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NEOGEN CORP  
Form DEF 14A  
September 02, 2003

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a)

OF THE SECURITIES EXCHANGE ACT OF 1934 (Amendment No. )

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:

\_\_\_\_\_

2) Aggregate number of securities to which transaction applies:

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

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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: \_\_\_\_\_

4) Date Filed: \_\_\_\_\_

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Neogen Corporation (the Company), a Michigan corporation, will be held on October 2, 2003 at 10:00 a.m., local time, at the University Club of Michigan State University, 3435 Forest Road, Lansing, MI 48909, to consider and act upon the following matters:

- I. The election of three Class I directors to serve for three year terms.
- II. Such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only shareholders of record at the close of business on August 5, 2003 are entitled to notice of and to vote at the meeting.

All shareholders are cordially invited to attend the meeting in person. However, to assure representation at the meeting, all shareholders are urged to mark, sign, date and return the enclosed proxy card as promptly as possible in the postpaid envelope enclosed for that purpose. Any shareholder attending the meeting may vote in person even if he or she returned a proxy.

Sincerely,

Thomas H. Reed

*Secretary*

Lansing, Michigan

September 2, 2003

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**IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE REQUESTED TO COMPLETE AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED.**

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**PROXY STATEMENT**

The enclosed Proxy is solicited on behalf of Neogen Corporation (the Company) for use at the Annual Meeting of Shareholders to be held October 2, 2003, at 10:00 a.m., local time, or at any adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at the University Club of Michigan State University, 3435 Forest Road, Lansing, MI 48909. The Company's telephone number is (517) 372-9200.

These proxy solicitation materials were mailed on or about September 2, 2003, together with the Company's 2003 Annual Report to Shareholders, to all shareholders entitled to vote at the meeting.

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**Revocability of Proxies**

Any proxy given pursuant to this solicitation may be revoked by the person giving it any time before its use by delivering to the Company, before the meeting, a written notice of revocation or a duly executed proxy bearing a later date or by attending the meeting and voting in person.

**Voting and Solicitation**

Every shareholder voting at the Annual Meeting has one vote for each share on all matters. The Company's By-Laws do not provide for cumulative voting in the election of directors. Shares represented by valid, executed and dated proxies in the enclosed form will be voted if received in time for the meeting in accordance with the instructions thereon. Unless your proxy is otherwise marked, it will be voted FOR management's nominees for the Board of Directors.

A simple majority of the shares issued and outstanding as of August 5, 2003 (the Record Date) must be present or represented at the Annual Meeting to constitute a quorum. For election of directors, the three individuals receiving the most votes will be elected for the term indicated. Approval of any other item of business to be voted upon at the Annual Meeting will require the affirmative vote of a majority of the votes cast by the holders of common shares at the meeting and entitled to vote. Abstentions, withheld votes and broker nonvotes will not be deemed votes cast in determining approval of any proposal, but will be counted in determining the number of common shares present or represented by proxy in determining whether a quorum is present.

The cost of soliciting proxies will be borne by the Company. The Company has retained the services of American Stock Transfer & Trust to aid in the solicitation of proxies. The Company estimates that the cost of soliciting proxies will be less than \$2,000 including out-of-pocket expenses. The Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers, and regular employees, without additional compensation, personally or by telephone, e-mail, facsimile or letter.



**Record Date and Principal Share Ownership**

Shareholders of record at the close of business on August 5, 2003 are entitled to notice of and to vote at the meeting. At the Record Date, 6,242,067 shares of the Company's Common Stock were issued and outstanding. At the Record Date, the following were known by the Company to be beneficial owners of more than 5% of the Company's Common Stock.

| Name and Address  | Number of Shares | Percent of Total |
|---|------------------|------------------|
| James L. Herbert (1)<br>Neogen Corporation<br>620 Leshar Place<br>Lansing, MI 48912 | 451,982          | 7.1%             |
| Herbert D. Doan (1)<br>P.O. Box 169<br>Midland, MI 48640                            | 316,222          | 5.1%             |

(1) Includes 144,004 shares and 3,334 shares of Common Stock which Mr. Herbert and Mr. Doan, respectively, have the right to acquire by exercise of options within 60 days of August 5, 2003

**Deadline for Receipt of Shareholder Proposals**

Proposals of shareholders which are intended to be presented by such shareholders at the Company's next Annual Meeting of Shareholders must be received by the Company no later than May 5, 2004 in order that they may be included in the proxy statement and form of proxy relating to that meeting.

