UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to .

Commission File No. 0-26770

NOVAVAX, INC.

(Exact name of registrant as specified in its charter)

Delaware	**22-2816046**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
20 Firstfield Road, Gaithersburg, MD	**20878**
(Address of principal executive offices)	(Zip code)

(240) 268-2000

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a small reporting company)	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant had elected not to use the extended transition period for complying with any new or revised financial accounting standards provide pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares outstanding of the Registrant's Common Stock, $0.01 par value, was 313,616,221 as of October 31, 2017.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 104,245	$ 144,353
Marketable securities	68,321	91,126
Restricted cash	32,422	30,314
Prepaid expenses and other current assets	21,007	22,037
Total current assets	225,995	287,830
Restricted cash	8,023	4,590
Property and equipment, net	37,299	40,184
Intangible assets, net	8,138	9,225
Goodwill	53,746	51,673
Other non-current assets	876	799
Total assets	$ 334,077	$ 394,301
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 5,242	$ 5,685
Accrued expenses	28,150	24,508
Accrued interest	2,031	5,078
Deferred revenue	31,464	30,079
Other current liabilities	1,390	1,056
Total current liabilities	68,277	66,406
Deferred revenue	6,110	2,500
Convertible notes payable	317,407	316,339
Other non-current liabilities	16,434	14,602
Total liabilities	408,228	399,847
Commitments and contingencies	—	—
Stockholders' deficit:		
Preferred stock, $0.01 par value, 2,000,000 shares authorized; no shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	—	—
Common stock, $0.01 par value, 600,000,000 shares authorized at September 30, 2017 and December 31, 2016; 310,636,075 shares issued and 310,180,645 shares outstanding at September 30, 2017 and 271,701,397 shares issued and 271,245,967 shares outstanding at December 31, 2016	3,106	2,717
Additional paid-in capital	997,014	935,997
Accumulated deficit	(1,063,517)	(929,996)
Treasury stock, 455,430 shares, cost basis at both September 30, 2017 and December 31, 2016	(2,450)	(2,450)
Accumulated other comprehensive loss	(8,304)	(11,814)
Total stockholders' deficit	(74,151)	(5,546)
Total liabilities and stockholders' deficit	$ 334,077	$ 394,301

The accompanying notes are an integral part of these financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Revenue:				
Government contracts	$ —	$ 102	$ —	$ 2,182
Research and development collaborations	8,352	3,129	20,764	7,772
Total revenue	8,352	3,231	20,764	9,954
Expenses:				
Research and development	41,862	52,983	118,779	186,839
General and administrative	8,118	13,556	25,911	38,183
Total expenses	49,980	66,539	144,690	225,022
Loss from operations	(41,628)	(63,308)	(123,926)	(215,068)
Other income (expense):				
Investment income	531	554	1,528	1,701
Interest expense	(3,520)	(3,511)	(10,549)	(9,457)
Other income (expense)	10	11	20	(33)
Net loss	$ (44,607)	$ (66,254)	$ (132,927)	$ (222,857)
Basic and diluted net loss per share	$ (0.15)	$ (0.24)	$ (0.47)	$ (0.82)
Basic and diluted weighted average number of common shares outstanding	296,435	271,064	284,767	270,669

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Net loss	$ (44,607)	$ (66,254)	$ (132,927)	$ (222,857)
Other comprehensive income (loss):				
Net unrealized gains (losses) on marketable securities available-for-sale	—	(121)	(34)	172
Foreign currency translation adjustment	1,299	(540)	3,544	(852)
Other comprehensive income (loss)	1,299	(661)	3,510	(680)
Comprehensive loss	$ (43,308)	$ (66,915)	$ (129,417)	$ (223,537)

The accompanying notes are an integral part of these financial statements.

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

	For the Nine Months Ended September 30,	
	2017	**2016**
Operating Activities:		
Net loss	$ (132,927)	$ (222,857)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization	7,696	6,287
Loss on disposal of property and equipment	294	—
Amortization of debt issuance costs	1,068	949
Lease incentives received	1,485	1,963
Non-cash stock-based compensation	13,057	15,380
Other	2,468	966
Changes in operating assets and liabilities:		
Restricted cash	(5,541)	4,980
Prepaid expenses and other assets	427	(762)
Accounts payable and accrued expenses	364	6,396
Deferred revenue	4,991	(5,980)
Other liabilities	—	(1,541)
Net cash used in operating activities	(106,618)	(194,219)
Investing Activities:		
Capital expenditures	(3,543)	(15,009)
Proceeds from maturities of marketable securities	189,817	284,871
Purchases of marketable securities	(167,069)	(327,750)
Net cash proved by (used in) investing activities	19,205	(57,888)
Financing Activities:		
Principal payments on capital lease	(37)	(53)
Principal payments on notes payable	—	(350)
Changes in restricted cash	—	(819)
Proceeds from issuance of convertible notes	—	325,000
Payments of costs related to issuance of convertible notes	—	(9,966)
Payments for capped call transactions and costs	—	(38,521)
Net proceeds from sales of common stock	46,029	—
Proceeds from the exercise of stock options and employee stock purchases	1,133	3,793
Net cash provided by financing activities	47,125	279,084
Effect of exchange rate on cash and cash equivalents	180	(137)
Net (decrease) increase in cash and cash equivalents	(40,108)	26,840
Cash and cash equivalents at beginning of period	144,353	93,108
Cash and cash equivalents at end of period	$ 104,245	$ 119,948
Supplemental disclosure of non-cash activities:		
Sale of common stock under the Sales Agreement not settled at quarter-end	$ 592	$ —
Property and equipment purchases included in accounts payable and accrued expenses	$ 81	$ 2,060
Supplemental disclosure of cash flow information:		
Cash payments of interest	$ 12,188	$ 6,186

The accompanying notes are an integral part of these financial statements.

Note 1 – Organization

Novavax, Inc. ("Novavax," and together with its wholly owned subsidiary, "Novavax AB," the "Company") is a clinical-stage biotechnology company focused on the discovery, development and commercialization of recombinant nanoparticle vaccines and adjuvants. Using innovative proprietary recombinant nanoparticle vaccine technology, and its proprietary saponin-based adjuvant technology, the Company produces vaccine candidates to efficiently and effectively respond to both known and emerging disease threats. The Company's vaccine candidates are genetically engineered three-dimensional nanostructures that incorporate recombinant proteins critical to disease pathogenesis. The Company's product pipeline targets a variety of infectious diseases, with clinical vaccine candidates for respiratory syncytial virus ("RSV"), influenza and Ebola virus ("EBOV"), and preclinical programs for Zika virus ("ZIKV") and a combination respiratory vaccine candidate, as well as other infectious disease vaccine candidates.

Note 2 – Operations

The Company's vaccine candidates currently under development, some of which include adjuvants, will require significant additional research and development efforts that include extensive preclinical studies and clinical testing, and regulatory approval prior to commercial use.

As a clinical-stage biotechnology company, the Company has primarily funded its operations from proceeds through the sale of its common stock in equity offerings, the issuance of convertible debt and revenue under its former contract with the Department of Health and Human Services, Biomedical Advanced Research and Development Authority ("HHS BARDA") and, to a lesser degree, revenue under the current grant agreement ("Grant Agreement") with the Bill & Melinda Gates Foundation ("BMGF"). Management regularly reviews the Company's cash and cash equivalents and marketable securities relative to its operating budget and forecast to monitor the sufficiency of the Company's working capital, and anticipates continuing to draw upon available sources of capital to support its product development activities. Based on its September 30, 2017 cash and cash equivalents and marketable securities balances of $172.6 million, along with anticipated revenue under the Grant Agreement (see Note 10), the Company believes it has adequate capital to fund its operating plans for a minimum of twelve months from the date that this Quarterly Report was filed. The Company plans to meet its near term capital requirements primarily through cash and investments on hand, and a combination of equity and debt financings, collaborations, strategic alliances and marketing distribution or licensing arrangements and in the longer term, from revenue related to product sales, to the extent its product candidates receive marketing approval and can be commercialized. There can be no assurances that new financings will be available to the Company on commercially acceptable terms, if at all. Also, any collaborations, strategic alliances and marketing distribution or licensing arrangements may require the Company to give up some or all rights to a product or technology at less than its full potential value. If the Company is unable to perform under the Grant Agreement or obtain additional capital, the Company will assess its capital resources and may be required to delay, reduce the scope of, or eliminate one or more of its product research and development programs, and/or downsize its organization, including its general and administrative infrastructure.

Note 3 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The consolidated balance sheet as of September 30, 2017, the consolidated statements of operations and the consolidated statements of comprehensive loss for the three and nine months ended September 30, 2017 and 2016 and the consolidated statements of cash flows for the nine months ended September 30, 2017 and 2016 are unaudited, but include all adjustments (consisting of normal recurring adjustments) that the Company considers necessary for a fair presentation of the financial position, operating results, comprehensive loss and cash flows, respectively, for the periods presented. Although the Company believes that the disclosures in these unaudited consolidated financial statements are adequate to make the information presented not misleading, certain information and footnote information normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted under the rules and regulations of the United States Securities and Exchange Commission ("SEC").

The unaudited consolidated financial statements include the accounts of Novavax, Inc. and its wholly owned subsidiary, Novavax AB. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements are presented in U.S. dollars. The functional currency of Novavax AB, which is located in Sweden, is the local currency (Swedish Krona). The translation of assets and liabilities of Novavax AB to U.S. dollars is made at the exchange rate in effect at the consolidated balance sheet date, while equity accounts are translated at historical rates. The translation of the statement of operations data is made at the average exchange rate in effect for the period. The translation of operating cash flow data is made at the average exchange rate in effect for the period, and investing and financing cash flow data is translated at the exchange rate in effect at the date of the underlying transaction. Translation gains and losses are recognized as a component of accumulated other comprehensive loss in the accompanying consolidated balance sheets. The foreign currency translation adjustment balance included in accumulated other comprehensive loss was $8.3 million and $11.8 million at September 30, 2017 and December 31, 2016, respectively.

The accompanying unaudited consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. Results for this or any interim period are not necessarily indicative of results for any future interim period or for the entire year. The Company operates in one business segment.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less from the date of purchase. Cash and cash equivalents consist of the following at (in thousands):

	September 30, 2017	December 31, 2016
Cash	$ 14,141	$ 17,481
Money market funds	36,047	95,896
Asset-backed securities	14,000	19,000
Corporate debt securities	40,057	11,976
Cash and cash equivalents	$ 104,245	$ 144,353

Cash equivalents are recorded at cost, which approximate fair value due to their short-term nature.

Fair Value Measurements

The Company applies Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), for financial and non-financial assets and liabilities.

ASC 820 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

Marketable Securities

Marketable securities consist of commercial paper, asset-backed securities and corporate notes. Classification of marketable securities between current and non-current is dependent upon the maturity date at the balance sheet date taking into consideration the Company's ability and intent to hold the investment to maturity.

Interest and dividend income is recorded when earned and included in investment income in the consolidated statements of operations. Premiums and discounts, if any, on marketable securities are amortized or accreted to maturity and included in investment income in the consolidated statements of operations. The specific identification method is used in computing realized gains and losses on the sale of the Company's securities.

The Company classifies its marketable securities with readily determinable fair values as "available-for-sale." Investments in securities that are classified as available-for-sale are measured at fair market value in the consolidated balance sheets, and unrealized holding gains and losses on marketable securities are reported as a separate component of stockholders' deficit until realized. Marketable securities are evaluated periodically to determine whether a decline in value is "other-than-temporary." The term "other-than-temporary" is not intended to indicate a permanent decline in value. Rather, it means that the prospects for a near term recovery of value are not necessarily favorable, or that there is a lack of evidence to support fair values equal to, or greater than, the carrying value of the security. Management reviews criteria, such as the magnitude and duration of the decline, as well as the Company's ability to hold the securities until market recovery, to predict whether the loss in value is other-than-temporary. If a decline in value is determined to be other-than-temporary, the value of the security is reduced and the impairment is recorded as other income (expense) in the consolidated statements of operations.

Restricted Cash

The Company's current and non-current restricted cash includes payments received under the Grant Agreement (see Note 10) and cash collateral accounts under letters of credit that serve as security deposits for certain facility leases. The Company will utilize the Grant Agreement funds as it incurs expenses for services performed under the agreement. At September 30, 2017 and December 31, 2016, the restricted cash balances (both current and non-current) consist of payments received under the Grant Agreement of $38.7 million and $33.2 million, respectively, and security deposits of $1.7 million at both dates.

Revenue Recognition

The Company performs research and development for U.S. Government agencies and other collaborators under cost reimbursable and fixed price contracts, including license, grant and clinical development agreements. The Company recognizes revenue under research contracts when a contract has been executed, the contract price is fixed or determinable, delivery of services or products has occurred and collection of the contract price is reasonably assured. Payments received in advance of work performed are recorded as deferred revenue and losses on contracts, if any, are recognized in the period in which they become known.

Under its Grant Agreement with BMGF (see Note 10), the Company is reimbursed for certain costs that support development activities, including the Company's global Phase 3 clinical trial in pregnant women in their third trimester, product licensing efforts and efforts to obtain World Health Organization ("WHO") prequalification of its RSV F Vaccine. Payments received under the Grant Agreement are recognized as revenue in the period in which such research and development activities are performed.

Under cost reimbursable contracts with U.S. Government agencies, the Company is reimbursed and recognizes revenue as allowable costs are incurred plus a portion of the fixed-fee earned. The Company considers fixed-fees under cost reimbursable contracts to be earned in proportion to the allowable costs incurred in performance of the work as compared to total estimated contract costs, with such costs incurred representing a reasonable measurement of the proportional performance of the work completed. Under its HHS BARDA contract (see Note 10), certain activities were pre-approved by HHS BARDA in order for their costs to be deemed allowable direct costs. Direct costs incurred under cost reimbursable contracts are recorded as research and development expenses. Payments to the Company under cost reimbursable contracts with agencies of the U.S. Government, such as the HHS BARDA contract, are provisional payments subject to adjustment upon audit by the government. When the final determination of the additional reimbursable costs for any year has been made, and such amount is known and collection of the amount is reasonably assured, revenue and billings will be adjusted accordingly.

The Company's collaborative research and development agreements may include upfront payments, payments for research and development services, milestone payments and royalties. Agreements with multiple deliverables are evaluated to determine if the deliverables can be divided into more than one unit of accounting. A deliverable can generally be considered a separate unit of accounting if both of the following criteria are met: (1) the delivered item(s) has value to the customer on a stand-alone basis; and (2) if the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in control of the Company. Deliverables that cannot be divided into separate units are combined and treated as one unit of accounting. Consideration received is allocated among the separate units of accounting based on the relative selling price method. Deliverables under these arrangements typically include rights to intellectual property, research and development services and involvement by the parties in steering committees. Historically, deliverables under the Company's collaborative research and development agreements have been deemed to have no stand-alone value and as a result have been treated as a single unit of accounting. In addition, the Company analyzes its contracts and collaborative agreements to determine whether the payments received should be recorded as revenue or as a reduction to research and development expenses. In reaching this determination, management considers a number of factors, including whether the Company is principal under the arrangement, and whether the arrangement is significant to, and part of, the Company's core operations. Historically, payments received under its contracts and collaborative agreements have been recognized as revenue since the Company acts as a principal in the arrangement and the activities are core to its operations.

When the performance under a fixed price contract can be reasonably estimated, revenue for fixed price contracts is recognized under the proportional performance method and earned in proportion to the contract costs incurred in performance of the work as compared to total estimated contract costs. Costs incurred under fixed price contracts represent a reasonable measurement of proportional performance of the work. Direct costs incurred under collaborative research and development agreements are recorded as research and development expenses.

