

NEOGEN CORP
Form DEF 14A
September 02, 2008
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SCHEDULE 14A INFORMATION

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:

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 Section 240.14a-11(c) or Section 240.14a-12

Neogen Corporation

(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:

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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): Purchase price of subsidiaries used to calculate fee

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

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

1) Amount Previously Paid: _____

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

3) Filing Party: _____

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September 2, 2008

To Our Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of Neogen Corporation on Thursday, October 9, 2008, at 10:00 a.m. Eastern Time. The Annual Meeting will be held at the University Club of Michigan State University at 3435 Forest Road in Lansing, Michigan.

The Annual Meeting will feature a report on Neogen's business activities, and voting on the election of directors, and the ratification of the appointment of Ernst & Young LLP as the company's independent registered public accounting firm for the current fiscal year. On the following pages you will find the notice of the Annual Meeting of Shareholders and the proxy statement.

It is important that your shares are represented at the Annual Meeting, regardless of how many shares you own. Whether or not you plan to attend the Annual Meeting, please sign, date and return the enclosed proxy card as soon as possible. Sending a proxy card will not affect your right to vote in person if you attend the meeting.

Sincerely,

James L. Herbert

Chairman & Chief Executive Officer

Your vote is important. Even if you plan to attend the meeting,

PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY PROMPTLY.

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620 Leshar Place

Lansing, MI 48912

NOTICE OF 2008 ANNUAL MEETING OF SHAREHOLDERS OF NEOGEN CORPORATION

Date: October 9, 2008

Time: 10:00 a.m., Eastern Time

Place: The University Club of Michigan State University, 3435 Forest Road, Lansing, Michigan 48909

Items of Business:

The election of three Class III directors, each to serve for a three year term;

The ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2009;
and

To act upon such other business as may properly come before the meeting or any adjournment or postponement thereof.
The foregoing items of business are more fully described in the Proxy Statement accompanying this notice.

All shareholders are cordially invited to attend the meeting. At the meeting, you will hear a report on the Company's business and have a chance to meet the directors and executive officers. A copy of the 2008 Annual Report is enclosed.

Only shareholders of record at the close of business on August 15, 2008 are entitled to notice of and to vote at the meeting.

Your vote is important. Please vote your shares promptly. To vote your shares complete, sign, date and return your proxy card. Any shareholder attending the meeting may vote in person even if he or she returned a proxy.

Richard R. Current

Secretary

September 2, 2008

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Neogen Corporation

620 Leshar Place

Lansing, MI 48912

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

October 9, 2008

GENERAL INFORMATION

These proxy materials are provided in connection with the solicitation by the Board of Directors of proxies to be used at the Annual Meeting of Shareholders of Neogen Corporation (the Annual Meeting) to be held on Thursday, October 9, 2008 at 10:00 am, local time, at the University Club of Michigan State University, 3435 Forest Road, Lansing, Michigan 48909, and at any adjournment of the meeting. The solicitation will begin on or about September 8, 2008.

There are two proposals scheduled to be voted on at the Annual Meeting:

Election of three directors;

Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2009.

Revocation of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use exercise by the filing of a written notice of revocation with our Secretary, by delivering to our Secretary a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person.

Voting and Solicitation

All shares represented by a properly executed proxy will be voted unless the proxy is revoked. If a choice is specified, it will be voted in accordance with the specification. If no choice is specified, the proxy holders will vote the shares in accordance with the recommendations of the Board of Directors, which are set forth with the discussion of each matter later in this Proxy Statement. In summary, the Board recommends that you vote:

FOR the election of the nominees for directors; and

FOR ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2009.

In addition, the proxy holders may vote at their discretion with respect to any other matter that may properly come before the meeting. All shareholders at the close of business on August 15, 2008, the record date for the meeting, are entitled to vote at the meeting. On August 15, 2008 there were 14,571,346 shares of the Company's common stock outstanding. For each proposal, each shareholder is entitled to one vote for each share of Neogen Corporation common stock owned at that time.

