

NOVADEL PHARMA INC
Form DEF 14A
February 07, 2005

Section 240.14a-101 Schedule 14A.
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 T
Filed by a party other than the Registrant £
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 £ Preliminary Proxy Statement
 £ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 T Definitive Proxy Statement
 £ Definitive Additional Materials
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NovaDel Pharma Inc.

(Name of Registrant as Specified In Its Charter)

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

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

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.

(3) Filing Party:

(4) Date Filed:

NOVADEL PHARMA INC.

25 Minneakoning Road

Flemington, New Jersey 08822

(908) 782-3431

February 7, 2005

To Our Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders to be held Monday, February 28, 2005 at 9:30 a.m. at the principal office of NovaDel Pharma Inc. located at 25 Minneakoning Road, Flemington, New Jersey. Our Board of Directors and management look forward to personally greeting those stockholders who will attend the meeting.

The accompanying Proxy Statement asks for your vote to re-elect six Directors to another one-year term. Our Board of Directors is elected each year by our stockholders to a one-year term. The Board of Directors also would like our stockholders to ratify its selection of J.H. Cohn LLP, as our independent registered public accounting firm for the fiscal year ending July 31, 2005.

The Board of Directors recommends that you vote FOR these proposals. If you have any questions, please contact Jean W. Frydman, Esq., our Corporate Secretary, at 908-782-3431.

Thank you for your investment and continued interest in NovaDel Pharma Inc.

Sincerely,

Gary A. Shangold, M.D.
President and Chief
Executive Officer

NOVADEL PHARMA INC.

25 Minneakoning Road

Flemington, New Jersey 08822

(908) 782-3431

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on February 28, 2005

To Our Stockholders:

The 2005 Annual Meeting of Stockholders (the Annual Meeting) of NovaDel Pharma Inc., a Delaware corporation (the Company or NovaDel), will be held at the Company s principal office located at 25 Minneakoning Road, Flemington, New Jersey, on Monday, February 28, 2005, at 9:30 a.m., Eastern Standard Time, for the following purposes:

1. To elect six Directors to our Board of Directors to serve until the 2006 Annual Meeting of Stockholders or until their successors have been duly elected or appointed and qualified;
2. To ratify the selection of J.H. Cohn LLP as the Company s independent registered public accounting firm for the fiscal year ending July 31, 2005; and
3. To consider and take action upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Only holders of record of the Company s common stock, par value \$.001 per share (the Common Stock), at the close of business on February 1, 2005, will be entitled to notice of and to vote at the Annual Meeting or any adjournments or postponements thereof.

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For a period of 10 days prior to the Annual Meeting, a stockholder list will be kept at the Company's office and shall be available for inspection by the Company's stockholders, for any purposes germane to the Annual Meeting, during usual business hours. A stockholder list will also be available for inspection at the Annual Meeting.

Your attention is directed to the accompanying Proxy Statement for further information regarding each proposal to be made at the Annual Meeting.

The vote of each stockholder is important. Whether or not you plan on attending the Annual Meeting, please complete, date and sign the accompanying proxy and mail it in the enclosed stamped, self-addressed envelope as promptly as possible to assure representation of your shares of Common Stock. If you sign and return your proxy without specifying your choices, your shares will be voted in accordance with the recommendations of our Board of Directors. Alternatively, you may also vote your shares by telephone. If you attend the Annual Meeting, you may, if you so desire, revoke your proxy at such time and vote in person if you wish.

By Order of the Board of
Directors

Jean W. Frydman
Vice President, General Counsel
and Corporate Secretary

Flemington, New Jersey

February 7, 2005

NOVADEL PHARMA INC.

25 Minneakoning Road

Flemington, New Jersey 08822

(908) 782-3431

PROXY STATEMENT

2005 ANNUAL MEETING OF STOCKHOLDERS

FEBRUARY 28, 2005

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of NovaDel Pharma Inc. (the "Company" or "NovaDel"), of proxies to be voted at the 2005 Annual Meeting of Stockholders (the "Annual Meeting") to be held at 9:30 a.m., Eastern Standard Time, on Monday, February 28, 2005, at the principal office of the Company located at 25 Minneakoning Road, Flemington, New Jersey 08822, and at any adjournments or postponements thereof.

