

NOVAVAX INC
Form PRE 14A
March 10, 2005

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement

 Definitive Additional Materials
 Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

Novavax, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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- No fee required.
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(3) Filing party:

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NOVAVAX, INC.

NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 4, 2005

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Novavax, Inc., a Delaware corporation (the Company), will be held on Wednesday, May 4, 2005 at 9:00 a.m. local time at the corporate headquarters of the Company, 508 Lapp Road, Malvern, Pennsylvania 19355 (the Meeting) for the purpose of considering and voting upon the following matters:

1. To elect two directors as Class I directors to serve on the Board of Directors for a three-year term expiring at the 2008 Annual Meeting of Stockholders;
2. To approve the Novavax, Inc. 2005 Stock Incentive Plan;
3. To approve the issuance of the shares of Common Stock, \$.01 par value, of the Company issuable with respect to senior convertible notes in the aggregate principal amount of \$35,000,000 issued to certain qualified institutional buyers and accredited investors;
4. To ratify the appointment of Ernst & Young LLP as independent auditor of the Company for the current fiscal year ending December 31, 2005; and

5. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The Board of Directors has no knowledge of any other business to be transacted at the Meeting.

The Board of Directors has fixed the close of business on Friday, March 11, 2005 as the record date for the determination of stockholders entitled to notice of and to vote at the Meeting and any adjournments thereof.

A copy of the Company's Annual Report to Stockholders for the fiscal year ended December 31, 2004, which contains financial statements and other information of interest to stockholders, accompanies this Notice and the attached Proxy Statement.

By Order of the Board of Directors

David A. White, Secretary

March 21, 2005

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY VOTE VIA THE INTERNET OR TELEPHONE AS PER THE INSTRUCTIONS ON THE ENCLOSED PROXY OR COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.

**NOVAVAX, INC.
508 Lapp Road
Malvern, Pennsylvania 19355**

**PROXY STATEMENT
For the Annual Meeting of Stockholders
To Be Held May 4, 2005**

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Novavax, Inc. (Novavax or the Company) for use at the Annual Meeting of Stockholders to be held on Wednesday, May 4, 2005 at 9:00 a.m. local time at the Company's corporate headquarters, 508 Lapp Road, Malvern, Pennsylvania 19355 and at any adjournments thereof (the Meeting). The Notice of Meeting, this Proxy Statement, the enclosed proxy and the Company's Annual Report to Stockholders for the fiscal year ended December 31, 2004 are being mailed to stockholders on or about March 21, 2005.

VOTING PROCEDURE AND QUORUM

The Board of Directors has fixed March 11, 2005 as the record date to determine the stockholders entitled to receive notice of and to vote at the Meeting (the Record Date). The only class of stock of the Company entitled to vote at the Meeting is its common stock, \$.01 par value (the Common Stock). Only the record holders of shares of Common Stock at the close of business on the Record Date may vote at the Meeting. On the Record Date, there were [39,807,724] shares of Common Stock outstanding and entitled to be voted at the Meeting. Each share entitles the holder to one vote on each of the matters to be voted upon at the Meeting. A stockholder may vote by mail, internet or telephone as directed by the enclosed proxy.

All properly executed proxies will be voted in accordance with the instructions of the stockholder. If no contrary instructions have been indicated, the proxies will be voted in favor of Proposals 1, 2, 3 and 4 as set forth in the accompanying Notice of Meeting. The Board of Directors knows of no other matters to be presented for consideration at the Meeting.

Stockholders may revoke proxies at any time before they are exercised at the Meeting by (a) signing and submitting a later-dated proxy to the Secretary of the Company, (b) delivering written notice of revocation to the Secretary of the Company, or (c) voting in person at the Meeting. Attendance at the Meeting will not itself be deemed to revoke a proxy unless the stockholder gives affirmative notice at the Meeting that the stockholder intends to revoke the stockholder's proxy and vote in person.

The presence in person or by proxy of the holders of a majority of the shares of Common Stock issued and outstanding on the Record Date and entitled to vote is required to constitute a quorum at the Annual Meeting. If a quorum is not present, the stockholders entitled to vote who are present in person or represented by proxy at the Meeting have the power to adjourn the Meeting until a quorum is present, without notice other than an announcement at the Meeting and so long as such adjournment is less than 30 days and a new record date is not fixed. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the Meeting as originally scheduled. Abstentions and broker non-votes will count in determining whether a quorum is present at the Meeting. A broker non-vote occurs when a broker or other nominee holds shares represented by a proxy and has not received voting instructions with respect to a particular item and does not have discretionary authority to vote such shares.

PROPOSAL ONE ELECTION OF DIRECTORS

Pursuant to the Company's Amended and Restated Certificate of Incorporation, the Company's Board of Directors may consist of no fewer than three directors, with the specific number to be authorized by the Board of Directors from time to time at its discretion. The Board of Directors is currently authorized to consist of nine members. The Board has determined to fix the number of directors at eight effective as of the Meeting, following the decision of Ronald H. Walker to retire from the Board as of such date.

The members of the Company's Board of Directors are divided into three classes, designated Class I, Class II and Class III, each serving staggered three-year terms. The terms of the Class I directors expire at this Meeting. The terms of the Class II and Class III directors will expire at the 2006 and 2007 Annual Meetings of Stockholders, respectively. A director of any class who is elected by the Board of Directors to fill a vacancy resulting from an increase in the number of directors holds office for the remaining term of the class to which he or she is elected. A director who is elected by the Board to fill a vacancy arising in any other manner holds office for the remaining term of his or her predecessor. Directors elected by the stockholders at an annual meeting to succeed those whose terms expire at such meeting are of the same class as the directors they succeed and are elected for a term to expire at the third annual meeting of stockholders after their election and until their successors are duly elected and qualified.

In the event of any increase or decrease in the authorized number of directors, the newly created or eliminated directorships must be apportioned by the Board among the three classes so as to ensure that no one class has more than one director more than any other class. However, no existing director may be reclassified from one class to another and, therefore, the number of directors in each class may become temporarily imbalanced.

Two directors are to be elected at this Meeting to fill the terms of the Class I directors that expire at this Meeting. The Board of Directors, by all of its independent directors, has designated Denis M. O'Donnell, M.D. and Nelson M. Sims as nominees for reelection as Class I directors of the Company at this Meeting. If elected, such nominees will serve until the expiration of their terms at the 2008 Annual Meeting of Stockholders and until their successors are elected and qualified. Each of Dr. O'Donnell and Mr. Sims is currently a director of the Company and has consented to being named in this Proxy Statement and to serve if elected. The Board of Directors has no reason to believe that either of the nominees will be unable to serve if elected. If a nominee becomes unavailable to serve as a director, the persons named as proxies in the accompanying proxy may vote the proxy for a substitute nominee.

The election of directors requires the affirmative vote of a plurality of the votes cast by stockholders entitled to vote at the Meeting. Accordingly, abstentions, broker non-votes and votes withheld for a nominee will not have any effect on the election of a director.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE
FOR THE ELECTION OF THE NOMINEES.**

Members of the Board of Directors

The following table provides certain information with respect to the directors of the Company. Comparable information regarding the executive officers of the Company is provided in the Company's Annual Report on Form 10-K.

Nominees for Class I Directors

Name	Age	Director Since	Principal Occupation, Other Business Experience and Other Directorships
Denis M. O'Donnell, M.D.	51	1998	Chairman of the Board of Directors of Novavax since May 2000. Chief Executive Officer and President of Molecular Diagnostics, Inc. since February 2004. General Partner at Seaside Partners, L.P., a private equity firm, from 1997 to 2003. Vice Chairman of the Board of Directors of Novavax from 1999 to 2000. Senior Advisor to Novavax from 1997 to 1998. President of Novavax from 1995 to 1997. Vice President, Business Development of Novavax from 1992 to 1995. Currently a director of Columbia Laboratories, Inc., ELXSI Corporation and Molecular Diagnostics, Inc.
Nelson M. Sims	57	2003	President and Chief Executive Officer of Novavax since August 2003. Retired from Eli Lilly and Company in June 2001 after 28 years of service. Executive management positions at Eli Lilly included Executive Director of Strategic Alliance Management for Eli Lilly and Company from November 1999 to June 2001, President of Eli Lilly Canada Inc. from January 1991 to November 1999, and Vice President of Hybritech, Inc., a Lilly subsidiary. Currently a director of MDS Inc.

Directors Continuing as Class II Directors

Name	Age	Director Since	Principal Occupation, Other Business Experience and Other Directorships
Gary C. Evans	48	1998	President and Chief Executive Officer of Magnum Hunter Resources, Inc., an oil and gas exploration company, since 1995, Chairman of the Board of Directors until October 2004, and Chief Executive Officer of its predecessor, Hunter Resources, Inc., since 1985. Currently a trustee of TEL Offshore Trust, an oil and gas trust.
J. Michael Lazarus, M.D.	67	1995	Chief Medical Officer and Senior Vice President of Fresenius Medical Care North America since 1996. Professor of Medicine at Harvard Medical School from 1979 to 1996.

Name	Age	Director Since	Principal Occupation, Other Business Experience and Other Directorships
John O. Marsh, Jr.	78	1991	Visiting Professor, George Mason University, since 2001. Visiting Professor, Virginia Military Institute, 1998. Interim Chief Executive Officer of Novavax from July 1996 to March 1997 and Chairman of the Board of Directors from July 1996 to February 1997. Secretary of the Army from 1981 to 1989. Counselor with Cabinet rank to the President of the United States from 1974 to 1977. Assistant for National Security Affairs to Vice President of the United States, 1974. Assistant Secretary of Defense from 1973 to 1974. U.S. Representative in Congress from 1963 to 1971.

Directors Continuing as Class III Directors

Name	Age	Director Since	Principal Occupation, Other Business Experience and Other Directorships
Susan B. Bayh	45	2004	Distinguished Visiting Professor in the College of Business Administration, Butler University, since 1994. Commissioner with the U.S. Department of State International Commission between the United States and Canada, 1994 to 2000. Attorney, Eli Lilly and Company Pharmaceutical Division, 1989 to 1994. Attorney, Barnes & Thornburg, 1984 to 1985. Currently a director of Curis, Inc., Dendreon Corporation, Wellpoint, Inc., Emmis Communications Corporation and Dyax, Corp.
Mitchell J. Kelly	45	1997	Chairman of the Board, Chief Executive Officer and Managing Member of Anaconda Capital Management, L.L.C., an investment management firm, since 1995, and in various capacities with affiliates of Anaconda Capital since 1993. President and Chief Executive Officer of Novavax from September 2002 to August 2003 and from September 1998 to May 1999.
Michael A. McManus, Jr.	62	1998	President, Chief Executive Officer and Director of Misonix, Inc., a medical, scientific and industrial provider of ultrasonic and air pollution systems, since 1998. President and Chief Executive Officer of N.Y. Bancorp from 1990 to 1998. Assistant to the President of the United States from 1982 to 1985. Currently a director of L Q Corporation, Inc., NWH, Inc. and American Home Mortgage Holdings, Inc.

Retiring Class I Director

Ronald H. Walker

67 1995

Currently retired. Chairman of the Board of Directors of Novavax from 1998 to 2000. Senior Partner/Managing Director of Korn/Ferry International, an executive search firm, from 1978 to 1999. Director of the National Park Service from 1972 to 1975. Special Assistant to the President of the United States from 1969 to 1972.

There are no family relationships among any of the directors or executive officers (or any nominee therefor) of Novavax, and no arrangements exist between any director or nominee and any other person

pursuant to which such director or nominee was or is to be selected as a nominee. No director, executive officer, nominee or any associate of any of the foregoing has any interest, direct or indirect, in any proposal to be considered and acted upon at the Meeting (other than the election of directors).

Board of Directors and Committee Information

The Board of Directors has determined that, with the exception of Messrs. Kelly and Sims and Dr. O'Donnell, each of whom is or was within the last three fiscal years an employee or executive officer of the Company, all of the members of the Board are independent directors, as that term is defined in Rule 4200(a)(15) of the listing standards of the National Association of Securities Dealers (the "NASD") and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Board of Directors met 11 times during 2004, and the independent members of the Board met once during the same period. Each of the directors attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of committees on which they served.

