

NOVADEL PHARMA INC
Form DEF 14A
April 28, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**SCHEDULE 14A
(RULE 14a-101)**

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

NOVADEL PHARMA, INC.

(Name of Registrant as Specified In Its Charter)

Not Applicable

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Title of each class of securities to which transaction applies:

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- (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):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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NOVADEL PHARMA INC.
1200 Route 22 East, Suite 2000
Bridgewater, New Jersey 08807
(908) 203-4640

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on June 10, 2010

To Our Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders, or Annual Meeting, of NovaDel Pharma Inc., referred to herein as we, us, our or NovaDel, a Delaware corporation, will be held at the offices of Morgan, Lewis & Bockius LLP, located at 502 Carnegie Center, Princeton, New Jersey 08540, on Thursday, June 10, 2010, at 9:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect four Directors to our Board of Directors to serve until the next Annual Meeting of Stockholders or until their successors have been duly elected or appointed and qualified;
2. To approve the amendment and restatement of the Company's 2006 Equity Incentive Plan to, among other things, increase the number of shares of common stock reserved for issuance thereunder from 6,000,000 to 16,000,000;
3. To ratify the selection of J.H. Cohn LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010; and
4. To consider and take action upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

These items of business are more fully described in the Proxy Statement accompanying this notice. Only holders of record of our common stock, par value \$0.001 per share (the Common Stock), at the close of business on April 16, 2010 (the Record Date), will be entitled to notice of and to vote at the Annual Meeting or any adjournments or postponements thereof.

The names of stockholders of record entitled to vote at the Annual Meeting will be available at the Annual Meeting and for ten (10) days prior to the Annual Meeting for any purpose germane to the meeting, at our principal executive offices at 1200 Route 22 East, Suite 2000, Bridgewater, NJ 08807, by contacting our Corporate Secretary.

Whether you plan to attend the meeting in person or not, it is important that you read the Proxy Statement and follow the instructions on your proxy card to vote by mail, telephone or Internet. This will ensure that your shares are represented and will save us additional expenses of soliciting proxies.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL STOCKHOLDER MEETING TO BE HELD ON JUNE 10, 2010.

In accordance with new rules approved by the Securities and Exchange Commission, we are providing this notice to our stockholders to advise them of the availability on the Internet of our proxy materials related to our Annual Meeting.

Our proxy statement and proxy are enclosed along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which is being provided as our Annual Report to Stockholders. These materials are also available on the website <http://www.proxyvote.com>.

By Order of the Board of Directors,

Steven B. Ratoff
Chairman of the Board, President, Chief Executive Officer
and Interim Chief Financial Officer

Flemington, New Jersey
April 28, 2010

YOUR VOTE IS IMPORTANT IN ORDER TO ASSURE YOUR REPRESENTATION AT THE MEETING, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE AND RETURN IT IN THE ENCLOSED ENVELOPE.

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PROXY STATEMENT

General

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of NovaDel Pharma Inc., referred to herein as we, us, or NovaDel, of proxies to be voted at the Annual Meeting of Stockholders, or the Annual Meeting, to be held at 9:00 a.m., Eastern Daylight Time, on Thursday, June 10, 2010 at the offices of Morgan, Lewis & Bockius LLP, located at 502 Carnegie Center, Princeton, New Jersey 08540, and at any adjournments or postponements thereof.

A copy of our Annual Report on Form 10-K for the period ended December 31, 2009 is enclosed with these materials. Upon written request, we will provide each stockholder being solicited by this Proxy Statement with a copy, free of charge, of any of the documents referred to in this Proxy Statement. All such requests should be directed to NovaDel Pharma Inc., 1200 Route 22 East, Suite 2000, Bridgewater, New Jersey 08807, Attn: Steven B. Ratoff, Chairman of the Board, President and Chief Executive Officer, Interim Chief Financial Officer and Corporate Secretary.

The Annual Meeting has been called to consider and take action on the following proposals:

- (i) to elect four Directors to our Board of Directors, or the Board, to serve until the next Annual Meeting of Stockholders or until their successors have been duly elected or appointed and qualified;
- (ii) to approve the amendment and restatement of the Company's 2006 Equity Incentive Plan to, among other things, increase the number of shares of common stock reserved for issuance thereunder from 6,000,000 to 16,000,000;
- (iii) to ratify the selection of J.H. Cohn LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010; and
- (iv) to consider and take action upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Our principal executive office is located at 1200 Route 22 East, Suite 2000, Bridgewater, New Jersey 08807 and our telephone number is (908) 203-4640. The approximate date on which this Proxy Statement, the proxy card and other accompanying materials are first being sent or given to stockholders is April 28, 2010.

Record Date and Shares Outstanding

Stockholders of record at the close of business on April 16, 2010 (the Record Date) are entitled to notice of and to vote at the meeting. At the Record Date, 98,383,458 shares of our Common Stock were issued and outstanding.

Revocability of Proxies

You can revoke your proxy at any time before it is exercised by timely delivery of a properly executed, later-dated proxy (including a telephone vote), by delivering a written revocation of your proxy to our Corporate Secretary, or by voting at the meeting. The method by which you vote by proxy will in no way limit your right to vote at the meeting if you decide to attend in person. If your shares are held in the name of a bank or brokerage firm, you must obtain a proxy, executed in your favor, from the bank or broker, to be able to vote at the meeting.

Voting Rights

Only holders of record of our Common Stock at the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting. Each share of Common Stock is entitled to one vote on all matters to be voted upon at the Annual Meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares on the Record Date will constitute a quorum for the transaction of business at the Annual Meeting and at any postponement or adjournment thereof.

For Proposal 1, the affirmative vote of a plurality of the shares of Common Stock cast by the stockholders present in person or represented by proxy at the Annual Meeting is required to elect the nominees for election as Directors. Withholding authority will have no effect on the outcome of the vote for the election of Directors.

For Proposal 2, the affirmative vote of a majority of votes cast by the stockholders entitled to vote and who are present in person or represented by proxy at the Annual Meeting is required to approve the amendment and restatement of the Company's 2006 Equity Incentive Plan to, among other things, increase the number of shares of common stock reserved for issuance thereunder from 6,000,000 to 16,000,000. Abstentions will have the effect of a vote against this proposal.

For Proposal 3, the affirmative vote of a majority of votes cast by the stockholders entitled to vote and who are present in person or represented by proxy at the Annual Meeting is required to ratify the selection of J.H. Cohn LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010. Abstentions will have the effect of a vote against this proposal. We are not required to obtain the approval of our stockholders to select our independent registered public accounting firm. However, if our stockholders do not ratify the selection of J.H. Cohn LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010, the Audit Committee of our Board of Directors may reconsider its selection.

Broker Non-Votes

If you do not give instructions to your bank or broker within ten days of the Annual Meeting, it may vote on matters that the New York Stock Exchange, or NYSE, determines to be routine, but will not be permitted to vote your shares with respect to non-routine items. Under the NYSE rules, the ratification of the appointment of our independent auditors (Proposal 3) is a routine matter while the election of our directors (Proposal 1) and the approval of the amendment and restatement of our 2006 Equity Incentive Plan (Proposal 2) are non-routine matters. When a bank or broker has not received instructions from the beneficial owners or persons entitled to vote and the bank or broker cannot vote on a particular matter because it is not routine, then there is a broker non-vote on that matter. Broker non-votes do not count as votes for or against any proposal, but will be counted in determining whether there is a quorum for the Annual Meeting. **Please note that because of a change in the NYSE rules, unlike at previous annual meetings, your bank or broker will not be able to vote your shares with respect to the election of directors if you have not provided directions to your bank or broker. We strongly encourage you to submit your voting instructions and exercise your right to vote as a stockholder.**

Questions and Answers

Q. What am I voting on?

Election of four Directors (Mark J. Baric, Thomas E. Bonney, CPA, Charles Nemeroff, M.D., Ph.D. and Steven B. Ratoff) for a term ending at the next Annual Meeting of Stockholders;

Approval of the amendment and restatement of the Company's 2006 Equity Incentive Plan to, among other things, increase the number of shares of common stock reserved for issuance thereunder from 6,000,000 to 16,000,000; and

Ratification of the selection of J.H. Cohn LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010.

Q. Who is entitled to vote?

Only stockholders of record at the close of business on the Record Date of April 16, 2010, are entitled to vote shares held by such stockholders on that date at the Annual Meeting. Each outstanding share entitles its holder to cast one vote.

Q. How do I vote?

Vote By Mail: Sign and date the proxy card you receive and return it in the enclosed stamped, self-addressed envelope.

Vote on the Internet: Registered shareholders can vote on the Internet at the website www.proxyvote.com. As with telephone voting, you can confirm that your instructions have been properly recorded.

Vote By Telephone: If you are a stockholder of record (that is, if you hold your stock in your own name), you may vote by telephone by following the instructions on your proxy card. The telephone number is toll-free, so voting by telephone is at no cost to you. If you vote by telephone, you do not need to return your proxy card. The number is 1-800-690-6903.

Vote in Person: Sign and date the proxy you receive and return it in person at the Annual Meeting.

If your shares are held in the name of a bank, broker or other holder of record (i.e., in street name), you will receive instructions from the holder of record that you must follow in order for your shares to be voted. Telephone and Internet voting will be offered to stockholders owning shares through most banks and brokers.

Q. Can I access the proxy materials and annual report on Form 10-K electronically?

This Proxy Statement, the proxy card, and our Annual Report on Form 10-K for the period ended December 31, 2009 are available on the website www.proxyvote.com.

Q. Can I change my vote or revoke my proxy?

Yes. You may change your vote or revoke your proxy at any time before the proxy is exercised. If you submitted your proxy by mail, you must (a) file with the Corporate Secretary a written notice of revocation or (b) timely deliver a valid, later-dated proxy. If you submitted your proxy by telephone, you may change your vote or revoke your proxy with a later telephone proxy. Attendance at the Annual Meeting will not have the effect of revoking a proxy unless you give written notice of revocation to the Corporate Secretary before the proxy is exercised or you vote by written ballot at the Annual Meeting.

Q. What is the process for admission to the Annual Meeting?

If you are a record owner of your shares (*i.e.*, your shares are held in your name), you must show government issued identification. Your name will be verified against the stockholder list. If you hold your shares through a bank, broker or trustee, you must also bring a copy of your latest bank or broker statement showing your ownership of your shares as of the Record Date.

Q. What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding on the Record Date will constitute a quorum. On the Record Date, there were 98,383,458 outstanding shares of Common Stock entitled to vote at the Annual Meeting.

Abstentions and broker non-votes are counted for purposes of determining whether a quorum is present at the Annual Meeting.

Q. What vote is required to approve each item?

The affirmative vote of a plurality of the votes cast at the meeting by stockholders entitled to vote thereon is required for the election of Directors. The affirmative vote of a majority of the votes cast by stockholders entitled to vote thereon will be required for the approval of the amendment and restatement of the Company's 2006 Equity Incentive Plan. For ratification of the selection of J.H. Cohn LLP, the affirmative vote of a majority of the votes cast by stockholders entitled to vote thereon will be required.

Q. What happens if I do not instruct my broker how to vote on the proxy?

If you do not instruct your broker how to vote, your broker will vote your shares for you at his or her discretion on routine matters such as the ratification of auditors.

Q. What are the recommendations of the Board of Directors?

The Board of Directors unanimously recommends that the stockholders vote:

FOR the election of the four nominated Directors;

FOR the approval of the amendment and restatement of the Company's 2006 Equity Incentive Plan to, among other things, increase the number of shares of common stock reserved for issuance thereunder from 6,000,000 to 16,000,000; and

FOR ratification of the selection of J.H. Cohn LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010.

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

PROPOSAL I**ELECTION OF DIRECTORS****Information Regarding Board of Directors**

The Board of Directors, or the Board, has nominated four (4) candidates for election as Director for a term expiring at the next Annual Meeting of Stockholders. All of the nominees are currently members of our Board and were elected by our stockholders at the last Annual Meeting. Directors are elected to serve for their respective terms of one year or until their successors have been duly elected or appointed and qualified. The Board has no reason to believe that any of the nominees named below will be unavailable, or if elected, will decline to serve.

Pursuant to our By-Laws, generally the number of Directors is fixed and may be increased or decreased from time to time by resolution of our Board. Currently, our By-Laws provide that the number of Directors must be not less than three (3) nor more than nine (9). The Board has fixed the number of Directors at four (4) members. Proxies cannot be voted for a greater number of persons than the number of nominees named. In the event one or more of the named nominees is unable to serve, the persons designated as proxies may cast votes for other persons as substitute nominees. Effective January 1, 2010, Mr. Ratoff, the then acting Interim President, Chief Executive Officer and Chief Financial Officer, was appointed as President and Chief Executive Officer and will continue to serve as Interim Chief Financial Officer and Corporate Secretary of the Company. The Board, based on the recommendation of the Corporate Governance and Nominating Committee, affirmatively determined that all of our Directors are independent of NovaDel and management under the standards set forth in the NYSE Amex Company Guide, with the exception of our Chairman, Mr. Steven B. Ratoff, who is not independent because of his role as President and Chief Executive Officer, Interim Chief Financial Officer and Corporate Secretary. In addition, the Board, based on the recommendation of the Corporate Governance and Nominating Committee, affirmatively determined that William F. Hamilton, Ph.D. and J. Jay Lobell were independent of NovaDel and management under the standards set forth in the NYSE Amex Company Guide during their service on the Board in 2009.

NAME	AGE	POSITION WITH NOVADEL
Mark J. Baric	51	Director
Thomas E. Bonney, CPA	45	Director
Charles Nemeroff, M.D., Ph.D.	60	Director
Steven B. Ratoff	67	Director and Chairman of the Board, President and Chief Executive Officer, Interim Chief Financial Officer and Corporate Secretary

The ages, principal occupations, current directorships and any directorship held during the past 5 years, and certain other information with respect to the nominees, are shown below as of the Record Date.

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Mark J. Baric, Director, 51. Mr. Baric was elected to the Board in February 2007. Since 2005, Mr. Baric has been the President and co-founder of CeNeRx BioPharma, Inc., a privately-held development company with a therapeutic focus on diseases of the central nervous system. In 2001, he co-founded and served until 2005 as Chief Executive Officer and Chairman of 2ThumbZ Entertainment Inc., a privately-held company which develops and markets entertainment applications for users of handheld wireless devices and networks. From 1996 to 2001, Mr. Baric was Chairman and Chief Executive Officer of Virtus Entertainment Corporation, an emerging company in the fast-growing interactive entertainment industry. From 1990 to 1996, Mr. Baric held various leadership positions, including Chief Operating Officer and Chief Financial and Administrative Officer of Seer Technologies Inc. (now known as Cicero, Inc.), a provider of business integration software. Prior to 1990, Mr. Baric held various leadership positions at several firms, including CS First Boston and Coopers and Lybrand. Mr. Baric serves on the boards of CeNeRx BioPharma, Inc. and 2ThumbZ Entertainment Inc. Mr. Baric received an M.B.A. from the Wharton School of the University of Pennsylvania and a B.S. from Clarion University. He is our chair of our Corporate Governance and Nominating Committee and a member of our Audit and Compensation Committees.

Thomas E. Bonney, CPA, Director, 45. Mr. Bonney was elected to the Board in March 2005. From 2002 to the present, Mr. Bonney has been Managing Director of CMF Associates, LLC, a financial and management consulting firm. Since December 2006, Mr. Bonney has been a General Partner in West Place LLC, and West Place Restaurant Group, LLC, privately-held companies that invest in and manage hotels and real estate. Since June 2005, Mr. Bonney has been a Director of Leblon Holdings LLC, a privately-held beverage supplier and from June 2005 through July 2007 was the Chief Financial Officer of Leblon Holdings, LLC. From 2001 to 2002, he was Chief Financial Officer of Akcelerant Holdings, Inc., a technology holding company. From 1995 to 2001, Mr. Bonney was President and a Director of Polaris Consulting & Information Technologies, a technology solutions provider. Mr. Bonney was at Deloitte & Touche from 1987 to 1995 in various positions including Senior Manager. Mr. Bonney received his B.S. in Accounting at the Pennsylvania State University and is a member of the Pennsylvania Institute of Certified Public Accountants. He is our Lead Director, chair of our Audit Committee and a member of our Compensation and Corporate Governance and Nominating Committees.

