

ALFACELL CORP  
Form PRE 14A  
March 03, 2010

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement

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[ ] Definitive Additional Materials

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Alfacell Corporation  
(Name of Registrant as Specified In Its Charter)

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

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[X] No Fee required

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1) Amount Previously Paid:

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3) Filing Party:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON APRIL 27, 2010

To Our Stockholders:

We are pleased to notify you that the annual meeting of stockholders (the "Annual Meeting") of Alfacell Corporation, a Delaware corporation ("Alfacell" or the "Company"), will be held at the Newark Liberty International Airport Marriott, Newark Liberty International Airport, 1 Hotel Road, Newark, New Jersey, 07114 on Tuesday, April 27, 2010 at 10:00 a.m. local time, for the following purposes as more fully described in the accompanying Proxy Statement:

1. To elect four directors, each for a term of one year, to hold office until the fiscal 2010 Annual Meeting of Stockholders or until their successors are elected and qualified (Proposal No.1);
2. To approve an amendment to the Company's certificate of incorporation to increase the number of authorized shares of capital stock of the Company from 101,000,000 shares to 251,000,000 shares and increase the number of authorized shares of the Company's Common Stock, par value \$0.001 per share, from 100,000,000 shares to 250,000,000 shares (Proposal No. 2);
3. To approve an amendment to the Company's certificate of incorporation to change the Company's name from "Alfacell Corporation" to "Tamir Biotechnology, Inc." (Proposal No. 3);
4. To ratify the appointment of J.H. Cohn LLP, independent registered public accounting firm, to audit the financial statements of the Company for the fiscal year ending July 31, 2010 (Proposal No. 4); and
5. To transact such other matters as may properly come before the Annual Meeting or any postponement or adjournment thereof.

Only stockholders of record of the Company's common stock, par value \$.001 per share (the "Common Stock"), at the close of business on March 4, 2010 are entitled to vote at the Annual Meeting or at any postponement or adjournment thereof.

WE HOPE THAT AS MANY STOCKHOLDERS AS POSSIBLE WILL PERSONALLY ATTEND THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE THE ENCLOSED PROXY CARD AND SIGN, DATE AND RETURN IT PROMPTLY SO THAT YOUR SHARES WILL BE REPRESENTED. SENDING IN YOUR PROXY WILL NOT PREVENT YOU FROM VOTING IN PERSON AT THE ANNUAL MEETING.

By Order of the Board of Directors,

March \_\_, 2010

By: /s/ Charles Muniz  
Charles Muniz  
President, Chief Executive Officer  
and Chief Financial Officer

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Alfacell Corporation

300 Atrium Drive  
Somerset, New Jersey 08873

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PROXY STATEMENT AND NOTICE OF  
ANNUAL MEETING OF STOCKHOLDERS

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Alfacell Corporation (“Alfacell”, “we” or the “Company”) is furnishing this Proxy Statement and the enclosed proxy card in connection with the solicitation of proxies by the Board of Directors of the Company (the “Board”) for use at the Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Tuesday, April 27, 2010, beginning at 10:00 a.m., at the Newark Liberty International Airport Marriot, Newark Liberty International Airport, 1 Hotel Road, Newark, New Jersey, 07114 and at any postponements or adjournments thereof. The approximate date of mailing for this Proxy Statement and proxy card as well as a copy of Alfacell’s 2009 Annual Report on Form 10-K, as amended, is March \_\_, 2010.

ABOUT THE MEETING

What is the purpose of the Annual Meeting?

At Alfacell’s Annual Meeting, stockholders will act upon the matters outlined in the accompanying notice of meeting, including:

- the election of directors;
- the approval of an amendment to the Company’s certificate of incorporation increasing the number of authorized shares of capital stock of the Company from 101,000,000 shares to 251,000,000 shares and increasing the number of authorized shares of the Company’s Common Stock from 100,000,000 shares to 250,000,000 shares;
- the approval of an amendment to the Company’s certificate of incorporation changing the Company’s name from “Alfacell Corporation” to “Tamir Biotechnology, Inc.”;
- the ratification of our independent registered public accounting firm; and
- such other matters as may properly come before the Annual Meeting or any postponement or adjournment thereof.

In addition, management will report on our performance during fiscal year 2009 and respond to questions from stockholders.

Who is entitled to vote?