Revenue associated with upfront payments under arrangements is recognized over the contract term or when all obligations associated with the upfront payment have been satisfied.

Revenue from the achievement of research and development milestones, if deemed substantive, is recognized as revenue when the milestones are achieved and the milestone payments are due and collectible. If not deemed substantive, the Company would recognize such milestones as revenue upon its achievement on a straight-line basis over the remaining expected term of the research and development period. Milestones are considered substantive if all of the following conditions are met: (1) the milestone is non-refundable; (2) there is substantive uncertainty of achievement of the milestone at the inception of the arrangement; (3) substantive effort is involved to achieve the milestone and such achievement relates to past performance; and (4) the amount of the milestone appears reasonable in relation to the effort expended and all of the deliverables and payment terms in the arrangement.

Net Loss per Share

Net loss per share is computed using the weighted average number of shares of common stock outstanding. At September 30, 2017 and 2016, the Company had outstanding stock options and unvested restricted stock awards totaling 36,556,293 and 32,696,757, respectively. At September 30, 2017, the Company's Notes (see Note 7) are initially convertible into approximately 47,716,900 shares of the Company's common stock. These and any shares due to the Company upon settlement of its capped call transactions are excluded from the computation, as their effect is antidilutive.

Recent Accounting Pronouncements

Recently Adopted

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, *Compensation - Stock Compensation (Topic 718)* that simplifies the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company adopted this standard on the effective date, January 1, 2017, and, as part of the adoption, elected to account for forfeitures when they occur. The adoption did not have a material impact on its consolidated financial statements and related disclosures.

Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under Topic 605, *Revenue Recognition*. The new standard requires a company to recognize revenue when it transfers goods and services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. ASU 2014-09 defines a five-step process that includes identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when (or as) the entity satisfies the performance obligations. In July 2015, the FASB approved a one-year deferral of the effective date of the new standard to 2018 for public companies, with an option that would permit companies to adopt the new standard as early as the original effective date of 2017. Early adoption prior to the original effective date is not permitted. ASU 2014-09 allows for either full retrospective or modified retrospective adoption. The Company has completed an initial assessment of the potential changes from adopting ASU 2014-09, primarily by reviewing its current revenue streams and deferred revenue balances. Based on the Company's initial assessment, it does not expect any material changes to the recognition of its revenue. The Company has not yet completed its final review of the impact of this guidance, and will continue to evaluate the impacts of adoption over the remainder of the year. The Company currently expects to apply ASU 2014-09 on a modified retrospective basis as of January 1, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* that increases transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements for both lessees and lessors. The standard will be effective January 1, 2019 for the Company, with early adoption permitted. The standard will be applied using a modified retrospective approach to the beginning of the earliest period presented in the financial statements. The Company is expecting to adopt this standard on January 1, 2019 and is currently evaluating the potential impact to its consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows - Restricted Cash* ("ASU 2016-18"), which requires that the change in total cash and cash equivalents at the beginning of period and end of period on the statement of cash flows include restricted cash and restricted cash equivalents. ASU 2016-18 also requires companies who report cash and cash equivalents and restricted cash separately on the balance sheet to reconcile those amounts to the statement of cash flows. The standard will be effective January 1, 2018 for the Company, with early adoption permitted, and should be applied using a retrospective transition method to each period presented. The Company currently expects to adopt ASU 2016-18 as of January 1, 2018. Although the Company's restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows, the adoption is not expected to have a material impact on the other aspects of the Company's cash flow statements, or its consolidated financial statements as a whole, including related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350)* ("ASU 2017-04"), which will simplify the goodwill impairment calculation by eliminating Step 2 from the current goodwill impairment test. The new standard does not change how a goodwill impairment is identified. The Company will continue to perform its quantitative goodwill impairment test by comparing the fair value of its reporting unit to its carrying amount, but if the Company is required to recognize a goodwill impairment charge, under the new standard, the amount of the charge will be calculated by subtracting the reporting unit's fair value from its carrying amount. Under the current standard, if the Company is required to recognize a goodwill impairment charge, Step 2 requires it to calculate the implied value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination and the amount of the charge is calculated by subtracting the reporting unit's implied fair value of goodwill from the goodwill carrying amount. The standard will be effective January 1, 2020 for the Company, with early adoption permitted, and should be applied prospectively from the date of adoption. The Company is currently evaluating when it will adopt ASU 2017-04 and its expected impact to related disclosures.

Note 4 – Fair Value Measurements

The following table represents the Company's fair value hierarchy for its financial assets and liabilities measured at fair value (in thousands):

	Fair Value at September 30, 2017			Fair Value at December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Money market funds(1)	$ 36,047	$ —	$ —	$ 95,896	$ —	$ —
Asset-backed securities(2)	—	28,451	—	—	42,632	—
Corporate debt securities(3)	—	93,927	—	—	79,470	—
Total assets	$ 36,047	$ 122,378	$ —	$ 95,896	$ 122,102	$ —
Liabilities						
Convertible notes payable	$ —	$ 145,805	$ —	$ —	$ 141,989	$ —

(1) Classified as cash and cash equivalents as of September 30, 2017 and December 31, 2016, respectively (see Note 3).
(2) Includes $14,000 and $19,000 classified as cash and cash equivalents as of September 30, 2017 and December 31, 2016, respectively (see Note 3).
(3) Includes $40,057 and $11,976 classified as cash and cash equivalents as of September 30, 2017 and December 31, 2016, respectively (see Note 3).

Fixed-income investments categorized as Level 2 are valued at the custodian bank by a third-party pricing vendor's valuation models that use verifiable observable market data, e.g., interest rates and yield curves observable at commonly quoted intervals and credit spreads, bids provided by brokers or dealers or quoted prices of securities with similar characteristics. Pricing of the Company's Notes (see Note 7) has been estimated using other observable inputs, including the price of the Company's common stock, implied volatility, interest rates and credit spreads among others. Over time, the Company expects a market for the Notes to develop. At that time, the Company intends to use trade data as the principal basis for measuring fair value.

During the nine months ended September 30, 2017, the Company did not have any transfers between levels**.**

The amount in the Company's unaudited consolidated balance sheets for accounts payable approximates its fair value due to its short-term nature. The Company's milestone payment due to Wyeth (see Note 11) approximates its fair value at September 30, 2017.

Note 5 – Marketable Securities

Marketable securities classified as available-for-sale as of September 30, 2017 and December 31, 2016 were comprised of (in thousands):

	September 30, 2017				December 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset-backed securities	$ 14,452	$ —	$ (1)	$ 14,451	$ 23,636	$ —	$ (4)	$ 23,632
Corporate debt securities	53,870	2	(2)	53,870	67,457	43	(6)	67,494
Total	$ 68,322	$ 2	$ (3)	$ 68,321	$ 91,093	$ 43	$ (10)	$ 91,126

Marketable Securities – Unrealized Losses

The primary objective of the Company's investment policy is the preservation of capital; thus, the Company's investment policy limits investments to certain types of instruments with high-grade credit ratings, places restrictions on maturities and concentrations in certain industries and requires the Company to maintain a certain level of liquidity.

The Company owned 19 available-for-sale securities as of September 30, 2017. Of these 19 securities, 10 had combined unrealized losses of less than $0.1 million as of September 30, 2017. The Company did not have any investments in a loss position for greater than 12 months as of September 30, 2017. The Company has evaluated its marketable securities and has determined that none of these investments had an other-than-temporary impairment, as it has no intent to sell securities with unrealized losses and it is not more likely than not that the Company will be required to sell any securities with unrealized losses, given the Company's current and anticipated financial position.

Note 6 – Goodwill and Other Intangible Assets

Goodwill

The change in the carrying amounts of goodwill for the nine months ended September 30, 2017 was as follows (in thousands):

	Amount
Balance at December 31, 2016	$ 51,673
Currency translation adjustments	2,073
Balance at September 30, 2017	$ 53,746

Identifiable Intangible Assets

Purchased intangible assets consisted of the following as of September 30, 2017 and December 31, 2016 (in thousands):

	September 30, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Finite-lived intangible assets:						
Proprietary adjuvant technology	$ 9,170	$ (1,910)	$ 7,260	$ 8,222	$ (1,404)	$ 6,818
Collaboration agreements	4,140	(3,262)	878	3,713	(1,306)	2,407
Total identifiable intangible assets	$ 13,310	$ (5,172)	$ 8,138	$ 11,935	$ (2,710)	$ 9,225

Amortization expense for the nine months ended September 30, 2017 and 2016 was $2.1 million and $0.6 million, respectively.

Estimated amortization expense for existing intangible assets for the remainder of 2017 and for each of the five succeeding years ending December 31 will be as follows (in thousands):

Year	Amount
2017 (remainder)	$ 192
2018	769
2019	769
2020	639
2021	458
2022	458

Note 7 – Long-Term Debt

Convertible Notes

In the first quarter of 2016, the Company issued $325 million aggregate principal amount of convertible senior unsecured notes that will mature on February 1, 2023 (the "Notes"). The Notes are senior unsecured debt obligations and were issued at par. The Notes were issued pursuant to an indenture dated January 29, 2016 (the "Indenture"), between the Company and the trustee. The Company received $315.0 million in net proceeds from the offering after deducting underwriting fees and offering expenses. The Notes bear cash interest at a rate of 3.75%, payable on February 1 and August 1 of each year, beginning on August 1, 2016. The Notes are not redeemable prior to maturity and are convertible into shares of the Company's common stock. The Notes are initially convertible into approximately 47,716,900 shares of the Company's common stock based on the initial conversion rate of 146.8213 shares of the Company's common stock per $1,000 principal amount of the Notes. This represents an initial conversion price of approximately $6.81 per share of the Company's common stock, representing an approximate 22.5% conversion premium based on the last reported sale price of the Company's common stock of $5.56 per share on January 25, 2016. In addition, the holders of the Notes may require the Company to repurchase the Notes at par value plus accrued and unpaid interest following the occurrence of a Fundamental Change (as described in the Indenture). If a holder of the Notes converts upon a Make-Whole Adjustment Event (as described in the Indenture), they may be eligible to receive a make-whole premium through an increase to the conversion rate up to a maximum of 179.8561 shares per $1,000 principal amount of Notes (subject to other adjustments as described in the Indenture).

The Notes are accounted for in accordance with ASC 470-20, *Debt with Conversion and Other Options* ("ASC 470-20") and ASC 815-40, *Contracts in Entity's Own Equity* ("ASC 815-40"). Under ASC 815-40, to qualify for equity classification (or nonbifurcation, if embedded) the instrument (or embedded feature) must be both (1) indexed to the issuer's stock and (2) meet the requirements of the equity classification guidance. Based upon the Company's analysis, it was determined the Notes do contain embedded features indexed to its own stock, but do not meet the requirements for bifurcation, and therefore do not need to be separately accounted for as an equity component. Since the embedded conversion feature meets the equity scope exception from derivative accounting, and also since the embedded conversion option does not need to be separately accounted for as an equity component under ASC 470-20, the proceeds received from the issuance of the convertible debt were recorded as a liability on the consolidated balance sheet.

In connection with the issuance of the Notes, the Company also paid $38.5 million, including expenses, to enter into privately negotiated capped call transactions with certain financial institutions (the "capped call transactions"). The capped call transactions are generally expected to reduce the potential dilution upon conversion of the Notes in the event that the market price per share of the Company's common stock, as measured under the terms of the capped call transactions, is greater than the strike price of the capped call transactions, which initially corresponds to the conversion price of the Notes, and is subject to anti-dilution adjustments generally similar to those applicable to the conversion rate of the Notes. The cap price of the capped call transactions will initially be $9.73 per share, which represented a premium of approximately 75% based on the last reported sale price of the Company's common stock of $5.56 per share on January 25, 2016, and is subject to certain adjustments under the terms of the capped call transactions. If, however, the market price per share of the Company's common stock, as measured under the terms of the capped call transactions, exceeds the cap price, there would nevertheless be dilution upon conversion of the Notes to the extent that such market price exceeds the cap price. The Company evaluated the capped call transactions under ASC 815-10, *Derivatives and Hedging - Overall* and determined that it should be accounted for as a separate transaction and that the capped call transactions will be classified as an equity instrument.

The Company incurred approximately $10.0 million of debt issuance costs during the first quarter of 2016 relating to the issuance of the Notes, which were recorded as a reduction to the Notes on the consolidated balance sheet. The $10.0 million of debt issuance costs is being amortized and recognized as additional interest expense over the seven year contractual term of the Notes using the effective interest rate method. The Company also incurred $0.9 million of expenses related to the capped call transactions, which were recorded as a reduction to additional paid-in-capital.

Total convertible notes payable consisted of the following at (in thousands):

	September 30, 2017	December 31, 2016
Principal amount of Notes	$ 325,000	$ 325,000
Unamortized debt issuance costs	(7,593)	(8,661)
Total convertible notes payable	$ 317,407	$ 316,339

Interest expense incurred in connection with the Notes consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Coupon interest	$ 3,047	$ 3,047	$ 9,141	$ 8,193
Amortization of debt issuance costs	356	356	1,068	949
Total interest expense on Notes	$ 3,403	$ 3,403	$ 10,209	$ 9,142

Note 8 – Stockholders' Deficit

In December 2016, the Company filed a $200 million universal shelf registration statement that allows the Company to issue and sell common stock, preferred stock, warrants and/or units in one or more offerings up to an aggregate maximum offering amount of $125 million and up to $75 million in gross proceeds of its common stock pursuant to an At Market Issuance Sales Agreement ("Sales Agreement"), which the Company entered into in January 2017.

During the nine months ended September 30, 2017, the Company sold 37.9 million shares of common stock between February 28, 2017 and September 29, 2017 (the "Trading Period") resulting in $46.0 million in net proceeds (this amount excludes $0.6 million received in the fourth quarter of 2017 for shares traded in late September 2017). The weighted average sales price achieved during the Trading Period was $1.25 per share. From October 1, 2017 through November 3, 2017, the Company sold an additional 3.4 million shares of common stock resulting in $3.9 million in net proceeds. Through November 3, 2017, the Company sold aggregate gross proceeds of $51.5 million of common stock of the $75 million total amount available under the Sales Agreement.

During the first quarter of 2016, in connection with the Company's issuance of the Notes, the Company also entered into privately negotiated capped call transactions as discussed in Note 7. The cost of the capped call transactions and associated expenses totaling $38.5 million were recorded as a reduction to additional paid-in-capital.

Note 9 – Stock-Based Compensation

Stock Options

The 2015 Stock Incentive Plan ("2015 Plan") was approved at the Company's annual meeting of stockholders in June 2015. Under the 2015 Plan, equity awards may be granted to officers, directors, employees and consultants of and advisors to the Company and any present or future subsidiary.

The 2015 Plan authorizes the issuance of up to 36,000,000 shares of common stock under equity awards granted under the plan, including an increase of 5,000,000 shares approved at the Company's 2017 annual meeting of stockholders. All such shares authorized for issuance under the 2015 Plan have been reserved. The 2015 Plan will expire on March 4, 2025.

The Amended and Restated 2005 Stock Incentive Plan ("2005 Plan") expired in February 2015 and no new awards may be made under such plan, although awards will continue to be outstanding in accordance with their terms.