Charles Nemeroff, M.D., Ph.D., Director, 60. Dr. Nemeroff was elected to the Board in September 2003. Since 2009, Dr. Nemeroff has served as the Leonard M. Miller Professor and Chairman of the Department of Psychiatry and Behavioral Sciences at the University of Miami Leonard M. Miller School of Medicine in Miami, Florida. From 1991 through 2009, he served as the Reunette W. Harris Professor and Chairman of the Department of Psychiatry and Behavioral Sciences at Emory University School of Medicine in Atlanta, Georgia. Dr. Nemeroff has served on the Scientific Advisory Board of numerous publicly-traded pharmaceutical companies, including Astra-Zeneca Pharmaceuticals and Forest Laboratories. In 2002, he was elected to the Institute of Medicine of the National Academy of Sciences. Dr. Nemeroff received his B.S. from the City College of New York, his M.S. from Northeastern University, and his M.D., Ph.D. and post doctoral training from the University of North Carolina. Dr. Nemeroff is chair of our Scientific Advisory Board. He is also chair of our Compensation Committee and a member of our Audit and Corporate Governance and Nominating Committees.

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Steven B. Ratoff, Chairman of the Board, President, Chief Executive Officer, Interim Chief Financial Officer and Corporate Secretary, 67. Mr. Ratoff was elected to the Board in January 2006 and was elected Chairman of the Board on September 15, 2006. He was appointed as Interim President and Chief Executive Officer of NovaDel on July 23, 2007. Effective January 1, 2010, he was appointed President and Chief Executive Officer. Mr. Ratoff is a private investor and since December 2004 has served as a venture partner with ProQuest Investments, a health care venture capital firm. Mr. Ratoff served as director, since May 2005, and was Chairman of the Board, from September 2005 to October 2006, of Torrey Pines Therapeutics Inc. (formerly Axonyx Inc.), a NASDAQ development stage pharmaceutical company. Mr. Ratoff served as a director of Inkind Pharmaceuticals, Inc. from February 1998 to its sale to Salix, Inc. in September 2005. He also served as a board member since March 1995 and as Chairman of the Board and Interim Chief Executive Officer of CIMA Labs, Inc. from May 2003 to its sale to Cephalon, Inc. in August 2004. Mr. Ratoff also served as a director, since 1998 and as President and Chief Executive Officer of MacroMed, Inc. from February to December 2001. From December 1994 to February 2001, Mr. Ratoff served as Executive Vice President and Chief Financial Officer of Brown-Forman Corporation, a publicly-traded manufacturer and marketer of alcoholic beverages. Mr. Ratoff also was employed by Bristol Myers Squibb from 1975 to 1991, serving in a number of executive positions, the last of which was as Senior Vice President and Chief Financial Officer of the Pharmaceutical Group of the company. Mr. Ratoff received his B.S. in Business Administration from Boston University and an M.B.A. with Distinction from the University of Michigan.

Director Experience, Qualifications, Attributes and Skills

We believe that the backgrounds and qualifications of our directors and director nominees, considered as a group, provide a broad mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. Our Board is composed of a diverse group of leaders in their respective fields. Many of the current directors have leadership experience at major domestic and international companies with operations inside and outside the United States, as well as experience serving on other companies' boards, which provides an understanding of different business processes, challenges and strategies facing boards and other companies. Further, our directors also have other experience that makes them valuable members, such as prior experience with financing transactions or mergers and acquisitions that provides insight into issues faced by companies.

The following highlights the specific experience, qualification, attributes and skills of our individual Board members, or nominees for the Board, that have led our Corporate Governance and Nominating Committee to conclude that these individuals should serve on our Board:

Mark J. Baric, brings his extensive background in the biotechnology and information technology industry acquired through a variety of management positions at several privately-held and publically held companies. He currently serves on the board of several companies including CeNeRx Biopharma Inc, and 2ThumbZ Entertainment, Inc. Previously he has served on the boards of Concert Technologies and Virtual Scopics, a company established in partnership with the University of Rochester. Mr. Baric has a CPA and an MBA from the Wharton School of Business.

Thomas E. Bonney, CPA, our lead independent director, brings his extensive accounting and financial background to the Board, as well as expertise in mergers and acquisitions, transaction financing, and the life sciences industry from his experience as a managing partner of a financial and management consulting firm. Furthermore, from 2004 to 2008, Mr. Bonney was an adjunct professor at Temple University teaching business case study capstone courses to graduating undergraduates

Charles Nemeroff, M.D., Ph.D., brings his extensive background in the pharmaceutical and biotechnology industry. He has served on various Scientific Advisory Boards and has been chairman of the department of psychiatry and behavioral sciences at various universities.

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Steven B. Ratoff, our chairman of the board, president and chief executive officer, brings over 30 years of experience in the pharmaceutical industry. His experience as an operating executive in a number of companies as well as his board experience in small development stage companies well qualifies him as a board member of the Company.

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR ALL OF THE
NOMINEES SET FORTH ABOVE FOR DIRECTOR***

PROPOSAL 2

**APPROVAL OF THE AMENDMENT AND RESTATEMENT
OF THE COMPANY'S 2006 EQUITY INCENTIVE PLAN
TO, AMONG OTHER THINGS, INCREASE THE NUMBER OF SHARES OF COMMON STOCK
RESERVED FOR ISSUANCE THEREUNDER FROM 6,000,000 TO 16,000,000**

We are asking our stockholders to vote on a proposal to approve the amendment and restatement of the Company's 2006 Equity Incentive Plan, also referred to herein as the 2006 Plan, that will effect the following changes:

- increase the maximum number of shares of our common stock reserved for issuance over the term of the 2006 Plan by an additional 10,000,000 shares to a total of 16,000,000 shares;
- increase the maximum number of shares of common stock which may be issued pursuant to options intended to be incentive stock options under the federal tax laws by 10,000,000 shares;
- expand the types of stock-based awards available under the 2006 Plan to include restricted stock units which entitle the participant to receive the underlying shares upon vesting or upon the expiration of a designated period following vesting;
- establish net counting provisions so that the share reserve is reduced only by the actual number of shares issued under the Plan, and not by the gross number of shares subject to the awards made thereunder;
- clarify the eligibility provisions so that officers, employees, non-employee board members and consultants in our service or the service of our subsidiaries or parent companies are eligible to receive awards under the 2006 Plan;
- prohibit the repricing of options and stock appreciation rights;
- establish additional performance goals that our compensation committee may utilize in establishing performance targets to be attained as a condition of vesting of awards to qualify the compensation attributable to such awards as performance-based compensation under Section 162(m) of the Internal Revenue Code as explained in detail below; and
- effect a series of technical revisions in order to facilitate administration of the 2006 Plan and maintain its compliance with applicable laws and regulations.

As of April 16, 2010, 4,353,743 shares of common stock were subject to outstanding options under the 2006 Plan, 625,000 shares of common stock were outstanding restricted stock under the 2006 Plan, 2,784,863 shares of common stock had been issued as fully vested shares under the 2006 Plan and 1,021,257 shares of common stock remain available for future awards under the 2006 Plan.

Incentive compensation programs play a pivotal role in our efforts to attract and retain key personnel essential to our long-term growth and financial success. The proposed amendment will assure that a sufficient reserve of common stock is available under the 2006 Plan to allow the Company to remain competitive for executive talent and other key employees and provide us with more flexibility in designing equity incentive programs in an environment where a number of companies have moved from traditional option grants to other stock or stock-based awards such as restricted stock and restricted stock units and performance-based compensation.

The 2006 Plan was originally approved by our stockholders at the 2006 Annual Meeting held on January 17, 2006. On April 20, 2010, our board approved the amendment and restatement of the 2006 Plan that is the subject of this Proposal 2, subject to the approval of the stockholders at the Annual Meeting.

Summary Description of the 2006 Equity Incentive Plan

The principal terms and provisions of the 2006 Plan, as amended, are described below. The summary, however, is not intended to be a complete description of all the terms of the 2006 Plan and is qualified in its

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entirety by reference to the complete text of the 2006 Plan, as amended, filed with this Proxy Statement as [Appendix A](#). Any stockholder who wishes to obtain a copy of the actual plan documents may do so upon written request to our Corporate Secretary at our principal offices at 1200 Route 22 East, Suite 2000, Bridgewater, New Jersey 08807.

Types of Awards. The following types of awards may be granted under the 2006 Plan: options, stock appreciation rights, stock awards and restricted stock units.

Administration. The compensation committee of our board has the exclusive authority to administer the 2006 Plan with respect to awards made to our executive officers and non-employee Board members and has the authority to make awards under the 2006 Plan to all other eligible individuals. The compensation committee may delegate all or any part of its authority under the 2006 Plan to a sub-committee comprised of no less than two (2) members of the board. In addition, the compensation committee may delegate to the chief executive officer of the Company all or any part of its authority under the 2006 Plan to grant awards to non-officer employees with limitations established by the compensation committee.

The term plan administrator, as used in this summary, will mean our compensation committee, any sub-committee and our executive officer, to the extent each such entity or individual is acting within the scope of its administrative authority under the 2006 Plan.

Eligibility. Officers, employees, non-employee members of our board and consultants in our employ or service or in the employ or service of our parent or our subsidiary companies (whether now existing or subsequently established) are eligible to participate in the 2006 Plan.

Securities Subject to 2006 Plan. 16,000,000 shares of our common stock will be reserved for issuance over the term of the 2006 Plan, including the 10,000,000 share increase subject to approval under this proposal. The maximum number of shares of common stock which may be issued pursuant to options intended to qualify as incentive stock options under the federal tax laws may not exceed 16,000,000 shares.

No participant in the 2006 Plan may receive awards for more than 2,600,000 shares of our common stock in any single calendar year, subject to adjustment for subsequent stock splits, stock dividends and similar transactions. Stockholder approval of this proposal will also constitute approval of that 2,600,000-share limitation for purposes Section 162(m) of the Internal Revenue Code (Section 162(m)). Accordingly, such limitation will assure that any deductions to which we would otherwise be entitled upon the exercise of stock options or stock appreciation rights granted under the 2006 Plan will not be subject to the \$1 million limitation on the income tax deductibility of compensation paid per executive officer imposed under Section 162(m). In addition, one (1) or more shares issued under stock awards or restricted stock units may also qualify as performance-based compensation that is not subject to the Section 162(m) limitation, if the vesting of those shares is tied to the attainment of the corporate performance milestones discussed in the summary description below.

The shares of common stock issuable under the 2006 Plan may be drawn from shares of our authorized but unissued common stock or from shares of our common stock that we acquire, including shares purchased on the open market or in private transactions.

Shares subject to outstanding awards under the 2006 Plan that are forfeited or otherwise terminate prior to the issuance of the shares subject to those awards or for other consideration in lieu of such shares will be available for subsequent issuance under the 2006 Plan. Any unvested shares issued under the 2006 Plan that are subsequently forfeited or that we repurchase, at a price not greater than the original issue price paid per share, pursuant to our repurchase rights under the 2006 Plan will be added back to the number of shares reserved for issuance under the 2006 Plan and will accordingly be available for subsequent issuance.

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In addition, the following share counting procedures will apply in determining the number of shares of common stock available from time to time for issuance under the 2006 Plan:

Should the exercise price of an option be paid in shares of our common stock, then the number of shares reserved for issuance under the 2006 Plan will be reduced by the net number of shares issued under the exercised option.

Should shares of common stock otherwise issuable under the 2006 Plan be withheld by us in satisfaction of the withholding taxes incurred in connection with the issuance, exercise or settlement of an award under the plan, then the number of shares of common stock available for issuance under the 2006 Plan will be reduced by the net number of shares actually issued after any such share withholding.

Upon the exercise of any stock appreciation right granted under the 2006 Plan, the share reserve will be reduced by the net number of shares actually issued upon such exercise.

Grant of Awards. The plan administrator has complete discretion to determine which eligible individuals are to receive awards, the time or times when those awards are to be granted, the number of shares subject to each such award, the vesting and exercise schedule (if any) to be in effect for the award, the cash consideration (if any) payable per share subject to the award and the form of payment in which the award is to be settled, the maximum term for which the award is to remain outstanding, the status of any granted option as either an incentive stock option or a non-statutory option under the federal tax laws, and with respect to performance-based awards, the amount payable at one or more levels of attained performance, the payout schedule and the form of payment.

Stock Options. Each granted option will have an exercise price per share determined by the plan administrator, but the exercise price will not be less than one hundred percent (100%) of the fair market value of the option shares on the grant date. No granted option will have a term in excess of ten (10) years. The shares subject to each option will generally vest in one or more installments over a specified period of service measured from the grant date or upon the achievement of pre-established performance objectives. However, one or more options may be structured so that they will be immediately exercisable for any or all of the option shares. The shares acquired under such immediately exercisable options will be subject to repurchase by us, at the lower of the exercise price paid per share or the fair market value per share, if the optionee ceases service prior to vesting in those shares.

Upon cessation of service, the optionee will have a limited period of time in which to exercise his or her outstanding options to the extent exercisable for vested shares. The plan administrator will have complete discretion to extend the period following the optionee's cessation of service during which his or her outstanding options may be exercised, provide for continued vesting during the applicable post-service exercise period and/or accelerate the exercisability or vesting of options in whole or in part. Such discretion may be exercised at any time while the options remain outstanding,

Stock Appreciation Rights. The 2006 Plan allows the issuance of two types of stock appreciation rights:

Tandem stock appreciation rights granted in conjunction with options which provide the holders with the right to surrender the related option grant for an appreciation distribution from us in an amount equal to the excess of (i) the fair market value of the vested shares of our common stock subject to the surrendered option over (ii) the aggregate exercise price payable for those shares.

Stand-alone stock appreciation rights which allow the holders to exercise those rights as to a specific number of shares of our common stock and receive in exchange an appreciation distribution from us in an amount equal to the excess of (i) the fair market value of the shares of common stock as to which those rights are exercised over (ii) the aggregate exercise price in effect for those shares. The exercise price per share may not be less than the fair market value per share of our common stock on the date the stand-alone stock appreciation right is granted, and the right may not have a term in excess of ten (10) years.

The appreciation distribution on any exercised stock appreciation right will be paid in (i) cash, (ii) shares of our common stock or (iii) a combination of cash and shares of our common stock. Upon cessation of service with us, the holder of a stock appreciation right will have a limited period of time in which to exercise that right to the extent exercisable at that time. The plan administrator has complete discretion to extend the period following the holder's cessation of service during which his or her outstanding stock appreciation rights may be exercised, provide for continued vesting during the applicable post-service exercise period and/or accelerate the exercisability or vesting of stock appreciation rights in whole or in part. Such discretion may be exercised at any time while the stock appreciation rights remain outstanding.

Repricing Prohibition. The plan administrator may not implement any of the following repricing programs without obtaining stockholder approval: (i) the cancellation of outstanding options or stock appreciation rights in return for new options or stock appreciation rights with a lower exercise price per share, (ii) the cancellation of outstanding options or stock appreciation rights with exercise prices per share in excess of the then current fair market value per share of our common stock for consideration payable in our equity securities or (iii) the direct reduction of the exercise price in effect for outstanding options or stock appreciation rights.

Stock Awards and Restricted Stock Units. Shares of our common stock may be issued under the 2006 Plan subject to performance or service vesting requirements established by the plan administrator or as a fully-vested bonus for past services without any cash outlay required of the recipient. Shares of our common stock may also be issued under the 2006 Plan pursuant to restricted stock units which entitle the recipients to receive those shares upon the attainment of designated performance goals or the completion of a prescribed service period or upon the expiration of a designated time period following the vesting of those units, including (without limitation), a deferred distribution date following the termination of the recipient's service with us.

In order to assure that the compensation attributable to one or more stock awards or restricted stock units will qualify as performance-based compensation which will not be subject to the \$1 million limitation on the income tax deductibility of the compensation paid per executive officer which is imposed under Internal Revenue Code Section 162(m), the plan administrator will have the discretionary authority to structure one or more such awards so that the shares of common stock subject to those awards will vest only upon the achievement of certain pre-established corporate performance goals which may be based on one or more of the following criteria: (i) earnings (either in the aggregate or on a per share basis), (ii) revenues, (iii) cash flow, (iv) return on equity, (v) indices related to EVA (economic value added), (vi) earnings before interest, taxes, depreciation, amortization, (vii) market share (in one or more markets), (viii) customer retention rates, (ix) operating income, (x) per share rate of return on our common stock (including dividends), (xi) market penetration rates, (xii) reductions in expense levels, (xiii) attainment by our common stock of a specified market value for a specified period of time, (xiv) certain scientific milestones, or (xv) capital raises. The plan administrator may also provide for appropriate adjustments or exclusions for one or more items related to an event or occurrence which the plan administrator deems appropriate, including, without limitation, (i) restructurings, reorganizations or discontinued operations, (ii) the effect of changes in tax law, accounting principles or such other laws or provisions affecting reported results, (iii) costs and expenses incurred in connection with mergers and acquisitions, (iv) any extraordinary or nonrecurring items and (v) items of income, gain, loss or expense attributable to the operations of any business acquired by us or any subsidiary.