## I. ELECTION OF DIRECTORS

The Company's By-Laws 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<br>Proposed Term |
|------------------------|--------------------------------|
| Class I:               |                                |
| Lon M. Bohannon        | 2006                           |
| Herbert D. Doan        | 2006                           |
| Gordon E. Guyer, Ph.D. | 2006                           |

| Directors Continuing in Office | Expiration of Term |
|--------------------------------|--------------------|
| Class II:                      |                    |
| Robert M. Book                 | 2004               |
| Leonard E. Heller, Ph.D.       | 2004               |
| Jack C. Parnell                | 2004               |
| Class III:                     |                    |
| James L. Herbert               | 2005               |
| G. Bruce Papesh                | 2005               |
| Thomas H. Reed                 | 2005               |

| Name of Director             | Age | Position  | Director Since |
|------------------------------|-----|---|----------------|
| Jack C. Parnell (1)          | 68  | Chairman of the Company, Director               | 1993           |
| Thomas H. Reed (3)           | 58  | Secretary of the Company, Director              | 1995           |
| James L. Herbert             | 63  | President and CEO of the Company, Director      | 1982           |
| Lon M. Bohannon              | 50  | Vice President and COO of the Company, Director | 1996           |
| Robert M. Book (1) (3)       | 73  | Director  | 1990           |
| Herbert D. Doan (1) (2)      | 80  | Director  | 1982           |
| Gordon E. Guyer, Ph.D. (3)   | 77  | Director  | 1990           |
| Leonard E. Heller, Ph.D. (2) | 58  | Director  | 1992           |
| G. Bruce Papesh (2)          | 56  | Director  | 1993           |

(1) Member, Compensation Committee

(2) Member, Stock Option Committee

(3) Member, Audit Committee



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

*Nominees for the Board of Directors:*

Lon M. Bohannon 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. He is responsible for all areas of the Company's operations except accounting, finance, human resources and investor relations. 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 worked at the public accounting firm of Ernst & Young from June 1975 to March 1980.

Herbert D. Doan has been a director of the Company since September 1982. He was the Company's Chairman of the Board from October 1984 to October 1999. Mr. Doan has served as President of the Herbert H. and Grace A. Dow Foundation from February 1996 to June 2000 and currently serves as Chairman of that foundation. Mr. Doan is Chairman of the Michigan Molecular Institute, a position he has held since 1964. He was formerly President and Chief Executive Officer of Dow Chemical Company. He has been active as an independent venture capitalist for over fifteen years.

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 interim 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.

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

*Other current members of the Board of Directors:*

Jack C. Parnell was elected to the Board of Directors in October 1993 and as Chairman of the Board in October, 2001. 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. 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.

Thomas H. Reed was elected to the Board of Directors in October 1995 and was elected Secretary in October 1999. Mr. Reed is a Group Vice 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.

James L. Herbert has been President, Chief Executive Officer, and a director of the Company since he joined Neogen in June 1982. He was Chairman of the Board from October 1999 to October 2001. He previously 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.

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. Leonard E. Heller was elected to the Board of Directors in October 1992. He founded and is CEO of Health Management Services, LLC, a company that provides services to physicians and physician hospital business entities. He formerly was Secretary for the Cabinet of Human Resources in Kentucky, Chairman of the Governor's Task Force on Health Reform and consultant on health policy and pharmaceutical distribution issues.

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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 NASD, an investment consulting and financial services firm. Mr. Papesh also served on the Board of Directors of Immucor, Inc., a publicly traded immunodiagnostics company that manufactures and markets products for the human clinical blood bank industry, until October 1, 2001.