The Board of Directors of Novavax currently has three standing committees: a Compensation Committee, an Audit Committee and a Nominating and Corporate Governance Committee. In addition to the descriptions below, please refer to the Report of the Compensation Committee and Report of the Audit Committee included in this Proxy Statement.

Compensation Committee

The Compensation Committee, whose current members are Mr. Walker (Chairman), Dr. Lazarus and Ms. Bayh, reviews and recommends salaries and other compensatory benefits for the employees, officers and directors of Novavax. The Compensation Committee also administers the option plans of the Company, pursuant to which the committee recommends stock option grants and other awards for executive officers, key employees and directors of Novavax and its subsidiaries. During 2004, the Compensation Committee met six times. Prior to March 2004, the Compensation Committee consisted of Messrs. Evans (Chairman), Marsh, McManus and Walker; Ms. Bayh joined Mr. Walker and Dr. Lazarus as a member of the committee effective October 2004. Upon Mr. Walker's retirement, a new Chair of the Compensation Committee will be selected and the Board will determine, in consultation with the Nominating and Corporate Governance Committee, whether to appoint one or more new members to the Compensation Committee.

The Compensation Committee acts pursuant to a written charter, a copy of which is posted on the Company's website at www.novavax.com.

Audit Committee

Effective March 2004, the Audit Committee consisted of Messrs. McManus (Chairman), Evans and Marsh, each of whom is a non-employee director and qualifies as independent under NASD and other applicable rules and regulations. The Board has determined that Mr. McManus qualifies as the committee's audit committee financial expert as that term is defined by the rules and regulations of the Securities and Exchange Commission, and is financially sophisticated as required by the listing standards for The Nasdaq Stock Market.

The Audit Committee acts pursuant to the Audit Committee Charter as adopted by the Board, which was amended and restated in March 2004; a copy of the revised charter is available on the Company's website at www.novavax.com. The Audit Committee reviews and evaluates the charter annually to ensure its adequacy and accuracy, and is charged with performing an annual self-evaluation with the goal of continuing improvement.

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the Company's independent auditor. To this end, the committee meets with the Company's independent auditor to discuss the scope and results of its examination and reviews the financial statements and reports contained in the Company's periodic and other filings. The Audit Committee also reviews the adequacy and efficacy of the Company's accounting, auditing and financial control systems, as well as the

Company's disclosure controls and procedures; monitors the adequacy of the Company's accounting and financial reporting processes and practices; and considers any issues raised by its members, the Company's independent auditor, and the Company's employees. To assist in carrying out its duties, the Audit Committee is authorized to investigate any matter brought to its attention, retain the services of independent advisors (including legal counsel, auditors and other experts), and receive and respond to concerns and complaints relating to accounting, internal accounting controls and auditing matters. During 2004, the Audit Committee met six times. Prior to March 2004, the Audit Committee consisted of Messrs. McManus (Chairman) and Evans and Dr. Lazarus.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee (the Governance Committee) consists of Messrs. Evans (Chairman), Marsh, McManus and Walker, Dr. Lazarus and Ms. Bayh, each of whom qualifies as independent under NASD and other applicable rules and regulations. The Governance Committee was established in March 2004, replacing the Nominating Committee that consisted of Dr. Lazarus (Chairman), Mr. Kelly, Dr. O'Donnell and Mr. Walker. The Governance Committee met three times during 2004.

The Governance Committee acts pursuant to a written charter, a copy of which is available on the Company's website at www.novavax.com. As provided in the charter, the primary function of the Governance Committee is to assist the Board in fulfilling its responsibilities by: reviewing and making recommendations to the Board regarding the Board's size, structure and composition; establishing criteria for Board membership; identifying and evaluating candidates qualified to become members of the Board, including candidates proposed by stockholders; selecting, or recommending for selection, director nominees to be presented for approval at the annual meeting of stockholders and to fill vacancies on the Board; evaluating Company policies relating to the recruitment of Board members; developing and recommending to the Board corporate governance policies and practices applicable to the Company; monitoring compliance with the Company's Code of Business Conduct and Ethics; and handling such other matters as the Board or committee deems appropriate. The Governance Committee's goal is to contribute to the effective representation of the Company's stockholders and to play a leadership role in shaping the Company's corporate governance.

As noted above, it is the Governance Committee's responsibility to review and evaluate director candidates, including candidates submitted by stockholders. In performing its evaluation and review, the Governance Committee does not differentiate between candidates based on the proposing constituency, but rather applies the same criteria to each candidate.

Stockholders who wish to nominate qualified candidates to serve as directors of the Company may do so in accordance with the procedures set forth in the Company's By-laws, which procedures did not change during the last fiscal year. As set forth in the By-laws, a stockholder must notify the Company in writing, by notice delivered to the attention of the Secretary of the Company at the address of the Company's principal executive offices, of a proposed nominee. In order to ensure meaningful consideration of such candidates, notice must be received not less than 60 days nor more than 90 days prior to the meeting. However, if the Company does not give prior notice or make prior public disclosure of the date of the meeting at least 70 days prior to the meeting date, notice will be considered timely if it is received no later than the close of business on the 10th day following the date on which such notice was given or public disclosure was made (whichever occurred first).

The notice must set forth as to each proposed nominee:
name, age, business address and, if known, residence address,

his or her principal occupation or employment,

the number of shares of stock of the Company, if any, which are beneficially owned by such nominee, and

any other information concerning the nominee that must be disclosed as to nominees in proxy solicitations pursuant to applicable law.

The notice must also set forth with respect to the stockholder giving the notice:

the name and address, as they appear on the Company's books, of such stockholder, and

the number of shares of the Company that are owned by such stockholder.

The Company may require any proposed nominee to furnish such other information as may reasonably be required to determine the eligibility of the nominee to serve as a director. Submissions received through this process will be forwarded to the Governance Committee for review.

When considering candidates, the Governance Committee strives to achieve a balance of knowledge, experience and achievement such that the Company's Board reflects a broad range of talent, age, skill and expertise. While there are no set minimum requirements, a candidate should:

be intelligent, thoughtful and analytical,

possess superior business-related knowledge, skills and experience,

reflect the highest integrity, ethics and character,

have excelled in both academic and professional settings,

demonstrate achievement in his or her chosen field,

be free of actual or potential conflicts of interest,

have the ability to devote sufficient time to the business and affairs of the Company, and

demonstrate the capacity and desire to represent the best interests of the Company's stockholders as a whole.

In addition to the above criteria (which may be modified from time to time), the Governance Committee may consider such other factors as it deems in the best interests of the Company and its stockholders and that may enhance the effectiveness and responsiveness of the Board and its committees. Finally, the Governance Committee must consider a candidate's independence to make certain that the Board includes at least a majority of independent directors so as to satisfy all applicable independence requirements, as well as a candidate's financial sophistication and special competencies.

The Governance Committee identifies potential candidates through referrals and recommendations, including by incumbent directors, management and stockholders, as well as through business and other organizational networks. To date, the Governance Committee has not retained or paid any third party to identify or evaluate, or assist in identifying or evaluating, potential director nominees, although it reserves the right to engage executive search firms and other third parties to assist in finding suitable candidates.

Current members of the Board with the requisite skills and experience are considered for re-nomination, balancing the value of the member's continuity of service with that of obtaining a new perspective, and considering each individual's contributions, performance and level of participation, the current composition of the Board, and the Company's needs. If any existing members do not wish to continue in service or if it is decided not to re-nominate a director, new candidates are identified in accordance with those skills, experience and characteristics deemed necessary for new nominees, and are evaluated based on the qualifications set forth above. In every case, the Governance Committee meets (in person or telephonically) to discuss each candidate, and may require personal interviews before final approval. Once a slate is selected, the Governance Committee presents it to the full Board.

Each of this year's nominees for director is a current director of the Company and was selected and approved by the independent members of the Board of Directors in accordance with applicable law and listing requirements. Four other candidates were submitted for consideration by a stockholder of the Company in early March 2005. The

Governance Committee has not yet considered such candidates.

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Executive Committee

The Executive Committee of the Board of Directors was disbanded in 2004. The Executive Committee, whose members were Dr. O'Donnell (Chairman) and Messrs. Evans, Kelly, McManus and Sims, had the authority to exercise the powers of the Board of Directors between Board meetings. The Executive Committee did not meet in fiscal 2004.

Stockholder Communications

The Board welcomes communications from stockholders and has adopted a procedure for receiving and addressing such communications. Stockholders may send written communications to the entire Board or individual directors, addressing them to Novavax, Inc., 508 Lapp Road, Malvern, Pennsylvania 19355, Attention: Secretary. Communications by e-mail should be addressed to ir@novavax.com and marked Attention: Secretary in the Subject field. All such communications will be forwarded to the full Board of Directors or to any individual director or directors to whom the communication is directed unless the communication is clearly of a marketing nature or is unduly hostile, threatening, illegal, or similarly inappropriate, in which case the Company has the authority to discard the communication or take appropriate legal action.

Recognizing that director attendance at the Company's annual meetings of stockholders can provide stockholders with an opportunity to communicate with members of the Board, Novavax strongly encourages (but does not require) members of the Board to attend such meetings. All of the directors then in office attended the 2004 Annual Meeting of Stockholders.

Director Compensation

Cash Compensation

Commencing the second quarter of 2004, each director not employed by Novavax and not serving on a committee received an annual retainer of \$10,000; the chairs of the Audit, Compensation and Governance Committees received annual retainers of \$20,000, \$15,000 and \$15,000, respectively; and non-employee directors serving on committees received an annual retainer of \$12,000. Annual retainers are paid quarterly.

Commencing the second quarter of 2004, each non-employee director received \$1,500 for each meeting of the Board of Directors he or she attended in person and \$750 for each meeting attended telephonically. In addition, each committee member not employed by Novavax received \$500 per committee meeting attended in person and \$250 for each meeting attended telephonically, except that the chair of each committee received \$1000 per committee meeting attended in person and \$500 for each meeting attended telephonically. In all cases, no fees are paid for telephonic meetings of the Board or any committee thereof lasting less than 30 minutes. Directors are also reimbursed by the Company for reasonable costs and expenses incurred for attending Board and committee meetings.

No other cash compensation was paid to the directors for their services to the Company as directors during 2004. For information relating to shares of the Company owned by each of the directors, see *Beneficial Ownership of Common Stock* below. For information concerning the compensation of directors who are also officers of the Company, see *Executive Compensation* below. For information concerning a payment made in connection with services rendered by a director, see *Certain Relationships and Related Transactions* below.

Prior to the second quarter of 2004, each director not employed by Novavax received an annual retainer of \$10,000, an additional \$1,500 for each meeting of the Board of Directors he or she attended in person, and \$750 for each meeting attended telephonically. In addition, each committee member not employed by Novavax received \$250 per committee meeting attended, except that the chair of each committee received \$500 per committee meeting attended.

Stock Option Plans

Directors of Novavax are eligible to participate in the Company's 1995 Stock Option Plan adopted by the Board of Directors and approved by the stockholders (the 1995 Plan). The 1995 Plan is administered by the Compensation Committee under delegation by the Board of Directors. In March 2004, each non-employee director of the Company was awarded a non-statutory option under the 1995 Plan to purchase 20,000 shares of Common Stock at an exercise price of \$5.95 per share, the closing price of the Common Stock on March 9, 2004, which options vested in full on September 9, 2004. Upon her appointment in October 2004, Ms. Bayh also received a non-statutory option under the 1995 Plan to purchase 20,000 shares of Common Stock at an exercise price of \$3.98 per share, the closing price of the Common Stock on October 28, 2004, which options vest in full on April 28, 2005. If approved by stockholders, directors will also be eligible to participate in the Company's 2005 Stock Incentive Plan, as discussed in Proposal Two below. Directors also were eligible to receive option grants under the Novavax, Inc. 1995 Director Stock Option Plan, which plan provided for the grant to directors of options to purchase an aggregate 500,000 shares of the Company's Common Stock, all of which options have been granted.