Stockholder approval of this proposal will also constitute approval of the foregoing performance goals for purposes of establishing the vesting targets for one or more awards under the 2006 Plan that are intended to qualify as performance-based compensation under Section 162(m).

Should the participant cease to remain in service while holding one or more unvested shares or should the performance objectives not be attained with respect to one or more such unvested shares, then those shares will be immediately surrendered for cancellation. Outstanding restricted stock units will automatically

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terminate, and no shares of our common stock will actually be issued in satisfaction of those awards, if the performance goals or service requirements established for such awards are not attained. The plan administrator, however, will have the discretionary authority to issue shares of our common stock in satisfaction of one or more outstanding awards as to which the designated performance goals or service requirements are not attained. However, no vesting requirements tied to the attainment of performance objectives may be waived with respect to awards which were intended at the time of issuance to qualify as performance-based compensation under Section 162(m), except in the event of the participant's death or disability or in connection with a change in control, as described under the heading "General Provisions - *Change in Control*."

Stock Awards

The following table sets forth, as to our Chief Executive Officer, our Chief Financial Officer, our two other most highly compensated executive officers and the other individuals and groups indicated, the number of shares of our common stock subject to option grants made under the 2006 Plan from January 1, 2009 through April 16, 2010, together with the weighted average exercise price per share in effect for such option grants.

<u>Name and Position</u>	<u>Number of Shares Underlying Options Granted (#)</u>	<u>Weighted Average Exercise Price Per Share (\$)</u>
Steven B. Ratoff, Chairman of the Board, President, Chief Executive Officer and Interim Chief Financial Officer	2,558,958	0.25
David H. Bergstrom, Ph.D., Senior Vice President and Chief Operating Officer	400,000	0.34
Michael E. Spicer, Chief Financial Officer and Corporate Secretary		
Deni M. Zodda, Ph.D., Senior Vice President and Chief Business Officer		
Joseph Warusz, Principal Accounting Officer		
All named executive officers as a group (5 persons)	2,958,958	0.26

Directors:

Marc J. Baric

Thomas E. Bonney

Charles Nemeroff

All current non-employee directors as a group (3 persons)

All employees, including current officers who are not named executive officers, as a group (1 persons)

New Plan Benefits

No awards have been made under the 2006 Plan on the basis of the amendment to the 2006 Plan subject to stockholder approval under this proposal.

General Provisions

Change in Control. In the event of a merger, reorganization, consolidation or other change in control, the compensation committee may, in its sole discretion, provide (A) that awards will be settled in cash rather than in shares, (B) that awards will become immediately vested and exercisable and will expire after a designated period of time to the extent not then exercised, (C) that awards will be assumed by another party to the transaction or otherwise be equitably converted or substituted in connection with such transaction, (D) that outstanding awards may be settled by payment in cash or cash equivalents equal to the excess of the fair market value of the underlying shares as of a specified date associated with the transaction, over the exercise price of the award, (E) that performance targets and performance periods for performance-based awards will

be modified, consistent with Section 162(m) where applicable, or (F) any combination of the foregoing. Unless otherwise provided in the award agreement, if a participant's employment is terminated without cause or the participant resigns for good reason with six (6) months after a change in control, all of the participant's awards will become fully vested.

The plan administrator's authority above extends to any awards intended to qualify as performance-based compensation under Section 162(m), even though the accelerated vesting of those awards may result in their loss of performance-based status under Section 162(m).

Changes in Capitalization. In the event of a corporate event or transaction involving the Company, including, without limitation, any stock split, stock dividend, extraordinary cash dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction, split-up, merger, consolidation or other reorganization, equitable adjustments will be made to: (i) the maximum number and/or class of securities issuable under the 2006 Plan; (ii) the maximum number and/or class of securities for which incentive stock options may be granted under the 2006 Plan; (iii) the maximum number and/or class of securities for which any one (1) person may be granted awards under the 2006 Plan per calendar year; (iv) the number and/or class of securities and the exercise price per share in effect for outstanding options and stock appreciation rights and (v) the number and/or class of securities subject to each outstanding stock award and restricted stock unit and the cash consideration (if any) payable per share. Such adjustments will be made in such manner as the plan administrator deems appropriate in order to preclude any dilution or enlargement of benefits under the 2006 Plan or the outstanding awards thereunder.

Valuation. The fair market value per share of our common stock on any relevant date under the Plan will be deemed to be equal to the closing selling price per share on that date on the Over-the-Counter Bulletin Board. As of April 16, 2010, the fair market value of our common stock determined on such basis was \$0.23 per share.

Stockholder Rights and Transferability. No optionee has any stockholder rights with respect to the option shares until such optionee has exercised the option and paid the exercise price for the purchased shares. The holder of a stock appreciation right will not have any stockholder rights with respect to the shares subject to that right unless and until such person exercises the right and becomes the holder of record of any shares of our common stock distributed upon such exercise. Options are not assignable or transferable other than by will or the laws of inheritance following the optionee's death, and during the optionee's lifetime, the option may only be exercised by the optionee. However, the plan administrator may permit transfer of awards under certain circumstances as it deems appropriate. Stand alone stock appreciation rights will be subject to the same transferability restrictions applicable to non-statutory options.

A participant will have full stockholder rights with respect to any shares of common stock issued to him or her under the 2006 Plan, whether or not his or her interest in those shares is vested. A participant will not have any stockholder rights with respect to the shares of common stock subject to restricted stock units until that award vests and the shares of common stock are actually issued thereunder. However, dividend-equivalent units may be paid or credited, either in cash or in actual or phantom shares of common stock, on outstanding restricted stock units, subject to such terms and conditions as the plan administrator may deem appropriate.

Amendment and Termination. Our compensation committee may amend or modify the 2006 Plan at any time subject to stockholder approval to the extent required under applicable law or regulation or pursuant to the listing standards of the stock exchange on which our common stock is at the time primarily traded. Unless sooner terminated by our compensation committee, the 2006 Plan will terminate on the earlier of (i) January 16, 2016 and (ii) the date on which all shares available for issuance under the 2006 Plan have been issued as fully vested shares.

Summary of Federal Income Tax Consequences

The following is a summary of the Federal income taxation treatment applicable to us and the participants who receive awards under the 2006 Plan.

Option Grants. Options granted under the 2006 Plan may be either incentive stock options which satisfy the requirements of Section 422 of the Internal Revenue Code or non-statutory options which are not intended to meet such requirements. The Federal income tax treatment for the two types of options differs as follows:

Incentive Options. No taxable income is recognized by the optionee at the time of the option grant, and no taxable income is recognized for regular tax purposes at the time the option is exercised, although taxable income may arise at that time for alternative minimum tax purposes. The optionee will recognize taxable income in the year in which the purchased shares are sold or otherwise made the subject of certain other dispositions. For Federal tax purposes, dispositions are divided into two categories: (i) qualifying, and (ii) disqualifying. A qualifying disposition occurs if the sale or other disposition is made more than two (2) years after the date the option for the shares involved in such sale or disposition is granted and more than one (1) year after the date the option is exercised for those shares. If the sale or disposition occurs before these two periods are satisfied, then a disqualifying disposition will result.

Upon a qualifying disposition, the optionee will recognize long-term capital gain in an amount equal to the excess of (i) the amount realized upon the sale or other disposition of the purchased shares over (ii) the exercise price paid for the shares. If there is a disqualifying disposition of the shares, then the excess of (i) the fair market value of those shares on the exercise date or (if less) the amount realized upon such sale or disposition over (ii) the exercise price paid for the shares will be taxable as ordinary income to the optionee. Any additional gain recognized upon the disposition will be a capital gain.

If the optionee makes a disqualifying disposition of the purchased shares, then we will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal to the amount of ordinary income recognized by the optionee as a result of the disposition. We will not be entitled to any income tax deduction if the optionee makes a qualifying disposition of the shares.

Non-Statutory Options. No taxable income is recognized by an optionee upon the grant of a non-statutory option. The optionee will in general recognize ordinary income, in the year in which the option is exercised, equal to the excess of the fair market value of the purchased shares on the exercise date over the exercise price paid for the shares, and the optionee will be required to satisfy the tax withholding requirements applicable to such income. We will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the optionee with respect to the exercised non-statutory option. The deduction will in general be allowed for our taxable year in which such ordinary income is recognized by the optionee.

Stock Appreciation Rights. No taxable income is recognized upon receipt of a stock appreciation right. The holder will recognize ordinary income in the year in which the stock appreciation right is exercised, in an amount equal to the excess of the fair market value of the underlying shares of common stock on the exercise date over the base price in effect for the exercised right, and the holder will be required to satisfy the tax withholding requirements applicable to such income. We will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the holder in connection with the exercise of the stock appreciation right. The deduction will be allowed for the taxable year in which such ordinary income is recognized.

Stock Awards. The recipient of unvested shares of common stock issued under the 2008 Plan will not recognize any taxable income at the time those shares are issued but will have to report as ordinary income, as and when those shares subsequently vest, an amount equal to the excess of (i) the fair market value of the shares on the vesting date over (ii) the cash consideration (if any) paid for the shares. The recipient may, however, elect under Section 83(b) of the Internal Revenue Code to include as ordinary income in the year the unvested shares are issued an amount equal to the excess of (i) the fair market value of those shares on

the issue date over (ii) the cash consideration (if any) paid for such shares. If the Section 83(b) election is made, the recipient will not recognize any additional income as and when the shares subsequently vest. We will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the recipient with respect to the unvested shares. The deduction will in general be allowed for our taxable year in which such ordinary income is recognized by the recipient.

Restricted Stock Units. No taxable income is recognized upon receipt of restricted stock units. The holder will recognize ordinary income in the year in which the shares subject to the units are actually issued to the holder. The amount of that income will be equal to the fair market value of the shares on the date of issuance, and the holder will be required to satisfy the tax withholding requirements applicable to such income. We will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the holder at the time the shares are issued. The deduction will be allowed for the taxable year in which such ordinary income is recognized.

Deductibility of Executive Compensation. We anticipate that any compensation deemed paid by us in connection with the exercise of non-statutory options or stock appreciation rights will qualify as performance-based compensation for purposes of Section 162(m) and will not have to be taken into account for purposes of the \$1 million limitation per covered individual on the deductibility of the compensation paid to certain of our executive officers. Accordingly, the compensation deemed paid with respect to options and stock appreciation rights granted under the 2006 Plan will remain deductible by us without limitation under Section 162(m). However, any compensation deemed paid by us in connection with shares issued under stock awards or restricted stock units will be subject to the \$1 million limitation, unless the issuance of the shares or cash is tied to one or more of the performance milestones described above.

Accounting Treatment. Pursuant to the accounting standards established under the FASB Accounting Standards Codification Topic 718, we will be required to expense all share-based payments, including grants of stock options, stock appreciation rights, restricted stock and restricted stock units under the 2006 Plan. Accordingly, stock options and stock appreciation rights which are granted to our employees and non-employee Board members and payable in shares of our common stock will have to be valued at fair value as of the grant date under an appropriate valuation formula, and that value will then have to be charged as a direct compensation expense against our reported earnings over the designated vesting period of the award. For shares issuable upon the vesting of restricted stock units awarded under the 2006 Plan, we will be required to amortize over the vesting period a compensation cost equal to the fair market value of the underlying shares on the date of the award. If any other shares are unvested at the time of their direct issuance, then the fair market value of those shares at that time will be charged to our reported earnings ratably over the vesting period. Such accounting treatment for restricted stock units and direct stock issuances will be applicable whether vesting is tied to service periods or performance goals, although for performance-based awards, the grant date fair value will initially be determined on the basis of the probable outcome of performance goal attainment. The issuance of a fully-vested stock bonus will result in an immediate charge to our earnings equal to the fair market value of the bonus shares on the issuance date.

Dividends or dividend equivalents paid on the portion of an award that vests will be charged against our retained earnings. However, if the award holder is not required to return the dividends or dividend equivalents if they forfeit their awards, such dividends or dividend equivalents paid on instruments that do not vest will be recognized by us as additional compensation cost.

Finally, it should be noted that the compensation expense accruable for performance-based awards under the 2006 Plan will, in general, be subject to adjustment to reflect the actual outcome of the applicable performance goals, and any expenses accrued for such performance-based awards will be reversed if the performance goals are not met, unless those performance goals are deemed to constitute market conditions (i.e., because they are tied to the price of our common stock) under FASB Accounting Standards Codification Topic 718.

Required Vote

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and voting on the Proposal 2, provided that affirmative vote also represents at least a majority of the voting power required to constitute a quorum at the annual meeting, is required for approval of the amendment to the 2006 Plan. Should such approval not be obtained, then the share reserve will not be increased and we will not be able to grant restricted stock units. However, awards will continue to be made under the 2006 Plan until the date all the shares of our common stock currently reserved for issuance under the 2006 Plan have been issued or any earlier termination of the 2006 Plan.

***THE BOARD BELIEVES THAT PROPOSAL 2 IS IN THE COMPANY S BEST INTERESTS
AND IN THE BEST INTERESTS OF OUR STOCKHOLDERS
AND UNANIMOUSLY RECOMMENDS A VOTE FOR THE AMENDMENT AND RESTATEMENT
OF THE 2006 EQUITY INCENTIVE PLAN.***

PROPOSAL 3

**RATIFICATION OF THE SELECTION OF J.H. COHN LLP AS OUR
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2010**

The Audit Committee, pursuant to its charter, has selected the independent registered public accounting firm of J.H. Cohn LLP for the purpose of auditing and reporting upon the financial statements of NovaDel for the fiscal year ending December 31, 2010. Neither the firm, nor any of its members has any direct or indirect financial interest in NovaDel. J.H. Cohn LLP has been employed by us to audit our financial statements since November 2003.

While the Audit Committee is responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm, the Audit Committee and our Board are requesting, as a matter of policy, that the stockholders ratify the appointment of J.H. Cohn LLP as our independent registered public accounting firm. The Audit Committee is not required to take any action as a result of the outcome of the vote on this proposal. However, if the stockholders do not ratify the selection, the Audit Committee may investigate the reasons for stockholder rejection and may consider whether to retain J.H. Cohn LLP or to appoint another independent registered public accounting firm. Furthermore, even if the appointment is ratified, the Audit Committee in their discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of NovaDel and our stockholders. A formal statement by representatives of J.H. Cohn LLP is not planned for the Annual Meeting. However, representatives of J.H. Cohn LLP are expected to be present at the Annual Meeting and will be available to respond to appropriate questions by stockholders.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE
FOR THE RATIFICATION OF THE SELECTION OF J.H. COHN LLP
AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2010**

BOARD OF DIRECTORS AND COMMITTEES**Meetings and Committees of our Board**

Our Board met 14 times in person or by teleconference during the year ended December 31, 2009. Each Director attended more than 75% of the total of the Board meetings and the meetings of the committees upon which he served.

Executive Sessions; Lead Independent Director

Non-employee Directors meet regularly in executive session following regularly scheduled Board meetings. Since January 2006, the Board has designated a Lead Independent Director who acts as the leader of the independent Directors and as chairperson of the executive sessions of our independent Directors. Dr. William F. Hamilton served as our Lead Independent Director until October 15, 2009. On December 10, 2009, Mr. Thomas E. Bonney was appointed Lead Independent Director.

Attendance at Annual Meeting

Although we have no formal policy regarding Director attendance at annual meetings, we strongly encourage all Directors to attend. Mr. Ratoff attended the Annual Meeting of Stockholders held on October 15, 2009.

Committees of the Board

Our Board has the following three committees: (1) Audit Committee; (2) Compensation Committee; and (3) Corporate Governance and Nominating Committee.

Committee	Members ⁽¹⁾	Number of Meetings in 2009
Audit	Thomas E. Bonney, CPA <i>Chair</i> ⁽²⁾ Mark J. Baric William F. Hamilton, Ph.D. Charles Nemeroff, M.D., Ph.D. ⁽³⁾	5
Compensation	Charles Nemeroff, M.D., Ph.D., <i>Chair</i> Mark J. Baric Thomas E. Bonney, CPA ⁽³⁾ J. Jay Lobell	6
Corporate Governance and Nominating	Mark J. Baric <i>Chair</i> ⁽³⁾ Thomas E. Bonney, CPA Charles Nemeroff, M.D., Ph.D. William F. Hamilton, Ph.D.	3

(1) Mr. J. Jay Lobell and Dr. William F. Hamilton did not stand for re-election at the 2009 Annual Meeting. As of October 15, 2009, Mr. Lobell and Dr. Hamilton are no longer members of the respective committees.

