

NORTHFIELD LABORATORIES INC /DE/

Form PRER14A

August 12, 2008

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**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 Rule 14a-12

**NORTHFIELD LABORATORIES INC.**

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- Fee paid previously with preliminary materials.
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- (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
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-

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**NORTHFIELD LABORATORIES INC.**

1560 Sherman Avenue, Suite 1000

Evanston, Illinois 60201-4800

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

to be held  
October 2, 2008

**TO THE STOCKHOLDERS OF NORTHFIELD LABORATORIES INC:**

The Annual Meeting of the stockholders of Northfield Laboratories Inc. (the Company) will be held on Thursday, October 2, 2008 at 10:00 A.M., local time, at The Deer Path Inn, 255 East Illinois Road, Lake Forest, Illinois 60045 for the following purposes:

1. To elect seven directors to hold office until the next Annual Meeting of the stockholders of the Company;
2. To ratify the appointment of KPMG LLP as independent auditors of the Company to serve for the Company's 2009 fiscal year;
3. To approve an amendment to the Northfield Laboratories Inc. 2003 Equity Compensation Plan to increase the number of shares available for awards under the Plan from 2,250,000 to 4,000,000 shares and to amend certain other provisions of the Plan;
4. To approve a proposal to amend the Company's Restated Certificate of Incorporation to permit a reverse split of the outstanding shares of the Company's Common Stock, par value \$.01 per share; and
5. To transact such other business as may properly come before the Annual Meeting.

The Board of Directors has fixed the close of business on August 11, 2008 as the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

Stockholders are requested to complete and sign the enclosed Proxy, which is solicited by the Board of Directors, and promptly return it in the accompanying envelope.

By Order of the Board of Directors

JACK J. KOGUT  
*Secretary*

Evanston, Illinois

August , 2008

**It is important that your stock be represented at the Annual Meeting regardless of the number of shares you hold. Please complete, sign and mail the enclosed Proxy in the accompanying envelope even if you intend to be present at the Annual Meeting. Returning the Proxy will not limit your right to vote in person or to attend the Annual Meeting, but will ensure your representation if you cannot attend. The Proxy is revocable at any time prior to its use.**

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**Northfield Laboratories Inc.**

**PROXY STATEMENT**

This document is being furnished to holders of the common stock of Northfield Laboratories Inc. in connection with the solicitation of proxies by our board of directors for use at Northfield's annual meeting of stockholders to be held on Thursday, October 2, 2008 at 10:00 A.M., local time, at The Deer Path Inn, 255 East Illinois Road, Lake Forest, Illinois 60045 and at any adjournment or postponement thereof, for the purpose of considering and acting upon the matters set forth in the accompanying Notice of Annual Meeting of Stockholders.

This document is first being mailed to holders of common stock on or about August 1, 2008.

Our principal executive offices are located at 1560 Sherman Avenue, Suite 1000, Evanston, Illinois 60201-4800. Our telephone number is (847) 864-3500. We also maintain an Internet website at [www.northfieldlabs.com](http://www.northfieldlabs.com). The information contained on our website is not deemed to be soliciting material and is not incorporated by reference in this document.

**Voting and Record Date**

Only holders of record of common stock as of the close of business on August 11, 2008, the record date for the annual meeting, are entitled to notice of and to vote at the annual meeting. As of August 11, 2008, there were 26,958,516 shares of common stock outstanding and entitled to be voted at the annual meeting.

**Quorum**

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote at the annual meeting is necessary to constitute a quorum at the annual meeting. Shares that are present and entitled to vote on any of the proposals to be considered at the annual meeting will be considered to be present at the annual meeting for purposes of establishing the presence or absence of a quorum for the transaction of business. If a broker indicates on the enclosed proxy that it does not have discretionary authority as to certain shares to vote on a particular proposal, but otherwise has authority to vote at the annual meeting, those shares will also be considered as present for purposes of determining the presence or absence of a quorum at the annual meeting.

**Required Vote**

Each holder of record of shares who is entitled to vote may cast one vote per share held on all matters properly submitted for the vote of our stockholders at the annual meeting.

