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NOVAVAX INC
Form 8-K/A
March 23, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): January 8, 2001

NOVAVAX, INC.

(Exact name of registrant as specified in its charter)

DELAWARE ----- (State or other jurisdiction of incorporation or organization)	0-26770 ----- (Commission File No.)	22-2816046 ----- (I.R.S. Employer Identification No.)
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8320 GUILFORD ROAD, COLUMBIA, MD ----- (Address of principal executive offices)	21046 ----- (Zip code)
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(301) 854-3900

Registrant's telephone number, including area code

NOT APPLICABLE

(Former name or former address, if changed since last report)

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NOVAVAX, INC.

ITEMS TO BE INCLUDED IN THIS REPORT

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

- (a) Audited Statements of Revenue and Direct Operating Expenses of AVC Product Line of King Pharmaceuticals, Inc. attached hereto as Appendix I.
- (1) Report of Independent Accountants dated March 1, 2001.
 - (2) Statements of Revenue and Direct Operating Expenses for the year ended December 31, 1999 and the nine months ended September 30, 2000.
 - (3) Notes to Statements of Revenue and Direct Operating Expenses.
- (b) Unaudited Pro Forma Combined Financial Information of Novavax, Inc. and the AVC Product Line of King Pharmaceuticals, Inc., attached hereto as Appendix II.
- (1) Unaudited Pro Forma Combined Balance Sheet as of September 30,

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2000.

- (2) Unaudited Pro Forma Combined Statement of Operations for the year ended December 31, 1999.
- (3) Unaudited Pro Forma Combined Statement of Operations for the nine-month period ended September 30, 1999.
- (4) Notes to the Unaudited Pro Forma Financial Statements.

(c) Exhibits

23.1 Consent of PricewaterhouseCoopers LLP dated March 23, 2001.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NOVAVAX, INC.

Date: March 23, 2001

By: /s/ DENNIS W. GENGE

Dennis W. Genge, Vice President
And Chief Financial Officer/Treasurer

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APPENDIX I

AVC PRODUCT LINE
OF KING PHARMACEUTICALS, INC.

Statements of Revenues and Direct Operating Expenses

For the Year Ended December 31, 1999
and the Nine Months Ended September 30, 2000
Together with Report of Independent Accountants

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
King Pharmaceuticals, Inc.:

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We have audited the accompanying Statements of Revenues and Direct Operating Expenses of the AVC Product Line of King Pharmaceuticals, Inc. for the year ended December 31, 1999 and the nine months ended September 30, 2000. These statements of Revenues and Direct Operating Expenses are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements of Revenues and Direct Operating Expenses based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements of Revenues and Direct Operating Expenses are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements of Revenues and Direct Operating Expenses. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statements of Revenues and Direct Operating Expenses. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Statements of Revenues and Direct Operating Expenses were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion in the current report on Form 8-K/A of Novavax, Inc.) as described in Note 1 and is not intended to be a complete presentation of the AVC Product Line's revenues and expenses.

In our opinion, the Statements of Revenues and Direct Operating Expenses referred to above present fairly, in all material respects, the results of operations described in Note 1 of the Statement of Revenues and Direct Operating Expenses for the year ended December 31, 1999 and the nine months ended September 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

Atlanta, Georgia
March 1, 2001

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AVC PRODUCT LINE OF KING PHARMACEUTICALS, INC.

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN THOUSANDS)

	Year ended December 31, 1999	Nine months ended September 30, 2000
	-----	-----
Net sales	\$ 1,934	\$ 869
	-----	-----

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Cost of sales	429	188
Selling, general and administrative	407	176
Amortization	52	39
	-----	-----
Total costs and expenses	888	403
	-----	-----
Net product contribution	\$ 1,046	\$ 466
	=====	=====

The accompanying notes are an integral part of the financial statement.

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AVC PRODUCT LINE OF
KING PHARMACEUTICALS, INC.

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN THOUSANDS)

1. Basis of Presentation:

The accompanying statements were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the current report on Form 8-K/A of Novavax, Inc., ("Novavax") and is not intended to be a complete presentation of the AVC Product Line of King Pharmaceuticals, Inc. (the "AVC Product Line") revenues and expenses. King Pharmaceuticals, Inc. ("King") does not prepare financial statements of the AVC Product Line, which would be intended to report a complete presentation of financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accompanying statements do not purport to present the results of operations of the AVC Product Line that would have resulted if King had operated its AVC Product Line as an independent company.

