

NOVAVAX INC
Form DEF 14A
April 16, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

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

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-12

Novavax, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

NOVAVAX, INC.
NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD WEDNESDAY, MAY 13, 2009

To the Stockholders of Novavax, Inc.:

NOTICE IS HEREBY GIVEN that the 2009 Annual Meeting of Stockholders (the Meeting) of Novavax, Inc., a Delaware corporation (the Company), will be held on Wednesday, May 13, 2009 at 10:00 a.m., local time, at the Company s headquarters at 9920 Belward Campus Drive, Rockville, Maryland 20850 for the purpose of considering and voting upon the following matters:

1. To elect three directors as Class II directors to serve on the Board of Directors for a three-year term expiring at the 2012 Annual Meeting of Stockholders;
2. To ratify the appointment of Grant Thornton LLP, an independent registered accounting firm, as the independent auditor of the Company for the year ending December 31, 2009;
3. To approve an amendment to the Company s Amended and Restated Certificate of Incorporation, as amended, to increase the number of authorized shares of Common Stock of the Company by 100,000,000 shares from 100,000,000 shares to 200,000,000 shares; and
4. To transact such other business which may properly come before the Meeting or any adjournment or postponement thereof.

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

The Board of Directors of the Company has fixed the close of business on April 13, 2009 as the record date for determining stockholders of the Company entitled to notice of and to vote at the Meeting and any adjournments or postponements thereof.

A copy of the Company s Annual Report to Stockholders for the fiscal year ended December 31, 2008, which contains financial statements and other information of interest to stockholders, accompanies this Notice and the attached Proxy Statement.

By Order of the Board of Directors,

Jennifer Miller
Corporate Secretary
Rockville, Maryland
April 16, 2009

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

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
SHAREHOLDERS MEETING TO BE HELD ON MAY 13, 2009.**

The Company s Proxy Statement for the 2009 Annual Meeting of Stockholders and the Company s Annual Report to Stockholders for the fiscal year ended December 31, 2008 are available at www.novavax.com/proxy2009.

**NOVAVAX, INC.
9920 Belward Campus Drive
Rockville, Maryland 20850**

**PROXY STATEMENT
For the Annual Meeting of Stockholders
To Be Held Wednesday, May 13, 2009
INFORMATION CONCERNING THE MEETING**

This Proxy Statement is being furnished to stockholders in connection with the solicitation of proxies by the Board of Directors (the Board) of Novavax, Inc. (Novavax or the Company) for use at the Annual Meeting of Stockholders to be held on Wednesday, May 13, 2009 at 10:00 a.m. local time at the Company's headquarters at 9920 Belward Campus Drive, Rockville, Maryland 20850 and at any adjournments or postponements thereof (the Meeting). The Notice of Meeting, this Proxy Statement, the enclosed proxy and the Company's Annual Report to Stockholders for the fiscal year ended December 31, 2008 are being mailed to stockholders on or about April 16, 2009.

What is the purpose of the meeting?

At the Meeting, stockholders will act upon the following matters:

To elect three directors as Class II directors to serve on the Board of Directors for a three-year term expiring at the 2012 Annual Meeting of Stockholders;

To ratify the appointment of Grant Thornton LLP, an independent registered accounting firm, as the independent auditor of the Company for the year ending December 31, 2009;

To approve an amendment to the Company's Amended and Restated Certificate of Incorporation, as amended (the Certificate), to increase the number of authorized shares of Common Stock of the Company by 100,000,000 shares from 100,000,000 shares to 200,000,000 shares; and

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

In addition, management will report on the Company's performance during fiscal year 2008 and respond to questions from stockholders.

Who is entitled to vote?

The Board of Directors has fixed Monday, April 13, 2009, as the record date for determining the stockholders entitled to receive notice of and to vote at the Meeting (the Record Date). The only class of stock of the Company entitled to vote at the Meeting is its Common Stock, \$.01 par value (the Common Stock). Only the record holders of shares of Common Stock at the close of business on the Record Date may vote at the Meeting. On the Record Date, there were 81,465,947 shares of Common Stock outstanding and entitled to be voted. Each share entitles the holder to one vote on each of the matters to be voted upon at the Meeting.

How do I vote?

A stockholder may vote by mail, Internet or telephone as directed by the enclosed proxy.

What constitutes a quorum?

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

How does discretionary voting authority apply?

All properly executed proxies will be voted in accordance with the instructions of the stockholder. If no contrary instructions have been indicated, the proxies will be voted FOR the nominees named in Proposal I, FOR the ratification of the appointment of Grant Thornton LLP as the Company's independent auditor for the year ending December 31, 2009, and FOR the approval of the amendment to the Certificate. The Board of Directors knows of no other matters to be presented for consideration at the Meeting.

What are the Board's recommendations?

Unless you give other instructions on your proxy card, Rahul Singhvi or Raymond J. Hage will vote in accordance with the recommendation of the Board. The Board recommends a vote:
FOR the election of Gary Evans, John Marsh, Jr. and James Tananbaum, M.D. to serve on the Board of Directors for a three year term expiring at the 2012 Annual Meeting of Stockholders;
FOR the ratification of the appointment of Grant Thornton LLP as the independent auditor of the Company for the year ending December 31, 2009; and
FOR the approval of the amendment to the Certificate to increase the number of authorized shares of Common Stock of the Company by 100,000,000 shares from 100,000,000 shares to 200,000,000 shares.

With respect to any other matter that properly comes before the Meeting, the proxy holders will vote as recommended by the Board or, if no recommendation is given, in their own discretion.

What vote is required to approve each item?

Election of Directors. Directors are elected by a plurality of the votes. The three nominees for director receiving the highest number of votes cast by stockholders entitled to vote for directors will be elected to serve on the Board. Only the number of votes FOR a nominee affect the outcome. Accordingly, votes withheld and abstentions will have no effect on the result of the vote on this matter.