Directors are elected by plurality vote and the seven nominees who receive the greatest number of votes will be elected. Withheld votes and abstentions will not be taken into account for purposes of determining the outcome of the election of directors.

The affirmative vote of a majority of the shares present in person or by proxy at the annual meeting and entitled to vote on such proposal will be required to ratify the appointment of our independent auditors and the proposal to amend the Northfield Laboratories Inc. 2003 Equity Compensation Plan. Abstentions will have the effect of negative votes with respect to these proposals.

The affirmative vote of at least 80 percent of the shares of our common stock outstanding as of the record date for the annual meeting will be required to approve the proposal to amend our restated certificate of incorporation to permit a reverse split of our common stock. Abstentions will have the effect of negative votes with respect to this proposal.

If a broker indicates on the enclosed proxy that it does not have discretionary authority as to certain shares to vote on a particular proposal, those shares will not be considered as votes cast with respect to the proposal, but will be considered as present for purposes of determining the number of votes required to approve the proposal.

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**Proxies**

All shares entitled to vote and represented by properly executed proxies received and not revoked prior to the annual meeting will be voted at the annual meeting in accordance with the instructions indicated on those proxies. If no instructions are indicated on a properly executed proxy, the shares represented by that proxy will be voted as recommended by the board of directors.

If any other matters are properly presented at the annual meeting for consideration, including, among other things, consideration of a motion to adjourn the annual meeting to another time or place, the persons named in the enclosed form of proxy will have discretion to vote on those matters in accordance with their best judgment to the same extent as the person signing the proxy would be entitled to vote. It is not currently anticipated that any other matters will be raised at the annual meeting.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. A proxy may be revoked by filing with Northfield's Corporate Secretary, at or before the taking of the vote at the annual meeting, a written notice of revocation or a duly executed proxy, in either case later dated than the prior proxy relating to the same shares. A proxy may also be revoked by attending the annual meeting and voting in person, although attendance at the annual meeting will not itself revoke a proxy. Any written notice of revocation or subsequent proxy should be delivered to Northfield Laboratories Inc., 1560 Sherman Avenue, Suite 1000, Evanston, Illinois 60201-4800, Attention: Corporate Secretary, or hand delivered to the Corporate Secretary, at or before the taking of the vote at the annual meeting.

We will bear all of the expenses of this solicitation. In addition to solicitation by mail, our directors, officers and employees may solicit proxies personally and by telephone, internet and telegraph, all without extra compensation.

**Annual Report**

A copy of our Annual Report on Form 10-K for our 2008 fiscal year, including financial statements, has been sent simultaneously with this document or has been previously provided to all stockholders entitled to vote at the annual meeting.

**Recommendation of the Board of Directors**

The board of directors recommends a vote **FOR** each of the proposals to be considered at the annual meeting.

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The number of directors comprising our full board of directors is currently fixed at seven. All of our directors stand for election each year at our annual meeting. Directors elected at this year's annual meeting will hold office until the next annual meeting or until their earlier resignation or removal.

Northfield's board of directors, based on the recommendation of its nominating and corporate governance committee, has nominated the following nominees for election at the annual meeting. In the event any of the nominees should become unavailable for election, the nominating and corporate governance committee may designate substitute nominees, in which event shares represented by all proxies returned will be voted for the substitute nominees unless an indication to the contrary is included on the proxies. The board of directors recommends a vote **FOR** the election of each of the following director nominees.

