

WEIGHT WATCHERS INTERNATIONAL INC

Form DEF 14A

April 09, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(RULE 14a-101)**

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

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**WEIGHT WATCHERS INTERNATIONAL, INC.**

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No fee required.

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**WEIGHT WATCHERS INTERNATIONAL, INC.**

**11 Madison Avenue, 17<sup>th</sup> Floor**

**New York, New York 10010**

**Corporate Website: [www.weightwatchersinternational.com](http://www.weightwatchersinternational.com)**

**NOTICE OF 2009 ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held on May 11, 2009**

The 2009 Annual Meeting of Shareholders of Weight Watchers International, Inc. (the Company) will be held at The Carlton Hotel, 88 Madison Avenue, New York, New York 10016 on Monday, May 11, 2009, at 10:00 a.m. Eastern Time (the 2009 Annual Meeting), to consider and act upon each of the following matters:

1. The election of the three nominees named in the attached Proxy Statement as members of the Board of Directors to serve for a three-year term as Class II directors;
2. The ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending January 2, 2010; and
3. Such other business as may properly come before the meeting and any adjournments or postponements thereof.

These items of business are more fully described in the attached Proxy Statement. Only shareholders of record at the close of business on March 31, 2009, the record date, are entitled to notice of, and to vote at, the 2009 Annual Meeting and at any adjournments or postponements of the 2009 Annual Meeting.

By Order of the Board of Directors

JEFFREY A. FIARMAN

Executive Vice President,

General Counsel and Secretary

New York, New York

April 9, 2009

**Important Notice Regarding the Availability of Proxy Materials  
for the 2009 Annual Meeting of Shareholders to Be Held on May 11, 2009**

**The Proxy Statement and the Annual Report to Shareholders are  
available at [www.weightwatchersinternational.com](http://www.weightwatchersinternational.com).**

For (i) the date, time, location and information on how to obtain directions to attend the 2009 Annual Meeting, (ii) information on how to vote in person at the 2009 Annual Meeting, and (iii) an identification of the matters to be voted upon at the 2009 Annual Meeting and the Board of Director s recommendations regarding those matters, please see the section entitled Information About the 2009 Annual Meeting of Shareholders and Voting in the attached Proxy Statement.

WHETHER OR NOT YOU EXPECT TO ATTEND THE 2009 ANNUAL MEETING OF SHAREHOLDERS, PLEASE VOTE BY USING THE INTERNET OR TELEPHONE BY FOLLOWING THE INSTRUCTIONS IN THE PROXY STATEMENT AND ON THE ENCLOSED PROXY CARD OR COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ASSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY CARD IS MAILED IN THE UNITED STATES.

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**WEIGHT WATCHERS INTERNATIONAL, INC.**

**11 Madison Avenue, 17<sup>th</sup> Floor**

**New York, New York 10010**

**PROXY STATEMENT**

**FOR THE 2009 ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held on May 11, 2009**

The Board of Directors of Weight Watchers International, Inc. is soliciting proxies for the 2009 Annual Meeting of Shareholders to be held at The Carlton Hotel, 88 Madison Avenue, New York, New York 10016 on Monday, May 11, 2009 at 10:00 a.m. Eastern Time. This Proxy Statement and the accompanying proxy card contain information about the items you will vote on at the 2009 Annual Meeting of Shareholders.

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**BASIS OF PRESENTATION**

Weight Watchers International, Inc. is a Virginia corporation with its principal executive offices in New York, New York. In this Proxy Statement, unless the context indicates otherwise: we, us, our and the Company refers to Weight Watchers International, Inc. and all of its subsidiaries consolidated for purposes of its financial statements, including WeightWatchers.com, Inc. and all of its subsidiaries; Weight Watchers International refers to Weight Watchers International, Inc. and all of its subsidiaries other than WeightWatchers.com, Inc. and subsidiaries of WeightWatchers.com, Inc.; WeightWatchers.com refers to WeightWatchers.com, Inc. and all of its subsidiaries; and NACO refers to our North American Company-owned meeting operations. Our fiscal year ends on the Saturday closest to December 31<sup>st</sup> and consists of either 52- or 53-week periods. For example, fiscal 2009 consists of a 53-week period. In this Proxy Statement:

fiscal 2006 refers to our fiscal year ended December 30, 2006;

fiscal 2007 refers to our fiscal year ended December 29, 2007;

fiscal 2008 refers to our fiscal year ended January 3, 2009; and

fiscal 2009 refers to our fiscal year ended January 2, 2010.





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**INFORMATION ABOUT THE 2009 ANNUAL MEETING OF SHAREHOLDERS AND VOTING**

**The Board of Directors of Weight Watchers International, Inc. is soliciting proxies to be voted at the 2009 Annual Meeting of Shareholders (the 2009 Annual Meeting), to be held at The Carlton Hotel, 88 Madison Avenue, New York, New York 10016 on Monday, May 11, 2009 at 10:00 a.m. Eastern Time, and at any adjournment or postponement thereof. You may obtain directions to the 2009 Annual Meeting by contacting our investor relations department at 212-589-2751. This Proxy Statement and the accompanying proxy card contain information about the items you will vote on at the 2009 Annual Meeting. It is anticipated that this Proxy Statement and the accompanying proxy card will be first mailed to shareholders on or about April 9, 2009.**

**Who is entitled to vote?**

As of the close of business on March 31, 2009 (such date and time, the Record Date), there were 76,988,659 shares of Common Stock, no par value per share, of the Company (the Common Stock) outstanding. If you are a shareholder of record or a beneficial owner of Common Stock on the Record Date, you are entitled to receive notice of and to vote at the 2009 Annual Meeting and at any and all adjournments or postponements of the 2009 Annual Meeting. You are entitled to one vote for each share of Common Stock you hold as a shareholder of record or as beneficial owner for each matter presented for vote at the 2009 Annual Meeting.

**What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

If your shares are registered directly in your name with the Company's transfer agent, Computershare Trust Company, N.A., you are considered the shareholder of record with respect to those shares, and these proxy materials are being sent directly to you by the Company. As the shareholder of record, you have the right to grant your proxy to the Company or to vote in person at the 2009 Annual Meeting. The Company has enclosed a proxy card for you to use.

If your shares are held in a brokerage or trustee account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded by a broker, trustee or nominee to you together with a vote instruction form.

**If I am a shareholder of record of the Company's shares, how do I vote?**

If you are a shareholder of record, you may vote in person at the 2009 Annual Meeting. We will give you a ballot when you arrive. If you do not wish to vote in person or if you will not be attending the 2009 Annual Meeting, you may vote as follows:

1. Over the Internet: go to [www.investorvote.com/WTW](http://www.investorvote.com/WTW);
2. By toll-free telephone: call 1-800-652-VOTE (8683); or
3. By mail: mark, sign, date and promptly mail the enclosed proxy card in the postage-paid envelope.

Any proxy may be revoked at any time prior to its exercise at the 2009 Annual Meeting.

**If I am a beneficial owner of shares held in street name, how do I vote?**

As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote and are also invited to attend the 2009 Annual Meeting. Since a beneficial owner is not the shareholder of record, you may not vote these shares in person at the 2009 Annual Meeting unless you obtain and present at the 2009 Annual Meeting a legal proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the 2009 Annual Meeting. Your broker, trustee or nominee will send you separate instructions describing the procedure for voting your shares.

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If you do not wish to vote in person at the 2009 Annual Meeting, you may vote by proxy. Subject to and in accordance with the instructions provided by your broker, trustee or nominee, you may vote by proxy in one of the following manners: over the Internet, by telephone or by mail.

### **Why is there information regarding the Internet availability of proxy materials?**

Pursuant to rules adopted by the Securities and Exchange Commission (the "SEC"), we provide access to our proxy materials over the Internet. Accordingly, our Notice of 2009 Annual Meeting of Shareholders (the "Notice") includes information regarding the Internet availability of our proxy materials to our shareholders of record and beneficial owners.

### **How can I get electronic access to the proxy materials?**

You can view our proxy materials for the 2009 Annual Meeting on the Internet at our website at [www.weightwatchersinternational.com](http://www.weightwatchersinternational.com).

### **What happens if I do not give specific voting instructions?**

*Shareholders of Record.* If you are a shareholder of record and you indicate when voting on the Internet or by telephone that you wish to vote as recommended by our Board of Directors, or if you sign and return the enclosed proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by our Board of Directors on all matters presented in this Proxy Statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the 2009 Annual Meeting.

*Beneficial Owners of Shares Held in Street Name.* If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the New York Stock Exchange ("NYSE") rules, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. We encourage you to provide voting instructions to the organization that holds your shares. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform our Inspector of Election that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a "broker non-vote." Under current NYSE interpretations, we believe that neither Proposal 1 (Election of Class II Directors) nor Proposal 2 (Ratification of Selection of Independent Registered Public Accounting Firm) is considered a non-routine matter.

### **How can I revoke my proxy or change my vote?**

You may revoke your proxy or change your voting instructions before your proxy is exercised at the 2009 Annual Meeting:

1. If you are a shareholder of record, by (a) voting on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the 2009 Annual Meeting will be counted), (b) timely delivering a written revocation or a valid, later-dated proxy to the Corporate Secretary of the Company at the address of the Company's principal executive offices, or (c) attending the 2009 Annual Meeting and voting in person; or
2. If you are the beneficial owner of shares held in street name, by submitting new voting instructions by contacting your broker, trustee or nominee, or as otherwise provided in the voting instructions provided to you.

### **How many shares must be present or represented to constitute a quorum for the 2009 Annual Meeting?**

The presence of a majority of the outstanding shares, in person or represented by proxy, of the Common Stock entitled to vote at the 2009 Annual Meeting constitutes a quorum. A quorum is necessary in order to

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conduct business at the 2009 Annual Meeting. Abstentions, withheld votes in the election of directors and broker non-votes are counted as present for purposes of determining a quorum. If a quorum is not present, the 2009 Annual Meeting will be rescheduled for a later date.

### **What is the voting requirement to approve each of the proposals?**

*Proposal No. 1 Election of Class II Directors.* Directors are elected by a plurality of the votes cast, in person or by proxy, at the 2009 Annual Meeting. This means that the three nominees to be Class II directors receiving the highest number of affirmative votes at the 2009 Annual Meeting will be elected as Class II directors for a three-year term. A withhold vote in the election of directors will have the same effect as an abstention. A withhold vote will not have any effect on the outcome of the election of directors.