Compensation Committee Interlocks and Insider Participation

Messrs. Evans, Marsh, McManus and Walker served on the Compensation Committee until March 2004; Mr. Walker and Dr. Lazarus served on the Compensation Committee commencing March 2004 and Ms. Bayh began serving in October 2004. None of the members of the Compensation Committee was at any time during fiscal 2004 an officer or employee of Novavax or any subsidiary; prior to 2004, Mr. Marsh served as interim CEO of the Company from July 1996 to March 1997. No executive officer of the Company currently serves, or during 2004 served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and holders of more than 10% of the Company's Common Stock to file with the Securities and Exchange Commission and the Nasdaq National Market initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Based solely on a review of the copies of such reports (and any amendments thereto) furnished to the Company during or with respect to 2004 or written representations that no reports were required, the Company believes that during fiscal 2004 its executive officers, directors and holders of more than 10% of the Company's Common Stock complied with all Section 16(a) filing requirements, except that in March 2004 five of the Company's non-employee directors—Messrs. Kelly, Marsh, McManus and Walker and Dr. Lazarus—reported the grant of options to purchase 20,000 shares of Common Stock two business days late and Mr. Evans reported such grant one business day late, and each of Nelson M. Sims, Ford R. Lynch, Denis M. O'Donnell, M.D. and D. Craig Wright, M.D. reported the grant of options to them in March 2004 in their capacities as executive officers of the Company two business days late, and Dennis W. Genge reported such grant one business day late. For information on these executive officer option grants, see *Executive Compensation—Stock Options* below.

Certain Relationships and Related Transactions

In March 2002, pursuant to the 1995 Plan, the Company approved the payment of the exercise price of options by two directors, Denis M. O'Donnell, M.D. and Mitchell J. Kelly, through the delivery of full recourse, interest-bearing promissory notes in the amounts of \$1,031,668 and \$447,600, respectively, or an aggregate of \$1,479,268. The borrowings accrue interest at 5.07% per annum and are secured by 166,667 and 95,000 shares of common stock, respectively, or 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: (a) payable in full upon the date on which the director ceases for any reason to be a director of the Company, (b) 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

(c) payable in full on March 21, 2007. In addition, during 2002, the Company executed a conditional guaranty of a brokerage margin account for Dr. O'Donnell in the amount of \$500,000.

On July 19, 2004, the Company closed an exchange agreement and related termination agreement with King Pharmaceuticals, Inc. and its wholly-owned subsidiary Parkedale Pharmaceuticals, Inc., which terminated substantially all agreements among the parties, including an agreement with King for the exclusive right to promote certain of the Company's products and product candidates within the United States and Puerto Rico and an agreement with King for the exclusive right to promote, market, distribute and sell these products outside the United States. The exchange and termination agreements provided for the return to the Company of all rights worldwide for these products, as well as all rights to any other products that Novavax may successfully develop utilizing its micellar nanoparticle technology. In addition, as part of the exchange agreement, Novavax hired 50 of King's women's health sales representatives to provide competitive sales force coverage for Novavax's products and redeemed all \$40 million in aggregate face amount of outstanding convertible notes held by King at an agreed-upon discount to face value.

The Company issued 3,775,610 shares of Common Stock to King in exchange for cash and the termination of substantially all agreements with King and Parkedale as noted above, and agreed pursuant to a registration rights agreement entered into in connection with such transaction to register such shares for resale by King. Following the closing of these transactions, King held 4,100,931 shares of our Common Stock, or approximately 10.4% of the outstanding Common Stock.

In August 2004, the Board approved the payment of \$75,000 to Anaconda Capital Management, L.L.C., of which Mitchell J. Kelly, a member of the Board, is Chairman, CEO and Managing Member, in connection with Mr. Kelly's assistance and services furnished to the Company in support of the transactions with King and Parkedale described above, as well as a debt financing by the Company as described under Proposal Three in this Proxy Statement.

REPORT OF THE COMPENSATION COMMITTEE

Compensation Committee

The Compensation Committee (the Committee) is appointed by the Board of Directors of the Company to assist the Board with its responsibilities relating to the compensation of the Company's employees, officers and directors and the development and administration of the Company's compensation plans. The goal of the Committee is to support the development of compensation programs that achieve the strategic goals and objectives of the Company, attract, motivate and retain key executives critical to the success of the Company and align executive officers' interests with the success of the Company.

As set forth in its charter, the Committee's authority and responsibilities include but are not limited to:

providing advice and guidance with respect to the Company's compensation strategy and philosophy;

evaluating and providing recommendations regarding executive compensation programs tied to the strategic and financial objectives of the Company and which will motivate and incentivize executives by tying their compensation to the Company's performance and stockholder returns;

reviewing and providing input on the goals and objectives relevant to the compensation of the Company's Chief Executive Officer, annually evaluating the CEO's performance, and recommending to the independent members of the Board the CEO's total compensation package;

annually reviewing and making recommendations regarding senior management compensation; and

evaluating and making recommendations annually regarding the appropriate level and form of compensation for members of the Board and its committees.

The Committee must consist of at least two members of the Board of Directors, each of whom shall be a non-employee director as defined by Rule 16b-3 under the Exchange Act, and an outside director as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The Board appoints members to the Committee upon the recommendation of the Company's Nominating and Governance Committee. Committee members serve until they resign or are removed or until their successors are elected and qualified.

The Committee is tasked with meeting at least four times a year, and more frequently if necessary. It may request that any officer or employee of the Company, outside counsel or consultant attend Committee meetings or confer with any members of, or consultants to, the Committee. The Committee has sole authority for and may retain compensation consultants as it deems appropriate to assist the Committee with the performance of its duties and responsibilities, including sole authority to approve the fees and other retention terms for such consultants. The Committee is supported in its efforts by the Company's human resources team, to which the Committee delegates authority for certain administrative functions.

Novavax Compensation Philosophy

The philosophy underlying the Company's compensation program is to be both market competitive and internally equitable, such that individuals are compensated at a level commensurate with their industry colleagues outside the Company in comparable positions and fairly when compared to their colleagues within the Company.

With this philosophy and the objectives of the Company's compensation programs in mind, in the fall of 2003 the Company conducted an internal benchmark study to analyze the Company's compensation programs and practices. This study involved an evaluation by the human resources team and functional vice presidents of each position at Novavax and a determination of each position's category, based on an analysis of job description, according to a nationally recognized compensation survey. An analysis was then performed of the survey's compensation data and Novavax's compensation levels, the result of which was a decision to benchmark compensation for all Company positions to the 50th percentile of similar size companies in the pharmaceutical/biotechnology industry.

Compensation Components

Traditionally and for fiscal year 2004, the components of employee compensation at Novavax included (i) base salary, (ii) annual discretionary bonuses or commissions for sales personnel, and (iii) stock option grants (both for new hires and annual discretionary grants based upon company and individual performance). Every employee at every level within the Company is eligible to receive bonuses or commissions and equity compensation awards.

Base Salary

In 2004, the Committee determined to administer base salaries at plus or minus 25% of the 50th percentile for office, lab and factory-based employees. Base salaries for sales personnel are administered at plus or minus 35% of the 50th percentile, and brought in line based upon performance within 24 months.

General base salary levels for the Company's executive officers, therefore, are based on a review of compensation for competitive positions in the market; individual salaries within the permitted range reflect the executives' job skills and experience, as well as judgments as to past and future contributions of the executives to the Company's success. The companies whose compensation practices are studied are not limited to the peer group listed in the stock performance chart, but include the full range of companies with which the Company believes it competes for executive talent. The Board deferred any decision regarding salary increases for all officers of the Company until the second quarter of 2005; increases for all other employees, approved in February 2005, ranged from zero to 7% of current salaries.

Bonuses and Commissions

Annual bonuses are tiered based upon the individual's level in the Company, e.g. manager or individual contributor. In addition, for directors and officers with the title of senior vice president or vice president, there are additional bonus levels to reflect the relative importance of such positions and to reward individual performance at those levels.

In 2004, the Company determined annual bonuses for 2003 for each employee based on a performance factor that took into account each individual's overall performance rating from their annual performance appraisal. Only employees whose overall performance rating was at or above the required "meets expectations" rating were eligible for a bonus. The range of bonuses awarded in 2004 for 2003 performance was 20 to 40% of base salary for senior management and 10 to 15% for directors. Bonuses for managers and individual contributors were targeted at 7.5% and 5% of base salary, respectively. Target bonuses in the full amount were awarded to employees who met 100% of their individual objectives and had been with the Company all year, were prorated for employees who had been with the Company less than a full year, and were decreased proportionately in cases where employees met less than 100% of their individual objectives.

In the early part of 2004, individual objectives were developed for that year; the bonus for each employee was then determined based on the individual's achievement of 100% of those objectives as well as their overall performance. Bonus awards were prorated based upon the employee's date of hire. In order to be eligible to receive a bonus for 2004, employees had to have joined the Company by November 1 and performed at a level of at least "meets expectations."

Bonuses are designed to tie annual awards to Company and individual executive performance and motivate and reward employees for their contributions to Company performance. The Committee considers a number of factors in determining whether annual incentive awards should be paid, most importantly the achievement by the Company of specified strategic objectives and the achievement by the employees of their individual objectives.

For 2004, the strategic priorities for the Company against which performance was measured included but were not limited to:

Successfully launch ESTRASORB, including:

Complete, validate and FDA-qualify the manufacturing facility;

Build inventory and stock the retail market;

Hire and train the sales organization; and

Develop a marketing launch plan;

Support legacy products;

Build a pipeline of new products, including:

Refocus vaccine and drug delivery product development;

Improve the infrastructure for research and development; and

Formulate new MNP products;

Improve the Company's cost structure, including:

Implement a facility strategy; and

Improve manufacturing costs;

Strengthen the organization and improve organizational effectiveness;

Ensure compliance with the Sarbanes-Oxley Act of 2002; and

Meet business development objectives and cash flow requirements.

Individual objectives are drawn up by each employee by reference to the Company's overall objectives and in consultation with each such employee's functional vice president. The goal of individual objectives is to support the achievement of the Company's objectives and align individual performance with those objectives.

The Board deferred making a decision regarding annual bonuses for officers until the second quarter of 2005. Bonuses for employees who are not officers ranged from \$281 to \$20,278 for fiscal 2004, which included bonuses prorated for partial-year employment.

Equity Compensation

The granting of stock options has been analyzed and benchmarked to the 50th percentile of grants at comparable surveyed companies. Similar to base salary and bonus or commission determinations, the Committee evaluated equity compensation awards at comparable companies both generally and for individual job categories. Based on this data, it developed target awards for each position within the Company for both initial and annual discretionary stock option grants. Deviations from the range may occur based on performance, and no individual is eligible to receive an award unless he or she receives the minimum required "meets expectations" performance rating in his or her annual performance appraisal.

The primary goal of the equity compensation component is to align management and stockholder interests for the long-term enhancement of stockholder value: when the market price of a share of Common Stock declines, the value of the grant to the employee declines. Employees are consequently motivated to improve their performance in support of improved Company performance.

As noted above, in selecting executives eligible to receive option grants and determining the size of such grants, the Committee reviews a variety of factors, including:

the job level of the executive,

option grants awarded by competitors to executives at a comparable job level, and

past, current and prospective services rendered, or to be rendered, to the Company by the executive.

The Company administers two plans under which stock options are granted to eligible participants. The Novavax, Inc. 1995 Stock Option Plan provides for the grant of stock options both incentive and non-statutory to officers,

employees, consultants and directors of the Company and any present or future subsidiaries to purchase a maximum of 9,000,000 shares of Common Stock. The Company also administers

the Novavax, Inc. 1995 Director Stock Option Plan, which provides for the issuance of up to 500,000 shares of Common Stock to directors of the Company, all of which options have been granted.

The exercise price for the options granted to executives to date has been equal to at least 100% of the fair market value per share on the date of grant, and the Committee intends to continue to fix the exercise price of option grants at no less than 100% of the fair market value per share on the date of grant. During 2004, the Committee awarded options for a total of 1,168,150 shares to all employees, including options to purchase 308,000 shares awarded to all individuals who served as executive officers of the Company during the year.

Procedure

The process of determining annual compensation packages begins in advance of the Committee's first meeting in the new year. Prior to that meeting, the Company's human resources team performs an analysis, keeping in mind the goals of market competitiveness and internal equity and benchmarking against the 50th percentile, of each position within the Company, matched against current salary survey data, both for the industry and geographically. Once a budget is determined for the year, modeling is performed to assess which individuals are being paid outside the permissible range of the Company's salary administration guidelines. Individual performance is evaluated against achievement of each of the Company's and the individual's strategic priorities. No adjustment is made if the individual did not receive the minimum required performance rating in his or her annual performance appraisal.

