AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 17, 1996
REGISTRATION NO.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

DELAWARE	22-2816046
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

12111 PARKLAWN DRIVE, ROCKVILLE, MD 20852
(301) 231-9250
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

JOHN O. MARSH, JR., CHAIRMAN OF THE BOARD
NOVAVAX, INC.
12111 PARKLAWN DRIVE
ROCKVILLE, MD 20852
(301) 231-9250
(Address, including zip code, and telephone number, including area code, of agent for service of process)

With a copy to:
DAVID A. WHITE, ESQ.
WHITE & MCDERMOTT, P.C.
65 WILLIAM STREET, SUITE 209
WELLESLEY, MA 02181
(617) 431-1700

Approximate date of commencement of proposed sale to the public: As soon as practicable and from time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /X/

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock ($.01 par value)	505,000 shares	$3.97	$2,004,219	$607.34
Total Fee				$607.34

(1) Estimated solely for the purpose of determining the registration fee and computed pursuant to Rule 457(c), based upon the average of the high and low sale prices on October 11, 1996, as reported by the American Stock Exchange.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

NOVAVAX, INC.
CROSS REFERENCE SHEET PURSUANT TO ITEM 501(B)
OF REGULATION S-K SHOWING LOCATION IN PROSPECTUS OF
INFORMATION REQUIRED BY ITEMS OF FORM S-3

FORM S-3 REGISTRATION STATEMENT ITEM AND HEADING	LOCATION IN PROSPECTUS
1. Forepart of Registration Statement and Outside Front Cover Page of Prospectus	Facing Page of Registration Statement; Cross-Reference Sheet; Outside Front Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus	Inside Front Cover and Outside Back Cover of Prospectus; Available Information; Incorporation by Reference
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges	Risk Factors; Available Information
4. Use of Proceeds	Use of Proceeds
5. Determination of Offering Price	*
6. Dilution	*
7. Selling Security Holders	Selling Stockholders
8. Plan of Distribution	Plan of Distribution
9. Description of Securities to be Registered	*
10. Interests of Named Experts and Counsel	Legality of Common Stock; Experts
11. Material Changes	*
12. Incorporation of Certain Documents by Reference	Incorporation of Certain Documents by Reference
13. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	Indemnification

- ----------

* Item is omitted because it is either not required or inapplicable.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED OCTOBER 17, 1996

PROSPECTUS

NOVAVAX, INC.

505,000 SHARES OF COMMON STOCK ($.01 PAR VALUE)

This Prospectus relates to the offer and sale of up to 505,000 shares (the "Shares") of Common Stock, $.01 par value (the "Common Stock"), of Novavax, Inc. ("Novavax" or the "Company") by certain stockholders of the Company (the "Selling Stockholders"). The Shares may be offered and sold by the Selling Stockholders from time to time in open market or privately negotiated transactions at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Selling Stockholders may effect such transactions by selling the Shares to or through broker-dealers and such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the Selling Stockholders or the purchasers of the Shares for whom such broker-dealers may act as agent or to whom they sell as principal or both (which compensation to a particular broker-dealer might be in excess of customary commissions). See "Selling Stockholders" and "Plan of Distribution."

None of the proceeds from the sale of the Shares by the Selling Stockholders will be received by the Company. The Company has agreed to bear certain expenses (other than selling commissions) in connection with the registration and sale of the Shares being offered by the Selling Stockholders, estimated at $23,000. The Company has agreed to indemnify the Selling Stockholders against certain liabilities, including certain liabilities under the Securities Act of 1933, as amended (the "Securities Act").

The Common Stock of the Company is listed for quotation on the American Stock Exchange under the symbol NOX. On October 15, 1996, the closing sale price of the Common Stock, as reported by the American Stock Exchange, was $4.00 per share.

The Selling Stockholders and any broker-dealers or agents that participate with the Selling Stockholders in the distribution of the Shares may be deemed to be "underwriters" within the meaning of the Securities Act, and any commissions received by them and any profit on the resale of the Shares purchased by them may be deemed to be underwriting commission or discounts under the Securities Act.

AN INVESTMENT IN THE SECURITIES REGISTERED HEREBY INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE

HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF. NO PERSON IS AUTHORIZED TO GIVE

ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION.

The date of this Prospectus is October , 1996.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Securities and Exchange Commission (the "Commission") are incorporated herein by reference;

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995;

2. The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1996;

3. The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1996;

4. The Company's definitive Proxy Statement, dated April 5, 1996 relating to the Annual Meeting of Stockholders held on May 9, 1996; and

5. The description of the Common Stock contained in the Company's Registration Statement on Form 10, File No. 0-26770 filed on September 14, 1995, filed pursuant to Section 12(b) of the Exchange Act.

All reports and other documents filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subsequent to the date hereof and prior to the filing of a post-effective amendment which indicates that all securities covered by this Prospectus have been sold or which deregisters all such securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such reports and documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom a copy of this Prospectus is delivered upon written or oral request of any such person, a copy of any or all of the documents which are incorporated herein by reference, except for certain exhibits to such documents. Requests should be directed to the principal executive offices of the Company, 12111 Parklawn Drive, Rockville, MD 20852, Attention: Elaine T. Bennett, telephone: (301) 231-9250.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Exchange Act, and in accordance therewith, files reports and other information with the Commission. Reports, proxy statements and other information filed by the Company with the Commission pursuant to the informational requirements of the Exchange Act may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices located at 7 World Trade Center, Suite 1300, New York, New York 10048, and at Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such materials also may be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information filed electronically by the

Company since May 1996 at the following address: http://www.sec.gov. The Company has filed with the Commission in Washington, D.C. a registration statement (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act with respect to the securities offered hereby. This Prospectus does not contain all the information included in the Registration Statement, certain items of which are omitted in accordance with the rules and regulations of the Commission. For further information pertaining to the Company and the Common Stock offered hereby, reference is made to such Registration Statement and the exhibits thereto.

The Company's Common Stock is listed on the American Stock Exchange. Reports, proxy statements, and other information concerning the Company can be examined at the American Stock Exchange Inc., 86 Trinity Place, New York, New York 10006.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements under the captions "The Company," "Recent Developments" and "Risk Factors" contained in this Prospectus or as may otherwise be incorporated by reference herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following: general economic and business conditions; competition; technological advances; ability to obtain rights to technology; ability to obtain and enforce patents; ability to commercialize and manufacture products; results of preclinical studies; results of research and development activities; business abilities and judgment of personnel; availability of qualified personnel; changes in, or failure to comply with, governmental regulations; ability to obtain adequate financing in the future; and other factors referenced in this Prospectus. See "Risk Factors."

THE COMPANY

Novavax, Inc. ("Novavax" or the "Company") is a biopharmaceutical company focusing on the research and development of proprietary topical and oral drug delivery technologies. The Company's technology platforms involve the use of proprietary microscopic organized lipid structures made as vehicles for the delivery of a wide variety of drugs and other therapeutic products, including certain hormones, microbicidal (anti-bacterial and anti-viral) products and vaccine adjuvants. The Company's two lead product candidates, ESTRASORB(TM), a topical estrogen replacement cream, and Helicore(TM), an oral

anti-bacterial preparation for the treatment of Helicobacter pylori infection, are currently in Phase I human clinical trials.

THE NOVAVAX TECHNOLOGY PLATFORMS

Novavax has developed proprietary topical and oral drug delivery technologies using organized lipid structures (collectively, the "Novavax Technologies"). To date, the Company has utilized its technology in the development of Novasomes and micellar nanoparticles ("MNPs"), which are sub-micron size lipid structures that possess targeted, controlled release encapsulation capabilities. The Company believes its technologies may allow for the more cost-effective delivery of a wide variety of drugs and other therapeutics than phospholipid liposomes and other delivery vehicles.

Most commercial liposomes are composed of delicate phospholipids. Due to their inherent lack of stability and carrying capacity limitations, a limited number of drugs may be used with phospholipid liposomes. While capable of encapsulating certain (principally water soluble) drugs, phospholipid liposomes have a number of significant disadvantages including their expense and the need to use potentially hazardous organic solvents in their manufacture. In addition, the standard, multi-step phospholipid manufacturing process yields relatively small quantities of liposomes.

Novasomes(R)

Novasomes are proprietary organized lipid structures in which drugs or other materials can be encapsulated for delivery into the body topically or orally. Novasomes are made using the Company's patented manufacturing process from a variety of readily available chemicals called amphiphiles, which include fatty alcohols and acids, ethoxylated fatty alcohols and acids, glycol esters of fatty acids, glycerol fatty acid mono and diesters, ethoxylated glycerol fatty acid esters, glyceryl ethers, fatty acid diethanolamides and dimethyl amides, fatty acyl sarcosinates, "alkyds" as well as phospholipids. IGI, Inc. ("IGI"), the Company's former parent, currently uses Novasomes in a wide variety of cosmetic applications, including products sold by Estee Lauder and Revlon under such labels as Prescriptives and Almay. To date, IGI has sold hundreds of tons of products that incorporate Novasome technologies.

The Company believes Novasomes have a number of proprietary features that may be applicable in the delivery of human therapeutics. Because Novasomes consist primarily of inexpensive chemicals and the manufacturing process is a simple one, the Company believes that the manufacturing cost of Novasomes is less than phospholipid liposomes and other drug delivery vehicles. Novasomes also have a large, stable central core that allows them to entrap and deliver a wide variety of substances that may be too large or chemically disruptive for phospholipid liposomes. In addition, the Company is able to manipulate the structure and size of Novasomes in order to vary the amount and rate of drug delivery into the body. This may enable Novasomes to be utilized for the continuous delivery of therapeutics over extended periods of time.

The Company has 36 U.S. patents and 13 pending applications covering the composition, manufacture and use of its organized lipid structures and related technologies.

Micellar Nanoparticles

Micellar nanoparticles ("MNPs") are submicron-sized, water miscible lipid structures that have different structural characteristics and are generally smaller than Novasomes. MNPs like Novasomes, are derived from amphiphile chemicals.

Novavax scientists have demonstrated the ability to incorporate alcohol soluble drugs and pesticides, vaccine adjuvants, proteins, whole viruses, flavors, fragrances and colors into MNPs. MNPs have the ability to entrap ethanol or methanol soluble drugs and to deliver certain of these drugs through intact skin. The MNP formulations used for the transdermal delivery of drugs have cosmetic properties like creams and lotions.