The 2015 Plan permits and the 2005 Plan permitted the grant of stock options (including incentive stock options), restricted stock, stock appreciation rights and restricted stock units. In addition, under the 2015 Plan, unrestricted stock, stock units and performance awards may be granted. Stock options and stock appreciation rights generally have a maximum term of 10 years and may be or were granted with an exercise price that is no less than 100% of the fair market value of the Company's common stock at the time of grant. Grants of stock options are generally subject to vesting over periods ranging from six months to four years.

Stock Options Awards

The following is a summary of option activity under the 2015 Plan and 2005 Plan for the nine months ended September 30, 2017:

	2015 Plan		2005 Plan	
	Stock Options	Weighted-Average Exercise Price	Stock Options	Weighted-Average Exercise Price
Outstanding at January 1, 2017	25,104,603	$ 4.87	14,128,129	$ 3.30
Granted	1,217,850	$ 1.32	—	$ —
Exercised	—	$ —	(100,000)	$ 1.24
Canceled	(2,785,714)	$ 4.77	(1,027,325)	$ 3.80
Outstanding at September 30, 2017	23,536,739	$ 4.70	13,000,804	$ 3.27
Shares exercisable at September 30, 2017	6,467,598	$ 7.08	11,673,429	$ 3.02
Shares available for grant at September 30, 2017	12,418,261			

The fair value of stock options granted under the 2015 Plan and 2005 Plan was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Weighted-average Black-Scholes fair value of stock options granted	$0.83	$3.34	$1.02	$2.50
Risk-free interest rate	1.61%-1.75%	0.97%-1.09%	1.61%-2.34%	0.97%-1.70%
Dividend yield	0%	0%	0%	0%
Volatility	111.46-114.10%	58.58%-59.02%	88.91%-114.10%	57.86%-68.28%
Expected term (in years)	4.17-4.18	4.24	4.17-7.46	4.24-7.28
Expected forfeiture rate	0%	10.31%	0%	0%-16.33%

The total aggregate intrinsic value and weighted-average remaining contractual term of stock options outstanding under the 2015 Plan and 2005 Plan as of September 30, 2017 was less than $0.1 million and 7.3 years, respectively. The total aggregate intrinsic value and weighted-average remaining contractual term of stock options exercisable under the 2015 Plan and 2005 Plan as of September 30, 2017 was less than $0.1 million and 6.0 years, respectively. The aggregate intrinsic value represents the total intrinsic value (the difference between the Company's closing stock price on the last trading day of the period and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on September 30, 2017. This amount is subject to change based on changes to the closing price of the Company's common stock. The aggregate intrinsic value of options exercised and vesting of restricted stock awards for the nine months ended September 30, 2017 and 2016 was less than $0.1 million and $2.4 million, respectively.

Employee Stock Purchase Plan

In 2013, the Company adopted an Employee Stock Purchase Plan (the "ESPP"), which currently authorizes an aggregate of 3,450,000 shares of common stock to be purchased, and the aggregate amount of shares will continue to increase 5% on each anniversary of its adoption up to a maximum of 4,000,000 shares. The number of authorized shares and the maximum number of shares both include an increase of 1,000,000 shares approved at the Company's 2016 annual meeting of stockholders. The ESPP allows employees to purchase shares of common stock of the Company at each purchase date through payroll deductions of up to a maximum of 15% of their compensation, at 85% of the lesser of the market price of the shares at the time of purchase or the market price on the beginning date of an option period (or, if later, the date during the option period when the employee was first eligible to participate). At September 30, 2017, there were 808,425 shares available for issuance under the ESPP.

The ESPP is considered compensatory for financial reporting purposes. As such, the fair value of ESPP shares was estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Range of Black-Scholes fair value of ESPP shares granted	$0.45-$5.47	$1.97-$4.76	$0.45-$5.47	$1.86-$4.76
Risk-free interest rate	0.57%-1.13%	0.32%-0.61%	0.45%-1.13%	0.22%-0.61%
Dividend yield	0%	0%	0%	0%
Volatility	54.67%-267.85%	43.03%-86.75%	45.98%-267.85%	43.03%-86.75%
Expected term (in years)	0.5-2.0	0.5-2.0	0.5-2.0	0.5-2.0
Expected forfeiture rate	0%	5%	0%	5%

Restricted Stock Awards

The following is a summary of restricted stock awards activity for the nine months ended September 30, 2017:

	Number of Shares	Per Share Weighted-Average Grant-Date Fair Value
Outstanding and Unvested at January 1, 2017	45,000	$ 4.99
Restricted stock granted	—	$ —
Restricted stock vested	(26,250)	$ 4.99
Restricted stock forfeited	—	$ —
Outstanding and Unvested at September 30, 2017	18,750	$ 4.99

The Company recorded all stock-based compensation expense in the consolidated statements of operations as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Research and development	$ 2,395	$ 2,917	$ 7,143	$ 9,108
General and administrative	1,936	2,239	5,914	6,272
Total stock-based compensation expense	$ 4,331	$ 5,156	$ 13,057	$ 15,380

As of September 30, 2017, there was approximately $30 million of total unrecognized compensation expense related to unvested stock options, ESPP and restricted stock awards. This unrecognized non-cash compensation expense is expected to be recognized over a weighted-average period of 1.3 years, and will be allocated between research and development and general and administrative expenses accordingly. This estimate does not include the impact of other possible stock-based awards that may be made during future periods.

Note 10 – Collaboration, U.S. Government Agreement and Joint Venture

Bill & Melinda Gates Foundation ("BMGF") Grant Agreement

In support of the Company's development of its RSV F Vaccine for infants via maternal immunization, in September 2015, the Company entered into the Grant Agreement with BMGF, under which it was awarded a grant totaling up to $89.1 million (the "Grant"). The Grant supports development activities, including the Company's global Phase 3 clinical trial in pregnant women in their third trimester, product licensing efforts and efforts to obtain World Health Organization ("WHO") prequalification of its RSV F Vaccine. Unless terminated earlier by BMGF, the Grant Agreement will continue in effect until the end of 2021. The Company concurrently entered into a Global Access Commitments Agreement ("GACA") with BMGF as a part of the Grant Agreement. Under the terms of the GACA, among other things, the Company agreed to make the RSV F Vaccine available and accessible at affordable pricing to people in certain low and middle income countries. Unless terminated earlier by BMGF, the GACA will continue in effect until the latter of 15 years from its effective date, or 10 years after the first sale of a product under defined circumstances. The term of the GACA may be extended in certain circumstances, by a period of up to five additional years.

Payments received in advance that are related to future performance are deferred and recognized as revenue when the research and development activities are performed. Cash payments received under the Grant are restricted as to their use until expenditures contemplated in the Grant are incurred. During the three and nine months ended September 30, 2017, the Company recognized revenue from the Grant of $8.0 million and $20.1 million, respectively, and has recognized approximately $33 million in revenue since the inception of the agreement. At September 30, 2017, the Company's current restricted cash and deferred revenue balances on the consolidated balance sheet represent its estimate of costs to be reimbursed and revenue to be recognized, respectively, in the next twelve months under the Grant Agreement.

HHS BARDA Contract for Recombinant Influenza Vaccines

HHS BARDA awarded the Company a contract in 2011, which funded the development of both the Company's quadrivalent seasonal and pandemic influenza virus-like particle ("VLP") vaccine candidates. The contract with HHS BARDA was a cost-plus-fixed-fee contract, which reimbursed the Company for allowable direct contract costs incurred plus allowable indirect costs and a fixed-fee earned in the ongoing clinical development and product scale-up of its multivalent seasonal and monovalent pandemic H7N9 influenza VLP vaccine candidates. In September 2014, HHS BARDA exercised and initiated a two-year option to the contract, which included scope to support development activities leading up to planned Phase 3 clinical studies, added $70 million of funding on top of the remainder of the $97 million base period funding and extended the contract until September 2016. In June 2015, the contract was amended to increase the funding by $7.7 million to allow for the recovery of additional reimbursable costs under the contract relating to the settlement of indirect rates for the years ended December 31, 2011 and 2012. This additional amount was received and recorded as revenue in the second quarter of 2015. The HHS BARDA contract expired in accordance with its terms in September 2016. Billings under the contract were provisional billings, subject to adjustment upon audit by the government, and were based on approved provisional indirect billing rates, which permit recovery of fringe benefits, overhead and general and administrative expenses. These indirect rates are subject to audit by HHS BARDA on an annual basis. An audit of indirect rates for the years ended December 31, 2013 and 2014 was completed in the first quarter of 2017. When the final determination of the additional reimbursable costs for the years ended December 31, 2013 and 2014 has been made, and such amount is known and collection of the amount is reasonably assured, revenue and billings will be adjusted accordingly. The Company has recognized approximately $114 million in revenue under the HHS BARDA contract since the inception of the contract.

CPLB Joint Venture

In 2009, the Company formed a joint venture with Cadila Pharmaceuticals Limited ("Cadila") named CPL Biologicals Private Limited ("CPLB") to develop and manufacture vaccines, biological therapeutics and diagnostics in India. CPLB is owned 20% by the Company and 80% by Cadila. Because CPLB's activities and operations are controlled and funded by Cadila, the Company accounts for its investment using the equity method. Since the carrying value of the Company's initial investment was nominal, and the Company has provided no guarantee or commitment to provide future funding, the Company has not recorded nor expects to record losses related to this investment in the foreseeable future. The Company has recognized as an expense the entire amount of purchases to date under the master services agreements related to CPLB as the Company has not recorded any equity income (loss) of CPLB (see Note 13).

Note 11 – License agreement with Wyeth Holding LLC

In 2007, the Company entered into an agreement to license certain rights from Wyeth Holdings LLC, a subsidiary of Pfizer Inc. ("Wyeth"). The Wyeth license is a non-exclusive, worldwide license to a family of patents and patent applications covering VLP technology for use in human vaccines in certain fields, with expected patent expiration in early 2022. The Wyeth license provides for the Company to make an upfront payment (previously made), ongoing annual license fees, sublicense payments, milestone payments on certain development and commercialization activities and royalties on any product sales. Except in certain circumstances in which the Company continuously markets multiple products in a country within the same vaccine program, the milestone payments are one-time only payments applicable to each related vaccine program. The Company's former seasonal and pandemic influenza VLP vaccine programs are the only two programs to which the Wyeth license applies. The license may be terminated by Wyeth only for cause and may be terminated by the Company only after it has provided ninety (90) days' notice that the Company has absolutely and finally ceased activity, including through any affiliate or sublicense, related to the manufacturing, development, marketing or sale of products covered by the license. In September 2015, the Company entered into an amendment to the license agreement with Wyeth. Among other things, the amendment restructured the $3 million milestone payment ("Milestone") owed as a result of CPLB's initiation of a Phase 3 clinical trial for its recombinant trivalent seasonal VLP influenza vaccine candidate in 2014. Under the amendment, the Milestone, which has increased slightly over time, would be due in connection with the initiation of a Phase 3 clinical trial for the initial seasonal influenza VLP vaccine candidate being developed outside India, but in any case no later than December 31, 2017. The amendment also restructured the final milestone payment to apply to the initial seasonal influenza VLP vaccine candidate being developed outside India. Thus, the aggregate milestone payments for a seasonal influenza VLP vaccine candidate developed and commercialized was increased from $14 million to up to $15 million. In connection with the execution of the amendment, the Company agreed to pay a one-time only payment to Wyeth. The amendment also increased annual license maintenance fees associated with VLP vaccine candidates from $0.2 million to $0.3 million per year. Payments under the agreement to Wyeth as of September 30, 2017 aggregated to $7.6 million. The Milestone has been accrued for, on a discounted basis calculated based on the probable future payment date, and at September 30, 2017, the Milestone is recorded in accrued expenses. The Milestone was recorded as a research and development expense in 2014.

Note 12 – Facility Leases

In May 2016, the Company entered into a lease for a facility located at 1201 Clopper Road Gaithersburg, Maryland with a term expiring in 2030, unless terminated early by the Company in 2026. In August 2017, the Company amended this lease agreement to include, among other things, a landlord early termination right and termination fee, allowing the landlord to terminate the lease by providing 30 days notice to the Company before the expiration of a limited-duration contingency period.

Note 13 – Related Party Transactions

Dr. Rajiv Modi, a director of the Company, is also the managing director of Cadila. The Company and Cadila have formed a joint venture, CPLB (see Note 10). A subsidiary of Cadila owns 2.5 million shares of the Company's outstanding common stock as of September 30, 2017. The Company and Cadila have also entered into master services agreements, pursuant to which Cadila or CPLB may perform certain research, development and manufacturing services for the Company. For the nine months ended September 30, 2017 and 2016, the Company incurred $0.1 million and $0.3 million, respectively, in expenses under the master services agreements. No amount was owed to CPLB under the master services agreement at September 30, 2017; however, the Company owed $0.1 million at December 31, 2016.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Any statements in the discussion below and elsewhere in this Quarterly Report, about expectations, beliefs, plans, objectives, assumptions or future events or performance of Novavax, Inc. ("Novavax", and together with its wholly owned subsidiary Novavax AB, the "Company," "we" or "us") are not historical facts and are forward-looking statements. Such forward-looking statements include, without limitation, statements with respect to our capabilities, goals, expectations regarding future revenue and expense levels and capital raising activities; potential market sizes and demand for our product candidates; the efficacy, safety and intended utilization of our product candidates; the development of our clinical-stage product candidates and our recombinant vaccine and adjuvant technologies; the development of our preclinical product candidates; the conduct, timing and potential results from clinical trials and other preclinical studies; plans for and potential timing of regulatory filings; the expected timing and content of regulatory actions; reimbursement by the Department of Health and Human Services, Biomedical Advanced Research and Development Authority ("HHS BARDA"); payments under our license with Wyeth Holdings LLC, a subsidiary of Pfizer Inc. ("Wyeth"); payments by the Bill & Melinda Gates Foundation ("BMGF"); our available cash resources and the availability of financing generally, plans regarding partnering activities, business development initiatives and the adoption of stock incentive plans and amendments thereto; the effectiveness, and expected costs and savings, and the timing of such costs and savings, associated with the implementation, of our restructuring efforts, and other matters referenced herein. You generally can identify these forward-looking statements by the use of words or phrases such as "believe," "may," "could," "will," "would," "possible," "can," "estimate," "continue," "ongoing," "consider," "anticipate," "intend," "seek," "plan," "project," "expect," "should," "would," or "assume" or the negative of these terms, or other comparable terminology, although not all forward-looking statements contain these words.

Forward-looking statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements. Any or all of our forward-looking statements in this Quarterly Report may turn out to be inaccurate or materially different than actual results.

Because the risk factors discussed in this Quarterly Report and identified in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and other risk factors of which we are not aware, could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by or on behalf of us, you should not place undue reliance on any such forward-looking statements. These statements are subject to risks and uncertainties, known and unknown, which could cause actual results and developments to differ materially from those expressed or implied in such statements. We have included important factors that could cause results to differ in the cautionary statements included in this Quarterly Report, particularly those identified in Part II, Item 1A "Risk Factors," and in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K, that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. These and other risks may also be detailed and modified or updated in our reports and other documents filed with the Securities and Exchange Commission ("SEC") from time to time. You are encouraged to read these filings as they are made.

We cannot guarantee future results, events, levels of activity, performance or achievement. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Overview

We are a clinical-stage biotechnology company focused on the discovery, development and commercialization of recombinant nanoparticle vaccines and adjuvants. Using innovative proprietary recombinant nanoparticle vaccine technology, we produce vaccine candidates to efficiently and effectively respond to both known and emerging disease threats. Our vaccine candidates are genetically engineered three-dimensional nanostructures that incorporate recombinant proteins critical to disease pathogenesis. Our product pipeline targets a variety of infectious diseases, with clinical vaccine candidates for respiratory syncytial virus ("RSV"), influenza and Ebola virus ("EBOV"), and preclinical programs for Zika virus ("ZIKV") and a combination respiratory vaccine candidate, as well as other infectious disease vaccine candidates.