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If you are a shareholder of record, you may vote by mail by completing, dating and signing your proxy card and mailing it in the envelope provided. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as officer of a corporation, guardian, executor, trustee or custodian), you should indicate your name and title or capacity.

You may also vote in person at the Annual Meeting or may be represented by another person at the meeting by executing a proper proxy designating that person.

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If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you will receive instructions from the street name holder that you must follow in order to have your shares voted.

If your shares are held in street name and you wish to vote in person at the meeting, you must obtain a proxy issued in your name from the street name holder.

If you are a beneficial owner of shares held in street name, you may submit new voting instructions by contacting your brokerage firm, bank or other holder of record.

Broker non-votes on a matter occur when the broker, bank or other holder of record that holds your shares in street name is not entitled to vote on a matter without instruction from you and no instruction is given. Absent instruction from you, a street name holder may vote your shares in its discretion on the election of directors and ratification of the appointment of Ernst & Young LLP.

In the election of directors, the three nominees receiving the highest number of votes will be elected. The other matter requires the affirmative vote of a majority of the votes cast at the meeting. Votes that are withheld with respect to the election of directors and abstentions on the other matter are not counted as votes cast.

Table of Contents**PROPOSALS FOR SHAREHOLDER ACTION****PROPOSAL 1 ELECTION OF DIRECTORS**

The Company's Bylaws provide that the Company shall have at least five and no more than nine directors, with the exact number to be determined by the Board. The Board of Directors currently is comprised of nine directors. The directors are classified into three classes to serve for the terms set forth next to their names or until their successors have been duly qualified and elected.

Unless otherwise instructed, proxy holders will vote the proxies received by them for the election of the nominees named below. All of the nominees for director are currently directors of the Company. If any nominee becomes unavailable for any reason it is intended that the proxies will be voted for a substitute nominee designated by the Board. The Board of Directors has no reason to believe that the nominees named will be unable to serve if elected. Any vacancy occurring on the Board of Directors for any reason may be filled by vote of a majority of the directors then in office for a term expiring at the next Annual Meeting of shareholders.

| Nominees | Expiration of Proposed Term |
|---------------------------------------|------------------------------------|
| Class III: | |
| James L. Herbert | 2011 |
| G. Bruce Papesh | 2011 |
| Thomas H. Reed | 2011 |
| | |
| Directors Continuing in office | Expiration of Term |
| Class I: | |
| Lon M. Bohannon | 2009 |
| A. Charles Fischer | 2009 |
| Gordon E. Guyer, Ph.D. | 2009 |
| | |
| Class II: | |
| Jack C. Parnell | 2010 |
| Robert M. Book | 2010 |
| Clayton K. Yeutter, Ph.D | 2010 |

| Name of Director | Age | Position | Director Since |
|----------------------------|------------|--------------------------------------------|-----------------------|
| James L. Herbert | 68 | Chairman and CEO of the Company, Director | 1982 |
| Lon M. Bohannon | 55 | President and COO of the Company, Director | 1996 |
| Thomas H. Reed (2)(3) | 63 | Director | 1995 |
| Robert M. Book (2)(3)(4) | 78 | Director | 1990 |
| Gordon E. Guyer, Ph.D. (3) | 82 | Director | 1990 |
| A. Charles Fischer (1) | 66 | Director | 2006 |
| G. Bruce Papesh (2) | 61 | Director | 1993 |
| Jack C. Parnell (1)(4) | 73 | Director | 1993 |
| Clayton K. Yeutter, Ph.D. | 78 | Director | 2007 |

- (1) Member, Compensation Committee
- (2) Member, Stock Option Committee
- (3) Member, Audit Committee
- (4) Member of Nominating Committee

The following is a brief summary of the business experience, for at least the past five years, for each of the nominees for, and the current members of, the Board of Directors.

