expects to receive approximately $4.0 million over four and a half years for our participation in this grant effort.

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 carry forward. 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, 2003 and 2002.

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, 2003, 2002 and 2001.

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 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 November 2002, the Emerging Issues Task Force reached consensus on EITF Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables* ("EITF 00-21"). EITF 00-21 provides a model for how to account for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The model requires that revenue arrangements with multiple deliverables should be divided into separate units of accounting if the deliverables in the arrangements meet certain criteria. EITF 00-21 is effective for fiscal periods beginning after June 15, 2003. The adoption of EITF 00-21 did not have a material effect on the Company's financial condition, results of operations or liquidity in 2003.

2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (continued)

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 31, 2002. The adoption of FIN 45 did not have a material effect on the Company's financial condition, results of operations, or liquidity in 2003.

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51 *Consolidated Financial Statements*, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies immediately to variable interest entities created after January 31, 2003 and during the quarter ended March 31, 2004 for all other variable interest entities. The Company is currently in the process of evaluating what impact, if any, FIN 46 will have on its financial condition, results of operations or liquidity.

3. Product Agreements and Acquisitions

King Pharmaceuticals Agreements

In January 2001, we entered into a co-promotion agreement with King Pharmaceuticals, Inc., for the Company's topical estrogen 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 the Company to up to $5.0 million in milestone payments from King for achievement of milestones outlined in the Agreements. In addition, the Company agreed to combine U.S. sales efforts payments with King to begin co-promoting one of King's products already on the market, Nordette®, a birth control pill.

In June 2001, the Company amended the Agreements (the "Amended Agreements"). The Amended Agreements clarified the terms of the milestone payments, and in June 2001 the Company received and recognized $2.5 million as the first milestone was achieved upon the filing of the ESTRASORB New Drug Application with the FDA. The second milestone was achieved upon the acceptance for review of the NDA by the FDA in August 2001. Accordingly, the Company received an additional $2.5 million milestone payment in September 2001. This milestone was deferred and recognized ratably as revenue over the estimated FDA review process.

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 testosterone therapy for testosterone deficient women. Under the terms of the Amended Agreements the Company received $3.0 million from King in up-front licensing fees, which were recorded as deferred revenue and are recognized as revenue ratably over the term of the Amended Agreements. The Company will also receive additional milestone payments of $1.0 million upon ESTRASORB's regulatory approval in Canada and $2.0 million upon regulatory approval of ESTRASORB in any one of the five European countries listed above. The Company is also entitled to receive royalties on future sales of ESTRASORB and ANDROSORB outside the United States. In January 2001, the Company also acquired the rights to AVC™ Cream and Suppositories ("AVC") from King for approximately $3.3 million in cash. For the years ended December 31, 2003, 2002 and 2001, the AVC product line generated revenues of $1.8 million, $1.9 million, and $3.5 million, respectively.

3. Product Agreements and Acquisitions (Continued)

King Pharmaceuticals Agreements- (continued)

In June 2002, the Company further amended the co-promotion agreement related to ANDROSORB. The Company will share equally in approved pre-launch marketing costs for ANDROSORB with King, while the Company will be solely responsible for the research and development expenses for ANDROSORB. In addition, King will pay the Company a $1.0 million milestone payment upon the receipt of all approvals necessary for commercialization of ANDROSORB.

The Amended Agreements also contain a change of control provision. The provision allows King several options in the event of a change in control at Novavax including, (i) terminating the Company's right to co-promote King Products, (ii) terminating the Company's rights to promote ESTRASORB and ANDROSORB (if approved) and certain other hormone therapies for women for which King is paying 50% of the development cost or (iii) requiring Novavax to assign and transfer to King all related rights of ownership for ESTRASORB and ANDROSORB and certain other hormone therapies for women and license to King on an exclusive and perpetual basis all intellectual property rights and know-how with respect to such products. 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.

Fielding Pharmaceutical Company

In December 2000, Novavax acquired privately-owned Fielding Pharmaceutical Company, 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, a $5.0 million accrual for future conditional consideration based on earnings and revenue targets for 2001, $1.1 million in assumed liabilities and $1.1 million in transaction costs. The $5.0 million conditional consideration was subsequently determined to be earned and was paid in 362,318 shares of common stock in January 2002, at the then-current 15 day trading average of $13.80 per share.

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).

In December 2003, the Company prepared for the consolidation of warehousing and distribution functions for all its products by closing its distribution facility. The Company entered into a service arrangement with Cardinal Health in Nashville, Tennessee for customer service, warehousing and product shipment to distribute current and future products. The administrative and executive positions associated with these functions are now being performed at the Company's corporate headquarters in Columbia, Maryland. Prior to this restructuring, the Company purchased its prenatal vitamins in bulk and packaged the vitamins at the St. Louis facility. As part of the restructuring, the Company also entered into an agreement with a third-party packager for the vitamin line of products.

One time costs associated with this restructuring included moving costs of approximately $15,000, along with transition payments to 10 production and support employees of approximately $75,000, which are included in the general and administrative expenses in the accompanying consolidated statement of operations. In addition, the Company held an auction, selling off most of the fixed assets that were located at the facility. The auction resulted in a loss on disposal of assets of approximately $129,000. As of December 31, 2003, all costs associated with the restructuring had been paid except for approximately $24,000 of accrued salary and benefits.

4. Supplemental Financial Data

Prepaid Expenses and Other Current Assets

Prepaid expenses consist of the following at December 31:

	2003	2002
	(in thousands)	
Prepaid insurance	$1,014	$319
Other prepaids	66	16
Non-trade receivables	286	275
Deposits	114	53
Interest on shareholders notes	134	59
	$1,614	$722

Property and Equipment

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

	2003	2002
	(in thousands)	
Manufacturing equipment and leaseholds	$12,249	$10,382
Machinery and equipment	3,469	3,429
Leasehold improvements	1,142	1,119
Computer software and hardware	509	432
	17,369	15,362
	(2,125)	(1,707)
Less accumulated depreciation	$15,244	$13,655

At December 31, 2003, property and equipment additions of $330,000 are included in account payable. Depreciation expense was approximately $530,000, 483,000, and $353,000, for the years ended December 31, 2003, 2002 and 2001, respectively.

Accrued Expenses

Accrued expenses consist of the following at December 31:

	2003	2002
	(in thousands)	
Operating expenses	$ 403	$ 696
Employee benefit and compensation	776	643
Property and equipment	—	705
Interest	—	800
	$1,179	$2,844

5. Long-term debt

Notes payable

Notes payable consist of the following, at December 31:

	2003	2002
	(in thousands)	
Note payable; bears interest at 3.00% per annum; principal and interest due in monthly installments of $6,600 through December 2009	$ 423	$ 271
Note payable; bears interest at 2.850% per annum; principal and interest due in monthly installments of $6,573 through January 2010	440	500
Note payable; bears interest at 2.38% per annum; principal and interest due in monthly installments of $6,468 through January 2010	439	500
Note payable insurance financing; bears interest at 12.33% per annum; principal and interest due in monthly installments of $2,359 through August 2004	18	43
Note payable; bears interest at 5.25% per annum; principal and interest due in monthly installments of $95,937 through September 2004	845	—
Total	2,165	1,314
Less current portion	(1,065)	(211)
Long-term portion	$ 1,100	$1,103

The notes (except for the note payable for financing insurance premiums) are secured by the Company's machinery, equipment, leasehold improvements and furniture and fixtures located in the Company's manufacturing suite in Philadelphia, Pennsylvania.

Convertible notes

The Company has entered into a series of note purchase agreements with King. All of the notes 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 the Company, subject to certain conditions. The conversion prices on all of the notes represents an 18% premium to the trailing 20 day average stock price prior to the agreed upon lock-in dates, with subsequent adjustments in 2002 and 2003 for anti-dilutive provisions related to equity offerings below the original conversion prices. Each note has a conversion feature that allows the Company to convert the notes to common stock of the Company from January 2002 through December 31, 2004 if the closing price of the Company's 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, 2003, the Company made cash interest payments of $1,600,000 for the King notes. For the year ended December 31, 2002 we made cash interest payments of $600,000 and accrued an additional $800,000 for interest expense at year-end for which King agreed to accept payment in common stock. In February 2003 we issued King 307,692 shares of common stock to satisfy the accrued interest payable. For the years ending December 31, 2003 and 2002, the Company has capitalized $386,717 and $173,915 respectively for interest incurred on debt used to finance the build-out of its manufacturing facility. The notes and related agreements also have covenants that 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 discussed above. 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.

5. Long-term debt – (Continued)

Convertible notes – (continued)

Convertible notes consist of the following on December 31:

	2003	2002
	(in thousands)	
Note payable; 4% senior convertible, issued December 19, 2000, due December 19, 2007, convertible into 2,297,530 shares of Novavax Common Stock at $8.71 per share	$20,000	$20,000
Note payable; 4% senior convertible, issued September 7, 2001, due December 19, 2007, convertible into 574,383 shares of Novavax Common Stock at $8.71 per share	5,000	5,000
Note payable; 4% senior convertible, issued September 7, 2001, due December 19, 2007, convertible into 431,220 shares of Novavax Common Stock at $11.60 per share	5,000	5,000
Note payable; 4% senior convertible, issued June 26, 2002, due December 19, 2007, convertible into 1,885,014 shares of Novavax Common Stock at $5.31 per share	10,000	10,000
Total	$40,000	$40,000

Aggregate future minimum principal payments on long-term debt at December 31, 2003 are as follows:

Year	Amount
	(in thousands)
2004	$ 1,047
2005	208
2006	214
2007	40,220
2008	226
Thereafter	232
	$ 42,147

6. Sale of Common Stock

In February 2003, the Company completed the private placement of 4,750,000 shares of common stock at $3.50 per share, to an accredited investor, for net proceeds of $16.6 million. The shares were issued in reliance on Section 4(2) of the Securities Act of 1933, as amended. A resale registration statement was filed with the Commission on April 23, 2003, and was declared effective on May 2, 2003.

In May 2003, the Company received net proceeds of approximately $1.5 million from the exercise of 400,000 common stock options at $3.63 per share.

In November 2003, the Company completed an offering of 4,500,000 shares of common stock at $6.15 per share. The stock was offered pursuant to an existing shelf registration statement with respect to such shares. C.E. Unterberg, Towbin acted as underwriter for the offering. Net proceeds after deducting underwriter fees of approximately $1.7 million, as well as legal, accounting and other miscellaneous fees, were approximately $25.9 million.

7. Stockholders' Equity

On August 7, 2002, the Company adopted a Shareholder Rights Plan which provided for the issuance of rights to purchase shares of Series D Junior Participating Preferred Stock, par value $0.01 per share (the "Preferred Shares"), of the Company. Under the Shareholder Rights Plan, the Company distributed one preferred share purchase right (a "Right") for each outstanding share of common stock, par value $.01 (the "Common Shares"), of the Company. The Rights were distributed to stockholders of record on August 16, 2002.

Each Right entitles the holder to purchase from the Company one-thousandth of a Preferred Share at a price of $40, subject to adjustment, per one one-thousandth of a Preferred Share. The rights become exercisable, with certain exceptions, ten business days after any party, without prior approval of the Board of Directors, acquires or announces an offer to acquire beneficial ownership of 15% or more of the Company's Common Shares. In the event that any party acquires 15% or more of the Company's Common Stock, the Company enters into a merger or other business combination, or if a substantial amount of the Company's assets are sold after the time that the Rights become exercisable, the Rights provide that the holder will receive, upon exercise, shares of the common stock of the surviving or acquiring company, as applicable, having a market value of twice the exercise price of the Right.

The Rights expire August 7, 2012, and are redeemable by the Company at a price of $0.00025 per Right at any time prior to the time that any party acquires 15% or more of the Company's Common Shares. Until the earlier of the time that the Rights become exercisable, are redeemed or expire, the Company will issue one Right with each new Common Share issued.

In February 2003, the Company waived the provisions of the Shareholder Rights Plan with respect to the private placement of shares to SJ Strategic Investments LLC.

8. Stock Options and Warrants

Under the Novavax 1995 Stock Option Plan (the "Plan"), options may be granted to officers, employees, consultants and advisors to Novavax and any present or future subsidiary to purchase a maximum of 9,000,000 shares of Novavax common stock. Incentive stock options, having a maximum term of ten years, can be granted at no less than 100% of the fair market value of Novavax's stock at the time of grant and are generally exercisable in cumulative increments over several years from the date of grant. Both incentive and non-statutory stock options may be granted under the Plan. There is no minimum exercise price for non-statutory stock options.

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).

As of December 31, 2003, 4,543,258 shares of common stock have been reserved for the potential exercise of stock options, under the plans.

8. Stock Options and Warrants

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, 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 or canceled	(52,400)	4.95	—	4.14
Balance, December 31, 2001	4,400,406	6.17	350,000	4.03
Granted	539,470	8.77	—	—
Exercised	(410,902)	4.69	(50,000)	4.14
Expired or canceled	(927,178)	8.60	—	—
Balance, December 31, 2002	3,601,796	6.10	300,000	4.01
Granted	2,091,000	5.16	—	—
Exercised	(506,000)	4.30	—	—
Expired or canceled	(975,153)	7.93	30,000)	3.85
Balance, December 31, 2003	4,211,643	$ 5.61	270,000	$ 4.03
Shares exercisable at December 31, 2001	2,282,578	$ 4.41	350,000	$ 4.03
Shares exercisable at December 31, 2002	2,540,483	$ 5.17	300,000	$ 4.01
Shares exercisable at December 31, 2003	2,180,439	$ 5.32	270,000	$ 4.03
Available for grant at December 31, 2003	1,936,524		—	

The weighted-average fair value of the stock options granted during 2003, 2002 and 2001 is estimated as $3.10, $8.32, and $9.47 per share, respectively. The fair value of awards was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Year Ended December 31		
	2003	2002	2001
Risk-free interest rate	3.5%	4.0%	5.0%
Dividend yield	0.0%	0.0%	0.0%
Volatility	72.0%	85.0%	58.0%
Expected life (in years):			
Employees	6.0	6.0	6.0
Directors	3.0	3.0	3.0

8. Stock Options and Warrants (Continued)

The following table provides certain information with respect to stock options outstanding and exercisable at December 31, 2003:

	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
Options issued at below market value:					
$0.00 - $1.17	210,144	2.0	$ 0.01	210,144	$ 0.01
Options issued at market value:					
$1.17 - $2.33	46,094	4.7	1.85	46,094	1.85
$2.33 - $3.50	343,733	4.7	3.28	334,733	3.28
$3.50 - $4.66	1,231,403	7.4	4.01	716,153	3.98
$4.66 - $5.83	1,397,500	8.2	5.51	338,000	5.10
$5.83 - $6.99	41,833	6.8	6.69	33,333	6.75
$6.99 - $8.16	350,000	7.0	7.44	175,000	7.43
$8.16 - $9.32	592,350	4.8	8.99	461,175	8.99
$9.32 - $10.49	207,211	7.8	9.87	97,432	9.63
$10.49- $11.65	61,375	7.3	11.22	38,375	11.10
	4,481,643	6.8	$ 5.51	2,450,439	$ 5.18

9. 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 of 1986, as amended.

The Company currently matches 25% of the first 6% of the participants' deferral. Contributions to the 401(k) plan vest equally over a three-year period. The Company has expensed approximately $73,000, $48,000, and $35,000 in 2003, 2002, and 2001, respectively.

10. Income Taxes

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

	2003	2002
	(in thousands)	
Net operating losses	$ 29,878	$ 23,246
Research tax credits	2,478	1,978
Disqualifying stock options	673	673
Alternative-minimum tax credit	94	94
Equipment and furniture	4	—
Intangibles from acquisition	475	276
Allowance for doubtful accounts	131	75
Accrued vacation pay	69	52
Deferred revenues	917	1,023
Deferred rent	59	—
Total deferred tax assets	34,778	27,417
Deferred patent costs	(541)	(486)
Depreciation	—	(69)
Deferred Rent	—	(35)
Total deferred tax liabilities	(541)	(590)
Net deferred tax assets	34,237	26,827
Less valuation allowance	$(34,237)	$(26,827)
Deferred tax assets, net	—	—

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

	2003	2002
Statutory federal tax rate	(34)%	(34)%
State income taxes, net of federal benefit	(5)	(5)
Research and development credit	(4)	(2)
Other	1	—
Change in valuation allowance	42	41
	—%	—%

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, 2003 and 2002.

Novavax has recorded no net benefit for income taxes in 2003, 2002 and 2001 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:

	2003
	(in thousands)
Federal net operating losses expiring through the year 2022	$ 77,341
State net operating losses expiring through the year 2022	77,341
Research tax credits expiring through the year 2022	2,478
Alternative-minimum tax credit (no expiration)	94

11. 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, 2003 are as follows:

Year	Capital Leases	Operating Leases
	(in thousands)	
2004	19	2,636
2005	—	2,136
2006	—	1,932
Total minimum lease payments	$ 19	$ 6,704
Less amounts representing interest	(1)	
Present value of minimum lease payments	$ 18	
Less current portion of capital lease obligation	(18)	
Long-term portion	$ —	

The cost and accumulated depreciation of assets recorded under capital lease obligations approximated $50,000 and $12,500, respectively, at December 31, 2003.

Aggregate rental expenses approximated $3,940,000, $3,750,000, and $1,050,000 in 2003, 2002 and 2001, respectively.

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.

12. Related Party Transaction

On March 21, 2002, pursuant to our Stock Option Plan, the Company approved the payment of the exercise price of options by two of its directors, through the delivery of full-recourse, interest-bearing promissory notes in the aggregate amount of $1,479,268. The borrowings accrue interest at 5.07% per annum and are secured by an aggregate of 261,667 shares of common stock owned by the directors. The notes are payable upon the earlier to occur of the following: (i) payable in full upon the date on which the director ceases for any reason to be a director of the Company, (ii) payable in part to the extent of net proceeds, upon the date on which the director sells all or any portion of the pledged shares or (iii) payable in full on March 21, 2007.

In addition, in April 2002, we executed a conditional guaranty of a brokerage margin account for a director, in the amount of $500,000. Prior to demanding payment from the Company, the brokerage firm must first make demand for payment to the director and then liquidate the account. Thereafter, if there remains a shortfall, they may demand payment from the Company. As of December 31, 2003 and 2002, the Company has not recorded any liability on its balance sheet related to this guarantee as we believe the possibility of required payment by the Company to be unlikely.

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OMB Approval 2700-0042

AWARD/CONTRACT	1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 350)	RATING	PAGE	OF	PAGES
		N/A	1		26

2. CONTRACT (Proc. Inst. Ident.) NO.	3. EFFECTIVE DATE	4. REQUISITION/PURCHASE REQUEST/PROJECT NO.
N01-AI-30042	September 26, 2003	VR073

5. ISSUED BY	CODE	6. ADMINISTERED BY (If other than item 6)	CODE
National Institutes of Health Contract Management Branch, NIAID Room 2230 6700-B Rockledge Dr., MSC 7612 Bethesda, Maryland 20892-7612	2668-30042	DAIDS/VR RFP NIH-NIAID-DAIDS-03-12	

7. NAME AND ADDRESS OF CONTRACTOR (No. street, county, state and ZIP Code)	8. DELIVERY	9. DISCOUNT FOR PROMPT PAYMENT
Novavax, Inc. 8320 Guilford Road, Suite C Columbia, Maryland 21046	☐ FOB ORIGIN ☒ OTHER (See below) FOB Destination	N/A

CODE	FACILITY CODE	10. SUBMIT INVOICES ADDRESS SHOWN IN:	ITEM
			Art. G.3

11. SHIP TO/MARK FOR	CODE	12. PAYMENT WILL BE MADE BY	CODE
Article F.1	N/A	See Article G.3	N/A

13. AUTHORITY FOR USING OTHER FULL AND OPEN COMPETITION:
☐ 10 U.S.C. 2304(c)( ) ☐ 41 U.S.C. 253(c)( )

14. ACCOUNTING AND APPROPRIATION DATA
EIN 1222816046-A1 CAN 3-8425674 $ 2,695,203 SOCC 25.55
DOC #300N1AI 30042A

15A. ITEM NO.	15B. SUPPLIES/SERVICES	15C. QUANTITY	15D. UNIT	15E. UNIT PRICE	15F. AMOUNT
	Title: HIV Vaccine Design and Development Teams (HVDDT) Period: September 26, 2003 through September 25, 2008 Contract Type: Cost Plus Fixed Fee (Completion)	FY 03 FY 04 FY 05 FY 06 FY 07	$ 2,695,203 $ 2,819,555 $ 4,526,615 $ 4,860,142 $ 4,140,717		
			15G. TOTAL AMOUNT OF CONTRACT ▶		$ 19,042,232

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(✓)	SEC.	DESCRIPTION	PAGE(S)	(✓)	SEC.	DESCRIPTION	PAGE(S)
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☒	C	DESCRIPTION/SPECS./WORK STATEMENT	8	☒	J	LIST OF ATTACHMENTS	25
☒	D	PACKAGING AND MARKING	10			PART IV - REPRESENTATIONS AND INSTRUCTIONS	
☒	E	INSPECTION AND ACCEPTANCE	10	☒	K	REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENTS OF OFFERORS	26
☒	F	DELIVERIES OR PERFORMANCE	11				
☒	G	CONTRACT ADMINISTRATION DATA	12	☐	L	INSTRS., CONDS., AND NOTICES TO OFFERORS	
☒	H	SPECIAL CONTRACT REQUIREMENTS	14	☐	M	EVALUATION FACTORS FOR AWARD	

CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE

17. ☒ CONTRACTOR'S NEGOTIATED AGREEMENT *(Contractor is required to sign this document and return 2 copies to issuing office.)* Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. *(Attachments are listed herein.)*

18. ☐ AWARD *(Contractor is not required to sign this document.)* Your offer on Solicitation Number _____, including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual document is necessary.