An Agreement for the Purchase and Sale of Assets relating to the AVC Product Line ("Purchase Agreement") was entered into between King and Novavax on January 8, 2001. Novavax acquired certain assets related to the AVC Product Line for \$3,332, as defined in the Purchase Agreement. The purchase price is subject to a contingent payment by King to Novavax of up to \$2,000 if net sales of the AVC product line do not exceed \$850 for each of the calendar years 2001 through 2004.

The assets acquired as of January 8, 2001 represent certain intangible assets as defined in the Purchase Agreement. These assets include the right to the tradename in the United States and the goodwill associated with the tradename; the know-how relating to production, manufacturing, packaging, release, validation and stability of the products in the United States; the right to the new drug application for the AVC Product Line; and the trademark of the AVC Product Line.

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In addition to the Purchase Agreement, a supply agreement was also entered into on January 8, 2001 between King and Novavax. Pursuant to the supply agreement, King will supply Novavax the AVC Product Line at a price equal to 110% of King's cost for an initial term of twelve months from the effective date. The supply agreement will be automatically extended for an additional twelve months unless one of the parties terminate the agreement.

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AVC PRODUCT LINE OF KING PHARMACEUTICALS, INC.

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 1999
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN THOUSANDS)

2. Summary of Significant Accounting Policies:

REVENUE RECOGNITION

Sales are reported net of an estimate for returns and allowances, cash discounts, rebates and chargebacks. During the fourth quarter of 2000, King changed its accounting policy for recognizing product sales in accordance with the SEC's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." Previously, sales were recognized upon shipment to the customer. The new policy recognizes that risks of ownership in some transactions do not substantively transfer to customers until the product has been received by them without regard to when legal title has transferred.

NET SALES

Net sales include certain sales deductions. Sales deductions include deductions specifically attributable to the AVC Product Line and deductions allocated to the AVC Product Line by management. Management believes this method of allocation is reasonable. The types of deductions included in the calculation of net sales are as follows:

- Sales Returns - Sales returns are directly attributable to identifiable products based on actual sales returns.
- Cash Discounts - Cash discounts are allocated to the AVC Product Line monthly, as a percentage of actual gross sales to total gross sales of King.
- Sales Rebates - Rebates are allocated to the AVC Product Line monthly based on gross sales, using a historical percentage of gross sales.
- Chargebacks - Chargebacks are allocated to the AVC Product Line monthly based on gross sales, using a historical percentage of gross sales.

Year ended	Nine months ended
December 31, 1999	September 30, 2000
-----	-----

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Gross sales	\$ 2,610	\$ 1,065
Less:		
Sales returns	406	79
Cash discounts	61	22
Sales rebates	176	73
Chargebacks	33	22
	-----	-----
Net Sales	\$ 1,934	\$ 869
	=====	=====

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AVC PRODUCT LINE OF
KING PHARMACEUTICALS, INC.

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 1999
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN THOUSANDS)

2. Summary of Significant Accounting Policies, continued:

COST OF SALES

The products included in the AVC Product Line are manufactured by a third party. Cost of sales include direct costs paid to the third-party manufacturer.

SELLING, GENERAL AND ADMINISTRATIVE COSTS

Selling costs consist primarily of sales force employment costs (salaries and bonuses). General and administrative costs include expenses for administrative services, such as finance, human resources, legal, information systems, and other corporate affairs. These costs are allocated based on a percentage of net sales. Such percentage is determined by dividing total King selling, general and administrative costs by total King net sales. Management believes this method of allocation is reasonable.

AMORTIZATION

Amortization is computed over the estimated useful life of the product, 30 years, using the straight-line method.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Revenues and expenses, and disclosure of contingent assets and liabilities are affected by such estimates and assumptions. Actual results could differ from those estimates.

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AVC PRODUCT LINE OF
KING PHARMACEUTICALS, INC.

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 1999
AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN THOUSANDS)

3. Significant Customers:

The AVC Product Line had sales to three customers representing 50% of gross sales for the year ended December 31, 1999. The AVC Product Line had sales to four customers representing 54% of gross sales for the nine months ended September 30, 2000.