A copy of the Company's Annual Report on Form 10-KSB for the fiscal year ended July 31, 2004 is enclosed with these materials. Upon written request, the Company will provide each stockholder being solicited by this Proxy Statement with a copy, free of charge, of any of the exhibits to this Proxy Statement. All such requests should be directed to NovaDel Pharma Inc., 25 Minneakoning Road, Flemington, New Jersey 08822, Attn: Jean W. Frydman, Esq., Corporate Secretary.

The Annual Meeting has been called to consider and take action on the following proposals: (i) to elect six Directors to the Company's Board of Directors (the "Board of Directors") to serve until the 2006 Annual Meeting of Stockholders or until their successors have been duly elected or appointed and qualified; (ii) to ratify the selection of J.H. Cohn LLP as the Company's independent registered public accounting firm for the fiscal year ending July 31, 2005; and (iii) to consider and take action upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Board of Directors knows of no other matters to be presented for action at the Annual Meeting. However, if any other matters properly come before the Annual Meeting, the persons named in the proxy will vote your shares in their discretion. The Board of Directors recommends that the stockholders vote in favor of each of the proposals. Only holders of record of the Company's common stock, \$.001 par value, per share (the "Common Stock"), at the close of business on February 1, 2005 (the "Record Date"), will be entitled to notice of and to vote at the Annual Meeting.

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The Company's principal executive offices are located at 25 Minneakoning Road, Flemington, New Jersey 08822 and its telephone number is (908) 782-3431. The approximate date on which this Proxy Statement, the proxy card and other accompanying materials are first being sent or given to stockholders is February 7, 2005.

Voting Rights, Proxies and Voting Procedures

Each share of Common Stock outstanding on the Record Date is entitled to one vote per share at the Annual Meeting. We do not have any other class of capital stock outstanding. At the close of business on the Record Date, there were issued and outstanding 33,834,294 shares of Common Stock. The presence at the Annual Meeting in person or by proxy of holders of record of a majority of the outstanding shares of voting stock is required to constitute a quorum for the transaction of all business at the Annual Meeting.

All properly executed proxies delivered pursuant to this solicitation and not revoked will be voted at the Annual Meeting in accordance with the directions given. When voting by proxy for each proposal to be voted upon, stockholders may (i) vote in favor of, or FOR, the item, (ii) vote AGAINST the item or (iii) ABSTAIN from voting on one or more items. Stockholders should specify their choices on the enclosed proxy. If any other business is presented at the meeting, the Proxy will be voted in accordance with the recommendations of the Board of Directors.

Shares represented by valid proxies will be voted in accordance with instructions contained therein, or, in the absence of such instructions, in accordance with the Board of Director's recommendations. Any person signing and mailing the enclosed proxy may, nevertheless, revoke the proxy at any time prior to the actual voting thereof by attending the Annual Meeting and voting in person, by providing written notice, sent to the attention of the Corporate Secretary of the Company at the address set forth above, of revocation of the proxy or by submitting a signed proxy bearing a later date.

A broker non-vote occurs when a broker holding shares registered in street name is permitted to vote, in the broker's discretion, on routine matters without receiving instructions from the client, but is not permitted to vote without instructions on non-routine matters, and the broker returns a proxy card with no vote (the non-vote) on the non-routine matter. Under the rules and regulations of the primary trading markets applicable to most brokers, both the election of Directors and the ratification of the selection of the independent registered public accounting firm are routine matters on which a broker has the discretion to vote if instructions are not received from the client in a timely manner. Abstentions will be counted as present for purposes of determining a quorum but will not be counted FOR or AGAINST the election of Directors or the ratification of the selection of the independent registered public accounting firm. As to Proposal 1, the Proxy confers authority to vote FOR all of the six persons listed as nominees for a position on the Board of Directors even though the block in Proposal 1 is not marked unless the names of one or more nominees are lined out. The Proxy will be voted FOR Proposals 2 and 3 unless AGAINST or ABSTAIN is indicated. If any other business is presented at the meeting, the Proxy shall be voted in accordance with the recommendations of the Board of Directors.