NOVAVAX PRODUCT CANDIDATES

ESTRASORB

The Company is using its micellar nanoparticle technology in the development of ESTRASORB, a cream designed for the delivery of estradiol (natural estrogen) through the skin. Estrogen replacement is currently used worldwide by menopausal and post-menopausal women to prevent osteoporosis, cardiovascular disease and other menopausal symptoms (e.g. "hot flashes"). Current estrogen replacement products include oral tablets or, more recently, transdermal patches. Oral estrogen tablets, however, have been associated with side effects primarily resulting from fluctuating blood hormone levels. Because of these side effects, transdermal patches for estrogen replacement were developed. While these patches help reduce blood hormone fluctuations, they may cause skin irritation and patient inconvenience associated with wearing and changing an external patch.

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

In 1995, the Company, completed preclinical testing of ESTRASORB in a primate model. Results of this study demonstrated that ESTRASORB can be utilized to deliver estradiol through intact skin with maintenance of therapeutic serum estradiol levels for six days after a single topical application. Based on these results, the Company initiated a Phase I human clinical trial of ESTRASORB directed to 10 symptomatic menopausal women. In this study, each woman will receive a single topical application of ESTRASORB. The Company believes that this study will be completed in the fourth quarter of this year. The Company plans to submit Phase II clinical study

plans for ESTRASORB to the federal Food and Drug Administration (the "FDA") in the fourth quarter of 1996.

The Company believes its MNP and other technologies are suitable for the delivery of additional alcohol soluble as well as other drugs through the skin.

Helicore Microbicidal Preparations

The Company has developed proprietary lipid structure formulations that it is using in the development of a non-antibiotic microbicidal preparation for the treatment of Helicobacter pylori ("H. pylori") infection in humans. H. pylori was recognized in 1994 by the National Institutes of Health as a causative agent of peptic ulcer disease, antral gastritis and certain types of gastric cancer. It is estimated that 30-80 million adults in the U.S. are infected with H. pylori. Each year the treatment of complications of H. pylori infections (i.e. peptic ulcer disease) cost in excess of five billion dollars. Current therapies for the treatment of H. pylori include the use of antibiotics alone or antibiotics in combination with drugs that inhibit acid

production in the stomach. Problems associated with such therapies include, but are not limited to, cost, toxicity and failure to sufficiently eradicate all the bacteria due to resistance.

In the fourth quarter of 1995, the Company completed a single-dose Phase I human clinical study involving 20 subjects in which no clinically significant side effects were found. Based on the results of this study, in March 1996 the Company commenced a multiple-dose Phase I human trial directed to 20 patients diagnosed with H. pylori infection. The Company plans to submit Phase II clinical study plans for Helicore to the FDA in the fourth quarter of 1996.

Vaccine Adjuvants

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

Incorporation and Spin-off

The Company was incorporated in Delaware in 1987. Its principal executive offices are currently located at 12111 Parklawn Drive, Rockville, Maryland. On December 12, 1995, the Company's former parent, IGI, Inc., distributed its majority interest in Novavax to the IGI stockholders (the "Distribution").

RECENT DEVELOPMENTS

The primary focus of Novavax is the development of human pharmaceuticals and drug delivery technologies. Historically, the focus of the Company was on the development of human vaccines, vaccine adjuvants, drug delivery technologies (such as ESTRASORB) and anti-infective pharmaceuticals (such as Helicore). Novavax has developed several oral vaccines, two of which (ECOVAX 0157(TM) and Shigella flexneri 2a) were granted Investigational New Drug Application approvals and completed Phase I human clinical studies. Both vaccine studies were multiple dose Phase I safety trials in which no significant toxicity was noted. The Company's lead

pharmaceutical product candidates, ESTRASORB and Helicore, are completing Phase I human clinical studies.

Although the Company began development of its pharmaceutical product candidates later than, and as byproducts of, its vaccine development, its primary emphasis is now on these pharmaceutical product candidates for the following reasons:

- Much larger potential markets
- Lower estimated clinical development costs
- Measurements of clinical efficacy are more easily defined
- Current financial resources do not permit concurrent development of both multiple vaccine and pharmaceutical

programs

Consistent with prudent use of the Company's limited cash resources, the clinical development programs for both oral active vaccine immunization programs have been presently suspended in favor of the development of its two lead pharmaceutical product candidates. The Company plans to submit Phase II clinical study plans for both ESTRASORB and Helicore to the federal Food and Drug Administration (the "FDA") in the fourth quarter of 1996. The Company has the potential to develop other human pharmaceutical products utilizing its proprietary drug delivery platform technologies dependent upon additional future capital.

In a related development, the Company was notified by SmithKline Beecham Biologicals, s.a. of Belgium ("SmithKline") that effective July 14, 1996, it was terminating its Research and License Agreement and Option Agreement with the Company, relating to Novavax's Novasome vaccine adjuvant technology. The Research and License Agreement had allowed SmithKline to utilize the Company's Novasome technology to adjuvant certain SmithKline vaccines.

At the time of Novavax's spin-off, Dr. Edward B. Hager and Mr. John P. Gallo announced that they would remain and Chief Executive Officer and Chief Operating Officer, respectively, of the Company during a transition period until not later than June 30, 1996. Accordingly, on July 1, 1996 the Hon. John O. Marsh, Jr. succeeded Dr. Hager as Chairman and Chief Executive Officer. Subsequently, Mr. Marsh appointed Denis M. O'Donnell, M.D., the President of Novavax, to the additional position of Chief Operating Officer to succeed Mr. Gallo in that role. Dr. Hager and Mr. Gallo will remain Directors of the Company. In addition, in May Ms. Elaine T. Bennett was appointed Vice President, Treasurer and Chief Financial Officer of the Company.

In September, Novavax signed a lease and anticipates that in October it will move its operations from its present site in Rockville, Maryland to more suitable leased research, development, pilot production and administrative facilities in nearby Columbia, Maryland. This move was prompted by the Company's rapid evolution from a research phase to a development stage biopharmaceutical company with several products in human clinical trials. The move is both economically efficient and necessary from an operations standpoint.

RISK FACTORS

In evaluating the Company and its business, prospective investors should carefully consider the following risk factors in addition to the other information appearing in or incorporated by reference in this Prospectus.

Early Stage of Product Development. Novavax has not yet completed the development of any products and has not begun to generate any revenue from the commercialization of products. All of Novavax's potential products are in research, development or early-stage clinical trials. The development of products, if any, will require significant additional research, development, preclinical and clinical testing, regulatory approval and investment prior to commercialization, which may never occur. None of Novavax's pharmaceuticals or other products is expected to be commercially available for at least several years.

Success in the pharmaceuticals market is dependent on Novavax's ability to complete satisfactorily the development of pharmaceuticals based on the Novavax Technologies that will be safe and efficacious and will have benefits not available in competitive products; and no assurance can be given that it will be successful in doing so. Novavax's potential products are

subject to the risks of failure inherent in the development of pharmaceutical products based on new technologies. These risks include the possibilities that Novavax's approach will not be successful; that any or all of Novavax's potential products will be found to be unsafe, ineffective or otherwise fail to meet applicable regulatory standards or receive necessary regulatory clearances; that the potential products, if safe and effective, will be difficult to develop into commercially viable products or manufacture on a large scale, be uneconomical to market, or fail to obtain acceptance by the medical community; that proprietary rights of third parties will preclude Novavax from marketing such products; or that third parties will market superior or equivalent products. There can be no assurance that any of these products will be successfully developed and, whether produced by Novavax or by its licensees or partners, will meet applicable regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs or be successfully marketed.

Absence of Revenue from Products. Novavax's future growth will depend on its ability to commercialize its Novavax Technologies for human pharmaceutical applications. To date, Novavax has not generated any revenue from the sale of pharmaceuticals or other products, although it has received insignificant development funds from potential collaborators or partners. During the years ended December 31, 1993, 1994 and 1995, Novavax incurred net losses of $4,790,033, $5,690,036 and $8,494,358, respectively. The losses have resulted from expenses incurred in the Company's research and development programs, protection of intellectual property and, to a lesser extent, from other general, administrative and operating expenses. Novavax expects cumulative losses will increase in the near-term as it conducts additional clinical trials and seeks regulatory approval for its product candidates. Payments from collaborative partners, if any, and investment income are expected to be the only sources of revenue for the foreseeable future and revenues from commercial sales of products are not expected for a number of years, if at all. There can be no assurance that the Company will be successful in entering into strategic alliances or collaborative arrangements that will result in significant revenues. Novavax expects to continue to incur substantial operating losses unless and until such time, if ever, as product sales, licensing fees and royalty payments generate sufficient revenue to fund its continuing operations. The time required to reach profitability is highly uncertain. There can be no assurance that the Company will be able to achieve profitability on a sustained basis, if at all.

Additional Financing Requirements and Access to Capital. Novavax will require substantial funds to continue its research and development, future preclinical and clinical trials, regulatory approvals, establishment of commercial-scale manufacturing capabilities, and marketing its products. Novavax's capital requirements depend on numerous factors, including but not limited to the progress of its research and development programs, the progress of preclinical and clinical testing, the time and costs involved in obtaining regulatory approvals, the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, competing technological and market developments, changes in Novavax's existing research relationships, the ability of Novavax to establish collaborative arrangements, the development of commercialization activities and arrangements, and the purchase of additional facilities and capital

equipment. Novavax estimates that its existing cash resources, together with the net proceeds of the Private Placement (as hereinafter defined), will only be sufficient to finance its operations at its current level for approximately 12 months. There can be no assurance, however, that such estimate will be correct. Novavax will seek to obtain additional funds for these purposes through public or private equity or debt financings, collaborative arrangements with pharmaceutical companies or from other sources. If additional funds are

raised by issuing equity securities of Novavax, dilution to then existing stockholders may result. There can be no assurance that additional funding or bank financing will be available at all or on acceptable terms to permit successful commercialization of the Novavax Technologies and products. If adequate funds are not available, Novavax may be required to significantly delay, reduce the scope of or eliminate one or more of its research or development programs, or seek other alternatives to avoid insolvency, including arrangements with collaborative partners or others that may require Novavax to relinquish rights to certain of its technologies, product candidates or products.