*Proposal No. 2 Ratification of Selection of Independent Registered Public Accounting Firm.* The selection of PricewaterhouseCoopers LLP ( PricewaterhouseCoopers ) as our independent registered public accounting firm for fiscal 2009 will be ratified if the votes cast, in person or by proxy, at the 2009 Annual Meeting for ratification exceed the number of votes cast against ratification. Abstentions will have no effect on the proposal to ratify the selection of PricewaterhouseCoopers.

*Other Matters.* Any other matters that may properly come before the 2009 Annual Meeting will generally require that the votes cast for must exceed the votes cast against. If any other matter not discussed in this Proxy Statement properly comes before the 2009 Annual Meeting upon which a vote may be taken, shares represented by all proxies received by the Company will be voted on that matter in accordance with the discretion of the persons named as proxy holders. Abstentions will have no effect on the proposal to approve any such other matter.

### **How does the Board of Directors recommend that I vote?**

The Board of Directors recommends that you vote your shares FOR each of the nominees for Class II director to the Board of Directors (Proposal 1) and FOR the ratification of the selection of PricewaterhouseCoopers as our independent registered public accounting firm for fiscal 2009 (Proposal 2).

### **How are votes counted?**

Representatives of our transfer agent, Computershare Trust Company, N.A., will tabulate the vote and act as Inspector of Election. The vote will be certified by our Inspector of Election. Except as necessary to meet legal requirements, proxies and ballots that identify the vote of individual shareholders will be kept confidential in cases where shareholders write comments on their proxy cards or in a contested proxy solicitation. During the proxy solicitation period, the Company will receive vote tallies from time to time from the Inspector of Election, but such tallies will provide aggregate figures rather than names of shareholders.

### **Who will bear the cost of soliciting votes for the 2009 Annual Meeting?**

The Company will bear the entire cost of this proxy solicitation, including the preparation, printing and mailing of this Proxy Statement, the proxy card and any additional soliciting materials sent by the Company to shareholders. The Company will reimburse brokerage firms and other persons representing beneficial owners of shares for reasonable expenses incurred by them in forwarding proxy-soliciting materials to such beneficial owners. In addition to solicitations by mail, certain of the Company's directors, officers and regular employees, without additional remuneration, may solicit proxies on our behalf by telephone, e-mail, facsimile or personal interviews.

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### **How can shareholders communicate with the Board of Directors?**

Shareholders who want to communicate with the Board of Directors or any individual director can write to them at Weight Watchers International, Inc., Attention: Corporate Secretary, 11 Madison Avenue, 17<sup>th</sup> Floor, New York, New York 10010. In any such communication, an interested person may also designate a particular audience, including a committee of the Board of Directors, such as the Audit Committee, the non-management directors as a group, or the director designated to preside over the meetings of the non-management directors. The letter should indicate that you are a shareholder. Depending on the subject matter, our Corporate Secretary will: (i) forward the communication to the director or directors to whom it is addressed; (ii) attempt to handle the inquiry directly, for example when the request is for information about the Company or is a stock-related matter; or (iii) not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic. At each Board of Directors meeting, a member of management will present a summary of all communications received since the last meeting that were not forwarded to the director or directors to whom they were addressed, and shall make those communications available to the Board of Directors upon request.

Our Board of Directors encourages shareholders who are interested in communicating directly with our independent directors as a group to do so by writing to the independent directors in care of our Corporate Secretary. Shareholders can send communications by mail to: Weight Watchers International, Inc., Attention: Corporate Secretary, 11 Madison Avenue, 17<sup>th</sup> Floor, New York, New York 10010. Shareholder correspondence received addressed to our independent directors will be reviewed by our Corporate Secretary or his designee, who will regularly forward to our independent directors all correspondence that, in the opinion of our Corporate Secretary, deals with the functions of the Board of Directors or committees thereof or that our Corporate Secretary otherwise determines requires their attention. Our independent directors may at any time review a log of all correspondence received by the Company that is addressed to the independent members of the Board of Directors and request copies of any such correspondence.

### **When do we anticipate mailing the proxy materials to shareholders?**

It is anticipated that this Proxy Statement and the accompanying proxy card will be first mailed to shareholders on or about April 9, 2009.

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**PROPOSAL NO. 1**

**ELECTION OF CLASS II DIRECTORS**

Our Board of Directors is currently divided into three classes, with members of each class holding office for staggered three-year terms (in all cases subject to election and qualification of their successors and until the earlier of their death, resignation or removal). The following individuals are our current directors and serve for the terms indicated:

*Class II Directors (term expiring in 2009)*

Marsha Johnson Evans

Sacha Lainovic

Christopher J. Sobecki

*Class III Directors (term expiring in 2010)*

Philippe J. Amouyal

David P. Kirchhoff

Kimberly Roy Tofalli

*Class I Directors (term expiring in 2011)*

Raymond Debbane

John F. Bard

Jonas M. Fajgenbaum

The Board of Directors has nominated for election at the 2009 Annual Meeting as Class II directors to serve until the 2012 annual meeting of shareholders and until their successors have been duly elected and qualified, the following slate of three nominees: Marsha Johnson Evans, Sacha Lainovic and Christopher J. Sobecki. Each of the Class II director nominees is currently serving as a director of the Company and was elected by the shareholders at the Company's 2006 annual meeting of shareholders.

Unless authority to vote for the election of any or all of the nominees is withheld by marking the proxy card to that effect, the proxies named in the enclosed proxy card will, upon receipt of a properly executed proxy card, vote to elect Ms. Evans, Mr. Lainovic and Mr. Sobecki as Class II directors for a term expiring at the 2012 annual meeting of shareholders and until their successors have been elected and qualified. Except as described above, the Board of Directors knows of no reason why these nominees should be unable or unwilling to serve, but if that should be the case, proxies will be voted for the election of such substitutes as the Board of Directors may designate.

Set forth below are the names and certain information with respect to each of the persons nominated to serve as a Class II director of the Company.

**Background Information on Nominees**

Background information about each of the persons nominated to serve as Class II directors for a three-year term expiring at the 2012 annual meeting of shareholders and until their successors have been elected and qualified is as follows:

*Marsha Johnson Evans.* Ms. Evans has been a director since February 2002. Ms. Evans served as President and Chief Executive Officer of the American Red Cross, the preeminent humanitarian organization in the United States, from August 2002 to December 2005, and previously served as the National Executive Director of Girl Scouts of the U.S.A. from January 1998 to July 2002. A retired Rear Admiral in the United

States Navy,

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Ms. Evans has served as superintendent of the Naval Postgraduate School in Monterey, California from 1995 to 1998 and headed the Navy's worldwide recruiting organization from 1993 to 1995. Ms. Evans received a B.A. from Occidental College and a Master's Degree from the Fletcher School of Law and Diplomacy at Tufts University. Ms. Evans is a director of Huntsman Corporation, Lehman Brothers Holdings, Inc., Office Depot Inc., the Naval Academy Foundation and the Ladies Professional Golf Association.

*Sacha Lainovic.* Mr. Lainovic has been a director since our acquisition by Artal Luxembourg S.A. on September 29, 1999. Since 2007, Mr. Lainovic has been Managing Partner of Invus Financial Advisors, LLC, a New York-based investment firm, which he co-founded. From 1985 to 2006, Mr. Lainovic was Executive Vice President of The Invus Group, LLC, which he co-founded. Prior to forming The Invus Group, LLC in 1985, Mr. Lainovic was a manager and consultant for The Boston Consulting Group in Paris, France. He holds an M.B.A. from Stanford Graduate School of Business and an M.S. in engineering from Insa de Lyon in Lyon, France.

*Christopher J. Sobecki.* Mr. Sobecki has been a director since our acquisition by Artal Luxembourg S.A. on September 29, 1999. Mr. Sobecki, a Managing Director of The Invus Group, LLC, joined the firm in 1989. He received an M.B.A. from Harvard Business School. He also obtained a B.S. in Industrial Engineering from Purdue University. Mr. Sobecki is a director of Lexicon Pharmaceuticals, Inc., NitroMed Inc. and a number of private companies of which affiliates of Artal Luxembourg S.A. or Invus, L.P. are shareholders.

**The Board of Directors recommends that you vote FOR the election of  
each of the Class II director nominees.**



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**PROPOSAL NO. 2**

**RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED**

**PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers to serve as the Company's independent registered public accounting firm for fiscal 2009. Representatives of PricewaterhouseCoopers are expected to be present at the 2009 Annual Meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Ratification by the shareholders of the selection of the independent registered public accounting firm is not required, but the Board of Directors believes that it is desirable to submit this matter to the shareholders. If the selection of PricewaterhouseCoopers is not approved at the meeting, the Audit Committee will investigate the reason for the rejection and reconsider the appointment.

**The Board of Directors recommends that you vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal 2009.**

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**CORPORATE GOVERNANCE**

**BOARD OF DIRECTORS AND COMMITTEES**

**Board of Directors**

Our Board of Directors is comprised of nine members. The Board of Directors is divided into three classes, equal in number, with each director serving a three-year term and one class being elected at each year's annual meeting of shareholders.

The Board of Directors held 10 meetings in fiscal 2008. Each of the directors attended at least 90% or more of the meetings of the Board of Directors and all committees of the Board of Directors on which he or she served that were held during fiscal 2008. It is the Board of Directors policy that directors should attend our 2009 Annual Meeting absent exceptional cause. All of our current directors attended the Company's 2008 annual meeting of shareholders.

**Directors of Weight Watchers International**

Set forth below in the section entitled *Executive Officers and Directors of the Company* are the names and certain information with respect to each of our current directors.

**Corporate Governance Guidelines**

We have adopted Corporate Governance Guidelines for our officers, directors and employees, which include guidelines for determining director independence and qualifications for directors. All of the Company's corporate governance materials, including the Corporate Governance Guidelines and committees of the Board of Directors' charters, are available on the Corporate Governance page of our website at [www.weightwatchersinternational.com](http://www.weightwatchersinternational.com). In addition, shareholders may request a free copy of our Corporate Governance Guidelines from Weight Watchers International, Inc., Attention: Corporate Secretary, 11 Madison Avenue, 17<sup>th</sup> Floor, New York, New York 10010, (212) 589-2700. The Board of Directors regularly reviews corporate governance developments and modifies its Corporate Governance Guidelines and committee charters as warranted.

**Committees of the Board of Directors**

The standing committees of the Board of Directors consist of the Audit Committee and the Compensation and Benefits Committee (the Compensation Committee). Due to the beneficial ownership by Artal Group, S.A. (together with its parent and its subsidiaries, Artal) of more than 50% of our outstanding Common Stock, we are considered a controlled company as defined in the listing standards of the NYSE. As such, we have elected to be exempt from the requirements to have nominating/corporate governance and compensation committees composed entirely of independent directors and to have a majority of independent directors on our Board of Directors.