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Nominees for the Board of Directors:

James L. Herbert is Chairman of the Board and Chief Executive Officer of Neogen Corporation. Previously he was President, Chief Executive Officer, and a Director of the Company since he joined Neogen in June 1982. He resigned as President, but remained as CEO and was named Chairman in 2006. Prior to joining Neogen he held the position of Corporate Vice President of DeKalb Ag Research, a major agricultural genetics and energy company. He has management experience in animal biologics, specialized chemical research, medical instruments, aquaculture, animal nutrition, and poultry and livestock breeding and production.

G. Bruce Papesh was elected to the Board of Directors in October 1993 and was Secretary from October 1994 to October 1999. Since 1987, Mr. Papesh has served as President of Dart, Papesh & Company Inc., member SIPC and FINRA, an investment consulting and financial services firm. Mr. Papesh also served until October 1, 2001 on the Board of Directors of Immucor, Inc., a publicly traded immunodiagnosics company that manufactures and markets products for the human clinical blood bank industry.

Thomas H. Reed was elected to the Board of Directors in October 1995 and was elected Secretary in October 1999 and resigned as secretary in 2007. Mr. Reed is Special Assistant to the President of Packerland Packing Company. Prior to assuming that position, he served as Vice President of Michigan Livestock Exchange Marketing, a division of Southern States Cooperative, Inc. and prior to that as President and Chief Executive Officer of the Michigan Livestock Exchange. Mr. Reed is a former member of the Board of Directors of the National Livestock Producers Association and is a former chairman of the Michigan State University Board of Trustees.

The Board of Directors recommends a vote FOR the above nominees.

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Other current members of the Board of Directors:

Lon M. Bohannon is President and Chief Operating Officer of Neogen Corporation. He was elected to the Board of Directors in October 1996. Mr. Bohannon joined Neogen in October 1985 as Vice President of Finance, was promoted to Vice President Administration and Chief Financial Officer in November 1994 and was named Chief Operating Officer in 1999 and President and COO in 2006. He is responsible for all areas of the Company's operations except research and corporate development. A CPA, Mr. Bohannon served as Administrative Controller for Federal Forge, Inc., a metal forging and stamping firm, from March 1980 until October 1985, and was associated with the public accounting firm of Ernst & Young from June 1975 to March 1980.

Robert M. Book was elected to the Board of Directors in November 1990. Since January 1993, Mr. Book has served as President of AgriVista, Inc., a company that provides agricultural consulting and marketing services. He served as President of the Indiana Institute of Agriculture, Food and Nutrition from 1983 through 1992. He was formerly Group Vice President of Agriculture Marketing for Elanco Products Company, a division of Eli Lilly & Co.

Dr. Gordon E. Guyer joined the Board of Directors in January 1990. Dr. Guyer retired in 1996 as Director of the Michigan Department of Agriculture, a position he held since 1993. Dr. Guyer served as President of Michigan State University from 1991 to 1993 and was Vice President of Governmental Affairs for the University from 1988 until 1991. From 1986 to 1988, he was Director of the Department of Natural Resources for the State of Michigan.

A. Charles Fischer was President and CEO of Dow AgroSciences and a member of Dow Chemical Company's Executive Management Team until his retirement in 2004. He was elected to the Board of Directors in October 2006. Mr. Fischer's career with Dow Chemical spanned 37 years and included assignments in South America, Europe, the Middle East and Africa. He served as president of CropLife International and CropLife America, is past chairman of the National FFA Foundation and was associated in various capacities with the Central Indiana Life Sciences Initiative and the Biotechnology Industry Organization.

Jack C. Parnell was elected to the Board of Directors in October 1993 and as Chairman of the Board in October, 2001. In 2006 Mr. Parnell resigned as Chairman, but remained a Director. Since 1991, he has held the position of Governmental Relations Advisor with the law firm of Kahn, Soares and Conway. In 1989, Mr. Parnell was appointed by President George H. W. Bush to serve as Deputy Secretary of the U.S. Department of Agriculture. From 1983 to 1989, he served in three different senior governmental positions for the State of California, including Secretary of the California Department of Food and Agriculture from 1987 to 1989. The firm of Kahn, Soares and Conway currently acts as the Company's government relations advisor. See also Information about the Board and Corporate Governance matters .