Compensation packages for vice presidents and above are analyzed and discussed individually at the Committee's first meeting. At this and subsequent meetings, the Committee may request additional information from the human resources team. Once the Committee has obtained all of the information it deems necessary, it approves or rejects the compensation recommendations presented. These recommendations are then presented to the Board of Directors, and decisions regarding CEO and executive officer compensation are made by the independent members of the Board.

Chief Executive Officer Compensation

Nelson M. Sims was elected President and Chief Executive Officer of the Company effective August 2003. The criteria used to establish Mr. Sims' initial compensation included, among other things, the compensation packages of executive officers of comparable companies of similar size in the specialty pharmaceutical industry and the factors described above for all executive officers. Pursuant to Mr. Sims' employment agreement with the Company, he is entitled to receive an initial base salary of \$400,000, subject to merit-based increases commencing January 1, 2005. In addition, he is entitled to receive performance and incentive bonuses, beginning in respect of his employment with the Company through December 31, 2004, payable on or before March 31, 2005, in an amount to be determined by the Board or any committee thereof authorized to make such determination. Mr. Sims' employment agreement specifies that such bonus will be based on his achievement of certain specified goals, and shall be at least \$139,000 and not greater than \$347,000. Upon hire, Mr. Sims was granted stock options to purchase 900,000 shares of the Common Stock of the Company at \$5.63 per share, which price was the fair market value on the date of grant. The options vest in three equal increments on the first three anniversaries of the date of the grant. Mr. Sims is also eligible to receive additional stock options annually, based on job performance, to purchase that number of shares of Common Stock equal to not less than three percent of the total number of shares of Common Stock issued by the Company during the most recent fiscal year in private or public offerings or pursuant to conversions of convertible securities issued after commencement of his employment with the Company.

As noted above, Mr. Sims' annual base salary for each of 2003 and 2004 was \$400,000. His annual base salary has not been increased for 2005 due to a decision, based on the financial condition and performance of the Company during the 2004 fiscal year, to defer compensation decisions regarding salary adjustments for all officers of the Company until the second quarter of the 2005 fiscal year. Similarly, the Board deferred the decision as to whether to grant Mr. Sims or any other officer of the Company a bonus for 2004 performance.

In March 2004, Mr. Sims was awarded options to purchase 135,000 shares of Common Stock at an exercise price of \$5.95, the closing price of the Common Stock on the date of grant. In February 2005, the Committee recommended and the independent members of the Board approved the grant to Mr. Sims of options to purchase 142,000 shares of Common Stock at an exercise price of \$2.21 per share, the fair market value of the Common Stock on the date of grant. This incentive award was based on Mr. Sims' efforts to:

Ensure successful financing to fund operations;

Strengthen the Company's corporate leadership team, including the addition of key personnel in sales, marketing, research and development, manufacturing, finance and business development;

Prepare the Company to launch ESTRASORB, including:

Manufacturing; and

Sales and marketing;

Improve the Company's cost structure, including:

Facility consolidation;

Manufacturing costs; and

Operational effectiveness;

Refocus new product development, including:

Vaccines; and

Drug delivery;

Develop and meet our business development strategy; and

Meet Sarbanes-Oxley Section 404 requirements.

Tax Considerations

Section 162(m) of the Code generally disallows a tax deduction to public companies for compensation over \$1,000,000 paid to certain employees, generally the Chief Executive Officer and the four other most highly compensated executive officers. Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. In 2004, no compensation paid by the Company was nondeductible as a result of the \$1,000,000 limitation. Furthermore, the Committee believes that, given the general range of salaries and bonuses for executive officers of the Company, the \$1,000,000 threshold of Section 162(m) will not be reached by any executive officer of the Company in the foreseeable future. Accordingly, the Committee has not formulated a policy to address non-qualifying compensation.

Compensation Committee

Ronald H. Walker, Chairman

Susan B. Bayh

J. Michael Lazarus, M.D.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors is comprised of three members, each of whom is a non-employee director and satisfies all applicable independence requirements. The responsibilities and duties of the Audit Committee, summarized below, are more fully set forth in the committee's charter, a copy of which is available on the Company's website at www.novavax.com.

The primary purpose of the Audit Committee is to represent and assist the Board of Directors in fulfilling its responsibilities for oversight of: the Company's accounting and financial reporting processes; the preparation, presentation and integrity of the financial reports and other financial information provided by the Company to any governmental or regulatory body, the public or other users thereof; the adequacy and efficacy of the Company's systems of internal accounting, auditing and financial controls; the Company's compliance with legal and regulatory requirements; the conduct, independence and qualifications of the Company's independent auditor; and the performance of the annual independent audit of the Company's financial statements. In 2004, the Audit Committee also actively participated in the evaluation of the Company's internal control over financial accounting and the implementation of the components of the Company's internal control system. The Audit Committee also played an active role in monitoring, and supporting management in its assessment of the effectiveness, of such system and its components.

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company, and to retain outside counsel, auditors and other experts for this purpose. The Board and the Audit Committee are in place to represent the Company's stockholders. Accordingly, the independent auditor is ultimately accountable to the Audit Committee and the Board.

In keeping with its responsibilities, the Audit Committee has reviewed and discussed the Company's audited financial statements with management. The Audit Committee has discussed with Ernst & Young LLP, the Company's independent auditor, the matters required to be discussed by Statement of Auditing Standards No. 61, "Communication with Audit Committees" (as currently in effect), which includes, among other items, matters related to the conduct of the audit of the Company's financial statements. The Audit Committee meets with the independent auditor, with and without management present, to discuss the results of its examinations, its evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Audit Committee has also received written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1,

Independence Discussions with Audit Committees (as currently in effect) relating to the auditor's independence from the Company and its related entities, discussed with Ernst & Young LLP its independence from the Company, and considered the compatibility of the auditor's provision of non-audit services with maintaining the auditor's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors, and the Board has approved, that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. The Audit Committee has selected, subject to stockholder ratification, Ernst & Young LLP as the Company's independent auditor for the current fiscal year ending December 31, 2005.

The Audit Committee pre-approved all audit and permissible non-audit services provided to the Company by the independent auditor during fiscal 2004. It is the Audit Committee's policy to pre-approve the audit and permissible non-audit services (both the type and amount) performed by the Company's independent auditor in order to ensure that the provision of such services does not impair the auditor's independence, in appearance or fact.

Audit Committee

Michael A. McManus, Jr., Chairman

Gary C. Evans

John O. Marsh, Jr.

PROPOSAL TWO APPROVAL OF THE 2005 STOCK INCENTIVE PLAN

On February 24, 2005, the Board of Directors approved the adoption of the Novavax, Inc. 2005 Stock Incentive Plan (the 2005 Plan) in response to the pending expiration of the 1995 Plan and to better address the Company's changing business needs. The 2005 Plan is subject to stockholder approval at the Meeting.

Set forth below is a summary of the key provisions of the 2005 Plan and a general description of the U.S. Federal income tax treatment applicable to the receipt of awards under such plan. The text of the 2005 Plan is set forth in an appendix to this Proxy Statement. The following is intended to be a summary, and does not purport to be a complete statement, of the principal terms of the 2005 Plan. This summary is subject to and qualified in its entirety by reference to the full text of the 2005 Plan as set forth in such appendix.

General

Purpose; Term. The 2005 Plan provides for the grant to employees, officers and directors of, as well as consultants and advisors to, the Company, its parents and subsidiaries of stock options (non-statutory and incentive), restricted stock awards, stock appreciation rights (SARs) and restricted stock units. The stated purpose of the 2005 Plan is to secure for the Company and its stockholders the benefits arising from capital stock ownership by eligible participants who are expected to contribute to the Company's future growth and success. Unless sooner terminated in accordance with its terms, the 2005 Plan will terminate upon the close of business on February 23, 2015.

Administration. The 2005 Plan is administered by the Board of Directors, which may, as permitted by and consistent with applicable law, delegate any or all of its powers under the plan to a committee it appoints. Subject to the terms of the 2005 Plan, the Board (or such committee) has the authority to determine the individuals to whom, and the time or times at which, awards are made, the size of each award, and the other terms and conditions of each award (which need not be identical across recipients). The Board also has the authority, subject to the express provisions of the 2005 Plan, to construe the respective agreements under the plan, proscribe, amend and rescind rules and regulations relating to the plan, accelerate or extend the dates options may be exercised or other stock awards may vest, and make all other determinations which are in the Board's judgment necessary or desirable for the administration of the plan. The Board's construction and interpretation of the terms and provisions of the 2005 Plan are final and conclusive.

Initial Stock Subject to 2005 Plan; Transfer of Shares from 1995 Plan. The number of shares of Common Stock which are initially set aside and reserved for issuance under the 2005 Plan is 2,000,000 shares (which amount is subject to adjustment as described herein). In addition, 565,724 shares held in reserve under the 1995 Plan, but which are unused (*i.e.*, not subject to outstanding stock options), will be transferred to the 2005 Plan upon stockholder approval. There will, therefore, be a total of 2,565,274 shares available for issuance under the 2005 Plan if stockholders approve such plan.

The 1995 Plan will continue to exist, and stock options previously granted under the 1995 Plan will remain in existence in accordance with their terms. However, if the 2005 Plan is approved, no new awards will be made under the 1995 Plan. If any existing stock options granted under the 1995 Plan should for any reason expire or otherwise terminate, in whole or in part, in the future without having been exercised in full, the shares of Common Stock that are not acquired shall revert to and become available for issuance under the 2005 Plan. There are currently 5,746,468 shares of Common Stock subject to existing options under the 1995 Plan.

Reversion of Shares. There are certain circumstances under which shares of Common Stock that are already subject to an outstanding award under the 2005 Plan may revert to such plan and become available for reissuance. Specifically, if a stock award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full (*i.e.*, in the case of a stock option, SAR or restricted stock unit), or if any shares of Common Stock issued to a recipient pursuant to an award are forfeited back to or are repurchased by the Company (*i.e.*, in the case of restricted stock), then the shares not acquired shall revert to and again become available for issuance under the 2005 Plan. A forfeiture or repurchase of stock may occur, for example, as a result of a recipient's failure to satisfy a contingency or condition that is required for the vesting

of such shares. Restricted stock that has been issued, and which is then repurchased by the Company, shall only be reissued in the form of awards other than incentive stock options.

Effect on Share Reserve of Use of Shares to Cover Tax Withholding. The Board has discretion under the 2005 Plan to allow a recipient of a stock option to use shares of Common Stock to satisfy the tax withholding requirement that may arise upon exercise of such option. The shares may be shares previously owned by the recipient, or may be the shares acquired from the exercise of the option. Any shares of Common Stock that are not delivered to a recipient because those shares are used to satisfy the payment of taxes will revert to the share reserve under the 2005 Plan and shall again become available for issuance in the future.

Effect on Share Reserve of a Net Exercise or Cashless Exercise of Stock Options. Payment of the exercise price of a stock option may be made in cash or check payable to the Company. The Board may also provide in the applicable stock option agreement under the 2005 Plan that a recipient may use shares of already-owned Common Stock to satisfy payment of the exercise price, or any other means approved by the Board (including a net exercise in which the Company withholds a number of shares that would otherwise be issued to a recipient upon the exercise of the option that have a fair market value equal to the option exercise price). Any shares of Common Stock that are not delivered to a recipient because those shares are used to satisfy the payment of the exercise price will revert to the share reserve under the 2005 Plan and shall again become available for issuance in the future.

Maximum Number of Shares Issued through Incentive Stock Options. The maximum aggregate number of shares that may be issued under the 2005 Plan through the exercise of incentive stock options is 8,312,192.

Eligible Participants. Subject to certain limitations, awards under the 2005 Plan of non-statutory options (NSOs), restricted stock awards, restricted stock units and SARs may be granted to any employee, officer, director, consultant or advisor to the Company and its parents and subsidiaries. Only employees of the Company and its parents and subsidiaries may be granted incentive stock options (ISOs) under the 2005 Plan. As of March 11, 2005, the Company had approximately employees, four of whom are also current executive officers. As of March 11, 2005, there were seven members of the Board of Directors who were not employees of the Company.