***Audit Committee***

We have an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act), the rules and regulations of the SEC and the listing standards of the NYSE. The current members of the Audit Committee are Mr. Bard, Ms. Evans and Ms. Roy Tofalli. Mr. Reed resigned from the Board of Directors effective as of the end of the first quarter of fiscal 2008 (i.e., March 29, 2008) and his vacancy on the Audit Committee was filled by Ms. Roy Tofalli effective as of the beginning of the second quarter of fiscal 2008 (i.e., March 30, 2008). The Audit Committee held 10 meetings during fiscal 2008.

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The principal duties of the Audit Committee are as follows:

to oversee that our management has maintained the reliability and integrity of our accounting policies and financial reporting and our disclosure practices;

to oversee that our management has established and maintained processes to ensure that an adequate system of internal controls is functioning;

to oversee that our management has established and maintained processes to ensure our compliance with all applicable laws, regulations and corporate policy;

to prepare an annual performance evaluation of the Audit Committee;

to establish and maintain procedures for the receipt, retention and treatment of complaints received by us, from any source, regarding accounting, internal accounting controls or auditing matters, and from our employees for the confidential anonymous submission of concerns regarding questionable accounting or auditing matters;

to assist the Board of Directors in its oversight of the integrity of our financial statements;

to review the earnings press release prior to the release of earnings and to review our annual and quarterly financial statements prior to their filing;

to oversee the performance of our independent registered public accounting firm and to retain or terminate the independent registered public accounting firm and approve all audit and non-audit engagement fees and terms;

to review, at least annually, the qualifications, performance and independence of our independent registered public accounting firm; and

in consultation with the independent accountants, management and the internal auditors, to review the integrity of the Company's financial reporting processes, both internal and external.

The Audit Committee has the power to investigate any matter brought to its attention within the scope of its duties and to retain counsel for this purpose where appropriate.

The Board of Directors has determined that each of the Audit Committee members, Mr. Bard, Ms. Evans and Ms. Roy Tofalli, is (and Mr. Reed, who resigned from the Board effective as of March 29, 2008, was) an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K of the Exchange Act, has satisfied the financial literacy requirements of the NYSE and has no direct or indirect material relationship with us and thus is independent under applicable listing standards of the NYSE, Rule 10A-3 under the Exchange Act and our Corporate Governance Guidelines. The Audit Committee operates under a written charter, which is available on our website at [www.weightwatchersinternational.com](http://www.weightwatchersinternational.com). In addition, shareholders may request a free copy of the Audit Committee Charter from: Weight Watchers International, Inc., Attention: Corporate Secretary, 11 Madison Avenue, 17<sup>th</sup> Floor, New York, New York 10010, (212) 589-2700.

## ***Compensation Committee***

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The members of the Compensation Committee are Mr. Debbane, Mr. Amouyal and Mr. Bard. The Compensation Committee held 9 meetings during fiscal 2008.

The principal duties of the Compensation Committee are as follows:

to establish and review the overall compensation philosophy of the Company;

to review and approve corporate goals and objectives relevant to the chief executive officer's and other executive officers' compensation, including annual performance objectives;

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to evaluate the performance of the chief executive officer and other executive officers in light of these criteria and, based on such evaluation, review and approve the annual salary, bonus, equity-based incentive compensation and other benefits, direct and indirect, of the chief executive officer and other executive officers;

to review and make recommendations to the full Board of Directors with respect to the Company's equity-based plans, and oversee the activities of the individuals responsible for administering those plans;

to review and recommend to the full Board of Directors compensation of directors as well as directors' and officers' indemnification and insurance matters;

to review and make recommendations to the full Board of Directors with respect to, or approve, employee pension, profit sharing and benefit plans; and

to prepare recommendations and periodic reports to the Board of Directors concerning these matters.

The day-to-day administration of savings plans, profit sharing plans, stock plans, health, welfare and paid time-off plans and policies applicable to salaried employees in general are handled by the Company's human resources, finance and legal department employees. The responsibility for certain fundamental changes outside the day-to-day requirements necessary to maintain these plans and policies belongs to the Compensation Committee. The Compensation Committee operates under a written charter, which is available on our website at [www.weightwatchersinternational.com](http://www.weightwatchersinternational.com). In addition, shareholders may request a free copy of the Compensation Committee Charter from: Weight Watchers International, Inc., Attention: Corporate Secretary, 11 Madison Avenue, 17<sup>th</sup> Floor, New York, New York 10010, (212) 589-2700.

For additional information on the Compensation Committee's activities, its use of outside advisors and its consideration and determination of executive compensation, see *Compensation Discussion and Analysis*.

### **Compensation Committee Interlocks and Insider Participation**

The Compensation Committee consists of Mr. Debbane, Mr. Amouyal and Mr. Bard. There were no Compensation Committee interlocks or insider (employee) participation during fiscal 2008.

### **Director Nominations**

Because the Board of Directors believes that all of the directors of the Company should be involved in the process of nominating persons for election as directors and the Company is not required to have a nominating committee under the listing standards of the NYSE as described above under *Committees of the Board of Directors*, the Board of Directors as a whole performs the functions of a nominating committee and is responsible for reviewing the requisite skills and characteristics of the nominees for the Board of Directors.

### **Identifying and Evaluating Nominees for Directors**

The Board of Directors will consider candidates for nomination as a director recommended by shareholders, current directors, officers, third-party search firms and other sources. In evaluating candidates, the Board of Directors considers the attributes of the candidate, including, but not limited to, minimum individual qualifications, including integrity, accountability, experience and an ability to work collegially with the other members of the Board of Directors. In addition, the Board of Directors will take into account all other factors it considers appropriate, including a candidate's skills and experience, legal and regulatory requirements and the needs of the Board of Directors. The Board of Directors will review all candidates in the same manner, regardless of the source of the recommendation. The Board of Directors will consider individuals recommended by shareholders for nomination as a director in accordance with the procedures described below. The Board of Directors may engage consultants or third party search firms to assist in identifying and evaluating potential candidates. While the Board of Directors has not adopted a separate charter setting forth the guidelines for its nomination duties, the guidelines for determining director independence and qualifications for directors are described in Articles II and III of our Corporate Governance Guidelines.



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### **Procedures for Submitting Director Recommendations and Nominations**

The Company's Amended and Restated Bylaws (the "Bylaws") provide that shareholders may nominate persons for election as directors at the Company's shareholders meeting by giving timely written notice to the Corporate Secretary of the Company containing required information. The Bylaws require that, to be timely and proper, notice of a nomination by a shareholder must be personally delivered to, or mailed to and received at, the Company's principal executive offices as follows: (a) for elections to be held at an annual meeting of shareholders, at least 120 days and no more than 150 days before the first anniversary of the date of the proxy statement in conjunction with the annual meeting of shareholders for the prior year; (b) if the date of the annual meeting is more than 30 days earlier or later than the anniversary date of the prior year's annual meeting, notice must be received not less than 60 days prior to such annual meeting; and (c) for elections that are going to take place at a special meeting of shareholders, no later than the close of business on the seventh day after the day on which notice of the date of the special meeting is first given to shareholders. Notwithstanding the foregoing, so long as Artal owns a majority of our Common Stock, notice by Artal shall be timely and proper if delivered in writing or orally at least five business days prior to the date the Company mails its proxy statement in connection with the annual meeting of shareholders.

In notifying the Corporate Secretary, the shareholder should provide the following information: (i) the name and the address of the shareholder making the submission, as they appear on the Company's stock transfer books, and the name, age and business (and, if known, residential address) of the candidate to be considered; (ii) a representation by the shareholder that the shareholder is a shareholder of record and intends to appear in person or by proxy at the meeting to nominate the candidate; (iii) the class or series and number of shares of the Company's stock that are beneficially owned by the shareholder making the submission and by the candidate; (iv) a description of all arrangements or understandings between the shareholder and the candidate and any other person (naming such person) pursuant to which such nomination is to be made by such shareholder; (v) an executed written consent of the candidate to be named in the proxy statement as a nominee and to serve as a director of the Company if so elected; (vi) the principal occupation or employment of the candidate; and (vii) any other information relating to the candidate required to be disclosed in accordance with the Bylaws and the Exchange Act. The foregoing information should be submitted to the Board of Directors through Weight Watchers International, Inc., Attention: Corporate Secretary, 11 Madison Avenue, 17<sup>th</sup> Floor, New York, New York 10010, (212) 589-2700.

### **Director Independence**

Three of our nine directors, Mr. Bard, Ms. Evans and Ms. Roy Tofalli are (and Mr. Reed, who resigned from the Board of Directors effective as of March 29, 2008, was) independent under applicable listing standards of the NYSE and our Corporate Governance Guidelines. For a director to be considered independent, the Board of Directors must determine that the director does not have any direct or indirect material relationship with the Company. The Board of Directors has established guidelines to assist it in determining director independence, which conform to the independence requirements in the NYSE listing standards. In addition to applying these guidelines, which are set forth in Article II of our Corporate Governance Guidelines, the Board of Directors will consider all relevant facts and circumstances in making an independence determination.

All members of the Audit Committee must be independent directors based on our Corporate Governance Guidelines and under the listing standards of the NYSE. Members of the Audit Committee must also satisfy a separate SEC independence requirement pursuant to Rule 10A-3 under the Exchange Act, which provides that they may not (i) accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries other than their directors' compensation, and (ii) be an affiliate of the Company. The Board of Directors has determined that each of the Audit Committee members, Mr. Bard, Ms. Evans and Ms. Roy Tofalli (and Mr. Reed, who resigned from the Board of Directors effective as of March 29, 2008), has no material relationship with us and satisfies the independence requirements under our Corporate Governance Guidelines, the listing standards of the NYSE and Rule 10A-3 under the Exchange Act.

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### **Code of Business Conduct and Ethics**

We have adopted a Code of Business Conduct and Ethics for our officers, including our principal executive officer, principal financial officer, principal accounting officer and controller, and our employees and directors. Our Code of Business Conduct and Ethics is available on our website at [www.weightwatchersinternational.com](http://www.weightwatchersinternational.com). In addition, shareholders may request a free copy of the Code of Business Conduct and Ethics from Weight Watchers International, Inc., Attention: Corporate Secretary, 11 Madison Avenue, 17<sup>th</sup> Floor, New York, New York 10010, (212) 589-2700.