## Security Ownership of Management

The following table sets forth the beneficial ownership of Common Stock of the Company as of August 5, 2003 for each current director, each nominee, each executive officer listed in the summary compensation table below and for all current directors and executive officers as a group:

| Name  | Number of Shares | Percent of Total |
|---|------------------|------------------|
| Jack C. Parnell (1)   | 14,784           | *                |
| Thomas H. Reed (1)  | 9,933            | *                |
| James L. Herbert (1)  | 451,982          | 7.1%             |
| Lon M. Bohannon (1)   | 138,838          | 2.2%             |
| Robert M. Book (1)  | 13,133           | *                |
| Herbert D. Doan (1)   | 316,222          | 5.1%             |
| Gordon E. Guyer, Ph.D. (1)  | 12,000           | *                |
| Leonard E. Heller, Ph.D. (1)  | 41,767           | *                |
| G. Bruce Papesh (1) (2)   | 18,584           | *                |
| Edward L. Bradley (1)   | 60,562           | 1.0%             |
| Richard R. Current (1)  | 25,713           | *                |
| Terri A. Morrical (1)   | 53,121           | *                |
| All current directors and executive officers as a group (sixteen persons) (1) | 1,193,910        | 18.1%            |

\*Less than 1%

(1) Includes the following shares of Common Stock which current directors and executive officers have the right to acquire by exercise of options within 60 days of August 5, 2003: Mr. Parnell 7,334 shares; Mr. Reed 9,333 shares; Mr. Herbert 144,004 shares; Mr. Bohannon 36,929 shares; Mr. Book 5,333 shares; Mr. Doan 3,334 shares; Dr. Guyer 4,000 shares; Dr. Heller 12,000 shares; Mr. Papesh 5,334 shares; Mr. Bradley 41,206 shares; Mr. Current 16,600 shares; Ms. Morrical 32,777 shares; all current directors and executive officers as a group 347,984 shares.

(2) Includes 13,250 shares over which Mr. Papesh is considered to have investment power.

## Board Meetings and Committees

The Board of Directors of the Company held six meetings during the fiscal year ended May 31, 2003. Each of the incumbent directors attended at least 75% of the aggregate of all meetings of the Board and committees of which he was a member held during the period he served on the Board or committee.

The standing committees of the Board of Directors are the Audit Committee, the Compensation Committee and the Stock Option Committee. The Audit Committee, which met four times in fiscal year 2003, has responsibility of recommending to the Board of Directors the firm of Independent Auditors to be retained by the Company; confirming the independence of the independent auditors; reviewing with the Company's Independent Auditors the scope and results of their audits; reviewing with the Independent Auditors and management the Company's audited financial statements and accounting and reporting principles, policies and practices; and reviewing with the Company's Independent Auditors the adequacy of the Company's accounting, financial and operating controls. The Compensation Committee, which met once during fiscal year 2003, has responsibility for reviewing and approving the Company's executive compensation policies and makes recommendations concerning the Company's employee benefit programs. The Stock Option Committee administers the Company's Stock Option Plan. This committee held one

meeting during fiscal year 2003.

The Board of Directors serves as a committee of the whole for purposes of recommending candidates for election to the Board of Directors. In this capacity, the Board held one meeting in fiscal year 2003. The Board will consider nominees recommended by shareholders provided such recommendations are in writing and received by the Company no later than May 5, 2004. Recommendations should be addressed to: Corporate Secretary, Neogen Corporation, 620 Leshar Place, Lansing, Michigan 48912.

**Executive Compensation**

The following table sets forth information regarding compensation paid or accrued by the Company during each of the last three years ended May 31, 2003 for the Company's chief executive officer and the four other most highly compensated executive officers of the Company receiving annual cash compensation in excess of \$100,000.

**SUMMARY COMPENSATION TABLE**

| Name and Principal Position                                    | Fiscal |            |            | Options | All Other           |
|--|--------|------------|------------|---------|---------------------|
|  | Year   | Salary (1) | Bonus      | Awarded | Compensation (2)(3) |
| James L. Herbert, President,<br>Chief Executive Officer        | 2003   | \$ 244,790 | \$ 110,000 | 65,000  | \$ 5,900            |
|  | 2002   | 216,356    | 100,000    | 60,000  | 7,903               |
|  | 2001   | 191,694    | 106,000    | 45,000  | 5,571               |
| Lon M. Bohannon, Vice President,<br>Chief Operating Officer    | 2003   | \$ 141,783 | \$ 35,000  | 32,000  | \$ 9,226            |
|  | 2002   | 128,735    | 35,000     | 30,000  | 5,080               |
|  | 2001   | 119,868    | 21,400     | 25,000  | 5,711               |
| Richard R. Current, Vice President,<br>Chief Financial Officer | 2003   | \$ 127,341 | \$ 10,000  | 19,000  | \$ 9,014            |
|  | 2002   | 121,269    | 9,000      | 17,000  | 5,351               |
|  | 2001   | 116,188    |            | 15,000  | 2,093               |
| Edward L. Bradley, Vice President                              | 2003   | \$ 104,123 | \$ 20,000  | 18,000  | \$ 8,837            |
|  | 2002   | 97,925     | 20,000     | 17,000  | 3,637               |
|  | 2001   | 92,890     | 18,500     | 15,000  | 4,490               |
| Terri A. Morriscal, Vice President                             | 2003   | \$ 106,683 | \$ 20,000  | 18,000  | \$ 9,043            |
|  | 2002   | 93,595     | 25,000     | 17,000  | 3,598               |
|  | 2001   | 84,186     | 10,000     | 15,000  | 3,128               |