Only holders of record of the Company’s Common Stock at the close of business on the record date, March 4, 2010, are entitled to receive notice of the Annual Meeting and to vote the shares of Common Stock that they held on the record date at the Annual Meeting, or any postponement or adjournment of the Annual Meeting. Each outstanding share of the Company’s Common Stock entitles its holder to cast one vote on each matter to be voted upon. There are no cumulative voting rights.

Who can attend the meeting?

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All stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Cameras, recording devices and other electronic devices will not be permitted at the meeting. Please note that if you hold your shares in “street name” (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date and check in at the registration desk at the meeting.

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What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock issued and outstanding and entitled to vote on the record date, will constitute a quorum, permitting the meeting to conduct its business. As of March 4, 2010, the record date, approximately 47,313,880 shares of Alfacell's Common Stock were outstanding. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered present at the meeting.

How do I vote?

If you complete and properly sign the accompanying proxy card and return it to us, it will be voted as you direct. If you are a registered stockholder as of the record date and attend the meeting, you may deliver your completed proxy card in person. "Street name" stockholders who wish to vote at the meeting will need to obtain a proxy card from the institution that holds their shares.

Can I vote by telephone or electronically?

No. We have not instituted any mechanism for telephone or electronic voting. However, "street name" stockholders may be able to vote electronically through their brokers. If so, instructions regarding electronic voting will be provided by the broker as part of the package which includes this proxy statement.

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

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with Alfacell at 300 Atrium Drive, Somerset, New Jersey 08873, either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and request that the previously granted proxy be revoked, although attendance at the meeting will not by itself revoke a previously granted proxy.

What are the Board's recommendations?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board. The Board's recommendation is set forth together with the description of each item in this proxy statement. In summary, the Board recommends a vote:

- FOR election of the nominated slate of directors (see page 7);
- FOR an amendment to the Company's certificate of incorporation increasing the number of authorized shares of capital stock of the Company from 101,000,000 shares to 251,000,000 shares and increasing the number of authorized shares of the Company's Common Stock from 100,000,000 shares to 250,000,000 shares (see page 31);
  - FOR an amendment to the Company's certificate of incorporation changing the Company's name from "Alfacell Corporation" to "Tamir Biotechnology, Inc." (see page 33);
- FOR ratification of the appointment of J.H. Cohn LLP as Alfacell's independent registered public accounting firm (see page 33).

Pursuant to the provisions of Rule 14a-4(c) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board or, if no recommendation is given, in their own discretion.

What vote is required to approve each item?

Election of directors. Under the laws of Delaware and our by-laws, the affirmative vote of a plurality of the votes cast at the meeting, represented in person or by proxy and entitled to vote, is required for the election of directors.

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Amendments to the Company's certificate of incorporation. Under the laws of Delaware, the affirmative vote of a majority of the shares outstanding will be required for approval of the amendments to the Company's certificate of incorporation. For purposes of determining whether a proposal requesting approval of an amendment to the certificate of incorporation has passed, abstentions and broker non-votes will be treated as votes cast against such proposals.

Other proposals. For each other proposal, the affirmative vote of the holders of at least a majority of the shares represented in person or by proxy at the meeting and entitled to vote on the proposal will be required for approval.

Proxy cards returned. Votes cast "FOR" a proposal constitute affirmative votes. A properly executed proxy card marked "WITHHOLD" or "ABSTAIN" with respect to any such matter will not be voted on such matter, although it will be counted for purposes of determining whether there is a quorum and in determining the number of shares necessary for approval of such matter. Accordingly, a "WITHHOLD" or "ABSTAIN" will have the effect of a negative vote.

Broker non-votes. Where brokers are prohibited from exercising discretionary authority for beneficial owners who have not provided voting instructions (commonly referred to as "broker non-votes"), such broker non-votes will be treated as shares that are present for purposes of determining the presence of a quorum; however, with respect to proposals which require the affirmative vote of a percentage of shares present at the Annual Meeting and entitled to vote on such proposal for approval, such broker non-votes will be treated as not present for purposes of determining the outcome of any such matter.

#### STOCK OWNERSHIP

Who are the largest owners of Alfacell's stock?

The following table sets forth certain information as of December 31, 2009 concerning stock ownership of all persons known by the Company to own beneficially 5% or more of the outstanding shares of the Company's Common Stock.