(2) Mr. Thomas E. Bonney, CPA has been determined by the Board to be an audit committee financial expert as defined under applicable Securities and Exchange Commission rules and independent by the Amex Company Guide as the Company continues to follow the Amex guidelines regarding Board membership.

(3) Joined the respective committee on October 15, 2009 to fill a vacancy created at the 2009 Annual Meeting.

Audit Committee

The functions of the Audit Committee are focused on the following areas:

selects our independent registered public accounting firm and provides oversight of the firm's independence, qualifications and performance;

reviews the adequacy of our internal control and financial reporting process and the reliability of our financial statements;

reviews and approves related party transactions; and

reviews our compliance with legal and regulatory requirements.

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. In the opinion of the Board, and as the term "independent" is defined in Section 803(A)(2) of the NYSE Amex Company Guide, Mr. Baric, Mr. Bonney, and Dr. Nemeroff are, and Dr. Hamilton was, independent of management and free of any relationship that would interfere with the exercise of independent judgment as members of the Audit Committee. Members of the Audit Committee also all meet the independence requirements set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934. Our Board has determined that Mr. Bonney qualifies as an "audit committee financial expert" and "independent director" as those terms are defined by the regulations of the Securities and Exchange Commission and the NYSE Amex Company Guide.

The Audit Committee meets with management periodically to consider the adequacy of our internal controls and the objectivity of our financial reporting. The Audit Committee discusses these matters with our independent registered public accounting firm and with appropriate financial personnel from NovaDel. Meetings are held with participation from the independent registered public accounting firm. The independent registered public accounting firm is given unrestricted access to the Audit Committee. The Audit Committee also recommends to our stockholders the appointment of the independent registered public accounting firm and reviews periodically their performance and independence from management. In addition, the Audit Committee reviews our budget and capital requirements and related party financing plans, and reports its recommendations to the full Board for approval and to authorize action. A copy of the Audit Committee's written charter is available on our website at www.novadel.com.

Prior to October 15, 2009, the members of the Audit Committee were Mr. Thomas E. Bonney, Mr. Mark J. Baric and Dr. William F. Hamilton. On and after October 15, 2009, the members of the Audit Committee are Mr. Thomas E. Bonney, CPA (Chair), Dr. Charles Nemeroff and Mr. Mark J. Baric.

Compensation Committee

The functions of the Compensation Committee are focused on the following areas:

reviews and approves, or recommends for approval by a majority of the independent Directors of the Board, the compensation of our Chief Executive Officer and our other named executive officers;

reviews and makes recommendations to the Board with respect to incentive compensation plans and equity-based plans; and

reviews the Compensation Discussion and Analysis ("CD&A") for inclusion in our proxy statement.

More specifically, the Compensation Committee annually reviews and approves corporate goals and objectives relevant to the total direct compensation that is, changes in base salary, and non-equity and equity incentive plan compensation of the Chief Executive Officer and our other named executive officers, evaluates their performance against these goals and objectives, and, based on its evaluation, sets their total direct compensation. The details of the process and procedures involved are described in the CD&A beginning on page 34 for the named executive officers total direct compensation.

Our full Board ultimately makes the final decisions regarding the Chief Executive Officer's and the other named executive officers' total direct compensation.

In the opinion of the Board, and as the term "independent" is defined in Section 803(A)(2) of the NYSE Amex Company Guide, Mr. Baric, Mr. Bonney and Dr. Nemeroff, are independent and are "non-employee Directors" pursuant to Rule 16b-3 promulgated under the Securities Exchange Act of 1934. A copy of the Compensation Committee's written charter is available on our website at www.novadel.com.

Prior to October 15, 2009, the members of the Compensation Committee were Mr. Mark J. Baric, Mr. J. Jay Lobell and Dr. Charles Nemeroff. On and after October 15, 2009, the members of the Compensation Committee were Dr. Charles Nemeroff (Chair), Mr. Mark J. Baric and Mr. Thomas J. Bonney.

Compensation Committee Interlocks and Insider Participation

From January 1, 2009 through October 15, 2009, the members of the Compensation Committee were Mr. Mark J. Baric, Mr. J. Jay Lobell and Dr. Charles Nemeroff. From October 15, 2009 through December 31, 2009, the members of the Compensation Committee were Dr. Charles Nemeroff, Mr. Mark J. Baric and Mr. Thomas J. Bonney. None of these individuals was at any time during fiscal year 2009 or at any other time an officer or employee of ours. No executive officer has served as a director or member of the Board of Directors or the Compensation Committee (or other committee serving an equivalent function) of any other entity while an executive officer of that other entity served as a director of or member of our Board of Directors or our Compensation Committee. Mr. Steven B. Ratoff, our Chairman of the Board, and our President and Chief Executive Officer, Interim Chief Financial Officer and Corporate Secretary participated in discussions and decisions regarding salaries and incentive compensation for all of our named executive officers, except he was excluded from discussions regarding his own salary and incentive stock compensation.

Corporate Governance and Nominating Committee

The functions of the Corporate Governance and Nominating Committee are focused on the following areas:

recommends to the Board the persons to be nominated for election as Directors at any meeting of stockholders;

develops and recommends to the Board a set of corporate governance principles applicable to NovaDel; and

oversees the evaluation of the Board.

In the opinion of the Board, and as the term "independent" is defined in Section 803(A)(2) of the NYSE Amex Company Guide, Mr. Baric, Mr. Bonney, and Dr. Nemeroff are, and Dr. Hamilton was, independent.

Prior to October 15, 2009, the members of the Corporate Governance and Nominating Committee were Mr. Thomas J. Bonney, Dr. William F. Hamilton and Dr. Charles Nemeroff. On and after October 15, 2009, the members of the Corporate Governance and Nominating Committee were Mr. Mark J. Baric (Chair), Mr. Thomas J. Bonney and Dr. Charles Nemeroff.

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The Corporate Governance and Nominating Committee was established on June 14, 2004 and was responsible for developing and recommending a set of corporate governance guidelines to the Board. Our Board adopted such Corporate Governance Guidelines in September 2005, which were amended in June 2006. The guidelines are available on our website at www.novadel.com. A complete description of the Corporate Governance and Nominating Committee's responsibilities is set forth in the Corporate Governance and Nominating Committee's written charter. A copy of the Corporate Governance and Nominating Committee's written charter is available on our website at www.novadel.com.

Code of Ethics

Our Board adopted a Business Conduct Policy that is applicable to all of our employees, officers and Directors. The Business Conduct Policy is intended to be designed to deter wrong-doing and promote honest and ethical behavior, full, fair, timely, accurate and understandable disclosure, and compliance with applicable laws. The Business Conduct Policy satisfies the definition of "code of ethics" under the rules and regulations of the Securities and Exchange Commission and the NYSE Amex Company Guide. The Board adopted the Business Conduct Policy in 2003 and a subsequent revised Business Conduct Policy was adopted by the Board in 2004. A copy of the Business Conduct Policy can be obtained and will be provided to any person without charge upon written request to our Corporate Secretary at our executive offices, 1200 Route 22 East, Suite 2000, Bridgewater, New Jersey 08807.

The Business Conduct Policy can also be obtained on our website, www.novadel.com. We intend to disclose on our website any amendments to, or waivers from, our Business Conduct Policy. Our website and the information contained therein or connected thereto are not incorporated into this Proxy Statement.

Independence of Directors

The Board annually determines the independence of each Director based on a review by the Board and our Corporate Governance and Nominating Committee. The Company continues to follow the NYSE Amex LLC Corporate Governance Standards requiring that a majority of the Board be independent and that for a Director to qualify as independent, the Board must affirmatively determine that the Director has no material relationship with NovaDel, either directly or as a partner, shareholder or officer of an organization that has a relationship with us. In determining whether a material relationship exists, the Board and our Corporate Governance and Nominating Committee broadly consider all relevant facts and circumstances brought to their attention through the processes described below.

The NovaDel Corporate Governance Guidelines, adopted by the Board in September 2005 and amended in June 2006, are available on the Corporate Governance section of our website at www.novadel.com. The NYSE Amex Company Guide generally provides that a Director will not be considered independent if:

the Director is, or within the last three years, has been an employee of NovaDel, or an immediate family member of the Director is, or within the last three years has been, an executive officer of NovaDel;

the Director, or an immediate family member of the Director, has received more than \$120,000 in any consecutive 12-month period in the last three years in any compensation from NovaDel, other than Director fees, compensation paid to an immediate family member who is an employee (other than an executive officer) of the company, compensation received for former service as an interim executive officer (provided the interim employment did not last longer than one year) or benefits under a tax-qualified retirement plan, or non-discretionary compensation;

a Director who is, or has an immediate family member who is, a current partner of our independent public registered accounting firm, or was a partner or employee of our independent registered public accounting firm who worked on our audit at any time during any of the past three years;

the Director, or an immediate family member of the Director is, or in the last three years has been, employed as an executive officer of another company where any of NovaDel's present executives serve on that company's compensation committee; or

a Director who is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of any organization to which the company made or from which the company received, payments that exceed 5% of the organization's gross revenues for that year or \$200,000, whichever is greater, in any of the most recent three fiscal years (other than payments arising solely from investments in the company's securities or payments under non-discretionary charitable contribution matching programs).

Pursuant to the Corporate Governance Guidelines, the Board reviewed the independence of each of our Directors in April 2010, taking into account potential conflicts of interest, transactions or other relationships that would reasonably be expected to compromise any of our Directors' independence. In performing this review, the Board, together with our Corporate Governance and Nominating Committee, reviewed the responses received from each Director to a questionnaire inquiring about, among other things, their relationships with us (and those of their immediate family members), their affiliations and other potential conflicts of interest.

As a result of this review, the Board, based on the recommendation of the Corporate Governance and Nominating Committee, affirmatively determined that all of our Directors are independent of NovaDel and management under the standards set forth in the NYSE Amex Company Guide, with the exception of our Chairman, Mr. Steven B. Ratoff, who is not independent because of his role as President and Chief Executive Officer, Interim Chief Financial Officer and Corporate Secretary.

Compensation of Directors

The general policy of the Board is that compensation for independent Directors should be a mix of cash and equity-based compensation. NovaDel does not pay employee Directors for Board service in addition to their regular employee compensation. The Compensation Committee, which consists solely of independent Directors, has the primary responsibility for reviewing and considering any revisions to Director compensation. The Board reviews the Compensation Committee's recommendations and determines the amount of Director compensation.

Pursuant to its charter, the Compensation Committee may engage the services of outside advisors, experts, and others to assist them. During 2009, the Compensation Committee did not engage the services of outside advisors, experts or others to assist in setting Director compensation.

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The following table shows amounts earned by each Director in the fiscal year ended December 31, 2009.

Director	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)	Total (\$)
Mark J. Baric	\$ 65,500		\$ 5,067				\$ 70,567
Thomas E. Bonney, CPA	\$ 72,000		\$ 5,067				\$ 77,067
William F. Hamilton, Ph.D. ⁽²⁾	\$ 47,252						\$ 47,252
J. Jay Lobell ⁽²⁾	\$ 38,544						\$ 38,544
Charles Nemeroff, M.D., Ph.D.	\$ 63,500		\$ 5,067				\$ 68,567
Steven B. Ratoff ⁽³⁾	\$ 67,500		\$ 5,067				\$ 72,567 ⁽²⁾

(1) Represents estimated fair value of the option award on the grant date using a Black-Scholes option pricing model that assumes the following: expected volatility of 85%; dividend yield of 0%; expected term until exercise of 1.8 years; and a risk-free interest rate of 2.0%.

(2) On October 15, 2009, Mr. Lobell and Dr. Hamilton did not stand for re-election at our 2009 Annual Meeting.

(3) Does not include fees earned by Mr. Ratoff pursuant to his consulting arrangement with us, or stock awards received by Mr. Ratoff pursuant to his role as the Company's Interim President and Chief Executive Officer, Interim Chief Financial Officer and Corporate Secretary.

The following table shows the options granted to each Director in the fiscal year ended December 31, 2009.

Director	Number of Shares Underlying Options Granted	Grant Date	Exercise Price Per Share
Mark J. Baric	50,000	10/15/2009	\$ 0.23
Thomas E. Bonney, CPA	50,000	10/15/2009	\$ 0.23
William F. Hamilton, Ph.D. ⁽¹⁾			\$
J. Jay Lobell ⁽¹⁾			\$
Charles Nemeroff, M.D., Ph.D.	50,000	10/15/2009	\$ 0.23
Steven B. Ratoff	50,000	10/15/2009	\$ 0.23

(1) On October 15, 2009, Mr. Lobell and Dr. Hamilton did not stand for re-election at our 2009 Annual Meeting.

In September 2006, Mr. Ratoff was elected Chairman of the Board. In connection with Mr. Ratoff's appointment as Chairman of the Board, the Board entered into a consulting arrangement to compensate Mr. Ratoff for his efforts in such position. Such arrangement was on a month-to-month basis. Effective June 6, 2007, his monthly rate was \$17,500 per month and reimbursement of reasonable expenses. Mr. Ratoff also received compensation as a member of the Board. Effective January 1, 2010, Mr. Ratoff was appointed as President and Chief Executive Officer and entered into an employment agreement in connection therewith, and will continue to serve as Interim Chief Financial Officer. As a result, Mr. Ratoff no longer qualifies as a non-employee Director as of January 1, 2010.

The Board followed the recommendation of the Compensation Committee and determined non-employee Director compensation as follows:

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Fiscal 2009 Policy -- Directors who were not employees and were independent received fees in the following amounts:

Equity Compensation -- Each new non-employee Director will, upon initially joining the Board, receive options to purchase 100,000 shares of our Common Stock pursuant to our 2006 Equity Incentive Plan, referred to herein as the 2006 Plan, and thereafter, each non-employee Director will receive an annual grant of options to purchase 50,000 shares of our Common Stock upon re-election to the Board.

Cash Compensation Prior to October 15, 2009, each non-employee Director was paid an annual retainer fee of \$20,000 and \$2,000 for in-person and \$1,000 for telephonic meetings of the Board. The Lead Independent Director was paid a \$2,500 retainer for such role. In addition, each non-employee Director received certain additional annual retainers and meeting fees for chairing or serving as a member of the committees of the Board, with annual retainers as follows:

Chairman of the Audit Committee	\$ 7,500
Member of the Audit Committee	\$ 2,500
Chairman of the Compensation Committee	\$ 5,000
Member of the Compensation Committee	\$ 2,500
Chairman of the Corporate Governance and Nominating Committee	\$ 5,000
Member of the Corporate Governance and Nominating Committee	\$ 2,500

In addition, each non-employee Director was paid \$1,000 for in-person and \$500 for telephonic committee meetings. The Board has agreed to permit each non-employee Director to elect to receive cash compensation in connection with their Board and committee retainers in the form of equity under the Plan. Such election will be made on an annual basis and valued at the time of grant. Equity grants will be received by such non-employee Directors when cash compensation payments are due.

On October 15, 2009, cash compensation for each non-employee Director was modified such that each non-employee Director will only receive an annual retainer of \$50,000 to be paid semi-annual in installments of \$25,000. No additional non-employee Director cash compensation will be paid to the Company's non-employee Directors.

Board Leadership Structure and Role in Risk Oversight

Our Board evaluates its leadership structure and role in risk oversight on an ongoing basis. Since January 2006, our leadership structure has combined the Chairman of the Board, President and Chief Executive Officer roles into one position. Currently, Mr. Ratoff serves as Chairman of the Board, President and Chief Executive Officer of our company. Since January 2006, our Board has also designated a Lead Independent Director who acts as the leader of the independent Directors of the Board and as Chairperson of the executive sessions of our independent Directors, serves as a non-exclusive intermediary between the independent Directors and management, including our Chairman of the Board, President and Chief Executive Officer, provides input to the Chairman in planning agendas for Board meetings and facilitates discussions among the independent Directors as appropriate between Board meetings. Currently, Mr. Bonney serves as our Lead Independent Director. Our Board determines what leadership structure it deems appropriate based on factors such as the experience of the applicable individuals, the current business environment of the Company, the current stage of development and commercialization of our products and product candidates and other relevant factors. After considering these factors, our Board has determined that the combined roles of

Chairman of the Board, President and Chief Executive Officer, along with a Lead Independent Director, is an appropriate board leadership structure for our company at this time.

The Board is also responsible for oversight of our risk management practices, while management is responsible for the day-to-day risk management processes. This division of responsibilities is the most effective approach for addressing the risks facing the Company, and the Company's board leadership structure supports this approach. Through our Chairman of the Board, President and Chief Executive Officer, and other members of management, the Board receives periodic reports regarding the risks facing the Company. In addition, the Audit Committee assists the Board in its oversight role by receiving periodic reports regarding our risk and control environment.