<b>Name</b>	<b>Director Since</b>	<b>Office</b>	<b>Principal Occupation and Business Experience</b>
Steven A. Gould, M.D.	1993	Chairman and Chief Executive Officer	Dr. Gould, age 61, is a founding member of Northfield's scientific team and has served as the Chairman and Chief Executive Officer of Northfield since July 2002. From July 1993 to July 2002, Dr. Gould served as President and a director of Northfield. Prior to that time, Dr. Gould served as a Consultant and Principal Investigator for Northfield's clinical trials. From 1989 to 1993, Dr. Gould served as Chief of the Department of Surgery of Michael Reese Hospital. Since 1990, Dr. Gould has also served as Professor of Surgery, nonsalaried, at the University of Illinois College of Medicine. From 1979 through 1989, Dr. Gould was Assistant Professor and then Associate Professor in the Department of Surgery at The University of Chicago School of Medicine. Dr. Gould has been involved in development of national transfusion policy through his participation in the activities of the National Heart Lung Blood Institute, the National Blood Resource Education Panel, the Department of Defense, the American Association of Blood Banks, the American College of Surgeons and the American Red Cross. Dr. Gould received his M.D. degree from the Boston University School of Medicine in 1973.
John F. Bierbaum	2002	Director	Mr. Bierbaum, age 64, has served as a director of Northfield since September 2002. Currently, he is serving as Chief Financial Officer, Archdiocese of Saint Paul and Minneapolis. Mr. Bierbaum has served as a consultant to PepsiAmericas, Inc. since May 2003. Prior to that date, Mr. Bierbaum served as a senior officer of PepsiAmericas, Inc., formerly known as Whitman Corporation, and its

predecessors. Mr. Bierbaum is also a director of Holstein USA, Inc. Mr. Bierbaum is a C.P.A. and received his B.S. degree from the University of Minnesota in 1967.

Bruce S. Chelberg

1989

Director

Mr. Chelberg, age 74, has served as a director of Northfield since 1989. Mr. Chelberg served from May 1992 through November 2000 as the Chairman and Chief Executive Officer of PepsiAmericas, Inc., formerly known as Whitman Corporation.

Mr. Chelberg is also a director of First Midwest Bancorp, Inc. and Snap-On Incorporated.

Mr. Chelberg received his LLB degree from the University Of Illinois College of Law in 1958.

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<b>Name</b>	<b>Director Since</b>	<b>Office</b>	<b>Principal Occupation and Business Experience</b>
Alan L. Heller	2006	Director	Mr. Heller, age 54, has served as a director of Northfield since February 2006. He has served as an Investment Advisor to Water Street Capital since February 2006. From November 2004 to November 2005, he was President and Chief Executive Officer of American Pharmaceutical Partners. From January 2004 to November 2004, Mr. Heller was an investment advisor on life science transactions to One Equity Partners, a private equity arm of JP Morgan Chase/Bank. From October 2000 to January 2004, Mr. Heller served as Senior Vice President and President Global Renal operations at Baxter Healthcare Corporation. Prior to joining Baxter, Mr. Heller spent 23 years at G.D. Searle. Mr. Heller is also a director of Savient Pharmaceuticals, Inc., Applied Neurosolutions, and Multiple Myeloma Research Foundation and Illinois Biotech Association, each not-for-profit organizations. He holds a B.S. in Accounting from the University of Illinois at Chicago and an M.B.A. from De Paul University.
Paul M. Ness, M.D.	2002	Director	Dr. Ness, age 62, has served as a director of Northfield since September 2002. Dr. Ness is Professor of Pathology, Medicine and Oncology at the Johns Hopkins University School of Medicine and has been Director of the School's Transfusion Medicine Division since 1979. Dr. Ness previously served as Chief Executive Officer, Senior Medical Director and Scientific Director of the American Red Cross Blood Services Greater Chesapeake and Potomac Region. Dr. Ness served on the Blood Products Advisory Committee of the Food and Drug Administration, or FDA, from 1996 to 1998 and has also served on numerous FDA advisory panels. He was the president of the American Association of Blood Banks in 1999 and became Editor of the journal TRANSFUSION in 2003. Dr. Ness received his M.D. degree from the State University of New York in 1971.
David A. Savner	1998	Director	Mr. Savner, age 64, has served as a director of Northfield since April 1998. Mr. Savner has been the Senior Vice President and General Counsel of General Dynamics Corporation since April 1998. From 1987 to 1998, Mr. Savner was a senior partner in the law firm of Jenner & Block. Mr. Savner serves

as a director of Everybody Wins DC, a not-for-profit organization. Mr. Savner received his J.D. degree from Northwestern University Law School in 1968.