Questions and Answers

Q. What am I voting on?

Election of six Directors (Gary A. Shangold, M.D., William F. Hamilton, Ph.D., Lawrence Jay Kessel, M.D., FACP, Mark A. Rachesky, M.D., Charles Nemeroff, M.D., Ph.D., and Robert G. Savage) for a term of one year; and

Ratify the selection of J.H. Cohn LLP as the Company's independent registered public accounting firm for the fiscal year ending July 31, 2005.

Q. Who is entitled to vote?

Only stockholders of record at the close of business on the record date, February 1, 2005, 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. If you return your signed proxy and do not indicate your voting preferences, your shares will be voted on your behalf FOR the election of the six nominated Directors and FOR the ratification of the selection of J.H. Cohn LLP to audit NovaDel's books and accounts for the fiscal year ending July 31, 2005.

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.

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-KSB electronically?*

This Proxy Statement and the Company's Annual Report on Form 10-KSB for the fiscal year ended July 31, 2004, are available on NovaDel's website at www.NovaDel.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, as the case may be. 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 happens if I return my signed proxy card but forget to indicate how I want my shares of Common Stock voted?*

If you sign, date and return your proxy card and do not mark how you want to vote, your proxy will be counted as a vote FOR all of the nominees for Directors set forth on the Proxy and FOR ratification of the selection of J.H. Cohn LLP as the Company's independent registered public accounting firm.

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

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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.

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Q. What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock outstanding on the record date will constitute a quorum. On February 1, 2005, the Record Date, there were 33,834,294 outstanding shares of Common Stock entitled to vote at the Annual Meeting.

Abstentions and broker non-votes are counted only for purposes of determining whether a quorum is present at the Annual Meeting but are not counted FOR or AGAINST the election of Directors or FOR the ratification of the selection of the independent registered public accounting firm.

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. For the 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.

Abstentions and broker non-votes will not be included in determining the number of votes cast concerning any matter. Under the rules of the American Stock Exchange, absent instructions from the beneficial owners, brokers who hold shares in street name for beneficial owners have the authority to vote on the election of Directors and the ratification of the selection of the Company's independent registered public accounting firm.

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

Unless you give other instructions when you vote, the persons named as proxy holders will vote:

FOR the election of the six nominated Directors; and

FOR ratification of the selection of J.H. Cohn LLP as NovaDel's independent registered public accounting firm for the fiscal year ending July 31, 2005.

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

The foregoing proposals do not give rise to any statutory right of a stockholder to dissent and obtain the appraisal of or payment for such stockholder's shares.

Information Regarding Board of Directors and Committees

Pursuant to NovaDel's By-Laws, generally the number of Directors of the Company is fixed and may be increased or decreased from time to time by resolution of NovaDel's Board of Directors. Currently, the Board of Directors has fixed the number of Directors at seven members. There is one vacancy on the Board of Directors at this time and the Company is searching for a qualified individual to fill this vacancy. Directors are elected annually and the Board of Directors is recommending six nominees to serve as Directors until the next Annual Meeting or until their successors are duly elected, appointed and qualified. All of the individuals who are nominated for election to the Board of Directors are existing Directors of the Company. 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. The Board of Directors has no reason to believe that any of the nominees will not be a candidate or will be unable to serve as a Director.

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The ages, principal occupations and directorships held, and any other information with respect to the nominees, are shown below as of December 31, 2004.

Gary A. Shangold, M.D., 51. Dr. Shangold joined NovaDel in December 2002, as the Company's President and Chief Executive Officer and was elected as a Director in March 2003. Previously he had been Vice President and Regulatory Head of Drug Development at Johnson & Johnson Pharmaceutical Research and Development, LLC. Before joining the Johnson & Johnson family of companies in 1992, he had been Medical Director of Obstetrics, Gynecology & Infertility at Serono Laboratories, Inc. and had been a member of the faculty of Obstetrics and Gynecology at the University of Chicago's Pritzker School of Medicine from 1983 to 1991. Dr. Shangold also was an Associate Clinical Professor at the Harvard University School of Medicine and a Clinical Associate at Massachusetts General Hospital from 1992 to 2002. He is currently the President of the American Academy of Pharmaceutical Physicians. Dr. Shangold also serves on the Board of Directors of Pepgen Corporation, a privately held corporation.