In addition to any disclosures required under the Exchange Act, the date and nature of any amendment of our Code of Business Conduct and Ethics or waiver thereof applicable to any of our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K of the Exchange Act, will be disclosed on our website at [www.weightwatchersinternational.com](http://www.weightwatchersinternational.com) within four business days of the date of such amendment or waiver. In the case of a waiver, the nature of the waiver, the name of the person to whom the waiver was granted and the date of the waiver will also be disclosed on our website within four business days of the date of such waiver.

### **Executive Sessions of Non-Management Directors**

Non-management directors meet in executive sessions of the Board of Directors in which management directors and other members of management do not participate. These sessions are periodically scheduled for non-management directors at meetings of the Board of Directors. The Chairman of the Board, Mr. Debbane, presides over the meetings of the non-management directors. In addition, the directors who are independent under applicable listing standards of the NYSE and our Corporate Governance Guidelines hold executive sessions at least once a year. Ms. Evans presided over these sessions in fiscal 2008.



**Table of Contents****EXECUTIVE OFFICERS AND DIRECTORS OF THE COMPANY**

Set forth below are the names, ages, and current positions with us as of March 31, 2009 of our executive officers and directors. Directors are elected at the annual meeting of shareholders. Executive officers are appointed by, and hold office at, the discretion of the directors.

<b>Name</b>	<b>Age</b>	<b>Position</b>
David P. Kirchhoff	42	President and Chief Executive Officer, Director
Ann M. Sardini	58	Chief Financial Officer
Steven C. McCormick	46	President, North America
Michael Basone	51	President, WeightWatchers.com and Chief Technology Officer
Melanie Stack (Stubbing)	47	President, International
Jeffrey A. Fiarman	40	Executive Vice President, General Counsel and Secretary
Raymond Debbane <sup>(1)</sup>	54	Chairman of the Board
Philippe J. Amouyal <sup>(1)</sup>	50	Director
John F. Bard <sup>(1)(2)</sup>	68	Director
Marsha Johnson Evans <sup>(2)</sup>	61	Director
Jonas M. Fajgenbaum	36	Director
Sacha Lainovic	52	Director
Kimberly Roy Tofalli <sup>(2)</sup>	50	Director
Christopher J. Sobecki	50	Director

(1) Member of our Compensation Committee.

(2) Member of our Audit Committee.

*David P. Kirchhoff.* Mr. Kirchhoff has been a director and our Chief Executive Officer and President since December 31, 2006. Mr. Kirchhoff has served and continues to serve as the Chief Executive Officer of WeightWatchers.com since rejoining WeightWatchers.com in June 2004. He also served as President of WeightWatchers.com from June 2004 until April 2008 and our Chief Operating Officer, Europe and Asia from September 2005 until December 2006. Prior to rejoining WeightWatchers.com, Mr. Kirchhoff served as Chief Financial Officer of the Enthusiast Media Group of Primedia, Inc., a print and digital content provider, from September 2003 to June 2004. Mr. Kirchhoff originally joined WeightWatchers.com in January 2000 as Senior Vice President, Strategy and Business Development, and served as Chief Financial Officer of WeightWatchers.com from January 2003 until his departure in August 2003. Prior to joining WeightWatchers.com in January 2000, he was Director of Corporate Strategy and Development for Pepsico, Inc. Previously, Mr. Kirchhoff was a manager and consultant with The Boston Consulting Group in Washington, D.C. He holds a B.S. in Biomedical and Electrical Engineering from Duke University and an M.B.A. from the University of Chicago Graduate School of Business.

*Ann M. Sardini.* Ms. Sardini has served as our Chief Financial Officer since April 2002 when she joined us. Ms. Sardini has over 20 years of experience in senior financial management positions in branded media and consumer products companies. Prior to joining us, she served as Chief Financial Officer of VitaminShoppe.com, Inc. from 1999 to 2001, and from 1995 to 1999 she served as Executive Vice President and Chief Financial Officer for the Children's Television Workshop. In addition, Ms. Sardini has held finance positions at QVC, Inc., Chris Craft Industries and the National Broadcasting Company. Ms. Sardini received a B.A. from Boston College and an M.B.A. from Simmons College Graduate School of Management. Ms. Sardini is a director of TreeHouse Foods, Inc.

*Steven C. McCormick.* Mr. McCormick has served as our President, North America since November 2008. Prior to joining us, Mr. McCormick was the President and Chief Operating Officer of Odwalla, Inc. from January 2003 to November 2008. Odwalla, Inc. is a natural health beverage company and a wholly-owned subsidiary of The Coca-Cola Company. Previously, Mr. McCormick held a range of increasingly significant operational and leadership positions at Coca-Cola Enterprises Inc., a global marketer, producer and distributor of The Coca-Cola Company. Mr. McCormick holds a B.S. in Business Administration from Winthrop University.

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*Michael Basone.* Mr. Basone has served as our President, WeightWatchers.com and Chief Technology Officer since April 2008. Prior to that time, Mr. Basone served as the Chief Technology Officer of WeightWatchers.com, Inc. from January 2002 to April 2007 and our Executive Vice President, Global Technology and Operations, from May 2007 to March 2008. Prior to joining us, Mr. Basone was with Modem Media Inc., an interactive advertising and web site development agency, where he served as Managing Director of the Marketing Platforms Practice from April 2001 to January 2002 and Vice President, Strategic Engineering, from February 2000 to April 2001. Previously, Mr. Basone served as Executive Vice President, Chief Operating Officer and Chief Information Officer of Warrantech Corporation from 1994 to January 2000. He holds a B.S. in Management from La Salle University.

*Melanie Stack (Stubbing).* Ms. Stubbing has served as our President, International since August 2008. During the period from December 2003 to July 2008, Ms. Stubbing served as our Senior Vice President of Operations, United Kingdom. Ms. Stubbing ran the U.K.-based toy, game and trading card operations for Hasbro, Inc. from January 2002 to November 2003. From November 2000 to January 2002, Ms. Stubbing served as the Vice President for WeightWatchers.com, Inc. Prior to joining WeightWatchers.com, Ms. Stubbing was Managing Director, Hedstrom, U.K. from August 1998 to October 2000, and from July 1989 to July 1998 she held various marketing positions at Mattel UK Ltd., including Group Marketing Director. Ms. Stubbing is a business graduate of Manchester Metropolitan University.

*Jeffrey A. Fiarman.* Mr. Fiarman has served as our Executive Vice President, General Counsel and Secretary since May 2006. Prior to that time, Mr. Fiarman served as our Vice President and Associate General Counsel from July 2005 to May 2006 and as General Counsel of WeightWatchers.com since June 2000. He has also been Secretary of WeightWatchers.com since July 2000 and Senior Vice President of WeightWatchers.com since March 2002. Mr. Fiarman also held the position of Vice President, Business Development of WeightWatchers.com from June 2000 to March 2002. Prior to joining WeightWatchers.com, from September 1993 to May 2000, Mr. Fiarman was an attorney with Gibson, Dunn & Crutcher LLP in Washington, D.C. specializing in corporate and tax law. Mr. Fiarman holds a B.S. in Economics from The Wharton School of the University of Pennsylvania and a J.D. from Columbia University School of Law.

*Raymond Debbane.* Mr. Debbane has been the Chairman of our Board of Directors since our acquisition by Artal on September 29, 1999. Mr. Debbane is a co-founder and President of The Invus Group, LLC. Prior to forming The Invus Group, LLC in 1985, Mr. Debbane was a manager and consultant for The Boston Consulting Group in Paris, France. He holds an M.B.A. from Stanford Graduate School of Business, an M.S. in Food Science and Technology from the University of California, Davis and a B.S. in Agricultural Sciences and Agricultural Engineering from American University of Beirut. Mr. Debbane is a director of Artal Group S.A. and Lexicon Pharmaceuticals, Inc. He is also a director and the Chairman of the Board of Directors of a number of private companies of which Artal or Invus, L.P. are shareholders.

*Philippe J. Amouyal.* Mr. Amouyal has been a director since November 2002. Mr. Amouyal is a Managing Director of The Invus Group, LLC, a position he has held since 1999. Previously, Mr. Amouyal was a Vice President and director of The Boston Consulting Group, Inc. in Boston, MA. He holds an M.S. in engineering and a DEA in Management from Ecole Centrale de Paris and was a Research Fellow at the Center for Policy Alternatives of the Massachusetts Institute of Technology. Mr. Amouyal is a director of Lexicon Pharmaceuticals, Inc. and a number of private companies of which Artal or Invus, L.P. are shareholders.

*John F. Bard.* Mr. Bard has been a director since November 2002. From 1999 to 2008, Mr. Bard was a director of the Wm. Wrigley Jr. Company, where he served as Executive Vice President from 1999 to 2000, Senior Vice President from 1990 to 1999, and at the same time serving as Chief Financial Officer from 1990 until his retirement from management in 2000. He began his business career in 1963 with The Procter & Gamble Company in financial management. He subsequently was Group Vice President and Chief Financial Officer and a director of The Clorox Company and later President and a director of Tambrands, Inc., prior to joining Wrigley. Mr. Bard holds a B.S. in business from Northwestern University and an M.B.A. in Finance from the University of Cincinnati.

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*Marsha Johnson Evans.* Ms. Evans has been a director since February 2002. Ms. Evans served as President and Chief Executive Officer of the American Red Cross, the preeminent humanitarian organization in the United States, from August 2002 to December 2005, and previously served as the National Executive Director of Girl Scouts of the U.S.A. from January 1998 to July 2002. A retired Rear Admiral in the United States Navy, Ms. Evans has served as superintendent of the Naval Postgraduate School in Monterey, California from 1995 to 1998 and headed the Navy's worldwide recruiting organization from 1993 to 1995. Ms. Evans received a B.A. from Occidental College and a Master's Degree from the Fletcher School of Law and Diplomacy at Tufts University. Ms. Evans is a director of Huntsman Corporation, Lehman Brothers Holdings, Inc., Office Depot Inc., the Naval Academy Foundation and the Ladies Professional Golf Association.

*Jonas M. Fajgenbaum.* Mr. Fajgenbaum has been a director since our acquisition by Artal on September 29, 1999. Mr. Fajgenbaum is a Managing Director of The Invus Group, LLC, which he joined in 1996. Prior to joining The Invus Group, LLC, Mr. Fajgenbaum was a consultant for McKinsey & Company in New York from 1994 to 1996. He graduated with a B.S. from the Wharton School of Business and a B.A. in Economics from the University of Pennsylvania. Mr. Fajgenbaum is a director of a number of private companies of which Artal or Invus, L.P. are shareholders.