Director Nomination Procedures

The Corporate Governance and Nominating Committee is responsible for recommending to the Board the nominees for election as Directors at any meeting of stockholders and the persons to be elected by the Board to fill any vacancies on the Board. In making such recommendations, the Committee will consider candidates proposed by stockholders. Stockholders may submit a candidate's name and qualifications to the Board by mailing a letter to the attention of Steven B. Ratoff, Chairman of the Board, President and Chief Executive Officer, Interim Chief Financial Officer and Corporate Secretary, NovaDel Pharma Inc., 1200 Route 22 East, Suite 2000, Bridgewater, New Jersey 08807. The Committee will review and evaluate information available to it regarding candidates proposed by stockholders and will apply the same criteria, and will follow substantially the same process in considering them, as it does in considering candidates identified by members of the Board or senior management. The criteria which will be applied include: (i) reputation for integrity, honesty and high ethical standards; (ii) demonstrated business acumen, experience and ability to exercise sound judgments in matters that relate to our current and long-term objectives and willingness and ability to contribute positively to our decision-making process; (iii) commitment to understanding our business and our industry; (iv) adequate time to attend and participate in meetings of the Board and its Committees; (v) ability to understand the sometimes conflicting interests of the various constituencies of NovaDel, which include stockholders, employees, customers, governmental units, creditors and the general public and to act in the interest of all stockholders; and (vi) such other attributes, including independence, that satisfy requirements imposed by the Securities and Exchange Commission and NYSE Amex LLC. When evaluating potential candidates, the Corporate Governance and Nominating Committee will take into consideration the qualifications set forth in the Corporate Governance Guidelines which are available on our website at www.novadel.com. The Corporate Governance and Nominating Committee does not have a specific policy with regard to the consideration of diversity in identifying director nominees.

However, our Corporate Governance and Nominating Committee values diversity on our Board and considers the diversity of the professional experience, education and skills, as well as diversity of origin, in identifying director nominees. The Corporate Governance and Nominating Committee will also consider whether potential Director candidates will likely satisfy the applicable independence standards for the Board, the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee.

Stockholder Communications with the Board

Stockholders may communicate their comments or concerns about any matter to the Board by mailing a letter to the attention of the Board, c/o NovaDel, attention Corporate Secretary, at our office in Bridgewater, New Jersey. All letters received by the Corporate Secretary will be provided to the Board.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND OTHER MATTERS

The following table sets forth fees billed to us by our independent registered public accounting firm during the years ended December 31, 2009 and 2008 for: (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements; (ii) services by our independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as Audit Fees; (iii) services rendered in connection with tax compliance, tax advice and tax planning; and (iv) all other fees for services rendered.

	J.H. Cohn	
	fiscal year ended 12/31/09	fiscal year ended 12/31/08
Audit Fees	\$ 140,000	\$ 164,000
Audit Related Fees	\$ 13,900	\$ 22,900
Tax Fees		
All Other Fees		
Total Fees	\$ 153,900	\$ 186,900

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

The Audit Committee has adopted a policy for the pre-approval of all audit and permitted non-audit services that may be performed by our independent registered public accounting firm. Under this policy, unless a type of service to be provided by our independent registered public accounting firm has received general pre-approval, it will require specific pre-approval by the Audit Committee. Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee. The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee periodically will revise the list of pre-approved services, based on subsequent determinations. The Audit Committee delegates pre-approval authority to its chairperson and may delegate such authority to one or more of its members, whose activities are reported to the Audit Committee at each regularly scheduled meeting.

The Audit Committee has pre-approved for fiscal year 2010 the following services with the following fee limits:

Audit Services

Service	Range of Fees
1. Statutory audits or financial audits for affiliates of the Company for annual financial statements and review of financial statements included in quarterly reports in Form 10-Q	Not to exceed \$20,000
2. Services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g. comfort letters, consents) and assistance in responding to SEC comment letters	Not to exceed \$5,000
3. Consultations by the Company's management as to the accounting or disclosure treatment of transactions or events and/or other actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard setting bodies (Note: Under SEC rules, some consultations may be audit-related services rather than audit services)	Not to exceed \$10,000

Audit Related Services

Service	Range of Fees
1. Due diligence services pertaining to potential business acquisitions/dispositions	Not to exceed \$5,000
2. Agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond or comply with financial, accounting or regulatory reporting matters	Not to exceed \$10,000
3. Consultations by the Company's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB, or other regulatory or standard-setting bodies (Note: Under SEC rules, some consultations may be audit services rather than audit-related services)	Not to exceed \$10,000
4. Attest services not required by statute or regulation	Not to exceed \$5,000

Tax Services

Service	Range of Fees
1. U.S. federal, state and local tax planning and advice	Not to exceed \$5,000
2. U.S. federal, state and local tax compliance	Not to exceed \$20,000
3. International tax planning and advice	Not to exceed \$5,000
4. International tax compliance	Not to exceed \$5,000

All Other Services

Service	Range of Fees
No such services are pre-approved	

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board is currently composed of three members and acts under a written charter originally adopted in September 2003, which has been reviewed and amended on an annual basis. The current members of the Audit Committee possess the financial sophistication required by its charter and applicable rules. The Audit Committee's written charter is available on our website at www.novadel.com.

Management is responsible for our financial statements and the overall financial reporting process, including our system of internal control and for the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. The independent registered public accounting firm audits the annual financial statements prepared by management, expresses an opinion as to whether those financial statements present fairly the financial position, results of operations and cash flows of NovaDel in conformity with accounting principles generally accepted in the United States of America and discusses with the Audit Committee any issues they believe should be raised with the Audit Committee.

The Audit Committee has reviewed and discussed with our management NovaDel's audited financial statements for the year ended December 31, 2009. The Audit Committee also reviewed and discussed with our independent registered public accounting firm those matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU Section 380), as adopted by the Public Accounting Oversight Board in rule 3200T. These standards require our independent registered public accounting firm to communicate to our Audit Committee, among other things, the following:

methods used to account for significant unusual transactions;

the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

the process used by management in formulating particularly sensitive accounting estimates, and the basis for the independent registered public accounting firm's conclusions regarding the reasonableness of those estimates; and

disagreements with management over the application of accounting principles, the basis for management's accounting estimates, and the disclosures in the financial statements.

Our independent registered public accounting firm also provided the Audit Committee with the written disclosures required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence. In addition, the Audit Committee discussed with the independent registered public accounting firm its independence with respect to NovaDel. The Audit Committee also considered whether the independent registered public accounting firm's provision of certain other non-audit related services to NovaDel is compatible with maintaining such independent registered public accounting firm's independence.

Based upon the review and discussions referred to above, the Audit Committee has recommended to our Board that NovaDel's audited financial statements referred to above be included in our Annual Report on Form 10-K for the period ended December 31, 2009.

Audit Committee

Thomas E. Bonney, Chair

Mark J. Baric

Charles Nemeroff

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In accordance with the rules of the Securities and Exchange Commission, the information contained in the Report of the Audit Committee set forth above shall not be deemed to be soliciting material, or to be filed with the Securities and Exchange Commission or subject to the Securities and Exchange Commission's Regulation 14A, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that we specifically request that the information be treated as soliciting material or specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

EXECUTIVE OFFICERS

The names and ages of our named executive officers for 2009 are set out below. The named executive officers are elected annually by the Board and serve at the pleasure of the Board. The Board of Directors has determined that the following individuals are our named executive officers for the 2010 fiscal year: Mr. Ratoff, Dr. Bergstrom and Mr. Warusz.

NAME	AGE	POSITION WITH NOVADEL
Steven B. Ratoff	67	President, Chief Executive Officer, Interim Chief Financial Officer and Chairman of the Board
David H. Bergstrom, Ph.D.	55	Senior Vice President and Chief Operating Officer
Michael E. Spicer, CPA ⁽¹⁾	56	Chief Financial Officer and Corporate Secretary
Deni M. Zodda, Ph.D. ⁽²⁾	56	Senior Vice President and Chief Business Officer
Joseph Warusz ⁽³⁾	53	Principal Accounting Officer

- (1) On March 19, 2009, Mr. Spicer resigned from his positions with the Company, effective April 1, 2009. There was no disagreement between us and Mr. Spicer on any matter relating to our operations, policies or practices. On March 25, 2009, the Board appointed Dr. Deni M. Zodda to the positions of Interim Chief Financial Officer and Corporate Secretary.
- (2) On March 25, 2009, the Board appointed Dr. Deni M. Zodda to the positions of Interim Chief Financial Officer and Corporate Secretary. On April 28, 2009, Dr. Zodda agreed with the Board that due to a reorganization of the executive team, his services as Senior Vice President and Chief Business Officer would no longer be required effective April 30, 2009. There was no disagreement between us and Dr. Zodda on any matter relating to our operations, policies or practices. In connection with his departure, Dr. Zodda and the Company entered into a Separation, Consulting and General Release Agreement whereby Dr. Zodda provided the Company with certain consulting services ending on October 31, 2009.
- (3) On April 28, 2009, the Company appointed Mr. Warusz as Principal Accounting Officer.

Steven B. Ratoff, Chairman of the Board, President, Chief Executive Officer, Interim Chief Financial Officer and Corporate Secretary, 67. Mr. Ratoff was elected to the Board in January 2006 and was elected Chairman of the Board on September 15, 2006. He was appointed as Interim President and Chief Executive Officer of NovaDel on July 23, 2007. Effective January 1, 2010, he was appointed President and Chief Executive Officer. Mr. Ratoff is a private investor and since December 2004 has served as a venture partner with ProQuest Investments, a health care venture capital firm. Mr. Ratoff served as director, since May 2005, and was Chairman of the Board, from September 2005 to October 2006, of Torrey Pines Therapeutics Inc. (formerly Axonyx Inc.), a NASDAQ development stage pharmaceutical company. Mr. Ratoff served as a director of Inkind Pharmaceuticals, Inc. from February 1998 to its sale to Salix, Inc. in September 2005. He also served as a board member since March 1995 and as Chairman of the Board and Interim Chief Executive Officer of CIMA Labs, Inc. from May 2003 to its sale to Cephalon, Inc. in August 2004. Mr. Ratoff also served as a director, since 1998 and as President and Chief Executive Officer of MacroMed, Inc. from February to December 2001. From December 1994 to February 2001, Mr. Ratoff served as Executive Vice President and Chief Financial Officer of Brown-Forman Corporation, a publicly-traded manufacturer and marketer of alcoholic beverages. Mr. Ratoff also was employed by Bristol Myers Squibb from 1975 to 1991, serving in a number of executive positions, the last of which was as Senior Vice President and Chief Financial Officer of the Pharmaceutical Group of the company. Mr. Ratoff received his B.S. in Business Administration from Boston University and an M.B.A. with Distinction from the University of Michigan.

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David H. Bergstrom, Ph.D., Senior Vice President and Chief Operating Officer, 55. Dr. Bergstrom joined NovaDel in December 2006 as Senior Vice President and Chief Operating Officer. From 1999 to November 2006, Dr. Bergstrom served in several capacities at Cardinal Health, Inc., including Vice President, Research & Development and Senior Vice President and General Manager, where he gained extensive experience in biopharmaceutical research and development. From 1998 to 1999, Dr. Bergstrom was Vice President of Pharmaceutical & Chemical Development at Guilford Pharmaceuticals Inc. Dr. Bergstrom was employed by Hoechst Marion Roussel, Inc. as the Director of Pharmaceutical and Analytical Sciences from 1996 to 1998. Dr. Bergstrom served as Director of Pharmaceutical and Analytical Development for the predecessor company, Hoechst-Roussel Pharmaceuticals Inc., from 1991 to 1996, and Group Manager, Formulations, Pharmaceutical Research from 1990 to 1991. Prior thereto, Dr. Bergstrom held various positions at Ciba-Geigy Corporation. Dr. Bergstrom received his Ph.D. in Pharmaceutics at the University of Utah in 1985. In addition, he received his M.S. in Pharmaceutical Chemistry at the University of Michigan in 1982 and his B.S. degree in Pharmacy in 1978 at Ferris State University.

Michael E. Spicer, CPA, Chief Financial Officer and Corporate Secretary, 56. Mr. Spicer joined NovaDel as Chief Financial Officer in December 2004 and was named Corporate Secretary in April 2006. From December 2001 to December 2004, Mr. Spicer was Chief Financial Officer of Orchid Biosciences, Inc. (now known as Orchid Cellmark Inc.). From September 1998 to December 2001, Mr. Spicer served as Vice President, Chief Financial Officer of Lifecodes Corporation until it was acquired by Orchid. Mr. Spicer is a Certified Public Accountant and holds an undergraduate degree in Accounting from the University of Virginia and an M.B.A. from Harvard Business School. On March 19, 2009, Mr. Spicer resigned from his positions with the Company, effective April 1, 2009. There was no disagreement between us and Mr. Spicer on any matter relating to our operations, policies or practices.

Deni M. Zodda, Ph.D., Senior Vice President and Chief Business Officer, 56. Dr. Zodda joined NovaDel in February 2007 as Senior Vice President and Chief Business Officer. From May 2006 to February 2007, Dr. Zodda was Principal of Medignostica, LLC, a consulting firm he owns which provided business development services to various clients and was acting Chief Executive Officer of StemCapture, Inc., a privately-held stem cell research company. From 2000 to May 2006, Dr. Zodda served in varying capacities, including Senior Vice President, Business Development and Principal Financial Officer of Discovery Laboratories, Inc. From 1998 to 2000, Dr. Zodda served as Managing Director of the Life Sciences Practice at KPMG. During the course of his career, Dr. Zodda also held senior management positions in business development, marketing and commercial operations at Cephalon, Inc., Wyeth, Baxter International Inc. and SmithKline Beckman, Inc. Dr. Zodda received his M.B.A. in Marketing and Finance from the University of Santa Clara in 1986, his Ph.D. in Biology from the University of Notre Dame in 1980 and his B.S. in Biology from Villanova University in 1975. On April 28, 2009, Dr. Zodda agreed with the Board that due to a reorganization of the executive team, his services as Senior Vice President and Chief Business Officer would no longer be required effective April 30, 2009. There was no disagreement between us and Dr. Zodda on any matter relating to our operations, policies or practices. In connection with his departure, Dr. Zodda and the Company entered into a Separation, Consulting and General Release Agreement whereby Dr. Zodda would provide the Company with certain consulting services ending on October 31, 2009.

Joseph M. Warusz, Principal Accounting Officer, 53. Mr. Warusz joined NovaDel as a consultant in April, 2009, serving as Principal Accounting Officer. Since March 2006, Mr. Warusz has been providing consulting services to a broad range of clients in the life sciences sector. From August 2005 to March 2006, Mr. Warusz was Vice President, Finance, of Orchid Biosciences, Inc. (now known as Orchid Cellmark Inc.), which provided public company finance experience. From May 2000 to June 2005, Mr. Warusz held several senior executive positions at Bristol-Meyers Squibb. Prior to October 1983, Mr. Warusz acted as Senior Auditor at KPMG, LLP. Mr. Warusz is a Certified Public Accountant and holds an undergraduate degree in accounting and an MBA from Drexel University.

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**STOCK OWNERSHIP OF DIRECTORS, MANAGEMENT
AND CERTAIN BENEFICIAL OWNERS**

Stock Ownership of Certain Beneficial Owners

The following table sets forth information, as of the Record Date, regarding beneficial ownership of the Common Stock to the extent known to us by each person known to be the beneficial owner of 5% or more of the Common Stock. Except as otherwise noted, each person has sole voting and investment power as to his or her shares.

Title of Class	Name and Address or Number in Group	Amount and Nature of Beneficial Ownership	Percentage of Class
Common Stock	ProQuest Investments, II, L.P. ⁽¹⁾	49,826,888 ⁽²⁾	43.8%

(1) The address for ProQuest Investments II, L.P., ProQuest Investments III, L.P. and ProQuest Investments II Advisors Fund, LP is 90 Nassau Street, 5th Floor, Princeton, NJ 08542.

(2) Based on information disclosed on a report on Schedule 13D/A filed with the SEC on April 1, 2010 with respect to ownership as of March 31, 2010 and consists of (i) 10,792,899 shares of Common Stock, and warrants to purchase 6,343,916 shares of Common Stock held in the name of ProQuest Investments II, L.P., (ii) 23,417,138 shares of Common Stock, and warrants to purchase 9,074,381 shares of Common Stock held in the name of ProQuest Investments III, L.P., and (iii) 143,101 shares of Common Stock, and warrants to purchase 55,453 shares of Common Stock. ProQuest Associates III LLC (Associates III) is the General Partner of ProQuest Investments III, L.P. ProQuest Associates II LLC (Associates II) is the general partner of ProQuest Investments II, L.P. and of ProQuest Investments II Advisors Fund, L.P. Jay Moorin and Alain Schreiber, Managing Members of Associates III and Associates II, have voting, dispositive and investment power with respect to the securities. Each of Mr. Moorin and Mr. Schreiber disclaim beneficial ownership of such securities except to the extent of each such person's respective pecuniary interest in such securities.