William F. Hamilton, Ph.D., 65. Dr. Hamilton was elected to the Board of Directors in March 2003. Dr. Hamilton has served on the University of Pennsylvania faculty since 1967, and is the Landau Professor of Management and Technology, and Director of the Jerome Fisher Program in Management and Technology at The Wharton School and the School of Engineering and Applied Science. He serves as a director of Neose Technologies, Inc., a publicly-traded company developing a drug manufacturing process and proprietary drugs. Dr. Hamilton is a member and the Chairman of the Audit Committee of the Board of Directors, as well as a member of the Corporate Governance and Nominating Committee and Compensation Committee of the Board of Directors.

Lawrence Jay Kessel, M.D., FACP, 51. Dr. Kessel was elected to the Board of Directors in March 2003. Dr. Kessel, a physician, is President of Lawrence J. Kessel, M.D., & Associates, PC, a five physician practice specializing in Internal Medicine and Geriatrics since 1984. He is an active staff attending and Clinical Instructor at Chestnut Hill Hospital (University of Pennsylvania affiliate) and Roxborough Memorial Hospital in Philadelphia, Pennsylvania. Dr. Kessel is a Board Reviewer for the American Board of Internal Medicine, as well as a Fellow of the American College of Physicians. He also serves on the advisory board of Independence Blue Cross and is a Clinical Assistant Professor in the Department of Medicine at Temple University Medical School. Dr. Kessel presently serves as a director of Keryx Biopharmaceuticals, Inc. Dr. Kessel serves on the Biotherapeutic Scientific Advisory Board of DOR Biopharma Inc., and the Scientific Advisory Board of Cypress Biosciences Inc., both of which are publicly-traded companies. He is a member and the Chairman of the Compensation Committee and a member of the Corporate Governance and Nominating Committee of the Board of Directors.

Mark H. Rachesky, M.D., 45. Dr. Rachesky joined the Board of Directors in June 2003. Dr. Rachesky is the founder and President of MHR Fund Management LLC and affiliates, investment managers of various private investment funds that invest in inefficient market sectors, including special situation equities and distressed investments. Dr. Rachesky is currently on the board of directors of Neose Technologies, Inc., a publicly-traded company developing a drug manufacturing process and proprietary drugs and Leap Wireless International Inc., a publicly-traded company that provides innovative, wireless, communications services for the mass market.

Charles Nemeroff, M.D., Ph.D., 55. Dr. Nemeroff joined the Board of Directors in September 2003. Dr. Nemeroff has been the Reunette W. Harris Professor and Chairman of the Department of Psychiatry and Behavioral Sciences at the Emory University School of Medicine in Atlanta, Georgia, since 1991. He has served on the Mental Health Advisory Council of the National Institute of Mental Health and the Biomedical Research Council for NASA. Dr. Nemeroff is a past President of the American College of Psychiatrists and a past President of the American College of Neuropsychopharmacology and is Editor-in-Chief of *Neuropsychopharmacology*. He has served as Editor-in-Chief of the *Psychopharmacology Bulletin*, Associate Editor of *Biological Psychiatry* and as the Co-Editor-in-Chief of both *Critical Reviews in Neurobiology* and *Depression and Anxiety*. Dr. Nemeroff serves on the Scientific Advisory Board of numerous pharmaceutical companies, including Acadia Pharmaceuticals, Astra-Zeneca Pharmaceuticals,

Forest Laboratories, Janssen, Organon, Glaxo-SmithKline Beecham and Wyeth-Ayerst. Dr. Nemeroff has received numerous awards for his research, including the Bowis Award from the American College of Psychiatrists and the Menninger Prize from the American College of Physicians. In 2002, he was elected to the Institute of Medicine. He is a member of the Compensation Committee of the Board of Directors.