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<b>Name</b>	<b>Director Since</b>	<b>Office</b>	<b>Principal Occupation and Business Experience</b>
Edward C. Wood, Jr.	2005	Director	Mr. Wood, age 63, has served as a director of Northfield since September 2005. Since 2000, he has served as Chief Executive Officer of Summit Roundtable, consultants to medical products companies. Prior to 2000, Mr. Wood served as President of COBE BCT Inc., now Cardian BCT Inc., a blood component technology company. Mr. Wood is also a director of MonoGen, Inc., Engineering and Research Associates, Inc. (SEBRA) and ArcScan, Inc. Mr. Wood received his M.B.A. from the University of Colorado in 1972.

**Committees of the Board of Directors**

Our board of directors has three standing committees: the audit committee, the nominating and corporate governance committee and the compensation committee.

The following directors currently serve as members of these committees:

Audit Committee	John F. Bierbaum (Chairman) Alan L. Heller Edward C. Wood, Jr.
Nominating and Corporate Governance Committee	David A. Savner (Chairman) Paul M. Ness, M.D.
Compensation Committee	David A. Savner (Chairman) Bruce S. Chelberg

**Director Independence**

The board of directors has determined that each of the non-management directors, Messrs. Bierbaum, Chelberg, Heller, Ness, Savner and Wood, is an independent director as defined in Rule 4200 of the Nasdaq listing standards and, therefore, that a majority of our board of directors is independent as so defined.

The foregoing independence determination also included the conclusion of the board of directors that each of the members of the audit committee is independent for purposes of membership on the audit committee under Rule 4350(d) of the Nasdaq listing standards, which includes the independence requirements of Rule 4200 and additional independence requirements under SEC Rule 10A-3(b), and that each of the members of the nominating and corporate governance committee and compensation committee is independent under the Nasdaq listing standards applicable for purposes of membership on those committees.

**Executive Sessions**

Our independent directors participate in regularly scheduled executive sessions at which only independent directors are present. During our 2008 fiscal year, our independent directors participated in three executive sessions, all of

which were held in conjunction with regularly scheduled board meetings.

### **Audit Committee**

*Meetings.* During our 2008 fiscal year, the audit committee met five times. Each of the members of the audit committee participated in at least 75 percent of the meetings of the committee.

*Charter and Purposes.* The charter of the audit committee is available on our Internet website as described below under Corporate Governance and Website Information. The primary purposes of the audit committee are to oversee on behalf of the board of directors:

our accounting and financial reporting processes and the integrity of our financial statements;

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the audits of our financial statements and the appointment, compensation, qualifications, independence and performance of our independent auditors; and

our internal control over financial reporting.

*Members.* The board of directors has determined that the members of the audit committee are independent as described above under Director Independence. The board of directors has also determined that all of the members of the audit committee meet the requirement of the Nasdaq listing standards that each member be able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement. Additionally, the board of directors has determined that Mr. Bierbaum meets the requirement of the Nasdaq listing standards that at least one member of the committee has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication.

*Audit Committee Financial Expert.* The board of directors has not determined that any of the members of the audit committee is an audit committee financial expert as defined in SEC Regulation S-K Item 401(h). Our board of directors believes that the current members of the audit committee have requisite levels of financial literacy and financial sophistication to enable the audit committee to be effective in relation to the purposes outlined in its charter and in light of the scope and nature of our company's business and financial statements. The board of directors accordingly does not believe it is necessary at this time to recruit a new board member in order to name an audit committee financial expert.

**Nominating and Corporate Governance Committee and Director Nomination Process**

*Meetings.* During our 2008 fiscal year, the nominating and corporate governance committee met one time. Each of the members of the nominating and corporate governance committee participated in the meeting of the committee.

*Charter and Purposes.* The charter of the nominating and corporate governance committee is available on our Internet website as described below under Corporate Governance and Website Information. The primary purposes of the committee are to:

select the individuals qualified to serve on the board of directors for election by our stockholders at each annual meeting of stockholders and to fill vacancies on the board of directors; and

develop, assess and recommend to the board of directors corporate governance policies for our company.

*Members.* The board of directors has determined that the members of the nominating and corporate governance committee are independent as described above under Director Independence.