#### Security Ownership of Certain Beneficial Owners

Name and address of beneficial owner or identity of group	Amount and Nature of Beneficial Ownership	Percent of shares outstanding(1)
Charles Muniz(2) c/o Alfacell Corporation 300 Atrium Drive Somerset, NJ 08873	21,109,998(3)	31.1%
Knoll Capital Management LP, Fred Knoll and Europa International, Inc. (4) 666 Fifth Avenue, Suite 3702 New York, NY 10103	18,280,520(5)	29.1%
McCash Family Limited Partnership N3810 S. Grand Oak Drive Iron Mountain, MI 49801	4,821,452(6)	9.9%
James O. McCash, and the James O. McCash Trust N3820 S. Grand Oak Drive	2,910,820(7)	6.1%

Iron Mountain, MI 49801

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- (1) The percentage of stock outstanding for each stockholder is calculated by dividing (i) the number of shares deemed to be beneficially held by such stockholder as of the date of the calculation by (ii) the sum of (A) the number of shares of Common Stock outstanding as of the date of the calculation, plus (B) the number of shares issuable upon conversion of securities convertible into shares of Common Stock and upon exercise of options or warrants held by such stockholder which were convertible or exercisable as of the date of the calculation or which will become exercisable within 60 days after the date of the calculation.

- (2) Mr. Muniz is the Company's President, Chief Executive Officer, Chief Financial Officer and a Director.
- (3) Includes 300,000 shares of Common Stock owned by Mr. Muniz' wife, 500,000 shares underlying options which are currently exercisable or which will become exercisable within 60 days after December 31, 2009 and 19,999,998 shares subject to a convertible note and warrants which are currently convertible or exercisable or which will become convertible or exercisable within 60 days after December 31, 2009.
- (4) Knoll Capital Management LP, Fred Knoll and Europa International, Inc. filed a Schedule 13D on December 7, 2009 with the Securities and Exchange Commission (the "SEC") as joint filers.
- (5) Includes 15,214,286 shares subject to a convertible note and warrants which are currently convertible or exercisable or will become convertible or exercisable within 60 days of December 31, 2009 held by Europa International Inc. and 214,286 shares subject to warrants which are currently exercisable or will become exercisable within 60 days of December 31, 2009 held by Knoll Special Opportunities Fund II Master Fund Ltd. This information concerning the stock ownership of Knoll Capital Management LP, Fred Knoll and Europa International, Inc. was obtained from the Schedule 13D filed by them with the SEC on December 7, 2009 and other information known to the Company.
- (6) Includes 1,399,890 shares subject to warrants which are currently exercisable or will become exercisable within 60 days of December 31, 2009. This information concerning the stock ownership of the McCash Family Limited Partnership was obtained from the Schedule 13D/A filed with the SEC on January 8, 2007 and other information known to the Company.
- (7) This information concerning the stock ownership of the James O. McCash, and the James O. McCash Trust was obtained from the Schedule 13G/A filed with the SEC on February 5, 2008 and other information known to the Company.

How much stock do Alfacell's directors and executive officers own?

The table below shows the amount of Alfacell Common Stock beneficially owned (unless otherwise indicated) by Alfacell's directors and the Named Executive Officers listed in the Summary Compensation Table individually, and Alfacell's directors and Named Executive Officers as a group. All information is as of December 31, 2009.

#### Security Ownership of Management

Name and address of beneficial owner or identity of group(1)	Position	Amount and Nature of Beneficial Ownership(2)	Percent of shares outstanding(3)
Charles Muniz	President, Chief Executive Officer, Chief Financial Officer and Director	21,109,998(4)	31.1%
John P. Brancaccio	Director	151,300(5)	*
David Sidransky, M.D.	Chairman of the Board	355,000(6)	*
Paul M. Weiss, Ph.D.	Director	230,090(7)	*
All Named Executive Officers and directors as a group (4 persons)		21,846,388(8)	31.9%