Robert G. Savage, M.B.A., 51. Mr. Savage joined the Board of Directors in February 2004. From March 2002 to April 2003, Mr. Savage was Group Vice President and President for the General Therapeutics and Inflammation Business of Pharmacia Corporation, a research-based pharmaceutical firm acquired by Pfizer Inc. in April 2003. From September 1996 to January 2002, Mr. Savage held several senior positions with Johnson & Johnson, including Worldwide Chairman for the Pharmaceuticals Group during 2001, Company Group Chairman responsible for the North American pharmaceuticals business from 2000 to 2001, President, Ortho-McNeil Pharmaceuticals, from 1998 to 2000 and Vice President Sales & Marketing from 1996 to 1998. From 1985 to 1996, Mr. Savage held several positions at Hoffmann-La Roche, Inc., a healthcare firm. Mr. Savage also serves as a director for Noven Pharmaceuticals, a leader in the development of advanced drug delivery technologies, and The Medicines Company, a specialty pharmaceutical company. He is a member of the Audit Committee and a member and the Chairman of the Corporate Governance and Nominating Committee of the Board of Directors.

Corporate Governance

Code of Ethics

The Board of Directors adopted a Business Conduct Policy which is applicable to all employees. 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 Board of Directors adopted the Business Conduct Policy before the end of calendar year 2003 and a subsequent revised Business Conduct Policy was adopted by the Board of Directors in August 2004. A copy of the Business Conduct Policy can be obtained and will be provided to any person without charge upon written request to the Corporate Secretary at our principal office located at 25 Minneakoning Road, Flemington, New Jersey 08822. The Business Conduct Policy is also available on NovaDel's website at www.NovaDel.com.

Board Meetings and Attendance of Directors

The Board of Directors held eight meetings during fiscal year 2004. All Directors attended 75% or more of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all committees of the Board of Directors on which they served.

Attendance at Annual Meeting

Directors are expected to attend the Annual Meeting of Stockholders unless an emergency makes such attendance imprudent. Four of the Company's six Directors attended the 2004 Annual Meeting of Stockholders.

Committees of the Board

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

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Audit Committee

Members: Dr. Hamilton (Chair) and Mr. Savage

Number of meetings in 2004: 4

Functions:

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

- o Selects the Company's independent registered public accounting firm and provides oversight of their independence, qualifications and performance;

- o Reviews the adequacy of the Company's internal controls and financial reporting process and the reliability of the Company's financial statements; and

- o Reviews the Company's compliance with legal and regulatory requirements.

Mr. Rachesky resigned from the Audit Committee in September 2004. In the opinion of the Board of Directors, and as the term "independent" is defined in Section 121(A) of the listing standards of the American Stock Exchange (AMEX), Dr. Hamilton and Mr. Savage are independent of management and free of any relationship that would interfere with the exercise of independent judgment as members of the Audit Committee. We are presently seeking to identify an individual willing to serve on our Board who would qualify as an Audit Committee financial expert.

The Audit Committee meets with management periodically to consider the adequacy of the Company's internal controls and the objectivity of its financial reporting. The Audit Committee discusses these matters with the Company's independent registered public accounting firm and with appropriate Company financial personnel. 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 the Board of Directors the appointment of the independent registered public accounting firm and reviews periodically their performance and independence from management. In addition, the Audit Committee reviews the Company's financing plans and reports its recommendations to the full Board of Directors for approval and to authorize action.

A copy of the Audit Committee's written charter is attached as Exhibit A and is also available on NovaDel's website at www.NovaDel.com.

Compensation Committee

Members: Dr. Kessel (Chair), Dr. Hamilton and Dr. Nemeroff

Number of meetings in 2004: 2

Functions:

- o Discharges the responsibilities of the Board of Directors relating to the compensation to be paid to Directors, officers and employees.

Pursuant to its charter, the Compensation Committee must be comprised of at least three Directors who, in the opinion of the Board of Directors, must meet the independence requirements of Section 121(A) of the AMEX listing standards 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 charter is attached as Exhibit B and is also available on NovaDel's website at www.NovaDel.com.

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Corporate Governance and Nominating Committee

Members: Mr. Savage (Chair), Dr. Hamilton and Dr. Kessel

Number of meetings in 2004: 0

Functions:

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

- o Develops and recommends to the Board of Directors a set of corporate governance principles applicable to the Company; and

- o Oversees the evaluation of the Board of Directors.