*Process for Identifying Director Candidates.* The committee's current process for identifying and evaluating nominees for director consists of general periodic evaluations of the size and composition of the board of directors with a goal of maintaining continuity of appropriate industry expertise and knowledge of our company.

*Director Nominations Made by Stockholders.* The nominating and corporate governance committee will consider nominations timely made by stockholders pursuant to the requirements of our bylaws referred to below under Procedure for Submitting Stockholder Proposals and Nominations. The committee has not formally adopted any specific elements of this policy, such as minimum specific qualifications or specific qualities or skills that must be possessed by qualified nominees, beyond the committee's willingness to consider candidates proposed by stockholders.



The committee expects to monitor developments in this area in the future and may or may not consider adopting a more detailed policy.

**Compensation Committee**

*Meetings.* During our 2008 fiscal year, the compensation committee met two times. Each of the members of the compensation committee participated in at least 75 percent of the meetings of the committee.

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*Charter and Purposes.* The charter of the compensation committee is available on our Internet website as described below under Corporate Governance and Website Information. The primary purposes of the committee are to:

review and approve the compensation of our Chief Executive Officer and other executive officers;

review the performance of our Chief Executive Officer and other executive officers; and

make recommendations to the board of directors with respect to compensation, incentive compensation plans and equity-based plans applicable to our executive officers and employees.

*Members.* The board of directors has determined that the members of the compensation committee are independent as described above under Director Independence.

## **Stockholder Communications to the Board of Directors**

The audit committee has undertaken on behalf of the board of directors to be the recipient of communications from stockholders relating to our company. If particular communications are directed to the full board, independent directors as a group, or individual directors, the audit committee will route these communications to the appropriate directors or committees so long as the intended recipients are clearly stated. You may send communications intended to be anonymous by mail, without indicating your name or address, to Northfield Laboratories Inc., 1560 Sherman Avenue, Suite 1000, Evanston, Illinois 60201-4800, Attention: Chairman of the Audit Committee. Communications not intended to be made anonymously may be made by mail to the above address, including whatever identifying or other information you wish to communicate.

Communications from employees or agents of our company will not be treated as communications from our stockholders unless the employee or agent clearly indicates that the communication is made solely in the person's capacity as a stockholder. Stockholder proposals and director nominations intended to be presented at a meeting of stockholders by inclusion in our company's proxy statement under SEC Rule 14a-8 or intended to be brought before a stockholders meeting in compliance with our bylaws are subject to specific notice and other requirements referred to under Procedure for Submitting Stockholder Proposals and Nominations. The communications process for stockholders described above does not modify or relieve any requirements for stockholder proposals or nominations intended to be presented at a meeting of stockholders. If you wish to make a stockholder proposal or nomination to be presented at a meeting of stockholders, you may not communicate such proposals anonymously and may not use the audit committee communication process described above in lieu of following the notice and other requirements that apply to stockholder proposals or nominations intended to be presented at a meeting of stockholders.

## **Corporate Governance Guidelines**

The board of directors has adopted a set of corporate governance guidelines which, along with the charters of the board's committees, establish the framework for Northfield's corporate governance. These guidelines address a range of governance issues, including: the responsibilities, composition, operations and structure of the board of directors and its committees; director and executive compensation; and Northfield's code of business conduct and ethics. The board of directors reviews these guidelines and other aspects of Northfield's governance practices periodically and may make changes in these guidelines in the future. Our corporate governance guidelines are available on our Internet website as described below under Corporate Governance and Website Information.

Our corporate governance guidelines provide that it is Northfield's general policy not to nominate individuals who have reached the age of 72 for election to our board of directors. Individuals over the age of 72 years may stand for

election as directors with the approval of the nominating and corporate governance committee and a two-thirds vote of the directors then in office and for circumstances of significant benefit to Northfield. Based on the recommendation of the nominating and corporate governance committee, the board of directors has unanimously approved the nomination of Bruce Chelberg for election at the annual meeting. The board of directors based its determination to nominate Mr. Chelberg on his extensive business experience and his valuable continuing contributions as a Northfield director.