19A. NAME AND TITLE OF SIGNER *(Type or print)*	20A. NAME OF CONTRACTING OFFICER
	Janet M. Mattson Contracting Officer, CMB, NIAID, NIH, DHHS

19B. NAME OF CONTRACTOR	19C. DATE SIGNED	20B. UNITED STATES OF AMERICA	20C. DATE SIGNED
_____ *(Signature of person authorized to sign)*		BY _____ *(Signature of Contracting Officer)*	

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FAR (48 CFR) 53.214(a)

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4. Annual Technical Progress Report Format for Each Study, July 1994, 1 page.
5. Safety and Health, HHSAR Clause 352.223-70, (1/01), 1 page.
6. Research Patient Care Costs, NIH(RC)-11, 4/1/84, 1 page.

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SECTION B - SUPPLIES OR SERVICES AND PRICES/COSTS

ARTICLE B.1. BRIEF DESCRIPTION OF SUPPLIES OR SERVICES

The purpose of this contract is the development of an efficacious vaccine against HIV for worldwide use in stemming the AIDS epidemic.

ARTICLE B.2. ESTIMATED COST AND FIXED FEE

a. The estimated cost of this contract is $17,964,371.

b. The fixed fee for this contract is $1,077,861. The fixed fee shall be paid in installments based on the negotiated milestones set forth in Article B.4.c, and subject to the withholding provisions of the clauses ALLOWABLE COST AND PAYMENT and FIXED FEE referenced in the General Clause Listing in Part II, ARTICLE I.1. of this contract.

c. The Government's obligation, represented by the sum of the estimated cost plus fixed fee, is $19,042,232.

d. Total funds currently available for payment and allotted to this contract are $2,695,203, of which $2,542,644, represents the estimated costs, and of which $152,559 represents the fixed fee. For further provisions on funding, see the LIMITATION OF FUNDS clause referenced in Part II, ARTICLE I.2. Authorized Substitutions of Clauses.

e. It is estimated that the amount currently allotted will cover performance of the contract through September 25, 2004.

f. The Contracting Officer may allot additional funds to the contract without the concurrence of the Contractor.

g. Future increments to be allotted to this contract are estimated as follows:

FY	PERIOD	ESTIMATED COST	FIXED FEE	TOTAL AMOUNT
04	09/26/04-09/25/05	$ 2,659,958	$ 159,597	$ 2,819,555
05	09/26/05-09/25/06	$ 4,270,392	$ 256,223	$ 4,526,615
06	09/26/06-09/25/07	$ 4,585,040	$ 275,102	$ 4,860,142
07	09/26/07-09/25/08	$ 3,906,337	$ 234,380	$ 4,140,717

ARTICLE B.3. PROVISIONS APPLICABLE TO DIRECT COSTS

a. **Items Unallowable Unless Otherwise Provided**

Notwithstanding the clauses, ALLOWABLE COST AND PAYMENT, and FIXED FEE, incorporated in this contract, unless authorized in writing by the Contracting Officer, the costs of the following items or activities shall be unallowable as direct costs:

(1) Acquisition, by purchase or lease, of any interest in real property;

(2) Special rearrangement or alteration of facilities;

(3) Purchase or lease of **any** item of general purpose office furniture or office equipment regardless of dollar value. (General purpose equipment is defined as any items of personal property which are usable for purposes other than research, such as office equipment and furnishings, pocket calculators, etc.);

(4) Travel to attend general scientific meetings;

(5) Foreign travel - See Paragraph b.(2) below;

(6) Consultant costs;

(7) Subcontracts;

(8) Patient care costs;

(9) Accountable Government property (defined as both real and personal property with an acquisition cost of $1,000 or more and a life expectancy of more than two years) and "sensitive items" (defined and listed in the Contractor's Guide for Control of Government Property), 1990, regardless of acquisition value.

b. **Travel Costs**

(1) Domestic Travel

(a) Total expenditures for domestic travel (transportation, lodging, subsistence, and incidental expenses) incurred in direct performance of this contract shall not exceed $ 22,373 without the prior written approval of the Contracting Officer.

(b) The Contractor shall invoice and be reimbursed for all travel costs in accordance with Federal Acquisition Regulations (FAR) 31.205-46.

(2) Foreign Travel

Requests for foreign travel must be submitted at least six weeks in advance and shall contain the following: (a) meeting(s) and place(s) to be visited, with costs and dates; (b) name(s) and title(s) of Contractor personnel to travel and their functions in the contract project; (c) contract purposes to be served by the travel; (d) how travel of contractor personnel will benefit and contribute to accomplishing the contract project, or will otherwise justify the expenditure of NIH contract funds; (e) how such advantages justify the costs for travel and absence from the project of more than one person if such are suggested; and (f) what additional functions may be performed by the travelers to accomplish other purposes of the contract and thus further benefit the project.

ARTICLE B.4. ADVANCE UNDERSTANDINGS

Other provisions of this contract notwithstanding, approval of the following items within the limits set forth is hereby granted without further authorization from the Contracting Officer.

a. Confidential Treatment of Sensitive Information

The Contractor shall guarantee strict confidentiality of the information/data that it is provided by the Government during the performance of the contract. The Government has determined that the information/data that the Contractor will be provided during the performance of the contract is of a sensitive nature.

Disclosure of the information/data, in whole or in part, by the Contractor can only be made after the Contractor receives prior written approval from the Contracting Officer. Whenever the Contractor is uncertain with regard to the proper handling of information/data under the contract, the Contractor shall obtain a written determination from the Contracting Officer.

b. Subcontract

To negotiate a cost reimbursement type subcontract with Emory University for an amount not to exceed $ 4,740,167. Award of the subcontract shall not proceed without the prior written approval of the Contracting Officer upon review of the draft subcontract. After written approval of the subcontract by the Contracting Officer, a copy of the signed, approved subcontract shall be provided to the Contracting Officer.

To negotiate a cost reimbursement type subcontract with Tulane University for an amount not to exceed $1,348,259. Award of the subcontract shall not proceed without the prior written approval of the Contracting Officer upon review of the supporting documentation as required by the Subcontracts clause of the General Clauses incorporated in this contract and a copy of the draft subcontract. After written approval of the subcontract by the Contracting Officer, a copy of the signed, approved subcontract shall be provided to the Contracting Officer.

c. Contract Milestones

The Contractor shall complete all work in accordance with the Statement of Work and the contract milestones set forth below. The distribution of the fixed fee shall be paid in installments based on the Project Officer's written certification regarding the completion of these milestones as follows:

	MILESTONES	FIXED FEE
1	Prepare baculovirus stocks expressing wild type SF162 HIV-1 viral genes for production of HIV-1 VLPs.	$ 41,456
2	Prepare CHO cell lines expressing wild type SF162 HIV-1 viral genes for production of HIV-1 VLPs.	$ 41,456
3	Prepare at least one lot (50 mg) for each HIV-1 VLP candidate for process development and animal testing.	$ 41,456
4	Evaluate immunogenicity of first generation SF162 HIV-1 VLPs in small animals.	$ 41,456
5	Pass DAIDS-contracted GMP audit of production facility intended for use in VLP production.	$ 41,456
6	Construct SF162 Env mutants and characterize them for surface expression and reactivity with known neutralizing monoclonal antibodies, and levels of incorporation into VLPs.	$ 41,456
7	Prepare baculovirus stocks expressing Env mutant SF162 HIV-1 viral genes for production of HIV-1 VLPs.	$ 41,456
8	Prepare CHO cell lines expressing Env mutant SF162 HIV-1 viral genes for production of HIV-1 VLPs.	$ 41,456
9	Prepare at least one lot (50 mg) for Env mutant HIV-1 VLP candidate for process development and animal testing.	$ 41,456
10	Evaluate comparative immunogenicity of Env mutant and first generation SF162 HIV-1 VLPs in small animals.	$ 41,456
11	Produce animal testing lots (50 mg) of phenotypically mixed VLPs designed to target antigen presenting cells or mucosal surfaces.	$ 41,456
12	Evaluate immunogenicity of phenotypically mixed VLPs in small animals.	$ 41,456
13	Prepare baculovirus stocks and/or CHO cell lines expressing Env proteins from selected clade A or C HIV-1 isolates, and their deletion mutants, for production of HIV-1 VLPs.	$ 41,456

	MILESTONES	FIXED FEE
14	Prepare lots (50 mg) of clade A or C Env (and Env mutant) HIV-1 VLP candidates for process development and animal testing.	$ 41,456
15	Evaluate comparative immunogenicity of Env mutant and wild type clade A or C HIV-1 VLPs in small animals.	$ 41,456
16	Select and prepare lot(s) of SF162 HIV-1 VLP candidate(s) for nonhuman primate testing.	$ 41,456
17	Evaluate immune responses induced by candidate VLPs in nonhuman primates in comparison with immune responses induced by same preparation(s) in small animals.	$ 41,456
18	Submit concept sheet to the HVTN; finalize assembly of HVTN team.	$ 41,456
19	Prepare and qualify master and working cell banks of baculovirus stocks or CHO cell lines expressing HIV-1 genes for VLP production.	$ 41,456
20	Prepare GMP pilot clinical lot of VLPs for preclinical IND-enabling studies.	$ 41,456
21	Assemble and submit pre-IND meeting materials in request of pre-IND meeting with CBER/FDA.	$ 41,456
22	Hold pre-IND meeting with CBER/FDA.	$ 41,456
23	Conduct and complete IND-enabling preclinical GLP toxicologic and immunologic studies on VLP clinical candidate.	$ 41,456
24	Complete and vial GMP clinical lot (at least 250 mg in total) of vaccine candidate VLPs for clinical trial.	$ 41,456
25	Complete protocol development with the HVTN.	$ 41,456
26	File DMF/IND with the FDA and clinical protocol with the HVTN for IRB review.	$ 41,461

d. **Invoices - Cost and Personnel Reporting, and Variances from the Negotiated Budget**

(1) The contractor agrees to provide a detailed breakdown on invoices of the following cost categories:

(a) Direct Labor - List individuals by name, title/position, hourly/annual rate, level of effort, and amount claimed.

(b) Fringe Benefits - Cite rate and amount

(c) Overhead - Cite rate and amount

(d) Materials & Supplies - Include detailed breakdown when total amount is over $1,000.

(e) Travel - Identify travelers, dates, destination, purpose of trip, and amount. Cite COA, if appropriate. List separately, domestic travel, general scientific meeting travel, and foreign travel.

(f) Consultant Fees - Identify individuals and amounts.

(g) Subcontracts - Attach subcontractor invoice(s).

(h) G&A - Cite rate and amount.

(i) Total Cost

(j) Fixed Fee

(k) Total CPFF

Monthly invoices must include the cumulative total expenses to date, adjusted (as applicable) to show any amounts suspended by the Government.

(2) The contractor agrees to immediately notify the contracting officer in writing if there is an anticipated overrun (any amount) or unexpended balance (greater than 10 percent) of the amount allotted to the contract, and the reasons for the variance. Also refer to the requirements of the Limitation of Funds and Limitation of Cost Clauses in the contract.

e. **GMP Audit**

The Contractor will be audited for GMP, GLP and QC/QA capabilities within four months of contract award. Noted deficiencies shall be corrected (or addressed) within six months after issuance of the audit report.

SECTION C - DESCRIPTION/SPECIFICATIONS/WORK STATEMENT

ARTICLE C.1. STATEMENT OF WORK

a. Independently and not as an agent of the Government, the Contractor shall furnish all the necessary services, qualified personnel, material, equipment, and facilities, not otherwise provided by the Government as needed to perform the Statement of Work, SECTION J, ATTACHMENT 1, dated September 26, 2003, attached hereto and made a part of this contract.

ARTICLE C.2. REPORTING REQUIREMENTS

The Contractor is required to formally report progress once per year, through submission of a written Technical Report, and once by holding a formal Site Visit review to be attended by appropriate NIAID contract staff and program officials, and the External Advisory Committee of the Team. The Contractor is also required to submit Goals and Milestones Achievement Reports during the contract period at appropriate times. Distribution of written reports is listed in Article F.1.

(1) Goals and Milestones Achievement Reports. Since the payment of contract fee portions will be tied to the accomplishment of negotiated, predetermined goals and milestones, the Contractor will submit Goals and Milestones Achievement Reports during the contract period as appropriate. The original shall be submitted to the Contracting Officer, and two (2) copies (one hard copy and a copy in a digital medium) to the Project Officer. Each report must consist of:

1. A cover page

2. Reports shall include but not be limited to the following:

Section A – An introduction covering the goal or milestone

Section B – A description of the results. Description shall include pertinent data and/or figures in sufficient detail to explain any significant results from analysis and scientific evaluation of data accumulated to date under the goal or milestone. When appropriate this report should detail specific requests and approvals for the conduct of human trials.

(2) Clinical Trials Protocol(s). NIAID has a responsibility to ensure that mechanisms and procedures are in place to protect the safety of participants in NIAID-supported studies. Therefore, as described in the NIAID Clinical Terms of Award and Guidance (http://www.niaid.nih.gov/ncn/clinical/default_human.htm), the Contractor shall develop a protocol for each clinical trial and submit it for approval by the NIAID Prevention Science Review Committee (PSRC). Protocols should include a description of the research design and protocol development including definition of objectives and approaches, planning, implementation, participant recruitment and follow-up, data collection, quality control, data and safety monitoring, final data analysis and

interpretation, and publication of results. Final approval of this protocol must take place prior to participant enrollment. [For trials to be conducted through the DAIDS-sponsored HVTN, the protocol should be developed in conjunction with the HVTN.]

(3) Annual Technical Report. By the fifteenth working day of the twelfth month of each Contract year, the Contractor shall submit Annual Technical Progress Reports as described below. The original shall be submitted to the Contracting Officer, and two (2) copies (one hard copy and one copy in a digital medium) to the Project Officer. The report should be factual and concise and consist of the following:

1. A cover page

2. Reports shall include but not be limited to the following:

Section A – An introduction covering the purpose and scope of the contract effort

Section B – A description of overall progress plus a separate description for each task or other logical segment of work on which effort was expended during the reporting period. The description shall include pertinent data and/or figures in sufficient detail to explain any significant results from analysis and scientific evaluation of data accumulated to date under the project. Special emphasis shall be placed on goals or milestones that were reached, or problems that were encountered that prevented reaching a scheduled goal or milestone during the reporting period and how those problems were/will be addressed, and requests and approvals to conduct human trials.

Section C – A summary of the proposed goals and milestones for the duration of the Contract, including any proposed revisions based on results generated to date

(4) Annual Site Visit Review and Report. At the middle (6 month mark) of each contract year, the Contractor shall host, for NIAID contract and program staff and their External Advisory Board, a site visit review. The Contractor's Principal Investigator and all co-investigators shall attend this meeting. An update and summary of results generated on each sub-project shall be presented by the co-investigator and/or other pertinent staff. These presentations shall include summaries of all goals or milestones reached during the review period and include a description of all problems encountered that will impact the achievement of particular goals and milestones as outlined in the Contractor's research plan. The Principal Investigator, co-investigator and staff representing each project and sub-project shall describe goals and milestones and development objectives for the coming year. Additionally, application of the policies and procedures for monitoring the direction of specific projects shall be presented. For Contractors with foreign subcontracts, this annual site visit will also report details about approvals for manufacturing or testing that have been obtained from both the U.S. and foreign governments. A report of the plan for, and results of, this site visit shall be prepared by the Contractor and submitted to the Project Officer (in hard copy and digital medium) and the Contracting Officer (original hard copy).

(5) Final Technical Report. The Contractor shall submit the final report documents, two (2) copies (one hard copy and one copy in a digital medium) to the Project Officer, and the original to the Contracting Officer, which shall summarize the results of the entire contract work for the complete performance period, and shall include the specifications of the optimized AIDS vaccine product developed during the course of this Contract. These specifications shall include: 1) the identity of the vaccine strain or strains in the final product, 2) a detailed description of the manipulations used in the vaccine design, 3) a detailed description of all processes used to expand, attenuate, inactivate, or purify the final vaccine product, 4) a detailed description of any adjuvants or other potentiating agents used in the delivery of the final optimized product, 5) a detailed description of the suggested immunization schedule to be used for optimal reactivity in humans, and 6) evidence that the vaccine product can be manufactured under GMP/GLP conditions for use in human vaccine trials. In addition, the Contractor shall indicate whether any INDs were filed in relation to vaccine products developed during the course of the Contract, and provide a description of the IND and the results of the filings. For Contractors with foreign subcontracts, this report shall include details concerning approvals for manufacturing or testing that have been obtained for or by the foreign subcontractors. The final report shall be submitted by the completion date of the Contract.

ARTICLE C.3. INVENTION REPORTING REQUIREMENT

All reports and documentation required by FAR Clause 52.227-11 including, but not limited to, the invention disclosure report, the confirmatory license, and the government support certification, shall be directed to the Extramural Inventions and Technology Resources Branch, OPERA, NIH, 6705 Rockledge Drive, Room 1040 A, MSC 7980, Bethesda, Maryland 20892-7980 (Telephone: 301-435-1986). In addition, one copy of an annual utilization report, and a copy of the final invention statement, shall be submitted to the Contracting Officer. The final invention statement (see FAR 27.303(a)(2)(ii)) shall be submitted to the Contracting Officer within 90 days after the expiration date of the contract to the following address:

Contracting Officer
National Institutes of Health
National Institute of Allergy and Infectious Diseases, CMB
6700-B Rockledge Drive, Room 2230
Bethesda, Maryland 20892 -7612

If no invention is disclosed or no activity has occurred on a previously disclosed invention during the applicable reporting period, a negative report shall be submitted to the Contracting Officer at the address listed above.

To assist Contractors in complying with invention reporting requirements of the clause, the NIH has developed "Interagency Edison," an electronic invention reporting system. Use of Interagency Edison is encouraged as it streamlines the reporting process and greatly reduces paperwork. Access to the system is through a secure interactive Web site to ensure that all information submitted is protected. Interagency Edison and information relating to the capabilities of the system can be obtained from the Web (http://www.iedison.gov), or by contacting the Extramural Inventions and Technology Resources Branch, OPERA, NIH.

SECTION D - PACKAGING, MARKING AND SHIPPING

All deliverables required under this contract shall be packaged, marked and shipped in accordance with Government specifications. At a minimum, all deliverables shall be marked with the contract number and contractor name. The Contractor shall guarantee that all required materials shall be delivered in immediate usable and acceptable condition.

SECTION E - INSPECTION AND ACCEPTANCE

a. The Contracting Officer or the duly authorized representative will perform inspection and acceptance of materials and services to be provided.

b. For the purpose of this SECTION, the Project Officer is the authorized representative of the Contracting Officer.

c. Inspection and acceptance will be performed at the address listed in Article G.1.