Dr. Clayton K. Yeutter was first elected to the Board of Directors, on July 26, 2007. Dr. Yeutter has been actively involved in his family's ranching and cattle feeding operation in Nebraska over his lifetime. Also during that time he has served in sub-cabinet or cabinet level positions under four Presidents of the United States, with his last position as Secretary of Agriculture under President George H. W. Bush. Dr. Yeutter is a former CEO of the Chicago Merchantile Exchange and he has also served on the Boards of Directors of Caterpillar, Texas Instruments, Weyerhaeuser Company, ConAgra Foods and Zurich Financial Services, among several others. He currently serves on the Boards of Directors of American Commercial Lines, Burlington Capital Group, Covanta Holding Company, and the Chicago Climate Exchange.

Table of Contents**PROPOSAL 2 RATIFICATION OF APPOINTMENT OF THE COMPANY'S****INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Ernst & Young LLP to serve as the independent registered public accounting firm for the Company for 2009. While not required, we are submitting the appointment to the shareholders as a matter of good corporate practice to obtain their views. The affirmative vote of a majority of the votes cast at the Annual Meeting on the proposal is required for ratification. **The Board of Directors recommends that shareholders vote FOR ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2009.** If the appointment is not ratified, it will be considered as a recommendation that the Audit Committee consider the appointment of a different firm to serve as independent registered public accounting firm for the year 2010. Even if the appointment is ratified, the Audit Committee may select a different independent registered public accounting firm at any time if it determines that such a change would be in the best interests of Neogen Corporation and its shareholders.

Relationship with Ernst & Young

Ernst & Young LLP has acted as the Company's independent registered public accounting firm for more than five years. Ernst & Young LLP has advised that neither the firm nor any of its members or associates has any direct financial interest or any material indirect financial interest in the Company or any of its affiliates other than as accountants. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The fees billed by Ernst & Young LLP with respect to the years ended May 31, 2008 and 2007 were as follows:

| | 2008 | 2007 |
|--------------------|------------|------------|
| Audit Fees | \$ 242,250 | \$ 239,275 |
| Audit-Related Fees | 5,600 | |
| Tax Fees | 4,800 | 12,155 |
| All Other Fees | | |

Audit Fees include amounts billed for the annual audit of the Company's fiscal year Consolidated Financial Statements, the audit of internal control over financial reporting, the review of the Consolidated Financial Statements included in the Forms 10-Q, and consultations concerning accounting matters associated with the annual audit. Audit-Related Fees include amounts billed for general accounting consultations and services that are unrelated to the annual audit. It is expected that Ernst & Young LLP will provide similar non-audit services during the fiscal year 2009. In connection with its review and evaluation of non-audit services, the Audit Committee is required to and does consider and conclude that the provision of non-audit services is compatible with maintaining the independence of Ernst & Young LLP.

Under its charter, the Audit Committee must pre-approve all audit and non-audit services to be performed by Ernst & Young LLP other than non-audit services that satisfy a de minimus exception provided by applicable law. In the event management wishes to engage Ernst & Young LLP to perform non-audit services, a summary of the proposed engagement is prepared detailing the nature of the engagement, the reasons why Ernst & Young LLP is the preferred provider of the services and the estimated duration and cost of the engagement. The Audit Committee reviews and evaluates recurring non-audit services and their proposed fees as the need arises at their regularly scheduled committee meetings. At subsequent meetings, the Audit Committee receives updates regarding the services actually provided and management may present additional services for approval. The Audit Committee has delegated to the Chairman or, in his absence, any other member, the authority to evaluate and approve projects and related fees if circumstances require approval between meetings of the Committee. Any such approval is reported to the full committee at its next meeting.