Stock Ownership of Directors and Management

The following table sets forth information, as of the Record Date, regarding beneficial ownership of the Common Stock to the extent known to us, by (i) each person who is a Director or a nominee for Director; (ii) each named executive officer in the Summary Compensation Table on page 43; and (iii) all Directors and named executive officers as a group. Except as otherwise noted, each person has sole voting and investment power as to his or her shares.

Title of Class	Name and Address or Number in Group⁽¹⁾	Amount and Nature of Beneficial Ownership⁽²⁾	Percentage of Class
Common Stock	Mark J. Baric	126,567 ⁽³⁾	*
Common Stock	David H. Bergstrom, Ph.D.	1,242,500 ⁽⁴⁾	1.26%
Common Stock	Thomas E. Bonney, CPA	286,434 ⁽⁵⁾	*
Common Stock	Charles Nemeroff, M.D., Ph.D.	184,167 ⁽⁶⁾	*
Common Stock	Steven B. Ratoff	2,995,039 ⁽⁷⁾	3.04%
Common Stock	Michael E. Spicer, CPA	39,000 ⁽⁸⁾	*
Common Stock	Deni M. Zodda, Ph.D.	15,625 ⁽⁹⁾	*
Common Stock	Joseph Warusz		*
Common Stock	All Directors and Named Executive Officers as a group (8 persons)	4,889,332 ⁽¹⁰⁾	4.81%

*Less than 1%.

(1) The address of all holders listed herein is c/o NovaDel Pharma Inc., 1200 Route 22 East, Suite 2000, Bridgewater, New Jersey 08807.

(2) For each of the following persons, the numbers set forth in this column includes the number of shares of Common Stock immediately succeeding such person's name, which such person has the right to acquire within 60 days through the exercise of stock options:

(3) Includes 9,900 shares of Common Stock owned of record and 116,667 shares of Common Stock subject to options which were exercisable as of Record Date or 60 days after such date. Excludes 83,333 shares of Common Stock underlying options, which become exercisable over time after such period.

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- (4) Includes 240,000 shares of Common Stock owned of record and 1,002,500 shares of Common Stock subject to options which were exercisable as of Record Date or 60 days after such date. Excludes 1,047,500 shares, consisting of 997,500 shares of Common Stock underlying options and 50,000 shares of restricted stock units, which become exercisable or vest over time after such period.
- (5) Includes 25,300 shares of Common Stock owned of record and 261,134 shares of Common Stock subject to options which were exercisable as of Record Date or 60 days after such date. Excludes 83,333 shares of Common Stock underlying options, which become exercisable over time after such period.
- (6) Includes 15,000 shares of Common Stock owned of record and 169,167 shares of Common Stock subject to options which were exercisable as of Record Date or 60 days after such date. Excludes 88,333 shares of Common Stock underlying options, which become exercisable over time after such period.
- (7) Includes 1,260,000 shares of Common Stock owned of record, 38,727 shares of Common Stock subject to warrants which were exercisable as of the Record Date or 60 days after such date and 1,696,312 shares of Common Stock subject to options which were exercisable as of Record Date or 60 days after such date. Excludes 2,133,333 shares, consisting of 1,833,333 shares of Common Stock underlying options and 300,000 shares of restricted stock units, which become exercisable or vest over time after such period.
- (8) Includes 39,000 shares of Common Stock owned of record.
- (9) Includes 15,625 shares of Common Stock subject to options which were exercisable as of Record Date or 60 days after such date.
- (10) Includes 1,589,200 shares of Common Stock owned of record, 38,727 shares of Common Stock subject to warrants which were exercisable as of the Record Date or 60 days after such date and 3,261,405 shares of Common Stock subject to options which were exercisable as of Record Date or 60 days after such date. Excludes 3,435,832 shares, consisting of 3,085,832 shares of Common Stock underlying options and 350,000 shares of restricted stock units, which become exercisable or vest over time after such period.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis discusses the principles underlying our compensation policies and decisions and the principal elements of compensation paid to our named executive officers during the 2009 fiscal year. Our Chief Executive Officer, Chief Financial Officer and the other named executive officers included in the Summary Compensation Table on page 43 will be referred to as the named executive officers for purposes of this discussion.

Compensation Objectives and Philosophy

The Committee is responsible for reviewing and approving the compensation payable to our named executive officers and other key employees. As part of such process, the Committee seeks to accomplish the following objectives with respect to our executive compensation programs:

motivate, recruit and retain executives capable of meeting our strategic objectives;

provide incentives to ensure superior executive performance and successful financial results for NovaDel; and

align the interests of the named executive officers with the long-term interests of our stockholders.

The Committee seeks to achieve these objectives by:

establishing a compensation structure that is both market competitive and internally fair;

linking a substantial portion of compensation to our achievement of financial objectives and the individual's contribution to the attainment of those objectives;

providing upward leverage for overachievement of goals; and

providing long-term equity-based incentives.

In order to achieve the above goals, our total compensation package includes base salary and annual bonus, all paid in cash, as well as long-term compensation in the form of stock options and restricted stock. We believe that appropriately balancing the total compensation package is necessary in order to provide market-competitive compensation.

Setting Executive Compensation

Role of Compensation Committee and Chief Executive Officer. The Committee oversees the design, development and implementation of the compensation program for the Chief Executive Officer and the other named executive officers. The Committee evaluates the performance of the Chief Executive Officer and determines the Chief Executive Officer's compensation in light of the goals and objectives of the compensation program. The Chief Executive Officer and the Committee together assess the performance of the other named executive officers employed by us as of December 31 and determine their compensation, based on initial recommendations from the Chief Executive Officer. Our Interim Chief Executive Officer provided the Committee with a detailed review of the performance of the other named executive officers and made recommendations to the Committee with respect to the compensation packages for those officers for the 2009 fiscal year.

Mr. Steven B. Ratoff, the Company's Chairman of the Board, also serves as the Company's Interim President and Chief Executive Officer, Interim Chief Financial Officer and Corporate Secretary. On April 28, 2009, Mr. Ratoff was appointed Interim Chief Financial Officer, Principal Financial Officer and Corporate Secretary concurrent with the resignation of Dr. Deni M. Zodda. Mr. Ratoff did not have an employment agreement with the Company in connection with his service as Interim President and Chief Executive Officer in 2009. In connection with Mr. Ratoff's services as Chairman of the Board, the Board entered into a consulting arrangement to compensate Mr. Ratoff for his efforts in such position. Such arrangement was on a month-to-month basis. From September 15, 2006 until March 16, 2007, Mr. Ratoff was compensated at a rate of \$17,500 per month and reimbursement of reasonable expenses. From March 16, 2007 until June 6, 2007, his monthly rate was reduced to \$10,000 and reimbursement of reasonable expenses. Effective June 6, 2007, his monthly rate was increased to \$17,500. During the year ended December 31, 2009, Mr. Ratoff received \$210,000 in consulting fees. Effective January 1, 2010, Mr. Ratoff was appointed as President and Chief Executive Officer and entered into an employment agreement in connection therewith, and will continue to serve as Chairman, Interim Chief Financial Officer and Corporate Secretary.

The other named executive officers do not play a role in their own compensation determination, other than discussing individual performance objectives and results with the Chief Executive Officer.

Role of Compensation Consultant. In 2007 and 2008, the Compensation Committee engaged Compensation Resources, Inc., a nationally recognized compensation consulting firm, or CRI, to advise it on certain compensation-related matters, as needed. In December 2009, the Committee utilized CRI to provide competitive compensation data on the proposed compensation package of our Chief Executive Officer. CRI performed a market analysis of the compensation paid by comparable pharmaceutical and drug delivery companies and provided the Committee with compensation ranges for our Chief Executive Officer as further described below. Other than the services described above, CRI did not provide any other service to the Company in determining the compensation of the named executive officers or Directors.

Our named executive officers did not participate in the selection of the consultant.

We have not used the services of any other compensation consultant in matters affecting the compensation of named executive officers or Directors. In the future, we, or the Committee, may engage or seek the advice of other compensation consultants.

Competitive Position

The Committee has structured our annual and long-term incentive-based cash and non-cash executive compensation to motivate executives to achieve the business goals set by the Board and reward the executives for achieving such goals. At the end of the year, the Committee reviews the performance of each named executive officer in achieving the established objectives. These results are included with the overall performance review provided by the Chief Executive Officer, after which the Committee votes upon any recommendations for salary adjustments, stock option grants and cash incentives. The Chief Executive Officer then executes the actions recommended by the Committee with respect to such matters.

In CRI's market analysis of compensation performed in 2009, the relevant peer group for compensation and benefit programs consists primarily of companies of comparative size, similar businesses and geographic scope. These are the firms with which NovaDel competes for talent. The comparator group was chosen to include companies with similar market capitalization, similar revenue size, and some direct competitors. The comparator group is different from the companies used in the Performance Graph on page 46 of our Annual Report on Form 10-K for the period ended December 31, 2009. The reason for this is that NovaDel has business competitors with whom we benchmark against for financial performance, but also have business and talent competitors against whom we benchmark for pay purposes. Additionally, the positions were compared to published survey data from nationally recognized sources to ensure the accuracy and validity of the proxy peer group. The companies from the peer analysis are listed below:

<u>Company Name</u>	<u>Market Cap (Millions)</u>
Adeona Pharamaceuticals, Inc.	12.0
Advanced Life Sciences Holdings, Inc.	12.9
Aeolus Pharmaceuticals, Inc.	18.0
Anesiva, Inc.	6.8
Barrier Therapeutics, Inc.	17.9
Cardiovascular Systems, Inc.	21.2
Catalyst Pharm Partners, Inc.	8.8
China Shenghuo Pharm Holdings	15.3
Cortex Pharmaceuticals, Inc.	6.8
Cpex Pharmaceuticals, Inc.	28.8
Elite Pharmaceuticals, Inc.	8.1
Derma Sciences	32.5
Healthsport, Inc.	27.9
Helix Biomedix, Inc.	8.7
Icagen, Inc.	21.2
IGI Laboratories, Inc.	13.4
Imagenetix, Inc.	5.5
Insite Vision, Inc.	32.2
Manhattan Pharmaceuticals, Inc.	4.9
Metabasis Therapeutics, Inc.	13.7
Quigley Corporation	26.6
Raptor Pharmaceuticals Corp	33.0
RegeneRx Biopharmaceuticals, Inc.	33.2
Repros Therapeutics Inc.	13.3
Scolr Pharma, Inc.	19.7
Somaxon Pharmaceuticals, Inc.	29.3
Stellar Pharmaceuticals, Inc.	23.0
Synovics Pharmaceuticals, Inc.	11.2
Threshold Pharmaceuticals	28.5
Uluru, Inc.	14.5

Components of Compensation

The key components of NovaDel's executive compensation package are cash compensation (salary & annual incentives), long term incentives and company-sponsored benefit plans. These components are administered with the goal of providing total compensation that recognizes meaningful differences in individual performance, is competitive, varies the opportunity based on individual and corporate performance, and is valued by our named executive officers. We seek to achieve our compensation objectives through five key compensation elements:

- base salary;
- annual short-term cash incentives;
- long-term equity incentive awards;
- special benefits; and
- change in control and other severance agreements.

Base Salary. In General It is the Committee's objective to set a competitive rate of annual base salary for each named executive officer. The Committee believes competitive base salaries are necessary to attract and retain top quality executives, since it is common practice for public companies to provide their named executive officers with a guaranteed annual component of compensation that is not subject to performance risk. The Committee works with outside consultants as necessary to establish salary ranges for the named executive officers, with minimum to maximum opportunities that cover the normal range of market variability. The actual base salary for each named executive officer is then derived from those salary ranges based on his responsibility, tenure and past performance and market comparability. Annual base salaries for the named executive officers are reviewed and approved by the Committee in the first fiscal quarter following the end of the previous performance year. Changes in base salary are based on the scope of an individual's current job responsibilities, individual performance in the previous performance year, target pay position relative to the peer group, and our salary budget guidelines. The Committee reviews established goals and objectives, and determines an individual's achievement of those goals and objectives and considers the recommendations provided by the Chief Executive Officer to assist it in determining appropriate salaries for the named executive officers other than the Chief Executive Officer. For any given performance year, actual salary increases may range from 0% to 10% of the salary guidelines based on individual performance. This broad range allows for meaningful differentiation on a pay for performance basis.

Changes for Fiscal Year 2010 The Committee met in December 2009 to evaluate the performance and compensation for each named executive officer. The Committee reviewed compensation of comparable companies and recognized the need to retain current management given individual and collective performance. As a result of the Company's cash position and requirement for additional funding, the Committee recommended to the Board that no merit increases be granted to our named executive officers for 2010.

Annual Bonuses. In General As part of their compensation package, our named executive officers have the opportunity to earn annual bonuses. Annual bonuses are designed to reward superior executive performance while reinforcing our short-term strategic operating goals. Pursuant to the individual employment agreements, the Committee establishes each year a target award for each named executive officer based on a percentage of base salary. Annual bonus targets as a percentage of salary increase with executive rank so that for the more senior executives, a greater proportion of their total cash compensation is contingent upon annual performance.

At the beginning of the performance year, each named executive officer, in conjunction with the Chief Executive Officer, establishes annual goals and objectives. Actual bonus awards are based on an assessment against the pre-established goals for each named executive officer's individual performance, the performance of the business function for which he is responsible, and/or our overall performance for the year. For any given performance year, proposed annual bonuses may range from 0% to 100% of target, or higher under certain circumstances, based on corporate and individual performance. Corporate and individual performance has a significant impact on the annual bonus amounts because the Committee believes it is a precise measure of how the named executive officer contributed to business results.

Fiscal 2009 Performance Measures and Payouts In 2009, annual bonus targets were 30% of base salary for the named executive officers and were payable based on the Committee's subjective review of both the performance of NovaDel as well as individual performance. The Committee utilizes annual bonuses to compensate officers for achieving financial and operational goals and for achieving individual annual performance objectives. These objectives will vary depending on the individual executive, but will relate generally to (i) operational goals such as the development of our product candidates and the identification and advancement of additional product candidates, (ii) strategic goals such as the establishment of operating plans and budgets, review of organization and staff, and (iii) the enhancement of stockholder value.

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Our objectives relating to development and clinical goals for 2009 included the following:

- pursuit of strategic partners for our NitroMist[®] oral spray;
- pursuit of strategic partners for our ZolpiMist[®] oral spray;
- continued development of the Company's technology and operating platform; and
- other strategic transactions that benefit the Company and its stockholders.

At the end of each fiscal year, the Committee determines the level of achievement with respect to each corporate goal, and decides the overall percent of corporate goal achievement for purposes of annual bonuses. For this assessment, the Committee evaluates the status of NovaDel's development programs and clinical progress, corporate development and regulatory compliance activities. These qualitative factors are also typically used by comparable companies to evaluate performance and involve a subjective assessment of corporate performance by the Committee. Moreover, the Committee does not base its considerations on a single performance factor, but rather considers a mix of factors and evaluates company and individual performance against that mix. The Chief Executive Officer provides written evaluations for the named executive officers, other than himself, to the Committee along with his recommendations for each individual performance factor. The Committee reviews the performance and assessment of each named executive officer and then evaluates the Chief Executive Officer and assigns a weight to each individual achievement factor. Although we entered into license agreements for the manufacture and commercialization of NitroMist[®] and ZolpiMist[®], the Compensation Committee determined that, in the interest of the Company and its stockholders, cash bonuses were not paid for fiscal year 2009 performance in order to conserve the Company's cash position. The table below details fiscal 2009 annual bonus targets and actual payouts for each of our named executives.