*Sacha Lainovic.* Mr. Lainovic has been a director since our acquisition by Artal on September 29, 1999. Since 2007, Mr. Lainovic has been Managing Partner of Invus Financial Advisors, LLC, a New York-based investment firm, which he co-founded. From 1985 to 2006, Mr. Lainovic was Executive Vice President of The Invus Group, LLC, which he co-founded. Prior to forming The Invus Group, LLC in 1985, Mr. Lainovic was a manager and consultant for The Boston Consulting Group in Paris, France. He holds an M.B.A. from Stanford Graduate School of Business and an M.S. in engineering from Insa de Lyon in Lyon, France.

*Kimberly Roy Tofalli.* Ms. Roy Tofalli has been a director since March 30, 2008. Ms. Roy Tofalli has been the President of Lauren Brands for the Polo Ralph Lauren Corporation since June 2003. Prior to joining the Polo Ralph Lauren Corporation, Ms. Roy Tofalli was the President of Ann Taylor Stores, Inc. from April 2001 to February 2003. From June 1996 to April 2001, Ms. Roy Tofalli served in various senior retail and merchandising positions at Liz Claiborne, Inc., the latest being Group President for Liz Claiborne, Inc. Prior to joining Liz Claiborne, Inc., Ms. Roy Tofalli held various merchandising positions for Associated Merchandising Corporation and Abraham & Straus. Ms. Roy Tofalli received her B.S. from Skidmore College.

*Christopher J. Sobecki.* Mr. Sobecki has been a director since our acquisition by Artal on September 29, 1999. Mr. Sobecki, a Managing Director of The Invus Group, LLC, joined the firm in 1989. He received an M.B.A. from Harvard Business School. He also obtained a B.S. in Industrial Engineering from Purdue University. Mr. Sobecki is a director of Lexicon Pharmaceuticals, Inc., NitroMed Inc. and a number of private companies of which Artal or Invus, L.P. are shareholders.

**Table of Contents****PRINCIPAL ACCOUNTANT FEES AND SERVICES****Audit Fees**

Audit fees for fiscal 2008 and fiscal 2007 were for professional services rendered by PricewaterhouseCoopers in connection with its (i) integrated audits of our consolidated financial statements and internal control over financial reporting as of and for fiscal 2008 and fiscal 2007, including statutory audits of the financial statements of our subsidiaries, (ii) reviews of our unaudited consolidated interim financial statements as of and for each of the quarterly interim periods within fiscal 2008 and fiscal 2007, and (iii) reviews of documents filed with the SEC.

**Audit-Related Fees**

The audit-related fees for fiscal 2008 and fiscal 2007 were for professional services rendered by PricewaterhouseCoopers related to the issuance of various special reports.

**Tax Fees**

Tax fees for fiscal 2008 and fiscal 2007 were for services rendered by PricewaterhouseCoopers primarily related to tax compliance and international tax planning and strategies.

**All Other Fees**

All other fees for fiscal 2008 and fiscal 2007 were for services rendered by PricewaterhouseCoopers primarily related to assistance with U.K. statutory account filings and other miscellaneous professional services.

All audit-related services, tax services and other services were pre-approved by the Audit Committee, which concluded that the provision of such services by PricewaterhouseCoopers was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee's Audit and Non-Audit Services Pre-Approval Policy provides for pre-approval of audit, audit-related and tax services by category so long as such services are specifically described to the Audit Committee on an annual basis (*e.g.*, in the engagement letter) (general pre-approval). In addition, individual engagements that have not received general pre-approval and/or are anticipated to exceed pre-established thresholds must be separately approved in advance on a case-by-case basis (specific pre-approval). The Audit Committee is mindful of the relationship between fees for audit and non-audit services in deciding whether to pre-approve any such services and may choose to determine, for a particular year, an appropriate ratio between the total amount of fees for audit, audit-related and tax services and the total amount of fees for certain permissible non-audit services classified as all other fees. The policy authorizes the Audit Committee to delegate to one or more of its members pre-approval authority with respect to permitted services. In its Audit and Non-Audit Services Pre-Approval Policy, the Audit Committee delegated specific pre-approval authority to its chairperson, provided that the estimated fee for any such proposed pre-approval service does not exceed \$50,000. Pursuant to this delegation, the chairperson must report any pre-approval decision to the Audit Committee at the next regularly scheduled meeting.

**Principal Accountant Fees and Services**

Aggregate fees for professional services rendered to us by PricewaterhouseCoopers for fiscal 2008 and fiscal 2007:

	Fiscal 2008	Fiscal 2007
Audit Fees	\$ 1,989,700	\$ 2,135,000
Audit-Related Fees	3,800	5,000
Tax Fees	285,600	403,000
All Other Fees	58,000	74,500
<b>Total Fees</b>	<b>\$ 2,337,100</b>	<b>\$ 2,617,500</b>



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**AUDIT COMMITTEE REPORT**

The following is the report of the Audit Committee of the Board of Directors with respect to the Company's audited financial statements for fiscal 2008.

The Audit Committee is governed by the Audit Committee Charter adopted by the Company's Board of Directors. Our Board of Directors has determined that each member of the Audit Committee, John F. Bard, Marsha Johnson Evans and Kimberly Roy Tofalli, is an independent director based on Rule 10A-3 of the Exchange Act, the listing standards of the NYSE and our Corporate Governance Guidelines and is an audit committee financial expert as defined by SEC rules.

The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors. The Audit Committee has met, reviewed and discussed the Company's audited financial statements with management, which has primary responsibility for the financial statements and the reporting process, including the system of internal controls. In this context, the Audit Committee has held discussions with management and PricewaterhouseCoopers LLP (PricewaterhouseCoopers), the Company's independent registered public accounting firm for fiscal 2008, regarding the fair and complete presentation of the Company's financial position and results of operations in accordance with accounting principles generally accepted in the United States of America and regulations of the SEC. The Audit Committee also has held discussions with management and PricewaterhouseCoopers regarding the effectiveness of the Company's internal control over financial reporting in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee has discussed significant accounting policies applied by the Company in its financial statements, as well as alternative treatments. Management has represented to the Audit Committee that the Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. PricewaterhouseCoopers is responsible for expressing an opinion on the conformity of the Company's financial statements with accounting principles generally accepted in the United States of America. The Audit Committee has also discussed with PricewaterhouseCoopers the matters required to be discussed by Statement of Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1 AU Section 380) and as adopted by the Public Company Accounting Oversight Board in Rule 3200T, which includes, among other items, matters related to the conduct of the annual audit of the Company's financial statements.

In addition, the Audit Committee has received the written disclosures and the letter from PricewaterhouseCoopers required by the applicable requirements of the Public Company Accounting Oversight Board, regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm its independence. The Audit Committee has also considered whether the independent registered public accounting firm's provision of non-audit services to the Company is compatible with the auditor's independence. The Audit Committee has concluded that PricewaterhouseCoopers is independent from the Company and its management. The Audit Committee has pre-approved all fiscal 2008 audit and permissible non-audit services and the fees associated with those services. Further, the Audit Committee has discussed with PricewaterhouseCoopers the overall scope and plans for the audit.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors, and the Board of Directors approved, that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for fiscal 2008.

The Audit Committee has selected PricewaterhouseCoopers as the Company's independent registered public accounting firm for fiscal 2009, and the Board of Directors has approved submitting such selection to the shareholders for ratification.

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The report is being provided by the following independent directors who constituted the Audit Committee as of March 19, 2009, the date of the approval of this Audit Committee Report by the Audit Committee.

Respectfully submitted,

The Audit Committee

John F. Bard, Chair

Marsha Johnson Evans

Kimberly Roy Tofalli

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**COMPENSATION COMMITTEE REPORT**

The Compensation and Benefits Committee has reviewed and discussed the section entitled *Compensation Discussion and Analysis* with management. Based on the review and discussion, the Compensation Committee recommended to the Board of Directors that the section entitled *Compensation Discussion and Analysis* be included in the Company's Annual Report on Form 10-K for fiscal 2008 and in this Proxy Statement.

Respectfully submitted,

Compensation and Benefits Committee

Raymond Debbane, Chair

Philippe J. Amouyal

John F. Bard

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

This discussion explains the Company's executive compensation program with respect to fiscal 2008 as it relates to the following named executive officers:

David P. Kirchhoff	President and Chief Executive Officer
Ann M. Sardini	Chief Financial Officer
Michael Basone	President, WeightWatchers.com and Chief Technology Officer
Melanie Stack (Stubbing)	President, International
Jeffrey A. Fiarman	Executive Vice President, General Counsel and Secretary

This discussion has three sections. In the first section, we discuss our approach to executive compensation, including our philosophy, objectives and general policies as they relate to the named executive officers. In the second section, we discuss specific practices as they relate to the five elements of our executive compensation program. In the third section, we provide analysis of decisions regarding compensation for the named executive officers with respect to fiscal 2008.

**Executive Compensation Approach**

***Our Philosophy, Objectives and Principles***

The Company's executive compensation philosophy is to attract, motivate and retain exceptionally talented executives who are passionate about the Company's mission to help consumers manage their weight in a healthy, sensible, efficacious and sustainable manner. In furtherance of this philosophy, our executive compensation program is designed to achieve three key objectives:

**Attract, Motivate and Retain Exceptional Talent.** Ensure that executive compensation serves to attract, motivate and retain exceptionally talented executives critical to our near- and long-term success.

**Pay for Performance.** Align executive compensation with performance measures that ensure a strong connection between executive compensation and both (i) Company and individual performance on near- and long-term strategic and financial goals, and (ii) creation of shareholder value.





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**Living Company Values.** Ensure that executive compensation directly supports the eight key Company values tied to our organizational success that the named executive officers, as well as all of our employees everywhere, need to demonstrate and adhere to on a daily basis in the performance of their duties.

The following principles guide us in developing executive compensation programs and setting total compensation levels for executives:

Compensation levels should be closely tied to the performance and success of the Company as well as the executive's contribution to the Company's performance and success.

Compensation programs should offer an opportunity for greater compensation for exceptional and superior performance, balanced by the risk of lower compensation when performance is less successful.

While incentivizing strong Company performance and success, compensation programs should not encourage excessive risk taking.

The mix and level of compensation for an executive should reflect the importance of the executive to the Company, competition for that executive's talent, and relative levels of compensation for other executives at the Company.