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The following table sets forth certain information, as of May 31, 2008, with respect to beneficial ownership of Common Stock by the only person known by the Company to be the beneficial owner of more than 5% of Neogen Corporation common stock.

| Name and Address of Beneficial Owner | Number of Shares Beneficially Owned | Percent of Class (%) |
|------------------------------------------------|----------------------------------------|-------------------------|
| James L. Herbert (1) (2) Neogen Corporation | 774,160 | 5.3% |
| 620 Leshler Place | | |
| Lansing, MI 48912 | | |

(1) Includes 96,063 shares of Common Stock that Mr. Herbert has the right to acquire by exercise of options within 60 days of June 30, 2008.

(2) Includes 129,547 shares held in trust for the spouse of Mr. Herbert.

Security Ownership of Directors and Executive Officers

The following table sets forth certain information about the ownership of Neogen Corporation common stock as of June 30, 2008 by the current directors, the executive officers named in the Summary Compensation Table under Executive Compensation and all executive officers and directors as a group.

| Name | Number of Shares Owned (1) | Right to Acquire (2) | Total | Percentage of Outstanding Shares |
|----------------------------------------------------------|-------------------------------------|-------------------------|-----------|----------------------------------------|
| James L. Herbert | 678,097(3) | 96,063 | 774,160 | 5.3% |
| Lon M. Bohannon | 228,415 | 47,224 | 275,639 | 1.9% |
| Robert M. Book | 12,925 | 9,750 | 22,675 | * |
| A. Charles Fischer | | 2,500 | 2,500 | * |
| Gordon E. Guyer Ph.D. | 11,222 | 18,500 | 29,722 | * |
| G. Bruce Papesh | 800 | 17,704 | 18,504 | * |
| Jack C. Parnell | 22,034 | 7,500 | 29,534 | * |
| Thomas H. Reed | 1,125 | 17,250 | 18,375 | * |
| Edward L. Bradley | 80,352 | 43,302 | 123,654 | * |
| Richard R. Current | 49,809 | 4,530 | 54,339 | * |
| Terri A. Morrical | 16,857 | 58,136 | 74,993 | * |
| Kenneth V. Kodilla | 2,524 | 13,950 | 16,474 | * |
| Joseph M. Madden Ph.D. | 14,946 | 6,600 | 21,546 | * |
| Anthony E. Maltese | 22,136 | 19,493 | 41,629 | * |
| Mark A. Mozola Ph.D. | 3,236 | 3,801 | 7,037 | * |
| Paul S. Satoh Ph.D. | 13,466 | 12,300 | 25,766 | * |
| Clayton K. Yeutter Ph.D. | | | | * |
| Executive officers and directors as a group (17 persons) | 1,157,944 | 378,603 | 1,536,547 | 10.3% |

* Less than 1%

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- (1) Excludes shares that may be acquired through stock option exercises.
- (2) Includes shares that may be acquired within 60 days of June 30, 2008 upon exercise of options pursuant to Rule 13d-3 of the Securities Act of 1934.
- (3) Includes 129,547 shares held in trust for the spouse of James L. Herbert.

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INFORMATION ABOUT THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS

Neogen Corporation is managed under the direction of its Board of Directors. The Board conducts its business through meetings of the Board and its committees. The Board held 5 meetings, and there were a total of 7 committee meetings during 2008. Each director attended more than 75% of the total meetings of the Board and the committees on which he served in 2008. Directors are expected to attend the Annual Meeting of shareholders unless they have a schedule conflict or other valid reason. All the current Board members attended the 2007 Annual Meeting.

Independent Directors

A director is not considered to be independent unless the Board determines that he has no material relationship with Neogen Corporation, either directly or through any organization with which he is affiliated that has a relationship with Neogen Corporation. Based on a review of the responses of the directors to questions about employment history, affiliation and family and other relationships and on discussions with the directors, all non-employee directors may be considered to be independent. As members of management, James L. Herbert, Chairman and Chief Executive Officer and Lon M. Bohannon, President and Chief Operating Officer, are not independent.

Board Committees

The Board has four committees. The current membership, number of meetings held during 2008 and the function performed by each of these committees are described below. None of the members of any of the committees is or ever has been an employee of the Company. The Board has determined that each of the committee members meets the independence standards for that committee within the meaning of applicable Nasdaq and SEC regulations.