We are also developing immune stimulating saponin-based adjuvants through our wholly owned Swedish subsidiary, Novavax AB. Our lead adjuvant, Matrix-M™, has been shown to enhance immune responses and was well-tolerated in multiple clinical trials that we have conducted.

Product Pipeline

Our product pipeline includes vaccine candidates engineered to elicit differentiated immune responses with the potential to provide increased protection. Our nanoparticle technology targets antigens with conserved epitopes essential for viral function. Unlike traditional vaccines that 'mimic' viruses and elicit naturally occurring immune responses to them, our nanoparticles are engineered to elicit differentiated immune responses, which may be more efficacious than naturally-occurring immunity. Our vaccine technology has the potential to be applied broadly to a wide variety of human infectious diseases.

Program	Current Development Stage
Respiratory Syncytial Virus ("RSV")	
• **Infants via Maternal Immunization**	Phase 3*
• **Older Adults**	Phase 2
• **Pediatrics**	Phase 1
Influenza	
• **Nanoparticle Influenza ("NanoFlu")**	Phase1/2
Emerging Viruses	
• **Ebola Virus ("EBOV")**	Phase 1
• **Zika Virus ("ZIKV")**	Preclinical
Combination Respiratory	Preclinical

*Supported by the $89.1 million grant from BMGF

A current summary of our significant research and development programs and status of the related products in development follows:

Respiratory Syncytial Virus

We have identified three susceptible target populations that could benefit from the development of our respiratory syncytial virus fusion (F) protein nanoparticle vaccine candidate ("RSV F Vaccine") in potentially different formulations: infants via maternal immunization, older adults (60 years of age and older) and children six months to five years of age ("pediatrics"). We believe our RSV F Vaccine represents a multi-billion dollar revenue opportunity, worldwide. Currently, there is no approved RSV vaccine available.

Repeat infection and lifelong susceptibility to RSV are common and we currently estimate the global cost burden of RSV to be in excess of $88 billion.[1] Despite decades of effort to develop an RSV vaccine, there are currently no licensed vaccines. Although the monoclonal antibody palivizumab (Synagis®) is indicated for the prevention of serious lower respiratory tract disease caused by RSV in children at high risk of RSV disease, it is not indicated for use in other populations. We made a breakthrough in developing a vaccine that targets the fusion protein, or F-protein, of the virus. The F-protein has highly conserved amino acid sequences, called antigenic sites, which we believe are ideal vaccine targets. Palivizumab, which targets one such site, antigenic site II, has demonstrated protection in five randomized clinical trials. We genetically engineered a novel F-protein antigen resulting in enhanced immunogenicity by exposing these antigenic sites. The Novavax RSV F Vaccine assembles into a recombinant protein nanoparticle optimized for F-protein antigen presentation. We are seeking to bring the first RSV vaccine to market to combat the 64 million RSV infections that occur globally each year.[2,3]

RSV Infants via Maternal Immunization Program

Burden of Disease

RSV is the most common cause of lower respiratory tract infections and the leading viral cause of severe lower respiratory tract disease in infants and young children worldwide.[4,5] In the U.S., RSV is the leading cause of hospitalization of infants, and globally, is second only to malaria as a cause of death in children under one year of age.[6,7] Despite the induction of post-infection immunity, repeat infection and lifelong susceptibility to RSV is common.[8,9]

Clinical Trial Update

Prepare Phase 3 Trial (Ongoing)

We initiated Prepare™, a global pivotal Phase 3 clinical trial of our RSV F Vaccine, using aluminum phosphate as an adjuvant, in 5,000 to 8,255 healthy pregnant women in December 2015. The primary objective of the Prepare trial is to determine the efficacy of maternal immunization with the RSV F Vaccine against symptomatic RSV lower respiratory tract infection ("LRTI") with objective measures of medical significance in infants through a minimum of the first 90 days of life.

The Prepare trial utilizes a group sequential design and is expected to take between three and four years for enrollment to complete. After discussion with the U.S. Food and Drug Administration, Center for Biologics Evaluation and Research ("FDA"), we plan to conduct an informational analysis of the Prepare trial later this year that would provide an indication of our vaccine's potential efficacy. While the results of this informational analysis will not be public information, they will allow us to make decisions relating to future program-related activities and investments.

The Prepare trial is supported by a grant (the "Grant") of up to $89.1 million from BMGF. The Grant supports development activities, product licensing efforts and World Health Organization ("WHO") prequalification of our RSV F Vaccine. In 2015, along with the Grant agreement (the "Grant Agreement"), we concurrently entered into a Global Access Commitments Agreement with BMGF, under which we agreed to make the RSV F Vaccine available and accessible at affordable pricing to people in certain low and middle income countries.

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[1] Estimated value of life lost, future health implications and lost earnings; Preliminary data based on Novavax research of available epidemiology and health outcomes data

[2] Nair, H., *et al*., (2010) Lancet. 375:1545 - 1555

[3] WHO Acute Respiratory Infections September 2009 Update: http://apps.who.int/vaccine_research/diseases/ari/en/index2.html

[4] Nair, H., *et al*., (2010) Lancet. 375:1545 - 1555

[5] CDC: https://www.cdc.gov/rsv/research/us-surveillance.html

[6] Hall, C.B. *et al*. (2013) Pediatrics; 132(2):E341-348

[7] Oxford Vaccine Group: http://www.ovg.ox.ac.uk/rsv

[8] Glezen, W.P. *et al*. (1986) Am J Dis Child; 140:543-546

[9] Glenn, G.M. *et al*. (2016) JID; 213(3):411-12

Phase 2 Safety and Immunogenicity Trial (Completed)

In September 2015, we announced positive top-line data from a Phase 2 clinical trial of our RSV F Vaccine in 50 healthy pregnant women and their infants. This clinical trial evaluated the safety and immunogenicity of our RSV F Vaccine in pregnant women in their third trimester, and assessed the transplacental transfer of maternal antibodies induced by the vaccine. The trial also examined the impact of maternal immunization on infant safety during the first year of life and RSV-specific antibody levels through the infants' first six months of life. Immunized women demonstrated a geometric mean 14-fold rise in anti-F IgG, 29-fold rise in palivizumab-competing antibodies and a 2.7 and 2.1-fold rise in microneutralization titers against RSV/A and RSV/B, respectively. In contrast, women who received placebo demonstrated no significant change in antibody levels. The infants' antibody levels at delivery averaged 90-100% of the mothers' levels, indicating efficient transplacental transfer of antibodies from mother to infant. The estimated half-lives of infant PCA, anti-F IgG, RSV/A and RSV/B microneutralizing antibodies, based on data through day 60, were 41, 30, 36 and 34 days, respectively.

Fast Track Designation

The FDA granted Fast Track designation to our RSV F Vaccine for protection of infants via maternal immunization. Fast Track designation is intended for products that treat serious or life-threatening diseases or conditions, and that demonstrate the potential to address unmet medical needs for such diseases or conditions. The program is designed to facilitate development and expedite review of drugs to treat serious and life-threatening conditions so that an approved product can reach the market expeditiously.

RSV Older Adults Program

Burden of Disease

Adults 60 years of age and older are at increased risk for RSV disease due to immunosenescence, the age-related decline in the human immune system. In this population, RSV is an important respiratory virus, distinct from influenza, which is frequently responsible for serious lower respiratory tract disease and may lead to hospitalization or even death. Additionally, RSV infection can lead to exacerbation of underlying co-morbidities such as chronic obstructive pulmonary disease, asthma and congestive heart failure. In the U.S., the incidence rate is approximately 2.5 million infections per year, and RSV is increasingly recognized as a significant cause of morbidity and mortality in the population of 64 million older adults.[10,11] Based on our analysis of published literature applied to 2014 U.S. population estimates, the disease causes 207,000 hospitalizations and 16,000 deaths among adults older than 65.[12,13] Annually, we estimate that there are approximately 900,000 medical interventions directly caused by RSV disease across all populations.[14,15]

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[10] Falsey, A.R. *et al.* (2005) NEJM. 352:1749–59 extrapolated to 2015 census population

[11] Falsey, A.R. *et al.* (1995) JID.172:389-94

[12] Falsey, A.R. *et al.* (2005) NEJM. 352:1749–59 extrapolated to 2015 census population

[13] W.W. Thompson et al. Mortality associated with influenza and respiratory syncytial virus in the United States. JAMA 2003; 289(2): 179-186

[14] K. Widmer *et al*. Rates of hospitalizations for respiratory syncytial virus, human metapneumovirus, and influenza virus in older adults. J Infect Dis. 2012; 206: 56-62

[15] K. Widmer *et al*. Respiratory syncytial virus & human metapneumovirus-associated emergency department and hospital burden in adults. Influenza and Other Respiratory Viruses. 2014; 8(3): 347-352.

Clinical Trial Updates and Analyses

Phase 2 (E-205) Safety and Immunogenicity Clinical Trial (Completed)

In July 2017, we announced positive top-line data from the Phase 2 clinical trial of our RSV F Vaccine in older adults known as E-205. The objective of the E-205 trial was to assess safety and immunogenicity to one and two dose regimens of the RSV F Vaccine, with and without aluminum phosphate or our proprietary Matrix-M adjuvant, in older adults. The trial was a randomized, observer-blinded, placebo-controlled trial which enrolled 300 older adults in the Southern Hemisphere. Participants were enrolled and vaccinated outside of the RSV season to best assess immunogenicity. Immunogenicity results indicate both aluminum phosphate and Matrix-M adjuvants significantly increased the magnitude, duration and quality of the immune response relative to RSV F antigen alone. All formulations and regimens were safe and well-tolerated. The data support the inclusion of adjuvanted formulations of our RSV F Vaccine in future older adult trials; those specific trial designs are currently being assessed.

Further Analyses of Prior Clinical Trials

Following the September 2016 announcement of the top-line results of Resolve™, our Phase 3 clinical trial of our RSV F Vaccine in older adults conducted during the 2015-16 RSV season in the U.S., we have conducted multiple analyses on the clinical data from the Resolve trial, the two other completed Phase 2 clinical trials conducted in older adults, and top-line data from the most recent Phase 2 trial conducted in 2017. Our analyses of these clinical trials sought to better understand their results. More detailed descriptions of each of these RSV older adult clinical trials are found in this "Clinical Trial Updates and Analyses" below; the trials are named and briefly described in the following table:

Clinical Trial Name	Phase	Description	Conducted	Participants(#)
E-201	Phase 2	Efficacy in prevention of all symptomatic RSV disease	2014-15 RSV season	1,600
Resolve (or E-301)	Phase 3	Efficacy in prevention of msLRTD	2015-16 RSV season	11,856
E-202 Rollover	Phase 2	Immunogenicity in response to serial immunization after E-201	2015-16 RSV season	1,329
E-205	Phase 2	Immunogenicity in one or two dose, with or without adjuvant	2017	300

We have found that seasonal variation in attack rate, meaning the incidence of an infectious disease in an at-risk population, may have a large impact on demonstrating vaccine efficacy in a particular year. Lower attack rates may mean that either the virus of interest is less common in a given season, or alternatively, that the population being studied has increased intrinsic resistance in that season due to a variety of potential factors such as recent prior exposure. In our E-201 trial, we witnessed a high attack rate and showed a clear demonstration of efficacy. In our Resolve trial the following year, we observed a primary endpoint attack rate of only one-fourth that of the previous season. This scenario is a conundrum that influenza vaccine developers have experienced for decades: "low attack rate" influenza seasons make it very difficult to demonstrate vaccine efficacy.

Additional further analyses of the Resolve trial data indicate that our RSV F Vaccine was associated with a 61% reduction in hospitalizations due to chronic obstructive pulmonary disease ("COPD") exacerbations, and the same analysis of the E-201 trial showed a similar signal, supporting this finding. We are currently evaluating plans to conduct a clinical trial in more susceptible, higher-risk patients (e.g., COPD patients) that could demonstrate vaccine efficacy using an endpoint that is less subject to seasonal variation of RSV disease. We believe that such higher-risk patients represent an unmet medical need with a significant healthcare cost burden that could potentially be addressed by such a vaccine.

Resolve (E-301) Phase 3 Trial (Completed)

In September 2016, we announced top-line data from the Phase 3 clinical trial of our RSV F Vaccine in older adults, known as Resolve. Resolve was a randomized, observer-blinded, placebo-controlled trial that began in November 2015, and was fully enrolled with 11,856 older adults at 60 sites in the U.S. by December 2015. The trial did not meet the pre-specified primary or secondary efficacy objectives and did not demonstrate vaccine efficacy. The primary objective of the Resolve trial was to demonstrate efficacy in the prevention of moderate-severe RSV ("msLRTD"), as defined by the presence of multiple lower respiratory tract symptoms. The secondary objective of the trial was to demonstrate efficacy of the RSV F Vaccine in reducing the incidence of all symptomatic respiratory disease due to RSV ARD. The trial also evaluated the safety of the unadjuvanted, 135 microgram dose of the RSV F Vaccine compared to placebo and consistent with our previous clinical experience, the vaccine was well-tolerated.

Phase 2 (E-202) Rollover Trial (Completed)

In September 2016, we announced positive top-line data from the E-202 Rollover trial of our RSV F Vaccine in older adults. The trial was a randomized, observer-blinded, placebo-controlled rollover trial, which enrolled 1,329 older adults from our prior E-201 trial, conducted at the same 10 sites in the U.S. as the E-201 trial. The primary objectives of the trial evaluated safety and serum anti-F IgG antibody concentrations in response to immunization with the RSV F Vaccine. The exploratory objectives of the trial evaluated the efficacy of a second annual dose of the RSV F Vaccine in the prevention of RSV ARD and RSV msLRTD. Participants previously randomized to receive 135 microgram RSV F Vaccine or placebo were re-enrolled and re-randomized to receive either 135 microgram RSV F Vaccine or placebo. This resulted in analysis of four separate trial arms: a) participants receiving a placebo in both the first trial and second trial ("Placebo-Placebo"); b) participants receiving RSV F Vaccine in the first trial and placebo in the second trial ("Vaccine-Placebo"); c) participants receiving placebo in the first trial and RSV F Vaccine in the second trial ("Placebo-Vaccine"); and d) participants receiving RSV F Vaccine in both the first trial and second trial ("Vaccine-Vaccine").

The E-202 Rollover trial demonstrated immunogenicity in all active vaccine recipients, with a 6-fold increase in anti-F IgG in the Placebo-Vaccine arm, consistent with the E-201 trial. There was higher anti-F IgG at baseline in the Vaccine-Vaccine arm compared to the Placebo-Vaccine arm and the Vaccine-Vaccine arm showed a greater than 2-fold increase in anti-F IgG from the higher baseline.