Uncertainty of Patents and Proprietary Rights. Although Novavax has 36 issued and 13 pending United States patents, its success will depend, in large part, on its ability to maintain its existing patents, obtain new patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent Novavax's rights. Novavax has U.S. and foreign patent rights covering its Novavax Technologies, including its Novamix production equipment. The patent positions of pharmaceutical companies can be highly uncertain and involve complex legal, scientific and factual questions. To date, no consistent policy has emerged regarding the breadth of biotechnology patent claims that are granted by the United States Patent and Trademark Office or enforced by the Federal courts. Thus, there can be no assurance that any of Novavax's existing patents will not be challenged or future patent applications will result in the issuance of patents, that Novavax will develop additional proprietary products that are patentable, that any patents issued to Novavax will provide Novavax with any competitive advantages or will not be challenged by any third parties, that the patents of others will not impede the ability of Novavax to do business or that third parties will not be able to circumvent Novavax's patents. Furthermore, there can be no assurance that others will not independently develop or duplicate similar technology or products, or, if patents are issued to Novavax, design around the patents issued to Novavax. The failure of the Company or its licensors to obtain or maintain patent protection for the Company's products could have a material adverse effect on the Company.

Novavax may be required to obtain licenses from third parties to avoid infringing patents or other proprietary rights. No assurance can be given that any licenses required under any such patents or proprietary rights would be made available, if at all, on terms acceptable to Novavax. If Novavax does not obtain such licenses, it could encounter delays in product introductions, or could find that the development, manufacture or sale of products requiring such licenses could be prohibited. In addition, Novavax could incur substantial costs in defending itself in suits brought against Novavax on patents it might infringe or in filing suits against others to have such patents declared invalid.

On February 6, 1996, Johnson & Johnson and its wholly-owned subsidiary, Ortho-McNeil, Inc. (collectively, "J&J"), filed a lawsuit against the Company's subsidiary Micro-Pak, Inc. and the Company's former parent, IGI, Inc. ("IGI"), and its subsidiaries alleging trademark infringement and trademark dilution. J&J alleges that IGI's use of the names Nova Skin, Nova Skincare and Nova-Aesthetics infringes on rights associated with J&J's trademark Renova for a prescription drug. IGI and the Company are vigorously defending the lawsuit and the Company believes that the outcome of the proceedings will not have a material adverse affect on its financial position or results of operations.

Some of Novavax's know-how and technology may not be patentable. To protect its rights, Novavax requires employees, consultants, advisors and collaborators to enter into

confidentiality agreements. There can be no assurance, however, that these agreement will provide meaningful protection for Novavax's trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure. Further, Novavax's business may be adversely affected by competitors who independently develop competing technologies, especially if Novavax obtains no, or only narrow, patent protection.

Technological Change and Competition. The pharmaceutical industry is subject to rapid and substantial technological change and intense competition. Competitors of Novavax in the United States and abroad are numerous and include, among others, both large and small pharmaceutical companies, biotechnology firms, universities and other research institutions. There can be no assurance that Novavax's competitors will not succeed in developing technologies and products that are more effective than any which are being developed by Novavax or which would render Novavax's technologies and products obsolete or noncompetitive. Most of these competitors have substantially greater financial and technical resources and production and marketing capabilities than Novavax. In addition, many of Novavax's competitors have significantly greater experience than Novavax in conducting preclinical testing and clinical trials of human pharmaceuticals and obtaining United States Food and Drug Administration ("FDA") and other regulatory approvals of products for use in health care. Accordingly, Novavax's competitors may succeed in obtaining FDA approval for products more rapidly than Novavax. If Novavax commences significant commercial sales of any products, it will also be competing with respect to manufacturing efficiency and marketing capabilities, areas in which it has limited or no experience.

Need to Establish Collaborative Commercial Relationships; Dependence on Partners. Novavax's business strategy for its products is to enter into strategic alliances or licensing arrangements with corporate partners, primarily pharmaceutical companies, relating to the development and commercialization of certain products incorporating the Novavax Technologies for commercialization outside the United States. There can be no assurance that Novavax will be able to negotiate acceptable collaborative arrangements, that such collaborations will be available to Novavax on acceptable terms, that any such relationships, if established, will be scientifically or commercially successful or that any collaborative partner will have economic motivation to continue funding provided for under any such agreements or that such collaboration will be successful. Novavax expects that under certain of these arrangements, the collaborative partner will have the responsibility for conducting human clinical trials and the submission for regulatory approval of the product candidate with the appropriate regulatory agencies. Should the collaborative partner fail to develop a marketable product, Novavax's business may be adversely affected. There can be no assurance that Novavax's collaborative partners will not be pursuing alternative technologies either on their own or in collaboration with others, including Novavax's competitors, as a means for developing treatments for the diseases targeted by these collaborative programs. Novavax's business also will be affected by the success of its corporate partners in marketing any successfully developed products within the geographic areas in which such partners are granted marketing rights. Novavax may retain manufacturing rights for some of the products that it develops and licenses pursuant to arrangements with corporate partners. However, there can be no assurance that Novavax will be able to retain such rights on acceptable terms, if at all, or that Novavax will have the ability to produce the quantities of product required under the terms of such arrangements. Novavax's royalties from sales of products licensed to collaborators, if any, may be less than the revenues Novavax could have generated had it commercialized and marketed products itself.

Attraction and Retention of Key Employees and Scientific Collaborators. Novavax is highly dependent on the principal members of its scientific and managerial staff, the loss of whose services could have a material adverse effect on Novavax. Furthermore, recruiting and retaining qualified scientific personnel to perform research and development work in the future will also be critical to Novavax's success. There can be no assurance that Novavax will be able to attract and retain such personnel on acceptable terms given the competition among numerous pharmaceutical

companies, universities and non-profit research institutions for experienced scientists. Novavax's anticipated growth and expansion into areas and activities requiring additional expertise such as clinical testing, governmental approvals, production and marketing, are expected to place increased demands on Novavax's resources. These demands are expected to require the addition of new management personnel and the development of additional expertise by existing management personnel. The failure to acquire such services or to develop such expertise could materially adversely affect Novavax's business.

Limited Manufacturing Capability. The development and manufacture of Novavax's products are subject to current good laboratory practices ("GLP") and good manufacturing practices ("GMP") requirements prescribed by the FDA or other standards prescribed by the appropriate regulatory agency in the country of use. Novavax currently has the ability to produce quantities of Novasomes sufficient to support its current needs. Novavax also has the ability to produce quantities of its products sufficient to support its current research and development and early-stage clinical trial needs. However, Novavax will need to acquire additional manufacturing facilities and improve its manufacturing technology in order to meet the volume and cost requirements for later clinical trials and commercial production of its own pharmaceuticals if it elects to do so. If Novavax decides to establish additional manufacturing facilities, doing so will require substantial additional funds, the hiring and retention of significant additional personnel and compliance with extensive regulations applicable to such a facility. There can be no assurance that Novavax will be able to obtain or manufacture such products in a timely fashion at acceptable quality and prices, that it or its suppliers can comply with GLP or GMP, as applicable, or that it or its suppliers will be able to manufacture an adequate supply of product. If Novavax relies on collaborators, licensees or contract manufacturers for the commercial manufacture of its products, the Company will have only limited control over the commercial manufacturing of its products. There can be no assurance that Novavax will be able to enter into any such manufacturing arrangements on acceptable terms, if at all. If the Company is not able to enter into commercial manufacturing agreements or develop its own commercial manufacturing capacity, it could encounter delays in introducing its products into certain markets, or find that the manufacture of its products in these markets is adversely affected. There can be no assurance that the parties to the Company's future commercial manufacturing agreements will perform their obligations as expected, or that any revenue will be derived from these commercial manufacturing agreements.

Absence of Sales and Marketing Experience. Novavax expects to commercialize and sell certain of its products through co-marketing arrangements with third parties. In addition, Novavax may build a small targeted direct sales group for products in markets that can be accessed with a small to medium size sales force, if and when such products approach FDA marketing approval. To date, though, Novavax has had no experience in sales, marketing or distribution of its products. In order to market its products directly, Novavax would need to develop a marketing staff and sales force with technical expertise. There can be no assurance that Novavax will be able to build such a marketing staff or sales force, that the cost of establishing such a marketing staff or sales force will not exceed any product revenue or that Novavax's direct sales and marketing efforts will be successful. In addition, if Novavax succeeds in bringing one or more products to market, it may compete with other companies that currently have extensive and well-funded marketing and sales operations. There can be no assurance that Novavax's marketing and sales efforts would compete successfully against such other companies. To the extent Novavax enters into co-marketing arrangements, any revenue received by Novavax will be dependent on the efforts of third parties and there can be no assurance that such efforts will be successful.

Government Regulation; Uncertainty of Clinical Trials. The production and marketing of Novavax's products and ongoing research and development activities are subject to regulation by numerous governmental authorities in the United States and other countries. Prior to marketing, any human pharmaceuticals developed by Novavax must undergo rigorous preclinical testing and clinical trials, as well as an extensive regulatory approval process mandated by the FDA and

foreign regulatory agencies. These processes can take many years and require the expenditure of substantial resources. The rate of completion of clinical trials is dependent upon, among other factors, the rate of patient enrollment. Patient enrollment is a function of many factors, including the size of the patient population, the nature of the protocol, the company's ability to manage the clinical trial, the proximity of patients to clinical sites and the eligibility criteria for the study. Several factors, such as delays in planned patient enrollment, may result in increased costs and delays or termination of clinical trials prior to completion, which could have a material adverse effect on Novavax. Clinical trials generally must meet requirements for institutional review board oversight and informed consent, as well as regulatory agency prior review, oversight and good clinical practice requirements. Data obtained from preclinical and clinical activities are susceptible to varying interpretations which could delay, limit or prevent regulatory approval. In addition, delays or rejections may be encountered based upon changes in the policies of regulatory authorities for drug approval during the period of product development and regulatory review of each submitted new drug application or product license application. Novavax may be required to demonstrate that the proposed product represents an improved form of treatment over existing therapies. Novavax has limited experience in conducting and managing the preclinical and clinical trials necessary to obtain government approvals. There can be no assurance that the results of such clinical trials will be consistent with the results obtained in preclinical studies or that the results obtained in later phases of clinical trials will be consistent with those obtained in earlier phases. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after experiencing promising results in early animal and human testing. There also can be no assurance that any human pharmaceutical products will be shown to be safe and efficacious or that regulatory approval for any such product will be obtained on a timely basis, if at all. Delays in obtaining regulatory approvals would adversely affect the marketing of products developed by Novavax and Novavax's ability to receive product revenue or royalties. Moreover, if regulatory approval of a drug is granted, such approval is likely to entail limitations on the indicated uses for which it may be marketed. Further, even if such regulatory approval is obtained, a marketed drug and its manufacturer are subject to continual review, and discovery of previously unknown problems with a product or manufacturer may result in restrictions on such product or manufacturer, including withdrawal of the product from the market. Although Novavax intends to make use of fast-track regulatory approval programs when possible, there can be no assurance that Novavax will be able to obtain the clearances and approvals necessary for clinical testing or for manufacturing and marketing its products. Existing or additional government regulation could prevent or delay regulatory approval of Novavax's products or affect the pricing or marketing of such products.