### **Corporate Governance and Website Information**

We believe that we are presently in compliance with the corporate governance requirements of the Nasdaq listing standards and will continue to be in compliance with these requirements as of the date of the annual meeting, assuming

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the nominees for director are elected and the absence of circumstances beyond our control that would adversely affect compliance. The principal elements of these governance requirements as implemented by our company are:

an affirmative determination by the board of directors that a majority of the directors is independent;

regularly scheduled executive sessions of independent directors;

an audit committee, nominating and corporate governance committee and compensation committee comprised of independent directors and having the purposes and charters described above under the separate committee headings;

specific audit committee authority and procedures outlined in the charter of the audit committee; and

a code of business conduct and ethics applicable to directors, officers and employees of our company that meets the definition of a code of ethics set forth in SEC Regulation S-K Item 406. This code also contains provisions that constitute a code of ethics specifically applicable to our Chief Executive Officer, Vice President Finance and other members of the our finance department based on their special role in promoting fair and timely public reporting of financial and business information about our company.

The charters of our three independent board committees, our audit committee's pre-approval policy for services provided by our auditors, our corporate governance guidelines and our code of business conduct and ethics are available without charge on our Internet website at [www.northfieldlabs.com](http://www.northfieldlabs.com).

**Compensation of Directors**

We compensate our outside directors for their participation at board of directors meetings and at committee meetings of the board of directors at a rate of \$1,000 per meeting. Directors are also reimbursed for their expenses for attending meetings of the board of directors and committees. In addition, non-employee directors receive an annual grant of 10,000 stock options, the share equivalent of \$15,000 in stock and an annual cash retainer of \$10,000 per year. The stock options provide for an exercise price equal to the market price of our common stock on the date of grant and are immediately exercisable. The stock grants are immediately vested on date of grant.

The table below sets forth the remuneration earned during our most recent fiscal year by each of our outside directors:

<b>Name</b>	<b>Fees Earned or Paid in Cash</b>	<b>Stock Awards</b>	<b>Option Awards(1)</b>	<b>All Other Compensation</b>	<b>Total</b>
John F. Bierbaum	\$ 20,000	\$ 15,000	\$ 20,600		\$ 55,600
Bruce S. Chelberg	17,000	15,000	20,600		52,600
Alan L. Heller	20,000	15,000	20,600		55,600
Paul M. Ness, M.D.	15,000	15,000	20,600	60,000(2)	110,600
David A. Savner	16,000	15,000	20,600		51,600
Edward C. Wood, Jr.	20,000	15,000	20,600		55,600
<b>Total</b>	<b>\$ 108,000</b>	<b>\$ 90,000</b>	<b>\$ 123,600</b>		<b>\$ 381,600</b>

- (1) The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.
- (2) Dr. Ness has provided consulting services to Northfield relating to FDA matters and the sourcing of red blood cells from major blood banking organizations. Dr. Ness received \$60,000 from Northfield as payment for his consulting services during our 2008 fiscal year.

**Director Attendance**

During our 2008 fiscal year, our board of directors held five meetings. Each of our directors attended 75 percent or more of these meetings.

We encourage our directors to attend our annual meeting of stockholders, but we have not adopted a formal policy requiring attendance. At our 2007 annual meeting, all but one of our directors was in attendance.

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**MANAGEMENT**

**Executive Officers**

The board of directors will elect our executive officers at its first meeting following the annual meeting. Our executive officers are as follows:

<b>Name</b>	<b>Position</b>
Steven A. Gould, M.D.	Chairman of the Board of Directors and Chief Executive Officer
Jack J. Kogut	Senior Vice President Administration, Secretary and Treasurer
Robert L. McGinnis	Senior Vice President Operations
Marc D. Doubleday	Chief Technical Officer
George A. Hides	Vice President Clinical Operations and Regulatory Affairs
Laurel A. Omert, M.D.	Chief Medical Officer
Donna O Neill-Mulvihill	Vice President Finance
Sophia H. Twaddell	Vice President Corporate Communications

A biographical summary of the business experience of Dr. Gould is included under Election of Directors.