Phase 2 (E-201) Trial in Older Adults (Completed)

In August 2015, we announced positive top-line data from the E-201 trial of our RSV F Vaccine in 1,600 older adults. The E-201 trial was designed to prospectively examine the incidence of all symptomatic respiratory illnesses associated with RSV infection, in community-living older adults who were treated with placebo. The trial also evaluated safety and immunogenicity of our RSV F Vaccine compared to placebo. Finally, the trial estimated the efficacy of our RSV F Vaccine in reducing the incidence of respiratory illness due to RSV. The trial was the first to demonstrate efficacy of an active RSV immunization in any clinical trial population. In the per protocol population, the clinical trial showed statistically significant vaccine efficacy in prevention of all symptomatic RSV disease (41%) and, in an *ad hoc* analysis, showed a decrease in RSV disease with any symptoms of lower respiratory tract infection (45%) in older adults. The clinical trial established an attack rate for symptomatic RSV disease of 4.9% in older adults, 95% of which included lower respiratory track symptoms. Efficacy against more severe RSV illness, defined by the presence of multiple lower respiratory tract symptoms or signs associated with difficulty breathing, was 64% in ad hoc analyses.

RSV Pediatrics Program

Burden of Disease

There are currently approximately 18 million children in the U.S. between six months and five years of age.[16] By the age of five, essentially all children will have been exposed to RSV and will likely have developed natural immunity against the virus, thus decreasing the rate of severe disease in these children. In the U.S., RSV is responsible for approximately 57,000 hospitalizations of children under five years of age annually, the vast majority of which occur in infants less than one year old, and especially those under six months of age. [17,18,19,20,21]

Clinical Trial Update

In September 2015, we announced positive top-line data from a Phase 1 clinical trial of our RSV F Vaccine in healthy children between two and six years of age. This clinical trial evaluated the safety and immunogenicity of our RSV F Vaccine, with one or two doses, with or without aluminum phosphate adjuvant. Trial enrollment was concluded with a smaller than planned cohort so that dosing could be completed ahead of the 2014-2015 RSV season. The vaccine was well-tolerated and serum samples collected from a subset of 18 immunized children in the per-protocol population, demonstrated that the RSV F Vaccine was highly immunogenic at all formulations and regimens. There were greater than 10-fold increases in both anti-F IgG and PCA antibody titers in the adjuvanted group and greater than 6-fold increases in anti-F IgG and PCA antibody titers in the unadjuvanted group. We are assessing the next steps in the development of our RSV F Vaccine for pediatrics.

Influenza

Burden of Disease

Influenza is a world-wide infectious disease that causes illness in humans with symptoms ranging from mild to life-threatening or even death. Serious illness occurs not only in susceptible populations such as pediatrics and older adults, but also in the general population largely because of infection by unique strains of influenza for which most humans have not developed protective antibodies. Current estimates for seasonal influenza vaccine growth in the top seven markets (U.S., Japan, France, Germany, Italy, Spain and UK), show a potential increase from approximately $3.2 billion in the 2012-2013 season to $5.3 billion by the 2021-2022 season.[22]

The Advisory Committee for Immunization Practices of the Center for Disease Control and Prevention ("CDC") recommends that all persons aged six months and older be vaccinated annually against seasonal influenza. Influenza is a major burden on public health worldwide: an estimated one million deaths each year are attributed to influenza.[23] It is further estimated that, each year, influenza attacks between 5% and 10% of adults and 20% to 30% of children, causing significant levels of illness, hospitalization and death.[24] Recombinant seasonal influenza vaccines, like the candidate we are developing, have an important advantage: once licensed for commercial sale, large quantities of such vaccine can potentially be manufactured quickly and in a cost-effective manner, without the use of either the live influenza virus or eggs.

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[16] U.S. Census. www.census.go/population/international/data/idb/informationGateway.php

[17] Stockman, L.J. *et al* (2012) Pediatr Infect Dis J. 31: 5-9

[18] CDC update May 5, 2015. http://www.cdc.gov/rsv/research/us-surveillance.html

[19] Boyce, T.G. *et al* (2000) Pediatrics; 137: 865-870

[20] Hall, C.B. *et al* (2009) NEJM; 360(6): 588-98

[21] Hall, C.B. *et al* (2013) Pediatrics; 132(2): E341-8

[22] Influenza Vaccines Forecasts. Datamonitor (2013)

[23] Resolution of the World Health Assembly. (2003) WHA56.19. 28

[24] WHO position paper (2012) Weekly Epidemiol Record;87(47):461–76

After many years of developing virus-like particle ("VLP")-based seasonal influenza vaccine candidates, we have identified advantages of developing nanoparticle-based seasonal influenza vaccines. In particular, influenza nanoparticles can display conserved antigenic regions, which have the potential to elicit broadly neutralizing antibodies that may offer protection against a range of "drifted" strains, or influenza strains in which, over time, the hemagglutinin antigen undergoes an accumulation of genetic mutations at the hemagglutinin antigen sites that bind with neutralizing antibodies, potentially resulting in reduced protection of those antibodies. Additionally, nanoparticles offer improved purity and manufacturability and advantages for co-formulation with other nanoparticle-based vaccines.

Clinical Trial Update

In September 2017, we initiated a Phase 1/2 clinical trial of our nanoparticle seasonal influenza vaccine candidate including our proprietary Matrix-M adjuvant ("NanoFlu™") in older adults. The trial is a randomized, observer-blinded, active comparator-controlled trial in approximately 330 healthy older adults. The primary objective of the trial is to assess the safety and immunogenicity of two concentrations (15 micrograms or 60 micrograms) of NanoFlu compared to a licensed influenza vaccine, Sanofi's Fluzone® High-Dose ("Fluzone HD"), currently the leading licensed influenza vaccine for the older adult market. Data from the trial are expected before the end of 2017.

Preclinical Analyses

Preclinical data in which NanoFlu was compared in a head-to-head challenge study against Fluzone HD, as well as Sanofi's regular dose seasonal influenza vaccine, was announced in August 2017 and provide a strong rationale for the initiation of the Phase 1/2 trial. Our NanoFlu vaccine demonstrated significantly stronger and broader immune responses (microneutralizing antibodies) against homologous and heterologous influenza strains, including a series of drifted strains evolved across over more than a decade of influenza seasons. In this preclinical challenge study, we showed that our NanoFlu was more protective than the licensed comparator vaccines against both a homologous virus and a ten-year old drifted strain. In parallel, we announced the achievement of significant improvements in manufacturing yields and product purity.

Emerging Disease

Ebola Virus

EBOV, formerly known as Ebola hemorrhagic fever, is a severe, often fatal illness in humans. Multiple strains of EBOV have been identified, the most recent of which, the Makona EBOV strain, is associated with a case fatality rate of 50% to 90%.[25] There are currently no licensed treatments proven to neutralize the virus, but a range of blood, immunological and drug therapies are under development. Despite the development of such therapies, current vaccine approaches target either a previous strain of the virus or were initially developed to be delivered by genetic vectors. In contrast, our EBOV glycoprotein vaccine candidate ("Ebola GP Vaccine") was developed using the Makona EBOV strain.

In July 2015, we announced top-line data from our Phase 1 clinical trial of our Ebola GP Vaccine in ascending doses, with and without our Matrix-M adjuvant, in 230 healthy adults. Participants received either one or two intramuscular injections ranging from 6.5 micrograms to 50 micrograms of antigen, with or without adjuvant, or placebo. Immunogenicity was assessed at multiple time points, including days 28 and 35. These Phase 1 data demonstrated that our Ebola GP Vaccine is highly immunogenic, well-tolerated and, in conjunction with our proprietary Matrix-M adjuvant, resulted in significant antigen dose-sparing. The adjuvanted Ebola GP Vaccine was highly immunogenic at all dose levels; the adjuvanted two-dose regimens induced Ebola anti-GP antibody geometric mean responses between 45,000 and 70,000 ELISA units, representing a 500 to 750-fold rise over baseline at day 35. In 2015, we also announced successful data from two separate non-human primate challenge studies of our Ebola GP Vaccine in which, in both cases, the challenge was lethal for the control animal, whereas 100% of the immunized animals were protected.

[25] WHO: http://www.who.int/mediacentre/factsheets/fs103/en/

ZIKV EnvD Vaccine

We initiated development of a vaccine against the Zika virus ("ZIKV") in response to the unmet global medical need for a response to this serious disease. Beginning in 2015, ZIKV spread in South, Central and North America via mosquito-borne and sexual transmission. Although acute ZIKV infections in adults are generally either asymptomatic or associated with mild symptoms (fever, joint pains and skin rash), more serious outcomes can occur, including Guillain-Barré syndrome in adults and, microcephaly in infants of women infected during pregnancy. There is no approved vaccine against ZIKV, although a number of companies have announced vaccine development efforts. Our ZIKV vaccine candidate is based on highly purified ZIKV envelope protein dimers ("EnvD") stabilized with a proprietary formulation; in early animal studies, it appears to induce neutralizing antibody responses against multiple stains of ZIKV and other flaviviruses. We are currently conducting IND-enabling preclinical studies, including studies in non-human primates and other animal models; based on data from these studies taken together with the ongoing epidemiology of ZIKV, we will assess a path forward.

Combination Respiratory Vaccine

Given the ongoing development of our RSV F Vaccine and our desire to develop a combination respiratory vaccine with the potential to protect against both RSV and seasonal influenza, we made the decision to shift our seasonal influenza vaccine development focus from VLP-based seasonal influenza vaccines to nanoparticle-based seasonal influenza vaccines. Early preclinical development efforts give us confidence that a combination nanoparticle vaccine against both RSV and influenza is feasible.

CPLB Joint Venture (India)

CPL Biologicals Private Limited ("CPLB"), our joint venture company with Cadila Pharmaceuticals Limited ("Cadila") in India, is actively developing a number of vaccine candidates that were genetically engineered by us. CPLB is owned 20% by us and 80% by Cadila. CPLB operates a manufacturing facility in India for the production of vaccines.

Seasonal Influenza

CPLB received marketing authorization, the Indian equivalent of approval of a Biologics License Application, for its VLP influenza vaccines (both trivalent and monovalent formulations) with limited sales expected in 2017.

Rabies

In October 2016, CPLB initiated its Phase 3 clinical trial in India of a recombinant rabies G protein vaccine candidate that can be administered in prophylactic regimens, both pre and post-exposure. The post-exposure regimen has the potential to use fewer doses (three doses) than the current standard of care (five doses). Data from the trial are expected in 2018.

Sales of Common Stock

In January 2017, we entered into an At Market Issuance Sales Agreement ("Sales Agreement"), which allows us to issue and sell up to $75 million in gross proceeds of our common stock. During the nine months ended September 30, 2017, we sold 37.9 million shares of common stock between February 28, 2017 and September 29, 2017 (the "Trading Period") resulting in $46.0 million in net proceeds (this amount excludes $0.6 million received in the fourth quarter of 2017 for shares traded in late September 2017). The weighted average sales price achieved during the Trading Period was $1.25 per share. From October 1, 2017 through November 3, 2017, we sold an additional 3.4 million shares of common stock resulting in $3.9 million in net proceeds. Through November 3, 2017, we sold aggregate gross proceeds of $51.5 million of common stock of the $75 million total amount available under the Sales Agreement.

Critical Accounting Policies and Use of Estimates

There are no material changes to our critical accounting policies as described in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed with the SEC.

Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under Topic 605, *Revenue Recognition*. The new standard requires a company to recognize revenue when it transfers goods and services to customers in an amount that reflects the consideration that the company expects to receive for those goods or services. ASU 2014-09 defines a five-step process that includes identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue when (or as) the entity satisfies the performance obligations. In July 2015, the FASB approved a one-year deferral of the effective date of the new standard to 2018 for public companies, with an option that would permit companies to adopt the new standard as early as the original effective date of 2017. Early adoption prior to the original effective date is not permitted. ASU 2014-09 allows for either full retrospective or modified retrospective adoption. We have completed an initial assessment of the potential changes from adopting ASU 2014-09, primarily by reviewing our current revenue streams and deferred revenue balances. Based on our initial assessment, we do not expect any material changes to the recognition of our revenue. We have not yet completed our final review of the impact of this guidance, and will continue to evaluate the impacts of adoption over the remainder of the year. We currently expect to apply ASU 2014-09 on a modified retrospective basis as of January 1, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* that increases transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements for both lessees and lessors. The standard will be effective January 1, 2019 for us, with early adoption permitted. The standard will be applied using a modified retrospective approach to the beginning of the earliest period presented in the financial statements. We are expecting to adopt this standard on January 1, 2019 and are currently evaluating the potential expected impact to our consolidated financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows - Restricted Cash* ("ASU 2016-18"), which requires that the change in total cash and cash equivalents at the beginning of period and end of period on the statement of cash flows include restricted cash and restricted cash equivalents. ASU 2016-18 also requires companies who report cash and cash equivalents and restricted cash separately on the balance sheet to reconcile those amounts to the statement of cash flows. The standard will be effective January 1, 2018 for us, with early adoption permitted, and should be applied using a retrospective transition method to each period presented. We currently expect to adopt ASU 2016-18 as of January 1, 2018. Although our restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows, the adoption is not expected to have a material impact on the other aspects of our cash flow statements, or our consolidated financial statements as a whole, including related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350)* ("ASU 2017-04"), which will simplify the goodwill impairment calculation by eliminating Step 2 from the current goodwill impairment test. The new standard does not change how a goodwill impairment is identified. We will continue to perform our quantitative goodwill impairment test by comparing the fair value of our reporting unit to its carrying amount, but if we are required to recognize a goodwill impairment charge, under the new standard, the amount of the charge will be calculated by subtracting the reporting unit's fair value from its carrying amount. Under the current standard, if we are required to recognize a goodwill impairment charge, Step 2 requires us to calculate the implied value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination and the amount of the charge is calculated by subtracting the reporting unit's implied fair value of goodwill from the goodwill carrying amount. The standard will be effective January 1, 2020 for us, with early adoption permitted, and should be applied prospectively from the date of adoption. We are currently evaluating when we will adopt ASU 2017-04 and its expected impact to related disclosures.

Results of Operations

The following is a discussion of the historical financial condition and results of operations of the Company and should be read in conjunction with the unaudited financial statements and notes thereto set forth in this Quarterly Report.

Three Months Ended September 30, 2017 and 2016 (amounts in tables are presented in thousands, except per share information)

Revenue:

	Three Months Ended September 30,		
	2017	2016	Change 2016 to 2017
Revenue:			
Total revenue	$ 8,352	$ 3,231	$ 5,121

Revenue for the three months ended September 30, 2017 was $8.4 million as compared to $3.2 million for the same period in 2016, an increase of $5.1 million or 158%. Revenue for the three months ended September 30, 2017 and 2016 is primarily comprised of services performed under the Grant Agreement. Revenue increased under the Grant Agreement in the amount of $5.3 million as a result of increased enrollment of participants in the Prepare trial.

We expect revenue in 2017 under the Grant Agreement to be significantly higher than in 2016 as we increase enrollment of participants in the Prepare trial.

Expenses:

	Three Months Ended September 30,		
	2017	2016	Change 2016 to 2017
Expenses:			
Research and development	$ 41,862	$ 52,983	$ (11,121)
General and administrative	8,118	13,556	(5,438)
Total expenses	$ 49,980	$ 66,539	$ (16,559)

Research and Development Expenses

Research and development expenses include salaries, laboratory supplies, consultants and subcontractors and other expenses associated with our process development, manufacturing, clinical, regulatory and quality assurance activities for our programs. In addition, indirect costs such as fringe benefits and overhead expenses, are also included in research and development expenses. Research and development expenses decreased to $41.9 million for the three months ended September 30, 2017 from $53.0 million for the same period in 2016, a decrease of $11.1 million, or 21%. The decrease in research and development expenses was primarily due to reduced development activities of our RSV F Vaccine for older adults, other general project-related expenses and lower employee-related costs. At September 30, 2017, we had 298 employees dedicated to our research and development programs versus 468 employees as of September 30, 2016. For 2017, we expect a significant decrease in research and development expenses from 2016 primarily due to lower anticipated RSV F Vaccine candidate clinical trial and employee-related costs to support product development of our RSV F Vaccine candidate and other potential vaccine candidates.