- (1) Includes amounts contributed to the Company's 401(k) Retirement Savings Plan by the named executive officer.
- (2) Consists of matching contributions paid to the Company's 401(k) Retirement Savings Plan on behalf of the named executive officer.
- (3) Under terms of a deferred compensation agreement, the current value (\$374,492 at May 31, 2003) of an annuity owned by the Company is payable to Mr. Herbert or his estate upon death, retirement or termination of employment.

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The following table contains information concerning the grant of options under the Company's Stock Option Plan to the named executive officers of the Company during the year ended May 31, 2003. No stock appreciation rights (SARS) were granted during such period.

Individual Grants

| Name               | Granted   | Percent of Total Options Granted to Employees in Fiscal Year | Exercise Price Per Share | Expiration Date | Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation at End of Option Term |           |
|--------------------|-----------|--|--------------------------|-----------------|--|-----------|
|                    |           |  |                          |                 | 5%   | 10%       |
| James L. Herbert   | 8,163(1)  | 3%   | \$ 12.25                 | 9/11/07         | \$ 27,627  | \$ 61,049 |
|                    | 56,837(2) | 20%  | 12.25                    | 9/11/12         | 437,870  | 1,109,648 |
| Lon M. Bohannon    | 8,098(1)  | 3%   | 12.25                    | 9/11/07         | 27,407   | 60,563    |
|                    | 23,902(2) | 9%   | 12.25                    | 9/11/12         | 184,140  | 466,647   |
| Richard R. Current | 14,527(1) | 5%   | 12.25                    | 9/11/07         | 49,166   | 108,644   |
|                    | 4,473(2)  | 2%   | 12.25                    | 9/11/12         | 34,460   | 87,328    |
| Edward L. Bradley  | 10,405(1) | 4%   | 12.25                    | 9/11/07         | 35,215   | 77,816    |
|                    | 7,595(2)  | 2%   | 12.25                    | 9/11/12         | 58,512   | 148,280   |
| Terri A. Morriscal | 11,546(1) | 4%   | 12.25                    | 9/11/07         | 39,077   | 83,350    |
|                    | 6,454(2)  | 2%   | 12.25                    | 9/11/12         | 49,721   | 126,004   |

- (1) Options were granted at fair market value and vest over five years in equal annual installments commencing with the first anniversary of the grant date.
- (2) Options were granted at fair market value and vest over three years in equal annual installments commencing with the first anniversary of the grant date.

The following table sets forth information for the named executive officers with respect to the value of options exercised during the year ended May 31, 2003 and the value of outstanding and unexercised options held as of May 31, 2003, based upon the market value of the Company's Common Stock of \$16.65 per share on that date. There were no SARs outstanding or exercised as of or for the year ended May 31, 2003.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

| Name             | Shares   |            | Number of Unexercised Options |             | Value of Unexercised In-The-Money Options |               |
|------------------|----------|------------|-------------------------------|-------------|---|---------------|
|                  | Acquired | Value      | at May 31, 2003               |             | at May 31, 2003 (2)                       |               |
|                  |          |            | On Exercise                   | Realized(1) | Exercisable                               | Unexercisable |
| James L. Herbert | 17,789   | \$ 160,643 | 105,398                       | 155,105     | \$ 923,129                                | \$ 905,112    |
| Lon M. Bohannon  | 3,000    | 12,825     | 17,122                        | 83,678      | 141,063                                   | 497,382       |

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|                    |        |        |        |        |         |         |
|--------------------|--------|--------|--------|--------|---------|---------|
| Richard R. Current | 2,000  | 20,374 | 6,400  | 45,600 | 42,930  | 266,470 |
| Edward L. Bradley  | 13,400 | 98,230 | 27,400 | 49,200 | 254,580 | 305,223 |
| Terri A. Morriscal | 12,400 | 94,371 | 18,400 | 49,200 | 165,480 | 305,223 |

- (1) Represents the difference between the market price of the Common Stock and the exercise price of the options on the date of exercise multiplied by the number of shares acquired upon exercise.
  