The Corporate Governance and Nominating Committee was established on June 14, 2004. The Corporate Governance and Nominating Committee is responsible for developing and recommending a set of corporate governance guidelines to the Board of Directors. The Corporate Governance and Nominating Committee is developing those guidelines and expects approval by the Board of Directors in early 2005. Those guidelines will be available on NovaDel's 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 Charter is attached as Exhibit C and is also available on NovaDel's website at www.NovaDel.com.

Compensation of Directors

Effective September 2003, Directors who are not employees or consultants receive fees of \$2,000 for each meeting of the Board of Directors attended in person or \$1,000 if participated in by telephone. Non-employee Directors are also compensated \$3,000 per annum for serving, or \$5,000 per annum for chairing, a committee of the Board of Directors. Each non-employee Director is also awarded non-plan options to purchase 100,000 shares of Common Stock upon their election to the Board of Directors, to vest in three equal annual installments beginning on the first anniversary of their appointment. In addition, non-employee Directors are to be awarded annually non-plan options to purchase 50,000 shares of Common Stock at the time of their re-election to the Board of Directors. Such annually awarded options vest over a three-year period. Non-employee Directors are also reimbursed for expenses incurred in connection with their attendance at meetings of the Board of Directors or committees thereof.

Compensation Committee Interlocks and Insider Participation

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None of the members of the Compensation Committee is or has been an officer or employee of the Company. In addition, none of the members of the Compensation Committee had any relationships with the Company or any other entity that require disclosure under the proxy rules and regulations promulgated by the Securities and Exchange Commission (the SEC).

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Proposal 1

Election of Directors

The stockholders are being asked to elect Dr. Shangold, Dr. Hamilton, Dr. Kessel, Dr. Nemeroff, Dr. Rachesky and Mr. Savage to a one-year term ending with the annual meeting of stockholders to be held in 2006, or until a successor is elected and qualified or until his earlier death, resignation or removal. The Board of Directors nominated the same six nominees for election at the 2004 annual meeting of stockholders. Mr. Robert Schaul resigned as a Director in July 2004. Each nominee is currently a Director of the Company. For more information regarding the nominees for Director, see *Information Regarding Board of Directors and Committees* beginning at page 4.

We are also searching for a qualified person to add to the Board of Directors to fill a vacancy. Because this person was not known at the time this Proxy Statement was delivered to stockholders, the Board of Directors has determined to leave this seat vacant until an appropriate individual has been found. Proxies cannot be voted for a greater number of persons than the number of nominees named.

The Board of Directors does not contemplate that any of the nominees will be unable to stand for election, but should any nominee become unable to serve or for good cause, will not serve, all proxies (except proxies marked to the contrary) will be voted for the election of a substitute nominee nominated by the Board of Directors or the size of the Board of Directors will be fixed at a lower number. A plurality of the votes cast by the stockholders present or represented by proxy and entitled to vote at the Annual Meeting is required for the election of Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR

ALL OF THE NOMINEES SET FORTH ABOVE FOR DIRECTOR

Proposal 2

Ratification of the Selection of the Independent Registered Public Accounting Firm

Also submitted for consideration and voting at the Annual Meeting is the ratification of the selection by the Board of Directors, upon the recommendation of the Audit Committee, of J.H. Cohn LLP as our independent registered public accounting firm for the purpose of auditing and reporting upon the financial statements of the Company for the fiscal year ending July 31, 2005. J.H. Cohn LLP has no direct or indirect financial interest in the Company.

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.