   Acceptance may be presumed unless otherwise indicated in writing by the Contracting Officer or the duly authorized representative within 30 days of receipt.

d. This contract incorporates the following clause by reference, with the same force and effect as if it were given in full text. Upon request, the Contracting Officer will make its full text available.

   FAR Clause No. 52.246-9, INSPECTION OF RESEARCH AND DEVELOPMENT (SHORT FORM) (APRIL 1984).

SECTION F - DELIVERIES OR PERFORMANCE

ARTICLE F.1. DELIVERIES

Satisfactory performance of the final contract shall be deemed to occur upon performance of the work described in Article C.1. and upon delivery and acceptance by the Contracting Officer, or the duly authorized representative, of the following items in accordance with the stated delivery schedule:

a. The items specified below as described in SECTION C, ARTICLE C. 2 . will be required to be delivered F.O.B. Destination as set forth in FAR 52.247-35, F.O.B. DESTINATION, WITHIN CONSIGNEES PREMISES (APRIL 1984), and in accordance with and by the dates specified below:

Item	Description	Delivery Schedule
1	Goals and Milestones Achievement Report	Quarterly after Award
2	Clinical Trials Protocol(s)	As required by the Project Officer
3	Annual Technical Report	15th day of the twelfth month of each Contract Year
4	Annual Site Visit Review	6th month of each Contract Year
5	Final Technical Report	On or before Contract Expiration

b. The above items shall be addressed and delivered to:

Addressee	Deliverable Item	Quantity
Contracting Officer CMB, NIAID, NIH Room 2230, MSC 7612 6700-B Rockledge Drive Bethesda, MD 20892-7612	Goals and Milestones Achievement Report Clinical Trials Protocol(s) Annual Technical Report Annual Site Visit Review Final Technical Report	— — 1 Copy 1 Copy 1 Copy
Project Officer Vaccine & Prevention Research Program Division of AIDS, NIAID, NIH Room 4109, MSC 7628 6700-B Rockledge Drive Bethesda, MD 20892-7628	Goals and Milestones Achievement Report Clinical Trials Protocol(s) Annual Technical Report Annual Site Visit Review Final Technical Report	1 Copy * 1 Copy * 1 Copy * 1 Copy * 1 Copy *

* Plus one copy on 3.5 inch, high density computer diskette or other digital medium approved by the Project Officer.

ARTICLE F.2. CLAUSES INCORPORATED BY REFERENCE, FAR 52.252-2 (FEBRUARY 1998)

This contract incorporates the following clause by reference, with the same force and effect as if it were given in full text. Upon request, the Contracting Officer will make its full text available. Also, the full text of a clause may be accessed electronically at this address: http://www.arnet.gov/far/.

FEDERAL ACQUISITION REGULATION (48 CFR CHAPTER 1) CLAUSE:
52.242-15, Stop Work Order (AUGUST 1989) with ALTERNATE I (APRIL 1984).

SECTION G - CONTRACT ADMINISTRATION DATA

ARTICLE G.1. PROJECT OFFICER

The following Project Officer will represent the Government for the purpose of this contract:

Stuart Z. Shapiro MD, PhD
Medical Officer, Preclinical Research & Development Branch
Vaccine & Prevention Research Program
Division of AIDS, NIAID, NIH
Room 4108, MSC 7628
6700-B Rockledge Drive
Bethesda, MD 20892-7628

Phone: (301) 402-0122
Fax: (301) 402-3684
Email: sshapiro@niaid.nih.gov

The Project Officer is responsible for: (1) monitoring the Contractor's technical progress, including the surveillance and assessment of performance and recommending to the Contracting Officer changes in requirements; (2) interpreting the Statement of Work and any other technical performance requirements; (3) performing technical evaluation as required; (4) performing technical inspections and acceptances required by this contract; and (5) assisting in the resolution of technical problems encountered during performance.

The Contracting Officer is the only person with authority to act as agent of the Government under this contract. Only the Contracting Officer has authority to: (1) direct or negotiate any changes in the Statement of Work; (2) modify or extend the period of performance; (3) change the delivery schedule; (4) authorize reimbursement to the Contractor any costs incurred during the performance of this contract; or (5) otherwise change any terms and conditions of this contract.

The Contracting Officer hereby delegates the Project Officer as the Contracting Officer's authorized representative responsible for signing software license agreements issued as a result of this contract.

The Government may unilaterally change its Project Officer designation.

ARTICLE G.2. KEY PERSONNEL

Pursuant to the Key Personnel clause incorporated in this contract, the following individual is considered to be essential to the work being performed hereunder:

Name	Title
Robin A. Robinson, Ph.D.	Principal Investigator
Richard W. Compans, Ph.D.	Co-Principal Investigator, Emory University

ARTICLE G.3. INVOICE SUBMISSION/CONTRACT FINANCING REQUEST AND CONTRACT FINANCIAL REPORT

a. Invoice/Financing Request Instructions and Contract Financial Reporting for NIH Cost-Reimbursement Type Contracts NIH(RC)-4 are attached and made part of this contract. The instructions and the following directions for the submission of invoices/financing request must be followed to meet the requirements of a "proper" payment request pursuant to FAR 32.9.

These instructions also provide for the submission of financial and personnel reporting required by HHSAR 342.7002.

(1) Invoices/financing requests shall be submitted as follows:

An original and two copies to the following designated billing office:

Contracting Officer
Contract Management Branch
National Institute of Allergy and Infectious Diseases, NIH
Room 2230
6700-B ROCKLEDGE DRIVE, MSC 7612
BETHESDA, MD 20892-7612

(2) Inquiries regarding payment of invoices should be directed to the designated billing office, (301)496-0612.

b. The Contractor shall include the following certification on every invoice for reimbursable costs incurred with Fiscal Year funds subject to the salary rate limitation provisions as specified in ARTICLE H.12. of this contract. For billing purposes, certified invoices are required for the billing period during which the applicable Fiscal Year funds were initially charged through the final billing period utilizing the applicable Fiscal Year funds:

"I hereby certify that the salaries charged in this invoice are in compliance with P.L. 108-7 and ARTICLE H.12. of the above referenced contract."

ARTICLE G.4. INDIRECT COST RATES

In accordance with Federal Acquisition Regulation (FAR) (48 CFR Chapter 1) Clause 52.216-7 (d)(2), Allowable Cost and Payment incorporated by reference in this contract in Part II, Section I, the cognizant Contracting Officer representative responsible for negotiating provisional and/or final indirect cost rates is identified as follows:

Director, Division of Financial Advisory Services
Office of Acquisition Management and Policy
National Institutes of Health
6100 Building, Room 6B05
6100 EXECUTIVE BLVD MSC 7540
BETHESDA MD 20892-7540

These rates are hereby incorporated without further action of the Contracting Officer.

ARTICLE G.5. GOVERNMENT PROPERTY

a. In addition to the requirements of the clause, GOVERNMENT PROPERTY, incorporated in SECTION I of this contract, the Contractor shall comply with the provisions of DHHS Publication, **Contractor's Guide for Control of Government Property**, 1990, which is incorporated into this contract by reference. Among other issues, this publication provides a summary of the Contractor's responsibilities regarding purchasing authorizations and inventory and reporting requirements under the contract. A copy of this publication is available upon request to the Contracts Property Administrator.

Requests for information regarding property under this contract should be directed to the following office:

Division of Personal Property Services, NIH
6011Building, Suite 637
6011 EXECUTIVE BLVD MSC 7670
BETHESDA MD 20852-7670
(301) 496-6466

b. Notwithstanding the provisions outlined in the DHHS Publication, **Contractor's Guide for Control of Government Property**, 1990 which is incorporated in this contract in paragraph a. above, the contractor shall use the form entitled, "Report of Government Owned, Contractor Held Property" for performing annual inventories required under this contract. This form is included as an attachment in SECTION J of this contract.

ARTICLE G.6. POST AWARD EVALUATION OF CONTRACTOR PERFORMANCE

a. Contractor Performance Evaluations

Interim and final evaluations of contractor performance will be prepared on this contract in accordance with FAR 42.15. The final performance evaluation will be prepared at the time of completion of work. In addition to the final evaluation, interim evaluations will be prepared annually to coincide with the anniversary date of the contract.

Interim and final evaluations will be provided to the Contractor as soon as practicable after completion of the evaluation. The Contractor will be permitted thirty days to review the document and to submit additional information or a rebutting statement. If agreement cannot be reached between the parties, the matter will be referred to an individual one level above the Contracting Officer, whose decision will be final.

Copies of the evaluations, contractor responses, and review comments, if any, will be retained as part of the contract file, and may be used to support future award decisions.

b. Electronic Access to Contractor Performance Evaluations

Contractors that have Internet capability may access evaluations through a secure Web site for review and comment by completing the registration form that can be obtained at the following address:

http://ocm.od.nih.gov/cdmp/cps_contractor.htm

The registration process requires the contractor to identify an individual that will serve as a primary contact and who will be authorized access to the evaluation for review and comment. In addition, the contractor will be required to identify an alternate contact who will be responsible for notifying the cognizant contracting official in the event the primary contact is unavailable to process the evaluation within the required 30-day time frame.

SECTION H - SPECIAL CONTRACT REQUIREMENTS

ARTICLE H.1. REIMBURSEMENT OF COSTS FOR INDEPENDENT RESEARCH AND DEVELOPMENT PROJECTS

The primary purpose of the Public Health Service (PHS) is to support and advance independent research within the scientific community. PHS has established effective, time tested and well recognized procedures for stimulating and supporting this independent research by selecting from multitudes of applications those research projects most worthy of support within the constraints of its appropriations. The reimbursement through the indirect cost mechanism of independent research and development costs not incidental to product improvement would circumvent this competitive process.

To ensure that all research and development projects receive similar and equal consideration, all organizations may compete for direct funding of independent research and development projects they consider worthy of support by submitting those projects to the appropriate Public Health Service grant office for review. Since these projects may be submitted for direct funding, the Contractor agrees that no costs for any independent research and development project, including all applicable indirect costs, will be claimed under this contract.

ARTICLE H.2. RESTRICTION FROM USE OF HUMAN SUBJECTS

NOTICE: UNDER GOVERNING REGULATIONS, FEDERAL FUNDS ADMINISTERED BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES SHALL NOT BE EXPENDED FOR RESEARCH INVOLVING HUMAN SUBJECTS, AND INDIVIDUALS SHALL NOT BE ENROLLED IN SUCH RESEARCH, WITHOUT PRIOR APPROVAL BY THE OFFICE FOR HUMAN RESEARCH PROTECTIONS (OHRP) OF AN ASSURANCE TO COMPLY WITH THE REQUIREMENTS OF 45 CFR 46 TO PROTECT HUMAN RESEARCH SUBJECTS. THIS RESTRICTION APPLIES TO ALL COLLABORATING SITES WITHOUT OHRP-APPROVED ASSURANCES, WHETHER DOMESTIC OR FOREIGN, AND COMPLIANCE MUST BE ENSURED BY THE AWARDEE.

ARTICLE H.3. REQUIRED EDUCATION IN THE PROTECTION OF HUMAN RESEARCH PARTICIPANTS

NIH policy requires education on the protection of human subject participants for all investigators receiving NIH contract awards for research involving human subjects. For a complete description of the NIH Policy announcement on required education in the protection of human subject participants, the contractor should access the NIH Guide for Grants and Contracts Announcement dated June 5, 2000 at the following website: http://grants.nih.gov/grants/guide/notice-files/NOT-OD-00-039.html. The information below is a summary of the NIH Policy Announcement:

The contractor shall maintain the following information: (1) a list of the names and titles of the principal investigator and any other individuals working under the contract who are responsible for the design and/or conduct of the research; (2) the title of the education program(s) in the protection of human subjects that has been completed for each named personnel and; (3) a one sentence description of the educational program(s) listed in (2) above. This requirement extends to investigators and all individuals responsible for the design and/or conduct of the research who are working as subcontractors or consultants under the contract.

Prior to any substitution of the Principal Investigator or any other individuals responsible for the design and/or conduct of the research under the contract, the contractor shall provide the following written information to the Contracting Officer: the title of the education program and a one sentence description of the program that has been completed by the replacement.

ARTICLE H.4. DATA AND SAFETY MONITORING IN CLINICAL TRIALS

The contractor is directed to the full text of the NIH Policy regarding Data and Safety Monitoring and Reporting of Adverse Events, which may be found at the following web sites:

http://grants.nih.gov/grants/guide/notice-files/not98-084.html
http://grants.nih.gov/grants/guide/notice-files/not99-107.html
http://grants.nih.gov/grants/guide/notice-files/NOT-OD-00-038.html

The contractor must comply with the NIH Policy cited in these NIH Announcements, the NIAID Clinical Terms of Award (http://www.niaid.nih.gov/ncn/clinical/default_human.htm), and any other data and safety monitoring requirements found elsewhere in this contract.

Data and Safety Monitoring shall be performed in accordance with the approved Data and Safety Monitoring Plan. The Data and Safety Monitoring Board and Plan shall be established and approved prior to beginning the conduct of the clinical trial.

ARTICLE H.5. HUMAN MATERIALS

The acquisition and supply of all human specimen material (including fetal material) used under this contract shall be obtained by the Contractor in full compliance with applicable State and Local laws and the provisions of the Uniform Anatomical Gift Act in the United States, and no undue inducements, monetary or otherwise, will be offered to any person to influence their donation of human material.

ARTICLE H.6. CONTINUED BAN ON FUNDING OF HUMAN EMBRYO RESEARCH

a. Pursuant to Public Law(s) cited in paragraph b. , below, NIH is prohibited from using appropriated funds to support human embryo research. Contract funds may not be used for (1) the creation of a human embryo or embryos for research purposes; or (2) research in which a human embryo or embryos are destroyed, discarded, or knowingly subjected to risk of injury or death greater than that allowed for research on fetuses in utero under 45 CFR 46.208(a)(2) and Section 498(b) of the Public Health Service Act (42 U.S.C. 289g(b)). The term "human embryo or embryos" includes any organism, not protected as a human subject under 45 CFR 46 as of the date of the enactment of this Act, that is derived by fertilization, parthenogenesis, cloning, or any other means from one or more human gametes or human diploid cells.

Additionally, in accordance with a March 4, 1997 Presidential Memorandum, Federal funds may not be used for cloning of human beings.

b.

Public Law and Section No.	Fiscal Year	Period Covered
P.L. 108-7, Division G, Title V-General Provisions, Section 510	2003	10/1/02 - 9/30/03

ARTICLE H.7. NEEDLE EXCHANGE

a. Pursuant to Public Law(s) cited in paragraph b., below, contract funds shall not be used to carry out any program of distributing sterile needles or syringes for the hypodermic injection of any illegal drug.

b.

Public Law and Section No.	Fiscal Year	Period Covered
P.L. 108-7, Division G, Title V-General Provisions, Section 505	2003	10/1/02 - 9/30/03

ARTICLE H.8. PRIVACY ACT

This procurement action requires the Contractor to do one or more of the following: design, develop, or operate a system of records on individuals to accomplish an agency function in accordance with the Privacy Act of 1974, Public Law 93-579, December 31, 1974 (5 USC 552a) and applicable agency regulations. Violation of the Act may involve the imposition of criminal penalties.

The Privacy Act System of Records applicable to this project is Number 09-25-0200. This document may be accessed on the Internet at the following URL: http://oma.od.nih.gov/ms/privacy/pa-files/0200.htm .

ARTICLE H.9. INTRODUCTION OF RODENTS AND RODENT PRODUCTS

No rodent or rodent product shall be delivered into the NIH, NCI environment (NIH) directly, or through collaborative research or holding facilities under contract to NCI except by permit. Direct shipments to NIH from a commercial colony will be considered exempt. Non-exempt sources must be approved by permit issued through the National Center for Research Resources (NCRR). The permit must be obtained by the Contractor prior to the shipment to NIH of the rodents and/or rodent products. The Contractor must be sure that this permit exists and is current before transferring rodents or rodent products into the NIH, NCI environment. Refusal or negligence to do so will be considered a material breach of contract and may be treated as any other such material breach. Applications for permits should be submitted not less than 30 days prior to shipping date to: NIH Veterinary Resources Branch (VRP), National Center for Research Resources (NCRR), Scientific Services Branch, Laboratory Sciences Section, Building 28A, Room 111, 28 LIBRARY DR MSC 5210, BETHESDA MD 20892-5210, (301)496-2527.

ARTICLE H.10. ANIMAL WELFARE

All research involving live, vertebrate animals shall be conducted in accordance with the Public Health Service Policy on Humane Care and Use of Laboratory Animals. This policy may be accessed at http://grants1.nih.gov/grants/olaw/references/phspol.htm

ARTICLE H.11. RESTRICTION FROM USE OF LIVE VERTEBRATE ANIMALS

UNDER GOVERNING POLICY, FEDERAL FUNDS ADMINISTERED BY THE PUBLIC HEALTH SERVICE (PHS) SHALL NOT BE EXPENDED FOR RESEARCH INVOLVING LIVE VERTEBRATE ANIMALS WITHOUT PRIOR APPROVAL BY THE OFFICE FOR LABORATORY ANIMAL WELFARE (OLAW), OF AN ASSURANCE TO COMPLY WITH THE PHS POLICY ON HUMANE CARE AND USE OF LABORATORY ANIMALS. THIS RESTRICTION APPLIES TO ALL PERFORMANCE SITES WITHOUT OLAW-APPROVED ASSURANCES, WHETHER DOMESTIC OR FOREIGN.

ARTICLE H.12. SALARY RATE LIMITATION LEGISLATION PROVISIONS

a. Pursuant to Public Law(s) cited in paragraph b., below, no NIH Fiscal Year funds may be used to pay the direct salary of an individual through this contract at a rate in excess of applicable amount shown for the fiscal year covered. Direct salary is exclusive of fringe benefits, overhead, and general and administrative expenses (also referred to as "indirect cost" or "facilities and administrative (F&A) costs"). Direct salary has the same meaning as the term "institutional base salary." An individual's direct salary (or institutional base salary) is the annual compensation that the contractor pays for an individual's appointment whether that individual's time is spent on research, teaching, patient care or other activities. Direct salary (or institutional base salary) excludes any income that an individual may be permitted to earn outside of duties to the contractor. The per year salary rate limit also applies to individuals proposed under subcontracts. It does not apply to fees paid to consultants. If this is a multiple year contract, it may be subject to unilateral modifications by the Government if an individual's salary rate exceeds any salary rate ceiling established in future HHS appropriation acts.

b.

Public Law No.	Fiscal Year	Dollar Amount of Salary Limitation*
P.L. 108-7, Division G, Title II-General Provisions, Section 204	2003	Executive Level I

c. Direct salaries which will be paid with FY-03 funds are limited to the Executive Level I rate which was in effect on the date(s) the expense was incurred.

**For contract expenditures using FY-03 funds, the period 10/1/02 — 12/31/02 the Executive Level rate is $166,700. Effective 1/1/03, for contract expenditures using FY-03 funds, the Executive Level I rate is increased to $171,900 and will remain at that level until such time as it is determined to raise the Executive Schedule annual rates. See the web site listed below for Executive Schedule rates of pay.*

LINK to EXECUTIVE LEVEL SALARIES: http://www.opm.gov/oca/PAYRATES/index.htm

(Click on "Executive Schedule" for the current Fiscal Year's salary rate or scroll down to the "General Schedule Salary Tables from Previous Years" to locate the Executive Level salary rates from previous years.)

ARTICLE H.13. PUBLICATION AND PUBLICITY

The contractor shall acknowledge the support of the National Institutes of Health whenever publicizing the work under this contract in any media by including an acknowledgment substantially as follows:

"This project has been funded in whole or in part with Federal funds from the National Institute of Allergy and Infectious Diseases, National Institutes of Health, Department of Health and Human Services, under Contract No. N01-AI- 30029."

ARTICLE H.14. PRESS RELEASES

a. Pursuant to Public Law(s) cited in paragraph b., below, the contractor shall clearly state, when issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money: (1) the percentage of the total costs of the program or project which will be financed with Federal money; (2) the dollar amount of Federal funds for the project or program; and (3) the percentage and dollar amount of the total costs of the project or program that will be financed by nongovernmental sources.

b.