Audit Committee Mr. Reed (Chair), Mr. Book and Dr. Guyer currently are members of the Audit Committee. The Audit Committee met 4 times during 2008 and oversees the Company's financial reporting process on behalf of the Board of Directors. The Audit Committee meets with management and the Company's independent registered public accounting firm throughout the year and reports the results of its activities to the Board of Directors. Further information regarding the role of the Audit Committee is contained in its charter that is available in the Investor Relations section of the Company's website at www.neogen.com. For further information, see Audit Committee Report in this Proxy Statement. The Board has determined that Mr. Reed is an audit committee financial expert for purposes of applicable SEC rules.

Compensation Committee Mr. Parnell (Chair) and Mr. Fischer currently are members of the Compensation Committee, which met 1 time during 2008. The purpose of the Compensation Committee is to assist the Board in discharging its overall responsibilities relating to executive compensation. The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers prior to the beginning of each year, evaluates current year performance in light of those goals and establishes compensation levels for the upcoming year, including salary and bonus targets. Except in the case of the Chief Executive Officer, management provides recommendations to the Compensation Committee concerning compensation for officers. The Compensation Committee does not have a charter.

Stock Option Committee Mr. Papesh (Chair), Mr. Book and Mr. Reed currently are members of the Stock Option Committee, which met 1 time during 2008. The purpose of the Stock Option Committee is to assist the Board in discharging its overall responsibilities relating to the Neogen Corporation Stock Option Plan. Except in the case of the Chief Executive Officer, management provides recommendations to the Stock Option Committee concerning stock option awards for officers and employees. For further information, see Compensation Discussion and Analysis in this Proxy Statement.

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Nominating Committee Mr. Book (Chair) and Mr. Parnell currently serve on the Nominating Committee. The Nominating Committee, which met 1 time during 2008 (as a part of the meeting of the whole of the Board of Directors with Mr. Herbert and Mr. Bohannon abstaining from deliberations and voting during such meetings), makes recommendations to the Board regarding individuals for nomination as director. For further information, see the charter of the Nominating Committee that is available in the Investor Relations section of the Company's website at www.neogen.com. When seeking to identify an individual to become a director to fill a new position or vacancy, the Nominating Committee will consult with incumbent directors, management and others. The Nominating Committee will consider, among other factors, the background and reputation of potential candidates in terms of character, personal and professional integrity, business and financial experience and acumen, how a person would complement the other directors in providing a diversity of expertise and experience and a person's availability and willingness to devote sufficient time to Board duties. Shareholders may recommend director candidates for consideration by the Nominating Committee by writing to the Secretary at 620 Leshar Place, Lansing, Michigan 48912, giving the candidate's name, relationship, if any, to the shareholder making the recommendation, biographical data and qualifications. The submission should also include a statement from the candidate consenting to being considered and, if nominated and elected, to serving as a director.

Management's Role in Determining Executive Compensation

The Compensation Committee makes all final decisions regarding officer compensation. Management's involvement in executive compensation is typically for the Chief Executive Officer to make recommendations on compensation for those other than himself. No member of the Compensation Committee has served as an officer or employee at any time. No executive officer serves as a member of the compensation committee of any other company that has an executive officer serving as a member of Neogen Corporation's Board of Directors. None of Neogen Corporation's executive officers serves as a member of the board of directors of any other company that has an executive officer serving as a member of the Compensation Committee.

Lead Director/Executive Sessions of Non-Management Directors

Mr. Parnell has been designated the lead independent director, with responsibility for coordinating the activities of the other independent directors. Mr. Parnell chairs all executive sessions of the Board. Mr. Herbert and Mr. Bohannon do not attend the executive sessions except that either officer may attend a portion of any session upon request. At least one executive session is held yearly.