Expenses by Functional Area

We track our research and development expenses by the type of costs incurred in identifying, developing, manufacturing and testing vaccine candidates. We evaluate and prioritize our activities according to functional area and therefore believe that project-by-project information would not form a reasonable basis for disclosure to our investors. Historically, we did not account for internal research and development expenses by project, since our employees work time is spread across multiple programs, and our internal manufacturing clean-room facility produces multiple vaccine candidates.

The following summarizes our research and development expenses by functional area for the three months ended September 30 (in millions):

	2017	2016
Manufacturing	$ 20.1	$ 32.8
Vaccine Discovery	1.1	1.6
Clinical and Regulatory	20.7	18.6
Total research and development expenses	$ 41.9	$ 53.0

We do not provide forward-looking estimates of costs and time to complete our research programs due to the many uncertainties associated with vaccine development. As we obtain data from preclinical studies and clinical trials, we may elect to discontinue or delay clinical trials in order to focus our resources on more promising vaccine candidates. Completion of clinical trials may take several years or more, but the length of time can vary substantially depending upon the phase, size of clinical trial, primary and secondary endpoints and the intended use of the vaccine candidate. The cost of clinical trials may vary significantly over the life of a project as a result of a variety of factors, including: the number of patients who participate in the clinical trials and the specific patient population; the number of sites included in the clinical trials; whether clinical trial locations are domestic, international or both; the time to enroll patients; the duration of treatment and follow-up; the safety and efficacy profile of the vaccine candidate; and the cost and timing of, and the ability to secure, regulatory approvals.

As a result of these uncertainties, we are unable to determine with any significant degree of certainty the duration and completion costs of our research and development projects or when, and to what extent, we will generate future cash flows from our research projects.

General and Administrative Expenses

General and administrative expenses decreased to $8.1 million for the three months ended September 30, 2017 from $13.6 million for the same period in 2016, a decrease of $5.4 million, or 40%. The decrease was primarily due to lower professional fees for pre-commercialization activities and lower employee-related costs, as compared to the same period in 2016. At September 30, 2017, we had 50 employees dedicated to general and administrative functions versus 71 employees as of September 30, 2016. For 2017, we expect general and administrative expenses to decrease from 2016 primarily due to employee headcount reductions announced in November 2016, which we anticipate will result in lower anticipated employee costs, and reduced activities related to the anticipated commercialization of our RSV F Vaccine.

Other Income (Expense):

	Three Months Ended September 30,		
	2017	2016	Change 2016 to 2017
Other Income (Expense):			
Investment income	$ 531	$ 554	$ (23)
Interest expense	(3,520)	(3,511)	(9)
Other income (expense)	10	11	(1)
Total other income (expense)	$ (2,979)	$ (2,946)	$ (33)

We had total other expense of $3.0 million for the three months ended September 30, 2017 as compared to $2.9 million for the same period in 2016.

Net Loss:

	Three Months Ended September 30,		
	2017	2016	Change 2016 to 2017
Net Loss:			
Net loss	$ (44,607)	$ (66,254)	$ 21,647
Net loss per share	$ (0.15)	$ (0.24)	$ 0.09
Weighted shares outstanding	296,435	271,064	25,371

Net loss for the three months ended September 30, 2017 was $44.6 million, or $0.15 per share, as compared to $66.3 million, or $0.24 per share, for the same period in 2016, a decreased net loss of $21.6 million. The decreased net loss was primarily due to lower research and development spending, including decreased costs relating to the clinical trials and development activities of our RSV F Vaccine, and lower overall employee-related costs, as compared to the same period in 2016.

Weighted average shares outstanding for the three months ended September 30, 2017 increased by 9% as compared to the same period in 2016, primarily as a result of sales of our common stock in 2017.

Nine Months Ended September 30, 2017 and 2016 (amounts in tables are presented in thousands, except per share information)

Revenue:

	Nine Months Ended September 30,		
	2017	2016	Change 2016 to 2017
Revenue:			
Total revenue	$ 20,764	$ 9,954	$ 10,810

Revenue for the nine months ended September 30, 2017 was $20.8 million as compared to $10.0 million for the same period in 2016, an increase of $10.8 million or 109%. Revenue for the nine months ended September 30, 2017 and 2016 is primarily comprised of services performed under the Grant Agreement and the HHS BARDA contract. Revenue increased under the Grant Agreement in the amount of $14.2 million as a result of increased enrollment of participants in the Prepare trial, which was partially offset by $2.2 million in decreased revenue from services performed under the HHS BARDA contract, which expired in accordance with its terms in September 2016.

Expenses:

	Nine Months Ended September 30,		
	2017	2016	Change 2016 to 2017
Expenses:			
Research and development	$ 118,779	$ 186,839	$ (68,060)
General and administrative	25,911	38,183	(12,272)
Total expenses	$ 144,690	$ 225,022	$ (80,332)

Research and Development Expenses

Research and development expenses include salaries, laboratory supplies, consultants and subcontractors and other expenses associated with our process development, manufacturing, clinical, regulatory and quality assurance activities for our programs. In addition, indirect costs such as fringe benefits and overhead expenses, are also included in research and development expenses. Research and development expenses decreased to $118.8 million for the nine months ended September 30, 2017 from $186.8 million for the same period in 2016, a decrease of $68.1 million, or 36%. The decrease in research and development expenses was primarily due to reduced development activities of our RSV F Vaccine for older adults and lower employee-related costs. At September 30, 2017, we had 298 employees dedicated to our research and development programs versus 468 employees as of September 30, 2016.

Expenses by Functional Area

The following summarizes our research and development expenses by functional area for the nine months ended September 30 (in millions):

	2017	2016
Manufacturing	$ 59.1	$ 93.4
Vaccine Discovery	4.1	4.8
Clinical and Regulatory	55.6	88.6
Total research and development expenses	$ 118.8	$ 186.8

General and Administrative Expenses

General and administrative expenses decreased to $25.9 million for the nine months ended September 30, 2017 from $38.2 million for the same period in 2016, a decrease of $12.3 million, or 32%. The decrease was primarily due to lower professional fees for pre-commercialization activities and lower employee-related costs, as compared to the same period in 2016. At September 30, 2017, we had 50 employees dedicated to general and administrative functions versus 71 employees as of September 30, 2016.

Other Income (Expense):

	Nine Months Ended September 30,		
	2017	2016	Change 2016 to 2017
Other Income (Expense):			
Investment income	$ 1,528	$ 1,701	$ (173)
Interest expense	(10,549)	(9,457)	(1,092)
Other income (expense)	20	(33)	53
Total other income (expense)	$ (9,001)	$ (7,789)	$ (1,212)

We had total other expense of $9.0 million for the nine months ended September 30, 2017 as compared to $7.8 million for the same period in 2016. Our interest expense increased due to the issuance of $325 million aggregate principal amount of convertible senior unsecured notes (the "Notes") in the first quarter of 2016, which will mature on February 1, 2023.

Net Loss:

	Nine Months Ended September 30,		
	2017	2016	Change 2016 to 2017
Net Loss:			
Net loss	$ (132,927)	$ (222,857)	$ 89,930
Net loss per share	$ (0.47)	$ (0.82)	$ 0.35
Weighted shares outstanding	284,767	270,669	14,098

Net loss for the nine months ended September 30, 2017 was $132.9 million, or $0.47 per share, as compared to $222.9 million, or $0.82 per share, for the same period in 2016, a decreased net loss of $89.9 million. The decreased net loss was primarily due to lower research and development spending, including decreased costs relating to the clinical trials and development activities of our RSV F Vaccine, and lower overall employee-related costs, as compared to the same period in 2016.

Weighted average shares outstanding for the nine months ended September 30, 2017 increased by 5% as compared to the same period in 2016, primarily as a result of sales of our common stock in 2017.

Liquidity Matters and Capital Resources

Our future capital requirements depend on numerous factors including, but not limited to, the commitments and progress of our research and development programs, the progress of preclinical and clinical testing, the time and costs involved in obtaining regulatory approvals, the costs of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights and manufacturing costs. We plan to continue to have multiple vaccines and products in various stages of development, and we believe our operating expenses and capital requirements will fluctuate depending upon the timing of certain events, such as the scope, initiation, rate and progress of our preclinical studies and clinical trials and other research and development activities. We have primarily funded our operations from proceeds through the sale of common stock in equity offerings, the issuance of convertible debt and revenue under our former contract with HHS BARDA and our current Grant Agreement with BMGF.

As of September 30, 2017, we had $172.6 million in cash and cash equivalents and marketable securities as compared to $235.5 million as of December 31, 2016. These amounts consisted of $104.2 million in cash and cash equivalents and $68.3 million in marketable securities as of September 30, 2017 as compared to $144.4 million in cash and cash equivalents and $91.1 million in marketable securities as of December 31, 2016.

The following table summarizes cash flows for the nine months ended September 30, 2017 and 2016 (in thousands):

	Nine Months Ended September 30,		
	2017	2016	Change 2016 to 2017
Summary of Cash Flows:			
Net cash (used in) provided by:			
Operating activities	$ (106,618)	$ (194,219)	$ 87,601
Investing activities	19,205	(57,888)	77,093
Financing activities	47,125	279,084	(231,959)
Effect on exchange rate on cash and cash equivalents	180	(137)	317
Net (decrease) increase in cash and cash equivalents	(40,108)	26,840	(66,948)
Cash and cash equivalents at beginning of period	144,353	93,108	51,245
Cash and cash equivalents at end of period	$ 104,245	$ 119,948	$ (15,703)

Net cash used in operating activities decreased to $106.6 million for the nine months ended September 30, 2017 as compared to $194.2 million for the same period in 2016. The decrease in cash usage was primarily due to decreased costs relating to our RSV F Vaccine and lower overall employee-related costs.

During the nine months ended September 30, 2017 and 2016, our investing activities consisted of purchases and maturities of marketable securities and capital expenditures. Capital expenditures for the nine months ended September 30, 2017 and 2016 were $3.5 million and $15.0 million, respectively. The decrease in capital expenditures was primarily due to reduced capital requirements based on our current operating plans. In 2017, we expect our level of capital expenditures to be significantly lower than our 2016 spending primarily due to the timelines being extended for the commercialization of our RSV F Vaccine.

Our financing activities consisted primarily of sales of our common stock, issuance of Notes and to a much lesser extent, stock option exercises and purchases under our employee stock purchase plan. In the nine months ended September 30, 2017, we received net proceeds of $46.0 million from selling shares of common stock through our Sales Agreement during the Trading Period. The weighted average sales price achieved during the Trading Period was $1.25 per share. From October 1, 2017 through November 3, 2017, we sold an additional 3.4 million shares of commons stock resulting in $3.9 million in net proceeds. In the nine months ended September 30, 2016, we received net proceeds of $276.5 million through the issuance of our Notes and payments of capped call transactions (see Note 7 to the consolidated financial statements in Item 1).

In August 2015, we amended the lease for our facility located in Gaithersburg, Maryland to increase the amount of space leased by us to now include the entire facility. Under the terms of the amended lease, the landlord provides us with a tenant improvement allowance of $3.9 million. Through September 30, 2017, we were funded $3.4 million under this tenant improvement allowance. In May 2016, we entered into a lease for a facility located at 1201 Clopper Road Gaithersburg, Maryland and under the terms of the lease the landlord provides us with a tenant improvement allowance of up to $9.6 million, and $1.2 million has been funded as of September 30, 2017. In August 2017, we amended this lease agreement to include, among other things, a landlord early termination right and termination fee, allowing the landlord to terminate the lease by providing 30 days notice to us before the expiration of a limited-duration contingency period.

In 2007, we entered into an agreement to license certain rights from Wyeth. The Wyeth license is a non-exclusive, worldwide license to a family of patents and patent applications covering VLP technology for use in human vaccines in certain fields, with expected patent expiration in early 2022. The Wyeth license provides for us to make an upfront payment (previously made), ongoing annual license fees, sublicense payments, milestone payments on certain development and commercialization activities and royalties on any product sales. Except in certain circumstances in which we continuously market multiple products in a country within the same vaccine program, the milestone payments are one-time only payments applicable to each related vaccine program. Our former seasonal and pandemic influenza VLP vaccine programs are the only two programs to which the Wyeth license applies. The license may be terminated by Wyeth only for cause and may be terminated by us only after we have provided ninety (90) days' notice that we have absolutely and finally ceased activity, including through any affiliate or sublicense, related to the manufacturing, development, marketing or sale of products covered by the license. In September 2015, we amended the license agreement with Wyeth. Among other things, the amendment restructured the $3 million milestone payment ("Milestone") owed as a result of CPLB's initiation of a Phase 3 clinical trial for its recombinant trivalent seasonal VLP influenza vaccine candidate in 2014. Under the amendment, the milestone payment, which has increased slightly over time, shall be due in connection with the initiation of a Phase 3 clinical trial for the initial seasonal influenza VLP vaccine candidate being developed outside India, but in any case no later than December 31, 2017. The amendment also restructured the final milestone payment to apply to the initial seasonal influenza VLP vaccine candidate being developed outside India. Thus, the aggregate milestone payments for a seasonal influenza VLP vaccine candidate developed and commercialized was increased from $14 million to up to $15 million. In connection with the execution of the amendment, we agreed to pay a one-time only payment to Wyeth. The amendment also increased annual license maintenance fees associated with VLP vaccine candidates from $0.2 million to $0.3 million per year. Payments under the agreement to Wyeth as of September 30, 2017 aggregated $7.6 million. The Milestone was accrued for on the consolidated balance sheet in other current liabilities at December 31, 2014. The Milestone has been accrued for, on a discounted basis calculated based on the probable future payment date, and at September 30, 2017, the Milestone is recorded in accrued expenses. The Milestone was recorded as a research and development expense in 2014.

Based on our September 30, 2017 cash and cash equivalents and marketable securities balances, along with anticipated revenue under the Grant Agreement, we believe we have adequate capital to fund our operating plans for a minimum of twelve months from the date that this Quarterly Report was filed. Additional capital may be required in the future to develop our vaccine candidates through clinical development, manufacturing and commercialization. We plan to meet such near term capital requirements primarily through cash and investments on hand, and a combination of equity and debt financings, collaborations, strategic alliances and marketing distribution or licensing arrangements and in the longer term, from revenue related to product sales, to the extent our product candidates receive marketing approval and can be commercialized. Our ability to obtain additional capital in the near term will likely be subject to various factors, including our ability to perform and thus generate revenue under the Grant Agreement, our overall business performance and market conditions.

Any capital raised by an equity offering or convertible securities has the potential to be substantially dilutive to the existing stockholders and any collaborations, strategic alliances and marketing distribution or licensing arrangements may require us to give up some or all rights to a product or technology at less than its full potential value. There can be no assurances that new financing will be available to us on commercially acceptable terms, if at all. If we are unable to perform under the Grant Agreement or obtain additional capital, we will assess our capital resources and may be required to delay, reduce the scope of, or eliminate one or more of our product research and development programs, and/or downsize our organization, including our general and administrative infrastructure.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary objective of our investment activities is preservation of capital, with the secondary objective of maximizing income. As of September 30, 2017, we had cash and cash equivalents of $104.2 million, marketable securities of $68.3 million, all of which are short-term, and working capital of $157.7 million.