Public Law and Section No.	Fiscal Year	Period Covered
P.L. 108-7, Division G, Title V-General Provisions, Section 507	2003	10/1/02 - 9/30/03

ARTICLE H.15. REPORTING MATTERS INVOLVING FRAUD, WASTE AND ABUSE

Anyone who becomes aware of the existence or apparent existence of fraud, waste and abuse in NIH funded programs is encouraged to report such matters to the HHS Inspector General's Office in writing or on the Inspector General's Hotline. The toll free number is **1-800-HHS-TIPS (1-800-447-8477).** All telephone calls will be handled confidentially. The e-mail address is **Htips@os.dhhs.gov** and the mailing address is:

Office of Inspector General
Department of Health and Human Services
TIPS HOTLINE
P.O. Box 23489
Washington, D.C. 20026

ARTICLE H.16. ANTI -LOBBYING

a. Pursuant to Public Law(s) cited in paragraph c., below, contract funds shall not be used, other than for normal and recognized executive-legislative relationships, for publicity or propaganda purposes, for the preparation, distribution, or use of any kit, pamphlet, booklet, publication, radio, television, or video presentation designed to support or defeat legislation pending before the Congress or any State legislature, except in presentation to the Congress or any State legislature itself.

b. Contract funds shall not be used to pay salary or expenses of the contractor or any agent acting for the contractor, related to any activity designed to influence legislation or appropriations pending before the Congress or any State legislature.

c.

Public Law and Section No.	Fiscal Year	Period Covered
for a., above: P.L. 108-7, Division G, Title V-General Provisions, Section 503a	2003	10/1/02 - 9/30/03
for b., above: P.L. 108-7, Division G, Title V. General Provisions, Section 503b	2003	10/1/02 - 9/30/03

ARTICLE H.17. OBTAINING AND DISSEMINATING BIOMEDICAL RESEARCH RESOURCES

Unique research resources arising from NIH-funded research are to be shared with the scientific research community. NIH provides guidance, entitled, "Sharing Biomedical Research Resources: Principles and Guidelines for Recipients of NIH Research Grants and Contracts," (Federal Register Notice, December 23, 1999 [64 FR 72090]), concerning the appropriate terms for disseminating and acquiring these research resources. This guidance, found at : http://ott.od.nih.gov/NewPages/64FR72090.pdf. is intended to help contractors ensure that the conditions they impose and accept on the transfer of research tools will facilitate further biomedical research, consistent with the requirements of the Bayh-Dole Act and NIH funding policy.

Note: For the purposes of this Article, the terms, "research tools," "research materials," and "research resources" are used interchangeably and have the same meaning.

ARTICLE H.18. PROHIBITION ON CONTRACTOR INVOLVEMENT WITH TERRORISM ACTIVITIES

The Contractor acknowledges that U. S. Executive Orders and Laws, including but not limited to E.O. 13224 and P.L. 107-56, prohibit transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. It is the legal responsibility of the contractor to ensure compliance with these Executive Orders and Laws. This clause must be included in all subcontracts issued under this contract.

PART II — CONTRACT CLAUSES

SECTION I — CONTRACT CLAUSES

ARTICLE I.1. GENERAL CLAUSES FOR A COST-REIMBURSEMENT RESEARCH AND DEVELOPMENT CONTRACT — FAR 52.252-2, CLAUSES INCORPORATED BY REFERENCE (FEBRUARY 1998)

This contract incorporates the following clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address: http://www.arnet.gov/far/ .

a. FEDERAL ACQUISITION REGULATION (FAR) (48 CFR CHAPTER 1) CLAUSES:

FAR CLAUSE NO.	DATE	TITLE
52.202-1	Dec 2001	Definitions
52.203-3	Apr 1984	Gratuities (Over $100,000)
52.203-5	Apr 1984	Covenant Against Contingent Fees (Over $100,000)
52.203-6	Jul 1995	Restrictions on Subcontractor Sales to the Government (Over $100,000)
52.203-7	Jul 1995	Anti-Kickback Procedures(Over $100,000)
52.203-8	Jan 1997	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity (Over $100,000)
52.203-10	Jan 1997	Price or Fee Adjustment for Illegal or Improper Activity (Over $100,000)
52.203-12	Jun 2003	Limitation on Payments to Influence Certain Federal Transactions (Over $100,000)
52.204-4	Aug 2000	Printed or Copied Double-Sided on Recycled Paper (Over $100,000)
52.209-6	Jul 1995	Protecting the Government's Interests When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment (Over $25,000)
52.215-2	Jun 1999	Audit and Records — Negotiation (Over $100,000)
52.215-8	Oct 1997	Order of Precedence — Uniform Contract Format
52.215-10	Oct 1997	Price Reduction for Defective Cost or Pricing Data
52.215-12	Oct 1997	Subcontractor Cost or Pricing Data (Over $500,000)
52.215-14	Oct 1997	Integrity of Unit Prices (Over $100,000)
52.215-15	Dec 1998	Pension Adjustments and Asset Reversions
52.215-18	Oct 1997	Reversion or Adjustment of Plans for Post-Retirement Benefits (PRB) other than Pensions
52.215-19	Oct 1997	Notification of Ownership Changes
52.215-21	Oct 1997	Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data — Modifications
52.216-7	Dec 2002	Allowable Cost and Payment

FAR CLAUSE NO.	DATE	TITLE
52.216-8	Mar 1997	Fixed Fee
52.219-8	Oct 2000	Utilization of Small Business Concerns (Over $100,000)
52.219-9	Jan 2002	Small Business Subcontracting Plan (Over $500,000)
52.219-16	Jan 1999	Liquidated Damages — Subcontracting Plan (Over $500,000)
52.222-2	Jul 1990	Payment for Overtime Premium (Over $100,000) (Note: The dollar amount in paragraph (a) of this clause is $0 unless otherwise specified in the contract.)
52.222-3	Jun 2003	Convict Labor
52.222-26	Apr 2002	Equal Opportunity
52.222-35	Dec 2001	Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans
52.222-36	Jun 1998	Affirmative Action for Workers with Disabilities
52.222-37	Dec 2001	Employment Reports on Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans
52.223-6	May 2001	Drug-Free Workplace
52.223-14	Jun 2003	Toxic Chemical Release Reporting
52.225-1	Jun 2003	Buy American Act — Supplies
52.225-13	Jun 2003	Restrictions on Certain Foreign Purchases
52.227-1	Jul 1995	Authorization and Consent, Alternate I (Apr 1984)
52.227-2	Aug 1996	Notice and Assistance Regarding Patent and Copyright Infringement (Over $100,000)
52.227-11	Jun 1997	Patent Rights — Retention by the Contractor (Short Form) (Note: In accordance with FAR 27.303(a)(2), paragraph (f) is modified to include the requirements in FAR 27.303(a)(2)(i) through (iv). The frequency of reporting in (i) is annual.
52.227-14	Jun 1987	Rights in Data — General
52.232-9	Apr 1984	Limitation on Withholding of Payments
52.232-17	Jun 1996	Interest (Over $100,000)
52.232-20	Apr 1984	Limitation of Cost
52.232-23	Jan 1986	Assignment of Claims
52.232-25	Feb 2002	Prompt Payment, Alternate I (Feb 2002)
52.232-34	May 1999	Payment by Electronic Funds Transfer—Other Than Central Contractor Registration
52.233-1	Jul 2002	Disputes
52.233-3	Aug 1996	Protest After Award, Alternate I (Jun 1985)
52.242-1	Apr 1984	Notice of Intent to Disallow Costs
52.242-3	May 2001	Penalties for Unallowable Costs (Over $500,000)

FAR CLAUSE NO.	DATE	TITLE
52.242-4	Jan 1997	Certification of Final Indirect Costs
52.242-13	Jul 1995	Bankruptcy (Over $100,000)
52.243-2	Aug 1987	Changes — Cost Reimbursement, Alternate V (Apr 1984)
52.244-2	Aug 1998	Subcontracts, Alternate II (Aug 1998) *If written consent to subcontract is required, the identified subcontracts are listed in ARTICLE B, Advance Understandings.
52.244-5	Dec 1996	Competition in Subcontracting (Over $100,000)
52.245-5	Jun 2003	Government Property (Cost-Reimbursement, Time and Material, or Labor-Hour Contract)
52.246-23	Feb 1997	Limitation of Liability (Over $100,000)
52.249-6	Sep 1996	Termination (Cost-Reimbursement)
52.249-14	Apr 1984	Excusable Delays
52.253-1	Jan 1991	Computer Generated Forms

b. DEPARTMENT OF HEALTH AND HUMAN SERVICES ACQUISITION REGULATION (HHSAR) (48 CFR CHAPTER 3) CLAUSES:

HHSAR CLAUSE NO.	DATE	TITLE
352.202-1	Jan 2001	Definitions — with Alternate paragraph (h) (Jan 2001)
352.216-72	Oct 1990	Additional Cost Principles
352.228-7	Dec 1991	Insurance — Liability to Third Persons
352.232-9	Apr 1984	Withholding of Contract Payments
352.233-70	Apr 1984	Litigation and Claims
352.242-71	Apr 1984	Final Decisions on Audit Findings
352.270-5	Apr 1984	Key Personnel
352.270-6	Jul 1991	Publications and Publicity
352.270-7	Jan 2001	Paperwork Reduction Act

[End of GENERAL CLAUSES FOR A COST-REIMBURSEMENT RESEARCH AND DEVELOPMENT CONTRACT — Rev. 6/2003].

ARTICLE I.2 AUTHORIZED SUBSTITUTION OF CLAUSES

ARTICLE I.1. of this SECTION is hereby modified as follows:

FAR Clause 52.219-9, SMALL BUSINESS SUBCONTRACTING PLAN (JANUARY 2002), and FAR Clause 52.219-16, LIQUIDATED DAMAGES—SUBCONTRACTING PLAN (JANUARY 1999) are deleted in their entirety.

FAR Clause 52.232-20, LIMITATION OF COST, is deleted in its entirety and FAR Clause 52.232-22, LIMITATION OF FUNDS (APRIL 1984) is substituted therefor. **Note: When this contract is fully funded, FAR Clause 52.232-22, LIMITATION OF FUNDS will no longer apply and FAR Clause 52.232-20, LIMITATION OF COST will become applicable.**

ARTICLE I.3. ADDITIONAL CONTRACT CLAUSES

This contract incorporates the following clauses by reference, with the same force and effect, as if they were given in full text. Upon request, the contracting officer will make their full text available.

a. FEDERAL ACQUISITION REGULATION (FAR) (48 CFR CHAPTER 1) CLAUSES

(1) FAR 52.215-17, Waiver of Facilities Capital Cost of Money (OCTOBER 1997).

(2) FAR 52.219-4, Notice of Price Evaluation Preference for HUBZone Small Business Concerns (JANUARY 1999).

"(c) Waiver of evaluation preference.....

[ ] Offeror elects to waive the evaluation preference."

(3) FAR 52.219-23, Notice of Price Evaluation Adjustment for Small Disadvantaged Business Concerns (JUNE 2003).

"(b) Evaluation adjustment. (1) The Contracting Officer will evaluate offers by adding a factor of 10% to the price of all offers, except—..."

(4) FAR 52.224-1, Privacy Act Notification (APRIL 1984)

(5) FAR 52.224-2, Privacy Act (APRIL 1984)

(6) FAR 52.227-14, Rights in Data — General (JUNE 1987).

(7) FAR 52.242-3, Penalties for Unallowable Costs (MAY 2001).

(8) FAR 52.247-63, Preference for U.S. Flag Air Carriers (JUNE 2003).

b. DEPARTMENT OF HEALTH AND HUMAN SERVICES ACQUISITION REGULATION (HHSAR) (48 CHAPTER 3) CLAUSES:

(1) HHSAR 352.223-70, Safety and Health (JANUARY 2001). [This clause is provided in full text in SECTION J — ATTACHMENTS.]

(2) HHSAR 352.270-8, Protection of Human Subjects (JANUARY 2001).

Note: The Office for Human Research Protections (OHRP), Office of the Secretary (OS), Department of Health and Human Services (DHHS) is the office responsible for oversight of the Protection of Human subjects and should

replace Office for Protection from Research Risks (OPRR), National Institutes of Health (NIH) wherever it appears in this clause.

(3) HHSAR 352.270-9, Care of Live Vertebrate Animals (JANUARY 2001).

c. NATIONAL INSTITUTES OF HEALTH (NIH) RESEARCH CONTRACTING (RC) CLAUSES:

The following clauses are attached and made a part of this contract:

(1) NIH (RC)-7, Procurement of Certain Equipment (APRIL 1984) (OMB Bulletin 81-16).

(2) NIH(RC)-11, Research Patient Care Costs (4/1/84).

ARTICLE I.4. ADDITIONAL FAR CONTRACT CLAUSES INCLUDED IN FULL TEXT

This contract incorporates the following clauses in full text.

FEDERAL ACQUISITION REGULATION (FAR)(48 CFR CHAPTER 1) CLAUSES:

a. **FAR Clause 52.244-6, SUBCONTRACTS FOR COMMERCIAL ITEMS** (APRIL 2003)

(a) **Definitions**. As used in this clause—

Commercial item, has the meaning contained in the clause at 52.202-1, Definitions.

Subcontract, includes a transfer of commercial items between divisions, subsidiaries, or affiliates of the Contractor or subcontractor at any tier.

(b) To the maximum extent practicable, the Contractor shall incorporate, and require its subcontractors at all tiers to incorporate, commercial items or nondevelopmental items as components of items to be supplied under this contract. (c) (1) The Contractor shall insert the following clauses in subcontracts for commercial items:

(i) 52.219-8, Utilization of Small Business Concerns (OCT 2000) (15 U.S.C. 637(d)(2) and (3)), in all subcontracts that offer further subcontracting opportunities. If the subcontract (except subcontracts to small business concerns) exceeds $500,000 ($1,000,000 for construction of any public facility), the subcontractor must include 52.219-8 in lower tier subcontracts that offer subcontracting opportunities.

(ii) 52.222-26, Equal Opportunity (APR 2002) (E.O. 11246).

(iii) 52.222-35, Equal Opportunity for Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans (DEC 2001) (38 U.S.C. 4212(a)).

(iv) 52.222-36, Affirmative Action for Workers with Disabilities (JUN 1998) (29 U.S.C. 793).

(v) 52.247-64, Preference for Privately Owned U.S.-Flag Commercial Vessels (APR 2003) (46 U.S.C. Appx 1241 and 10 U.S.C. 2631) (flow down required in accordance with paragraph (d) of FAR clause 52.247-64).

(2) While not required, the Contractor may flow down to subcontracts for commercial items a minimal number of additional clauses necessary to satisfy its contractual obligations.

(d) The Contractor shall include the terms of this clause, including this paragraph (d), in subcontracts awarded under this contract.

PART III

SECTION J — LIST OF ATTACHMENTS

The following documents are attached and incorporated in this contract:

1. Statement of Work, September 26, 2003, 2 pages.
2. Invoice/Financing Request and Contract Financial Reporting Instructions for NIH Cost-Reimbursement Type Contracts, NIH(RC)-4, (5/97), 5 pages.
3. Inclusion Enrollment Report, 5/01 (Modified OAMP: 10/01), 1 page.
4. Annual Technical Progress Report Format for Each Study, July 1994, 1 page.
5. Safety and Health, HHSAR Clause 352.223-70, (1/01), 1 page.
6. Research Patient Care Costs, NIH(RC)-11, 4/1/84, 1 page.
7. Procurement of Certain Equipment, NIH(RC)-7, 4/1/84, 1 page.
8. Report of Government Owned, Contractor Held Property, 1 page.

PART IV

SECTION K — REPRESENTATIONS AND CERTIFICATIONS

The following documents are incorporated by reference in this contract:

1. Representations and Certifications, dated September 4, 2003.

2. Animal Welfare and Human Assurance Numbers

	Animal Welfare	Human Assurances
Novavax	A3080-01	To be established between the Office for Human Research Protection (OHRP) and the contractor prior to initiation of studies.
Tulane University Health Sciences Center	A3552-01	FWA 00002055
Emory University	A3180-01	M1346

END of the SCHEDULE
(CONTRACT)

STATEMENT OF WORK

Independently, and not as an agent of the Government, the Contractor shall furnish all the necessary services, qualified personnel, materials, equipment, and facilities, not otherwise provided by the Government under the terms of this contract, as needed to perform the work set forth below.

Specifically, the Contractor shall:

1. Identify a specific vaccine concept to be pursued in a well planned and managed, comprehensive, multidisciplinary, targeted development effort culminating in the production and clinical testing of a promising AIDS vaccine candidate.

2. Articulate and implement a strategic research plan that includes.

   a. key development objectives and a detailed work plan describing proposed time schedules for achieving contract objectives and milestones, and maintaining quality control over the implementation and operation of the contract

   b. how decisions to proceed or not proceed will be made (i.e. specific qualitative and quantitative criteria for advancement of vaccine molecules or constructs through each stage of preclinical product development) including decisions to proceed or not proceed vis a vis human safety, immunogenicity, and testing

   c. plans for GMP vaccine lot production and for obtaining the necessary government and ethical approvals to proceed.

   The strategic plan shall articulate how the Team will efficiently allocate and utilize the resources, redirect the focus (including reallocation of funds) depending upon the project's changing needs and emerging new knowledge, obtain patent coverage and licensing of the resulting HIV vaccine, and what procedures will be followed for the resolution of potential legal issues that may arise.

3. Provide a research and administrative team that includes all expertise needed for the development, optimization, pre-clinical and clinical testing, and production of an HIV/AIDS vaccine based on the concept chosen by the Contractor.

4. Provide infrastructure, facilities, and resources for performing all phases of this contract, including production of an optimized vaccine under GMP (Good Manufacturing Practices, as defined in the US Code of Federal Regulations — 21 CFR §211) conditions, GLP (Good Laboratory Practices — 21 CFR §58) performance of IND-enabling preclinical animal studies, and GCP (Good Clinical Practices — 21 CFR §312 and ICH Guidelines document E6) performance of clinical studies in humans if clinical studies will be performed by the Contractor, on its own, rather than through the DAIDS HIV Vaccine Trials Network.

5. Report progress according to Reporting Requirements (refer to the "Deliverables and Reporting Requirements" in this contract).

6. Meet with the Project Officer and the External Advisory Committee associated with this Contract.

   a. The Contractor and the NIH, after Contract award, shall jointly establish an External Advisory Committee for the contract. The Contractor's key personnel shall meet with the

Project Officer and the Team's External Advisory Committee at periodic intervals to be scheduled after contract award to review progress and anticipated or existing problems.

b. In the middle (6 month mark) of each contract year, the Contractor shall host a site visit review for NIAID contract and program staff, and their External Advisory Committee. The Contractor's Principal Investigator and all co-investigators shall attend this meeting. The co-investigator and/or other pertinent staff shall present an update and summary of results generated on each sub-project. These presentations shall include summaries of all goals or milestones reached during the review period and a description of all problems encountered that will impact on the achievement of particular goals and milestones as outlined in the Contractor's research plan. The Principal Investigator, co-investigator and staff representing each project and sub-project shall describe goals and milestones and development objectives for the coming year. Additionally, application of the policies and procedures for monitoring the direction of specific projects shall be presented. For contractors with foreign subcontracts, this annual site visit also will report details about approvals for manufacturing or testing that have been obtained from both the U.S. and foreign governments.

INVOICE/FINANCING REQUEST AND CONTRACT FINANCIAL REPORTING
INSTRUCTIONS FOR NIH COST-REIMBURSEMENT CONTRACTS, NIH(RC)-4

General: The contractor shall submit claims for reimbursement in the manner and format described herein and as illustrated in the sample invoice/financing request.

Format: Standard Form 1034, "Public Voucher for Purchases and Services Other Than Personal," and Standard Form 1035, "Public Voucher for Purchases and Services Other Than Personal— Continuation Sheet," or reproduced copies of such forms marked ORIGINAL should be used to submit claims for reimbursement. In lieu of SF-1034 and SF-1035, claims may be submitted on the payee's letter-head or self-designed form provided that it contains the information shown on the sample invoice/financing request.

Number of Copies: As indicated in the Invoice Submission Clause in the contract.