### ***Elements of Executive Compensation***

In furtherance of our compensation philosophy and in order to achieve the three objectives listed above, for the Company's executive compensation program in fiscal 2008, we used the following compensation elements:

Base salary;

Annual, performance-based cash bonus;

Long-term equity incentive compensation such as stock options and restricted stock units, or RSUs;

Retirement and deferred compensation plans, and agreements defining when termination payments are payable upon a change of control of the Company; and

Benefits and perquisites.

These elements combine to promote the Company's compensation philosophy and achieve the Company's compensation objectives as described above. Base salary, retirement and deferred compensation plans, change of control termination payments, and perquisites and other benefits provide a basic level of compensation that helps attract, motivate and retain exceptional executives. Increases in base salary and annual, performance-based cash bonuses reward achievement of annual goals important to the Company's near- and long-term financial and strategic success and the executive's adherence to, and demonstration of, the Company's values. Equity-based incentive compensation aligns an executive's compensation directly with the creation of shareholder value by rewarding performance as well as serves as a form of compensation to motivate and to help retain the executive over time.

For senior executives, including the named executive officers, the Company believes that variable compensation such as equity-based and performance-based compensation should be a higher percentage of total compensation than for less senior executives. We feel that this type of compensation relates most directly to achievement of business, strategic and financial objectives and goals and to building shareholder value, and the performance of senior executives has a strong and direct impact on achieving these objectives and goals.

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In making decisions with respect to any element of an executive's compensation, the Company considers the total current compensation that may be awarded to the executive, including base salary, annual bonus and long-term equity incentive compensation. The Company's goal is to award compensation that is reasonable in relation to the Company's compensation philosophy and objectives when all elements of potential compensation are considered.

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### ***Competitive Considerations***

The Company is a unique, global organization that operates and recruits across diverse markets and types of business lines and necessarily must make each compensation decision in the context of the particular situation, including the characteristics of the executive's specific role, responsibilities, qualifications and experience. The Company takes into account general information about the competitive market for talent, but because of the uniqueness and mix of business in which the Company is engaged, the Company believes that strict benchmarking against a select group of companies does not provide a meaningful basis for establishing compensation. Therefore, the Company does not attempt to maintain a specific target percentile with respect to a specific list of peer or benchmark companies in determining compensation for senior executives, including named executive officers. However, the Company does periodically review information regarding compensation trends and levels from a variety of sources in making compensation decisions. These sources vary depending on the position as well as geography. These sources include broad public company indexes and resources and market data provided by outside executive recruiting and consulting firms, such as Hewitt Associates.

### ***Policy Regarding Executive Stock Ownership***

The Company has no formal policy regarding stock ownership or retention by the Company's named executive officers. However, the Company encourages the named executive officers to retain ownership of a significant portion of the equity-based incentive compensation that they have been awarded. The Company encourages this equity retention so that our key executives' interests are more closely aligned with the interests of our shareholders.

### ***Determination of Executive Compensation***

#### ***Roles and Responsibilities***

The Compensation Committee determines the compensation for each of the named executive officers. All three Compensation Committee members are non-management directors of the Company. From time to time during the fiscal year, the Compensation Committee reviews the base salary, bonus, equity-based incentive compensation and other material benefits, direct and indirect, of the named executive officers.

The chief executive officer does not participate in the Compensation Committee's deliberations or decisions with regard to his compensation. At the Compensation Committee's request, the chief executive officer reviews the performance of the other named executive officers. No other senior executive, except the Company's principal human resources executive, has any regular input into executive compensation decisions. The Compensation Committee gives consideration, when determining appropriate executive compensation, to the named executive officer's impact on the Company's results, scope of responsibility, past accomplishments, data on prevailing compensation levels, prior experience and other similar factors. The Compensation Committee also gives considerable weight to the chief executive officer's evaluation of the other named executive officers because of his direct knowledge of each executive's performance, responsibilities and contributions. For each named executive officer, the Compensation Committee members determine each component of compensation based on their assessment of the executive's achievement of his or her individual performance goals and objectives as well as the Company's overall achievement of its goals and objectives.

From time to time, the Compensation Committee has engaged outside executive recruiting and consulting firms, such as Hewitt Associates, to review aspects of the executive compensation program for the Company's executives. No member of the Compensation Committee or any named executive officer has any affiliation with Hewitt Associates or any of the other outside human resources consulting firms the Compensation Committee has engaged. The Compensation Committee periodically seeks input from these outside consulting firms on a range of external market factors, including evolving compensation trends, appropriate comparison companies and market survey data. These outside consulting firms also provide general observations on the Company's compensation programs, but do not determine or recommend the amount or form of compensation for any

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executive. The Compensation Committee has the ultimate authority to engage compensation consultants. In fiscal 2008, the Compensation Committee did not engage an outside executive recruiting and consulting firm to review aspects of the executive compensation program for the Company's executives.

Unless specifically required by law or local practice, the Company generally does not employ senior executives pursuant to employment agreements. Other than Ms. Stubbing, who has an employment agreement in accordance with local practice in the United Kingdom, none of the named executive officers has an employment agreement with the Company.

### ***Base Salary***

The objective of base salary is to provide fixed compensation to an executive that reflects his or her job responsibilities and performance. Base salary is determined for the named executive officers by the Compensation Committee based on its subjective evaluation of a variety of factors, including the executive's position, level and scope of responsibility, prior experience, past accomplishments, and data on prevailing competitive compensation levels.

Base salary levels are reviewed and approved by the Compensation Committee annually as part of the Company's performance review process as well as upon a promotion or other change in job responsibilities. Base salary levels are based on the Compensation Committee's evaluation of the individual's strengths, development and expected future contributions with respect to the goals and objectives relevant to the individual's compensation, including individual performance, as well as the Company's overall financial performance and other general economic factors in the marketplace such as inflation. In addition, the Compensation Committee compares the base salaries of the named executive officers to ensure internal equity. Prior to fiscal 2008, this review typically took place mid-fiscal year. Beginning in fiscal 2008, this review took place in the first fiscal quarter.

### ***Annual Performance-Based Cash Bonus***

The Company's executive compensation program provides for a variable cash bonus that is linked to annual performance. The objective of this compensation element is to compensate executives annually based on the achievement of specific individual and Company annual performance objectives.

Each named executive officer's annual cash bonus is determined as a percentage of the executive's base salary. As with base salary, the Compensation Committee determines each named executive officer's annual target bonus percentage based on its subjective evaluation of a variety of factors, including the executive's position, level and scope of responsibility, and data on prevailing competitive compensation levels. From time to time, the Compensation Committee reviews executives' annual target bonus percentages and may make adjustments based on the Compensation Committee's evaluation of an executive's strengths, development and expected future contributions, changes in the executive's responsibilities, internal pay equity and competitive compensation information.

Each year, the target cash bonus payout of each named executive officer, except the Company's chief executive officer, may be over- or under-achieved based on a combination of the achievement of the Company's financial performance goals in the fiscal year and the named executive officer's performance during the fiscal year against his or her individual performance goals. In fiscal 2008, for the chief executive officer, the Company's overall financial performance for the fiscal year determined 100% of his annual, performance-based cash bonus. In fiscal 2008, for the other named executive officers, except Mr. Basone and Ms. Stubbing, the Company's overall performance for the fiscal year determined 75% of the individual's annual, performance-based cash bonus at target and the individual's performance rating determined the remaining 25% of the annual, performance-based cash bonus at target. In fiscal 2008, for Mr. Basone, a combination of the Company's overall performance (50%) and the performance of the WeightWatchers.com business (50%) for the fiscal year

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determined 75% of his annual, performance-based cash bonus at target and his individual performance determined the remaining 25% at target. In fiscal 2008, for Ms. Stubbing, a combination of the Company's overall performance (33%) and the United Kingdom's performance (67%) for the fiscal year determined 75% of her annual, performance-based cash bonus at target and her individual performance determined the remaining 25% at target.

For each fiscal year, each named executive officer receives an annual, performance-based cash bonus payment between 0% and 200% of his or her target bonus percentage amount, determined and computed based on the financial performance goal rating applicable to the executive for the fiscal year and the executive's individual performance rating for the fiscal year.

*Determination of Financial Performance Goal Rating*

The Compensation Committee establishes the financial performance goals each year based on the Company's target operating income objectives in the Company's internal annual operating plan. The Compensation Committee has selected these performance goals because they are important indicators of the Company's financial performance during the fiscal year and shareholder value. The Compensation Committee reserves the ability to adjust either the financial performance goals or the target operating income objectives to exclude the effects of extraordinary, unusual or infrequently occurring events or changes in accounting principles.

Upon completion of the fiscal year, the Compensation Committee assesses the performance of the Company against the Company's financial performance goals by comparing the actual fiscal year results to the pre-determined target operating income objectives. A rating between 0% and 200% for the portion of each named executive officer's annual cash bonus determined by the Company's achievement of its financial performance goals is determined based on the following scale:

**Range of Financial Performance Goal Ratings**

<b>Percentage of Target Operating Income Achieved during Fiscal Year</b>	<b>Financial Performance Goal Rating</b>
75% or less	0%
90%	50%
100%	100%
115% and greater	200%

The financial performance goal rating for a percentage of the operating income achieved for the fiscal year that falls between target percentages of operating income set forth above are calculated on a proportional, sliding scale between the target percentages. For example, if the Company achieves 95% of its target operating income for the fiscal year, the financial performance goal rating for the named executive officer would be 75%.

The Compensation Committee establishes the financial performance goals so that the minimum performance level is reasonably likely to be achieved, while the target financial performance goals are more challenging. In recent fiscal years, the Company has met, exceeded and not achieved the target financial performance goals.

*Determination of Individual Performance Rating*

All named executive officers, other than the chief executive officer, have individual performance goals for each fiscal year. Individual performance goals are set by the chief executive officer during the first quarter of each fiscal year and vary depending on the Company's business and strategic plan and objectives and each executive's individual responsibilities.

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Achieving the target individual performance goal for all individual performance objectives would yield a rating of 100%. However, performance may be over- or under-achieved by the named executive officer. A named executive officer can receive an individual performance rating between 0% and 200% for the portion of his or her annual cash bonus determined by the executive's individual performance. If a named executive officer fails to achieve an individual performance rating of at least 65%, he or she is not eligible for any annual, performance-based cash bonus regardless of whether the Company achieves greater than 75% of the applicable target financial performance goals for the year. Typically, the chief executive officer initially determines the individual performance rating for the other named executive officers. This rating is then reviewed by the Compensation Committee when it approves the named executive officers' annual, performance-based cash bonuses.