Quarterly Fluctuations of Operating Results. Novavax's quarterly operating results are likely to vary significantly depending on factors such as the timing of new license agreements, the results of preclinical or clinical trials, the timing of collaborative agreements for the development of products, the timing of significant orders and the introduction of products by Novavax. Novavax's expense levels are based in part on its expectations as to future revenue. If revenue levels are below expectations, operating results will be

adversely affected. Novavax believes that period-to-period comparisons of its operating results are not necessarily meaningful and should not be relied upon as indications of future performance. As a result of the foregoing factors, it is likely that in some future quarters, Novavax's revenue or operating results will be below the expectations of public market analysts and investors. In such event, the price of Novavax's Common Stock could be materially adversely affected.

Product Liability. Although Novavax is not currently a party to any product liability litigation, the testing, manufacturing, marketing and sale of human medical products entail potential product liability risks, including claims made directly by consumers, health care providers, pharmaceutical companies or others selling such products. There can be no assurance that substantial product liability claims will not be asserted against Novavax. Novavax currently has limited product liability coverage for the clinical research use of its product candidates. Novavax

does not have product liability insurance for the commercial sale of its potential product candidates but intends to obtain such coverage if and when its products are commercialized. Such insurance, however, is expensive, difficult to obtain and may not be available in the future on acceptable terms, or at all. No assurance can be given that product liability insurance can be maintained in the future at a reasonable cost or in sufficient amounts to protect Novavax against losses due to liability. An inability to maintain insurance at an acceptable cost or to otherwise protect against potential product liability could prevent or inhibit the continued commercialization of Novavax's products. In addition, a product liability claim in excess of relevant insurance coverage, if any, or a product recall could have a material adverse effect on Novavax's business, financial condition and results of operations.

Hazardous Materials. Novavax's development and commercial activities may involve the controlled use of hazardous materials, chemicals, viruses, bacteria and other pathogens. Although Novavax believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by state, federal and local regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, Novavax could be held liable for any damages that result and any such liability could exceed the resources of Novavax. The Company may be required to incur significant costs to comply with environmental laws and regulations in the future.

Uncertainty of Third-Party Reimbursement. In both domestic and foreign markets, the ability of Novavax to commercialize its product candidates will depend, in part, on the availability of reimbursement from third-party payors, such as government health administration authorities, private health insurers and other organizations. Third-party payors are increasingly challenging the price and cost-effectiveness of medical products. There can be no assurance that Novavax-developed products will be considered cost effective. Significant uncertainty exists as to the reimbursement status of newly-approved healthcare products. There can be no assurance that adequate third-party insurance coverage will be available for Novavax to establish and maintain price levels sufficient for realization of an appropriate return on its investment in developing new therapies. Government and other third-party payors are increasingly attempting to contain medical costs by limiting both coverage and the level of reimbursement of new therapeutic products approved for marketing by the FDA and by refusing, in some cases, to provide coverage for uses of approved products for disease indications for which the FDA has not granted marketing approval. If adequate coverage and reimbursement levels are not provided by government or third-party payors for uses of Novavax's products, the market acceptance of these products would be adversely affected,

which could have a material adverse effect on Novavax's business, financial condition and results of operations.

Uncertainty Related to Medical Reform Measures. There have been a number of federal and state proposals during the last few years to subject the pricing of pharmaceuticals to government control and to make other changes to the medical care system of the United States. It is uncertain what legislative proposals will be adopted or what actions federal, state or private payors for medical goods and services may take in response to any medical reform proposals or legislation. Novavax cannot predict the effect these reforms may have on its business, and no assurance can be given that any such reforms will not have a material adverse effect on Novavax.

Volatility of Stock Price; Possible Delisting; Absence of Dividends. The market prices for securities of biotechnology and pharmaceutical companies, including Novavax, have historically been highly volatile, and it is likely that the market price of Novavax Common Stock will continue to be highly volatile. Since its listing on the American Stock Exchange (the "AMEX"), the closing price of the Novavax Common Stock on the AMEX has ranged between a low of $3.00 per share and a high of $8.25 per share. Announcements of technological innovations or new commercial products by Novavax or its competitors, regulatory developments, disputes concerning patent or proprietary rights, publicity regarding actual or potential medical results relating to products under

development by Novavax or its competitors, public concern as to the safety of Novavax's products, and economic and other external factors unrelated to Novavax's business or operations, as well as period-to-period fluctuations in financial results, may have a significant impact on the market price of Novavax Common Stock.

Novavax Common Stock is currently traded on the AMEX. A failure to continue to meet the AMEX's maintenance requirements may result in a delisting of the Novavax Common Stock. In particular, Novavax may have difficulty maintaining the minimum market capitalization requirements of the AMEX because such capitalization is dependent on the price at which the shares of Novavax Common Stock trade from time to time. The liquidity of delisted securities, which would probably trade in the over-the-counter markets, may be impaired, not only in the number of shares that could be bought or sold, but also through delays in the timing of transactions, reductions in security analysts' and the news media's coverage of Novavax, and lower prices than might otherwise be attained.

Novavax has never paid cash dividends on the Novavax Common Stock and does not anticipate paying any cash dividends in the foreseeable future.

Dilution. As of September 30, 1996, there were outstanding stock options for an aggregate of 3,511,588 shares of Novavax Common Stock at a weighted average exercise price of $3.10 per share. Investors purchasing shares of Novavax Common Stock in this offering may incur dilution to the extent that the outstanding options are exercised.

Potential Conflicts of Interest. Mr. Marsh, a director and the Chairman of the Board and Chief Executive Officer of Novavax, also serves as a director of IGI. Dr. Hager serves as a director and Chairman of the Board and Chief Executive Officer of IGI and as a director and Chairman of the Executive Committee of the Board of Directors of Novavax. Mr. Gallo serves as a director, President and Chief Operating Officer of IGI and as a director and Vice Chairman of the Executive Committee of the Board of Directors of Novavax. Mr. Marsh, Dr. Hager and Mr. Gallo constitute three out of the seven members of the Novavax Board of Directors. The presence of individuals serving in

decision-making roles in both companies may affect the ability of each company to receive the best arms' length result in transactions between the two companies as well as the ability of the officers and directors to act in the best interests of both companies.

Novavax and IGI have entered into a variety of intercompany agreements, the terms of which were unilaterally established by IGI. Under a Transition Services Agreement, IGI provided certain administrative services to Novavax prior to June 30, 1996. In connection with the Distribution, IGI paid Novavax $5,000,000 in return for a fully paid-up ten-year license entitling it to the exclusive use of the Novavax Technologies in certain fields. IGI has the option, exercisable in the last year of the ten-year term, to extend the License Agreement for an additional ten-year period for $1,000,000. Novavax retains the right to use its Novavax Technologies for all other applications, including most human pharmaceuticals. Novavax has agreed in a Tax Matters Agreement to use its best efforts not to engage in certain actions ("Post-Distribution Acts") which could render the Distribution taxable. Any of the following activities within one year following the Distribution could render the Distribution and Restructuring taxable: (i) the transfer by Novavax of a material portion of its assets (other than a transfer of assets in the ordinary course of business); (ii) the merger of Novavax with or into another corporation in a transaction that does not qualify as a tax-free reorganization under Section 368 of the Internal Revenue Code of 1986, as amended, (the "Code"); (iii) the discontinuance by Novavax of a material portion of its historical business activities; (iv) the conversion (or redemption or exchange) of the Novavax Common Stock distributed in the Distribution into or for any other stock, security, property or cash; and (v) the issuance of additional shares of stock by Novavax that causes the stockholders who receive their shares of Novavax Common Stock in the Distribution to no longer have control of Novavax within Section 368(c) of the Code. If the Distribution is rendered taxable as a result of a Post-Distribution Act, then (x) the corporate level taxable gain would be recognized

by the consolidated group of which IGI is the parent, (y) both IGI, as parent of that group, and Novavax as a former member of that group, would be severally liable for the corporate level tax on such gain and (z) each holder of IGI Common Stock who received shares of Novavax Common Stock in the Distribution would be treated as having received a taxable dividend.

Antitakeover Provisions. Novavax's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation"), requires that any action required or permitted to be taken by stockholders of Novavax must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing, and will require reasonable advance notice by a stockholder of a proposal or director nomination which such stockholder desires to present at any annual or special meeting of stockholders. Special meetings of stockholders may be called only by the Chief Executive Officer or, if none, the President of Novavax or the Board of Directors. The Certificate of Incorporation provides for a classified Board of Directors, and members of the Board of Directors may be removed only for cause upon the affirmative vote of holders of at least two-thirds of the shares of capital stock of Novavax entitled to vote. Novavax's By-Laws provide that, during any time in which the directors of Novavax who are affiliated with IGI shall constitute at least half of the membership of the Novavax Board of Directors, any matter requiring approval of the Novavax Board of Directors shall be subject to the approval of not less than two-thirds of the directors.

The Board of Directors also has the authority, without further action by the stockholders, to fix the rights and preferences of, and issue shares of, Preferred Stock. These provisions, and other provisions of Novavax's Certificate of Incorporation and By-Laws, may have the effect of deterring

hostile takeovers or delaying or preventing changes in control or management of Novavax, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices. In addition, these provisions may limit the ability of stockholders to approve transactions that they may deem to be in their best interests.

SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the Selling Stockholders, including (i) the names of the Selling Stockholders, (ii) the number of shares of Common Stock owned by the Selling Stockholders prior to the offering and (iii) the maximum number of shares of such Common Stock to be offered hereby. Because the Selling Stockholders may offer all or a portion or none of the Common Stock offered pursuant to this Prospectus, no estimate can be given as to the amount of Common Stock that will be held by the Selling Stockholders upon termination of the offering. See "Plan of Distribution."