Frequency: Invoices/financing requests submitted in accordance with the Payment Clause shall be submitted monthly unless otherwise authorized by the contracting officer.

Cost Incurrence Period: Costs incurred must be within the contract performance period or covered by precontract cost provisions.

Billing of Costs Incurred: If billed costs include: (l) costs of a prior billing period, but not previously billed; or (2) costs incurred during the contract period and claimed after the contract period has expired, the amount and month(s) in which such costs were incurred shall be cited.

Contractor's Fiscal Year: Invoices/financing requests shall be prepared in such a manner that costs claimed can be identified with the contractor's fiscal year.

Currency: All NIH contracts are expressed in United States dollars. When payments are made in a currency other than United States dollars, billings on the contract shall be expressed, and payment by the United States Government shall be made, in that other currency at amounts coincident with actual costs incurred. Currency fluctuations may not be a basis of gain or loss to the contractor. Notwithstanding the above, the total of all invoices paid under this contract may not exceed the United States dollars authorized.

Costs Requiring Prior Approval: Costs requiring the contracting officer's approval, which are not set forth in an Advance Understanding in the contract shall be so identified and reference the Contracting Officer's Authorization (COA) Number. In addition, any cost set forth in an Advance Understanding shall be shown as a separate line item on the request.

Invoice/Financing Request Identification: Each invoice/financing request shall be identified as either:

(a) **Interim Invoice/Contract Financing Request** - These are interim payment requests submitted during the contract performance period.

(b) **Completion Invoice** - The completion invoice is submitted promptly upon completion of the work; but no later than one year from the contract completion date, or within 120 days after settlement of the final indirect cost rates covering the year in which this contract is physically complete (whichever date is later). The completion invoice should be submitted when all costs have been assigned to the contract and all performance provisions have been completed.

(c) **Final Invoice** - A final invoice may be required after the amounts owed have been settled between the Government and the contractor (e.g., resolution of all suspensions and audit exceptions).

Preparation and Itemization of the Invoice/Financing Request: The contractor shall furnish the information set forth in the explanatory notes below. These notes are keyed to the entries on the sample invoice/financing request.

(a) **Designated Billing Office Name and Address** - Enter the designated billing office and address, identified in the Invoice Submission Clause of the contract, on all copies of the invoice/financing request.

(b) **Invoice/Financing Request Number** - Insert the appropriate serial number of the invoice/financing request.

(c) **Date Invoice/Financing Request Prepared** - Insert the date the invoice/financing request is prepared.

(d) **Contract Number and Date** - Insert the contract number and the effective date of the contract.

(e) **Payee's Name and Address** - Show the contractor's name (as it appears in the contract), correct address, and the title and phone number of the responsible official to whom payment is to be sent. When an approved assignment has been made by the contractor, or a different payee has been designated, then insert the name and address of the payee instead of the contractor.

(f) **Total Estimated Cost of Contract** - Insert the total estimated cost of the contract, exclusive of fixed-fee. For incrementally funded contracts, enter the amount currently obligated and available for payment.

(g) **Total Fixed-Fee** - Insert the total fixed-fee (where applicable). For incrementally funded contracts, enter the amount currently obligated and available for payment.

(h) **Billing Period** - Insert the beginning and ending dates (month, day, and year) of the period in which costs were incurred and for which reimbursement is claimed.

(i) **Incurred Cost - Current** - Insert the amount billed for the major cost elements, adjustments, and adjusted amounts for the current period.

(j) **Incurred Cost - Cumulative** - Insert the cumulative amounts billed for the major cost elements and adjusted amounts claimed during this contract.

(k) **Direct Costs** - Insert the major cost elements. For each element, consider the application of the paragraph entitled "Costs Requiring Prior Approval" on page 1 of these instructions.

(l) **Direct Labor** - Include salaries and wages paid (or accrued) for direct performance of the contract. For Key Personnel, list each employee on a separate line. List other employees as one amount unless otherwise required by the contract.

(2) **Fringe Benefits** - List any fringe benefits applicable to direct labor and billed as a direct cost. Fringe benefits included in indirect costs should not be identified here.

(3) **Accountable Personal Property** - Include permanent research equipment and general purpose equipment having a unit acquisition cost of $1,000 or more and having an expected service life of more than two years, and sensitive property regardless of cost (see the DHHS *Contractor's Guide for Control of Government Property)*. Show permanent research equipment separate from general purpose equipment. Prepare and attach Form HHS-565, "Report of Accountable Property," in accordance with the following instructions:

List each item for which reimbursement is requested. A reference shall be made to the following (as applicable):

- The item number for the specific piece of equipment listed in the Property Schedule.
- The Contracting Officer's Authorization letter and number, if the equipment is not covered by the Property Schedule.
- Be preceded by an asterisk (*) if the equipment is below the approval level.

(4) **Materials and Supplies** - Include equipment with unit costs of less than $1,000 or an expected service life of two years or less, and consumable material and supplies regardless of amount.

(5) **Premium Pay** - List remuneration in excess of the basic hourly rate.

(6) **Consultant Fee** - List fees paid to consultants. Identify consultant by name or category as set forth in the contract's Advance Understanding or in the COA letter, as well as the effort (i.e., number of hours, days, etc.) and rate being billed.

(7) **Travel** - Include domestic and foreign travel. Foreign travel is travel outside of Canada, the United States and its territories and possessions. However, for an organization located outside Canada, the United States and its territories and possessions, foreign travel means travel outside that country. Foreign travel must be billed separately from domestic travel.

(8) **Subcontract Costs** - List subcontractor(s) by name and amount billed.

(9) **Other** - List all other direct costs in total unless exceeding $1,000 in amount. If over $1,000, list cost elements and dollar amounts separately. If the contract contains restrictions on any cost element, that cost element must be listed separately.

(l) **Cost of Money (COM)** - Cite the COM factor and base in effect during the time the cost was incurred and for which reimbursement is claimed.

(m) **Indirect Costs—Overhead** - Identify the cost base, indirect cost rate, and amount billed for each indirect cost category.

(n) **Fixed-Fee Earned** - Cite the formula or method of computation for the fixed-fee (if any). The fixed-fee must be claimed as provided for by the contract.

(o) **Total Amounts Claimed** - Insert the total amounts claimed for the current and cumulative periods.

(p) **Adjustments** - Include amounts conceded by the contractor, outstanding suspensions, and/or disapprovals subject to appeal.

(q) **Grand Totals**

The contracting officer may require the contractor to submit detailed support for costs claimed on one or more interim invoices/financing requests.

FINANCIAL REPORTING INSTRUCTIONS:

These instructions are keyed to the Columns on the sample invoice/financing request.

Column A-Expenditure Category — Enter the expenditure categories required by the contract.

Column B-Cumulative Percentage of Effort/Hrs.-Negotiated — Enter the percentage of effort or number of hours agreed to doing contract negotiations for each employee or labor category listed in Column A.

Column C-Cumulative Percentage of Effort/Hrs.-Actual — Enter the percentage of effort or number of hours worked by each employee or labor category listed in Column A.

Column D-Incurred Cost-Current — Enter the costs, which were incurred during the current period.

Column E-Incurred Cost-Cumulative — Enter the cumulative cost to date.

Column F-Cost at Completion — Enter data only when the contractor estimates that a particular expenditure category will vary from the amount negotiated. Realistic estimates are essential.

Column G- Contract Amount - Enter the costs agreed to during contract negotiations for all expenditure categories listed in Column A.

Column H-Variance (Over or Under) - Show the difference between the estimated costs at completion (Column F) and negotiated costs (Column G) when entries have been made in Column F. This column need not be filled in when Column F is blank. When a line item varies by plus or minus 10 percent, i.e., the percentage arrived at by dividing Column F by Column G, an explanation of the variance should be submitted. In the case of an overrun (net negative variance), this submission shall not be deemed as notice under the Limitation of Cost (Funds) Clause of the contract.

Modifications: Any modification in the amount negotiated for an item since the preceding report should be listed in the appropriate cost category.

Expenditures Not Negotiated: An expenditure for an item for which no amount was negotiated (e.g., at the discretion of the contractor in performance of its contract) should be listed in the appropriate cost category and all columns filled in, except for G. Column H will of course show a 100 percent variance and will be explained along with those identified under H above.

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SAMPLE INVOICE/FINANCING REQUEST AND CONTRACT FINANCIAL REPORT

(a) Billing Office Name and Address NATIONAL INSTITUTES OF HEALTH National Institute of Allergy and Infectious Diseases Room 2230, MSC 7612 6700-B Rockledge Drive Bethesda, MD 20892-7612 (e) Payee's Name and Address ABC CORPORATION 100 Main Street Anywhere, USA zip code Attn: Name, Title, & Phone Number of Official to Whom Payment is Sent	(b) Invoice/Financing Request No._____ (c) Date Invoice Prepared_____ (d) Contract No._____ Effective Date_____ (f) Total Estimated Cost _____ (g) Total Fixed Fee

(h) This invoice/financing request represents reimbursable costs for the period from _____ to

Expenditure Category* A	Cumulative Percentage of Effort/Hrs.		Incurred Cost		Cost at Completion F	Contract Amount G	Variance H
	Negotiated B	Actual C	(i) Current D	(j) Cumulative E			
(K) Direct Costs:							
(1) Direct Labor							
(2) Fringe Benefits							
(3) Accountable Property (attach HHS-565)							
(4) Materials & Supplies							
(5) Premium Pay							
(6) Consultant Fees							
(7) Travel							
(8) Subcontracts							
(9) Other							
Total Direct Costs							
(l) Cost of Money							
(m) Overhead							
G&A							
(n) Fixed Fee							
(o) Total Amount Claimed							
(p) Adjustments							
(q) Grand Totals							

I certify that all payments are for appropriate purposes and in accordance with the contract.

_____ (Name of Official) _____ (Title)

* Attach details as specified in the contract

INCLUSION ENROLLMENT REPORT

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This report format should NOT be used for data collection from study participants

Study Title:	
Total Enrollment:	**Protocol Number:**
Contract Number:	

PART A. TOTAL ENROLLMENT REPORT: Number of Subjects Enrolled to Date (Cumulative) by Ethnicity and Race

Ethnic Category	Sex/Gender			
	Females	Males	Unknown or Not Reported	Total
Hispanic or Latino				
Not Hispanic or Latino				
Unknown (Individuals not reporting ethnicity)				
Ethnic Category: Total of All Subjects*				
Racial Categories				
American Indian/Alaska Native				
Asian				
Native Hawaiian or Other Pacific Islander				
Black or African American				
White				
More than one race				
Unknown or not reported				
Racial Categories: Total of All Subjects*				

PART B. HISPANIC ENROLLMENT REPORT: Number of Hispanics or Latinos Enrolled to Date (Cumulative)

Racial Categories	Females	Males	Unknown or Not Reported	Total
American Indian or Alaska Native				
Asian				
Native Hawaiian or Other Pacific Islander				
Black or African American				
White				
More Than One Race				
Unknown or not reported				

Racial Categories: Total of Hispanics or Latinos**				
*These totals must agree **These totals must agree				

ANNUAL TECHNICAL PROGRESS REPORT FORMAT FOR EACH STUDY

Study Title:
Date:
Provide the number of subject enrolled in the study to date according to the following categories:

	American Indian or Alaskan Native	Asian or Pacific Islander	Black, not of Hispanic Origin	Hispanic	White, not of Hispanic Origin	Other or Unknown	Total
Female							
Male							
Unknown							
TOTAL							

Subpopulations of the minority groups should also be reported, using a similar format.

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HHSAR 352.223-70 SAFETY AND HEALTH (JANUARY 2001)

(a) To help ensure the protection of the life and health of all persons, and to help prevent damage to property, the Contractor shall comply with all Federal, State and local laws and regulations applicable to the work being performed under this contract. These laws are implemented and/or enforced by the Environmental Protection Agency, Occupational Safety and Health Administration and other agencies at the Federal, State and local levels (Federal, State and local regulatory/enforcement agencies).

(b) Further, the Contractor shall take or cause to be taken additional safety measures as the Contracting Officer in conjunction with the project or other appropriate officer, determines to be reasonably necessary. If compliance with these additional safety measures results in an increase or decrease in the cost or time required for performance of any part of work under this contract, an equitable adjustment will be made in accordance with the applicable "Changes" Clause set forth in this contract.

(c) The Contractor shall maintain an accurate record of, and promptly report to the Contracting Officer, all accidents or incidents resulting in the exposure of persons to toxic substances, hazardous materials or hazardous operations; the injury or death of any person; and/or damage to property incidental to work performed under the contract and all violations for which the Contractor has been cited by any Federal, State or local regulatory/enforcement agency. The report shall include a copy of the notice of violation and the findings of any inquiry or inspection, and an analysis addressing the impact these violations may have on the work remaining to be performed. The report shall also state the required action(s), if any, to be taken to correct any violation(s) noted by the Federal, State or local regulatory/enforcement agency and the time frame allowed by the agency to accomplish the necessary corrective action.

(d) If the Contractor fails or refuses to comply promptly with the Federal, State or local regulatory/enforcement agency's directive(s) regarding any violation(s) and prescribed corrective action(s), the Contracting Officer may issue an order stopping all or part of the work until satisfactory corrective action (as approved by the Federal, State or local regulatory/enforcement agencies) has been taken and documented to the Contracting Officer. No part of the time lost due to any stop work order shall be subject to a claim for extension of time or costs or damages by the Contractor.

(e) The Contractor shall insert the substance of this clause in each subcontract involving toxic substances, hazardous materials, or operations. Compliance with the provisions of this clause by subcontractors will be the responsibility of the Contractor.

(End of clause)

Safety and Health Clause ATTACHMENT 5
HHSAR 352.223-70,(1/01)

RESEARCH PATIENT CARE COSTS

(a) Research patient care costs are the costs of routine and ancillary services provided to patients participating in research programs described in this contract.

(b) Patient care costs shall be computed in a manner consistent with the principles and procedures used by the Medicare Program for determining the part of Medicare reimbursement based on reasonable costs. The Diagnostic Related Group (DRG) prospective reimbursement method used to determine the remaining portion of Medicare reimbursement shall not be used to determine patient care costs. Patient care rates or amounts shall be established by the Secretary of HHS or his duly authorized representative.

(c) Prior to submitting an invoice for patient care costs under this contract, the contractor must make every reasonable effort to obtain third party payment, where third party payors (including Government agencies) are authorized or are under a legal obligation to pay all or a portion of the charges incurred under this contract for patient care.

(d) The contractor must maintain adequate procedures to identify those research patients participating in this contract who are eligible for third party reimbursement.

(e) Only those charges not recoverable from third party payors or patients and which are consistent with the terms and conditions of the contract are chargeable to this contract.

PROCUREMENT OF CERTAIN EQUIPMENT

Notwithstanding any other clause in this contract, the Contractor will not be reimbursed for the purchase, lease, or rental of any item of equipment listed in the following Federal Supply Groups, regardless of the dollar value, without the prior written approval of the Contracting Officer.

67 - Photographic Equipment
69 - Training Aids and Devices
70 - General Purpose ADP Equipment, Software, Supplies and Support (Excluding 7045-ADP Supplies and Support Equipment.)
71 - Furniture
72 - Household and Commercial Furnishings and Appliances
74 - Office Machines and Visible Record Equipment
77 - Musical Instruments, Phonographs, and Home-type Radios
78 - Recreational and Athletic Equipment

When equipment in these Federal Supply Groups is requested by the Contractor and determined essential by the Contracting Officer, the Government will endeavor to fulfill the requirement with equipment available from its excess personal property sources, provided the request is made under a contract. Extensions or renewals of approved existing leases or rentals for equipment in these Federal Supply Groups are excluded from the provisions of this article.

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REPORT OF GOVERNMENT OWNED, CONTRACTOR HELD PROPERTY

CONTRACTOR:	CONTRACT NUMBER
ADDRESS	REPORT DATE:
	FISCAL YEAR:

CLASSIFICATION	BEGINNING OF PERIOD		ADJUSTMENTS			END OF PERIOD	
	#ITEMS	VALUE	GFP ADDED	CAP ADDED	DELETIONS	#ITEMS	VALUE
LAND>=$25K							
LAND<$25K							
OTHER REAL>=$25K							
OTHER REAL<$25K							
PROPERTY UNDER CONST>=$25K							
PROPERTY UNDER CONST<$25K							
PLANT EQUIP>=$25K							
PLANT EQUIP<$25K							
SPECIAL TOOLING >= $25K							
SPECIAL TOOLING<$25K							
SPECIAL TEST EQUIP>=$25K							
SPECIAL TEST EQUIP<$25K							
AGENCY PECULIAR>=$25K							
AGENCY PECULIAR<$25K							
MATERIAL>=$25K (CUMULATIVE)							
PROPERTY UNDER MFR>=$25K							
PROPERTY UNDER MFR<$25K							

SIGNED BY:		DATE SIGNED:

NOVAVAX

Code of Business
Conduct and Ethics

March 2004

March 2004

A Message from Nelson Sims:

I am pleased to share with you the first edition of Novavax's Code of Business Conduct and Ethics (the "Code").

Our Code is more than a set of rules – it is intended to provide a practical guide to help each of us with the difficult decisions we face everyday. It sets out universal principles which should govern the way we conduct business at Novavax, it provides clarity about the expectations at Novavax, and it identifies the other Novavax resources and policies that you can use to support your decision making. There is nothing "new" in this Code – it is simply a codification of our existing business policies and practices governing, and the goals and expectations for, the conduct of all Novavax officers, directors and employees, all of which are founded in our Core Values of Respect, Integrity, and Excellence.

This Code is being communicated to you at this time as a result of two converging factors. First, as Novavax has grown in size, it has become increasingly difficult to communicate our policies, practices and expectations to each employee personally – this Code is meant to help Novavax employees understand who we are and what we do. Second, as many of you are aware, the business environment in which Novavax operates has recently become much more sensitive to business practice issues, with discussions about integrity, honesty and business ethics more prevalent, and the reputations of institutions have become increasingly fragile. This Code is meant to assist all of us in vigilantly protecting the company's reputation and, just as importantly, ensure our compliance with the rules and regulations of the U.S. Securities and Exchange Commission and The Nasdaq Stock Market.

As Novavax employees, we are all trustees of the investments made in Novavax by our shareholders. We owe it to them to ensure that the company is successful and that its reputation remains strong. This Code is crucial to the company's success, its reputation – and its future. At the end of the Code is a Novavax Personal Pledge form, which must be signed by each and every one of our employees. I have signed this document, as have every member of the Senior Management team. We have decided to require all employees to sign and return the Personal Pledge as a demonstration of your commitment to our Code of Business Conduct and Ethics. So, please read your copy of the Code carefully, keep it handy for easy reference, and feel free to ask any questions that you may have.

Finally, please remember that Novavax's reputation is in our hands, everyday.

Nelson M. Sims,
President and CEO

CODE OF BUSINESS CONDUCT AND ETHICS

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1. Object and Scope of this Code

Novavax has a strong commitment to business ethics, and we believe that the company and every employee must conduct their affairs with honesty, integrity and respect, and in compliance with all applicable laws. Our reputation for integrity and excellence, particularly in today's business environment, requires careful observance of the spirit and letter of all applicable laws, as well as scrupulous regard for the highest standards of conduct and personal integrity.

The purpose of this Code is to ensure that Novavax has in place a system to focus attention throughout the company on the obligation of ethical conduct. The policies and practices set forth herein are designed to deter wrongdoing and promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in reports and documents that the company files with, or submits to, regulatory agencies and in other public communications made by the company;
- compliance with applicable governmental laws, rules and regulations;
- the prompt internal reporting of violations of the Code or applicable law to the appropriate person;
- open communication and dealings with third parties, and
- accountability for adherence to the Code.

The Code applies to all directors, officers and employees of Novavax and any of our subsidiaries. Ignorance of the Code will not excuse any employee from its requirements.

All employees will have access to this Code and must use the Code as a general guideline for behavior. You are responsible for reading, reviewing and understanding the policies and procedures set forth in this Code, and can obtain advice from or ask questions of your direct supervisor, a member of our Human Resources department, or from the company's General Counsel.

In addition, Novavax will make the Code publicly available by posting it on the company's Internet and intranet sites.