Plan Amendments and Termination. The Board of Directors may at any time, and from time to time, modify or amend the 2005 Plan in any respect, *provided* that no such modification or amendment may adversely affect the rights of a recipient under an existing stock award. In addition, if at any time the approval of the stockholders of the Company is required under Section 422 of the Code or any successor provision with respect to ISOs, or under Rule 16b-3 under the Exchange Act (if then applicable) or other applicable rules and regulations, the Board of Directors may not effect such modification or amendment without such approval.

The Board may at any time suspend or terminate the 2005 Plan, *provided* that any such suspension or termination shall not adversely affect the rights of a recipient under any award previously granted while the 2005 Plan is in effect except with the consent of the recipient.

Options

The following is a description of the permissible terms of stock options under the 2005 Plan. Individual option grants may be more restrictive as to all or any of the permissible terms described below.

Option Duration. The term of each ISO shall be 10 years from the date of grant or such shorter term as the Board determines, except that in the case of an ISO that is awarded to an employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, the term of the ISO must be five years or such shorter period as the Board determines. The term of each NSO is as determined by the Board. The term of any option granted under the 2005 Plan, and all other materials terms and conditions of such option, will be evidenced by an option agreement between the Company and the recipient.

Exercise Price. The exercise price for any NSO granted under the 2005 Plan shall be as determined by the Board of Directors, and may be less than the Fair Market Value of the Common Stock on the date of grant if the Board so provides. The exercise price for any ISO may not be less than 100% of the Fair Market Value of the Common Stock on the date of grant. If such ISO is granted to an employee who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its parents or subsidiaries, the exercise price may not be less than 110% of the Fair Market Value on the date of grant.

Fair Market Value. If the Common Stock is listed on an established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the day of determination, as reported in *The Wall Street Journal* or such other source as the Board deems reliable. If the day of determination is not a market trading day, then the trading day prior to the day of determination shall be used. In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

Exercise of Option and Payment for Stock. Stock options are exercisable at such time or times and subject to such conditions as set forth in the agreement evidencing such option, subject to the provisions of the 2005 Plan.

Under the current form of stock option agreement approved by the Board for use under the 2005 Plan (which is subject to change), options vest and become exercisable in accordance with the following schedule: (a) 25% on each of the first four anniversaries of the date of grant for employees below the Vice President level, and (b) 33¹/₃% on each of the first three anniversaries of the date of grant for employees at or above the Vice President level. The Board has authority to accelerate the time at which an option may vest or be exercised.

The consideration to be paid for shares to be issued upon exercise of an option may be made by (a) delivery of cash or a check to the Company; (b) to the extent permitted by the applicable option agreement, delivery to the Company of shares of Common Stock already owned by the recipient having a Fair Market Value on the date of surrender equal to the aggregate exercise price of the shares being purchased; or (c) by any other means approved by the Board, including through a broker-assisted, same-day sale program.

Effect of Recipient's Termination of Employment or other Service, Death or Disability. The Board has the power to determine the period of time during which a recipient (or, if applicable, the recipient's estate or representative) may exercise a stock option under the 2005 Plan following the termination of the recipient's employment or other relationship with the Company, including upon the death or disability (within the meaning of Section 22(e)(3) of the Code) of the recipient. Such periods must be set forth in the agreement evidencing the option. The current form of option agreement under the 2005 Plan provides in general that a recipient shall have three months to exercise the vested portion of the option following termination of service with the Company, after which time the option shall expire and is no longer exercisable. The unvested portion of the stock option cannot be exercised and is forfeited on the date of termination. However, under the form of option agreement, if a recipient's employment or other service on behalf of the Company or an affiliate is terminated because of his or her death (which occurs while the recipient is either actively providing such services or within three months after the recipient's termination for a reason other than cause), then the exercise period is extended to one year after the date of death. If the recipient is terminated because of a disability, the exercise period is also extended to one year after the date of termination. In no event, however, may a stock option be exercised after the expiration date of the option. In the case of a termination for cause under the form of stock option agreement (as defined therein), the option cannot be exercised and is forfeited both as to the vested and unvested shares subject to the option. The Board in its discretion may in the future change the form of option agreement to provide for shorter or longer exercise periods upon termination of service than the periods described above.

For an option to retain its status as an ISO, the recipient must have been in the continuous employment of the Company or an affiliate since the date of grant of the ISO, and the ISO must be exercised within three

months after the date the recipient ceases to be an employee of the Company or an affiliate. An option shall be considered an NSO if these requirements are not met.

Transferability. Options are not assignable or transferable by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the recipient, shall be exercisable only by the recipient. NSOs may, however, be transferred pursuant to a qualified domestic relations order (as defined in Rule 16b-3) or as otherwise expressly permitted in the agreement evidencing such NSO.

Repricing. The 2005 Plan does not affirmatively give the Board authority, in the event of a decline in the value of the Company's Common Stock, to replace outstanding higher priced options with new lower priced options, nor does it give the Board authority to reprice any out-of-the-money options.

Restricted Stock Awards, Restricted Stock Units and SARs

Generally. As a condition to the grant of a restricted stock award, restricted stock unit or SAR, each recipient must execute an agreement evidencing such award not inconsistent with the 2005 Plan. The terms and conditions of each such agreement may change from time to time and agreements need not be identical, with certain exceptions noted below.

Restricted Stock Awards. The Board will determine the purchase price per share at the time of grant of a restricted stock award, which may not be less than the par value of the Common Stock. A restricted stock award may be awarded as a stock bonus with no cash purchase price to be paid by a recipient to the extent permitted under applicable law. At the time of the grant, the Board will also determine the permitted consideration for the payment of the purchase price, if any, which may be: (a) cash at the time of purchase; (b) services rendered or to be rendered to the Company; or (c) any other form of legal consideration that may be acceptable to the Board, subject to applicable law (including Delaware corporate law). Shares of Common Stock acquired under a restricted stock award may be subject to a share repurchase option in favor of the Company or an affiliate in accordance with a vesting schedule as determined by the Board.

Transferability. Rights to purchase or receive shares of Common Stock granted under a restricted stock award are transferable by the recipient only upon such terms and conditions as are set forth in the restricted stock award agreement, as the Board shall determine in its discretion, and so long as the Common Stock awarded then remains subject to the terms of the restricted stock award agreement. Transferability of other awards will be as determined by the Board.

Restricted Stock Units. A restricted stock unit is a promise by the Company to issue shares of Common Stock equivalent to the number of units covered by the award at or after vesting of the Common Stock underlying the units. The Board will determine the consideration, if any, to be paid by the recipient upon delivery of each share of Common Stock subject to an award of a restricted stock unit which, to the extent required by applicable law, may not be less than par value. A recipient may settle a restricted stock unit by delivery of shares of Common Stock, their cash equivalent or any combination of the two. At the time of grant, the Board may also determine any restrictions or conditions to the vesting of the shares subject to the award or any other restrictions or conditions that delay delivery of such shares. Dividend equivalents may be credited in respect of restricted stock units as the Board determines. If the recipient's service with the Company terminates for any reason, unvested restricted stock units will be forfeited unless the applicable award agreement provides otherwise.

SARs. A stock appreciation right entitles the recipient to a payment equal in value to the appreciation in the value of the underlying share of the Company's Common Stock for a predetermined number of shares over a specified period. SARs will be denominated in shares of Common Stock equivalents. Payment may be made in shares of Common Stock, cash or any combination of the two, as the Board deems appropriate. The amount payable on the exercise of a SAR may not be greater than an amount equal to the excess of (1) the aggregate Fair Market Value on the date of the exercise of the SAR of a number of shares of Common Stock equal to the number of shares of Common Stock equivalents in which the recipient is vested under such SAR (and with respect to which the recipient is exercising the SAR on such date), over (2) an amount that is

determined by the Board at the time of grant. The Board may impose any restrictions it deems appropriate on the vesting of SARs. If the recipient's service with the Company terminates for any reason, unvested SARs will be forfeited and vested SARs will automatically be redeemed by the Company.

Corporate Changes

Adjustment Provisions. Transactions not involving receipt of consideration by the Company, such as certain mergers, consolidations, reorganizations, stock dividends or stock splits, may change the type, class and number of shares of Common Stock subject to the 2005 Plan and outstanding awards. In such event, the 2005 Plan will be appropriately adjusted as to the type, class and the maximum number of shares of Common Stock subject to the plan, and outstanding awards will be adjusted as to the type, class, number of shares and price per share of Common Stock subject to such awards.

Change in Control. In the event of certain specified organizational changes, including but not limited to (a) a consolidation, merger, combination or reorganization of the Company, (b) the sale, lease or other disposition of all or substantially all of the assets, or a dissolution or liquidation, of the Company, or (c) a transaction or series of related transactions in which persons who were not stockholders of the Company immediately prior to acquiring Company capital stock as part of such transaction(s) become the owners of capital stock of the Company that represents more than 50% of the combined voting power of the Company's outstanding capital stock, then the Board of Directors of the Company or the board of any corporation assuming the Company's obligations may take any one or more actions as to outstanding awards under the 2005 Plan, including:

providing that such awards will continue in existence with appropriate adjustments or modifications, if applicable,

providing that such awards will be assumed, or equivalent awards substituted, by the acquiring or succeeding corporation (or an affiliate thereof),

upon written notice to the participants, providing that all unexercised options, or other awards to the extent they are unexercised or unvested, will terminate immediately prior to the consummation of such transaction unless exercised within a specified period,

in the event of a consolidation, merger, combination, reorganization or similar transaction under the terms of which holders of the Common Stock of the Company will receive a cash payment per share surrendered in the transaction, making or providing for an equivalent cash payment in exchange for the termination of such awards, or

providing that all or any outstanding awards shall become vested and exercisable in full or part (or any reacquisition or repurchase rights held by the Company shall immediately lapse in full or part) at or immediately prior to such event.

Changes to Incumbent Board. The Board or its designee may also provide for the accelerated vesting or exercisability of an award under the 2005 Plan (including the lapse of any reacquisition or repurchase rights in favor of the Company) upon the occurrence of a change in the incumbent board (as defined below) in an option agreement or other stock award agreement at the time of grant of the award, or at any time thereafter. A change in the incumbent board is deemed to occur if the existing members of the Board on the date the 2005 Plan is initially adopted by the Board cease to constitute at least a majority of the members of the Board, with certain exceptions. In that regard, any person that becomes a new Board member after the adoption of the 2005 Plan shall be deemed a member of the incumbent board for this purpose if his or her election or appointment was approved or recommended by a majority vote of the members of the existing incumbent board who are then still in office.

Tax Matters

Incentive Stock Options. In general, taxable income is recognized with respect to an ISO only upon the sale of Common Stock acquired through the exercise of the ISO (ISO Stock) and not in connection with

the grant or exercise of such ISO. However, the exercise of an ISO may subject the recipient to the alternative minimum tax. The tax consequences of selling ISO Stock will vary with the length of time that the recipient has owned the ISO Stock at the time it is sold. If the recipient sells ISO Stock after having owned it for the greater of (a) two years from the date the option was granted, and (b) one year from the date the option was exercised, then the recipient will recognize a long-term capital gain in an amount equal to the excess of the amount realized by the recipient on the sale price of the ISO Stock over the exercise price. If the recipient sells ISO Stock for more than the exercise price prior to having owned it for at least two years from the grant date and one year from the exercise date (a Disqualifying Disposition), then all or a portion of the gain recognized by the recipient will be ordinary compensation income and the remaining gain, if any, will be a capital gain. Any capital gain realized by the recipient from the sale of ISO Stock will be a long-term capital gain if the recipient has held the ISO Stock for more than one year prior to the date of sale. If a recipient sells ISO Stock for less than the exercise price, then the recipient will recognize a capital loss equal to the excess of the exercise price over the sale price of the ISO Stock. This capital loss will be a long-term capital loss if the recipient has held the ISO Stock for more than one year to the date of sale.