Name	Title	2009 Target Bonus (\$)	2009 Target Bonus (%)	2009 Actual Bonus (\$)	2009 Actual Bonus (%)
Steven B. Ratoff ⁽¹⁾	Interim President and Chief Executive Officer, Interim Chief Financial Officer and Corporate Secretary	\$ 0	0%	\$ 0	0%
David H. Bergstrom, Ph.D. ⁽²⁾	Chief Operating Officer	\$ 90,000	30%	\$ 0	0%
Deni M. Zodda ⁽³⁾	Chief Business Officer	\$ 83,500	30%	\$ 0	0%
Michael E. Spicer, CPA ⁽⁴⁾	Chief Financial Officer and Corporate Secretary	\$ 76,900	30%	\$ 0	0%
Joseph Warusz ⁽⁵⁾	Principal Accounting Officer	\$ 0	0%	\$ 0	0%

- (1) Mr. Ratoff entered into a consulting arrangement with the Company in 2006, and was compensated under that arrangement at a rate of \$17,500 per month, plus reimbursement of reasonable expenses during the 2009 fiscal year. As a result, Mr. Ratoff was not entitled to a bonus. Effective January 1, 2010, Mr. Ratoff was appointed as President and Chief Executive Officer and will continue to serve as Interim Chief Financial Officer and Corporate Secretary. In connection with such appointment, Mr. Ratoff entered into an employment agreement with the Company, which was effective January 1, 2010. For a further discussion of the terms of Mr. Ratoff's employment agreement, please see Employment Agreements on page 48.
- (2) In January 2009, Dr. Bergstrom received a one-time special cash bonus of \$50,000 in recognition of his individual efforts in 2008 in connection with the Company's research and development efforts and clinical activities including, but not limited to, the U.S. Food and Drug Administration's approval of the New Drug Application for Zolpimist[®] (zolpidem tartrate) Oral Spray for the short-term treatment of insomnia.
- (3) On April 28, 2009, Dr. Zodda agreed with the Board that due to a reorganization of the executive team, his services as Senior Vice President and Chief Business Officer would no longer be required effective April 30, 2009. There was no disagreement between us and Dr. Zodda on any matter relating to our operations, policies or practices. In connection with his departure, Dr. Zodda and the Company entered into a Separation, Consulting and General Release Agreement whereby Dr. Zodda would provide the Company with certain consulting services ending on October 31, 2009.
- (4) On March 19, 2009, Mr. Spicer resigned from his positions with the Company, effective April 1, 2009. There was no disagreement between us and Mr. Spicer on any matter relating to our operations, policies or practices. On March 25, 2009, the Board appointed Dr. Deni M. Zodda to the positions of Interim Chief Financial Officer and Corporate Secretary.
- (5) On April 28, 2009, the Company appointed Mr. Warusz as Principal Accounting Officer.

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Change for Fiscal Year 2010 As in 2009, annual bonuses for 2010, if any, will be based on achievement of pre-established company objectives and individual goals for each named executive officer and, for each named executive officer other than the Chief Executive Officer, a subjective review of that individual's performance. Corporate performance targets may include such measures as strategic plan metrics while individual performance targets may include operational and financial metrics, regulatory compliance metrics, and delivery of specific programs, plans, and budgetary objectives identified and documented at the beginning of each fiscal year. It is the Committee's intention to base a greater percentage of the annual award payout on corporate as opposed to individual performance for higher level executives, with 100% of the Chief Executive Officer's annual bonus tied to the attainment of corporate performance objectives. For each of our named executive officers for fiscal year 2010, the Compensation Committee has provided the following corporate performance targets, as well as the weighting of each component as a percentage of such named executive officer's target bonus amount:

Performance Milestone:	Weighting of Components as a Percentage of Target Bonus	
	Steven Ratoff	David Bergstrom
Achieve 2010 budgeted cash plan as of December 31, 2010.	25%	50%
Complete pilot PK, FDA meeting and pivotal study for a product candidate by a specific date.	25%	50%
Meet defined finance and business development objectives by a specific date.		50%

For the 2010 fiscal year awards, the potential payout may range from 0 – 100% of target, or higher under certain circumstances. The Committee has also retained the discretion to reduce the dollar amount of the awards otherwise payable to the named executive officers.

The table below shows the dollar amount of the 2009 and 2010 annual target bonus for each named executive officer, together with percentage of base salary represented by that target:

Name	Title	2009 Target Bonus (\$)	2009 Target Bonus (% Salary)	2010 Target Bonus (\$)	2010 Target Bonus (% Salary)
Steven B. Ratoff ⁽¹⁾	President and Chief Executive Officer	\$ 0	0%	\$ 175,000	50%
David H. Bergstrom, Ph.D.	Senior Vice President and Chief Operating Officer	\$ 90,000	30%	\$ 90,000	30%
Michael E. Spicer, CPA ⁽²⁾	Chief Financial Officer and Corporate Secretary	\$ 76,900	30%		
Deni M. Zodda, Ph.D. ⁽³⁾	Senior Vice President and Chief Business Officer	\$ 82,500	30%		
Joseph Warusz ⁽⁴⁾	Principal Accounting Officer				

- (1) Mr. Ratoff entered into a consulting arrangement with the Company in 2006, and was compensated under that arrangement at a rate of \$17,500 per month, plus reimbursement of reasonable expenses, during the 2009 fiscal year. As a result, Mr. Ratoff was not entitled to a bonus in 2009. Effective January 1, 2010, Mr. Ratoff was appointed as President and Chief Executive Officer and will continue to serve as Interim Chief Financial Officer and Corporate Secretary. In connection with such appointment, Mr. Ratoff entered into an employment agreement with the Company, which was effective January 1, 2010. Based on the Chief Executive Officer's broader range of responsibilities at the Company, the Compensation Committee deemed it appropriate to set the Chief Executive Officer's 2010 Target Bonus at a greater percentage of base salary than the other named executive officers. For a further discussion of the terms of Mr. Ratoff's employment agreement, please see Employment Agreements on page 48.
- (2) On March 19, 2009, Mr. Spicer resigned from his positions with the Company, effective April 1, 2009. There was no disagreement between us and Mr. Spicer on any matter relating to our operations, policies or practices.
- (3) On April 28, 2009, Dr. Zodda agreed with the Board that due to a reorganization of the executive team, his services as Senior Vice President and Chief Business Officer would no longer be required effective April 30, 2009. There was no disagreement between us and Dr. Zodda on any matter relating to our operations, policies or practices. In connection with his departure, Dr. Zodda and the Company entered into a Separation, Consulting and General Release Agreement whereby Dr. Zodda would provide the Company with certain consulting services ending on October 31, 2009.
- (4) On April 28, 2009, the Company appointed Mr. Warusz as Principal Accounting Officer.

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Based on the Chief Executive Officer's broader range of responsibilities, the Compensation Committee deemed it appropriate to set the Chief Executive Officer's 2010 Target Bonus at a greater percentage of base salary than the other named executive officers.

Long-Term Incentive Equity Awards. In General - We believe that long-term performance is achieved through an ownership culture that encourages high performance by our named executive officers through the use of stock-based awards. Our equity plans have been established to provide our employees, including our named executive officers, with incentives to help align employees' interests with the interests of our stockholders. The Committee believes that the use of stock-based awards offers the best approach to achieving our compensation goals. We have historically elected to use stock options as the primary long-term equity incentive vehicle; however, the Committee has used restricted stock and may in the future utilize restricted stock as part of our long-term incentive program. We have selected the Black-Scholes method of valuation for share-based compensation effective August 1, 2005. Due to the early stage of our business and our desire to preserve cash, we expect to provide a greater portion of total compensation to our named executive officers through stock options and restricted stock grants than through cash-based compensation.

Stock Options. Our stock plans authorize us to grant options to purchase shares of Common Stock to our employees, Directors and consultants. The Committee generally oversees the administration of our stock option plans. In 2009, the Committee delegated the authority to our Chief Executive Officer to make initial option grants to certain new employees within an approved range. All new employee grants in excess of the Chief Executive Officer's limit and any grant to a named executive officer are approved by the Committee. Stock options may be granted at the commencement of employment, annually, occasionally following a significant change in job responsibilities or to meet other objectives.

The Committee reviews and approves stock option awards to named executive officers based upon a review of competitive compensation data, its assessment of individual performance, a review of each named executive officer's existing long-term incentives, and retention considerations. Periodic stock option grants are made at the discretion of the Committee to eligible employees and, in appropriate circumstances, the Committee considers the recommendations of members of management, such as Steven B. Ratoff, our Interim President and Chief Executive Officer.

In 2009, certain named executive officers were awarded stock options in the amounts included in the Grants of Plan-Based Awards table on page 45. Stock options granted by us have an exercise price equal to the fair market value of our Common Stock on the day of grant, typically vest annually over a three-year period or upon the achievement of certain performance-based milestones and are based upon continued employment, and generally expire ten (10) years after the date of grant. The fair value of the options granted to the named executive officers in the Summary Compensation Table on page 43, is determined in accordance with the Black-Scholes method of valuation for share-based compensation. The Committee has also granted performance based options to certain of our named executive officers. Incentive stock options also include certain other terms necessary to ensure compliance with the Internal Revenue Code of 1986, as amended.

We expect to continue to use stock options as a long-term incentive vehicle because:

Stock options align the interests of our named executive officers with those of our stockholders, supporting a pay-for performance culture, foster employee stock ownership, and focus the management team on increasing value for our stockholders.

Stock options are performance-based. All of the value received by the recipient of a stock option is based on the growth of the stock price.

Stock options help to provide a balance to the overall executive compensation program as base salary and annual bonuses focus on the short term compensation, while the vesting of stock options increases stockholder value over the longer term.

The vesting period of stock options encourages executive retention and the preservation of stockholder value. In determining the number of stock options to be granted to our named executive officers, we take into account the individual's position, scope of responsibility, ability to affect profits and stockholder value and the individual's historic and recent performance and the value of stock options in relation to other elements of the individual named executive officer's total compensation.

Restricted Stock. Our 2006 Equity Incentive Plan authorizes us to grant restricted stock. No restricted stock grants were awarded during the 2009 fiscal year. In order to implement our long-term incentive goals, we anticipate that we may grant shares of restricted stock in the future.

Executive Benefits and Perquisites

Our named executive officers, who are parties to employment agreements, will continue to be parties to such employment agreements in their current form until the expiration of the employment agreement or until such time as the Committee determines in its discretion that revisions to such employment agreements are advisable. In addition, consistent with our compensation philosophy, we intend to continue to maintain our current benefits for our named executive officers, including medical, dental and life insurance and the ability to contribute to a 401(k) plan; however, the Committee in its discretion may revise, amend or add to the officer's executive benefits if it deems it advisable. We believe these benefits are currently comparable to benefit levels for comparable companies. We have no current plans to change either the employment agreements (except as required by law or as required to clarify the benefits to which our named executive officers are entitled as set forth herein) or level of benefits.

Severance and Change in Control Arrangements

The specific terms of our severance and change in control arrangements are discussed in detail below under the headings Potential Payments Upon Termination or Change in Control on page 47 and Employment Agreements beginning on page 48. As a general matter, however, we believe that reasonable severance and change in control protection for our named executive officers is necessary in order for us to recruit and retain qualified executives.

Equity Grant Policy

All grants to our named executive officers are at the discretion of the Board, following review and input by the Committee.

IRC Section 162(m) compliance

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), generally disallows a tax deduction to public companies for certain compensation in excess of \$1 million paid to our named executive officers. Certain compensation, including qualified performance-based compensation, will not be subject to the deduction limit if certain requirements are met. In general, our compensation program is designed to reward executives for the achievement of our performance objectives. The stock plan is designed in a manner intended to comply with the performance-based exception to Section 162(m). Nevertheless, compensation attributable to awards granted under the plans may not be treated as qualified performance-based compensation under Section 162(m). In addition, the Committee considers it important to retain flexibility to design compensation programs that are in the best interests of NovaDel and its stockholders and, to this end, the Committee reserves the right to use its judgment to authorize compensation payments that may be subject to the limitations under Section 162(m) when the Committee believes that compensation is appropriate and in the best interests of NovaDel and our stockholders, after taking into consideration changing business conditions and performance of our employees.

Compensation Committee Report

The Compensation Committee evaluates and establishes compensation for the named executive officers, NovaDel's stock plans, and other management incentive, benefit and perquisite programs. Management has the primary responsibility for our financial statements, including the disclosure of executive compensation. With this in mind, the Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis section beginning on page 34 of this Proxy Statement. The Compensation Committee is satisfied that the Compensation Discussion and Analysis fairly and completely represents the philosophy, intent, and actions of the Compensation Committee with regard to executive compensation. The Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement for filing with the Securities and Exchange Commission.

Compensation Committee

Charles Nemeroff, M.D., Ph.D., Chair
Mark J. Baric
Thomas J. Bonney

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Summary Compensation Table

The following table sets forth a summary for the fiscal year ended December 31, 2009 of the cash and non-cash compensation awarded, paid or accrued by us to our Chief Executive Officer, and Chief Financial Officer and our three most highly compensated officers other than the Chief Executive Officer and Chief Financial Officer who served in such capacities in 2009 (collectively, the named executive officers).

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) ⁽⁶⁾	Total (\$)
Steven B. Ratoff	2009	210,000 ⁽²⁾			434,188 ⁽³⁾			67,500 ⁽⁴⁾	711,688
Interim President and Chief Executive Officer	2008	210,000 ⁽²⁾		141,000 ⁽⁷⁾	6,899 ⁽³⁾			20,000 ⁽⁴⁾	377,899
	2007	206,500 ⁽²⁾			57,335 ⁽³⁾			6,000 ⁽⁴⁾	269,835
David H. Bergstrom, Ph.D.	2009	302,598			165,887			24,986	493,471
Senior Vice President and Chief Operating Officer	2008	311,538	50,000 ⁽⁵⁾	70,000 ⁽⁷⁾				25,156	457,195
	2007	300,000	100,000					19,799	419,799
Michael E. Spicer, CPA	2009	66,021			23,536			20,475	110,031
Chief Financial Officer and Corporate Secretary ⁽⁸⁾	2008	266,054		70,500 ⁽⁷⁾				40,114	376,618
	2007	255,731			256,124			62,443	574,298
Deni M. Zodda, Ph.D.	2009	94,444			23,536			176,038	294,018
Chief Business Officer ⁽⁹⁾	2008	288,577		70,500 ⁽⁷⁾				35,783	394,860
	2007	236,692			364,576			25,541	622,809
Joseph Warusz	2009	206,640							206,640
Principal Accounting Officer ⁽¹⁰⁾									

- (1) Option awards reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, based on the fair value of the option on the grant date as estimated using the Black-Scholes model. For a discussion of assumptions used to estimate fair value, please see Note 12, "Stock Options and Warrants", to our financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009. The actual amount ultimately realized from the equity awards will likely vary based on a number of factors, including, but not limited to, NovaDel's actual performance, stock price fluctuations, differences from the valuation assumptions used and the timing of exercise or applicable vesting.
- (2) Amount represents fees paid to Mr. Ratoff as part of his consulting agreement with NovaDel.
- (3) Reflects the aggregate grant date fair value of options granted to Mr. Ratoff in his capacity as a director and a named executive officer of NovaDel during 2009, 2008 and 2007. In 2009, the aggregate grant date fair value of Mr. Ratoff's options was \$429,121 for options granted to Mr. Ratoff in his capacity as a named executive officer and \$5,067 for options granted to Mr. Ratoff in his capacity as a director. In 2008 and 2007, Mr. Ratoff was only granted options in his capacity as a director.

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- (4) Amounts represent Board fees paid to Mr. Ratoff during 2009, 2008 and 2007, as previously discussed under director compensation.
- (5) Dr. Bergstrom received a one-time special cash bonus of \$50,000, paid in January 2009, in recognition of his individual efforts in 2008 in connection with the Company's research and development efforts and clinical activities including, but not

limited to, the U.S. Food and Drug Administration's approval of the New Drug Application for Zolpimist (zolpidem tartrate) Oral Spray for the short-term treatment of insomnia.