The shares covered by this Prospectus, are being acquired from the Company by the Selling Stockholders pursuant to a Stock Purchase Agreement dated as of October 9, 1996 (the "Purchase Agreement") for an aggregate purchase price of $1,893,750 ($3.75 per share) (the "Private Placement"), the only condition to which is the effectiveness of the Registration Statement of which this Prospectus forms a part. The offer and sale by the Company of the Common Stock pursuant to the Purchase Agreement were made pursuant to an exemption from registration under the Securities Act. The placement agent in connection with the sale of Common Stock pursuant to the Purchase Agreement will be paid a fee of $132,562.50 and will be issued a warrant to purchase 50,000 shares of the Company's Common Stock at a price of $3.75 per share. In addition, the Company has agreed to reimburse such placement agent for its travel and out-of-pocket expenses incurred in connection with the sale of Common Stock pursuant to the Purchase Agreement up to a maximum of $60,000.

Name of Selling Stockholders	Number of Shares Beneficially Owned Prior to Offering	Maximum Number of Shares Being Offered
Aries Domestic Fund, L.P.	37,500	37,500
Aries Trust	87,500	87,500
Concorde Special Situations	30,000	30,000
Davin Capital, L.P.	25,000	25,000
Dominion Income Management, Inc.	25,000	25,000
GIP Investments, Ltd.	50,000	50,000
Pequot Scout Fund, L.P.	100,000	100,000
Strome, Susskind Hedgecap Fund, L.P.	50,000	50,000
Windsor Partners, L.P.	100,000	100,000

USE OF PROCEEDS

The Company will not receive any proceeds from the sale of the Shares by the Selling Stockholders

PLAN OF DISTRIBUTION

The Company has filed with the Commission the Registration Statement, of which this Prospectus forms a part, with respect to the resale of the Shares from time to time by the Selling Stockholders in open market or privately negotiated transactions. The Company has agreed to keep the Registration Statement effective until the earlier of (i) the date on which no Selling Stockholder holds any of the shares of Common Stock offered hereby, (ii) the date upon which all of the Shares are eligible for sale pursuant to Rule 144,

and (iii) three years from the effective date of the Registration Statement. The Company intends to deregister any of the Shares not sold by the Selling Stockholders at the end of such period.

The Company has been advised that the Selling Stockholders may sell the Shares at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Selling Stockholders may effect such transactions by selling the Shares to or through broker-dealers and such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the Selling Stockholders or the purchasers of the Shares for whom such broker-dealers may act as agent or to whom they sell as principal, or both (which compensation to a particular broker-dealer might be in excess of customary commissions). Each Selling Stockholder will be responsible for all brokerage commissions and other amounts payable with respect to any sale of Shares with respect to such Selling Stockholder and any legal, accounting or other expenses incurred.

In order to comply with the securities laws of certain states, if applicable, the Shares will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in ceratin states the Shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

The Selling Stockholders and any broker-dealers who act in connection with the sale of Shares hereunder may be deemed to be "underwriters," as such term is defined in the Securities Act, and any commissions received by them or profit on any resale of the Shares as principal might be deemed to be underwriting discounts and commissions under the Securities Act.

To the extent required, the type and number of Shares to be sold, the purchase price and public offering price, the name or names of any agent, dealer or underwriter, and any applicable commissions or discounts with respect to a particular offering will be set forth in an accompanying Prospectus Supplement to this Prospectus.

Pursuant to the Purchase Agreement, the Company agreed to register the shares under the Securities Act and to indemnify and hold the Selling Stockholders harmless against certain liabilities, including certain liabilities under the Securities Act, that could arise in connection with the sale by the Selling Stockholders of the Shares. The Company has agreed to bear certain expenses (other than selling commissions) in connection with the registration and sale of the Shares being offered by the Selling Stockholders, estimated to be $23,000.

LEGAL MATTERS

Certain legal matters with respect to the shares of Common Stock offered hereby have been passed upon by White & McDermott, P.C., 65 William Street, Suite 209, Wellesley, Massachusetts 02181. David A. White, a shareholder of such firm, owns 100 shares of the Common Stock and is the Secretary of the Company.

EXPERTS

The consolidated balance sheets as at December 31, 1995 and 1994 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1995, incorporated by reference into this Prospectus, have been incorporated herein in reliance on the report of Coopers & Lybrand L.L.P., independent certified public accountants, contained in the Company's Annual

Report on Form 10-K for the year ended December 31, 1995 given on the authority of that firm as experts in accounting and auditing.

INDEMNIFICATION

Article NINTH of the Company's Restated Certificate of Incorporation provides that a director or officer of the Company (a) shall be indemnified by the Company against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement incurred in connection with any litigation or other legal proceeding (other than an action by or in the right of the Company) brought against him by virtue of his position as a director or officer of the Company if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful and (b) shall be indemnified by the Company against all expenses (including attorneys' fees) and amounts paid in settlement incurred in connection with any action by or in the right of the Company brought against him by virtue of his position as a director or officer of the Company if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company, except that no indemnification shall be made with respect to any matter as to which such person shall have been adjudged to be liable to the Company, unless a court determines that, despite such adjudication but in view of all of the circumstances, he is entitled to indemnification of such expenses. Notwithstanding the foregoing, to the extent that a director or officer has been successful, on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, he is required to be indemnified by the Company against all expenses (including attorneys' fees) incurred in connection therewith. Expenses shall be advanced to a director or officer at his request, provided that he undertakes to repay the amount advanced if it is ultimately determined that he is not entitled to indemnification for such expenses.

Indemnification is required to be made unless the Company determines that the applicable standard of conduct required for indemnification has not been met. In the event of a determination

by the Company that the director or officer did not meet the applicable standard of conduct required for indemnification, or if the Company fails to make an indemnification payment within 60 days after such payment is claimed by such person, such person is permitted to petition the court to make an independent determination as to whether such person is entitled to indemnification. As a condition precedent to the right of indemnification, the director or officer must give the Company notice of the action for which indemnity is sought and the Company has the right to participate in such action or assume the defense thereof.

Article NINTH of the Company's Restated Certificate of Incorporation further provides that the indemnification prided therein is not exclusive, and provides that in the event that the Delaware General Corporation Law is amended to expand the indemnification permitted to directors or officers the Company must indemnify those persons to the fullest extent permitted by such law as so amended.

Section 145 of the Delaware General Corporation Law provides that a corporation has the power to indemnify a director, officer, employee or agent of the corporation and certain other persons serving at the request of the corporation in related capacities against amounts paid and expenses incurred in connection with an action or proceeding to which he is or is threatened to be made a party by reason of such position, if such person shall have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal proceeding, if such

person had no reasonable cause to believe his conduct was unlawful, provided that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the adjudicating court determines that such indemnification is proper under the circumstances.

The Company maintains insurance under which the insurers will reimburse the Company for amounts which it has paid to its directors and officers as indemnification for claims against such persons in their official capacities. The insurance also covers claims against them in their official capacities that are not reimbursed by the Company. The insurance is subject to certain limitations and exclusions.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SECURITIES OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE SUCH DATE.

TABLE OF CONTENTS

NOVAVAX, INC.
505,000 SHARES OF COMMON STOCK

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS - FORM S-3

Item 14. Other Expenses of Issuance and Distribution.

The expenses to be borne by the Company in connection with this offering are as follows:

SEC Registration Fee	$ 607.34
AMEX Listing Fee	10,100.00
Legal Services and Expenses	8,500.00*
Accounting Services and Expenses	3,500.00*
Miscellaneous expenses	292.66*
Total	$ 23,000.00*

- ------------------------
*Estimated

All of the above expenses have been or will be paid by the Registrant. Any further expenses incurred in connection with the sale of such Shares by the Selling Stockholders will be paid by such Selling Stockholders. It is impracticable to estimate such expenses.

Item 15. Indemnification of Directors and Officers.

Article NINTH of the Company's Restated Certificate of Incorporation provides that a director or officer of the Company (a) shall be indemnified by the Company against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement incurred in connection with any litigation or other legal proceeding (other than an action by or in the right of the Company) brought against him by virtue of his position as a director or officer of the Company if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful and (b) shall be indemnified by the Company against all expenses (including attorneys' fees) and amounts paid in settlement incurred in connection with any action by or in the right of the Company brought against him by virtue of his position as a director or officer of the Company if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company, except that no indemnification shall be made with respect to any matter as to which such person shall have been adjudged to be liable to the Company, unless a court determines that, despite such adjudication but in view of all of the circumstances, he is entitled to indemnification of such expenses. Notwithstanding the foregoing, to the extent that a director or officer has been successful, on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, he is required to be indemnified by the Company against all expenses (including attorneys' fees) incurred in connection therewith. Expenses shall be advanced to a director or officer at his request, provided that he undertakes to repay the amount advanced if it is ultimately determined that he is not entitled to indemnification for such expenses.

Indemnification is required to be made unless the Company determines that the applicable standard of conduct required for indemnification has not been met. In the event of a determination by the Company that the director or officer did not meet the applicable standard of conduct required for

indemnification, or if the Company fails to make an indemnification payment within 60 days after such payment is claimed by such person, such person is permitted to petition the court to

make an independent determination as to whether such person is entitled to indemnification. As a condition precedent to the right of indemnification, the director or officer must give the Company notice of the action for which indemnity is sought and the Company has the right to participate in such action or assume the defense thereof.

Article NINTH of the Company's Restated Certificate of Incorporation further provides that the indemnification prided therein is not exclusive, and provides that in the event that the Delaware General Corporation Law is amended to expand the indemnification permitted to directors or officers the Company must indemnify those persons to the fullest extent permitted by such law as so amended.

Section 145 of the Delaware General Corporation Law provides that a corporation has the power to indemnify a director, officer, employee or agent of the corporation and certain other persons serving at the request of the corporation in related capacities against amounts paid and expenses incurred in connection with an action or proceeding to which he is or is threatened to be made a party by reason of such position, if such person shall have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal proceeding, if such person had no reasonable cause to believe his conduct was unlawful, provided that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the adjudicating court determines that such indemnification is proper under the circumstances.