- (2) Represents the difference between the closing market price of Common Stock at May 31, 2003 of \$16.65 per share and the exercise price per share of in-the-money options multiplied by the number of shares which could be acquired at May 31, 2003 upon the exercise of all in-the-money options.

### **Compensation of Directors**

The Company does not pay director's fees to any director for attendance at meetings of the Board or standing Committees. All non-employee directors are granted non-qualified options to purchase 5,000 shares of Common Stock when first elected to the Board of Directors and non-qualified options to purchase 2,000 shares of Common Stock upon subsequent election to, or commencement of annual service on, the Board of Directors. The options expire ten years after the date of grant and vest over three years in equal annual installments commencing with the first anniversary of the date of grant. All directors are eligible to receive reimbursement for all ordinary travel expenses related to attendance at Board or committee meetings.



## Compensation Committee Report on Executive Compensation

*General.* The Compensation Committee's overall compensation policy applicable to the Company's executive officers is to provide a compensation program that is intended to attract and retain qualified executives for the Company and to provide them with incentives to achieve Company goals and increase shareholder value. The Compensation Committee implements this policy through establishing salaries and bonuses. The Compensation Committee's current policy does not provide significant pension or other retirement benefits for the Company's employees.

*Salaries.* The Compensation Committee's policy is to provide salaries that are generally similar to those of similar executive officers in similar companies. The Compensation Committee determines comparable salaries through discussions with candidates for such positions, Company research and independent surveys concerning the salaries paid by similar companies.

*Performance Bonuses.* The payment of bonuses to executive officers is directly related to their achievement of corporate and individual performance goals established at the beginning of the year. The amount of the bonus paid, if any, varies among the executive officers depending on their success in achieving individual performance goals and on their contribution to the achievement of corporate performance goals.

*Stock Options.* Stock options are awarded by the Stock Option Committee of the Board of Directors. The Stock Option Committee's policy is to award stock options to the Company's officers in amounts reflecting the participant's position and ability to influence the Company's overall performance. Options are intended to provide participants with an increased incentive to make contributions to the long-term performance and growth of the Company, to join the interests of participants with the interests of shareholders of the Company and to attract and retain qualified employees. The Stock Option Committee's policy has been to grant options with terms of five to ten years to provide a long-term incentive and to fix the exercise price of the options at the fair market value of the underlying shares on the date of grant. As a result, such options will only have value if the price of the underlying shares increases.

*Fiscal 2003 Compensation Decisions Regarding James Herbert.* The compensation of James L. Herbert, President and Chief Executive Officer, is recommended by the Compensation Committee to the Board of Directors based on the Committee's knowledge of the level necessary to enable the Company to remain competitive and retain top management.

In addition, Mr. Herbert's compensation is based on the Committee's subjective assessment of his progress toward achieving Company goals and objectives pertaining to the development and marketing of products dedicated to food and animal safety. Particular consideration is given to progress toward enhancing long-term shareholder value that includes overall growth in sales and operating and net income for the Company's most recent fiscal year.

Incentive compensation payments to Mr. Herbert are made partially in the form of cash intended to reward Mr. Herbert for achievement of individual and corporate objectives, partially in the form of stock options, intended to provide Mr. Herbert with increased incentive to focus on long-term performance growth of the Company that will enhance shareholder value, and partially in the form of contributions to an annuity owned by the Company and payable to Mr. Herbert or his estate upon death, retirement or termination of employment.

Mr. Herbert did not participate in the approval of his own compensation, but did participate in discussion of the Company's performance for fiscal 2003 and the determination of bonuses for other executive officers of the Company.