Ratification of Independent Registered Public Accounting Firm. The ratification of Grant Thornton LLP as the Company's independent registered accounting firm for the fiscal year 2009 requires the affirmative vote of the holders of a majority of the votes present in person or represented by proxy and entitled to be cast at the Annual Meeting. A properly executed proxy marked ABSTAIN with respect to such ratification will have the effect of a negative vote on this matter. Broker non-votes are not considered as votes entitled to be cast on the matter, and thus will have no effect on the result of the vote on this matter.

Approval of the Amendment to Certificate. The proposal to amend the Certificate to increase the number of authorized shares of Common Stock of the Company by 100,000,000 shares requires the affirmative vote of the holders of a majority of the votes entitled to be cast on the proposal.

Can I change my vote after I return my proxy card?

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

Who bears the cost of solicitation of proxies?

The Company will bear the cost of soliciting proxies. In addition to solicitations by mail, the Company's directors, officers and regular employees may, without additional remuneration, solicit proxies by telephone, telegraph, facsimile and personal interviews. The Company has engaged the services of a proxy solicitation firm in conjunction with the Meeting. Such firm may solicit your proxy, in person or by telephone, mail, facsimile or other communication, and will be paid by the Company a fee of approximately \$6,500 and reimbursed its reasonable expenses for such services. The Company will also request brokerage houses, custodians, nominees and fiduciaries to forward copies of the proxy materials to those persons for whom they hold shares and request instructions for voting the proxies. The Company will reimburse such brokerage houses and other persons for their reasonable expenses in connection with this distribution.

Will every stockholder receive a Proxy Statement?

Certain stockholders who share the same address may receive only one copy of this Proxy Statement and the 2009 Annual Report to Stockholders in accordance with a notice delivered from such stockholders' bank, broker or other holder of record, unless the applicable bank, broker or other holder of record received contrary instructions. This practice, known as "householding," is designed to reduce printing and postage costs. If you own your shares through a bank, broker or other holder of record and wish to either stop or begin householding, you may do so, or you may request a separate copy of the Proxy Statement or the Annual Report, either by contacting your bank, broker or other holder of record at the telephone number or address provided in the above referenced notice, or contacting Novavax by telephone at (240) 268-2000 or in writing to Novavax, Inc., 9920 Belward Campus Drive, Rockville, Maryland 20850, Attention: Secretary. If you request to begin or stop householding, you should provide your name, the name of your broker, bank or other record holder, and your account information.

When are stockholder proposals due for the 2010 Meeting?

Proposals of stockholders for inclusion in the Proxy Statement and form of proxy for the 2010 Annual Meeting of Stockholders must be submitted to the Secretary of the Company in writing and be received by the Company at its principal executive offices no later than March 13, 2010. Stockholder proposals for consideration at the meeting but not included in the Proxy Statement will be considered untimely if the Company is not provided written notice in accordance with the advance notice provisions set forth in the Company's By-laws. The By-laws state that in order to be timely, a stockholder's notice must be delivered or mailed by first class U.S. mail, postage prepaid, and received at the Company's principal executive office no less than 60 days and no more than 90 days prior to the date of the meeting. However, if less than 70 days' prior notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice will be considered timely if it is received no later than the close of business on the 10th day following the date on which such notice was mailed or public disclosure was made of the meeting date (whichever occurred first). In order to curtail controversy as to the date on which the Company received a proposal, it is suggested that proponents submit their proposals by certified mail, return receipt requested.

In addition to being timely, a stockholder's notice to the Secretary must set forth as to each matter the stockholder proposes to bring before the annual meeting:

- a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the annual meeting;

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

- the number of shares of the Company which are beneficially owned by the stockholder; and

- any material interest of the stockholder in such proposal.

Please note, however, that if the stockholder's business relates to the election of directors of the Company, the procedures described under the caption "Nomination Procedures" herein relating to director nominations must be followed instead.

PROPOSAL I ELECTION OF CLASS II DIRECTORS

Pursuant to the Company's Certificate, the Company's Board of Directors may consist of no fewer than three directors, with the specific number to be authorized by the Board of Directors from time to time at its discretion. The Board of Directors is presently authorized to consist of eight members, currently consisting of: Gary C. Evans, John Lambert, John O. Marsh, Jr., Michael A. McManus, Jr., Rajiv I. Modi, Ph.D., Thomas P. Monath, M.D., Rahul Singhvi, Ph.D. and James B. Tananbaum, M.D.

The members of the Company's Board of Directors are divided into three classes, designated Class I, Class II and Class III, each serving staggered three-year terms. The terms of the Class II directors expire at the Meeting. The terms of the Class I and Class III directors will expire at the 2011 and 2010 Annual Meetings of Stockholders, respectively. A director of any class who is elected by the Board of Directors to fill a vacancy resulting from an increase in the number of directors holds office for the remaining term of the class to which he or she is elected. A director who is elected by the Board to fill a vacancy arising in any other manner holds office for the remaining term of his or her predecessor. Directors elected by the stockholders at an annual meeting to succeed those whose terms expire at such meeting are of the same class as the directors they succeed and are elected for a term to expire at the third annual meeting of stockholders after their election and until their successors are duly elected and qualified.

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

Three directors are to be elected at the Meeting. The Board of Directors, after recommendation by the Nominating and Corporate Governance Committee, has designated Mr. Evans, Mr. Marsh and Dr. Tananbaum as nominees for reelection as Class II directors of the Company at the Meeting. Pursuant to a rule previously adopted by the Board, directors may not stand for election or re-election after serving ten years on the Board or after the age of 75, unless the Board makes an affirmative determination that, because of the importance and value of the continued service of a director, the rule should be waived. Prior to designating the nominees for reelection as Class II directors at the Meeting and upon the recommendation of the Nominating and Corporate Governance Committee, the Board made such a determination with respect to Mr. Evans and Mr. Marsh.