- \* Represents less than 1% of Alfacell's outstanding Common Stock.
- (1) Unless otherwise indicated below, the persons in the above table have sole voting and investment power with respect to all shares beneficially owned by them. The address of all Named Executive Officers and directors is c/o Alfacell Corporation, 300 Atrium Drive, Somerset, New Jersey, 08873.
  - (2) All shares listed are Common Stock. Except as discussed below, none of these shares are subject to rights to acquire beneficial ownership, as specified in Rule 13d-3(1) under the Exchange Act, and the beneficial owner has sole voting and investment power, subject to community property law where applicable.
  - (3) The percentage of stock outstanding for each stockholder is calculated by dividing (i) the number of shares deemed to be beneficially held by such stockholder as of December 31, 2009 by (ii) the sum of (A) the number of shares of Common Stock outstanding as of December 31, 2009 plus (B) the number of shares issuable upon exercise of options or warrants held by such stockholder which were exercisable as of December 31, 2009 or which will become exercisable within 60 days after December 31, 2009.
  - (4) Includes 300,000 shares of Common Stock owned by Mr. Muniz' wife, 500,000 shares underlying options which are currently exercisable or which will become exercisable within 60 days after December 31, 2009 and 19,999,998 shares subject to a convertible note and warrants which are currently convertible or exercisable or which will become convertible or exercisable within 60 days after December 31, 2009.
  - (5) Includes 145,000 shares underlying options which are currently exercisable or which will become exercisable within 60 days after December 31, 2009.
  - (6) Includes 310,000 shares underlying options which are currently exercisable or which will become exercisable within 60 days after December 31, 2009.
  - (7) Includes 6,535 shares of Common Stock owned by Mr. Weiss' wife and 190,000 shares underlying options which are currently exercisable or which will become exercisable within 60 days after December 31, 2009.
  - (8) Includes all shares owned beneficially by the directors and the executive officers named in the table.

#### Section 16(a) beneficial ownership reporting compliance

Based upon a review of filings with the SEC and written representations of certain reporting persons that no other reports were required, we believe that during fiscal year 2009 all of our directors, executive officers and beneficial owners of more than 10% of any class of equity securities complied on a timely basis with the reporting requirements of Section 16(a) of the Exchange Act, except for the Form 3, filed by Mr. Muniz in April 2009 upon his joining our Company, which was not timely filed.

#### PROPOSAL NO. 1 — ELECTION OF DIRECTORS

Under Alfacell's by-laws, all directors elected by stockholders are elected for a one-year term. Each of the nominees has consented to serve a one-year term. If any of them should become unavailable to serve as a director, the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board. The Corporate Governance and Nominating Committee met on February 2, 2010 and recommended the current directors of the Board for re-election to the Board by the stockholders.

#### Director nomination process

The Company's Corporate Governance and Nominating Committee currently comprises of Messrs. David Sidransky, M.D., Chairman, and Paul M. Weiss, Ph.D., none of whom is an employee of the Company. The Board has

determined that each of the members of the Nominating Committee is independent in accordance with Nasdaq Marketplace Rule 4200(a)(15).

**Criteria for Board Membership.** The Board determines the required selection criteria and qualifications of director nominees based upon the needs of the Company at the time nominees are considered. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the Company's stockholders. In evaluating a candidate for nomination as a director of the Company, the Corporate Governance and Nominating Committee will consider criteria including business and financial expertise; geography; experience as a director of a public company; gender and ethnic diversity on the Board; and general criteria such as ethical standards, independent thought, practical wisdom and mature judgment. The Board will consider these criteria for nominees identified by the Corporate Governance and Nominating Committee, by stockholders, or through some other source.

These general criteria are subject to modification and the Board shall be able, in the exercise of its discretion, to deviate from these general criteria from time to time, as the Board may deem appropriate or as required by applicable laws and regulations.

**Stockholder Nominees.** The Corporate Governance and Nominating Committee will consider qualified candidates for possible nomination that are submitted by the Company's stockholders. Stockholders wishing to make such a submission may do so by sending the following information to the Board of Directors c/o Corporate Secretary at 300 Atrium Drive Somerset, NJ 08873 within the time frame described under the caption, "Stockholder Proposals" below.

- Name, age and contact information of the candidate;
- A brief biographical sketch and resume;
- Written consent evidencing the candidate's willingness to be named in the proxy and to serve as a director if elected;
- A description of all arrangements or understandings between the stockholder and the candidate and any other person relating to the candidate;
- A signed statement as to the submitting stockholder's current status as a stockholder and the number of shares currently held; and
- All other information about the candidate that would be required to be included in the proxy statement soliciting proxies for the election of directors under the rules promulgated under the Exchange Act.