By the Compensation Committee

Herbert D. Doan (Chairman)

Jack C. Parnell

Robert M. Book

### AUDIT COMMITTEE REPORT

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the Company's financial matters. The Board of Directors has adopted and approved a charter for the Audit Committee. Under the charter, the duties and responsibilities of the Audit Committee include:

1. the annual review and recommendation to the Company's Board of Directors of the appointment or retention of the Company's independent auditors.
2. determination of the independence of the Company's independent auditors
3. review of the Company's significant accounting policies and internal controls, and
4. review of the audited financial statements with management and the independent auditors and providing advice to the Company's Board of Directors as the financial statements to be included in the Company's Form 10-K.

At the Board of Directors meeting on October 9, 2002, Mr. Thomas Reed and Dr. Gordon Guyer were reappointed as committee members and Mr. Robert Book was appointed as a committee member. Mr. Reed was appointed as Audit Committee chairman. The Board of Directors has determined that all members of the Audit Committee are independent.

Following is the report of the Audit Committee:

Under the guidance of a written charter adopted by the Board of Directors, that was included with the proxy materials for the 2002 annual meeting of shareholders, the Audit Committee is responsible for overseeing the Company's financial reporting process on behalf of the Board of Directors.

The Company's management has the primary responsibility for the system of internal controls and the financial reporting process. The Company's independent auditors have the responsibility to express an opinion on the financial statements based on an audit conducted in accordance with auditing standards generally accepted in the United States of America. The Audit Committee has the responsibility to monitor and oversee these processes.

In fulfilling these responsibilities, the Audit Committee recommends to the Board of Directors the selection of the Company's independent auditors. The recommended and selected firm for 2003 was Ernst & Young (E&Y). The Audit Committee discussed with E&Y its independence from the Company and management, including the matters in Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).

Additionally, consideration was given to whether non-audit services provided by E&Y were compatible with maintaining the auditors independence.

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Without management present the Audit Committee met separately with E&Y to review the results of the audit, their evaluation of the Company's internal controls and the quality of the Company's accounting and financial reporting. The Committee reviewed and discussed the Company's audited financial statements with management and E&Y. Management and E&Y represented that the Company's audited financial statements were fairly stated in accordance with generally accepted accounting principles. The matters covered by Statement on Auditing Standards No. 61 (Communications with Audit Committees) were discussed with E&Y.

Following these actions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended May 31, 2003 for filing with the United States Securities and Exchange Commission.

By the Audit Committee

Thomas H. Reed (Chairman)

Dr. Gordon E. Guyer

Robert M. Book

### **Stock Performance Graph**

The following line graph compares for the fiscal years ended May 31, 1999, 2000, 2001, 2002 and 2003(i) the yearly cumulative total shareholder return on the Company's common stock with (ii) the cumulative total return of the NASDAQ Non Financial Index and with (iii) a Peer Group Index. The Peer Group consists of Strategic Diagnostics Corporation, Idexx Laboratories, Inc., Meridian Biosciences Inc., ImmuCell Corporation, and Embrex, Inc.

### **Compliance with Section 16(a) of the Securities Exchange Act of 1934**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission (SEC) initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten-percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with during the two fiscal years ended May 31, 2003 except for one Form 4 for Dr. Leonard Heller and one Form 4 for Dr. Joseph Madden each which were filed late. As of the date hereof the Company is not aware of other failures to file a required report or to file such report on a timely basis.

**OTHER MATTERS**

**Independent Public Accountant**

On January 16, 2003, Neogen Corporation dismissed Deloitte & Touche, LLP (D&T) as its independent auditor. The Audit Committee of the Company's Board of Directors recommended the change of auditors and the change was approved by the Company's Board of Directors.

The reports of D&T on the Company's financial statements for the fiscal years ended May 31, 2002 and 2001 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the Company's two most recent fiscal years, and subsequent interim periods through January 16, 2003, there were no disagreements with D&T on any matter of accounting principles or practice financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of D&T, would have caused it to make reference to such disagreements in its reports, nor were there any reportable events as defined in Regulation S-K Item 304(a)(1)(v).

Following review of proposals from several accounting firms, effective January 16, 2003 the Company engaged Ernst & Young LLP (E&Y) as its independent auditor. During the Company's two most recent fiscal years and subsequent interim periods before engaging E&Y, the Company did not consult E&Y regarding the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, or any matter that was either the subject of a disagreement, or of a reportable event as defined in Regulation S-K Item 304(a)(1)(v).