If elected, such nominees will serve until the expiration of their terms at the 2012 Annual Meeting of Stockholders and until their successors are elected and qualified. The nominees have consented to being named in this Proxy Statement and to serve if elected. The Board of Directors has no reason to believe that any nominee named herein will be unable or unwilling to serve if elected. If any nominee becomes unavailable to serve as a director, the persons named in the proxy will vote the proxy for a substitute nominee or nominees as they, in their discretion, shall determine.

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

The principal occupations and qualifications of each nominee for director are as follows:

Nominees for Election as Class II Directors

Name	Age	Director Since	Principal Occupation, Other Business Experience and Other Directorships
Gary C. Evans	51	1998	Lead Independent Director of Novavax since March 2007. Chairman of the Board of Directors of Novavax from April 2005 to March 2007. Chief Executive Officer of GreenHunter Energy, Inc. and Orion Ethanol, Inc., two publicly traded alternative energy companies. Chairman of Global Hunter Holdings, LP, since June 2005. Chairman, President and Chief Executive Officer of Magnum Hunter Resources, Inc., an oil and gas exploration and production company, from 1995 to 2005. Chairman of the Board of Directors and Chief Executive Officer of its predecessor, Hunter Resources, Inc., from 1985 to 1995. Currently a trustee of TEL Offshore Trust, a publicly traded oil and gas trust.
John O. Marsh, Jr.	82	1991	Co-Chair of Independent Review Group for Walter Reed Hospital and Bethesda Navy Medical Center since 2007. Visiting Professor, George Mason University, since 2001. Visiting Professor, Virginia Military Institute, 1998. Interim Chief Executive Officer of Novavax from July 1996 to March 1997 and Chairman of the Board of Directors from July 1996 to February 1997. Secretary of the Army from 1981 to 1989. Counselor with Cabinet rank to the President of the United States from 1974 to 1977. Assistant for National Security Affairs to Vice President of the United States, 1974. Assistant Secretary of Defense from 1973 to 1974. U.S. Representative in Congress from 1963 to 1971.
James B. Tananbaum, M.D.	46	2006	Managing Director of Prospect Venture Partners III, L.P., a dedicated life science venture fund group which he co-founded in 2000. Chief Executive Officer of Theravance, Inc., a biopharmaceutical company, from 1997 to 2000. Partner, Sierra Ventures, a venture capital firm, from 1993 to 1997. Senior Product Manager of Merck & Co., Inc. from 1991 to 1993. Currently a director of various private biopharmaceutical companies and the following publicly traded biopharmaceutical companies: Infinity Pharmaceuticals, Inc. and Jazz Pharmaceuticals, Inc.

The principal occupations and qualifications of each of the continuing directors are as follows:

Directors Continuing as Class I Directors

Name	Age	Director Since	Principal Occupation, Other Business Experience and Other Directorships
John Lambert	56	2007	Executive Chairman of the Board of Directors of Novavax since March 2007. Independent consultant with JG Solutions Limited from 2005 to 2007. President, Chiron Vaccines, a biopharmaceutical company, from 2001 to 2005. Currently the Chairman of the Consejo de Administración of Farmaprojects S.A. (Spain), Non-Executive Chairman of Cambridge Biostability Ltd. (U.K) and a non-executive board member of Acambis plc.
Rahul Singhvi	44	2005	President, Chief Executive Officer and Director of Novavax since August 2005. Senior Vice President and Chief Operating Officer of Novavax from April 2005 to August 2005 and Vice President Pharmaceutical Development and Manufacturing Operations from April 2004 to April 2005. For ten years prior to joining the Company, served in several positions with Merck & Co., Inc., culminating as Director with the Merck Manufacturing Division from 1999 to 2004.
Rajiv I. Modi, Ph.D.	49	2009	Managing Director of Cadila Pharmaceuticals, Ltd., a company organized in India, since 1995. Director of other Cadila Group Companies.

Directors Continuing as Class III Directors

Name	Age	Director Since	Principal Occupation, Other Business Experience and Other Directorships
Michael A. McManus, Jr.	66	1998	President, Chief Executive Officer and Director of Misonix, Inc., a medical, scientific and industrial provider of ultrasonic and air pollution systems, since 1998. President and Chief Executive Officer of N.Y. Bancorp from 1990 to 1998. Assistant to the President of the United States from 1982 to 1985. Currently a director of American Home Mortgage Holdings, Inc. and A. Schutman Inc.
Thomas P. Monath, M.D.	68	2006	Partner, Kleiner Perkins Caufield & Byers. Chief Scientific Officer and Executive Director, Acambis Inc., 2003 to 2006. Vice President, Research & Medical Affairs, Acambis Inc. 1992 to 2003. Director, Sanaria Inc. 2005 to 2006. Medical Advisory Board, Symphogen A/S 2005 to 2006. Scientific Advisory Board, Transform Pharmaceuticals, 2005 to present, IAVI 2007 to present. Consultant to Acambis Inc., specifically for smallpox vaccine 2006 to 2007. Currently a director and Acting

Chief Medical Officer of Juvaris BioTherapeutics and a director of Xcellerex, Inc. two private life science companies.

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

Certain Relationships and Related Transactions

Effective April 1, 2009, the Board elected Rajiv I. Modi Ph.D., managing director of Cadila Pharmaceuticals, Ltd. (Cadila), as a Class I director. Dr. Modi was elected to the board pursuant to the Stock Purchase Agreement dated March 31, 2009 between Novavax and Satellite Overseas (Holdings) Limited (SOHL), a subsidiary of Cadila, which requires that, for so long as SOHL owns 5% of the Company's Common Stock, SOHL may designate one member of the Board.