Information about Fees Billed by J.H. Cohn LLP and Wiss and Company LLP

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Aggregate fees billed to the Company for fiscal years 2004 and 2003 by J.H. Cohn LLP and fees billed to the Company for a portion of fiscal year 2004 and for fiscal year 2003 by Wiss and Company LLP (Wiss) are as follows:

	J.H. Cohn		Wiss	
	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2003</u>
Audit Fees	\$61,200	\$0	\$12,000	\$23,000
Audit Related Fees	\$44,200	\$0	\$0	\$0
Tax Fees	\$300	\$0	\$18,600	\$0
All Other Fees	\$11,200	\$0	\$11,200	\$10,000

On November 26, 2003, Wiss, the Company's then independent accounting firm, advised the Company that it was resigning as the independent accountant to audit the Company's financial statements. Accordingly, on such date, the Board of Directors, upon the recommendation of the Audit Committee, following extensive evaluation of several accounting firms, engaged J.H. Cohn LLP as the Company's independent registered public accounting firm to replace Wiss. J.H. Cohn LLP's report on the Company's financial statements for fiscal year 2004 and Wiss' report on the Company's financial statements for fiscal year 2003 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. Wiss' report was modified as to uncertainty relative to going concern for the year ended July 31, 2003. During fiscal years 2004 and 2003 and through the date of Wiss' resignation, there were no disagreements with Wiss on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Wiss satisfaction, would have caused Wiss to make reference to the subject matter in connection with its report of the financial statements for such periods and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-B during such period preceding Wiss' resignation.

Report of the Audit Committee

In September 2003, the Board of Directors adopted an Audit Committee Charter, which conforms to the requirements of the Sarbanes-Oxley Act of 2002 and the listing standards of AMEX. The Audit Committee Charter is attached hereto as Exhibit A and is also available on the Company's website at www.NovaDel.com.

Management is responsible for the Company's financial statements and the overall reporting process, including the Company's system of internal controls. 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 the Company in conformity with generally accepted accounting principles and discuss with the Audit Committee any issues they believe should be raised with the Audit Committee.

The Audit Committee reviews the Company's audited financial statements and meets with both management and the Company's independent registered public accounting firm, to discuss such audited financial statements. Management has represented to the Audit Committee that the financial statements have been prepared in accordance with generally accepted accounting principles. The Audit Committee has received from and discussed with J.H. Cohn LLP, the Company's independent registered public accounting firm, the written disclosure and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). These items relate to that firm's independence from the Company. The Audit Committee also discussed with the Company's independent registered public accounting firm any matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees. Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-KSB for the fiscal year ended July 31, 2004.

The Audit Committee has the sole authority to pre-approve all audit and non-audit services provided by the independent registered public accounting firm to the Company. As described in the Audit Committee Charter, it is the Audit Committee's policy and procedure to review and consider and ultimately pre-approve, where appropriate, all audit and nonaudit engagement services to be performed by the Company's independent registered public accounting firm. For fiscal year 2004, all of audit related fees, tax fees and all other fees were approved by the Audit Committee. The Audit Committee does not currently have a policy for the pre-approval of audit and non-audit services performed for the Company by the independent registered public accounting firm.

Audit Committee
 William F. Hamilton, Ph.D., Chair
 Robert G. Savage

In accordance with the rules of the SEC, 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 SEC or subject to the SEC's Regulation 14A, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically requests 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.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF J.H. COHN LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING JULY 31, 2005

Stockholder Approval of Equity Compensation Plans

The following table sets forth information as of the end of fiscal year 2004 with respect to the number of shares of Common Stock issuable pursuant to equity compensation plans which have and have not been approved by the Company's stockholders.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of securities remaining available for future issuance (c)
Equity compensation plans approved by security holders	2,095,500	\$1.48	1,829,500
Equity compensation plans not approved by security holders	3,950,000	\$1.66	N/A
TOTAL	6,045,500	\$1.60	1,829,500

Stock Option Plans

The Company has three stock option plans which were adopted in 1992 (the 1992 Plan), 1997 (the 1997 Plan) and 1998 (the 1998 Plan), respectively (collectively referred to as the Plans). All three Plans have been approved by the Company's stockholders. The 1992 Plan and 1997 Plan each provide for the issuance of options to purchase 500,000 shares of Common Stock, and the 1998 Plan provides for the issuance of options to purchase 3,400,000 shares of Common Stock, for a total of 4,400,000 shares. The 1997 Plan is administered by Dr. Hamilton, Dr. Kessel and Dr. Nemeroff who constitute the Compensation Committee of the Board of Directors and the 1992 Plan and the 1998 Plan are administered by the entire Board of Directors. For purposes of the following discussion, the term Committee will be used to reference the Committee with respect to the 1997 Stock Option Plan and the entire Board of Directors with respect to the 1992 Plan and the 1998 Plan, as applicable. The Committee has sole discretion and authority, consistent with the provisions of the Plans, to select the eligible participants to whom options will be granted under the Plans, the number of shares which will be covered by each option and the form and terms of the agreement to be used. All of the Company's employees and officers are eligible to participate in the Plans.