The Code provides a broad statement of certain key policies and procedures regarding business conduct and ethics and conducting business in a legally and ethically appropriate manner. The Code cannot, and is not intended to, anticipate or address every possible situation, cover every topic in detail, or answer every question. You must rely on your good sense and judgment of what is right, including a sense of when it is appropriate to seek guidance from others.

As noted above, if a situation develops for which an employee seeks guidance, the employee should speak with his or her direct supervisor, a member of our Human Resources department, or General Counsel to Novavax. Employees should also refer to Novavax's policy on **Avoidance of Insider Trading** and Novavax's **Employee Handbook**, which includes more detailed information regarding the company's proprietary information, use of company property, Internet usage and similar policies, copies of which can be obtained from the Human Resources department or on the company intranet.

Note, too, that the Code does not necessarily take into account all local laws or requirements. Where more restrictive local laws or requirements exist, those take precedence. Employees worldwide are expected to comply with all laws and Novavax business policies in the country and area in which they are conducting company business.

The Code is not an express or implied contract of employment and does not create contractual rights of any kind between Novavax and any employee. In addition, you should understand that this Code does not modify your employment relationship, whether at will or governed by contract, with Novavax.

Finally, it is essential that you keep an eye out for possible violations of this Code – whether they occur in dealings with the government or the private sector, are intentional or due to someone's inadvertent conduct. Noncompliance with the policies and practices set forth in this Code and applicable laws can result in serious consequences, both to Novavax and our employees, including civil and criminal penalties and adverse employment actions.

Employees who have questions regarding possible violations or who wish to report suspect activities should contact their direct supervisor, a member of our Human Resources department, or Novavax's General Counsel. See also "What You Can Do If You Have A Concern About Business Practices" on page 5.

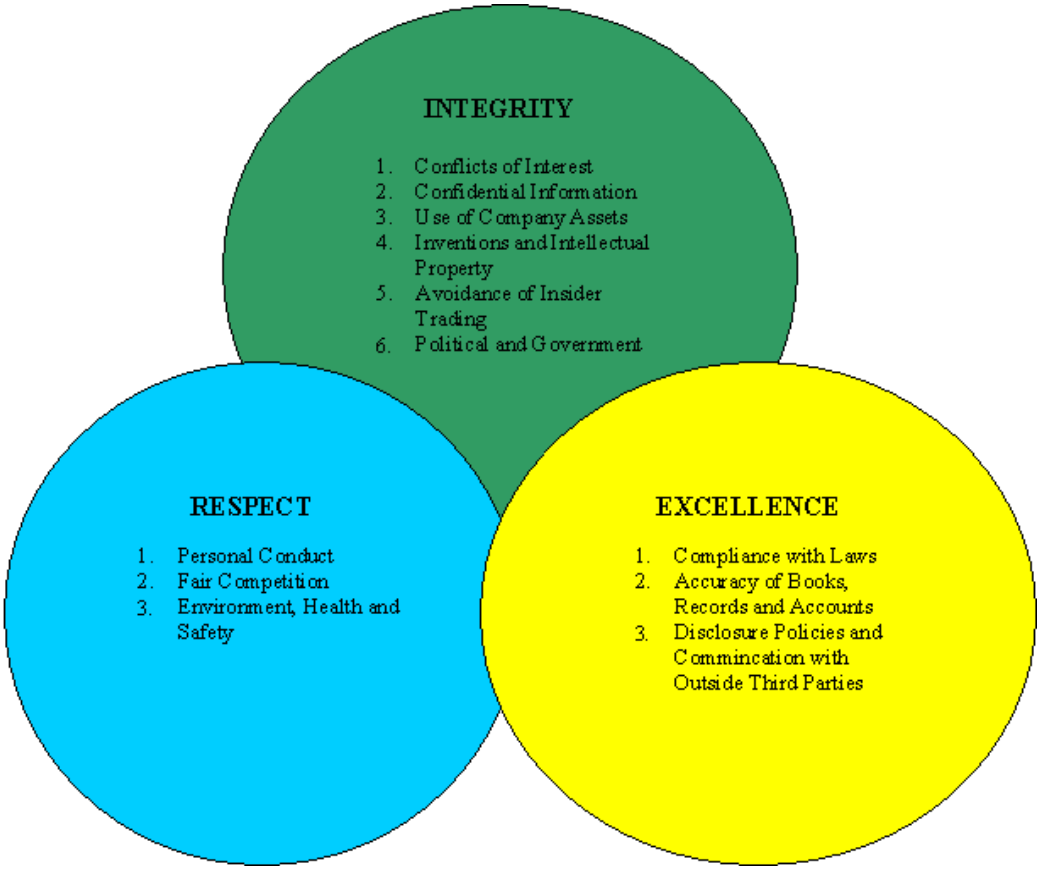
2. Our Core Values

These are the fundamental values on which we guide our business:

NOVAVAX

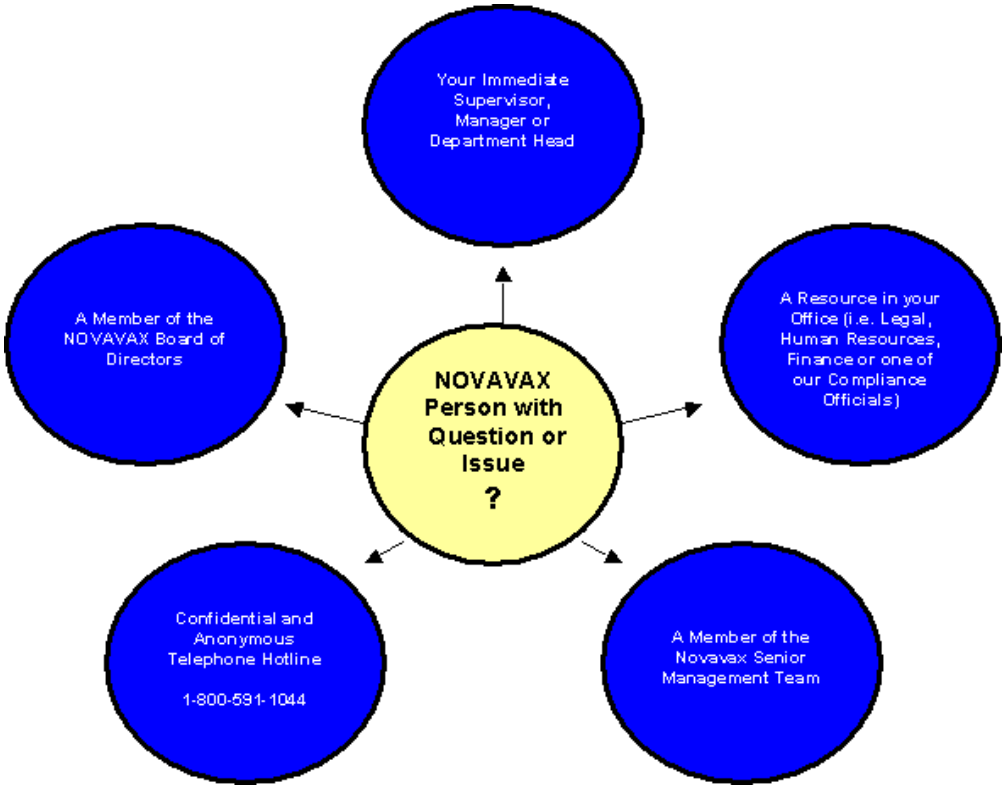
3. Our Business Practices

These are the practices and procedures we use everyday to apply our Core Values. Where we look to exhibit these Core Values in everything we do, how we perform certain business practices is a greater demonstration of the highlighted Core Value:



What You Can Do If You Have A Concern About Business Practices

Novavax is committed to creating a workplace conducive to the open discussion of its business practices. If you have a general question about business practices, there are a number of different resources you can go to for advice. The diagram below outlines your options. Please feel free to go to the resource that you are most comfortable with, but keep in mind that your best resource is often your immediate supervisor or manager.



Our experience has shown that when employees deal openly and directly with supervisors, the work environment is improved, communications can be clear, and attitudes can be positive. We believe that Novavax amply demonstrates its commitment to employees by responding effectively to employee concerns.

Novavax is also committed to openness in all forms of reporting and providing a workplace free from fear of retribution and retaliation. If any employee knows, reasonably believes or has genuine suspicions regarding any legal violation in work-related issues, or breaches of the principles and standards set forth in this Code, the employee must report them immediately to his or her direct supervisor, the company's General Counsel or the appropriate Novavax Compliance Official (discussed below), so that we can take any necessary action. If you believe that the supervisor to whom you report is implicated in the violation or potential violation, or you believe that the supervisor to whom you reported the violation or potential violation has not taken appropriate action, you should report such matter directly to one of our Compliance Officials or General Counsel.

Concerns about improprieties and wrongdoing involving our Avoidance of Insider Trading Policy (#115) and matters involving the Securities Exchange Commission (SEC) should be reported directly to our Chief Financial Officer (CFO). Areas of concern regarding Human Resources related policies, procedures or regulations or matters regarding personal conduct should be brought to the immediate attention of the Vice President, Human Resources.

Suspected Code violations that relate to financial statement disclosures or accounting, internal control or auditing matters, should be reported directly to our CFO or to the Chairperson of the Audit Committee of our Board of Directors. If suspected Code violations that relate to financial statement disclosures or accounting, internal control or auditing matters are reported to the General Counsel, the General Counsel will promptly forward such complaints to the Chairperson of the Audit Committee. If an employee feels uncomfortable speaking with any of the above resources for any reason, Novavax's Audit Committee has established a "Whistleblower" procedure by which confidential complaints may be raised anonymously. Complaints submitted through this confidential process will be presented to the Chairperson of the Audit Committee if they involve the company's accounting, auditing and internal controls and disclosure practices, or our Board of Directors for other non-financial related matters. Anyone may utilize this confidential and anonymous process either to raise new concerns or complaints or if they feel that a concern or complaint previously raised has not been appropriately handled.

Our Compliance Officials are:

Michael McManus, Chairperson of the Audit Committee, who can be reached at: mmcmanus@misonix.com, 631-694-9555;
Dennis Genge, Chief Financial Officer, who can be reached at: dgenge@novavax.com, 301-854-3900 ext. 222 and
Al Lichtenstein, Vice President, Human Resources, who is reachable at: alichtenstein@novavax.com, 301-854-3900 ext. 258.

In order to make a confidential, anonymous report or complaint, an employee may use our toll-free telephone hotline – at **1-800-591-1044** – which may be dialed into without revealing any caller identification information. The telephone hotline is operational 24 hours a day, seven days a week, and is staffed by employees of a third-party provider who will take reports directly from the employee. Complaints and reports submitted through this procedure will be collected on a daily basis and presented to the Chairperson of our Audit Committee. Complaints regarding the

company's financial statement disclosures or accounting, internal control or auditing matters may be reported to the Audit Committee as deemed necessary by its Chairperson.

Our Reporting and Non-Retaliation Policy

Novavax wants every employee to feel comfortable raising business practice, ethical and legal issues internally. The company will listen to all issues raised and respond to all questions asked. **As a result, Novavax strictly prohibits reprisals or retaliation against anyone who raises a business practice, ethical or legal issue or cooperates in the investigation of such an issue.**

Novavax will make appropriate efforts to protect the confidentiality of those who raise good faith concerns. As noted above, the company will not criticize or retaliate, and will not permit criticism or retaliation by any party, against any individual who speaks up. It is our policy to comply with all applicable laws that protect employees from unlawful discrimination or retaliation as a result of their lawfully reporting information regarding, or their participating in investigations involving, potential or actual corporate fraud or other violations by Novavax or its employees of federal, state, local or foreign laws.

Specifically, Novavax's policy prevents any employee from being subject to disciplinary or retaliatory action as a result of the employee's:

- reporting violations or potential violations of this Code, other company policies and procedures, or applicable law that the employee reasonably believes to have occurred;
- making complaints regarding accounting, internal accounting controls or auditing matters or voicing concerns regarding questionable accounting or auditing matters that the employee reasonably believes to have occurred;
- disclosing information to a government or law enforcement agency, where the employee has reasonable cause to believe that the information discloses a violation or possible violation of foreign, federal, state or local law or regulation; or
- providing or causing information to be provided, filing or causing to be filed, testifying, participating in a proceeding filed or about to be filed, or otherwise assisting in an investigation or proceeding regarding any conduct that the employee reasonably believes involves a violation of this Code or applicable law, including criminal laws regarding securities law violations or fraud, any rule or regulation of the Securities and Exchange Commission ("SEC") or any provision of law relating to fraud against shareholders.

Novavax will treat any attempt by one employee to prevent another employee from raising concerns or retaliating against the reporting employee for doing so as a serious disciplinary offense.

If any employee believes that he or she has been subject to any action that violates this policy, the employee may file a complaint with his or her supervisor, one of the Compliance Officials or the company's General Counsel. If it is determined that an employee has experienced any improper employment action in violation of this policy, such employee will be entitled to prompt appropriate corrective action.

Please note that Novavax employees who file reports or provide evidence which they know to be false or without a reasonable belief in the truth and accuracy of such information will not be protected by this policy, and may be subject to disciplinary action, including termination of employment.

Novavax has designated three (3) Compliance Officials for administering the company's reporting and non-retaliation policy. Each Compliance Official is responsible for collecting, reviewing, processing and resolving concerns and reports by employees and others. Employees are encouraged to discuss issues and concerns of the type covered by this policy with their supervisor or manager, who in turn is responsible for informing the appropriate Compliance Official. Again, if the employee prefers not to discuss these sensitive matters with his or her own supervisor or manager, the employee may go directly to the General Counsel or appropriate Compliance Official, who will refer complaints submitted, as he or she determines appropriate or required, to the Board of Directors or an appropriate committee of the Board, including the Audit Committee.

Do not be afraid that your question, concern or issue may not be valid. When it comes to business practices, ethical issues or legal issues, there is no such thing as a dumb question. Use the individuals identified in this Code to ask a question, get clarification, report a suspected violation, or voice a concern. It is important that any potential problem or concern be reviewed as soon as possible to prevent serious issues from developing.

Question: *If I do raise a business conduct or ethics issue, will I get in trouble?*

Answer: *No - as long as you honestly have a concern or issue, you will not be reprimanded or disciplined for raising an issue. Quite the contrary, as a Novavax employee you have an obligation to question situations with which you are uncomfortable and seek assistance.*

Our Principles

The key principles found in Novavax's Code of Business Conduct and Ethics are:

We will avoid any possible conflict of interest, or the appearance of a conflict of interest, between our personal interests and our responsibility to Novavax.

We will maintain the confidentiality, privacy and security of information entrusted to us in accordance with legal and ethical obligations.

We will use company assets for the legitimate purposes of Novavax's business.

We will constantly seek to create innovations in our business and notify Novavax when we may have developed something new.

We will not trade Novavax shares nor advise or inform others to trade in Novavax shares when in possession of material non-public information.

We will not seek to influence any political or governmental process in an inappropriate manner.

We will show genuine concern and respect for other people and treat one another with understanding and appreciation. It is quite acceptable to disagree with a fellow employee, however, it must be done respectfully and constructively.

We will value the diversity of our talented workforce and encourage diversity of thoughts, ideas and opinions.

We will uphold the ideals of free and competitive enterprise in order to conserve and enhance shareholder value.

We will conduct sales and marketing activities in accordance with Novavax's Core Values, policies and the law.

We will not collect information on our competitors through inappropriate means.

We will operate our business in a safe and healthy manner, we will respect the environment, and we will use our natural resources responsibly.

We will comply with all applicable laws and regulations in the jurisdictions in which we operate.

We will reflect our business accurately in our records.

INTEGRITY

We will protect the company's reputation by allowing only the company's designated individuals to deal with inquiries from the media and investors.

A wise individual once provided me with the following advice that
has personally served me well in my day to day business practice.
He advised me, "Do not do anything that you would not proudly
share with a friend or neighbor."

Nelson M. Sims

INTEGRITY

4. Conflicts of Interest

Standard: We will avoid any possible conflict of interest, or the appearance of a conflict of interest, between our personal interests and our responsibility to Novavax.

In General

While Novavax does not wish to infringe on the personal lives of its employees, employees must not have personal activities or relationships, including commercial interests, that conflict or appear to conflict with the interests of the company. A conflict of interest develops any time an employee faces a choice between what is in his or her personal interest (financial or otherwise) and the interest of the company. Novavax expects that the interests of the company will take precedence over an employee's personal interests and that our employees will act only for the benefit of the company.

Examples of likely conflicts of interest include:

- unduly using your influence or position to cause Novavax to employ, engage in a business transaction or enter into a contract with your relatives (including your spouse, parents, grandparents, children, siblings, in-laws or life partner), friends, or a company in which you or your relatives or friends has, directly or indirectly, an interest;
- using material, non-public Novavax, vendor, customer, partner or competitor information for personal gain (including securities transactions based on such information);
- serving as a director or advisory board member of any current or likely competitor of Novavax, or accepting such positions with any organization or governmental agency with which we do or may do business;
- receiving or paying undisclosed fees, commissions or other payments from or to vendors, customers, partners, competitors or others seeking to do business with Novavax;
- making or accepting gifts, loans, meals, entertainment or services from or to vendors, customers, partners, competitors or others seeking to do business with Novavax that are not reasonable and of modest value (generally, not exceeding $100), or that do not support the legitimate business interests of the company;
- having outside employment that interferes with the employee's performance, ability to act in Novavax's best interests, or comply with company policies, or requires the employee to use confidential information or company assets, or otherwise creates a conflict or the appearance of impropriety;

- having more than a modest financial interest in Novavax's vendors, customers, partners or competitors, whether such entities are public or private; and
- competing, or preparing to compete, with the company while still employed by the company.

It is not possible to list all conflicts of interests and, therefore, employees should use the above list and accompanying discussion merely as a guide. Ultimately, it is the responsibility of each individual to avoid any situation that is or could appear to present a conflict of interest.

In particular, members of our Board of Directors have a special responsibility because of their duties to Novavax and our shareholders. Directors are expected to avoid any action, position or interest (including any personal activity, investment or association) that conflicts with an interest of the company, or gives the appearance of a conflict, and to avoid using their position, power, access to information or other advantage for their own personal benefit, whether to the detriment of Novavax or our constituents.

Novavax will annually solicit information from our directors in order to monitor potential conflicts of interest, and directors are expected to be mindful of their fiduciary duties, including the duty of loyalty, to the company. Directors must be especially aware of "interested insider transactions" – transactions in which the individual appears on both sides or with respect to which an individual expects to derive a personal benefit, distinct from any benefit that would be derived by Novavax or our shareholders. In addition, an insider may be deemed interested where he or she is controlled by, or obligated or related to, persons or entities that have a material personal financial interest in a particular transaction. If a director has a personal interest in a matter before the Board of Directors, the director must disclose the interest to the Board, excuse himself or herself from participation in the discussion, and abstain from voting on the matter.

Directors and executive officers must also be mindful of certain "related party" transactions and relationships – our Audit Committee (or other independent body of our Board) will be responsible for approving all transactions or business relationships involving Novavax and any director or executive officer, including any indebtedness of such individuals to the company and transactions between Novavax and either the director or officer personally, members of their immediate families, or entities in which they have an interest.

When faced with a situation involving an actual or potential conflict of interest, including interested insider transactions, directors, like all employees, are encouraged to seek advice from the company's Chief Financial Officer and General Counsel and refer to the company's policies on conflicts of interest and Avoidance of Insider Trading.

The proper implementation of this policy implies a continuing requirement that all employees make prompt disclosure to their direct supervisor, or the General Counsel of the company, of any fact or

circumstance that may involve a conflict of interest. All potential conflicts of interest between Novavax and any employee, or an entity affiliated with an employee, must be disclosed and approved in advance by the company's Board of Directors or Audit Committee and, when approved by the Audit Committee, should be promptly disclosed to the entire Board of Directors. Waivers of conflicts of interests involving directors or officers require the approval of the Audit Committee. In the event that a waiver is granted, it will be disclosed by the company in accordance with law.