On March 31, 2009, Novavax entered into several material agreements with Cadila, SOHL and CPL Biologicals Limited, the joint venture formed by the Company and Cadila, 80% of which will be owned by Cadila (the JV). Cadila has committed to fund approximately \$8 million of working capital to the JV over three years. Dr. Modi serves as managing director of Cadila and his family has a substantial ownership interest in Cadila and therefore he has an indirect material interest in these material agreements further described below. Due to Dr. Modi's interest in Cadila and the JV, he is not independent as that term is defined in the NASDAQ listing standards.

As stated above, on March 31, 2009, Novavax entered into a Stock Purchase Agreement (the SPA) with SOHL, pursuant to which SOHL agreed to purchase 12.5 million shares of Company Common Stock at \$0.88 per share, which closed on April 1, 2009. The Company raised gross proceeds of \$11 million in the offering. The net proceeds to the Company from the sale of the Common Stock, after deducting estimated offering expenses payable by the Company, is approximately \$10.65 million. The SPA provides that, as long as SOHL owns more than 5% of the Company's then-outstanding Common Stock, SOHL may purchase a pro-rata portion of most Company Common Stock sales or issuances.

Finally, on March 31, 2009, Novavax and Cadila entered into a Master Services Agreement (the Master Services Agreement) pursuant to which Novavax may request services from Cadila in the areas of biologics research, preclinical development, clinical development, process development, manufacturing scale up, and general manufacturing related services in India. If, at the third anniversary of the Master Services Agreement, the amount of services provided by Cadila is less than \$7.5 million, Novavax will pay Cadila a portion of the shortfall. Novavax will have to pay Cadila the portion of the shortfall amount that is equal to \$2.0 million and 50% of the portion of the shortfall amount that exceeds \$2.0 million. When calculating the shortfall, the amount of services provided by Cadila includes amounts that have been paid under all project plans, the amounts that will be paid under ongoing executed project plans and amounts for services that had been offered to Cadila, that Cadila was capable of performing, but exercised its right not to accept such project.

The aggregate dollar value of these agreements above is approximately \$11 million for the Stock Purchase Agreement, \$7.5 million for the Master Services Agreement, and \$8 million for the Joint Venture Agreement.

On July 31, 2008, the Company completed a registered direct offering of 6,686,650 units, with each unit consisting of one share of Common Stock and a warrant to purchase 0.5 shares of Common Stock at a price of \$2.68 per unit (or \$2.8425 per unit for units sold to affiliates of the Company). The net proceeds from the offering were approximately \$17.4 million. Several affiliates of the Company participated in the registered direct offering. Kleiner Perkins Caufield & Beyers, a shareholder then holding more than 5% of the outstanding common stock of the Company, purchased 351,803 units for \$1,000,000 and Gary Evans, the Company's lead director, purchased 67,756 units for \$192,596. Thomas Monath, a director of the Company, is also a partner of Kleiner Perkins Caufield & Beyers.

The other affiliates that participated included Messrs. McManus and Lambert and Dr. Monath, directors of the Company, Dr. Singhvi, director, President and Chief Executive Officer, Len Stigliano, former Vice President, Chief Financial Officer and Treasurer, Penny Heaton, Chief Medical Officer, James Robinson, Vice President of Technical and Quality Operations, Thomas Johnston, Vice President of Strategy and Prospect Venture Partners III, L.P., a shareholder then holding more than 5% of the outstanding common stock of the Company. Mr. Tananbaum, a director of the Company, is also a managing director of Prospect Venture Partners III, L.P. These affiliates purchased an aggregate of 115,974 units for \$329,656.

Prior to his election to the Board of Directors, Mr. Lambert was engaged by the Company as a consultant to assist with specific projects, including business development efforts to evaluate the commercialization of the Company's influenza vaccines. At the time of his election, Mr. Lambert had been paid an aggregate of approximately \$34,000 in consulting fees for such services rendered through the date on which he was elected to the Board of Directors. On April 27, 2007, effective as of March 7, 2007, Mr. Lambert entered into a consulting agreement with Novavax pursuant to which he receives \$220,000 annually in consulting fees for advice and input into material agreements to be entered into or amended by the Company and on significant matters related to clinical development of the Company's product portfolio, including manufacturing issues and U.S. Food and Drug Administration approval and commercialization strategies. This consulting agreement has an initial term of three years.

The Company has agreed with two institutional investors, KPCB Holdings, Inc. and Prospect Venture Partners III, L.P., to nominate an individual recommended by each investor to the Board. Dr. Monath was recommended by KPCB Holdings, Inc. and Dr. Tananbaum was recommended by Prospect Venture Partners, L.P.

In March 2002, pursuant to the 1995 Stock Option Plan, the Company approved the payment of the exercise price of options by two individuals who then served as directors, Dr. Denis O'Donnell and Mr. Mitchell Kelly, through the delivery of full recourse, interest-bearing promissory notes in the amount of \$1,031,668 and \$447,600, respectively. The borrowings accrued interest at 5.07% per annum and were secured by 166,667 and 95,000 shares of Company Common Stock, respectively, owned by the two directors. These shares of Company Common Stock are referred to herein as pledged shares. The notes were originally payable upon the earlier to occur of the following: (a) the date on which the director ceases for any reason to be a director of the Company; (b) in part to the extent of net proceeds, upon the date on which the director sells all or any portion of the pledged shares; or (c) in full on March 21, 2007.

Following Mr. Kelly's resignation as a director on May 22, 2006, the Company approved an extension of his note. The note continued to accrue interest at 5.07% per annum, remained secured by 95,000 shares of the Company's Common Stock and was payable on December 31, 2007, or earlier to the extent of the net proceeds from any sale of the pledged shares. On May 7, 2008, the Company and Mr. Kelly amended the note by restating the entire amount outstanding as of December 31, 2007, including accrued interest, or \$578,848, as the new outstanding principal amount. The amendment also extends the maturity date of the note to June 30, 2009, permits the Company to sell the pledged shares if the market price of the Company's Common Stock exceeds certain targets, increases the interest rate to 8.0% and stipulates quarterly payments beginning on June 30, 2008. The Company received the first payment of \$50,000 in July 2008 and a second payment of \$5,000 in October 2008. In January 2009, the Company received an additional payment of \$10,000.