### *Payout of Annual Performance-Based Cash Bonus*

After the close of a fiscal year, the Compensation Committee determines and approves the amount of the annual, performance-based cash bonus to be paid to each named executive officer. The payout typically occurs in March of the fiscal year following the fiscal year to which the annual, performance-based cash bonus relates. There is no provision for the adjustment or recovery of a cash bonus paid to a named executive officer if the results in a previous year are subsequently restated or adjusted in a manner that would have originally resulted in a smaller or larger bonus. However, the annual cash bonus is not paid until after the completion of the annual audit of the Company's financial statements by the Company's independent registered public accounting firm for the applicable fiscal year.

### *Long-Term Equity Incentive Compensation*

The Compensation Committee may periodically award named executive officers stock options, RSUs and/or other equity-based awards. The principal objective of the Company's long-term equity-based incentive compensation program is to align compensation for named executive officers over a multi-year period directly with the interests of shareholders of the Company. The Company believes that granting equity-based awards provides named executive officers with a strong financial incentive to maximize shareholder returns over the longer term. The Company also believes that the practice of granting equity-based awards is important in retaining and recruiting the key talent necessary to ensure the Company's continued success.

### *Mix of Equity Incentive Compensation*

The Company's long-term equity incentive compensation typically takes the form of a mix of non-qualified stock option and RSU awards. These two vehicles reward shareholder value creation in slightly different ways. Stock options (which have exercise prices equal to the average of the closing price of our Common Stock on the grant date and the four previous trading days on the NYSE) reward named executive officers only if the stock price increases in comparison to the exercise price on the date of grant. Thus, stock options directly reward creation of shareholder value after the grant date. RSUs (which vary in value depending on the stock price of the Company's Common Stock prior to vesting) are impacted by all stock price changes, so the value to named executive officers is affected by both increases and decreases in stock price from the market price at the date of grant. Although an RSU's value may increase or decrease with changes in the stock price during the period before vesting, it will have value in the long-term, encouraging retention, as well as rewarding shareholder value creation. In fiscal 2006, long-term equity incentive compensation of named executive officers took the form of RSU awards and, in fiscal 2007 and fiscal 2008, it took the form of a combination of non-qualified stock option and RSU awards. The Compensation Committee currently believes that a mixture of stock options and RSUs is the most appropriate form of long-term equity incentive compensation to award our executives. The Compensation Committee may in the future adjust this mix of award types or approve different award types as part of the further development of its long-term equity incentive compensation program.

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### *Stock Option Awards Generally*

The vesting of stock options is generally time-based and differs depending on whether the award is an annual award, a hiring award or a special award, as described below. Generally, option vesting rights cease upon termination of employment, death or disability, and exercise rights cease one year after the holder's termination for death or disability, ninety days after a holder's termination for reasons other than for cause, death or disability, and immediately upon a termination for cause. Upon a termination for cause or a transfer in violation of the underlying terms and conditions of the award, all options, whether vested or unvested, generally terminate. In addition, stock options generally vest and become exercisable immediately prior to a change of control, and terminate within five to ten years from date of grant depending on the type of award. Prior to the exercise of a stock option, the holder has no rights as a shareholder with respect to the shares subject to such option, including voting rights and the right to receive dividends or dividend equivalents.

### *RSU Awards Generally*

The vesting of RSUs is generally time-based and differs depending on whether the award is an annual award, a hiring award or a special award, as described below. Generally, upon a termination of a holder's employment or a transfer in violation of the underlying terms and conditions of the award, all vesting in the holder's RSUs shall cease and the unvested portion of the RSUs shall be cancelled without payment. However, RSUs generally immediately vest on the first to occur of (i) the vesting date, (ii) a change of control, (iii) death of the holder and (iv) the date the holder's employment with the Company is terminated due to permanent disability. In addition, prior to the vesting of an RSU, the holder has no rights as a shareholder with respect to the shares subject to such RSU, including voting rights, except that the holder has the right to receive accrued dividend equivalents upon the date the RSU vests.

### *Types of Awards*

*Annual Awards.* Annual awards may consist of stock options, RSUs or a combination of both. Stock options granted generally have three-year cliff vesting with respect to annual awards and are not subject to Company performance targets. RSUs granted generally have three-year cliff vesting with respect to annual awards and are not subject to performance targets. Prior to fiscal 2006, annual awards constituting stock options generally terminated on the fifth anniversary of their grant date. Starting in fiscal 2007, annual awards constituting stock options generally terminate on the tenth anniversary of their grant date. The Company's practice is to grant annual awards in March of each year.

*Hiring Awards.* Hiring awards may consist of stock options or a combination of RSUs and stock options. Generally, stock options and RSUs granted vest and become exercisable in annual increments of 20% a year over five years. Newly-hired named executive officers receive their award of stock options and RSUs promptly following their hire with the date of hire generally coinciding with the date of award. Hiring awards constituting stock options generally terminate on the tenth anniversary of their grant date.

*Special Awards.* From time to time, special awards of stock options, RSUs or a combination of both may be made to certain named executive officers in connection with a promotion or other special circumstance. With respect to stock options and RSUs granted, vesting and exercisability are established at the time the Compensation Committee grants special awards and typically are in the form of annual increments of 20% a year over five years. Special awards constituting stock options generally terminate on the tenth anniversary of their grant date.

*WeightWatchers.com Conversion Awards.* In 2005, in connection with our acquisition of WeightWatchers.com, unvested stock options to purchase WeightWatchers.com common stock were exchanged for RSUs. The RSUs vest quarterly in amounts in accordance with vesting schedules that are based upon the vesting schedules of the original WeightWatchers.com stock option awards.



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### *Equity Grant Procedures*

The Compensation Committee administers our stock plans. The Company's practice is to grant annual equity-based awards at the Compensation Committee's March meeting. Generally, hiring awards for newly-hired named executive officers are granted promptly following their hire with the date of hire coinciding with the grant date of award. Our stock options are granted at an exercise price determined by calculating the average of the closing prices of the shares of our Common Stock on the grant date and the four previous trading days on the NYSE, with all required approvals obtained in advance of or on the actual date of grant. In certain circumstances, this may result in an exercise price in excess of or less than the closing price of the Company's Common Stock on the grant date. All awards to named executive officers require the approval of the Compensation Committee or the Board of Directors.

### *Retirement and Deferred Compensation Plans, Termination Payments and Other Arrangements*

The objectives of the Company's retirement and deferred compensation plans and other retirement arrangements are to help provide financial security into retirement, reward and motivate tenure and retain talent in a competitive market. In addition, the objective of the Company's termination payments to senior executives in the event of a change of control is to motivate certain executives to remain with the Company despite the uncertainty that may arise in the context of change of control situations.

### *Savings Plans*

We sponsor a savings plan for salaried U.S. employees, including our named executive officers resident in the United States. The savings plan is a tax-qualified 401(k) retirement savings plan pursuant to which participants are able to contribute, on a pre-tax basis, up to the lesser of 50% of their eligible earnings and the limit prescribed by the Internal Revenue Service. The Company will match 100% of the first 3% of earnings that is contributed to the savings plan. All participant contributions to the savings plan are fully-vested upon contribution. All matching contributions become vested on the three-year anniversary of the participant's hire date.

We also sponsor a savings plan for salaried U.K. employees, including Ms. Stubbing. Contributions to the plan by participating employees are made on a pre-tax basis. Her Majesty's Revenue & Customs has an annual allowance for the total payments that the employee, employer and any third party can make on the employee's behalf of \$340,703<sup>(1)</sup> for the 2008/2009 tax year. The Company contributes, on Ms. Stubbing's behalf, 9% of her annual base salary, and Ms. Stubbing is required to make a minimum contribution of 2%, to the savings plan. All Company and employee contributions to the savings plan are fully-credited upon contribution.

### *Executive Profit Sharing Plan*

We have also established a non-qualified executive profit sharing plan for key U.S. management personnel, including the named executive officers resident in the United States. The executive profit sharing plan provides for a guaranteed monthly employer contribution for each participant based on the participant's age and the participant's eligible compensation. In addition, the executive profit sharing plan provides for supplemental employer contributions to be made at the discretion of the Company under certain circumstances. Historically our policy has been to make these discretionary supplemental employer contributions. In addition to the employer contributions, the Company will also credit each participant's executive profit sharing account with interest at an annual rate equal to the sum of (a) 2% plus (b) the annualized prime rate, as published in The Wall Street Journal, compounded as of the end of each fiscal month, subject to a cap of 15%.

(1) £235,000 in pounds sterling converted to U.S. dollars using the applicable exchange rate on January 2, 2009.

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The following table sets forth the guaranteed contribution amounts and the historical supplemental contribution amounts based on the age of the participant that typically have been approved:

Age of Named Executive Officer	Guaranteed Contribution of	
	Named Executive Officer's	Historic Supplemental Contribution of Named Executive Officer's
	Eligible Earnings	Eligible Earnings
35-39	2.50%	2.50%
40-44	3.50%	3.50%
45-49	4.50%	4.50%
50-54	5.50%	5.50%
55-59	6.00%	6.00%
60 and Over	6.50%	6.50%

With regard to contributions made for years commencing after December 31, 2006, all contributions to a participant's profit sharing account are fully-vested upon the three-year anniversary of the participant's hire date, and, with regard to contributions made for years commencing before January 1, 2007, upon the five-year anniversary of the participant's hire date. Contributions also fully vest immediately upon the participant reaching the age of 65, becoming disabled or dying or being terminated by the Company without cause.

*Termination Payments upon a Change of Control*

The Company has determined that it is in the best interests of its shareholders to reinforce and encourage the continued attention and dedication of our key executives to their duties, without personal distraction or conflict of interest in circumstances that could arise in connection with any change of control of the Company. Therefore, the Company has entered into continuity agreements with each of the named executive officers and certain other senior executives.

Each agreement has an initial term of three years from the date of execution and continues to renew annually thereafter unless the Company provides 180-day advance written notice to the executive that the term of the agreement will not renew. However, upon the occurrence of a change in control (as defined in the agreement) of us, the term of the agreement may not terminate until the second anniversary of the date of the change in control.