Our exposure to market risk is primarily confined to our investment portfolio. As of September 30, 2017, our investments were classified as available-for-sale. We do not believe that a change in the market rates of interest would have any significant impact on the realizable value of our investment portfolio. Changes in interest rates may affect the investment income we earn on our marketable securities when they mature and the proceeds are reinvested into new marketable securities and, therefore, could impact our cash flows and results of operations.

Interest and dividend income is recorded when earned and included in investment income. Premiums and discounts, if any, on marketable securities are amortized or accreted to maturity and included in investment income. The specific identification method is used in computing realized gains and losses on the sale of our securities.

We are headquartered in the U.S. where we conduct the vast majority of our business activities. We have one foreign consolidated subsidiary, Novavax AB, which is located in Sweden. A 10% decline in the exchange rate between the U.S. dollar and Swedish Krona would result in a reduction of stockholders' deficit of approximately $3.0 million at September 30, 2017.

Our Notes have a fixed interest rate and we have no additional material debt. As such, we do not believe that we are exposed to any material interest rate risk as a result of our borrowing activities.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the assistance of our chief executive officer and chief financial officer, has reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of September 30, 2017. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving such control objectives. Based on the evaluation of our disclosure controls and procedures as of September 30, 2017, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

Our management, including our chief executive officer and chief financial officer, has evaluated any changes in our internal control over financial reporting that occurred during the quarterly period ended September 30, 2017, and has concluded that there was no change that occurred during the quarterly period ended September 30, 2017 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Other than the additional risk factor disclosed below, there are no material changes to the Company's risk factors as described in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

The NASDAQ Global Select Market has a listing requirement; if a participating company no longer meets such requirements and fails to correct the listing deficiency, its stock may be delisted.

The NASDAQ Global Select Market ("NASDAQ"), on which our common stock is listed and traded, has listing requirements that include a $1 minimum closing bid price requirement. If we fail to satisfy this or other listing requirements, NASDAQ may elect, subject to any potential cure periods, to initiate a process that may delist our common stock. Should such a delisting occur, it may adversely impact the liquidity and price of our common stock, impede our ability to raise capital and would constitute a fundamental change under our Notes. Additional information regarding fundamental changes under our Notes can be found in Part I, Item 1A, "Risk Factors - Risks Related to Our Convertible Senior Notes – We may not have the ability to raise the funds necessary to repurchase the Notes as required upon a fundamental change, and our future debt may contain limitations on our ability to repurchase the Notes" of our Annual Report on Form 10-K.

Item 5. Other Information

None

Item 6. Exhibits

3.1	Second Amended and Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, filed August 10, 2015)
3.2	Amended and Restated By-Laws of the Company (Incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed March 12, 2013)
10.1*	First Amendment to Lease Agreement for space at 1201 Clopper Road between IP9 1201 Clopper Road , LLC and Novavax, Inc., dated August 23, 2017
10.2*	Consulting Agreement between Novavax, Inc. and Barclay A. Phillips, effective November 9, 2017
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(e) of the Securities Exchange Act
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(e) of the Securities Exchange Act
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, (ii) the Consolidated Statements of Operations for the three and nine-month periods ended September 30, 2017 and 2016, (iii) the Consolidated Statements of Comprehensive Loss for the three and nine-month periods ended September 30, 2017 and 2016, (iv) the Consolidated Statements of Cash Flows for the nine-month periods ended September 30, 2017 and 2016, and (v) the Notes to Consolidated Financial Statements.

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NOVAVAX, INC.

Date: November 7, 2017

By: /s/ Stanley C. Erck
President and Chief Executive Officer
and Director
(Principal Executive Officer)

Date: November 7, 2017

By: /s/ Barclay A. Phillips
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 10.1

FIRST AMENDMENT TO DEED OF LEASE

THIS FIRST AMENDMENT TO DEED OF LEASE ("First Amendment") is made and entered into this 23 day of August 2017 (the "Effective Date") by and between IP9 1201 CLOPPER ROAD, LLC, a Maryland limited liability company (hereinafter called "Landlord"), and NOVAVAX, INC., A Delaware corporation (hereinafter called "Tenant").

BACKGROUND:

A. Landlord and Tenant have entered into a certain Deed of Lease dated May 3, 2016 (the "Lease") with respect to the lease by Tenant of that certain premises comprising approximately 147,051 rentable square feet of office space in the building located at 1201 Clopper Road, Gaithersburg, Maryland, as more particularly described in the Lease (the "Premises").

B. Landlord and Tenant desire to enter into this First Amendment and amend the Lease to provide for a potential early termination of the Lease upon the terms set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, Landlord and Tenant hereby agree as follows:

1. Defined Terms. All capitalized terms used in this First Amendment which are not otherwise defined shall have the same meanings ascribed to such terms in the Lease.

2. Landlord's Termination Right. Notwithstanding anything to the contrary contained in the Lease, Landlord shall have the right ("Landlord's Termination Right") to terminate the Lease effective as of the date (the "Lease Termination Date") that is thirty (30) days following Tenant's receipt of Landlord's notice (the "Landlord's Notice"), as though such date were the date originally set forth in the Lease as its expiration date, provided that Tenant receives the Landlord's Notice before the expiration of the Contingency Period (as such term is defined in Paragraph 5 below), and Tenant will surrender possession of the Premises in the condition required under the Lease, including, but not limited to, Section 40 of the Lease, and as amended hereby, on or before the Lease Termination Date, and the parties' respective rights and obligations accruing under the Lease shall terminate on such Lease Termination Date (except for those rights and obligations which expressly, or by their nature, survive the termination of the Lease, including all indemnification obligations under the Lease). Further, any options of Tenant to expand the Premises, to lease or to negotiate to lease additional space, to purchase the Premises, and any renewal or extension options under the Lease shall be null and void effective on the date of Landlord's Notice. Nothing contained in this First Amendment shall be deemed to waive any claims that Landlord may have against Tenant for Rent due and payable under the Lease prior to the Lease Termination Date. Promptly following Landlord's Notice, the parties shall act in good faith to enter into an agreement confirming the provisions of the termination of the Lease (the "Termination Agreement") substantially in the form attached hereto as Exhibit A; provided, however, an otherwise valid exercise of Landlord's rights hereunder shall be effective to terminate the Lease whether or not such Termination Agreement is executed by the parties, and in the event of any failure of the parties to execute such Termination Agreement prior to the Lease Termination Date, the terms and conditions set forth in Paragraph 5 of the Termination Agreement shall be deemed to be automatically incorporated into this First Amendment and shall be fully binding upon Landlord and Tenant.

3. Representations and Warranties.

(a) Landlord represents and warrants to Tenant that Landlord has not assigned its interest in the Lease and that Landlord has the full power and authority to enter into this First Amendment and to perform its obligations hereunder without the authorization or consent of any person or entity which has not already been obtained except as provided in Paragraph 5.

(b) Tenant represents and warrants to Landlord that Tenant has not assigned its interest in the Lease or sublet the Premises and that it has the full power and authority to enter into this First Amendment and to perform its obligations hereunder without the consent or approval of any other person or entity which has not already been obtained. Tenant further represents and warrants that, as of the Lease Termination Date, (i) all Hazardous Materials licenses and permits held by or on behalf of Tenant or its agents with respect to the Premises shall have been terminated or released, (ii) the Premises shall be free from any residual impact from Tenant's use of Hazardous Materials, (iii) Tenant shall remove from the Premises and the Building any and all Hazardous Materials brought upon the Premises by Tenant or its agents (but excluding any Hazardous Materials existing on the Premises prior to the Lease Commencement Date), and (iv) to the extent that Tenant used, stored, handled, treated, generated, released or disposed of any Hazardous Materials at or from the Premises or the Building, Tenant complied with all applicable Laws in connection therewith. Tenant hereby indemnifies and agrees to hold Landlord harmless from and against any and all actions, costs, claims, actual and consequential damages, fines, forfeitures or other civil, administrative or criminal penalties, injunctive or other relief, liabilities or losses directly arising from a breach of any of the representations and warranties set forth in this paragraph. The terms regarding Hazardous Materials set forth in Paragraph 5 of the Termination Agreement shall survive the termination of the Lease.

4. Consideration Payable to Landlord for Lease Termination. On or before the Lease Termination Date, in consideration of Landlord's agreement to terminate the Lease early as provided herein, Tenant shall pay to Landlord as Additional Rent a sum equal to Five Million Two Hundred Eighty-Six Thousand and 00/100 Dollars ($5,286,000.00) on or before the Lease Termination Date (collectively, a "Lease Termination Fee"). The Lease Termination Fee shall be in addition to all sums due and payable pursuant to the Lease through and including the Lease Termination Date. If Tenant does not submit the Lease Termination Fee in accordance with this First Amendment, such failure shall be a Default under the Lease (without the requirement for Landlord to provide any notice to Tenant) and in addition to all other remedies that Landlord shall have with respect to Tenant's Default, under the Lease or at law or in equity, Tenant shall be responsible for any and all damages, including incidental, indirect and consequential damages, that Landlord may suffer as a result of a breach of this First Amendment.

5. Contingency Period; Landlord's Termination Right. In the event that Landlord has not delivered Landlord's Notice as provided herein on or before that date which is the ninetieth (90^{th}) day following the Effective Date (the "Contingency Period"), then Landlord's Termination Right shall automatically expire and shall be of no further force and effect on that date which is the ninety-first (91^{st}) day following the Effective Date; provided, however, if Landlord is then actively negotiating the terms of a lease with a replacement tenant as of the ninetieth (90^{th}) day following the Effective Date, then Landlord shall have the right to extend the Contingency Period for a period of not more than sixty (60) days upon written notice to Tenant, in which case, the Allowance Sunset Date (defined in Paragraph 7.d. hereof) shall be extend by one (1) day for each day the Contingency Period is extended as provided herein.

6. [Intentionally Omitted.]

7. Tenant's Work; Tenant Allowance.

a. Notwithstanding anything to the contrary contained in the Lease, as amended hereby, Tenant shall not perform any Alterations (as that term is defined in Section 8 of the Lease (captioned "Alterations by Tenant")), including, without limitation any Tenant's Work (defined in Section 3 of the Work Agreement attached to the Lease as Exhibit C (the "Work Agreement")), during the Contingency Period.

b. Notwithstanding anything to the contrary contained in the Lease, as amended hereby, Tenant hereby acknowledges and agrees that it shall not have the right to receive any portion of the Tenant Allowance (defined in Section 4 of the Work Agreement) nor shall Landlord have any obligation to pay any portion of the Tenant Allowance to Tenant during the Contingency Period. In the event that Tenant performs any Tenant's Work in the Premises during the Contingency Period, despite the provisions of this Paragraph 7, regardless of whether the Lease continues in full force and effect following the expiration of the Contingency Period, Landlord shall have no obligation to provide Tenant any portion of the Tenant Allowance for any Tenant's Work performed during the Contingency Period.

c. Notwithstanding any provision herein to the contrary, if Landlord does not exercise Landlord's Termination Right such that the Lease continues in full force and effect following the expiration of the Contingency Period, then following the expiration of the Contingency Period, Tenant shall be entitled to receive payments from Landlord out of the Tenant Allowance pursuant to the terms and conditions set forth in the Work Agreement for work performed and materials purchased prior to the Effective Date (but not for any work performed or materials purchased during the Contingency Period).

d. Effective as of the date hereof, the Work Agreement is hereby amended by deleting all of the language in the penultimate sentence of the third paragraph of Section 4 of the Work Agreement and substituting the following language in lieu thereof: "Any portion of the Tenant Allowance for which disbursement has not been properly requested prior to March 21, 2018 (the 'Allowance Sunset Date') shall be deemed to have been forfeited by Tenant and shall no longer be available to Tenant. The Allowance Sunset Date shall be subject to extension solely to the extent provided in Paragraph 5 of the First Amendment."

e. In the event Landlord elects to exercise Landlord's Termination Right as provided herein, then, effective on the date of Landlord's Notice, and, in consideration of the agreements set forth herein, Tenant, on its behalf and on behalf of any party claiming by, through or under Tenant, hereby agrees to forever and irrevocably relinquish any claims that Tenant may have with respect to the Tenant Allowance and hereby agrees to release Landlord and its successor and/or assigns from any such claims.

f. In the event Landlord elects to exercise Landlord's Termination Right as provided herein, then (i) Landlord and Tenant expressly acknowledge and agree that the Lease Termination Fee shall be in the amount set forth in Paragraph 4 above, (ii) any and all payments of the Tenant Allowance made by Landlord shall have no impact on the amount of the Lease Termination Fee, (iii) Tenant shall have no obligation to refund to Landlord any such payments made out of the Tenant Allowance, and (iv) Landlord shall have no obligation to fund any portion of the Tenant Allowance, regardless of the date when costs may have been incurred by Tenant that would otherwise be payable from the Tenant Allowance in the absence of the termination of the Lease.

8. Tenant's Surrender of the Premises.

a. In the event Landlord exercises the Landlord's Termination Right, then on or before the Lease Termination Date, Tenant shall vacate and surrender possession of the Premises to Landlord and shall relinquish all of the rights granted to it under the Lease with respect to the Premises on its behalf and on behalf of any parties claiming through it. Tenant shall leave the Premises in accordance with the terms and provisions of the Lease, as amended hereby, including, but not limited to, Section 40 of the Lease (provided, however, that all requirements set forth in the Lease regarding a Surrender Plan (as such term is used in the Lease) shall be deemed null and void and of no force and effect in the event of Landlord's exercise of Landlord's Termination Right), on or before the Lease Termination Date, except that Tenant shall have no obligation to remove any Alterations or Installations made by or on behalf of Tenant as of the Effective Date (including, without limitation, the Tenant's Work). Landlord shall have the right to dispose of any of Tenant's Personal Property (as such term is defined in the Lease) which remain in the Premises after the Lease Termination Date, in any manner it shall deem appropriate, and the proceeds of such disposition (or, in the event Landlord elects to retain them, the items themselves) shall belong entirely to Landlord. Tenant hereby expressly waives all rights it may have with regard to such abandoned Tenant's Personal Property and expressly authorizes Landlord to dispose of same in any manner deemed appropriate by Landlord, Tenant hereby waiving any and all rights it may have with regard to Landlord's compliance with any laws for the benefit of Tenants or debtors, to the full extent that such rights may be waived by Tenant.

b. In the event Landlord exercises the Landlord's Termination Right, then on or before the Lease Termination Date, (i) Tenant shall have paid for all improvements, work or services performed on or furnished to the Premises (including, but not limited to all Tenant's Work) and hereby indemnifies and holds Landlord harmless against and from any and all claims, costs, expenses, liabilities, and damages resulting from any breach of the foregoing representation and warranty, including, without limitation, reasonable attorneys' fees and disbursements (including those incurred by Landlord in enforcing this indemnity); (ii) any and all subleases and licenses of any portion of the Premises between Tenant, as sublessor, and any third party, as sublessee, shall have terminated as of the Lease Termination Date, and no such sublessee or licensee shall thereafter be in possession of any portion of the Premises from and after the Lease Termination Date, and (iii) Tenant shall have canceled all contracts or agreements to which Tenant is a party for management, maintenance, or other services relating to the Premises (it being agreed, however, that Tenant shall be deemed to have satisfied this requirement if Tenant has, promptly upon receiving Landlord's Notice, delivered notices of cancelation of such contracts and agreements and the notice periods are due to expire within five (5) business days of the Lease Termination Date).

9 . Captions. The captions preceding the various paragraphs of this First Amendment have been inserted solely for convenience of reference and shall not be used in construing this First Amendment.