> ***Question:*** *My spouse's company is bidding on a contract with a subsidiary of Novavax. Although I select vendors for projects in my own business unit, I have no decision-making authority in the subsidiary where my spouse's company is competing on the bid. Do I need to report this?*
>
> ***Answer:*** *Yes. Even though you may not have direct control over the outcome of the bid, the fact that your spouse has connections to the company might give the appearance of a conflict of interest.*

Corporate Opportunities

Employees may not divert corporate opportunities to themselves. Generally, an opportunity will be deemed a corporate opportunity if it is in Novavax's line of business, is one that the company is financially able to take, is of present or potential advantage or unique value to Novavax, and is one in which the company has an interest or expectancy. More broadly, opportunities may be deemed corporate opportunities if issues of fairness dictate that Novavax, rather than an employee, should be given the opportunity.

You must disclose all potential corporate opportunities of which you are aware to the company first for evaluation, and may not take away from Novavax any opportunity for financial gain that you find out about because of your position at Novavax or through the use of company property or information. You are also prohibited from using company property, information or position for personal gain or competing with Novavax, as discussed elsewhere in this Code.

Special Obligations for Employees with Financial Reporting Responsibilities

As a publicly traded company, it is critically important that Novavax's filings with regulatory authorities, including the SEC, be accurate, complete, reliable and timely. In addition, they must be prepared and maintained in accordance with all applicable laws.

Depending on your position in the company, you may be called upon to provide information to assure that the company's reports are not only accurate, complete and reliable but also easy to understand and a fair presentation of the company, its operations and condition (financial and otherwise). Novavax expects that all employees will take this responsibility seriously and provide prompt and accurate answers to inquiries related to our public reports and disclosure documents.

In particular, the finance department bears special responsibility for promoting integrity throughout the company, with responsibilities to stakeholders both inside and outside Novavax. The Chief Executive Officer, Chief Financial Officer, Controller, and all those within the finance department and/or performing similar functions have a special role both to adhere to these principles themselves and also to ensure that a culture exists throughout Novavax as a whole that ensures the fair and timely reporting of the company's financial results and condition.

Because of this special role, the Chief Executive Officer, Chief Financial Officer, Controller, and all members of the company's finance department and/or performing similar functions are bound by the following special financial code of ethics, and by accepting the Code, each agrees that he or she will:

- provide information in accordance with generally accepted accounting principles (GAAP) that is accurate, complete, reliable, objective, relevant and timely for data and disclosures in reports and documents that Novavax files with, or submits to, government and regulatory authorities, internal management review and in other public communications;
- to the best of your knowledge, conduct business in compliance with the laws, rules and regulations of applicable governments, and other appropriate private and public regulatory agencies;
- act in good faith, responsibly, with due care, competence and diligence, and without allowing one's independent judgment to be subordinated;
- respect the confidentiality of information acquired in the course of one's work except when authorized or otherwise legally obligated to disclose, and do not use confidential information for personal advantage;
- proactively promote and be an example of ethical behavior to employees and others in the work environment and the community;

- responsibly use and control company assets and resources;
- promptly report to the Chief Financial Officer or Chairperson of the Audit Committee any material information of which he or she may become aware that affects the disclosures made by the company in our public filings, or that concerns either deficiencies in the design or operation of internal controls which could adversely affect Novavax's ability to record, process, summarize and report financial data, material weaknesses in internal controls, or fraud, whether or not material, that involves management or other employees who have a significant role in the company's financial reporting, disclosures or internal controls; and
- promptly report to the Chairperson of the Audit Committee of the Board of Directors (in the case of the Chief Executive Officer, the Chief Financial Officer and the Controller) or to your supervisor and the General Counsel (in the case of other employees with financial reporting responsibilities) any conduct that the individual believes to be a violation of law, business ethics or of any provisions of this Code, including any transaction or relationship that reasonably could be expected to give rise to a conflict of interest.

A violation of these special obligations for employees with financial reporting responsibilities, including failures to report potential violations of others, will be viewed as a severe disciplinary matter that may result in an adverse employment action, including termination of employment.

* * * * *

In general, if you have any questions or doubts as to whether any situation gives rise to a conflict of interest, you should consult with any of the resources provided on Page 5.

5. Confidential Information

Standard: We will maintain the confidentiality, privacy and security of information entrusted to us in accordance with legal and ethical obligations.

In General

Novavax expects all employees to respect and safeguard all confidential and proprietary information of the company. Confidential information is both sensitive and a valuable asset: you are expected to protect against its unauthorized use and disclosure. Examples of confidential information include:

- Financial or sales information and projections
- Human resource information, including employee files and salary information
- Clinical trial protocols and data
- Formulations and prototypes
- Regulatory plans
- Production processes and schedules
- Inventions and patents
- Customer lists and information
- Business methods
- Strategic plans
- Planned business acquisitions or divestitures
- Advertising and marketing strategies
- Research and development data
- Quality data
- Manufacturing processes, techniques and layouts
- Competitive information held by the company
- Market data

All employees must exercise caution not to disclose, either intentionally or inadvertently, confidential information to third parties (including customers, competitors, contractors and suppliers) under any circumstances, unless it is a necessary part of your work responsibilities and the receiving party has a business need to know. If you have a need to share information with others outside of Novavax, you must secure the prior approval of your department head and/or General Counsel, as well as have a confidentiality agreement signed.

In particular, you should not discuss confidential information in public places such as elevators, hallways, restaurants, airplanes, taxis or any other place where they can be overheard. Be particularly careful when discussing confidential information on wireless technologies (e.g., cell phones, cordless phones or personal digital assistants) and when sending confidential information over the Internet, because it may be intercepted. Employees should also endeavor not to read confidential documents in public places, discard such documents where others can retrieve them, or be careless with documents such as by leaving them unattended in conference rooms or at photocopy machines and printers. Keep your computer in a safe place and use a password to limit access to the information stored on it.

Only officials of Novavax with written authorization are permitted to respond to inquiries for company information from the media, the financial community, investors and others. Written authorization must be signed by the President & CEO. All employees are to promptly refer all such inquiries to the appropriate officials. For guidance, refer to the Disclosures section of this Code.

Every employee may only use such confidential information in furtherance of the company's business purposes. Employees will be asked to sign an employee proprietary information agreement as a condition of employment, although the non-disclosure and use obligations apply whether or not the agreement is executed.

If you have a question regarding whether certain information is confidential, material and/or has been adequately disclosed, you should contact the company's Chief Financial Officer or General Counsel and abstain from acting, including trading in Novavax's common stock or disclosing such information, until you have been informed that the information is not confidential or material, or has been appropriately disclosed.

Further, unintended disclosure of company confidential information by an employee should be immediately reviewed with your supervisor, Chief Financial Officer and/or the General Counsel to determine if further action is appropriate.

Employees should also remember that their obligation to protect the company's confidential information continues even after their employment with Novavax ends. Employees and former employees who improperly use or disclose confidential information will be subject to disciplinary action and legal action, even if they do not actually benefit from the disclosed information.

Third-Party Confidential Information

We are also often in receipt or possession of the confidential information of other parties, including our vendors, customers, business partners and competitors. Often this information is protected, and its use governed, by confidentiality agreements with those parties. **You must treat this information in the same way you treat Novavax's confidential information.**

Remember, however, that the above confidentiality provisions apply to all company vendor, customer, partner and competitor information, **whether or not** provided pursuant to the terms of a confidentiality agreement. In particular, the receipt of sensitive business or technical information from competitors carries significant risks, as the company's own internal development activities in such areas may be foreclosed. Inappropriate handling of sensitive information from competitors and other third parties can also lead to loss of trust and liability for damages. You therefore should refuse unsolicited third-party confidential information or, if inadvertently received, should return such information unopened to the third party or transfer it to the General Counsel for appropriate disposition.

6. Use of Company Assets

Standard: We will use company assets for the legitimate purposes of Novavax's business.

Novavax provides you with a place to work and with the tools to do your jobs. In return, you are expected to use these assets in a responsible and ethical manner, maintain them with the utmost care and respect, and guard them against waste and abuse. Company property includes:

- Office supplies, including telephones and cell phones
- Computers, including software and computer files
- Office and laboratory equipment
- Facilities
- Confidential information
- Communications systems (including voicemail, e-mail, the Internet and the Novavax intranet)
- An employee's time at work and work-product

Every employee must use Novavax's property and assets for company business. Of course, occasional or incidental personal use is inevitable and acceptable – you are permitted to use Novavax assets for occasional personal use as long as your use:

- does not affect your job performance or disrupt others;
- is truly occasional in nature;
- does not result in any additional expense to Novavax;
- does not knowingly access or transmit material containing derogatory, racial, gender or religious comments, sexual content, offensive language, material which would negatively reflect upon Novavax or be likely to offend co-workers, or contents prohibited by law or regulation; and
- is not used to carry on any form of business activity outside of the course of your duties with Novavax - without Novavax approval.

Overall, employees need to demonstrate a sense of responsibility and not abuse the privilege.

Novavax also believes that every employee is responsible for appropriately securing all company property within his or her control to prevent its unauthorized use. You must not allow company property to be used to help carry out illegal or improper activities such as outside employment. Novavax requires a workplace free of harassment and strives to be sensitive to the diversity of its employees. Therefore, the company also prohibits the use of all computers and communication systems in ways that are disruptive, offensive to others, or harmful to morale. Email is intended as a business tool to provide rapid, efficient and economical communication and sharing of

information and/or data, related to business situations. Email is not intended, for example, to conduct "arguments," attempt to disparage or degrade others, supply or pass along confidential information to those who do not have a business need to know, or display or transmit sexually explicit images, messages or cartoons. Other such misuse includes transmitting ethnic slurs, racial comments, off-color jokes, or anything that may be construed as harassment or showing disrespect for others, or attempting to access files for which an employee has not been authorized. Any suspected incident of improper use or operation, fraud or theft of Novavax property or assets should be reported immediately. Any employee found to be abusing the privilege of company-facilitated access to electronic media or services including, but not limited to, those outlined in this Code and the Employee Handbook, will be subject to disciplinary action, up to and including termination of employment.

Remember, your personal privacy on the company's communications systems is not protected and you should not expect it to be. Novavax reserves the right to access or monitor all of its communication systems (including computers). Remember, too, that all Internet data that is composed, transmitted, or received via our computer communications systems is considered to be part of the official records of Novavax and, as such, is subject to disclosure to law enforcement or other third parties.

When your employment with Novavax ends, it is your responsibility to return all company property to Novavax.

If you have specific questions regarding the use of company property, refer to the Company's Employee Handbook, which includes specific policies regarding Internet usage (Policy # 510), chat rooms (Policy # 509), software licensing (Policy # 509), and company vehicles and equipment (Policy #505), among others.

> ***Question:*** *My co-worker uses company e-mail to arrange her social life. I think this is an inappropriate use of company assets but she disagrees. Who is right?*
>
> ***Answer:*** *It depends. If your friend occasionally uses e-mail to contact friends or schedule social events, this is not a violation of policy or an abuse of Novavax resources. However, if her use of e-mail for personal reasons is prolonged and affecting her productivity, it is inappropriate and she should stop.*

7. Inventions and Intellectual Property

Standard: We will constantly seek to create innovations in our business and notify Novavax when we may have developed something new.

One of Novavax's most valuable assets is its intellectual property – patents, trade secrets, trademarks, copyrights and other proprietary information. It is Novavax's policy to establish, protect, maintain and defend its rights in all commercially significant intellectual property and to use those rights in responsible ways. All employees must take steps to safeguard these assets.

Intellectual property rights consist of the following:

- Patents – protect inventions by permitting inventors to exclude or prevent others from making, using or selling their inventions. Employees should report the unauthorized use of the company's patents and notify the company if they have an invention that needs patent protection.

- Copyrights – protect works of original authorship such as articles, drawings, photographs, video, music, audiotapes and software. Generally, copyrights prohibit others from copying or downloading the works without consent. Employees should ensure that other parties' use of Novavax's copyrights is only pursuant to the proper authorization.

- Trademarks and service marks – protect words, names and symbols that help consumers recognize a product or service and distinguish it from those of competitors. The use of Novavax's trademarks and service marks must be properly authorized or licensed.

- Trade secrets – include valuable information that creates a competitive advantage for Novavax by being kept confidential. Examples include information about customers, research and development data, and financial, planning, marketing or strategic information. Employees should treat trade secrets as confidential information and safeguard them from unauthorized disclosure or use.

Novavax respects the intellectual property rights of others. Unauthorized use of the intellectual property rights of others may expose Novavax to civil lawsuits and damages. Therefore, do not use the patents, copyrights, trademarks, trade secrets or other intellectual property of third parties without first ensuring that Novavax has obtained permission to do so, whether pursuant to a license or otherwise.

Ideas, inventions, discoveries and improvements conceived, created, developed or reduced to practice in the course of your employment or association with Novavax are the property of Novavax. If you believe that you have created something new, you have an obligation to notify the company.

8. Avoidance of Insider Trading

Standard: We will not trade Novavax shares when in possession of material non-public information.

Novavax is proud when our employees choose to invest in the company. Personal investment is an effective way to align the interests of employees with the interests of our shareholders.

When buying or selling company shares, all employees, directors, officers and other "insiders" should be mindful of the legal and policy limitations on trading. Set forth below is a brief summary of the legal requirements and company policies with respect to insider trading. For more detailed information regarding our insider trading policies, see our policy on **Avoidance of Insider Trading (Policy # 115).**

What Are the Limitations on Trading?

Applicable law and company policy forbid employees from both trading in company securities while aware of, and disclosing or "tipping", material non-public information about the company. These regulations apply not only to employees, officers and directors but also agents of Novavax, internal and external consultants to the company, family members, and any outsiders who are designated as "insiders" because they have access to material non-public information concerning Novavax, as well as any person who has satisfied the definition of "insider" for the six months preceding any subject transaction.

These insider trading restrictions also may apply to the shares of companies negotiating, competing, doing business or seeking to do business with Novavax about which you may have material non-public information. In addition to raising ethical considerations, any such trading subjects the users to legal risks, including civil and criminal penalties. It could also prove embarrassing and harmful to Novavax.

This policy applies to all transactions (including, without limitation, any purchase, sale or other disposition) by "insiders" – defined below – and those tipped by insiders and others. Transactions that may be necessary or justifiable for independent reasons, such as the need to raise money for an emergency expenditure, are no exception. Even the appearance of an improper transaction must be avoided to protect the company's reputation for adhering to the highest standards of conduct.

What is "Material Non-Public Information"?

Information is "material" if it would be expected to affect the investment or voting decisions of the reasonable shareholder, or if disclosure of the information would be expected to significantly alter the total mix of information in the marketplace about Novavax. The "materiality" of the information must be viewed in light of the impact the information could have on the company as a

whole. While it may be difficult under this definition to determine whether any particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information include, but are not limited to:

- financial results for the quarter or year
- financial forecasts and budgets
- possible mergers, acquisitions, joint ventures or business development transactions
- gain or loss of a substantial customer, supplier or contract
- major financing developments
- major personnel changes
- major patent or product developments
- major litigation developments
- results of clinical trials

Either positive or negative information may be material. Information that is likely to affect the price of securities is almost always material.

Information is considered to be non-public unless it has been effectively disclosed to the public by widespread dissemination through major newswire services, national news services and financial news services, or public filings with the SEC and Novavax press releases. A speech to a small audience, a television or radio appearance, or publication of an article in a limited circulation magazine do not constitute effective disclosure.

For information to be considered public, it must not only be disclosed publicly, but adequate time must have passed for the market as a whole to assess the information. For the purposes of company policy, information is not considered public until the **third** business day after Novavax discloses it. If material non-public information is inadvertently disclosed by any Novavax insider, no matter what the circumstances, the person making or discovering such disclosure should immediately report the facts of such disclosure to the company's General Counsel.

Additional Requirements for "Insiders"

An "insider" is a person who possesses, or has access to, material information concerning Novavax that is non-public. The people who are most likely to be in receipt of "material non-public information" and therefore constitute insiders, include members of Novavax's board of directors, our executive officers and certain other corporate employees; all insiders are required to comply with the Code and the company's policy on **Avoidance of Insider Trading**. In essence, the policy prohibits the trading of Novavax shares during those periods of time where "material non-public information" is most likely to be circulating.

Remember, a person can be an insider for a limited time, even though he or she is not an officer or director, because the person possesses or has access to material non-public information. For example, an advisor to Novavax who knows that a large contract has just been received or that an acquisition is about to occur may be an insider with respect to such information until the news has been fully disclosed to the public.

If you have any questions at all about the trading of Novavax shares, please contact the company's Chief Financial Officer, who has been designated as Novavax's insider trading compliance official with respect to its policy on Avoidance of Insider Trading and as a matter of corporate policy announces the opening and closing of the trading window of Novavax shares.

Question: *What if an insider has material non-public information about Novavax?*

Answer: *When any Novavax insider knows material information about the company that has not been made public, they are prohibited from three activities:*

- *trading in Novavax's securities for their own account or for the account of another (including any trust of which they are a trustee);*
- *having anyone else trade for them in Novavax's securities; and*
- *disclosing the information to anyone else who might then trade or in turn "tip" another person who trades.*

Neither the insiders nor anyone acting on their behalf nor anyone who learns the information from them can trade. This prohibition continues whenever and for as long as the information continues to be material and non-public, and applies to all securities, not just to securities of Novavax but also to those of other companies with which we are involved.

9. Political and Government Activities

Standard: We will not seek to influence any political or governmental process in an inappropriate manner.

Political Activities

Novavax encourages employees to be involved personally in political affairs by voting, volunteering time or contributing money to candidates of your own choosing. These decisions and choices are personal and so any donation of time, money or other resources must also be personal and in no way affiliated with Novavax. Do not give the impression that you are speaking on behalf or representing Novavax while personally involved in the political process.

Volunteer work for political campaigns must not be done on company time, and Novavax funds or assets must not be contributed to any political party, candidate or campaign except in compliance with law. Similarly, Novavax's name may not be used in conjunction with any political issue.

Government Relations and Lobbying

Novavax will deal with all government agencies in a direct, open and honest manner.

Any contact with government personnel for the purpose of influencing legislation or rule-making, including such activity in connection with marketing or procurement matters, is considered lobbying. Some laws also define lobbying even more broadly to include our normal marketing activities. If your job responsibility is to lobby in behalf of Novavax, you are responsible for knowing and adhering to all the relevant lobbying laws and associated gift laws, if applicable, and for compliance with all reporting requirements.

You must obtain the prior written approval from the President & CEO to lobby or authorize anyone else (for example, a consultant or agent) to lobby on Novavax's behalf, except when lobbying involves only normal marketing activities and not influencing legislation or rule-making. A copy of this written approval must be forwarded to the General Counsel.

10. Personal Conduct

Standard: We will show genuine concern and respect for other people and treat one another with understanding and appreciation.

Novavax believes that our business success is directly related to our philosophy of ensuring that everyone with whom we interact is treated with respect. We have an ongoing goal to provide a work environment that is free from discrimination and where all employees are provided with the opportunity to realize their fullest potential.

Novavax also believes that equality of opportunity and fairness of treatment for all individuals are basic human values. In commitment to that belief, Novavax stresses its fundamental value of "respect the individual," which entails treating people as individuals with the same understanding and appreciation that we seek for ourselves. We value the diversity of our employees and encourage their diversity of thoughts, ideas and opinions. **As a Novavax employee, you should each treat people the way that you want to be treated.**

To assist us in creating a great work environment, we have adopted a number of human resources policies, some of which are outlined below. To obtain a copy of any of these policies, ask a question, or voice a concern about discrimination in the workplace, please contact a member of our Human Resources department.

Equal Employment Opportunity

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at Novavax will be based on merit, qualifications, and abilities. We conduct business with respect for all people and provide equal employment opportunities without regard to differences or similarities.

No Discrimination

Novavax does not discriminate on the basis of race, color, national origin, political or religious affiliation, sex, sexual orientation, age, marital status, family relationship, disability, or any other characteristic protected by law.

No Harassment

Sexual and other types of harassment are a form of discrimination prohibited by law and Novavax's policies. Any appearance or intent to commit sexual or other harassment in the workplace, whether physical or verbal, committed by any manager, co-worker or third-party over whom we have control, such as vendors, clients or customers, is strictly prohibited. **Our policy also prohibits conduct that, although perhaps not unwelcome to the participants, creates an intimidating,**

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hostile or offensive environment for others who observe the conduct. In addition, Novavax strictly prohibits reprisals or retaliation against anyone who raises a business practice, ethical or legal issue, files a complaint of harassment or cooperates in the investigation of such an issue.