**Process for Identifying and Evaluating Nominees.** The Corporate Governance and Nominating Committee believes Alfacell is well-served by its current directors. In the ordinary course, absent special circumstances or a material change in the criteria for Board membership, the Corporate Governance and Nominating Committee will recommend to the Board that they nominate for re-election incumbent directors who continue to be qualified for Board service and are willing to continue as directors. If an incumbent director is not standing for re-election, or if a vacancy on the Board occurs between annual stockholder meetings, the Corporate Governance and Nominating Committee will seek out potential candidates for Board appointment who meet the criteria for selection as a nominee and have the specific qualities or skills being sought. The Corporate Governance and Nominating Committee will conduct a process of making a preliminary assessment of each proposed nominee based upon the resume and biographical information, an indication of the individual's willingness to serve and other background information. This information is evaluated against the criteria set forth above and the Company's specific needs at that time. Based upon a preliminary assessment of the candidate(s), those who appear best suited to meet the Company's needs may be invited to participate in a series of interviews, which are used as a further means of evaluating potential candidates. On the basis of information learned during this process, the Corporate Governance and Nominating Committee will determine which nominee(s) to recommend to the Board for inclusion as the slate of candidates that the Board recommends for election at each annual meeting of the Company's stockholders.

The Board uses the same process for evaluating all nominees, regardless of the original source of the nomination.

## Nominees standing for election to the Board

Name	Age	Director Since	Current Position With Company
Charles Muniz	55	2009	President, Chief Executive Officer, Chief Financial Officer and Director
John P. Brancaccio	61	2004	Director
David Sidransky, M.D.	49	2004	Chairman of the Board
Paul M. Weiss, Ph.D.	52	2003	Director

## Business experience of nominees to the Board

The nominees have provided the following information about their principal occupation, business experience and other matters.

Charles Muniz joined us on April 3, 2009 as our President, Chief Operating Officer and Chief Financial Officer and a member of our Board of Directors and entered into an employment agreement with us to serve as our President, Chief Executive Officer (“CEO”) and Chief Financial Officer on October 19, 2009. From 2007 until he joined Alfacell, Mr. Muniz was a consultant to a wide variety of clients focusing primarily on the strategic use of operations and technology. Prior to consulting, he was President and Chief Executive Officer of Digital Creations Corp., a company he founded which sold high-end systems, work stations, peripherals, networking and software products, from 1989 to 2007. Mr. Muniz attended Pace University in New York and majored in Business Administration.

John P. Brancaccio joined the Board in January 2004. Since April 2004, Mr. Brancaccio has been the chief financial officer of Accelerated Technologies, Inc., an incubator for venture backed medical device companies. He also serves on the boards of Callisto Pharmaceuticals, Inc., Synergy Pharmaceuticals, Inc. and Xenomics, Inc., all of which are publicly traded biopharmaceutical companies where he is chairman of their respective audit committees and a member of their respective compensation and nominating committees. He was the secretary and treasurer of Memory Pharmaceuticals Corporation from December 2003 to March 2004 after serving in the capacity of their acting chief financial officer from May 2002 to December 2003. Prior to Memory Pharmaceuticals, Mr. Brancaccio held the positions of chief financial officer and chief operating officer of Eline Group, a publicly traded entertainment and media company, where he oversaw the roll up of several related companies into the group and completed private equity financing placements. Prior to joining Eline Group, he held a number of senior executive positions in public and private companies including Atlantic Pharmaceuticals, Zambon Corporation, Deven International and Health Learning Systems. During his tenure with these companies he participated in initial public offerings and negotiation of licensing and development agreements within both the pharmaceutical and biotechnology industries. He is a retired Certified Public Accountant and a graduate of Seton Hall University.

David Sidransky, M.D., joined the Board in May 2004, was elected Chairman of the Board in January 2008 and is the Chairman of our Scientific Advisory Board. Dr. Sidransky is a founder of several private biotechnology companies and has served on scientific advisory boards of numerous private and public companies, including Medimmune, Telik, Roche and Amgen. He was formerly on the board of scientific counselors at the National Institute of Dental and Craniofacial Research (NIDCR) and a member of the Recombinant DNA advisory committee at the National Institute of Health NIH (RAC). He served on the board of directors of ImClone Systems, Zila Inc, and Xenomics and is now chairman of the board of Champions Biotechnology Inc. Dr. Sidransky is on numerous editorial boards and has served as senior editor of several cancer related journals. Currently, Dr. Sidransky is the Director of the Head and Neck Cancer Research Division at Johns Hopkins University School of Medicine. In addition, he is Professor of Oncology, Otolaryngology-Head and Neck Surgery, Cellular & Molecular Medicine, Urology, Genetics, and Pathology at John Hopkins University and Hospital. Dr. Sidransky is certified in Internal Medicine and Medical Oncology by the American Board of Medicine. He has over 400 peer-reviewed publications, has contributed more