Contacting the Board of Directors

Shareholders and other interested persons may communicate directly with the Board on a confidential basis by mail to Board of Directors, Neogen Corporation, 620 Leshar Place, Lansing, Michigan 48912 Attention: Board Secretary. All such communications will be received directly by the Secretary of the Board and will not be screened or reviewed by any other Neogen Corporation employee.

Code of Conduct and Ethics

Neogen Corporation has adopted a Code of Conduct applicable to all Neogen Corporation employees, officers and directors, including specifically the Chief Executive Officer, Chief Financial Officer and Corporate Controller, in the performance of their duties and responsibilities. The Code of Conduct is posted on the Company's website at www.neogen.com in the Investor Relations section and will be mailed to any shareholder upon request to the Secretary at 620 Leshar Place Lansing, Michigan 48912.

Certain Relationships and Related Party Transactions

The Board of Directors acting as a committee of the whole approves or ratifies transactions involving directors, executive officers or principal shareholders, or members of their immediate families or entities controlled by any of them, or in which they have a substantial ownership interest, in which the amount involved

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exceeds \$120,000 and that are otherwise reportable under SEC disclosure rules. Such transactions include employment of immediate family members of any director or executive officer. Management advises the Board of any such transaction that is proposed to be entered into or continued and seeks approval. In the event any such transaction is proposed for which a decision is required prior to the next regularly scheduled meeting of the Board, it may be presented to the Audit Committee Chair for approval, in which event the decision will be reported to the full Board at its next meeting.

COMPENSATION DISCUSSION AND ANALYSIS

Named Executive Officers

Named executive officers (NEOs) for SEC reporting purposes are:

| Name | Title |
|--------------------|------------------------------------------------------|
| James L. Herbert | Chairman & Chief Executive Officer |
| Lon M. Bohannon | President & Chief Operating Officer |
| Richard R. Current | Vice President & Chief Financial Officer & Secretary |
| Edward L. Bradley | Vice President Food Safety Operations |
| Terri A. Morrical | Vice President Animal Safety Operations |

Brief biographies of the NEOs, except Mr. Herbert and Mr. Bohannon follow. Biographies of Mr. Herbert and Mr. Bohannon, who are also Directors of the Company, are included in Proposal I Election of Directors .

Edward L. Bradley, age 48, joined Neogen in February 1995 as Vice President of Sales and Marketing for AMPCOR Diagnostics, Inc. In June 1996, he was made a Vice President of Neogen Corporation. Currently, Mr. Bradley is responsible for all activities focused on food safety products on a worldwide basis except Research and Development and European operations. From 1988 to 1995, Mr. Bradley served in several sales and marketing capacities for Mallinckrodt Animal Health, including the position of National Sales Manager responsible for 40 employees in its Food Animal Products Division. Prior to joining Mallinckrodt, he held several sales and marketing positions for Stauffer Chemical Company.

Richard R. Current, age 64, joined the Company in November 1999 as Vice President & Chief Financial Officer. In 2007, he was given the added title of Secretary. Prior to joining Neogen, Mr. Current served as Executive Vice President and Chief Financial Officer of Integral Vision, Inc. from 1994 to 1999 and as Vice President and Chief Financial Officer of the Shane Group, Inc., a privately held company, from 1991 to 1994. Mr. Current was associated with the public accounting firm of Ernst & Young for 24 years and served as Managing Partner of the Lansing, Michigan office from 1986 to 1991.

Terri A. Morrical, age 43, joined Neogen Corporation on September 1, 1992 as part of the Company s acquisition of WTT, Incorporated. She has directed most aspects of the Company s Animal Safety operations since she joined the Company and currently serves as Vice President in charge of all of the Company s Animal Safety operations. From 1986 to 1991, she was Controller for Freeze Point Cold Storage Systems and concurrently served in the same capacity for Powercore, Inc. In 1990, she joined WTT, Incorporated as Vice President and Chief Financial Officer and then became President, the position she held at the time Neogen acquired the business.

Compensation Objectives

Neogen executive compensation programs are designed to be aligned with shareholder value creation and are structured to reward individual and organizational performance and be simple, concise and understandable. A significant percentage of each NEO s compensation consists of variable pay.