Disability Accommodations

Novavax is committed to complying with the Americans with Disabilities Act and other applicable laws, and ensuring equal opportunity in employment for qualified persons with disabilities. All employment practices and activities are conducted on a non-discriminatory basis. We will make reasonable accommodations for qualified individuals with known disabilities unless doing so would result in a hardship for Novavax.

> ***Question:*** *A member of my team often makes disparaging remarks about other team members, in particular one who suffers from a physical disability. She does not believe this it is a problem because she never makes the remarks in the person's presence, but I have to work with her on a daily basis and I find it offensive. What should I do?*
>
> **Answer:** *Every member of your team deserves respect. The preferred course of action is to clearly tell the co-worker that you find the remarks offensive and ask her to stop. Novavax considers such remarks inappropriate for our professional work environment. If she does not cease the conduct, you can ask a member of management to take appropriate action.*

Safe Workplace

Every employee is responsible for, and shares in the benefits of, a safe and healthy workplace. You have an obligation to follow the rules of conduct and practices regarding a safe and healthy work environment.

All employees, including supervisors and temporary employees, should be treated with courtesy and respect at all times. Employees are expected to refrain from fighting, "horseplay," or other conduct that may be dangerous to others. Firearms, explosives, and other dangerous, hazardous or illegal devices and substances are prohibited on the premises of Novavax.

Conduct by a Novavax employee that threatens, intimidates, or coerces another will not be tolerated. This prohibition includes all acts of harassment, including harassment that is based on an individual's sex, race, age, or any characteristic protected by law.

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All threats of (or actual) violence, both direct and indirect, should be reported as soon as possible to your immediate supervisor or any other member of management. This includes threats by employees, as well as threats by customers, vendors, solicitors, or other members of the public. In addition, only authorized visitors are allowed in the workplace and solicitation is prohibited – all suspicious individuals or activities on or near the workplace should be reported as soon as possible. Do not place yourself in peril. If you see or hear a commotion or disturbance near your workstation, do not try to intercede or see what is happening.

Novavax will promptly and thoroughly investigate all reports of threats of (or actual) violence and of suspicious individuals or activities. Anyone determined to be responsible for actual or threatened violence or other conduct that is in violation of these guidelines will be subject to prompt disciplinary action, up to and including termination.

* * * * *

For further discussion with respect to employee conduct and work rules, including our policies regarding drug and alcohol use, sexual and other unlawful harassment and employee conduct, refer to Novavax's **Employee Handbook**.

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11. Fair Competition

Standard: We will uphold the ideals of free and competitive enterprise.

Novavax expects openness, honesty and courtesy from all employees in their business dealings. Every employee must act ethically and with respect for others, and endeavor to deal fairly and honestly with the company's customers, vendors, partners and competitors.

Each employee is also responsible for creating and sustaining a pleasant, secure and productive working environment. No employee should take unfair advantage of anyone through manipulation, concealment, abuse or disclosure of privileged information, misrepresentation or any other unfair dealing practice.

Novavax also abides by and adheres to fair competition standards that are a matter of law in virtually every jurisdiction in which we conduct business. Novavax expects employees to act in accordance with such standards, which include compliance with:

- all antitrust rules and regulations, including rules against agreements or understandings between Novavax and its competitors that affect the process, terms or conditions of sale;
- prohibitions against unfair methods of competition and unfair and deceptive acts or practices in commerce;
- all foreign corrupt practices laws, including those making illegal any offer, payment, promise to pay or authorization to pay any money, gift or anything of value to foreign officials, political parties or candidates for improper purposes; and
- laws governing trade, boycotts, customs, embargoes and export controls. These standards mean that, among other things, you may not:
- agree with a competitor to fix prices or share pricing information;
- illegally favor one customer over another; or
- attend trade association meetings held for improper purposes, such as to discuss setting prices or allocating markets or territories among competitors.

Question: *If I do not talk about specific price levels, can I agree with a*

competitor not to engage in a price war?

Answer: *No. Any agreement between competitors that directly relates to the prices they charge is a violation of fair competition laws, regardless of whether specific prices are a part of the agreement.*

Sales and Marketing Practices

Standard: We will conduct sales and marketing activities in accordance with Novavax's Core Values, policies and the law.

Every employee must preserve Novavax's reputation as a leading company whose products and services are desired for their quality and value and whose people are respected for their integrity and high performance. The long-term success of Novavax and each of us depends on our ability to build long-term trusting relationships with our customers.

When communicating with customers or potential customers you should always honestly and accurately describe the features of Novavax's products and services. All literature and public statements must be true and you may not misstate facts or create misleading impressions. Also, you must not unfairly criticize or denigrate a competitor's products or services. You must only use another party's confidential information for the purposes that the information was provided to us and even then only with their consent. Importantly, all safety and adverse events should be reported to the company in a timely manner so that the company can remain in compliance with all FDA guidelines.

Stricter and more specific rules generally apply when Novavax is doing business with governmental agencies and officials. There are many laws and specific agency regulations governing our relationships with local, state and federal governments. Those of you who work with governmental officials at any level must ensure that you understand and follow the laws, regulations and policies that apply to those relationships.

Because of the sensitive nature of these relationships, you should also always talk to your supervisor or manager before offering gifts or incentives of any nature to any government or other public sector employees. In particular, no employee may offer, make or authorize any payment of money or anything of value, directly or indirectly, to:

- illegally influence the judgment or conduct, or ensure a desired outcome or action, of any individual, customer, company or company representative;
- win or retain business, or influence any act or decision of any government official, political party, candidate for political office or official of a public or international organization; or

- gain an improper advantage.

Competitive Information

Standard: We will not collect information on our competitors through inappropriate means.

In any competitive business, information is valuable and it is useful to us to learn more about our competitors, vendors and customers. However, we must be ethical about how we acquire that information and must not improperly seek information about our competitors or their products and services.

When collecting information, our actions must be honest and fair and within the law. Do not request or use information that violates laws regulating:

- fair competition,
- antitrust policies,
- proprietary information and data, and
- confidential relationships between employees and employers.

Examples of appropriate sources of competitive information include:

- tradeshows and medical conferences
- literature searches
- discussions with customers
- competitive brochures and other widely distributed information
- market data

RESPECT

12. Environment, Health and Safety

Standard: We will operate our business in a safe and healthy manner, we will respect the environment, and we will use our natural resources responsibly.

As embodied in our Core Values, Novavax believes that the continued protection of our personnel and the implementation of sound environmental practices are crucial to accomplishing our strategic goals.

In support of these beliefs Novavax strives to:

- provide and maintain facilities and operations where health and safety are promoted and hazards are controlled.
- manage facilities and operations such that their potential impacts on the environment are controlled and minimized.
- comply with applicable environmental, health and safety legal requirements.
- provide environmental, health and safety training and education for all Novavax employees as appropriate.

Sound environmental, health and safety management and performance are the responsibility of everyone at Novavax. Individually and collectively we should work together to build programs and to achieve performance in environmental, health and safety matters that serve as a positive example for other organizations.

Remember, promptly report any environmental issues or violations of environmental, health and safety rules, regulations and practices, and report accidents, injuries and unsafe equipment, practices or conditions, to your supervisor, facility safety officer or the company's General Counsel.

RESPECT

13. Compliance with Laws

Standard: We will comply with all applicable laws and regulations in the jurisdictions in which we operate.

Obeying the law, both in letter and spirit, is one of the foundations on which the company's ethical standards are built. All employees must respect and obey the laws, rules and regulations of the jurisdictions in which the company operates. Although not all employees are expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors or the company's General Counsel.

Failure to comply with applicable laws, rules and regulations, as well as our legal and ethical standards, can have severe consequences for both the individuals involved and the company, including damaging Novavax's name, trade and customer relationships, market value and business opportunities. It is our policy to prevent the occurrence of both illegal and unethical behavior, to halt any such behavior that may occur as soon as reasonably practicable after its discovery, and to discipline those who engage in such behavior, including those individuals who fail to exercise appropriate supervision and oversight, thereby permitting such behavior by their subordinates to go undetected.

Violations can subject the perpetrators to prosecution, fines and/or imprisonment. Novavax also may be subject to prosecution, fines and other penalties, including criminal penalties. Employees also could be subject to discipline at work, including termination of employment.

For information on how to report suspect activity or violations, see "What You Can Do If You Have A Concern About Business Practices" on page 5.

"Live so when your children think of fairness and integrity, they think of you."

EXCELLENCE

14. Accuracy of Books, Records and Accounts

Standard: We will reflect our business accurately in our records.

Generally, all books, records and accounts of Novavax must be kept in accordance with applicable laws, be prepared accurately and reliably, and be stored properly. Accurate business records are critical because they are used for decision-making and strategic planning. Business records also form the basis for FDA filings, compliance with OSHA regulations as well as earnings statements, reports to shareholders, and reports to governments.

Use good judgment and common sense when preparing any company report. Every Novavax financial record and account must be accurate, reliable, timely and maintained in accordance with applicable generally accepted accounting principles (GAAP) and the law.

As a public company, Novavax is also required to have appropriate internal controls and processes to ensure that accounting and financial reporting complies with law. Each of us at Novavax must comply with these requirements and do what is needed to help Novavax, as a company, comply.

Employees are expected to observe the following general principles with respect to the company's books, records and accounts:

- Never falsify any document, distort the true nature of any transaction or manipulate financial accounts, records or reports, whether that of Novavax, a customer, a partner or other third-party.
- All transactions must be supported by accurate documentation.
- All reports made to regulatory authorities must be full, fair, accurate, timely and understandable.
- Employees must cooperate with investigations into the accuracy and timeliness of financial records.
- To the extent estimates and accruals are necessary in company reports and records, they must be based on good faith judgment and supported by appropriate documentation.

EXCELLENCE

Violations of laws associated with accounting and financial reporting can result in fines, penalties and imprisonment, and they can lead to a loss of public faith in the company. **If you become aware of any action related to accounting or financial reporting that you believe may be improper, you must immediately tell the company (see page 6).** This can be done through any of the channels identified in this Code.

Question: *I do not have the time to check all of the invoices and expense reports that come across my desk. Surely, it is the responsibility of the individual who prepared them or the employee who submitted them to me to make sure that they are correct. Am I right in my assumption?*

Answer: *No. Accurate records are everyone's responsibility. If you are approving an invoice or expense report, you are responsible for its accuracy.*

EXCELLENCE

15. Disclosure Policies And Communication With Outside Parties

Standard: We will protect the company's reputation by allowing the company's designated individuals to deal with inquiries from analysts, the media and current or potential investors.

The Media and Investment Community

What is said or written about the company obviously has an impact on Novavax's reputation. We place great importance on maintaining effective relationships with the news media, analysts and investment community. To be consistent with our beliefs, we try to maintain the company's credibility by providing information to our audiences in accordance with disclosure policies and in a timely, accurate and non-discriminating manner.

As such, all communications with the news media and members of the investment community, including analysts and investment bankers, should be handled or coordinated by the company's Investor Relations department, our President & CEO or Chief Financial Officer (CFO).

Questions about legal matters should be referred to our General Counsel; questions about employees or former employees, including requests for references and related personnel information, should be referred to a member of our Human Resources department.

Question: *I received a call from a reporter who is looking for information that is within the scope of my job. What should I do?*

Answer: *The prudent course of action in this case is to redirect the reporter to the company's Investor Relations department, CEO or CFO.*

Our Investors

We are required under U.S. federal securities laws to provide our shareholders and the public with periodic disclosure regarding our business and financial condition (such as quarterly and annual reports and materials for our annual stockholders meeting). We provide additional disclosures through our quarterly earnings calls and press releases. All Novavax employees who participate in the preparation or dissemination of these disclosures, or who provide information that they know may be used in the preparation of these disclosures, have a legal and ethical duty to ensure that the content of the disclosures is accurate, complete and timely.

We have developed disclosure controls and procedures that are designed to ensure that all public disclosures are accurate, complete and timely. If you become aware that our public disclosures are not accurate, complete and timely, or become aware of a transaction or development you believe may require disclosure, you should report the matter immediately to your supervisor or manager, our General Counsel or the appropriate Compliance Official.

EXCELLENCE

16. Administration of this Code

Distribution, Availability and Revisions

All Novavax employees will receive a copy of this Code at the time they join the company and will receive periodic updates.

A copy of this Code will be made publicly available in compliance with law and is available on the company's Internet and intranet sites.

Approvals and Waivers

As described in this Code, certain persons at the company must review and approve in writing any circumstance requiring special permission. Copies of these approvals will be maintained by the company and made available to auditors or investigators.

Waivers of any provision of this Code for directors and executive officers must be approved by our Audit Committee and will be disclosed promptly in accordance with law.

Given the important position of trust and authority that they occupy, our Chief Executive Officer, Chief Financial Officer and Corporate Controller (collectively, the "Financial Executives") should act extremely cautiously in interpreting and applying this Code. Financial Executives should consult with our General Counsel with respect to any proposed actions or arrangements that are not clearly consistent with the Code. In the event that a Financial Executive wishes to engage in a proposed action or arrangement that is not consistent with the Code, the Financial Executive must obtain a waiver of the relevant Code provisions in advance from our Audit Committee.

The Sarbanes-Oxley Act of 2002 imposes certain reporting requirements on Novavax with respect to our Financial Executives' compliance with the Code. In accordance with these requirements, we will publicly report on a Current Report on Form 8-K any waivers of any provision of the Code granted by our Audit Committee to any Financial Executive. Violations of the Code by our Financial Executives may also be immediately reported on Form 8-K.

Signature and Acknowledgement

All employees must sign the Novavax Personal Pledge set forth at the end of this Code, confirming that they have read this Code and understand its provisions. Failure to read the Code or to sign the pledge, however, does not excuse an employee from the duty to comply with its terms.

This Code may be revised, changed or amended at any time by our Board of Directors. Following any material revisions or updates, an updated version of this Code will be distributed to you, and will supersede the prior version of the Code effective upon distribution. We may ask you to sign an

acknowledgement confirming that you have read and understood the revised version of the Code and that you agree to comply with its provisions.

Ongoing Review of Compliance

We require all Novavax employees, officers and directors to comply with this Code. As noted above, upon your receipt of this Code, and also from time to time as we deem to be necessary, we will require you to sign an acknowledgement confirming that you have read and understood the Code and agree to comply with its provisions. We reserve the right to monitor your continuing compliance with the provisions of this Code and to investigate any suspected violations. If substantiated, these violations could result in disciplinary action, as described more fully in the following sections.

Investigations and Disciplinary Actions

Novavax expects that its employees will bring to the attention of their supervisors or one of our Compliance Officials or General Counsel (or any people that such officers designate) information about suspected violations of this Code. If you have information about suspected improper accounting or auditing matters, you may also bring such information to the attention of a member of our Audit Committee. To contact our Audit Committee or to submit a report to them, please contact our Chief Financial Officer or Michael McManus, Chairperson of our Audit Committee, who will make sure that your information is conveyed to the Audit Committee.

If you are not comfortable revealing your identity when making a report, you can also make an anonymous report as discussed in the "What You Can Do If You Have A Concern About Business Practices" section of this Code (see page 5).

You should feel safe in reporting this information, without regard to the identity or position of the suspected offender. Complaints and requests for information will be handled promptly, discreetly and professionally. Discussions and inquiries will be kept in strict confidence to the extent appropriate or permitted by policy or law. If the employee desires, he or she can be informed of any follow-up action implemented by the company.

Novavax will not take, and will not permit others under our control to take, any acts of retribution or retaliation against you for making a report.

Retaliation in any form against anyone who reports a violation of this Code (even if the report is mistaken but was submitted in the good faith belief it was correct) or who assists in the investigation of a reported violation is itself a serious violation of this Code. Acts of retaliation should be reported immediately and may result in severe disciplinary action.

Because failure to report criminal activity can itself be understood to condone the crime, we emphasize the importance of reporting. For both criminal activity and other violations of this Code,

failure to report knowledge of wrongdoing may result in disciplinary action against those who fail to report.

Investigations will be conducted by and under the supervision of Novavax's General Counsel, Vice President, Human Resources or the Chairman of the Audit Committee depending on the issue, as they deem appropriate. It is imperative that employees who make reports and persons to whom such reports are made do not conduct their own preliminary investigations unless authorized to do so by our President & CEO or General Counsel. You are expected to cooperate in the investigation of reported violations to the extent possible.

You should be aware that our General Counsel and the other members of our legal team are legally obligated to act in the best interests of Novavax as a company. They do not act as lawyers or personal representatives for any individual Novavax employee, including members of our senior management team. Our Board of Directors has ultimate responsibility for final interpretation of this Code and for determining whether any violations of this Code have occurred.

Novavax will investigate any matter reported and may take appropriate corrective and disciplinary actions, if, in our good faith discretion, it is determined that a violation has occurred. Disciplinary actions may include, alone or in combination, a warning or letter of reprimand, demotion, loss of merit increase or bonus, suspension without pay or termination of employment. We may also seek civil remedies or refer criminal misconduct to law enforcement agencies.

Among other things, individuals may be disciplined for:

- committing, authorizing or directing an illegal act or violation of this Code.
- failing to exercise proper compliance oversight or tolerating illegal conduct, if acting as a supervisor.
- failing to report illegal or improper conduct of which he or she directly knows or observes.
- refusing to cooperate with an investigation, including deliberately withholding relevant information or knowingly providing false information concerning a violation of this Code or applicable laws and regulations.
- discouraging another individual from reporting a violation of law or this Code.
- retaliating against or condoning retaliation against an individual who reports a violation or assists in an investigation of a suspected violation.

Important Disclaimers

This Code reflects general principles to guide you in making ethical decisions and cannot, and is not intended to, address every specific situation in which we may find it appropriate to take disciplinary action. This Code is not intended to create any contract (express or implied) with you, including without limitation any employment contract, or to constitute any promise that your employment will not be terminated except for cause.

17. NOVAVAX PERSONAL PLEDGE

As an employee of Novavax or one of its subsidiaries, we all share the responsibility to maintain the company's reputation. Therefore, it is critical that all employees not only read and understand the company's Code of Business Conduct and Ethics but also formally acknowledge their commitment to abide by the Code. Accordingly, as a Novavax person I acknowledge:

- I have received a copy of Novavax's Code of Business Conduct and Ethics (the "Code");
- I have read, understand and will act consistent with the Code and any of its future revisions;
- If I have questions regarding the content or interpretation of the Code, I will bring them to the attention of my supervisor; and
- If I observe or suspect a violation of the Code or any business practice or legal or ethical standard, I will report it in accordance with this Code.

Employee Signature: _____ Date: _____

Employee Name: _____

EXHIBIT 21

LIST OF SUBSIDIARIES

Fielding Pharmaceutical Company, a Delaware Corporation

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference of our report dated February 13, 2004, with respect to the consolidated financial statements of Novavax, Inc. included in the Annual Report on Form 10-K for the year ended December 31, 2003, 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 333-97931 on Form S-8
(7) Registration Statement Number 333-110401 on Form S-8
(8) Registration Statement Number 333-22685 on Form S-3
(9) Registration Statement Number 333-77609 on Form S-3
(10) Registration Statement Number 333-32142 on Form S-3
(11) Registration Statement Number 333-53194 on Form S-3
(12) Registration Statement Number 333-69874 on Form S-3
(13) Registration Statement Number 333-76696 on Form S-3
(14) Registration Statement Number 333-108006 on Form S-3

/s/ ERNST & YOUNG LLP

March 10, 2004

Exhibit 31.1

CERTIFICATION

I, Nelson M. Sims, certify that:

1. I have reviewed this Annual Report on Form 10-K of Novavax, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

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

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

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

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

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

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

Date: March 11, 2004

By: /s/ Nelson M. Sims
President and CEO

Exhibit 31.2

CERTIFICATION

I, Dennis W. Genge, certify that:

1. I have reviewed this Annual Report on Form 10-K of Novavax, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

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

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

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

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

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

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

Date: March 11, 2004

By: /s/ Dennis W. Genge
Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Novavax, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nelson M. Sims, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Nelson M. Sims
Name: Nelson M. Sims
Title: President and CEO

March 11, 2004

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Novavax, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis W. Genge, Vice-President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Dennis W. Genge
Name: Dennis W. Genge
Title: Vice President and
Chief Financial Officer

March 11, 2004