than 60 cancer reviews and chapters, and also has numerous issued biotechnology patents. He has been the recipient of many awards and honors, including the 1997 Sarstedt International Prize from the German Society of Clinical Chemistry, the 1998 Alton Ochsner Award Relating Smoking and Health by the American College of Chest Physicians and the 2004 Hinda Rosenthal Award by the American Association of Cancer Research. Dr. Sidransky received his B.A. from Brandeis University and his M.D. from the Baylor College of Medicine.

Paul Weiss, Ph.D., joined the Board in February 2003. Since October 2007, Dr. Weiss has been a Managing Director at Venture Investors, LLC, a Madison, Wisconsin-based venture capital group focusing on early-stage life sciences companies. Prior to joining Venture Investors, LLC, Dr. Weiss was President of the Gala Biotech business unit of Cardinal Health (now Catalent Pharma Solutions) from February 2002 until October 2007. He had served as a director on Gala's Board from 1998 to 2001, when he joined the management team as Senior Vice President of Business Development. He later became President of Gala and remained so during the acquisition of Gala by Cardinal Health in 2003 and then the acquisition of Gala (and other Cardinal Health businesses) by The Blackstone Group in 2007. Prior to joining Gala, from 1998 to 2001, Dr. Weiss was Vice President of Technology and Product Licensing at 3-Dimensional Pharmaceuticals (3DP), which went public in 2001 and was later acquired by Johnson & Johnson. Prior to joining 3DP, Dr. Weiss was Director of Licensing for Wyeth Pharmaceuticals. Dr. Weiss holds a Ph.D. in Biochemistry and an MBA from the University of Wisconsin-Madison and a B.Sc. in Biochemistry from the Carleton University Institute of Biochemistry in Ottawa, Ontario.

#### Family relationships

There are no family relationships among any of the Company's directors or executive officers.

#### Board recommendation and stockholder vote required

The Board recommends a vote FOR the election of each of the nominees named above. (Proposal No. 1 on the proxy card). The affirmative vote of a plurality of the votes cast at the meeting, represented in person or by proxy and entitled to vote, is required for the election of directors.

#### How often did the Board meet during 2009?

The Board met fourteen times during the 2009 fiscal year. Each of our current directors attended at least 75% of the total number of meetings of the Board and committees on which he served. Stephen K. Carter, M.D, our director who is not standing for reelection, did not attend any of the Company's fourteen Board meetings in the 2009 fiscal year.

#### Which directors are "independent"?

The Board has determined that the following directors are "independent" under Nasdaq Marketplace Rule 4200(a)(15): John P. Brancaccio, David Sidransky, M.D. and Paul M. Weiss, Ph.D. The Board has also determined that the following directors (who are members of the Audit Committee) are "independent" in accordance with Section 10A(m)(3) of the Exchange Act: John P. Brancaccio and Paul M. Weiss, Ph.D.

#### How are directors compensated?

In February 2007, the Board adopted a non-employee director compensation policy whereby each member of the Board who was not an employee of Alfacell will receive \$15,000 per year in consideration of the member's serving on the Board, payable in four equal quarterly installments. In addition, each non-employee director will be granted an annual retainer of 20,000 options on the last trading day of December for each year under the 2004 Stock Incentive Plan. The Chairman of the Board will receive an option bonus equal to the number of options received by the Chairman for his board and committee memberships. Committee chairpersons receive 10,000 options for each committee chaired while each committee member receives 5,000 options for each committee on which he serves. The exercise price of the options will be equal to the closing price of the Common Stock on the date of the grant. The options will vest on the first anniversary of the date of the grant provided that the option holder remains a director as of such anniversary date and the options will terminate on the sixth anniversary of the date of the grant.