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The primary objectives of the compensation programs covering NEOs are to:

Attract, retain and motivate highly talented executives who will drive the success of the business;

Align incentives with the achievement of measurable corporate, business unit and individual performance objectives based on financial and non-financial measures, as appropriate;

Provide over-all compensation that is comparable to similar roles with competitors for talent generally; and

Ensure reasonable, affordable and appropriate compensation program costs.

Compensation Elements

The primary pay elements provided to NEOs are:

Base salary;

Annual bonus delivered through short-term bonus plans; and

Equity-based long-term incentive compensation delivered in the form of stock option grants.

Other pay elements include health and welfare benefits plans under which the NEOs receive similar benefits to those provided to all other eligible U.S.-based employees, such as medical, life insurance and disability coverage.

The Compensation Committee is provided materials by management regarding the various compensation elements of each NEO's compensation package. The Committee makes decisions about each compensation element in the context of each NEO's total pay package. Positions at higher levels at Neogen Corporation generally have a greater emphasis on variable pay elements of bonus and stock options, although no specific formula, schedule or tier is applied in establishing compensation mix.

Each of the compensation elements and its purpose is further described below.

Base Salary: Base salary is intended to compensate the executive for the basic market value of the position, time in the position and the relation of that position to other positions in the Company. Each NEO's salary and performance are reviewed annually. Factors considered in determining the level of executive pay include the role and responsibilities of position, performance against expectations and an individual's job experience or unique role responsibilities.

Base salary rate increases from 2007 to 2008 are shown in the following table. Actual earned salary for 2008 is shown in the Salary column of the Summary Compensation Table.

Base Salary

| Name | 2007 Salary Rate | 2008 Salary Rate | Percent Increase |
|------|------------------------|------------------------|---------------------|
|------|------------------------|------------------------|---------------------|

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| | | | |
|--------------------|------------|------------|------|
| James L. Herbert | \$ 275,000 | \$ 290,000 | 5.5% |
| Lon M. Bohannon | 195,000 | 205,000 | 5.1% |
| Richard R. Current | 145,000 | 150,000 | 3.4% |
| Edward L. Bradley | 128,600 | 135,000 | 5.0% |
| Terri A. Morriscal | 131,000 | 135,500 | 3.4% |

Mr. Herbert's compensation is based on factors including comparison to pay levels of chief executive officers of companies of similar size and complexity (see Chief Executive Officer Compensation), the level of business performance in 2007, historical salary increases and time in position. Other NEOs' compensation was based on the scope of their responsibilities, the level of performance in 2007 and time in position.

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Annual Bonus: Annual bonuses are intended to motivate and reward executives for achieving or exceeding specific annual performance goals focused primarily on total Company performance in the case of Mr. Herbert, Mr. Bohannon and Mr. Current, and the performance of the businesses for which the other NEOs are responsible. The bonus potential is established in the same general manner as salaries, with the view that, if the full potential is attained, each NEO's total cash compensation should be competitive, taking into account the scope of the individual's responsibility, time in the position and overall level of performance in the role. Bonuses are generally paid in November of the fiscal year following the fiscal year in which they are earned. Bonuses related to the 2007 fiscal year that were paid between November of 2007 and January 2008 were as follows:

Annual Bonus

| Name | Target Value | Actual Payments | Payment as Percentage of Target |
|--------------------|-----------------|--------------------|---------------------------------------|
| James L. Herbert | \$ 150,000 | \$ 150,000 | 100% |
| Lon M. Bohannon | 75,000 | 75,000 | 100% |
| Richard R. Current | 32,000 | 30,000 | 94% |
| Edward L. Bradley | 39,000 | 35,000 | 90% |
| Terri A. Morrical | 39,000 | 24,000 | 62% |

The final determination of the actual bonuses paid included a subjective evaluation of each individual's performance in light of the competitive environment in the businesses for which he or she had responsibility, other challenges faced by him or her and other significant achievements during the year.