E&Y has reported on the 2003 consolidated financial statements included in the Annual Report of the Company that accompanies this proxy statement. The Company's independent auditors are appointed by the Board of Directors. Representatives of E&Y are expected to be present at the Annual Meeting of Shareholders and will be available to respond to appropriate questions and will have an opportunity to make a statement at the meeting if they so desire.

**Fees for Audit and Other Services**

During the year ended May 31, 2003, E&Y billed Neogen for its services as follows:

*Audit Fees:* The fees for the 2003 audit of Neogen's consolidated financial statements and review of the third quarter unaudited financial statements were \$74,833.

*Financial Information System Design and Implementation Fees:* None

*Other Accounting Services:* The fees for consulting on accounting and auditing matters were \$4,710.

*Non-audit Services:* The fees for advice on tax matters were \$750.

**Other Proposals**

Neither the Company nor its Board of Directors intends to bring before the Annual Meeting any matters other than those set forth in the Notice of Annual Meeting, and they have no present knowledge that any other matters will be presented for action at the Meeting by others. However, if any other matters properly come before such Meeting, it is the intention of the persons named in the enclosed form of proxy to vote in accordance with their best judgement.

**Neogen Corporation will furnish a copy of its Annual Report on Form 10-K for the year ended May 31, 2003, without exhibits, without charge to each person who forwards a written request including representation that he or she was a shareholder on August 5, 2003 to: Corporate Secretary, Neogen Corporation, 620 Leshar Place, Lansing, Michigan 48912.**

By order of the Board of Directors

Thomas H. Reed

Secretary

Dated: September 2, 2003



## QUARTERLY FINANCIAL INFORMATION

### Notice to Neogen Shareholders

With the start of our 2004 fiscal year (June 1, 2003), Neogen will no longer be printing and distributing regular quarterly reports to our shareholders as we have for many years.

We've found that the vast majority of our shareholders have instant access via the Internet to our quarterly earnings press releases, as well as expanded financial information on our Web site, [www.neogen.com](http://www.neogen.com). The distribution of printed financial results no longer provides the timeliness that investors have come to expect in the Internet age.

If you do not have access to the Internet, or would prefer to receive printed versions of our quarterly financial results, please contact our Investor Relations Manager, Rick Kanaby, at 800/234-5333 or 517/372-9200.

Sincerely,

Richard Current

Vice President & Chief Financial Officer

**PROXY**

**NEOGEN CORPORATION**

**Annual Meeting of Shareholders October 2, 2003**

The undersigned hereby appoints Thomas H. Reed and James L. Herbert, and each of them with full power to appoint his substitute, attorneys and proxies to represent the shareholder and to vote and act with respect to all shares that the shareholder would be entitled to vote on all matters which come before the annual meeting of shareholders of Neogen Corporation referred to above and at any adjournment of that meeting.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. IF THIS PROXY IS PROPERLY EXECUTED, THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATIONS ARE MADE, THE SHARES WILL BE VOTED FOR THE PROPOSAL ON THIS PROXY. THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED IN THE DISCRETION OF THE PROXY HOLDERS ON ANY OTHER MATTER, INCLUDING SUBSTITUTION OF DIRECTOR NOMINEES, WHICH MAY COME BEFORE THE MEETING.

Please date, sign and mail your  
proxy card back as soon as possible!

Annual Meeting of Shareholders

NEOGEN CORPORATION

October 2, 2003

Please Detach and Mail in Envelope Provided

x Please mark your  
votes as in this

example.

|                          | FOR | WITHHELD | Nominees:       |
|--------------------------|-----|----------|-----------------|
| 1. ELECTION OF DIRECTORS | ..  | ..       | Lon M. Bohannon |

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Herbert D. Doan

Gordon E. Guyer Ph.D.

To withhold authority to vote for any individual nominee(s) write his or their names in the following space:

---

SIGNATURE(S) \_\_\_\_\_

TITLE \_\_\_\_\_

DATE \_\_\_\_\_, 2003

NOTE: Please sign exactly as your name appears on this proxy. If signed for estates, trusts, or corporations, title or capacity should be stated. If shares are held jointly, each holder should sign.