Mr. Kogut, age 61, has served as Senior Vice President Administration since August 2006. Mr. Kogut served as Northfield's Senior Vice President and Chief Financial Officer from January 2003 to August 2006 and as Vice President Finance, Secretary and Treasurer since January 1994. From 1982 to 1986, he was the Group Controller Health Products for Sybron Corporation and also served as President of Sybron Asia. Mr. Kogut received his M.B.A. degree from Loyola University of Chicago in 1972.

Mr. McGinnis, age 44, has served as Senior Vice President Operations since September 2005. Mr. McGinnis served as Northfield's Vice President Planning and Resource Development from February 2003 to September 2005. Prior to that time, Mr. McGinnis served as Northfield's Vice President Manufacturing Development since August 1997. From 1995 to 1997, Mr. McGinnis was a Project Manager for Raytheon Engineering and Construction. Prior to 1995, Mr. McGinnis was employed by the John Brown division of Trafalgar House as a Project Manager and Engineer. Mr. McGinnis received his M.B.A. degree from the University of Chicago in 1995.

Mr. Doubleday, age 49, has served as Chief Technical Officer since September 2005. Mr. Doubleday served as Northfield's Vice President and General Manager from February 2003 to September 2005 and as Vice President Process Engineering, Plant Manager and Senior Process Engineer since 1988. Before joining Northfield in 1988, Mr. Doubleday was employed in various capacities with Davy McKee, Millipore Corporation and Abbott Laboratories, Inc. Mr. Doubleday received his M.M. degree from Northwestern University in 1991.

Mr. Hides, age 41, has served as Vice President Clinical and Regulatory Affairs since July 2008. Mr. Hides served as Northfield's Vice President Clinical Operations from January 2005 to July 2008. Prior to that time, Mr. Hides served as Northfield's Senior Director of Clinical and Regulatory Affairs. Before joining Northfield in 1995, Mr. Hides was employed in various clinical and research capacities at Columbia/HCA Michael Reese Hospital. Mr. Hides received his B.A. degree from De Pauw University in 1989.

Dr. Omert, age 51, has served as Northfield's Chief Medical Officer since January 2005. From 1997 to January 2005, Dr. Omert served as an Associate Professor of Surgery at Drexel University and as Associate Director of Trauma at

Allegheny General Hospital. Prior to 1997, Dr. Omert served as Associate Professor of Surgery in the Division of Trauma at West Virginia University. Dr. Omert received her M.D. degree from the Loyola University/ Stritch School of Medicine in 1982.

Ms. O Neill-Mulvihill, age 47, has served as Vice President Finance since March 2007. Prior to that time, Ms. O NeillMulvihill served as the Company's Controller since January 2006. From November 1998 to January 2006, she served as Controller of Evanston Lumber Company. Ms. O Neill-Mulvihill received a B.S. in Finance in 1999, and an M.B.A in Management Information Systems in 2005, both from DePaul University.

Ms. Twaddell, age 56, has served as Vice President Corporate Communications since January 2003. From 1999 to 2002, Ms. Twaddell was Senior Vice President and Partner and Global Biotechnology Practice Leader at Fleishman-Hillard. Prior to joining Fleishman-Hillard, Ms. Twaddell was Vice President Investment Banking at Prudential Vector Healthcare Group and held various positions at American Hospital Supply Corporation, Baxter Healthcare Corporation and Boots Pharmaceuticals, Inc. She received an M.A. degree from Northwestern University in 1978.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

***Compensation Policy Objectives***

The primary objective of our policies with respect to executive compensation is to compensate our executive officers fairly and adequately in relation to their responsibilities, capabilities and contributions to Northfield. We have also sought to further align the interests of senior management with those of our stockholders with respect to long term increases in stockholder value. Our compensation policies are designed to reward the individual performance and continued service of each executives as well as to provide senior management with current and long term incentives based on the achievement of Northfield's corporate objectives.

***Elements of Compensation***

The principal elements of compensation paid to our executive officers consist of base salary, cash bonuses, stock options, restricted stock awards, contributions to our 401(k) savings plan, enhanced life and disability insurance coverage and participation in various welfare benefit plans made available generally to our employees.