At July 31, 2004, options to purchase 0, 0 and 1,829,500 shares of Common Stock were reserved for issuance pursuant to the 1992 Plan, the 1997 Plan and the 1998 Plan, respectively. The exercise prices for the outstanding options reserved under the 1992 Plan and the 1997 Plan range between \$.63 and \$2.00 per share; and the exercise prices for the outstanding options reserved under the 1998 Plan range between \$1.30 and \$1.99 per share.

The Committee is empowered to determine the exercise price of options granted under the Plans, but the exercise price of ISOs issued under the 1998 Plan must be equal to or greater than the fair market value of a share of common stock on the date the option is granted (110% with respect to optionees who own at least 10% of the Company's outstanding common stock). The Committee has the authority to determine the time or times at which options granted under the Plans become exercisable, but options expire no later than 10 years from the date of grant (five years with respect to optionees who own at least 10% of the outstanding Common Stock). Options are nontransferable, other than by will and the laws of descent, and generally may be exercised only by an employee while employed by the Company or within 90 days after termination of employment (one year from termination resulting from death or disability).

No ISO may be granted to an employee if, as the result of such grant, the aggregate fair market value (determined at the time each option was granted) of the shares with respect to which ISOs are exercisable for the first time by such employee during any calendar year (under all such Plans) exceeds \$100,000. The Plans do not confer upon any employee any right with respect to the continuation of employment by the Company, nor do the Plans interfere in any way with the employee's right or the Company's right to terminate the employee's employment at any time.

Non-Plan Options

As of July 31, 2004, the Company had 3,950,000 non-plan options outstanding as follows: 600,000 options exercisable at \$1.84 per share; 1,050,000 options exercisable at \$.75 per share; 1,000,000 options exercisable at \$1.93 per share; 200,000 options exercisable at \$1.30 per share; 200,000 options exercisable at \$1.51 per share; 250,000 options exercisable at \$3.18 per share; 150,000 options exercisable at \$3.02 per share; 300,000 options exercisable at \$1.95 per share; 100,000 options exercisable, at \$1.85 per share; and 100,000 options exercisable at \$1.65 per share.

Stock Ownership of Directors, Management and Certain Beneficial Owners

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The following table sets forth information, as of December 31, 2004, regarding beneficial ownership of the Common Stock to the extent known to the Company, by (i) each person who is a nominee for Director; (ii) each Executive Officer named in the Summary Compensation Table on page

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14; (iii) all Directors and Executive Officers as a group; and (iv) each person known to NovaDel 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(2)	Percentage of Class
Common Stock	Harry A. Dugger, III, Ph.D.(1)	2,115,503(3)	6.1%
Common Stock	Gary A. Shangold, M.D.(1)	841,666	2.4%
Common Stock	Robert G. Savage(1)	0	*
Common Stock	Donald J. Deitman(1)	0	*
Common Stock	Jean W. Frydman, Esq.(1)	0	*
Common Stock	Mohammed Abd El-Shafy, Ph.D.(1)	250,000	*
Common Stock	William F. Hamilton, Ph.D. (1)	33,333	*
Common Stock	Lawrence J. Kessel, M.D., FACP(1)	59,598(4)	*
Common Stock	Barry C. Cohen(1)	115,000	*
Common Stock	Mark H. Rachesky, M.D.(1)	1,152,380(5)	3.4%
Common Stock	Charles Nemeroff, M.D., Ph.D.(1)	33,333	*
	All Executive Officers and Directors as a group (11 persons)	4,600,813 (2)(3)	12.82%
Common Stock	Lindsay A. Rosenwald, M.D.(6)	13,233,334(7)	23.07%

*less than 1%.