Nonstatutory Stock Options. As with ISOs, the grant of NSOs with an exercise price per share that is at least equal to the Fair Market Value of a share of Common Stock on the date of grant does not result in the recognition of taxable income to the recipient. The exercise of an NSO results in the recognition of ordinary income to the recipient in the amount by which the fair market value of the Common Stock acquired through the exercise of the NSO (NSO Stock) on the exercise date exceeds the exercise price. Because of this tax consequence, NSOs are typically exercised simultaneously with the sale of the NSO Stock. If the NSO stock is not sold upon exercise, the recipient acquires a tax basis in the NSO Stock equal to the effective fair market value of the stock on the day of exercise (*i.e.*, the exercise price plus any income recognized upon the exercise of the option). The sale of NSO Stock generally will result in the recognition of a capital gain or loss in an amount equal to the excess of the sale price of the NSO Stock over the recipient's tax basis in the NSO Stock. This capital gain or loss will be a long-term gain or loss if the recipient has held the NSO Stock for more than one year prior to the date of the sale and any such capital gain may be eligible for the lower capital gains rate if held for more than a year.

Notwithstanding the above, in the case of an award of an in-the-money NSO (*i.e.*, an NSO with a below-Fair Market Value exercise price on the date of grant), this will be deemed to result in a deferral of compensation for purposes of Section 409A of the Code. Non-compliance with Section 409A can result in the imposition of income tax and penalties on a recipient at the time of grant of the option or upon later vesting.

Federal Income Tax Consequences to the Company in connection with Stock Options. The grant and exercise of ISOs and NSOs generally have no direct tax consequences to the Company. The Company generally will be entitled to a compensation deduction with respect to any ordinary income recognized by a recipient, including income that results from the exercise of a NSO or a Disqualifying Disposition of an ISO. Any such deduction will be subject to the limitations of Section 162(m) of the Code. The Company has a statutory obligation to withhold appropriate income taxes from the ordinary income that is realized from the exercise of NSOs by employees.

Restricted Stock Awards and Stock Bonuses. Restricted stock awards and stock bonuses granted under the 2005 Plan generally have the following federal income tax consequences.

Upon acquisition of the stock, the recipient normally will recognize taxable ordinary income equal to the excess, if any, of the stock's Fair Market Value on the acquisition date over the purchase price. However, to the extent the stock is subject to certain types of vesting restrictions, the taxable event will be delayed until the vesting restrictions lapse unless the recipient elects to be taxed on receipt of the stock. With respect to employees, the Company is generally required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, the Company will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the recipient.

Upon disposition of the stock, the recipient will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock plus any amount recognized as ordinary income upon acquisition (or vesting) of the stock. Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one year. Slightly different rules may apply to recipients who acquire stock subject to certain repurchase options or who are subject to Section 16(b) of the Exchange Act.

Stock Appreciation Rights. No taxable income is realized upon the receipt of a SAR, but upon exercise of the SAR the Fair Market Value of the shares (or cash in lieu of shares) received must be treated as compensation taxable as ordinary income to the recipient in the year of such exercise. Generally, with respect to employees, the Company is required to withhold from the payment made on exercise of the SAR or from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, Section 162(m) of the Code and the satisfaction of a reporting obligation, the Company will be entitled to a business expense deduction equal to the taxable ordinary income recognized by the recipient.

Notwithstanding the above, a SAR is considered deferred compensation for purposes of Section 409A of the Code unless the following criteria are met: (1) the SAR can be settled only in stock of the recipient, (2) the stock underlying the SAR is publicly traded on an established securities market, (3) the recipient cannot elect upon exercise of the SAR to defer payout of the stock to a later date, and (4) the SAR pays only the excess in value of the underlying stock on the exercise date over the value of such stock on the grant date. Non-compliance with Section 409A can result in the imposition of income tax and penalties on a recipient at the time of grant of the SAR or upon later vesting.

Restricted Stock Units. A recipient does not have taxable ordinary income upon the grant of a restricted stock unit. Ordinary income arises on the actual or constructive receipt of the restricted stock underlying the units (or upon receipt of cash, if the restricted stock unit is settled in cash), which generally occurs when the restricted stock units vest. The Board may permit deferral of the payout of the restricted stock or cash to a date beyond the vesting date, in which case the recognition of ordinary income is delayed until the date of receipt (assuming that Section 409A of the Code does not require earlier recognition of income).

Section 409A of the Code provides that a restricted stock unit does not result in the deferral of compensation if the stock must be issued shortly after vesting occurs. If the recipient has the right to elect to defer payout of the stock to a future taxable year, this will be considered a deferred compensation arrangement under Section 409A. Non-compliance with Section 409A can result in the imposition of income tax and penalties on a recipient at the time of grant of the restricted stock unit or upon later vesting.

Potential Limitation on Company Deductions. Section 162(m) of the Code denies a deduction to any publicly-held corporation for compensation paid to certain covered employees in a taxable year to the extent that compensation to such covered employee exceeds \$1 million. It is possible that compensation attributable to awards, when combined with all other types of compensation received by a covered employee from the Company, may cause this limitation to be exceeded in any particular year.

Certain kinds of compensation, including qualified performance-based compensation, are disregarded for purposes of the deduction limitation. In accordance with Treasury Regulations issued under Section 162(m), compensation attributable to stock options and SARs will qualify as performance-based compensation if the award is granted by a compensation committee comprised solely of outside directors and either (i) the plan contains a per-employee limitation on the number of shares for which such awards may be granted during a specified period, the per-employee limitation is approved by the stockholders, and the exercise price of the award is no less than the Fair Market Value of the stock on the date of grant, or (ii) the award is granted (or exercisable) only upon the achievement (as certified in writing by the compensation committee) of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, and the award is approved by stockholders.

Awards to purchase restricted stock and stock bonus awards will qualify as performance-based compensation under the Treasury Regulations only if (i) the award is granted by a compensation committee

comprised solely of outside directors, (ii) the award is granted (or exercisable) only upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain, (iii) the compensation committee certifies in writing prior to the granting (or exercisability) of the award that the performance goal has been satisfied and (iv) prior to the granting (or exercisability) of the award, stockholders have approved the material terms of the award (including the class of employees eligible for such award, the business criteria on which the performance goal is based, and the maximum amount or formula used to calculate the amount payable upon attainment of the performance goal).

The foregoing is only a summary of the effect of federal income taxation upon the recipient and the Company with respect to awards granted under the 2005 Plan. It does not purport to be complete and does not discuss the tax consequences arising in the event of a recipient's death or the income tax laws of the municipality, state or foreign country under which the recipient's income may be taxable.

New Plan Benefits

Awards of stock options, restricted stock, restricted stock units and SARs made to eligible participants under the 2005 Plan are subject to the discretion of the Board and/or the Compensation Committee and, therefore, are not determinable at this time, except that in February 2005 the Board approved the grant under the 2005 Plan to two non-executive officers of restricted stock awards valued at \$50,000 each. In the event the 2005 Plan is not approved, each such officer shall instead receive a \$50,000 cash payment. These two awards are the only awards that have been made under the 2005 Plan and are subject to approval of the plan by stockholders.

Each grant of an ISO under the 2005 Plan will be made at Fair Market Value on the date of grant; the Company expects that each grant other than for ISOs will be made with an exercise price at or near the Fair Market Value of the Company's Common Stock on the day of grant. Prices and consideration for restricted stock awards, restricted stock units and SARs under the 2005 Plan will be as determined by the Board. The value of each such grant and award may depend on the market value of the Company's Common Stock on the day of exercise and therefore cannot be determined or estimated at this time. The market value of the Company's Common Stock on March 11, 2005 was \$ per share.

Equity Compensation Plan Information

In addition to the 2005 Plan, the Company also has in place the 1995 Plan, under which options may be granted to officers, employees, consultants and directors of the Company and any present or future subsidiaries to purchase a maximum of 9,000,000 shares of Common Stock. Both ISOs and NSOs may be granted under the 1995 Plan. The 1995 Plan was approved by stockholders following its adoption by the Board in 1995.

The Company also administers the Novavax, Inc. 1995 Director Stock Option Plan (the Director Plan), which provides for the issuance of up to 500,000 shares of Common Stock to directors of the Company. The exercise price for grants under the Director Plan is the fair market value on the date of grant, and all grants are exercisable in full beginning six months from the date of grant and expire 10 years from the date of grant. All options under the Director Plan have been granted. The Director Plan was approved by stockholders following its adoption by the Board in 1995. The table below presents information about the 1995

Plan and the Director Plan, as well as any plans not approved by stockholders, as of fiscal year-end December 31, 2004.

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
Equity compensation plans approved by stockholders	5,331,968	\$ 5.41	980,224
Equity compensation plans not approved by stockholders	70,000(1)	\$ 6.00	
Total	5,401,968	\$ 5.42	980,224

(1) Amount relates to a warrant issued to a consultant in 2002 to purchase 70,000 shares of common stock at an exercise price of \$6.00 per share. The warrant expires in August 2005.

Approval of the 2005 Plan requires the affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy and voting on the matter. Abstentions and broker non-votes will not be counted as shares voting on such matter and accordingly will have no effect on the approval of this Proposal Two.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE
FOR ADOPTION OF THE 2005 STOCK INCENTIVE PLAN.**

PROPOSAL THREE APPROVAL OF THE ISSUANCE OF SHARES OF COMMON STOCK ISSUABLE WITH RESPECT TO SENIOR CONVERTIBLE NOTES

On July 19, 2004, the Company issued senior convertible notes in the aggregate principal amount of \$35 million (the Notes) to a group of qualified institutional buyers and accredited investors, such Notes being initially convertible into 5,691,057 shares of Common Stock at an initial conversion price of \$6.15 per share.

As part of the transaction, the Company agreed to provide a proxy statement to each stockholder entitled to vote at the Company's next annual stockholder meeting soliciting approval of the issuance of the shares of Common Stock issuable upon conversion or redemption of the Notes (such shares, the Conversion Shares). In most instances in which our Board of Directors authorizes the issuance of securities, we are not required to seek the approval of our stockholders. However, significant dilution could result from the issuance of the Conversion Shares upon conversion or redemption of the Notes and the rules of our principal trading market, the Nasdaq National Market, require issuers to solicit stockholder approval in connection with certain issuances or potential issuances of securities. In particular, NASD rules require stockholder approval (i) in connection with a transaction other than a public offering involving the sale, issuance or potential issuance by an issuer of common stock (or securities convertible into or exercisable for common stock) (a) at a price less than the greater of book or market value which, together with sales by officers, directors or substantial stockholders of the issuer, equals 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance or (b) equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock, and (ii) of any transaction that may be deemed to be a change of control of the issuer.

Given such requirements, the Company agreed as part of the Notes offering to obtain stockholder approval, in accordance with applicable law and the rules and regulations of the Company's principal market, because the conversion or redemption, as applicable, of the Notes in accordance with their terms could result in the issuance of more than 20% of our Common Stock and the effect of such issuance could be deemed for purposes of applicable NASD rules to be a change of control of the Company.

Set forth below is a summary of the rights of holders of the Common Stock and certain key provisions of the Notes. A form of Note is set forth in an appendix to this Proxy Statement. The following is intended to be a summary, and does not purport to be a complete statement, of the principal terms of the Notes. This summary is subject to and qualified in its entirety by reference to the full text of the Notes as set forth in such appendix.

The Conversion Shares

On March 11, 2005, the Company had a total of [39,807,724] shares of Common Stock outstanding, 5,331,968 shares of Common Stock reserved for issuance upon exercise of stock options outstanding under its stock option plans, and 70,000 shares of Common Stock reserved for issuance under outstanding warrants. In addition, the Company is required to reserve no less than the number of shares of Common Stock issuable upon conversion of the Notes, without regard to any limitations set forth in the Notes on their conversion. As noted above, the Notes were initially convertible into 5,691,057 shares of Common Stock at an initial conversion price of \$6.15 per share and the Company subsequently registered 130% of the number of shares initially issuable upon conversion, or 7,398,374 shares of Common Stock, for resale by the Note holders.

If stockholders approve the issuance of the Conversion Shares in accordance with the terms of the Notes, such shares of Common Stock would be available for issuance upon conversion or redemption of the Notes and, in certain cases, in partial payment of amounts due under the Notes. The issuance of Conversion Shares in any such case would be as the Board of Directors then deemed advisable and as permitted or required by the Notes, without the necessity of further stockholder action except as may be required by applicable law, rules and regulations. Shares of the Common Stock, including the Conversion Shares, do not have pre-emptive or similar rights; this means that current stockholders do not have the right to purchase any new shares in order to maintain their proportionate ownership in the Company. Holders of shares of Common Stock are not entitled to dividends except as and when declared by the Board. The Company has not paid cash

dividends on the Common Stock in the past and has no plans to pay such dividends in the foreseeable future. The Common Stock is the only class of capital stock of the Company entitled to vote, and each share of Common Stock entitles the holder to one vote.