4. Quarterly Financial Data:

The following table summarizes the AVC Product Line statement of revenues and direct operating expenses for the periods indicated:

	For the Quarter Ended		
	March 31, 2000	June 30, 2000	September 30, 2000
	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	\$ 120	\$ 237	\$ 512
Cost of sales	27	47	114
General and administrative expense	29	51	96
Amortization	13	13	13
Total costs and expenses	69	111	223
Net product contribution	\$ 51	\$ 126	\$ 289

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AVC PRODUCT LINE OF
KING PHARMACEUTICALS, INC.

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 1999

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AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000
(IN THOUSANDS)

4. Quarterly Financial Data, continued:

	For the Quarter Ended			
	March 31, 1999	June 30, 1999	September 30, 1999	December 31, 1999
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	\$391	\$469	\$580	\$491
Cost of sales	81	88	140	121
General and administrative expense	87	104	119	99
Amortization	13	13	13	13
Total costs and expenses	181	205	272	233
Net product contribution	\$210	\$264	\$308	\$258

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APPENDIX II

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The Unaudited Pro Forma Combined Statements of Operations assume that the acquisition of the AVC Product Line ("AVC") had occurred on January 1, 1999, combining the results of operations of Novavax, Inc. (the "Company") and AVC for the year ended December 31, 1999 and for the nine months ended September 30, 2000. The Unaudited Pro Forma Combined Condensed Balance Sheet as of September 30, 2000 reflects the acquisition as if it had occurred on September 30, 2000.

On January 8, 2001, Novavax acquired certain intangible assets related to the AVC(TM) Product Line of sulfanilamide based vaginal anti-infective cream and suppositories in the United States and Puerto Rico from King Pharmaceuticals, Inc. ("King") for \$3.3 million. In addition, Novavax agreed to purchase all AVC inventories that had expiration dates greater than 18 months. The value of this inventory was approximately \$400,000 and was delivered to Novavax in February 2001. No further liabilities were assumed.

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The proforma information is based on the historical financial statements of the Company and the historical statement of revenues and direct operating expenses of AVC, after giving effect to the acquisition using the purchase method of accounting and assumptions and adjustments considered appropriate by the Company, certain of which are described in the accompanying Notes to Unaudited Pro Forma Combined Financial Information. The pro forma information is provided for illustrative purposes only and is not necessarily indicative of the results of operations or financial condition that actually would have been obtained if the acquisition had occurred on the dates indicated or of the results that may be obtained in the future.

The Unaudited Pro Forma Combined Financial Information should be read in conjunction with the historical financial statements and the related notes thereto of the Company and the historical statement of revenues and direct operating expenses of AVC. The historical statement of revenues and direct operating expenses of AVC and the related notes thereto are included herein. The historical financial statements of Novavax, Inc. and the related notes thereto have been previously filed with the Securities and Exchange Commission and are available from the Company upon written request.

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NOVAVAX, INC.
 UNAUDITED PRO FORMA COMBINED BALANCE SHEET
 AS OF SEPTEMBER 30, 2000
 (AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE INFORMATION)

	Novavax	AVC Product line	Pro Forma Adjustments
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,059	\$	\$ (3,332) (a)
Accounts receivable	613		
Inventories		400	
Prepaid expenses and other current assets	34		
	-----	-----	-----
Total current assets	10,706	400	(3,332)
Property and equipment, net	1,549		
Patent costs, net	1,603		
Other assets	629		
Other intangible assets	0		3,332 (a)
	-----	-----	-----
Total assets	14,487	400	--
	=====	=====	=====
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	1,925	400	
Accrued payroll	102		
	-----	-----	-----
	2,027	400	--
	-----	-----	-----
Commitments and contingencies			
Stockholders' equity:			

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Common stock	200		
Additional paid-in-capital	67,194		
Accumulated deficit	(50,098)		
Deferred compensation of stock option	(1)		
Treasury stock	(4,835)		
	-----	-----	-----
Total stockholders' equity	12,460	--	--
	-----	-----	-----
Total liabilities and stockholders' equity	\$ 14,487	\$ 400	\$ --
	=====	=====	=====

See accompanying notes to unaudited proforma combined financial information.