Following Dr. O'Donnell's resignation as a director on March 20, 2007, the Company approved an extension of his \$1,031,668 note. The note continues to accrue interest at 5.07% per annum and is secured by shares of Common Stock owned by the former director and is payable on June 30, 2009, or earlier to the extent of the net proceeds from any sale of the pledged shares. In addition, the Company has the option to sell the pledged shares on behalf of the former director at any time that the market price of the Company's Common Stock, as reported on NASDAQ Global Market, exceeds \$7.00 per share.

There are no family relationships among any of the directors or executive officers (or any nominee therefor) of Novavax. No director, executive officer, nominee or any associate of any of the foregoing has any interest, direct or indirect, in any proposal to be considered and acted upon at the Meeting (other than the election of directors).

The Company's Code of Business Conduct and Ethics provides that the Audit Committee is responsible for approving all transactions or business relationships involving Novavax and any director or executive officer, including any indebtedness of such individuals to the Company and transactions between Novavax and either the director or officer personally, members of their immediate families, or entities in which they have an interest.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") requires the Company's directors, executive officers and holders of more than 10% of the Company's Common Stock to file with the Securities and Exchange Commission (the "SEC") and the NASDAQ Global Market initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Based solely on a review of the copies of such reports (and any amendments thereto) furnished to the Company during or with respect to 2008 or written representations that no reports were required, the Company believes that during 2008 its executive officers, directors and holders of more than 10% of the Company's Common Stock complied with all Section 16(a) filing requirements.

Information Regarding the Board of Directors and Certain Committees

On March 5, 2009, the Board of Directors determined, upon a recommendation by the Nominating and Corporate Governance Committee, that, with the exception of Dr. Singhvi and Mr. Lambert, each of whom is currently, or was within the last three fiscal years, an employee, a consultant or executive officer of the Company, all of the members of the Board are "independent" directors, as that term is defined in the NASDAQ listing standards. Dr. Modi, who was elected to the Board of Directors effective April 1, 2009, is not an "independent" director due to his interest in Cadila and the JV, as described in the section titled "Certain Relationships and Related Transactions."

The Board of Directors met 13 times during 2008 and acted by written consent in lieu of a meeting 2 times. In addition, the non-employee directors met 4 times in executive session during the same period. Each of the directors attended at least 75% of the aggregate of the total number of meetings of the Board of Directors they were eligible to attend and the total number of meetings held by all committees on which they served.

Recognizing that director attendance at the Company's annual meetings of stockholders can provide stockholders with an opportunity to communicate with members of the Board, Novavax strongly encourages (but does not require) members of the Board to attend such meetings. John Lambert, Rahul Singhvi and John Marsh attended the 2008 Annual Meeting of Stockholders.

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

Compensation Committee

The Compensation Committee of the Board of Directors consists of three directors Mr. Marsh (Chairman), Dr. Monath and Dr. Tananbaum. Each is a non-employee director, as defined by Rule 16b-3 of the Exchange Act, outside director, as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) and an independent director, as defined by the listing standards of NASDAQ.

The Compensation Committee reviews and recommends salaries and other compensatory benefits for the employees, officers and directors of Novavax. The Compensation Committee also recommends actions to administer the equity incentive plans of the Company and recommends stock option grants and other awards for executive officers, key employees and directors of Novavax. The Compensation Committee acts pursuant to a written charter, a copy of which is posted on the Company's website at www.novavax.com. The Compensation Committee reviews and evaluates the charter annually to ensure its adequacy and accuracy. In 2008, the Compensation Committee did not approve any revisions to its charter. The Committee is tasked with meeting at least four times during the year, and more frequently, if necessary. During 2008, the Compensation Committee met 5 times and took no action by written consent in lieu of a meeting.

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

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

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

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

- annually reviewing and making recommendations regarding executive officers and senior management compensation; and

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

The Compensation Committee has the authority to engage independent compensation consultants or advisors, as it may deem appropriate in its sole discretion, and to approve related fees and retention terms of such consultants or advisors. As further described in the Compensation Discussion & Analysis, in January 2008, the Compensation Committee engaged Radford Surveys and Consulting, a unit of Aon Consulting, an independent executive compensation firm, to provide advice and assistance to the Compensation Committee and management in the area of executive compensation. The Compensation Committee routinely holds meetings, some with management and participates in executive sessions without management, where compensation is discussed. The Chairman of the Compensation Committee is responsible for leadership of the Committee and sets meeting agendas.

The Committee may request that any officer or employee of the Company, outside counsel or consultant attend Committee meetings or confer with any members of, or consultants to, the Committee. The Committee is supported in its efforts by the Company's human resources team, to which the Committee delegates authority for certain administrative functions. The Chief Executive Officer gives performance assessments and compensation recommendations for each executive officer of the Company (other than himself). The Executive Chairman gives performance assessments and compensation recommendations for each executive officer of the Company including the Chief Executive Officer. The Compensation Committee considers the Chief Executive Officer's and the Executive Chairman's recommendations and the information provided by the human resources team in its deliberations regarding executive compensation and sets the compensation of the executive officers based on such deliberations and recommends that the Board of Directors ratify such compensation. The Chief Executive Officer, Chief Financial Officer, while he was an officer of the Company, and the Executive Director of Human Resources and Administration generally attend Compensation Committee meetings but none are present for executive sessions or any discussion of their own compensation.

Compensation Committee Interlocks and Insider Participation

Throughout 2008, Mr. Marsh, Dr. Monath, and Dr. Tananbaum served on the Compensation Committee. None of the members of the Compensation Committee was at any time during 2008 an officer or employee of Novavax. Mr. Marsh served as interim Chief Executive Officer of the Company from July 1996 to March 1997.