While the issuance of the Notes had no immediate effect on stockholders of the Company, the future issuance of Conversion Shares, for example upon conversion of the Notes, would have the effect of diluting the Company's then-existing stockholders and could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company. Other than in connection with the Company's existing equity compensation plans, the Company has no present intention or plans to issue any shares of Common Stock other than as required or permitted by the terms of the Notes.

As noted in the discussion of Proposal One set forth in this Proxy Statement, the Company's Board of Directors is divided into three classes with the terms of the directors in each class expiring over a three-year period. A staggered board may have the effect of making it more difficult for a third party to acquire control of the Company by limiting the number of directors the third party can replace at a meeting of stockholders. The Company also has in place a stockholders' rights plan that may have the effect of deterring a potential acquiror and/or making the Company a less attractive candidate for an acquisition or other business combination or transaction.

The Notes

Maturity. The Notes were originally issued on July 19, 2004 and mature on July 15, 2009. The maturity date may be extended at the option of the holder in the event and for so long as an event of default exists, as well as through the date that is 10 days after the consummation of a Change in Control (as such term is defined in the Notes) of the Company.

Upon maturity, the Company must repay all outstanding principal, accrued and unpaid interest and accrued and unpaid late charges (if any) on the Notes. The Company may pay up to one-half of the amount due at maturity in shares of Common Stock, so long as the Company provides sufficient advance notice of its intent to pay in shares and so long as certain Equity Conditions (outlined below under the caption Company's Right of Mandatory Conversion) are satisfied, which Equity Conditions include stockholder approval of the Conversion Shares. The portion of the payment to be made at maturity in shares of Common Stock is that number of shares equal to the quotient of (a) the amount to be paid in shares and (b) the redemption conversion price on the maturity date. The redemption conversion price is computed as 95% of the arithmetic average of the weighted average price of the Common Stock.

Interest. Interest on the Notes accrues at the rate of 4.75% per year and is payable in arrears in cash on each January 15 and July 15 during the term of the Notes. The interest rate increases to 15% after the occurrence and during the continuance of an event of default.

Conversion. Subject to limitations on beneficial ownership and market rules and regulations, at any time after the date of issuance, a holder may convert any portion of the outstanding principal, unpaid and accrued interest and unpaid and accrued late charges (together, the Conversion Amount) into shares of Common Stock of the Company. The initial conversion price was \$6.15 per share, and such conversion price is subject to adjustment as set forth in the Notes, including the issuance or sale of shares of Common Stock at a price less than the then-applicable conversion price. See Anti-dilution Rights below.

Penalties. If the Company fails to timely convert or redeem any Conversion Amount, then the Company is liable to the holder for damages for each day of such failure to convert or redeem. In addition, if the Company fails to timely convert or redeem a Conversion Amount and the holder is required to purchase shares of Common Stock in satisfaction of a sale by the holder of shares such holder anticipated it would receive from the Company, the Company must either reimburse the holder for the purchase price of such shares (including brokerage commissions, if any) or promptly honor its obligation to deliver the shares and pay the difference (if any) between the purchase price and the product of the number of shares of Common Stock and the closing bid price on the conversion date or other date the Company was required to originally deliver the shares.

Events of Default. The following events, among others, constitute events of default under the Notes:

the Company's failure to pay when due amounts owing under the Notes or any other transaction document entered into in connection with the issuance of the Notes;

any default, redemption or acceleration prior to maturity of any material indebtedness of the Company or its subsidiaries;

the Company's or a subsidiary's commencement of a voluntary bankruptcy case, consent to the entry of an order for relief in an involuntary case, consent to the appointment of a receiver, trustee, liquidator or similar official, general assignment for the benefit of creditors, or admission in writing of its inability to pay debts when due;

entry of a final, non-appealable judgment for the payment of money aggregating in excess of \$2,000,000 (not including amounts covered by insurance or indemnity) against the Company or any subsidiary which is not within 60 days bonded, discharged or stayed pending appeal or discharged within 60 days after the expiration of any such stay;

any breach (which, if applicable, remains uncured beyond any applicable cure period) by the Company of any representation, warranty, covenant or other term or condition of any document entered into in connection with the issuance of the Notes in a manner that could result in a material adverse effect;

any event of default occurring with respect to any other Note in the series; or

any breach or failure to comply with the provisions of the Notes relating to prohibitions against the incurrence of additional indebtedness and the existence of liens. (See Rank, Indebtedness and Liens below.)

The Notes do not require the Company to provide periodic evidence of the absence of an event of default.

Redemption Rights upon an Event of Default. Upon the occurrence of any event of default, the Company must deliver notice thereof to the holders. A holder thereafter has the right to require the Company to redeem all or any portion of such holder's Note upon delivery of written notice of redemption. Redemptions shall occur at a price equal to the greater of (a) the product of (1) the Conversion Amount to be redeemed and (2) the applicable redemption premium, and (b) the product of (1) the conversion rate with respect to such Conversion Amount then in effect and (2) the closing sale price of the shares of Common Stock immediately preceding such event of default. Redemption premiums range from 100% to 125% depending on the type of event of default and when the event of default occurs during the term of the Notes.

Rights upon Fundamental Transactions and Changes of Control. The Company may not enter into a Fundamental Transaction (as such term is defined in the Notes) unless the successor entity agrees in writing to assume all of the Company's obligations under the Notes and other transaction documents and, other than in connection with a transaction for cash, the successor entity is a public company whose common stock is listed or quoted on an eligible market.

In the event of a Change of Control (as defined in the Notes), the Company must deliver notice to Note holders, which notice triggers the holders' right to require the Company to redeem all or any portion of the Notes. The Notes being redeemed will be redeemed at a price equal to the greater of (a) the product of (1) the Conversion Amount to be redeemed and (2) the quotient determined by dividing (x) the closing sale price of the Common Stock immediately following the announcement of the Change in Control and (y) the conversion price, and (b) the product of (1) the Change of Control redemption premium and (2) the Conversion Amount to be redeemed.

The redemption premium upon a Change of Control is 120% for the first nine months following issuance, 115% for the period between nine and 21 months after issuance, 110% for the period between 21 and 34 months after issuance, and 105% thereafter.

If a Cash Transaction is announced, the Company has the right to require that all (but not less than all) of the outstanding Notes be redeemed at a price equal to the Change of Control redemption price. A

Cash Transaction means any Change of Control with a successor entity that is unaffiliated with the Company at the time of the proposed Change of Control and that neither such successor nor its parent is a publicly-traded entity whose common stock or equivalent equity security is quoted or listed for trading on an eligible market, which Cash Transaction is consummated on an arm's length basis at a time that the Equity Conditions are satisfied (which Equity Conditions include stockholder approval of the Conversion Shares), and pursuant to which the holders of the Common Stock are to receive consideration consisting solely of cash. The Cash Transaction redemption price is calculated in the same manner as the price paid on a Change of Control, described above.

Anti-Dilution Rights. If at any time during the term of the Notes the Company issues or sells, or is deemed to have issued or sold (for example, in connection with the issuance of options exercisable for shares of Common Stock), shares of Common Stock at a price less than the then-applicable conversion price of the Notes, then the conversion price of the Notes then in effect will be reduced on a weighted average basis. The applicable conversion price will also be proportionately increased or decreased in the event that the Company subdivides or combines one or more classes of its outstanding shares of Common Stock or any similar event.

Company's Right of Mandatory Conversion. If at any time after the third anniversary of the issue date of the Notes, the weighted average price of a share of Common Stock exceeds \$10.76 (subject to the adjustments described above) for 15 trading days out of any 30 consecutive trading days, and the Equity Conditions have been satisfied or waived (which Equity Conditions include stockholder approval of the Conversion Shares), the Company has the right to require the holders to convert all or any portion of the Conversion Amount then remaining under each such holder's Note into shares of Common Stock. The Company may only require such mandatory conversion of all Notes at the same time, must do so on a *pro rata* basis if it requires conversion of less than all outstanding amounts, and may deliver only one mandatory conversion notice, which notice is irrevocable. Conversions made at the Company's election are made at the conversion rate as of the date of the mandatory conversion, calculated as the applicable Conversion Amount divided by \$6.15 (as adjusted).

The weighted average price of a share of Common Stock means the dollar volume-weighted average price on the Nasdaq National Market during the period beginning at 9:30:01 a.m., New York Time (or such other time as such market publicly announces is the official open of trading), and ending at 4:00:00 p.m., New York Time (or such other time as the market publicly announces is the official close of trading) as reported by Bloomberg through its Volume at Price functions.

The Equity Conditions referred to herein include but are not limited to the following:

on each day during the measurement period, the shares of Common Stock are designated for quotation on the Nasdaq National Market and have not been suspended from trading (other than suspensions of not more than two days and occurring prior to the applicable date of determination due to business announcements by the Company) nor shall delisting or suspension by such market have been threatened or pending either in writing or by falling below the minimum listing maintenance requirements;

during the measurement period, the Company shall have timely delivered all shares of Common Stock issuable upon conversion or redemption of the Notes;

any applicable shares of Common Stock to be issued in connection with the event requiring determination may be issued in full without violating the terms of the Notes;

the Company shall have obtained stockholder approval as required and defined in the purchase agreement for the Notes;

during the measurement period, there shall not have occurred either (x) other than in connection with a Cash Transaction, the public announcement of a pending, proposed or intended Fundamental Transaction which has not been abandoned, terminated or consummated or (y) an event of default or an event that with the passage of time or giving of notice would constitute an event of default;

the Company otherwise shall have been in material compliance with and shall not have materially breached any provision, covenant, representation or warranty of any transaction document; and

other than in connection with a mandatory conversion or a Cash Transaction, the weighted average price of the Common Stock on each day of the measurement period shall be in excess of \$2.00 (subject to adjustment for stock splits, stock dividends and other similar transactions), with certain exceptions.

Optional Redemption Right of Holders. Holders of the Notes have the right to require that the Company redeem the Notes if the weighted average price of the Common Stock is less than the then-applicable conversion price on each of 30 trading days out of the 40 consecutive trading days immediately preceding either the third or fourth anniversary of the issue date, *provided* that such redemption right ceases once the Company meets the ESTRASORBSM revenue target (as defined in the Notes). The Company may elect to pay up to one-half of the redemption price in shares of Common Stock, but only so long as the Equity Conditions are satisfied or waived in accordance with the Notes (which Equity Conditions include stockholder approval of the Conversion Shares). The price paid in shares is calculated by dividing the amount to be paid in shares of Common Stock by the redemption conversion price as of such redemption date, such price defined as 95% of the arithmetic average of the weighted average price of the Common Stock on each of the trading days during the measurement period.

Rank, Indebtedness and Liens. All payments due under a Note rank *pari passu* with all other Notes in the series, and are senior to all other indebtedness of the Company and its subsidiaries other than permitted acquisition indebtedness. So long as the Notes are outstanding, the Company has agreed that it will not and it will not permit its subsidiaries to directly or indirectly (a) incur, guarantee, assume or suffer to exist any indebtedness other than the Notes and as expressly permitted, (b) allow or suffer to exist any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets other than as expressly permitted, or (c) redeem, defease, repurchase, repay or make any payments in respect of, by the payment of cash or cash equivalents (in whole or in part, whether by way of open market purchases, tender offers, private transactions or otherwise), all or any portion of any permitted indebtedness, whether by way of payment in respect of principal of (or premium, if any) or interest on such indebtedness, if at the time such payment is due or is otherwise made or, after giving effect to such payment, an event of default has occurred and is continuing. Indebtedness permitted by the terms of the Notes includes indebtedness incurred in connection with acquisitions or construction, and certain indebtedness of the Company existing at the time of issuance of the Notes.

Participation. Holders of the Notes are entitled to dividends paid and distributions made to holders of the Company's Common Stock to the same extent as if such Note holders had converted their Notes into shares of Common Stock (without regard to any limitations on conversion) and had held such shares of Common Stock on the record date for such dividends and/or distributions.