The annual salaries paid to our executive officers are determined based principally on the compensation levels for similar or competitive companies, including companies in the pharmaceutical and biomedical industries, as well as the levels of responsibility and experience of the individual executive officers.

Our executive officers may also receive cash bonuses based on their individual contributions to Northfield as well as the achievement of Northfield's corporate objectives. Our employment agreements with Steven A. Gould, M.D., our Chief Executive Officer, Jack J. Kogut, our Senior Vice President Administration, Secretary and Treasurer, and Robert L. McGinnis, our Senior Vice President Operations, provide for target bonus payments equal to 50 percent, 40 percent and 40 percent, respectively, of their annual base salary. For superior performance, the maximum bonus opportunity is 150 percent, 100 percent and 100 percent, respectively, of each executive's annual base salary. The performance criteria for bonuses under these agreements is established prospectively by our compensation committee each year and include factors such as achievement of clinical, regulatory, manufacturing and administrative objectives. The board of directors elected not to adopt performance goals as they relate to bonus payments for officers in fiscal 2003, and accordingly no bonuses were paid to our officers for fiscal 2003. The employment agreements also provide for cash bonus payments equal to 150 percent, 100 percent and 100 percent, respectively, of each executive's annual base salary, as then in effect, upon the approval by Food and Drug Administration of the commercial sale of PolyHeme® in the United States. Our compensation committee may also approve cash bonuses from time to time for our other executive officers. The timing and amount of these bonus payments are based upon recommendations from our Chief Executive Officer and are not determined pursuant to a formal bonus plan or policy.

We grant stock options and make restricted stock awards to our executive officers in order to provide long term incentives and to further align the interests of our senior management with those of our stockholders. In most cases, grants and awards are made subject to vesting requirements of up to four years in order to provide a long term incentive and to ensure continuity in our senior management.

We do not have a formal policy with respect to allocations between current and long term compensation for our executive officers, or with respect to allocations among various forms of long term compensation. In order to help preserve our available capital, we have historically provided a greater proportion of long term incentive compensation to our executive officers in the form of stock option grants and restricted stock awards than through cash bonuses. Tax



and accounting considerations have not been a significant factor in our compensation policies and decisions. Our current practice is to grant stock options and make restricted stock awards annually in June of each year, although special awards may be made in connection with the hiring of new executive officers, promotions of executive officers and in similar circumstances.

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***Decisions Relating to Executive Compensation***

Our board of directors, based on the recommendation of its compensation committee, authorizes all material compensation plans, policies and agreements in which our executive officers are eligible to participate. The compensation committee is responsible for reviewing and authorizing all compensation paid to our executive officers. Our Chief Executive Officer makes recommendations each year to our compensation committee with respect to the compensation payable to our executive officers.

Our board of directors and compensation committee have not engaged compensation consultants or other advisors in connection with the development of our compensation policies or the determination of the compensation paid to our executive officers. The compensation committee from time to time reviews publicly available information regarding the compensation paid by similar or competitive companies in determining compensation policies and the composition and levels of compensation for our executive officers. The compensation committee has not, however, conducted formal benchmarking with respect to total compensation or any elements of compensation.

***Fiscal Year 2008 Compensation***

During our 2008 fiscal year, our Chief Executive Officer, Steven A. Gould, M.D., received \$375,900 in base salary, a grant of 100,000 stock options, no cash bonus and no award of restricted stock. The amount and composition of Dr. Gould's compensation during our 2008 fiscal year were determined based principally on compensation levels applicable to the chief executive officers of similar or competitive companies and secondarily on Dr. Gould's prior contributions to Northfield and his high level of experience and involvement with the development and clinical testing of PolyHeme.

During our last completed fiscal year, we granted 375,000 stock options to our named executive officers. We paid no cash bonuses to our named executive officers during our last completed fiscal year. The other benefits provided to our executive officers consist of enhanced life and disability insurance coverage. Executive officers are also eligible for coverage under our general medical and life insurance programs and may participate in our defined contribution 401(k) savings plan on the same terms as other employees.

***Certain Tax Considerations***

The Budget Reconciliation Act of 199