The Company maintains insurance under which the insurers will reimburse the Company for amounts that it has paid to its directors and officers as indemnification for claims against such persons in their official capacities. The insurance also covers such persons as to amounts paid by them as a result of claims against them in their official capacities that are not reimbursed by the Company. The insurance is subject to certain limitations and exclusions.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

Item 16. Exhibits.

See Exhibit Index, incorporated herein by reference.

Item 17. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would

not exceed that which was registered) and any deviation form the low or high end of the estimated maximum offering range may be

reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement.

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Company pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) The undersigned Registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Baltimore, Maryland, on October 11, 1996.

NOVAVAX, INC.

By: /s/ John O. Marsh, Jr.

John O. Marsh, Jr.,
Chairman of the Board

POWER OF ATTORNEY

We, the undersigned officers and directors of Novavax, Inc., hereby severally constitute and appoint John O. Marsh, Jr., Denis M. O'Donnell, and David A. White, and each of them singly, our true and lawful attorneys-in-fact, with full power to them in any and all capacities, to sign any amendments to this Registration Statement on Form S-3 (including Pre- and Post-Effective Amendments), and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ John O. Marsh, Jr. John O. Marsh, Jr.	Chairman of the Board and Chief Executive Officer	October 11, 1996
/s/ Elaine T. Bennett Elaine T. Bennett	Vice President (Principal Financial and Accounting Officer)	October 11, 1996
/s/ Wayne A. Downing Wayne A. Downing	Director	October 11, 1996
/s/ John P. Gallo John P. Gallo	Director	October 11, 1996
/s/ Edward B. Hager Edward B. Hager	Director	October 11, 1996

/s/ J. Michael Lazarus J. Michael Lazarus	Director	October 11, 1996
/s/ Ronald A. Schiavone Ronald A. Schiavone	Director	October 11, 1996
/s/ Ronald H. Walker Ronald H. Walker	Director	October 11, 1996

EXHIBIT INDEX

The exhibits marked with an asterisk are filed herewith. The remainder of the exhibits have heretofore been filed with the Commission and are incorporated herein by reference.

4.1 Restated Certificate of Incorporation of the Registrant. (Incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement File No. 0-26770 filed September 14, 1995 on Form 10 (the

"Registration Statement").)

4.2 Restated By-laws of Registrant. (Incorporated by reference to Exhibit 3.2 to the Registration Statement.)

4.3 Specimen stock certificate for shares of Common Stock, par value $.01 per share. (Incorporated by reference to Exhibit 4.1 to the Registration Statement.)

4.4* Stock Purchase Agreement dated October 9, 1996 by and among Novavax, Inc. and the Purchasers named therein.

5.1* Opinion and Consent of White & McDermott, P.C.

23.1* Consent of Coopers & Lybrand L.L.P., Independent Auditors.

23.2* Consent of White & McDermott, P.C. (Contained in its opinion filed as Exhibit 5.1 to this Registration Statement.)

24.1* Power of Attorney. (Included in the signature pages hereto.)

EXHIBIT 4.4

NOVAVAX, INC.

FORM OF STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement is made as of October 9, 1996, between Novavax, Inc., a Delaware corporation (the "Company"), and the purchasers who are signatories hereto (the "Purchasers").

WHEREAS, the Company wishes to sell and the Purchasers desire to purchase shares of the Company's Common Stock;

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

1. SALE AND PURCHASE OF SHARES. Subject to the terms and conditions hereof, the Company will issue and sell to the Purchasers, and each Purchaser will purchase from the Company, the number of shares of Common Stock set opposite such Purchaser's name on the signature page hereto at the price of $3.75 per share. The obligations of each Purchaser hereunder are several and not joint and no Purchaser shall be obligated to purchase any number of shares in excess of the number set forth opposite its name.

The total amount of Common Stock sold to the Purchasers pursuant to this Agreement is hereinafter referred to as the "Shares." The maximum number of Shares sold to Purchasers will be 505,000.

2. CLOSING DATE; DELIVERY.

2.1 Closing Date. The closing of the purchase and sale of the Shares hereunder (the "Closing") will be held at the offices of White & McDermott, P.C., 65 William Street, Suite 209, Wellesley, MA, 02181, on the day which is one (1) business day after the last of the conditions to Closing described in Section 6 have been satisfied or waived (the "Closing Date") or at such other time and place as the Company and the Purchasers may mutually agree upon.

2.2 Delivery. On the date hereof, the Company will deliver to each Purchaser (i) an opinion of White &

McDermott, P.C., counsel for the Company, dated the date hereof and substantially in the form attached hereto as Exhibit A. At the Closing, the Company will deliver to each Purchaser (a) a certificate registered in such Purchaser's name, representing the shares of Common Stock purchased by the Purchaser, and (b) an opinion of White & McDermott, P.C., dated the Closing Date and substantially in the form attached hereto as Exhibit B. At the Closing, each Purchaser will pay to the Company by certified check or wire transfer the amount of the purchase price set forth opposite the name of such Purchaser on the signature page of such Purchaser attached hereto.

3. DEFINITIONS. Unless the context otherwise requires, the terms defined in this Section 3 shall have the meanings herein specified for all purposes of this Agreement.

"Affiliate" shall have the meaning set forth in Rule 405 under the Securities Act.

"Agreement" means this agreement, including the exhibits hereto.

"Certificate" means the Certificate of Incorporation of the Company as filed with the Delaware Secretary of State as amended to the date hereof.

"Closing" is defined in Section 2.1.

"Closing Date" is defined in Section 2.1.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the shares of Common Stock, $.01 par value, authorized by the Certificate, any additional shares of Common Stock which may be authorized in the future by the Company, and any stock into which such Common Stock may hereafter be changed, and shall also include capital stock of any other class of the Company which is not preferred as to dividends or assets over any other class of stock of the Company and which is not subject to redemption.

"Company Disclosure Documents" shall mean the Company SEC Reports, the Company's press releases provided to

the Purchasers prior to the execution of this Agreement and the Schedule attached hereto.

"Company SEC Reports" shall mean the Company's (i) Annual Report on Form 10-K for the fiscal year ended December 31, 1995, as filed with the Commission, (ii) Quarterly Reports on Form 10-Q for the fiscal quarter ended March 31, 1996, as filed with the Commission, (iii) Forms 8-K filed with the Commission since January 1, 1996; and (iv) the Company Proxy Statement dated April 5, 1996.

"Engagement Letter" means the letter of Vector Securities International, Inc., dated June 6, 1996, addressed to the Company pursuant to which the Company retained Vector Securities International, Inc. in connection with the sale of securities contemplated herein.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Proprietary Rights" shall have the meaning set forth in Section 4.12 of this Agreement.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Shares" is defined in Section 1.

4. REPRESENTATIONS AND WARRANTIES BY THE COMPANY. The Company represents and warrants to the Purchasers as of the date hereof that:

4.1 Organization and Standing. The Company is a corporation duly organized and validly existing, and is in good standing, under the laws of the State of Delaware, and has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Other than as disclosed in the Company Disclosure Documents, the Company has no subsidiaries or direct or indirect ownership interest in any firm, corporation, association or business which either, individually or in the aggregate, are material to the business of the Company. Each Subsidiary of the Company is a corporation duly organized and validly existing, and is in good standing, under the laws of the jurisdiction of its incorporation, and has the requi-

site corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted; all of the issued and outstanding capital stock of each such subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, charge, encumbrance, claim or equity. The Company and each Subsidiary are qualified to do business and in good standing as a foreign corporation in every jurisdiction in which its ownership of property or conduct of business requires it so to be qualified and in which the failure to so qualify would have a material adverse effect on the financial condition or business of the Company and its subsidiaries taken as a whole.

4.2 Changes. Except as set forth in the Company Disclosure Documents, since June 30, 1996, neither the Company nor any of its subsidiaries has, to the extent material to the Company and its subsidiaries, taken as a whole, (i) incurred any debts, obligations or liabilities, absolute, accrued or contingent, whether due or to become due, other than in the ordinary course of business, (ii) mortgaged, pledged or subjected to lien, charge, security interest or other encumbrance any of its assets, tangible or intangible, (iii) waived any debt owed to the Company or its subsidiaries, (iv) satisfied or discharged any lien, claim or encumbrance or paid any obligation other than in the ordinary course of business, (v) declared or paid any dividends, or (vi) entered into any transaction other than in the usual and ordinary course of business. Other than as may be set forth in the Company Disclosure Documents, there has been no material adverse change or, to the knowledge of the Company, any development involving a prospective material adverse change in or affecting the financial condition or business, assets, properties, or business prospects of the Company and its subsidiaries, taken as a whole, since the date of the financial statements contained in the Company Disclosure Documents other than normal recurring operating losses.

4.3 Litigation. Other than as described in the Company Disclosure Documents, there are no legal actions, suits, arbitrations or other legal, administrative or governmental proceedings pending or, to the best of the Company's knowledge, threatened against the Compa-

ny or any of its subsidiaries or their respective properties, assets or business, and neither the Company nor any of its officers is aware of any facts which might result in or form the basis for any such action, suit or other proceeding, in each case which, if adversely determined, would, individually or in the aggregate, have a material adverse effect on the financial condition or business of the Company and its subsidiaries taken as a whole. Neither the Company nor any of its subsidiaries is in default with respect to any judgment, order or decree of any court or any governmental agency or instrumentality which default would have a material adverse effect on the financial condition or business of the Company and its subsidiaries taken as a whole.

4.4 Compliance with Other Instruments. The business and operations of the Company and its subsidiaries have been and are being conducted in accordance with all applicable laws, rules and regulations of all governmental authorities, except for such violations of applicable laws, rules and regulations which would not, individually or in the aggregate, have a material adverse effect on the financial condition or business of the Company and its subsidiaries taken as a whole. Except for such matters which, either individually or in the aggregate, would not have a material adverse effect on the financial condition or business of the Company and its subsidiaries, taken as a whole, the execution and delivery of, and the performance and compliance with, this Agreement and the transactions contemplated hereby, with or without the giving of notice or passage of time, will not (i) result in any breach of, or constitute a default under, or result in the imposition of any lien or encumbrance upon any asset or property of the Company or any subsidiary

pursuant to any agreement or other instrument to which the Company or any subsidiary is a party or by which it or any of its properties, assets or rights is bound or affected, (ii) violate the Certificate or Bylaws of the Company or any subsidiary, or any law, rule, regulation, judgment, order or decree or (iii) except for the registration of the Shares under the Securities Act, the listing of the Shares on the American Stock Exchange, Inc. and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase of the Shares by the Purchasers, require any consent, approval, authorization or

order of or filing with any court or governmental agency or body. Neither the Company nor any subsidiary is in violation of its Certificate or Bylaws nor in violation of, or in default under, any lien, indenture, mortgage, lease, agreement, instrument, commitment or arrangement, except for such defaults which would not, individually or in the aggregate, have a material adverse effect on the financial condition or business of the Company and its subsidiaries, taken as a whole. Neither the Company nor any subsidiary is subject to any restriction which would prohibit the Company or any subsidiary from entering into or performing its obligations under the Agreement, except for such restrictions which would not, individually or in the aggregate, have a material adverse effect on the ability of the Company and its subsidiaries, taken as a whole, to perform their obligations under the Agreement.