No executive officer of the Company currently serves, or during 2008 served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

Audit Committee

The Audit Committee currently consists of Messrs. McManus (Chairman), Evans and Marsh, each of whom is a non-employee director and each of whom is an independent director as defined by the Exchange Act and the listing standards of NASDAQ. The Audit Committee met 10 times during the 2008 fiscal year and took no action by written consent in lieu of a meeting.

The Board has determined that each of Mr. McManus and Mr. Evans qualifies as an audit committee financial expert as that term is defined by the rules and regulations of the SEC, and is financially sophisticated as required by the listing standards for NASDAQ.

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

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of any independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company. To this end, the Committee meets with the Company's independent registered public accounting firm to discuss the scope and results of its examination and reviews the financial statements and reports contained in the Company's periodic and other filings. The Audit Committee also reviews the adequacy and efficacy of the Company's accounting, auditing and financial control systems, as well as the Company's disclosure controls and procedures; monitors the adequacy of the Company's accounting and financial reporting processes and practices; and considers any issues raised by its members, the Company's independent registered public accounting firm and the Company's employees. To assist in carrying out its duties, the Audit Committee is authorized to investigate any matter brought to its attention, retain the services of independent advisors (including legal counsel, auditors and other experts), and receive and respond to concerns and complaints relating to accounting, internal accounting controls and auditing matters. The Audit Committee regularly meets with the Company's independent auditor without management present, with management without the independent auditor present and in executive session without management or the independent auditor present.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee (the "Governance Committee") consists of Messrs. Evans (Chairman), Marsh and McManus, and Drs. Monath and Tananbaum, each of whom is an independent director as defined by the Exchange Act and the listing standards of NASDAQ. The Governance Committee met 2 times during 2008 and took no action by written consent in lieu of a meeting.

The Governance Committee acts pursuant to a written charter, a copy of which is available on the Company's website at www.novavax.com. The Governance Committee reviews and evaluates the charter annually to ensure its adequacy and accuracy. In 2008, the Governance Committee approved certain revisions to its charter.

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

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

Nomination Procedures

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

The notice must set forth as to each proposed nominee:

name, age, business address and, if known, residence address;

his or her principal occupation or employment;

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

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

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

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

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

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

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

be intelligent, thoughtful and analytical;

possess superior business-related knowledge, skills and experience;

reflect the highest integrity, ethics and character;

have excelled in both academic and professional settings;

demonstrate achievement in his or her chosen field;

be free of actual or potential conflicts of interest;

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

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

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

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

Current members of the Board with the requisite skills and experience are considered for re-nomination, balancing the value of the member's continuity of service with that of obtaining a new perspective, and considering each individual's contributions, performance and level of participation, the current composition of the Board, and the Company's needs. The Governance Committee also must consider the age and length of service of incumbent directors. In March 2005, the committee recommended to the Board, and the Board adopted, a rule not to re-nominate a director for re-election if such director has served ten years as a director or has reached 75 years of age. If any existing members do not wish to continue in service or if it is decided not to re-nominate a director, new candidates are identified in accordance with those skills, experience and characteristics deemed necessary for new nominees, and are evaluated based on the qualifications set forth above. In every case, the Governance Committee meets (in person or telephonically) to discuss each candidate, and may require personal interviews before final approval. Once a slate of nominees is selected, the Governance Committee presents it to the full Board.

Government Relations Committee

The Government Relations Committee consists of Messrs. Marsh (Chairman) and McManus and Dr. Singhvi. The purpose of the Government Relations Committee is to assist management of the Company with respect to government funding of its vaccine projects and to assist management with the education of state and federal executive and legislative branches of government regarding the Company's programs. The Government Relations Committee did not meet during 2008.

Code of Business Conduct and Ethics

Novavax's Board of Directors adopted a written Code of Business Conduct and Ethics in March 2004, which applies to each of Novavax's officers, directors and employees, including, but not limited to, the Company's Chief Executive Officer, Chief Financial Officer while he was an officer of the Company, and the Director of Finance and Interim Principal Accounting Officer. Each of Novavax's officers, directors and employees are required to adhere to this code in addressing the legal and ethical issues encountered in conducting their work. The code requires that employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner, and otherwise act with integrity and in the Company's best interest. Employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the code. The Sarbanes-Oxley Act of 2002 requires companies to have procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Company currently has such procedures in place. The Code of Business Conduct is reviewed at least annually by the Nominating and Corporate Governance Committee. A copy of the Code of Business Conduct and Ethics is posted on Novavax's website at www.novavax.com.

Stockholder Communications with the Board of Directors

The Board welcomes communications from stockholders and has adopted a procedure for receiving and addressing such communications. Stockholders may send written communications to the entire Board or individual directors, addressing them to Novavax, Inc., 9920 Belward Campus Drive, Rockville, Maryland 20850, Attention: Secretary. Communications by e-mail should be addressed to ir@novavax.com and marked Attention: Secretary in the Subject field. All such communications will be forwarded to the full Board of Directors or to any individual director or directors to whom the communication is directed unless the communication is clearly of a marketing nature or is unduly hostile, threatening, illegal, or similarly inappropriate, in which case the Company has the authority to discard the communication or take appropriate legal action.

Compensation of Directors

Compensation for non-employee directors is comprised of two components cash compensation and equity awards. Dr. Singhvi does not receive additional compensation for his service on the Board. For information concerning the compensation of Dr. Singhvi, the only director who is also an officer of the Company, see Executive Compensation below.