As described in the Form 8-K filed by the Company on October 20, 2009, the Company closed on a private placement of convertible promissory notes and warrants in which the Company received \$3,250,000 in gross proceeds on October 19, 2009. As a condition to the closing of such financing, each member of the Board other than David Sidransky, Chairman of the Board, and Mr. Muniz agreed to resign from the Board upon the request of Dr. Sidransky made at any time following the closing and prior to December 31, 2009. In connection with such condition, the Board amended the vesting of the options granted on December 31, 2008 to non-employee directors, except for Dr. Sidransky, to be accelerated in full upon their resignation as requested by the Chairman of the Board. Additionally, with the exception of Dr. Sidransky, the terms of the options granted to non-employee directors on February 8, 2007, December 31, 2007 and December 31, 2008 were amended to provide that if the non-employee director leaves the Board, the option will be exercisable for two years, instead of one year, from the date such non-employee director leaves the Board any time between October 19, 2009 and December 31, 2009.

Each of Donald R. Conklin and Kuslima Shogen resigned from the Board following a written request from Dr. Sidransky in accordance with the financing documents described above. Stephen K. Carter, M.D is not standing for reelection at the Annual Meeting

In January 2009, the Board ceased the non-employee director compensation.

Under our director compensation policies, directors who also serve as executive officers do not receive additional compensation for their service on our Board.

The exercise price and vesting schedules for the regular and discretionary option grants described above are set forth in the table titled "Directors' Stock Options" below. The total compensation paid to independent directors for their service as directors of the Company for fiscal year 2009 is set forth in the table titled "Directors' Compensation" below.

During the fiscal year ended July 31, 2009, the following independent or non-employee directors were compensated as follows for their service as directors of the Company:

#### Directors' Stock Options

During the fiscal year ended July 31, 2009, the following independent or non-employee directors were granted options under Alfacell's 2004 Stock Incentive Plan as described above:

Name	Number of Options Granted (1)	Exercise Price of Options Granted
John P. Brancaccio	35,000 (2)	\$0.24
Stephen K. Carter, M.D.*	25,000 (3)	\$0.24
Donald R. Conklin+	30,000 (4)	\$0.24
James J. Loughlin	35,000 (5)	\$0.24
David Sidransky, M.D.	90,000 (6)	\$0.24
Paul M. Weiss, Ph.D.	50,000 (7)	\$0.24

\* Is not standing for reelection at the Annual Meeting.

+ Resigned from the Board on January 2, 2010.

- (1) All the options listed here were granted on December 31, 2008, vested on December 31, 2009, provided that the option holder continuously remained a director until such time, and expire on December 31, 2014. The exercise price of these options was the closing price of the Company's Common Stock on the date of the grant.
- (2) Mr. Brancaccio's options are the result of his serving on the Audit Committee and as Chairman of the Compensation Committee.
- (3) Dr. Carter's options are the result of his serving on the Research and Clinical Oversight Committee.
- (4) Mr. Conklin's options are the result of his serving on the Compensation Committee and Commercial and Business Development Oversight Committee.
- (5) Mr. Loughlin's options are the result of his serving on the Corporate Governance and Nominating Committee and as Chairman of the Audit Committee. Mr. Loughlin resigned as a member of the Board on March 5, 2009 and these options were forfeited as a result of his resignation.
- (6) Dr. Sidransky's options are the result of his serving as Chairman of the Board, Chairman of the Corporate Governance and Nominating Committee, Chairman of the Research and Clinical Oversight Committee and a member of the Commercial and Business Development Oversight Committee.
- (7) Dr. Weiss' options are the result of his serving on the Compensation Committee, the Corporate Governance and Nominating Committee, the Audit Committee, the Research and Clinical Oversight Committee.



## Directors' Compensation

During the fiscal year ended July 31, 2009, the following independent or non-employee directors were compensated as follows for their service as directors of the Company:

Name	Fees Earned or Paid in Cash(1) (\$)	Stock Awards (\$)	Option Awards(2) (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
John P. Brancaccio	\$7,500	-	\$5,600	-	-	-	\$13,100
Stephen K. Carter, M.D.*	\$7,500	-	\$4,000	-	-	-	\$11,500
Donald R. Conklin+	\$7,500	-	\$4,800	-	-	-	\$12,300
James J. Loughlin(3)	\$7,500	-	\$5,600(3)	-	-	-	\$13,100
David Sidransky, M.D.	\$7,500	-	\$14,400	-	-	-	\$21,900
Paul Weiss, Ph.D.	\$7,500	-	\$8,000	-	-	-	\$15,500

\* Is not standing for reelection at the Annual Meeting.

+ Resigned from the Board on January 2, 2010.

(1) These amounts represent the retainer paid for services as director.

(2) These amounts represent the dollar a