4.5 Reports and Financial Statements. The Company has furnished the Purchasers with true and complete copies of its Company SEC Reports (without exhibits thereto). As of their respective filing dates the Company SEC Reports were prepared in all material respects in accordance with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the Commission thereunder applicable to such Company SEC Reports. The audited consolidated financial statements and unaudited interim financial statements of the Company included in the Company SEC Reports comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto, and the financial statements included in the Company SEC Reports have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis (except as may be indicated therein or in the notes thereto) and fairly present the financial position of the Company and its consolidated subsidiaries as at the dates thereof and the results of its operations and cash flows for the periods then ended subject, in the case of the unaudited interim financial statements, to normal, nonmaterial year-end adjustments and any other adjustments described in such financial statements.

4.6 Shares. The Shares, when issued and paid for pursuant to the terms of the Agreement, will be duly and validly authorized, issued and outstanding, fully

paid, nonassessable and free and clear of all pledges, liens, encumbrances and restrictions (other than those arising from the private placement of the Shares).

4.7 Securities Laws. Based in part upon the representations and warranties of the Purchasers contained in Article 5 of the

Agreement, the offer, sale and issuance of the Shares as contemplated by this Agreement are exempt from the registration requirements of the Securities Act, and from the registration or qualifications requirements of the laws of any applicable state or other U.S. jurisdiction.

4.8 Capital Stock. At March 31, 1996, 9,962,936 shares of the Company's Common Stock are issued and outstanding, no shares of the Company's Preferred Stock are issued and outstanding, and options to purchase 3,472,588 shares of the Company's Common Stock are issued and outstanding. All of the outstanding shares of the Company's capital stock are validly issued, fully paid and nonassessable and were issued in compliance with all applicable federal and state securities laws. Except as set forth in the Company Disclosure Documents, there are no outstanding subscriptions, options, warrants, calls, contracts, demands, commitments, conversion rights or other agreements or arrangements of any character or nature whatever under which the Company is or may be obligated to issue its Common Stock, preferred stock or warrants or options to purchase Common Stock or preferred stock. No holder of any security of the Company is entitled to any preemptive or similar rights to purchase any securities of the Company.

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

4.10 No Brokers or Finders. To the knowledge of the Company and except for claims of Vector Securities International, Inc. in connection with this transaction, no person, firm or corporation has or will have, as a result of any act or omission of the Company, any right, interest or valid claim against the Purchasers for any commission, fee or other compensation as a finder or broker in connection with the transactions contemplated by this Agreement. The fees and commissions payable to Vector Securities International, Inc. shall be paid by the Company, as set forth in the Engagement Letter.

4.11 Compliance with Environmental Laws. Except as disclosed in the Company Disclosure Documents, neither the Company nor any subsidiary is in violation in any material respect of any applicable statute, law or regulation relating to the environment or occupational health and safety, and to the best of the Company's knowledge, no expenditures material to the Company and its subsidiaries, taken as a whole, are or will be required to comply with any such existing statute, law or regulation. To the best knowledge of the Company and its subsidiaries, neither the Company nor any subsidiary has any liability to any governmental authority or other third party arising under or as a result of any such past or existing statute, law or regulation, which liability would be material to the Company and its subsidiaries, taken as a whole.

4.12 Proprietary Rights. The Company and its subsidiaries own or are licensed to use all patents, patent applications, inventions, trademarks, trade names, applications for registration of trademarks, service marks, service mark applications, copyrights, know-how, manufacturing processes, formulae, trade secrets, licenses and rights in any thereof and any other intangible property and assets (herein called the "Proprietary Rights") which are material to the businesses of the Company and

its subsidiaries, taken as a whole, as now conducted and as proposed to be conducted, in each case as described in the Prospectus. Except as disclosed in the Company Disclosure Documents, the Company does not have any knowledge of, and the Company has not given or received any notice of, any pending conflicts with or infringement of the rights of others with respect to any Proprietary Rights or with respect to any license of Proprietary Rights. Except as disclosed on the Company

Disclosure Documents, no action, suit, arbitration, or legal, administrative or other proceeding, or investigation is pending, or, to the best knowledge of the Company, threatened, which involves any Proprietary Rights. Neither the Company nor any subsidiary is subject to any judgment, order, writ, injunction or decree of any court or any Federal, state, local, foreign or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or any arbitrator, or has entered into or is a party to any contract which restricts or impairs the use of any such Proprietary Rights in a manner which would have a material adverse effect on the use of any of the Proprietary Rights. To the best knowledge of the Company, no Proprietary Rights used by the Company or any of its subsidiaries, and no services or products sold by the Company or any of its subsidiaries, conflict with or infringe upon any proprietary rights owned or licensed by any third party. Neither the Company nor any subsidiary has received written notice of any pending conflict with or infringement upon such third-party proprietary rights. Neither the Company nor any subsidiary has entered into any consent, indemnification, forbearance to sue or settlement agreement with respect to Proprietary Rights other than in the ordinary course of business. No claims have been asserted by any person with respect to the validity of the Company's or any of its subsidiaries' ownership or right to use the Proprietary Rights and, to the best knowledge of the Company, there is no reasonable basis for any such claim to be successful. To the knowledge of the Company, the Proprietary Rights are valid and enforceable. Except as disclosed on the Company Disclosure Documents, no registration relating to the Proprietary Rights has lapsed, expired or been abandoned or cancelled or is the subject of cancellation or other adversarial proceedings, and all applications therefore are pending and are in good standing. The Company and its subsidiaries have complied, in all material respects, with their respective contractual obligations relating to the protection of the Proprietary Rights used pursuant to licenses. To the best knowledge of the Company, no person is infringing on or violating the Proprietary Rights owned or used by the Company or any of its subsidiaries.

4.13 Minimum Proceeds. The gross proceeds to the Company from the sale of Shares hereunder, before all selling expenses and commissions, is at least $1,800,000.

4.14 Company Disclosure Documents. The Company Disclosure Documents, when read as a whole, as updated by the press releases and the Schedule included therein and as of the date hereof, do not contain any untrue statements of a material fact and do not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.15 No Implied Representations. All of the Company's representations and warranties are contained in this Agreement, and no other

representations or warranties by the Company shall be implied.

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

5. REPRESENTATIONS AND WARRANTIES BY THE PURCHASERS; RESTRICTIONS ON TRANSFER.

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

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

5.2 Investment Experience. Purchaser is an "institutional accredited investor" as defined in Rule

501(a)(1), (a)(2), (a)(3) or (a)(7) or a "Qualified Institutional Buyer" as defined in Rule 144A under the Securities Act. Purchaser or its representative has reviewed the Company Disclosure Documents. Purchaser is aware of the Company's business affairs and financial condition and has had access to and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser has such business and financial experience as is required to give it the capacity to protect its own interests in connection with the purchase of the Shares and is able to bear the risks of an investment in the Shares. Purchaser is not itself a "broker" or a "dealer" as defined in the Exchange Act and is not an "affiliate" of the Company as defined in the Securities Act, [provided, however, that Paramount Capital Inc., an affiliate of Purchaser, is a broker/dealer registered with the NASD Inc.] (for certain investors only).

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

5.4 Registration or Exemption Requirements. Purchaser

further acknowledges and understands that the Shares may not be resold or otherwise transferred except in a transaction registered under the Securities Act or unless an exemption from such registration is available. Purchaser understands that the certificates evidencing

the Shares will be imprinted with a legend that prohibits the transfer of the Shares unless (a) such transaction is registered or such registration is not required, and (b) if the transfer is pursuant to an exemption from registration other than Rule 144 under the Securities Act, and an opinion reasonably satisfactory to the Company of counsel reasonably satisfactory to the Company is obtained to the effect that the transaction is not required to be registered or is so exempt.

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

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

6. CONDITION TO CLOSING.

6.1 Registration Statement Effective. The Company shall have prepared and filed with and have declared effective by, the Commission, a Registration Statement which registers the offer and resale of the Shares.

6.2 Opinion of Counsel. The Purchasers shall have received an opinion of White & McDermott, P.C.,

dated the Closing Date, substantially in the form attached hereto as Exhibit B.

6.3 Secretary's Certificate. The Purchasers shall have received a Secretary's Certificate, dated the Closing Date, certifying the Certificate and Bylaws of the Company, the resolutions of the Board of Directors of the Company and the signatures of the officers of the Company to execute this Agreement and the other certificates and documents to be delivered by the Company in connection with the transactions contemplated hereby.

7. COVENANTS

7.1 Registration Requirements.

(a) Promptly after the date of this Agreement, the Company shall prepare and file a registration statement (the "Registration Statement") with the Commission under the Securities Act to register the offer and resale of the Shares (the "Registrable Securities"), and shall use its commercially reasonable efforts to secure the effectiveness of such registration statement as soon as reasonably practicable thereafter.

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

(c) In the case of the registration effected by the Company pursuant to these registration provisions, the Company will use its best efforts to: (i) keep such

registration effective until the earlier of (A) the third anniversary of the date such Registration Statement is declared effective; provided, however, if Rule 144 is amended so that the longest period that Rule 144 restricts the manner in which privately placed securities may be sold is a period shorter than three years, then the period required by this clause (A) shall be reduced to such shorter period, (B) such date as all of the Registrable Securities have been resold and (C) all Registrable Securities may be sold pursuant to Rule 144 (or any successor rule); (ii) except as provided in Section 7.1(f), prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by the Registration Statement; (iii) furnish such number of prospectuses and other documents incident thereto, including any amendment of or supplement to the prospectus, as Purchaser from time to time may reasonably request; (iv) cause the Shares to be listed on the American Stock Exchange or any securities exchange or quoted on each quotation service on which the Common Stock of the Company is then listed or quoted; (v) provide a transfer agent and registrar for all securities registered pursuant to the Registration Statement and a CUSIP number for all such securities; and (vi) file the documents required of the Company and otherwise use its best efforts to maintain requisite blue sky clearance in (X) all U.S. jurisdictions in which any of the Shares are originally sold and (Y) all other states specified in writing by Purchaser, provided, however, that, as to clause (Y), the Company shall not be required to qualify to do business in any state in which it is not now so qualified or has not so consented.