Cash Compensation

Mr. Lambert receives an annual retainer of \$30,000 as compensation for his services as a director and as Executive Chairman of the Board and does not receive additional compensation for attending board and committee meetings. Mr. Lambert also receives consulting fees from the Company, which are described in the section titled Certain Relationships and Related Transactions. Each director, other than Dr. Singhvi and Mr. Lambert, not employed by Novavax and not serving on a committee receives an annual retainer of \$10,000; non-employee directors serving on one or more committees receive an annual retainer of \$12,000, and the chairs of the Audit, Compensation, Nominating & Corporate Governance and Government Relations Committees receive additional annual retainers of \$20,000, \$15,000, \$15,000 and \$5,000, respectively.

Each director, other than Dr. Singhvi and Mr. Lambert, also receives \$1,500 for each meeting of the Board of Directors he attends in person and \$750 for each meeting attended telephonically. In addition, each such director who is a committee member also receives \$500 per committee meeting attended in person and \$250 for each meeting attended telephonically, except that the chair of each committee receives \$1,000 per committee meeting attended in person and \$500 for each meeting attended telephonically. In all cases, no fees are paid for telephonic meetings of the Board or any committee thereof lasting less than 30 minutes. Directors are also reimbursed by the Company for reasonable costs and expenses incurred for attending Board and committee meetings.

No other cash compensation was paid to the directors for their services to the Company as directors during 2008.

Equity Awards

At its meeting on March 6, 2008, the Board granted options to purchase Company Common Stock to each of its non-employee directors. The Board granted an option to purchase 15,000 shares of Company Common Stock to each of Mr. Evans, Mr. Marsh, Mr. McManus, Dr. Monath and Dr. Tananbaum and an option to purchase 25,000 shares of Company Common Stock to Mr. Lambert. All of the options have an exercise price of \$2.61 per share and vested in full six months after the date of the grant.

At its meeting on March 5, 2009, the Board granted options to purchase Company Common Stock to each of its non-employee directors. The Board granted an option to purchase 15,000 shares of Company Common Stock to each of Mr. Evans, Mr. Marsh, Mr. McManus, Dr. Monath and Dr. Tananbaum and an option to purchase 25,000 shares of Company Common Stock to Mr. Lambert. All of the options have an exercise price of \$0.56 per share and will vest in full six months after the date of grant.

Summary Director Compensation Table

The following table sets forth information concerning the compensation paid by the Company to each individual who served as a non-employee director at any time during fiscal 2008:

Name	Fees Earned or Paid in	Stock	Option	All Other	Total
	Cash(2)	Awards(3)	Awards(4)	Compensation	
Gary C. Evans	\$26,500		\$ 45,382		\$ 71,882
John Lambert(1)	\$30,000	\$92,333	\$212,305	\$ 220,000	\$554,638
John O. Marsh, Jr.	\$34,000		\$ 29,577		\$ 63,577
Michael A. McManus, Jr.	\$34,750		\$ 29,577		\$ 64,327
Thomas Monath, M.D.	\$25,250		\$ 29,577		\$ 54,827
James B. Tananbaum	\$20,500		\$ 29,577		\$ 50,077

(1) See Certain Relationships and Related Transactions on page 10 for information regarding the consulting agreement between the Company and Mr. Lambert.

(2) Represents fees earned in 2008.

(3) Reflects the dollar amount calculated for financial reporting purposes in accordance with

Statement of
Financial
Accounting
Standards
No. 123 (revised
2004) Share
Based Payment
(SFAS
No. 123R) and
thus may
include amounts
from stock
awards granted
in and prior to
the respective
year.

- (4) Because options
awarded to
directors in
2008 vested in
full during
2008, this
column reflects
the grant date
fair value and
the dollar
amount
recognized for
financial
statement
reporting
purposes for the
fiscal year
ended
December 31,
2008 in
accordance with
SFAS No. 123R
for all stock and
stock option
awards
outstanding for
any portion of
the current year.
Assumptions
used in the
calculation of
this amount for
years ended
December 31,

2006, 2007 and
2008 are
included in Note
8 to the
Company's
audited financial
statements for
the year ended
December 31,
2008, included
in the
Company's
Annual Report
on Form 10-K
filed with the
Securities and
Exchange
Commission on
March 31, 2009.

**PROPOSAL II RATIFICATION OF APPOINTMENT OF THE
COMPANY S INDEPENDENT AUDITOR**

The Audit Committee has appointed Grant Thornton LLP as the independent registered public accounting firm to serve as the independent auditor for Novavax in respect of the year ending December 31, 2009. The Audit Committee recommends that the stockholders of Novavax ratify this appointment. Although ratification is not required by the Company s By-laws or otherwise, the Board is submitting the selection of Grant Thornton LLP to the stockholders for ratification as a matter of good corporate practice.

The affirmative vote of the majority of the shares present in person or represented by proxy at the Meeting and voting on the proposal shall constitute ratification of the selection of Grant Thornton LLP. If the appointment of Grant Thornton LLP as the Company s independent auditor is ratified, the Audit Committee may, in its discretion, change the appointment at any time during the year should it determine such a change would be in the best interest of the Company and the stockholders. If the stockholders, however, do not ratify the appointment, the Audit Committee will reconsider whether to retain Grant Thornton LLP but may proceed with the retention of Grant Thornton LLP if it deems it to be in the best interest of the Company and the stockholders.

Representatives of Grant Thornton LLP are expected to be present at the meeting and will have an opportunity to address the meeting and respond to appropriate questions.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR
THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS THE
INDEPENDENT AUDITOR FOR THE FISCAL YEAR ENDING DECEMBER 31, 2009.**

Principal Accountant Fees and Services

The following is a summary of the fees billed by Grant Thornton LLP for professional services rendered as the Company's independent registered public accounting firm during the 2008 and 2007 fiscal years.