10. Notices. All notices, demands, request or other communications from each party to the other required or permitted under this First Amendment shall be given in the manner provided in the Lease.

11. Choice of Law. This First Amendment shall be governed by, construed and enforced in accordance with the laws of the State of Maryland.

12. Successors and Assigns. This First Amendment shall be binding upon the parties hereto and their respective successors and assigns.

13. Reaffirmation of Terms. Except as expressly modified by this First Amendment, all terms and provisions of the Lease shall remain in full force and effect.

14. Counterparts. This First Amendment may be executed in counterparts, each of which shall be deemed a duplicate original hereof. This First Amendment may be executed by the parties by facsimile or .PDF electronic signatures, and such facsimile or .PDF electronic signatures shall be binding upon the parties.

15. Entire Agreement. This First Amendment constitutes the entire agreement between Landlord and Tenant concerning the subject matter of this First Amendment. This First Amendment may not be amended in any manner whatsoever except pursuant to a written agreement executed by both Landlord and Tenant.

[Signatures appear on the following page.]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment the day and year first set forth above.

WITNESS:

By: Amy Rowe

LANDLORD:
IP9 1201 CLOPPER ROAD, LLC, a Maryland limited liability company

By: /s/ Keith Knight
Name: Keith Knight
Its: Vice President

ATTEST:
[Corporate Seal]

By: /s/ Barclay Phillips
Name: Barclay Phillips
Its: SVP, CFO

TENANT:
NOVAVAX, INC., a Delaware corporation

By: /s/ John A. Herrmann III
Name: John A. Herrmann III
Its: SVP, General Counsel & Secretary

EXHIBIT A

LEASE TERMINATION AGREEMENT

THIS LEASE TERMINATION AGREEMENT ("Termination Agreement") is made and entered into this ___ day of _____, 20__ (the "Effective Date") by and between IP9 1201 CLOPPER ROAD, LLC, a Maryland limited liability company (hereinafter called "Landlord"), and NOVAVAX, INC., a Delaware corporation (hereinafter called "Tenant").

BACKGROUND:

A. Landlord and Tenant have entered into a certain Deed of Lease dated May 3, 2016 (the "Original Lease"), as amended by that certain First Amendment to Deed of Lease dated _____, 2017 (the "First Amendment") (collectively, the " Lease") with respect to the lease by Tenant of that certain premises comprising approximately 147,051 rentable square feet of office space in the building located at 1201 Clopper Road, Gaithersburg, Maryland, as more particularly described in the Lease (the "Premises").

B. Landlord and Tenant have agreed to terminate the Lease prior to the scheduled expiration date of the Lease pursuant to the terms set forth herein.

C. Landlord and Tenant now wish to amend the Lease to provide for the early termination of the Lease in accordance with the terms set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, Landlord and Tenant hereby agree as follows:

1. Capitalized Terms. Capitalized terms used in this Termination Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Lease.

2. Lease Termination Date. The parties agree that Landlord has properly exercised the Landlord's Termination Right pursuant to the terms of the First Amendment and, accordingly, the Lease shall terminate as of 11:59 P.M. on _____, 20__ (the "Lease Termination Date") in accordance with the provisions of Paragraph 2 of the First Amendment.

3 . Tenant's Surrender of the Premises. Tenant shall vacate and surrender possession of the Premises on or before the Lease Termination Date as more fully provided in Paragraph 8 of the First Amendment.

4. Tenant Allowance. Tenant hereby acknowledges and agrees that Landlord shall have no further obligation to provide any portion of the Tenant Allowance (defined in Section 4 of the Work Agreement attached to the Lease as Exhibit C), and, in consideration of the agreements set forth herein, Tenant, on its behalf and on behalf of any party claiming by, through or under Tenant, hereby forever and irrevocably relinquishes any claims that Tenant may have with respect to the Tenant Allowance and hereby releases Landlord and its successor and/or assigns from any such claims.

5. Release of Obligations. Landlord and Tenant hereby release each other, after the later of the Lease Termination Date or the date on which Tenant actually vacates the Premises (the "Vacate Date"), from (i) any and all obligations to observe the terms and conditions of the Lease which accrue after such date and (ii) any and all demands, rights, claims, remedies, actions, causes of actions or liabilities that Landlord and Tenant may have against the other or against any of their representatives, heirs, predecessors, successors, assigns, officers, directors, partners, agents, managing agents, legal representatives or employees of the others, except as follows: (a) Tenant shall remain obligated for the payment of any and all of its obligations under the Lease which have accrued as of the later of the Vacate Date or the Lease Termination Date, as the case may be, whether or not Tenant has been billed for such obligations prior to such date (including, but not limited to, the Lease Termination Fee), (b) if Tenant does not vacate the Premises on or before the Lease Termination Date or Tenant does not otherwise comply with any of its obligations under this Termination Agreement, Tenant's failure to vacate the Premises on the Lease Termination Date or Tenant's failure to otherwise comply with its obligations hereunder shall be deemed to be a Default under the Lease, and Landlord shall have the right and option to exercise all remedies available to Landlord under the Lease, and pursuant to Law, and Landlord shall be entitled to consider Tenant to be in holdover of the Premises, and (c) Landlord and Tenant shall remain liable for all amounts which become due as a result of their respective indemnification obligations under the Lease that arise from conduct occurring during the Term. Notwithstanding the foregoing, this mutual release shall not apply to any claims related to the presence, release, storage or use of any Hazardous Materials (as such term is used in the Lease) on the Premises by Tenant prior to the Lease Termination Date.

6. Representations. Landlord and Tenant represent and warrant to each other that the person signing this Termination Agreement on its behalf has the requisite authority and power to execute this Termination Agreement and to thereby bind the party on whose behalf it is being signed.

7. Reaffirmation of Terms. Except as expressly amended and modified herein, all terms, conditions and provisions of the Lease shall remain unmodified and in full force and effect. In the event of any conflict between the terms and provisions of this Termination Agreement and the terms and provisions of the Lease, the terms and provisions of this Termination Agreement shall control.

8. Counterparts. This Termination Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which, when taken together, shall constitute a single instrument.

9. Entire Agreement. This Termination Agreement constitutes the entire agreement between Landlord and Tenant concerning the subject matter of this Termination Agreement. This Termination Agreement may not be amended in any manner whatsoever except pursuant to a written agreement executed by both Landlord and Tenant.

[Signatures appear on the following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Lease Termination Agreement the day and year first set forth above.

WITNESS:

By: _____

LANDLORD:
IP9 1201 CLOPPER ROAD, LLC, a Maryland limited liability company

By: _____
Name: _____
Its: _____

ATTEST:
[Corporate Seal]

By: _____
Name: _____
Its: _____

TENANT:
NOVAVAX, INC., a Delaware corporation

By: _____
Name: _____
Its: _____

Exhibit 10.2

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (this "Agreement") is made as of November 9, 2017 (the "Effective Date"), by and between Novavax, Inc. ("Novavax"), having a place of business at 20 Firstfield Road, Gaithersburg, MD 20878, and Barclay A. Phillips, an individual and former Senior Vice President, Chief Financial Officer and Treasurer of Novavax (the "Consultant").

Consultant and Novavax, intending to be legally bound, hereby agree as follows:

1 . **Term; Termination.** The initial term of this Agreement shall expire on December 31, 2017. Either Consultant or Company may terminate this Agreement at any time, and for any reason or no reason, with or without cause, upon ten (10) days notice. Novavax may terminate this Agreement immediately (including any specific Services) if Consultant notifies Novavax, pursuant to Section 9, that he has been engaged or employed by a competitor of Novavax. Upon termination of this Agreement for any reason, Consultant shall promptly deliver to Company all Confidential Information and all copies thereof and immediately cease all use of Confidential Information.

2 . **Consulting Services.** Pursuant to the terms and conditions of this Agreement, Company hereby engages Consultant, and Consultant hereby accepts such engagement, to perform consulting services related to his area of expertise and/or in continuity of his former employment with Novavax (the "Services") during the Term. In such capacity, Consultant shall report and communicate regularly and directly to and with Stanley C. Erck, President and Chief Executive Officer, or his designee(s), which shall in any event include John Herrmann, Senior Vice President, General Counsel and Corporate Secretary (each an "Executive").

3. **Fees and Expenses.**

(a) Company shall pay Consultant a fee equal to $200 per hour for Services performed (billed in increments of no less than 15 minutes).

(b) Company shall reimburse Consultant for reasonable out-of-pocket expenses incurred in connection with the performance of the Services hereunder. All such reimbursement will be provided in accordance with Company's expense reimbursement policies in effect from time to time during the Term.

(c) No later than the tenth business day of each month, Consultant shall submit to Company an invoice ("Invoice") showing the date(s) that Consultant provided Services to Company during the preceding calendar month, hours of services performed, a reasonable description of the Services rendered, and a list of all out-of-pocket expenses incurred during the preceding month with accompanying receipts. Company shall pay Invoices net thirty (30) days of receipt.

4. **Relationship of the Parties**.

(a) The relationship of Consultant to Company hereunder is that of independent contractor. Nothing herein shall be deemed to create any partnership, association or joint venture between the parties. Consultant shall not be construed for any purpose to be an employee subject to the control and direction of Company or any of its affiliates.

(b) Consultant shall not be entitled to any of the benefits, coverages or privileges, including, without limitation, social security, unemployment, medical or pension payments, made available to employees of Company or any of its affiliates.

(c) Consultant shall have sole responsibility for the proper reporting and payment of any and all federal, state and/or local taxes due on payments made to Consultant by Company hereunder. Consultant agrees to provide Company, upon request, with written proof demonstrating proper reporting and payment of all applicable taxes.

(d) Company shall have the right to withhold all federal, state, or other taxes from amounts paid to Consultant under any provision of this Agreement as shall be required to be withheld by Company pursuant to any statute or other governmental regulation or ruling. Company may make any arrangements that it deems appropriate to effect such withholding that are permitted by applicable law.

(e) Notwithstanding Consultant's obligations and Company's rights under 4(c) and 4(d) above, Consultant shall reimburse Company for any tax and interest paid to the Internal Revenue Service or similar taxing authority by Company on behalf of Consultant to satisfy Consultant's tax obligations if not previously withheld.

5 . **Confidentiality.** Consultant shall not, during the Term or for five (5) years after the Term, disclose to any person any proprietary, confidential and nonpublic information of Company, including business and financial information, strategic plans and business process, and any plan, method, data, know-how, research, information, procedure, development, invention, improvement, modification, discovery, design, process, work of authorship, documentation, formula, technique, trade secret or intellectual property right whatsoever or any interest therein whether patentable or non-patentable, patents and applications therefore, trademarks and applications therefore or copyrights and applications therefore, any information provided to Consultant by Company with respect to Consultant's performance of the Services (collectively, "Information") disclosed or furniOd to Consultant in any format, including on paper, electronically, visually or verbally. All such Information shall remain the property of Company. All such Information shall be kept confidential by Consultant and may be used only in its performance under this Agreement, unless the Information was previously known to Consultant without any obligation of confidentiality or is made public by Company, or becomes public knowledge through no fault of Consultant. When in tangible form, the Information shall be returned by Consultant to Company upon request by Company.

6 . **Property Rights**. All work produced hereunder, including, without limitation, all inventions, ideas, creations, designs, discoveries, developments, techniques, expressions, improvements, computer programs, specifications, operating instructions and all other documentation, data or other work product related to the Services provided by Consultant under this Agreement (whether patentable or subject to copyright, or not), which are first conceived, made or otherwise originated or acquired or first actually constructively reduced to practice during the Term or within six (6) months following the expiration or termination of the Term, whether preliminary or final, and on whatever media rendered (collectively, the "Work Product"), shall be deemed work made for hire and made in the course of services rendered for Company and shall be the sole and exclusive property of Company. Company shall have the sole, absolute and unlimited right throughout the world to protect by patent or copyright, and to make, have made, use, reconstruct, repair, modify, reproduce, publish, distribute and sell the Work Product, in whole or in part, or combine the Work Product with other matter, or not use the Work Product at all, as it sees fit. To the extent that title to the Work Product may not be considered work for hire, Consultant irrevocably agrees to transfer and assign to Company in perpetuity all worldwide right, title and interest in and to the patent rights, copyrights, trade secrets and other proprietary rights (including, without limitation, applications for registrations thereof) in, and ownership of, the Work Product that Consultant may have, as and when such rights arise. Consultant further agrees that it will execute, and will cause its applicable employees to execute, all documents necessary to enable Company to protect and record its ownership of the Work Product.

7. **Equitable Relief**. Consultant recognizes and agrees that Company's remedy at law for any breach of the provisions of Sections 4, 5 or 6 hereof would be inadequate, and agrees that for breach of such provisions, Company shall, in addition to such other remedies as may be available to it at law or in equity or as provided in this Agreement, be entitled to injunctive relief and to enforce its rights by an action for specific performance.

8 . **Securities Trading.** Consultant agrees not to buy, sell or otherwise trade any securities of Novavax based on any material Confidential Information learned as a former employee or as a consultant of Novavax, or tip others to do so. If Consultant is ever unsure about his compliance with this Section 8, Consultant shall contact the General Counsel of Novavax.

9 . **Non-Competition.** Consultant agrees and warrants that, while a consultant hereunder, he will promptly advise the Company to the extent Consultant owns, operates, joins, controls, participates in, or is connected as an officer, director, employee, partner, stockholder, consultant or otherwise, with any business or entity which competes with the business of the Company (or its successors or assigns) as such business is now constituted or as it may be constituted at any time during the Term; provided, however, that Consultant may own, and exercise rights with respect to, less than one percent of the equity of a publicly traded company.

10 . **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Maryland without regard to its conflict of laws principles.

11 . **Miscellaneous**. This Agreement contains the entire agreement and understanding of the parties relating to the subject matter hereof and merges and supersedes all prior discussions, agreements and understandings of every nature between them. This Agreement may not be changed or modified, except by an agreement in writing signed by both of the parties hereto. The waiver of the breach of any term or provision of this Agreement shall not operate as or be construed to be a waiver of any other or subsequent breach of this Agreement. The obligations of Consultant as set forth herein, other than Consultant's obligations to perform the Services, shall survive the termination of Consultant's engagement with Novavax. Novavax may assign this Agreement to, and this Agreement shall bind and inure to the benefit of, any parent, subsidiary, affiliate or successor of Novavax. This Agreement shall not be assignable by Consultant. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

NOVAVAX, INC.		BARCLAY A. PHILLIPS	
By:	/s/ John A. Herrmann III	By:	/s/ Barclay A. Phillips
Name:	John A. Herrmann III	Name:	Barclay A. Phillips
Title:	SVP, General Counsel and Corp. Secretary		
Date:	11/3/2017	Date:	11/3/2017

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Stanley C. Erck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Novavax, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: November 7, 2017

By: /s/ Stanley C. Erck
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER

I, Barclay A. Phillips, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Novavax, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: November 7, 2017

By: /s/ Barclay A. Phillips
Senior Vice President, Chief Financial Officer and Treasurer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 UNITED STATES C. §1350 (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Novavax, Inc. (the "Company") on Form 10-Q for the fiscal period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanley C. Erck, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by this Report.

Date: November 7, 2017

By: /s/ Stanley C. Erck
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER PURSUANT TO 18 UNITED STATES C. §1350 (SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of Novavax, Inc. (the "Company") on Form 10-Q for the fiscal period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barclay A. Phillips, Senior Vice President, Chief Financial Officer and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and periods covered by this Report.

Date: November 7, 2017

By: /s/ Barclay A. Phillips
Senior Vice President, Chief Financial Officer and Treasurer