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

(e) With a view to making available to Purchasers the benefits of Rule 144 and any other rule or regulation of the Commission that may at any time permit

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

(f) At any time after the effectiveness of the Registration Statement, the Company may refuse to permit the Purchaser to resell any Registrable Securities pursuant to the Registration Statement for a period not to exceed thirty (30) days; provided, however, that to exercise this right, the Company must deliver a certificate in writing to Purchaser to the effect that a delay in such sale is necessary because a sale pursuant to such Registration Statement in its then-current form would not be in the best interests of the Company and its shareholders due to disclosure obligations of the Company. Notwithstanding the foregoing, the Company shall not be entitled to exercise its right to block such sales more than three (3) times during the effectiveness of the Registration Statement nor more than one (1) time in any four month period. Each Purchaser hereby covenants and agrees that it will not sell any Registrable Securities pursuant to the Registration Statement during such blockage periods as set forth in this Section 7.1(f).

7.2 Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Purchaser from and against any losses,

claims, damages or liabilities (or actions or proceedings in respect thereof) to which such Purchaser may become subject (under the Securities Act or otherwise) insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon, any untrue statement or alleged untrue statement of a material fact or omission to state a material fact in the Registration Statement on the effective date thereof, or arise out of any failure by the Company to fulfill any undertaking included in the Registration Statement, and the Company will, as incurred, reimburse such Purchaser for any legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such action, proceeding or claim; provided, however, that the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of, or is based upon (i) an untrue statement or omission in such Registration Statement in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Purchaser specifically for use in preparation of the Registration Statement or (ii) an untrue statement or omission in any

prospectus that is corrected in any subsequent prospectus, or supplement or amendment thereto, that was delivered to Purchaser prior to the pertinent sale or sales by Purchaser.

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

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

(c) Promptly after receipt by any indemnified person of a notice of a claim or the beginning of any action in respect of which indemnity is to be sought against an indemnifying person pursuant to this Section 7.2, such indemnified person shall notify the indemnifying person in writing of such claim or of the commencement of such action and, subject to the provisions hereinafter stated, in case any such action shall be brought against an indemnified person, the indemnifying person shall be entitled to participate therein, and, to the extent that it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to the indemnified person. After notice from the indemnifying person to such indemnified person of the indemnifying person's election to assume the defense thereof, the indemnifying person shall not be liable to such indemnified person for any legal expenses subsequently incurred by such indemnified person in connection with the defense thereof; provided, however, that if there exists or shall exist a conflict of interest that would make it inappropriate in the reasonable judgment of the indemnified person for the same counsel to represent both the indemnified person and such indemnifying person or any affiliate or associate thereof, the indemnified person shall be entitled to retain its own counsel at the expense of such indemnifying person; provided, further, that the indemnifying person shall not be obligated to assume the expenses of more than one counsel to represent all indemnified persons.

(d) If the indemnification provided for in this Section 7.2 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or

liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the Purchasers on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or a Purchaser on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Purchasers agree that it would not be just and equitable if contribution pursuant to this subjection (d), were determined by pro rata allocation (even if the Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Purchaser shall be required to contribute in the aggregate any amount in excess of the net proceeds received by the Purchaser from the sale of the Shares to which such loss, claim, damage or liability relates. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Purchaser's obligations in this subsection (d) to contribute are several in proportion to their sales of Shares to which such loss relates and not joint.

(e) The obligations of the Company and the Purchasers under this Section 7.2 shall be in addition to

any liability which the Company and the respective Purchasers may otherwise have and shall extend, upon the same terms and conditions, to directors, officers, employees and agents of the Company and the Purchasers and to each person, if any, who controls the Company or any Purchaser within the meaning of the Securities Act and the Exchange Act.

8. RESTRICTIONS ON TRANSFERABILITY OF SHARES; COMPLIANCE WITH SECURITIES ACT

8.1 Restrictions on Transferability. The Shares shall not be transferable in the absence of registration under the Securities Act or an exemption therefrom or in the absence of compliance with any term of the Agreement.

8.2 Restrictive Legend. Each certificate representing the Shares shall bear substantially the following legend (in addition to any legends required under applicable state securities laws):

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT PURPOSES ONLY AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM.

8.3 Transfer of Shares. Each Purchaser hereby covenants with the Company not to make any sale of the Shares except either (a) a sale of Shares in accordance with the Registration Statement, in which case the Purchaser covenants to comply with the requirement of delivering a current prospectus, (b) a sale of Shares in accordance with Rule 144, in which case the Purchaser covenants to comply with Rule 144 and to deliver such additional certificates and documents as the Company may reasonably request, or (c) subject to such conditions as the Company in its sole discretion shall impose, in accordance with another exemption from the registration requirements of the Securities Act. The legend set forth in Section 8.2 will be removed from a certificate representing Shares following and in connection with any sale of Shares pursuant to subsection (a) or (b) hereof but not in connection with any sale of Shares pursuant to subsection (c) hereof.

9. MISCELLANEOUS.

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

9.2 Parties in Interest. All the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successor and assigns of the parties hereto.

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

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

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

[Remainder of Page Intentionally Left Blank]

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

Dated: October 9, 1996

NOVAVAX, INC.

By: ----------

Title: ----------

Number of Shares
Purchased: 505,000

PURCHASER

By: ----------

Title: ----------

Address: ----------

EXHIBIT A

The Purchasers shall have received on the Closing Date an opinion, dated the date hereof, of White & McDermott, P.C., counsel for the Company, to the effect that:

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

The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and to enter into and perform its obligations under this Agreement.

The Shares have been duly authorized for issuance and sale to the Purchasers pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued and fully paid and non-assessable; and the issuance of the Securities is not subject to preemptive or other rights to subscribe for or purchase securities.

This Agreement has been duly authorized, executed and delivered by the Company.

Except for such matters which, either individually or in the aggregate, would not have a material adverse effect on the financial condition or business of the Company and its subsidiaries, taken as a whole, the execution, delivery and performance of this Agreement and the consummation of the transactions in the manner contemplated herein and the compliance by the Company with its obligations hereunder will not (i) conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any contract, indenture, mortgage, loan agreement, note, deed, trust, lease, sublease, voting trust, voting agreement or other instrument or agreement to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any of its subsidiaries is subject, (ii)

result in any violation of the provisions of the charter or bylaws of the Company or any of its subsidiaries, or any applicable statute, law, rule, regulation, ordinance, code, or any applicable decision or order of any court or regulatory agency exercising appropriate jurisdiction; and (iii) except for the registration of the Shares under the Securities Act, the listing of the Shares on the American Stock Exchange, Inc. and such consents, approvals, authorizations, registrations or qualifications as may be required under the

Exchange Act and applicable state securities laws in connection with the purchase of the Shares by the Purchasers, no consents, approval, authorization or order of or filing with any court or governmental agency or body is required for the execution, delivery and performance of the Agreement by the Company and the consummation of the transactions contemplated by the Agreement.

EXHIBIT B

The Purchasers shall have received on the Closing Date an opinion, dated the Closing Date, of White & McDermott, P.C., counsel for the Company, to the effect that:

The Registration Statement has become effective under the Act, no stop order suspending its effectiveness has been issued and no proceedings for that purpose are pending before or, to the knowledge of such counsel, contemplated by the Commission;

The Registration Statement (including any Registration Statement filed under Rule 462(b) of the Act, if any), the Prospectus, the documents incorporated by reference and any supplement or amendment thereto (except for financial statements as to which no opinion need be expressed) comply as to form in all material respects with the Act, and nothing has come to such counsel's attention that would lead it to believe that (except for financial statements, as aforesaid) the Registration Statement and the Prospectus included therein at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, as amended or supplemented if applicable (except for financial statements, as aforesaid), contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In giving such opinion and making such statement with respect to the matters covered by the preceding paragraph such counsel may state that their opinion and statement are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification of facts.

EXHIBIT 5.1

WHITE & McDERMOTT, P.C.
COUNSELLORS AT LAW
65 WILLIAM STREET, SUITE 209
WELLESLEY, MASSACHUSETTS 02181

October 15, 1996

Novavax, Inc.
12111 Parklawn Drive
Rockville, MD 20852

Gentlemen:

We have assisted with the preparation of a Registration Statement on Form S-3 (the "Registration Statement"), filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, relating to the registration of 505,000 shares of common stock, $.01 par value ("Common Stock"), of Novavax, Inc. (the "Company") held by certain stockholders of the Company.

We have examined the most recent Amendment to the Certificate of Incorporation and the Restated Certificate of Incorporation, the By-laws of the Company and all amendments thereto and have examined and relied on originals, or copies certified to our satisfaction, of such records of meetings, written actions in lieu of meetings, or resolutions adopted at meetings, of the directors of the Company, and such other documents and instruments as in our judgment are necessary or appropriate to enable us to render the opinions expressed below.

In our examination of the foregoing documents, we have assumed (i) the genuineness of all signatures, the authenticity of all documents submitted to us as originals, (ii) the conformity to original documents of all documents submitted to us as certified or photostatic copies and (iii) the authenticity of the originals of the latter documents.

Based upon and subject to the foregoing, we are of the opinion that the Shares have been duly and validly authorized and issued and are fully paid and non-assessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the caption "Legal Matters" in the prospectus forming a part of the Registration Statement.

Very truly yours,

White & McDermott, P.C.

By:/s/ DAVID A. WHITE

David A. White

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this Registration Statement on Form S-3 of our report dated March 29, 1996 on our audits of the financial statements of Novavax, Inc. and subsidiaries as of December 31, 1995 and 1994 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1995. We also consent to the reference to our Firm under the caption "Experts."

/s/ COOPERS & LYBRAND L.L.P.
Coopers & Lybrand L.L.P.

Rockville, Maryland
October 15, 1996