Fee Category	Grant Thornton LLP	
	Fiscal 2008	Fiscal 2007
Audit Fees	\$417,793	\$482,781
Audit Related Fees	\$	\$
Tax Fees	\$	\$
All Other Fees	\$	\$
Total Fees	\$417,793	\$482,781

Audit Fees. Consists of fees for professional services rendered in connection with the audit of the Company's annual consolidated financial statements for 2008 and 2007 and the reviews of the consolidated financial statements included in the Company's quarterly reports on Forms 10-Q. These amounts included fees billed for annual financial statement and internal control audits, quarterly reviews, and registration statement filings and consents.

Audit-Related Fees. Consists of fees for assurance and related services that were reasonably related to the performance of the independent registered public accounting firm's audit or review of the Company's financial statements.

Tax Fees. Consists of fees for professional services rendered for tax compliance, tax advice and tax planning for the Company. These amounts represent those billed for tax return preparation for the Company and its subsidiaries.

All Other Fees. Consists of fees for products and services provided other than those otherwise described above.

Pre-Approval Policies

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

Under the policy, unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval, it will require separate pre-approval by the Audit Committee. If fees for a proposed service of a type that has been pre-approved approach or exceed pre-determined fee triggers, the Audit Committee and the independent registered public accounting firm must confer and the Audit Committee must grant its approval before further work may be performed. For audit services (including the annual financial statement audit, required quarterly statement reviews, subsidiary audits, and other procedures required to be performed by the independent registered public accounting firm to be able to form an opinion on the Company's consolidated financial statements), the independent registered public accounting firm must provide to the Audit Committee in advance an engagement letter, outlining the scope of audit services proposed to be performed with respect to the audit for that fiscal year and associated fees. If agreed to by the Audit Committee, the engagement letter is formally accepted by the committee at its next regularly scheduled meeting.

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

To ensure prompt handling of unexpected matters, the Audit Committee has delegated authority to pre-approve audit and permissible non-audit services between regularly scheduled meetings of the committee to its Chairman, who is responsible for reporting any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee has not and will not delegate to management of the Company the Audit Committee's responsibilities to pre-approve services performed by the independent registered public accounting firm. The Audit Committee pre-approved all audit and permissible non-audit services provided to the Company by the independent registered public accounting firm during 2008.

**PROPOSAL III APPROVAL OF AMENDMENT TO THE COMPANY S
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
TO INCREASE THE AUTHORIZED SHARES OF COMMON STOCK**

On March 30, 2009, the Board of Directors unanimously adopted, subject to stockholder approval at the Meeting, an amendment to the Company s Amended and Restated Certificate of Incorporation, as amended (the Certificate), to increase the Company s authorized Common Stock from 100,000,000 shares to 200,000,000 shares. The Board has directed that the proposal to increase the number of shares of Common Stock authorized for issuance under the Certificate be submitted to the Company s stockholders for their approval at the Meeting. The full text of the proposed amendment to the Certificate is set forth in Appendix A to this Proxy Statement.

Under the Company s existing Certificate, the Company is authorized to issue 100,000,000 shares of Common Stock. As of April 1, 2009, 81,355,091 shares of Common Stock were issued and outstanding. Additionally, 8,763,976 shares of Common Stock are reserved for issuance pursuant to issued and outstanding options under the 2005 Stock Incentive Plan, 1995 Stock Option Plan and 1995 Director Stock Option Plan, 3,343,325 shares are reserved for issuance pursuant to issued and outstanding warrants and 5,500,000 shares are reserved for issuance upon conversion of the convertible debt. Therefore, only 1,037,608 shares remain available for issuance.

The Board believes that the increase in the number of authorized shares of Common Stock is advisable and in the best interests of the Company and its stockholders for several reasons. The increase in the number of authorized shares of Common Stock would permit the Board to issue stock without further stockholder approval and, thereby, provide the Company with maximum flexibility in structuring acquisitions, joint ventures, strategic alliances, capital-raising transactions and for other corporate purposes. Approval of the proposal would enable the Company to respond promptly to and take advantage of market conditions and other favorable opportunities without incurring the delay and expense associated with calling a special shareholders meeting to approve a contemplated stock issuance. Although there is no specific transaction presently contemplated by the Company, the Company will have to raise additional capital in the near term which is likely to involve the issuance of common stock. Therefore, the Company s management and Board of Directors believes it is in the best interests of the Company and the stockholders to be prepared to issue Common Stock without the necessity of another stockholders meeting should additional common stock be a component of any future raising of capital.

The approval of an amendment authorizing additional shares of Common Stock will not cause any change or dilution to the rights of existing holders of Common Stock of the Company, unless and until such time as any shares of Common Stock are actually issued by the Company.

If approved, the proposal will become effective upon the filing of a Certificate of Amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware. The affirmative vote of the holders of a majority of the shares of the Company s Common Stock entitled to vote is required for approval of this proposal.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU
VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE AMENDED AND
RESTATED ARTICLES OF INCORPORATION OF THE COMPANY TO INCREASE
THE AUTHORIZED SHARES OF COMMON STOCK.**

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of April 1, 2009 with respect to the beneficial ownership of shares of Common Stock by (i) each person (including any group) known to the Company to beneficially own more than 5% of the outstanding shares of Common Stock, (ii) the directors of the Company and nominees, (iii) the Named Executive Officers of the Company as identified in the Summary Compensation Table below, and (iv) all current directors and executive officers of the Company as a group.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned (1)	Percent of Class Outstanding
Satellite Overseas (Holdings) Limited c/o Barleigh Wells Limited 7 Hill Street, Douglas, Isle of Man	12,500,000(2)	15.36%
United Kingdom IM1 1EF Wellington Management Company, LLP 75 State Street Boston, MA 02109	6,972,281(3)	8.57%
Oppenheimer Funds, Inc. Two World Financial Center 225 Liberty Street, 11 th Floor New York, NY 10281-1008	6,739,721(4)	8.28%
Hartford Series Fund, Inc. on behalf of: Hartford Capital Appreciation HLS Fund 500 Bielenberg Drive Woodbury, MN 55125-1400	4,943,490(5)	6.076%