Voting, Transfer and Other Provisions. Holders of the Notes have no voting rights in their capacities as holders of the Notes, except as required by law and as expressly provided in the Notes. The approval of the holders of the Notes representing at least a majority of the aggregate principal amount of the Notes then outstanding is required in order to change or amend the Notes. The Notes may be offered, sold, transferred or assigned without the consent of the Company, *provided* that the holders comply with all applicable laws, rules and regulations on resale.

Issuance of the Notes and Registration of Conversion Shares, Effect on Stockholders and Approval Rights

As noted above, the Notes were issued on July 19, 2004 to a group of institutional buyers and accredited investors and were initially convertible into 5,691,057 shares of Common Stock at an initial conversion price of \$6.15 per share. The Company received \$35 million in gross proceeds from the sale of the Notes and agreed to use such proceeds to effect the series of transactions with King and Parkedale (discussed under Certain Relationships and Related Transactions in Proposal One above), and for general working capital purposes. Of such proceeds, approximately \$14 million was used to repay King (net of payments the Company received from King), leaving approximately \$18 million available from the issuance of the Notes (after deducting approximately \$3 million for transaction expenses) for working capital purposes. The Company also agreed,

pursuant to a registration rights agreement entered into in connection with such transaction (the Registration Rights Agreement), to register for resale by the Note holders 130% of the number of shares of Common Stock initially issuable upon conversion or redemption of the Notes. The Company filed such registration statement covering 7,398,374 Conversion Shares on August 13, 2004, which registration statement (No. 333-118210) was declared effective on August 24, 2004.

As discussed above, the issuance of the Notes had no immediate effect on stockholders of the Company. If the Company elected or was required to effect the conversion or redemption of the Notes, however, a potentially substantial number of shares of Common Stock could be issued, thereby causing dilution of then-existing stockholders percentage ownership of the Company. It could also have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of the Company.

The purchase agreement relating to the Notes included a covenant whereby the Company agreed to provide each stockholder a proxy statement and solicit each such stockholder s affirmative vote with respect to the issuance of the Conversion Shares at the Company s next annual meeting of stockholders following the issue date of the Notes. If stockholders fail to approve the issuance of the Conversion Shares, the Company will not be deemed to have satisfied all of the Equity Conditions described above and consequently may be prevented from using shares of Common Stock to repay amounts due at maturity, upon redemption at the option of holders or upon the election by the Company to utilize its right to cause mandatory redemptions.

The affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy at the Meeting and voting on the matter is required for the approval of the issuance of the Conversion Shares. Abstentions and broker non-votes will not be counted as shares voting on such matter and accordingly will have no effect on the approval of this Proposal Three.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE APPROVAL OF THE ISSUANCE OF THE SHARES OF COMMON STOCK ISSUABLE WITH RESPECT TO ITS SENIOR CONVERTIBLE NOTES.

PROPOSAL FOUR RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

Independent Auditor

The Audit Committee has selected Ernst & Young LLP as the independent auditor of the Company for the fiscal year ending December 31, 2005, subject to ratification by stockholders at the Meeting. A representative of Ernst & Young is expected to be present at the Meeting to respond to appropriate questions and to make a statement if he or she so desires.

Fees

Audit Fees. The aggregate fees billed by Ernst & Young LLP in each of fiscal 2004 and 2003 for professional services rendered for the audit of the Company's annual financial statements and the reviews of the financial statements included in the Company's Forms 10-Q were approximately \$340,130 and \$263,628, respectively. These amounts included fees billed for annual financial statement and internal control audits, quarterly reviews, and registration statement filings and consents.

Audit-Related Fees. The aggregate fees billed by Ernst & Young LLP in each of fiscal 2004 and 2003 for assurance and related services that were reasonably related to the performance of the independent auditor's audit or review of the Company's financial statements were approximately \$47,010 and \$4,034, respectively. The fees incurred during 2004 related to the provision of internal control consulting services and consulting services related to the King transaction discussed in Proposal One herein. The fees incurred during 2003 related to the provision of internal control consulting services.

Tax Fees. The aggregate fees billed by Ernst & Young LLP in each of fiscal 2004 and 2003 for professional services rendered for tax compliance, tax advice and tax planning for the Company were approximately \$54,100 and \$35,311, respectively. These amounts represent those billed for tax return preparation for the Company and its subsidiaries.

All Other Fees. The aggregate fees billed by Ernst & Young LLP in each of fiscal 2004 and 2003 for products and services provided other than those otherwise described above were approximately \$0 and \$15,540, respectively. Services for such other fees for 2003 included audits in connection with a federal grant from the National Institutes of Health.

Pre-Approval Policies

As contemplated by applicable law and as provided by the Audit Committee's charter, the Audit Committee is responsible for the appointment, compensation, retention and oversight of the work of the Company's independent auditor. In connection with such responsibilities, the Audit Committee is required, and it is the Audit Committee's policy, to pre-approve the audit and permissible non-audit services (both the type and amount) performed by the Company's independent auditor in order to ensure that the provision of such services does not impair the auditor's independence, in appearance or fact.

Under the policy, unless a type of service to be provided by the independent auditor has received general pre-approval (which services are detailed in an appendix to the policy and periodically reassessed), it will require separate pre-approval by the Audit Committee. If fees for a proposed service of a type that has been pre-approved approach or exceed pre-determined fee triggers, the Audit Committee and the independent auditor must confer and the Audit Committee must grant its approval before further work may be performed.

For audit services (including the annual financial statement audit, required quarterly statement reviews, subsidiary audits, and other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements), the independent auditor must provide to the Audit Committee in advance an engagement letter, outlining the scope of audit services proposed to be performed with respect to the audit for that fiscal year and associated fees. If agreed to by the Audit Committee, the engagement letter is formally accepted by the committee at its next regularly scheduled meeting.

All permissible non-audit services not specifically approved in advance must be separately pre-approved by the Audit Committee, as noted above. Requests or applications to provide services must be in writing and include a description of the proposed services, the anticipated costs and fees, and the business reasons for engaging the independent auditor to perform the services. The request must also include a statement as to whether the request or application is consistent with the SEC's rules on auditor independence.

To ensure prompt handling of unexpected matters, the Audit Committee has delegated authority to pre-approve audit and permissible non-audit services between regularly scheduled meetings of the committee to its Chairman, who is responsible for reporting any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee has not and will not delegate to management of the Company the Audit Committee's responsibilities to pre-approve services performed by the independent auditor.

The Audit Committee pre-approved all audit and permissible non-audit services provided to the Company by the independent auditor during fiscal 2004.

Ratification

Stockholder ratification of the appointment of the independent auditor is not required by the Company's By-laws or otherwise, but is being done as a matter of good corporate governance. If stockholders fail to ratify the selection, the Audit Committee will reconsider this selection. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent auditing firm at any time during the year if it determines that such a change would be in the best interests of Novavax and its stockholders.

The affirmative vote of the holders of a majority of the shares of Common Stock present in person or represented by proxy at the Meeting and voting on the matter is required for the ratification of the appointment of Ernst & Young LLP as the independent auditor of the Company. Abstentions and broker non-votes will not be counted as shares voting on such matter and accordingly will have no effect on the approval of this Proposal Four.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE
FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP
AS THE COMPANY'S INDEPENDENT AUDITOR FOR FISCAL YEAR 2005.**

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth information as of March 11, 2005 with respect to the beneficial ownership of shares of Common Stock by (i) each person (including any group) known to the Company to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) the directors of the Company and nominees, (iii) the Chief Executive Officer and the other Named Executive Officers of the Company as identified in the Summary Compensation Table below, and (iv) all directors and executive officers of the Company as a group.

Beneficial Owner	Shares of Common Stock Beneficially Owned(1)	Percent of Class Outstanding
SJ Strategic Investments LLC 340 Edgemont Ave., Suite 500 Bristol, TN 37620	5,772,339(2)	14.5%
King Pharmaceuticals, Inc. 501 Fifth Street Bristol, Tennessee 37620	4,100,931(3)	10.3%
Mitchell J. Kelly c/o Anaconda Opportunity Fund, L.P. 730 Fifth Avenue New York, NY 10019	2,365,101(4)	5.9%
Anaconda Opportunity Fund, L.P. 730 Fifth Avenue New York, NY 10019	2,000,101(5)	5.0%
Susan B. Bayh	20,000(6)	*
Gary C. Evans	210,800(7)	*
J. Michael Lazarus, M.D.	129,427(8)	*
John O. Marsh, Jr.	253,500(9)	*
Michael A. McManus, Jr.	142,500(10)	*
Denis M. O'Donnell, M.D.	692,519(11)	1.7%
Nelson M. Sims	370,000(12)	*
Ronald H. Walker	158,880(13)	*
Dennis W. Genge	206,400(14)	*
Ford R. Lynch	66,968(15)	*
D. Craig Wright, M.D.	456,817(16)	1.1%
All executive officers and directors, as a group (12 persons)	5,072,912(17)	12.1%

* Less than 1% of the Common Stock outstanding.

(1) Unless otherwise indicated, each of the persons named in the table has sole voting and investment power with respect to the shares set forth opposite such person's name. With respect to each person or group, percentages are calculated based on the number of shares beneficially owned, including shares that may be acquired by such person or group within 60 days of March 11, 2005 upon the exercise of stock options or other purchase rights, but not the exercise of options or warrants held by any other person. The address of each director, nominee and Named Executive Officer of the Company is c/o Novavax, Inc., 508 Lapp Road, Malvern, Pennsylvania 19355.

(2)

As reported on Schedule 13D dated February 18, 2003 and Form 4 dated February 27, 2003. While SJ Strategic Investments believes it possesses sole voting and investment power over such shares, John M. Gregory may be deemed to also have voting and investment power over such shares due to his position as Managing Member and Chief Manager of SJ Strategic Investments, pursuant to the entity's Operating Agreement. While SJ Strategic Investments disclaims the existence of a group, due to the indirect beneficial ownership of its members, such members may be deemed to constitute a group.

- (3) As reported on Schedule 13D/ A filed August 26, 2004 and Form 4 filed July 20, 2004.
- (4) Includes 270,000 shares issuable upon the exercise of options. Also includes 2,000,101 shares (listed below) beneficially owned by Anaconda Opportunity Fund, L.P., of which Mitchell J. Kelly is the general partner of the general partner.
- (5) Excludes shares directly owned by Mitchell J. Kelly, the general partner of Anaconda Capital, L.P., the general partner of Anaconda Opportunity Fund, L.P.
- (6) Consists of 20,000 shares issuable upon the exercise of options.
- (7) Includes 102,500 shares issuable upon the exercise of options. Also includes 12,500 shares owned of record by Mr. Evans as trustee of the Evans 1997 Trust. Mr. Evans disclaims control or beneficial ownership of shares held by the Evans 1997 Trust.
- (8) Includes 117,500 shares issuable upon the exercise of options.
- (9) Includes 222,500 shares issuable upon the exercise of options.
- (10) Includes 102,500 shares issuable upon the exercise of options.
- (11) Includes 289,469 shares issuable upon the exercise of options and 2,000 shares owned of record by Dr. O'Connell as custodian for the benefit of his minor children.
- (12) Includes 345,000 shares issuable upon the exercise of options.
- (13) Includes 152,500 shares issuable upon the exercise of options.
- (14) Includes 200,000 shares issuable upon the exercise of options.
- (15) Includes 62,668 shares issuable upon the exercise of options.
- (16) Includes 405,191 shares issuable upon the exercise of options.
- (17) Includes 2,289,828 shares issuable upon the exercise of options.

EXECUTIVE COMPENSATION**Summary of Compensation**

The following table sets forth the cash and non-cash compensation earned, awarded or paid during each of the last three fiscal years to (i) each of the individuals who served as the Company's Chief Executive Officer during the last completed fiscal year, (ii) the three other most highly compensated individuals who were serving as executive officers of the Company at the end of the last completed fiscal year and who received compensation in excess of \$100,000 during fiscal 2004 for services provided to the Company, and (iii) one additional officer who was no longer serving as an executive officer as of the end of fiscal 2004 (collectively, the Named Executive Officers).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Long Term Compensation Awards(1)	All Other Compensation(2)(\$)
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)	
Nelson M. Sims(3)	2004	400,004		135,000	