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NOVAVAX, INC.
 UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 1999
 (AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE INFORMATION)

	Novavax	AVC Product line	Pro Forma Adjustments
	-----	-----	-----
Net sales	\$ 1,181	\$ 1,934	\$
Cost of sales	0	429	43 (b)
	-----	-----	-----
Gross profit	1,181	1,505	(43)
	-----	-----	-----
Operating expenses:			
General and administrative	2,393	459	476 (c)
Research and development	3,354		
	-----	-----	-----
Total operating expenses	5,747	459	476
	-----	-----	-----
Operating (loss) profit	(4,566)	1,046	(519)
Interest income	60		
Interest expense			(200) (d)
	-----	-----	-----
Net (loss) income	\$ (4,506)	\$ 1,046	\$ (719)
	=====	=====	=====
Per share information: basic and diluted			
Net (loss) income	\$ (0.31)		
	=====		
Weighted average number of common			
Shares outstanding	14,511,081		
	=====		

See accompanying notes to unaudited proforma combined financial information.

NOVAVAX, INC.
 UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000
 (AMOUNTS IN THOUSANDS, EXCEPT SHARE AND PER SHARE INFORMATION)

	Novavax -----	AVC Product line -----	Pro Forma Adjustments -----
Net sales	\$ 1,668	\$ 869	\$
Cost of sales	0	188	19 (b)
	-----	-----	-----
Gross profit	1,668	681	(19)
	-----	-----	-----
Operating expenses:			
General and administrative	2,765	215	357 (c)
Research and development	6,561		
	-----	-----	-----
	9,326	215	357
	-----	-----	-----
Operating (loss) profit	(7,658)	466	(376)
Interest income	454		
Interest expense			(150) (d)
	-----	-----	-----
Net (loss) income	\$ (7,204)	\$ 466	\$ (526)
	=====	=====	=====
Per share information: basic and diluted			
Net (loss) income	\$ (0.38)		
	=====		
Weighted average number of common shares outstanding	18,727,414		
	=====		

See accompanying notes to unaudited proforma combined financial information.

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NOVAVAX, INC.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

NOTE 1. BASIS OF PRESENTATION

Novavax, Inc. ("Novavax" or the "Company") is a biopharmaceutical company focused on the research and development of proprietary drug delivery and encapsulation technologies. The AVC Product Line had been acquired and marketed by King Pharmaceuticals, Inc. ("King") through King's women's health care sales force since January 1999.

The Unaudited Pro Forma Combined Statements of Operations assume that the acquisition of the AVC Product Line ("AVC") had occurred on January 1, 1999, combining the results of operations of Novavax, Inc. (the "Company") and Statements of Revenues and Direct Operating Expenses of AVC for the year ended December 31, 1999 and for the nine months ended September 30, 2000. The Unaudited Pro Forma Combined Condensed Balance Sheet as of September 30, 2000 reflects the acquisition as if it had occurred on September 30, 2000.

The Unaudited Pro Forma statements were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the current report on Form 8-K/A of Novavax, and are not intended to be a complete presentation of AVC and Novavax's combined results of operations. King did not prepare financial statements of AVC, which would be intended to report a complete presentation of financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accompanying Unaudited Pro Forma statements do not purport to present the actual results of operations of AVC that would have resulted if Novavax had acquired AVC in January 1999.

NOTE 2. ACQUISITION OF BIOMEDICAL SERVICES DIVISION

On January 8, 2001, Novavax acquired certain assets related to the AVC Product Line of sulfanilamide based vaginal anti-infective cream and suppositories in the United States and Puerto Rico from King for \$3.3 million. The assets acquired represent certain intangible assets as defined in the Agreement for the Purchase and Sale of Assets relating to the AVC Product Line ("Purchase Agreement"). These assets include the right to the tradename in the United States and the goodwill associated with the tradename; the know-how relating to production, manufacturing, packaging, release, validation and stability of the products in the United States; and the right to the new drug application for AVC. In addition to the Purchase Agreement, a Supply Agreement was also entered into on January 8, 2001 between King and Novavax. Pursuant to the Supply Agreement, King will supply Novavax the AVC Product Line at a price equal to 110% of King's cost for an initial term of twelve months from the effective date. The Supply Agreement will be automatically extended for an additional twelve months unless one of the parties terminate the agreement. Novavax initially agreed to purchase all AVC inventories that had expiration dates greater than 18 months. The value of this inventory was approximately \$400,000 and was delivered to Novavax in February 2001. No other liabilities were assumed.

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NOTE 3. PRO FORMA ADJUSTMENTS

- (a) Represents cash purchase price of AVC of \$3,332,000 .
- (b) Estimated increase in cost of sales related to contractual 10% service fee for processing inventory purchases.
- (c) Amortization of acquisition cost of AVC product line with an estimated

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- useful life of seven years
- (d) Estimated interest expense resulting from the use of \$3,332,000 in cash to acquire AVC.