- (6) See All Other Compensation 2009 chart below for amounts.
- (7) Stock awards reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718, based on the closing price of the Company's common stock on the grant date. The named executives each received restricted stock awards in February 2008: Mr. Ratoff received 300,000 restricted shares, and each of Dr. Bergstrom, Mr. Spicer and Dr. Zodda received 150,000 restricted shares. The restrictions on the restricted stock awarded in February 2008 shall lapse over a three-year period, subject to reduction as follows: (1) in the event of a \$5 million non-dilutive financing by the Company on or before December 31, 2008, the three-year restriction shall be accelerated such that the restrictions on the restricted stock shall lapse over a two-and-one-half year period; (2) in the event of an additional \$5 million (or \$10 million in the aggregate) non-dilutive financing by the Company on or before December 31, 2008, the three-year restriction shall be accelerated such that the restrictions on the restricted stock shall lapse over a two-year period; and (3) in the event of a \$20 million (or \$20 million in the aggregate) non-dilutive financing by the Company, the restrictions shall immediately lapse. Mr. Spicer and Dr. Zodda forfeited their respective shares of restricted stock. Additionally, the Board, upon the recommendation of the Compensation Committee, agreed that, in the case of the Company's Chief Executive Officer, an additional 200,000 shares of restricted stock shall be granted as follows: (1) upon achieving a \$5 million non-dilutive financing by the Company on or before December 31, 2008, an additional 100,000 shares of restricted stock shall be granted; and (2) upon achieving an additional \$5 million (or \$10 million in the aggregate) in non-dilutive financing by the Company on or before December 31, 2008, an additional 100,000 shares of restricted stock shall be granted. The restrictions on such additional shares shall lapse over a three-year period. Neither of these events occurred on or before December 31, 2008. Neither of the restricted stock criteria was met on or before December 31, 2008.
- (8) On March 19, 2009, Mr. Spicer resigned from his positions with the Company, effective April 1, 2009. There was no disagreement between us and Mr. Spicer on any matter relating to our operations, policies or practices.
- (9) On April 28, 2009, Dr. Zodda agreed with the Board that due to a reorganization of the executive team, his services as Senior Vice President and Chief Business Officer would no longer be required effective April 30, 2009. There was no disagreement between us and Dr. Zodda on any matter relating to our operations, policies or practices. In connection with his departure, Dr. Zodda and the Company entered into a Separation, Consulting and General Release Agreement whereby Dr. Zodda would provide the Company with certain consulting services ending on October 31, 2009.
- (10) On April 28, 2009, the Company appointed Mr. Warusz as Principal Accounting Officer. Mr. Warusz provides services to the Company pursuant to a consulting agreement, under which Mr. Warusz receives a monthly retainer of \$20,000 and an hourly rate of \$180 for hours in excess of 160 hours per month.

All Other Compensation 2009

Name	401(K) (\$)	Health Care Coverage (\$)	Relocation (\$)	Severance Payment (\$)	Vacation Payout (\$)	Consulting (\$)	Total (\$)
Steven B. Ratoff							
David H. Bergstrom, Ph.D.	12,185	12,801					24,986
Michael E. Spicer, CPA	2,838	8,310			4,927	4,400	20,475
Deni M. Zodda, Ph.D.	3,808	23,434		137,500	11,296		176,038
Joseph Warusz							

Grants of Plan-Based Awards

The following table sets forth information with respect to the named executive officers concerning stock options granted during the fiscal year ended December 31, 2009. There were no grants of restricted stock to the named executive officers during the fiscal year ended December 31, 2009

			All Other Stock Awards: Number of Shares of Stock or Units # ⁽¹⁾	All Other Option Awards: Number of Securities Underlying Options #	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
For the Three Months Ended	Estimated Future Payouts Under Non-Equity Incentive Plan Awards					
For the Year Ended		Estimated Future Payouts Under Equity Incentive Plan Awards				
March 31,						
June 30,						
September 30,						
December 31,						
December 31,						
2011						
2011						
2011						
2011						
2011						
Real Estate Franchise Services						
—						
—						
—						
—						

—

Company Owned Real Estate Brokerage Services

2

2

3

2

9

Relocation Services

—

—

—

1

1

Title and Settlement Services

—

1

—

—

1

Corporate and Other

34

(12
)

(3
)

3

22

Total Company

36

(9
)

—

6

33

EBITDA by segment before restructuring and other items detailed above for the three months ended March 31, 2011 was: RFG \$62 million, NRT \$(35) million, Cartus \$10 million, TRG \$2 million and Corporate \$(14) million. EBITDA by segment before restructuring and other items detailed above for the three months ended June 30, 2011 was: RFG \$97 million, NRT \$50 million, Cartus \$32 million, TRG \$13 million and Corporate \$(14) million. EBITDA by segment before restructuring and other items detailed above for the three months ended September 30, 2011 was: RFG \$92 million, NRT \$50 million, Cartus \$50 million, TRG \$8 million and Corporate \$(13) million. EBITDA by segment before restructuring and other items detailed above for the three months ended December 31, 2011 was: RFG \$69 million, NRT \$0 million, Cartus \$24 million, TRG \$7 million and Corporate \$(14) million. EBITDA by segment before restructuring and other items detailed above for the corresponding year ended December 31, 2011 was as follows: RFG \$320 million, NRT \$65 million, Cartus \$116 million, TRG \$30 million, and Corporate \$(55) million.

Table 5b
REALOGY CORPORATION
SELECTED 2010 FINANCIAL DATA
(In millions)

	For the Three Months Ended				For the Year
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	December 31, 2010
Revenue (a)					
Real Estate Franchise Services	\$122	\$173	\$138	\$127	\$560
Company Owned Real Estate Brokerage Services	601	956	762	697	3,016
Relocation Services	76	106	122	101	405
Title and Settlement Services	65	86	84	90	325
Corporate and Other	(45	) (68	) (54	) (49	) (216
Total Company	\$819	\$1,253	\$1,052	\$966	\$4,090
EBITDA (b)					
Real Estate Franchise Services	\$65	\$123	\$90	\$74	\$352
Company Owned Real Estate Brokerage Services	(34	) 84	31	(1	) 80
Relocation Services	4	27	51	27	109
Title and Settlement Services	(5	) 11	8	11	25
Corporate and Other	(19	) 299	(3	) (8	) 269
Total Company	\$11	\$544	\$177	\$103	\$835
Depreciation and amortization	50	49	49	49	197
Interest expense, net	152	155	151	146	604
Income tax expense (benefit)	6	118	10	(1	) 133
Net loss attributable to Realogy	\$(197	) \$222	\$(33	) \$(91	) \$(99

Transactions between segments are eliminated in consolidation. Revenues for the Real Estate Franchise Services segment include intercompany royalties and marketing fees paid by the Company Owned Real Estate Brokerage Services segment of \$45 million, \$68 million, \$54 million and \$49 million for the three months ended March 31, June 30, September 30, and December 31 2010, respectively. Such amounts are eliminated through the Corporate and Other line. Revenues for the Relocation Services segment include \$7 million, \$10 million, \$12 million and \$8 million of intercompany referral and relocation fees paid by the Company Owned Real Estate Brokerage Services (a) segment during the three months ended March 31, June 30, September 30, and December 31 2010, respectively. Such amounts are recorded as contra-revenues by the Company Owned Real Estate Brokerage Services segment. Revenues for the Real Estate Franchise Services segment include intercompany royalties and marketing fees paid by the Company Owned Real Estate Brokerage Services segment of \$216 million for the year ended December 31, 2010. Revenues for the Relocation Services segment include intercompany referral and relocation fees paid by the Company Owned Real Estate Brokerage Services segment of \$37 million for the year ended December 31, 2010. There are no other material inter-segment transactions.

(b) Includes \$6 million and \$5 million of restructuring costs and former parent legacy items, respectively, for the three months ended March 31, 2010, \$4 million of restructuring costs offset by a net benefit of \$314 million of former parent legacy items primarily as a result of tax and other liability adjustments for the three months ended June 30, 2010, \$2 million of restructuring costs offset by a net benefit of \$6 million of former parent legacy items for the three months ended September 30, 2010 and \$9 million of restructuring and \$1 million of merger costs, offset by a net benefit of \$8 million of former parent legacy items for the three months ended December 31, 2010. EBITDA for the year ended December 31, 2010 includes \$21 million of restructuring costs and \$1 million of merger costs, offset by a net benefit of \$323 million of former parent legacy items primarily as a result of tax and other liability

adjustments broken down by business units as follows:

	For the Three Months Ended				For the Year Ended
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	December 31, 2010
Real Estate Franchise Services	—	—	—	—	—
Company Owned Real Estate Brokerage Services	3	2	2	5	12
Relocation Services	2	1	—	—	3
Title and Settlement Services	1	—	—	2	3
Corporate and Other	5	(313	) (6	) (5	) (319
Total Company	11	(310	) (4	) 2	(301

EBITDA by segment before restructuring and other items detailed above for the three months ended March 31, 2010 was: RFG \$65 million, NRT (\$31) million, Cartus \$6 million, TRG (\$4) million and Corporate (\$14) million.

EBITDA by segment before restructuring and other items detailed above for the three months ended June 30, 2010 was: RFG \$123 million, NRT \$86 million, Cartus \$28 million, TRG \$11 million and Corporate (\$14) million.

EBITDA by segment before restructuring and other items detailed above for the three months ended September 30, 2010 was: RFG \$90 million, NRT \$33 million, Cartus \$51 million, TRG \$8 million and Corporate (\$9) million.

EBITDA by segment before restructuring and other items detailed above for the three months ended December 31, 2010 was: RFG \$74 million, NRT \$4 million, Cartus \$27 million, TRG \$13 million and Corporate (\$13) million.

EBITDA by segment before restructuring and other items detailed above for the corresponding year ended December 31, 2010 was as follows: RFG \$352 million, NRT \$92 million, Cartus \$112 million, TRG \$28 million, and Corporate (\$50) million.

Table 6

REALOGY CORPORATION

EBITDA, EBITDA BEFORE RESTRUCTURING AND OTHER ITEMS, AND ADJUSTED EBITDA

(In millions)

A reconciliation of net loss attributable to Realogy to EBITDA, EBITDA before restructuring and other items, and Adjusted EBITDA for the twelve months ended December 31, 2011 is set forth in the following table:

	For the Year Ended December 31, 2011	
Net loss attributable to Realogy	\$ (441)
Income tax expense (benefit)	32	
Income before income taxes	(409)
Interest expense (income), net	666	
Depreciation and amortization	186	
EBITDA	443	
Covenant calculation adjustments:		
Restructuring costs, merger costs and former parent legacy costs (benefit), net (a)	(3)
Loss on the early extinguishment of debt	36	
EBITDA before restructuring and other items	476	
Pro forma cost savings for 2011 restructuring initiatives (b)	11	
Pro forma effect of business optimization initiatives (c)	52	
Non-cash charges (d)	4	
Non-recurring fair value adjustments for purchase accounting (e)	4	
Pro forma effect of acquisitions and new franchisees (f)	7	
Apollo management fees (g)	15	
Incremental securitization interest costs (h)	2	
Adjusted EBITDA	\$ 571	
Total senior secured net debt (i)	\$ 2,536	
Senior secured leverage ratio	4.44	x
Pro forma total senior secured net debt (j)	\$ 2,211	
Pro forma senior secured leverage ratio	3.87	x

(a) Consists of \$11 million of restructuring costs and \$1 million of merger costs offset by a benefit of \$15 million of former parent legacy items.

Represents actual costs incurred that are not expected to recur in subsequent periods due to restructuring activities initiated during 2011. From this restructuring, we expect to reduce our operating costs by approximately \$21

(b) million on a twelve-month run-rate basis and estimate that \$10 million of such savings were realized from the time they were put in place. The adjustment shown represents the impact the savings would have had on the period from January 1, 2011 through the time they were put in place, had those actions been effected on January 1, 2011.

Represents the twelve-month pro forma effect of business optimization initiatives that have been completed to reduce costs, including \$1 million related to our Relocation Services integration costs and acquisition related non-cash adjustments, \$6 million related to vendor renegotiations, \$41 million for employee retention accruals and

(c) \$4 million of other initiatives. The employee retention accruals reflect the employee retention plans that have been implemented in lieu of our customary bonus plan, due to the ongoing and prolonged downturn in the housing market in order to ensure the retention of executive officers and other key personnel, principally within our corporate services unit and the corporate offices of our four business units.

Represents the elimination of non-cash expenses, including \$7 million of stock-based compensation expense and (d) \$4 million of other items less \$7 million for the change in the allowance for doubtful accounts and notes reserves from January 1, 2011 through December 31, 2011.

(e) Reflects the adjustment for the negative impact of fair value adjustments for purchase accounting at the operating business segments primarily related to deferred rent.

Represents the estimated impact of acquisitions and new franchisees as if they had been acquired or signed on January 1, 2011. Franchisee sales activity is comprised of new franchise agreements as well as growth acquired by (f) existing franchisees with our assistance. We have made a number of assumptions in calculating such estimate and there can be no assurance that we would have generated the projected levels of EBITDA had we owned the acquired entities or entered into the franchise contracts as of January 1, 2011.

(g) Represents the elimination of annual management fees payable to Apollo for the twelve months ended December 31, 2011.

(h) Reflects the incremental borrowing costs incurred as a result of the securitization facilities refinancing for the twelve months ended December 31, 2011.

Represents total borrowings under the senior secured credit facility which are secured by a first priority lien on our assets of \$2,626 million plus \$11 million of capital lease obligations less \$101 million of readily available cash as (i) of December 31, 2011. Pursuant to the terms of the senior secured credit facility, senior secured net debt does not include First and a Half Lien Notes, Second Lien Loans, other indebtedness that is secured by a lien that is pari passu or junior to the First and a Half Lien Notes or securitization obligations.

Reflects the proceeds of \$918 million from the issuance of \$593 million of First Lien Notes and \$325 million of (j) New First and a Half Lien Notes offset by the payment of \$629 million of non-extended term loan borrowings, \$78 million of borrowings under the non-extended revolving credit facility and \$211 million of additional readily available cash.

Table 7

Reconciliation of net loss attributable to Realogy to EBITDA and EBITDA before restructuring and other items (in millions)

A reconciliation of net loss attributable to Realogy to EBITDA and EBITDA before restructuring and other items for the year ended December 31, 2011 and 2010 is set forth in the following table:

	Twelve Months Ended	
	December 31,	
	2011	2010
Net loss attributable to Realogy	\$(441)	\$(99)
Income tax expense	32	133
Loss before income tax	(409)	34
Interest expense, net	666	604
Depreciation and amortization	186	197
EBITDA	\$443	\$835
Legacy costs (benefit), net	(15)	(323)
Restructuring and merger costs	12	22
Loss on the early extinguishment of debt	36	—
Total restructuring and other items	33	(301)
EBITDA before restructuring and other items	\$476	\$534

Table 8

Definitions

EBITDA is defined by us as net income (loss) before depreciation and amortization, interest (income) expense, net (other than relocation services interest for securitization assets and securitization obligations) and income taxes.

EBITDA before restructuring and other items is defined by us as EBITDA adjusted for merger costs, restructuring costs, former parent legacy cost (benefit) items, net, and (gain) loss on the early extinguishment of debt. Adjusted EBITDA is presented to demonstrate our compliance with the senior secured leverage ratio covenant in the senior secured credit facility. We present EBITDA, EBITDA before restructuring and other items and Adjusted EBITDA because we believe EBITDA, EBITDA before restructuring and other items and Adjusted EBITDA are useful as supplemental measures in evaluating the performance of our operating businesses and provides greater transparency into our results of operations. Our management, including our chief operating decision maker, use EBITDA and EBITDA before restructuring and other items as a factor in evaluating the performance of our business. EBITDA, EBITDA before restructuring and other items and Adjusted EBITDA should not be considered in isolation or as a substitute for net income or other statement of operations data prepared in accordance with GAAP.

We believe EBITDA facilitates company-to-company operating performance comparisons by backing out potential differences caused by variations in capital structures (affecting net interest expense), taxation, the age and book depreciation of facilities (affecting relative depreciation expense) and the amortization of intangibles, which may vary for different companies for reasons unrelated to operating performance. We believe EBITDA before restructuring and other items also facilitates company-to-company operating performance comparisons by backing out those items in EBITDA as well as certain historical cost (benefit) items which may vary for different companies for reasons unrelated to operating performance. We further believe that EBITDA is frequently used by securities analysts, investors and other interested parties in their evaluation of companies, many of which present an EBITDA measure when reporting their results.

EBITDA and EBITDA before restructuring and other items have limitations as analytical tools, and you should not consider EBITDA or EBITDA before restructuring and other items either in isolation or as substitutes for analyzing our results as reported under GAAP. Some of these limitations are:

- these measures do not reflect changes in, or cash requirement for, our working capital needs;
- these measures do not reflect our interest expense (except for interest related to our securitization obligations), or the cash requirements necessary to service interest or principal payments on our debt;
- these measures do not reflect our income tax expense or the cash requirements to pay our taxes;
- these measures do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often require replacement in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies may calculate these measures differently so they may not be comparable.

Adjusted EBITDA as used herein corresponds to the definition of “EBITDA,” calculated on a “pro forma basis,” used in the senior secured credit facility to calculate the senior secured leverage ratio.

Like EBITDA and EBITDA before restructuring and other items, Adjusted EBITDA has limitations as an analytical tool, and you should not consider Adjusted EBITDA either in isolation or as a substitute for analyzing our results as reported under GAAP. In addition to the limitations described above with respect to EBITDA and EBITDA before restructuring and other items, Adjusted EBITDA includes pro forma cost savings, the pro forma effect of business optimization initiatives and the pro forma full year effect of acquisitions and new franchisees. These adjustments may not reflect the actual cost savings or pro forma effect recognized in future periods.