Except for Mr. Basone and Ms. Stubbing, each named executive officer's continuity agreement provides that, among other benefits discussed more fully below in the section entitled *Payments Made Upon a Change of Control Continuity Agreements*, if (a) during the two-year period following a change in control of us, such named executive officer's employment is terminated (other than termination by the Company for cause or by reason of death, disability or retirement), or (b) during the three-month period prior to, but in connection with, or during the two-year period following, a change in control of us, such named executive officer voluntarily terminates his or her employment for good reason, or (c) an agreement is signed which would result in a change in control of us and during the period between the date of the agreement and a change in control of us, such named executive officer's employment is terminated in connection with the change in control (other than termination by the Company for cause or by reason of death, disability or retirement), then he or she is entitled to receive, among certain other payments and benefits, a lump sum cash payment equal to three times the sum of (x) the named executive officer's annual base salary on the date of the change in control (or, if higher, the annual base salary in effect immediately prior to when the notice of termination is given), and (y) the named executive officer's target annual bonus under our bonus plan in respect of the fiscal year in which the termination occurs (or, if higher, the average annual bonus actually earned by the named executive officer in respect of the three full fiscal years prior to the year in which the notice of termination is given). The continuity agreements for Mr. Basone and Ms. Stubbing and certain senior executives who are not named executive officers have similar terms and conditions as described above but entitle the executive to receive, among certain other benefits, a lump sum cash payment equal to two times the sum of (x) the executive's annual base salary on the date of the change in control (or, if higher, the annual base salary in effect immediately prior to the giving of the notice of

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termination), and (y) the executive's target annual bonus under our bonus plan in respect of the fiscal year in which the termination occurs (or, if higher, the average annual bonus actually earned by the executive in respect of the three full fiscal years prior to the year in which the notice of termination is given).

### *Other Retirement, Retention or Severance Arrangements*

The Company has no formal policy regarding retirement arrangements. From time to time, the Compensation Committee or the Board of Directors in its discretion, based upon the nature and circumstances of the individual retiring, has approved retirement arrangements for certain named executive officers. Additionally, the Company has no formal policy regarding severance arrangements. From time to time, the Company has on occasion in its discretion, based upon the nature and circumstances of an individual being hired, has approved separate severance arrangements for certain named executive officers. For example, in accordance with her offer letter dated April 19, 2002, upon termination for any reason other than those set forth in her continuity agreement, Ms. Sardini will receive six months of salary continuation.

### *Benefits and Perquisites*

The Company provides benefits to its salaried employees including health care coverage, life and disability insurance protection, reimbursement for educational expenses, wellness-related allowance and access to favorably priced group insurance coverage. The Company provides these benefits to help alleviate the financial costs and loss of income arising from illness, disability or death, to encourage ongoing education in job-related areas, and to allow employees to take advantage of reduced insurance rates available for group policies. In addition to the benefits provided to salaried employees generally, the Company provides named executive officers with certain perquisites that the Company and the Compensation Committee believe are reasonable and consistent with the Company's overall compensation program to better enable the Company to attract and retain employees for key positions. These perquisites include car allowances, wellness-related reimbursements, and cell phones (which are permitted to be used for personal matters). The Compensation Committee periodically reviews the levels of benefits and perquisites provided to named executive officers.

### **Tax and Accounting Implications**

#### *Excess Parachute Payment Excise Taxes*

If under a continuity agreement (i) it is determined that the payments and benefits provided under the agreement in the aggregate (the "parachute payment") would be subject to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, or to any similar tax, and the aggregate value of the parachute payment exceeds a certain threshold amount calculated under the Internal Revenue Code by 5% or less, then (ii) the parachute payment will be reduced to the extent necessary so that the aggregate value of the parachute payment is equal to an amount that is less than such threshold amount; provided, however, that if the aggregate value of the parachute payment exceeds the threshold amount by more than 5%, then the executive will be entitled to receive an additional payment or payments in an amount such that, after payment by the executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any excise tax imposed upon this payment, the executive retains an amount equal to the excise tax imposed upon the parachute payment.

#### *Internal Revenue Code Section 409A*

If, under the continuity agreements or our stock plans, any payments or benefits that the Company would be required to provide under the continuity agreements or any of our stock plans cannot be provided in the manner contemplated in the continuity agreements or under the applicable plan without subjecting the executive to income tax under Section 409A of the Internal Revenue Code, the Company shall provide such intended payments or benefits to the executive in an alternative manner that conveys an equivalent economic benefit to the executive without materially increasing the aggregate cost to the Company.

**Table of Contents*****Accounting Considerations***

The Compensation Committee also considers the accounting and cash flow implications of various forms of executive compensation. In its financial statements, the Company records salaries and performance-based compensation incentives as expenses in the amount paid, or to be paid, to the named executive officers. Accounting rules also require the Company to record an expense in its financial statements for equity awards, even though equity awards are not paid as cash to employees. The accounting expense of equity awards to employees is calculated in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payments ( FAS 123R ). The Compensation Committee believes, however, that the many advantages of equity-based compensation, as discussed above, more than compensate for the non-cash accounting expense associated with them.

***The Section 162(m) of the Internal Revenue Code \$1 Million Deduction Limit***

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public corporations for compensation over \$1,000,000 paid in any fiscal year to the Company's chief executive officer or to any of up to three other executive officers (excluding the Company's principal financial officer) whose compensation must be included in this Proxy Statement because they are the most highly compensated executive officers. However, the statute exempts qualifying performance-based compensation from the deduction limit if certain requirements are met. Our stock plans currently provide that certain awards may be made in a manner to qualify for this exemption.

**2008 Executive Compensation Determinations**

The following is a discussion of the specific factors considered in determining base salary, annual, performance-based cash bonus, and long-term equity incentive compensation for the named executive officers for fiscal 2008. There were no changes in fiscal 2008 in the policies governing retirement and deferred compensation plans, termination payments upon a change of control of the Company, perquisites or other benefits.

***Base Salary***

The following table identifies actions taken during fiscal 2008 with respect to base salaries of the named executive officers:

<b>Named Executive Officer</b>	<b>Action</b>
David P. Kirchhoff	Increase in annual base salary from \$500,000 to \$675,000 effective April 1, 2008
Ann M. Sardini	Increase in annual base salary from \$390,400 to \$402,103 effective April 1, 2008
Michael Basone	Increase in annual base salary from \$355,004 to \$400,000 effective April 1, 2008
Melanie Stack (Stubbing)	Increase in annual base salary from \$249,366 (£172,000) to \$260,587 (£179,740) effective April 1, 2008, to \$318,956 (£220,000) effective August 1, 2008 <sup>(1)</sup>
Jeffrey A. Fiarman	Increase in annual base salary from \$310,800 to \$350,117 effective April 1, 2008

(1) Amounts shown in pounds sterling were converted to U.S. dollars using the applicable exchange rate on January 2, 2009.

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The Company decided to increase the base salary of Mr. Kirchhoff, Ms. Sardini and Mr. Fiarman effective April 1, 2008. In determining each of their increased base salaries, the Compensation Committee reviewed his or her past performance of his or her job responsibilities and contributions made to the Company, competitive conditions and relationship of his or her compensation to the compensation of other senior executives at the Company and determined that the increase in base salary was appropriate to reward performance, ensure retention, and maintain appropriate compensation differentials among senior executives at the Company.

The Company decided to increase the base salary of Mr. Basone effective April 1, 2008 principally as a result of his promotion to President, WeightWatchers.com and Chief Technology Officer. In determining Mr. Basone's increased base salary, the Compensation Committee reviewed the change in job responsibilities, his performance of his job responsibilities, contributions made to the Company, expected contributions to the Company in the future, and competitive conditions, and determined that the increase in base salary was appropriate in light of his new responsibilities and to reward performance, ensure retention, and maintain appropriate compensation differentials among senior executives at the Company.

The Company decided to increase the base salary of Ms. Stubbing effective April 1, 2008 and August 1, 2008. In determining Ms. Stubbing's increased base salary effective April 1, 2008, the Compensation Committee reviewed her performance of her job responsibilities and contributions made to the Company, competitive conditions and relationship of her compensation to the compensation of other senior executives at the Company, and determined that the increase in base salary was appropriate to reward performance, ensure retention, and maintain appropriate compensation differentials among senior executives at the Company. The Company decided to further increase the base salary of Ms. Stubbing effective August 1, 2008 as a result of her promotion to President, International. In determining Ms. Stubbing's further increased base salary, the Compensation Committee reviewed the change in job responsibilities, her performance of her job responsibilities, contributions made to the Company, expected contributions to the Company in the future, and competitive conditions, and determined that the increase in base salary was appropriate in light of her new responsibilities and to reward performance, ensure retention, and maintain appropriate compensation differentials among senior executives at the Company.

### ***Annual Performance-Based Cash Bonus***

Except for Ms. Stubbing, whose annual target bonus percentage increased from 45% to 60% of her base salary, there were no changes in any of the named executive officer's annual target bonus percentages in fiscal 2008. Ms. Stubbing's increase in annual target bonus percentage was determined by the Compensation Committee in connection with her promotion to President, International upon its review of the change in her job responsibilities, her past performance and the contributions she has made to the Company. With respect to the fiscal 2008 annual, performance-based cash bonus for Mr. Basone, the Compensation Committee determined in March 2009 that his financial performance goal shall be based on a combination of the Company's overall performance (50%) and the performance of the WeightWatchers.com business (50%) due to his promotion to President, WeightWatchers.com and Chief Technology Officer in April 2008. Prior to this determination by the Compensation Committee, Mr. Basone's financial performance goal was based on the Company's overall performance for the fiscal year.

For fiscal 2008, the Company's global financial performance goal was equal to the Company's target operating income, as adjusted by the Compensation Committee to take into account extraordinary, unusual or infrequently occurring events such as the adverse U.K. tax ruling, of \$481.4 million. Reported operating income of the Company for fiscal 2008 was \$425.0 million. Based on the adjusted global financial goal and actual results, the Company achieved a global financial performance goal rating of 44.3% with respect to fiscal 2008. In addition, in fiscal 2008, WeightWatchers.com's financial performance goal rating was 130.5% and the Company's U.K. business's financial performance goal rating was 37.1%.

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The following table shows the annual target bonus percentage, the overall rating and the related actual bonus paid for each of the named executive officers for fiscal 2008:

Named Executive Officer	Target Bonus (as a % of Fiscal Year Base Salary)	Overall Performance- Based Bonus Rating <sup>(1)</sup>	Actual Performance- Based Cash Bonus	Actual Performance- Based Bonus (as a % of Fiscal Year-End Base Salary)
David P. Kirchhoff	75%	44.3	\$ 215,902	32.0%
Ann M. Sardini	60%	59.4	\$ 147,632	36.7%
Michael Basone	50%	94.2	\$ 189,351	47.3%
Melanie Stack (Stubbing)	60%	58.4	\$ 94,888 <sup>(2)</sup>	29.6%
Jeffrey A. Fiarman	50%	62.2	\$ 109,544	31.3%

- (1) Other than with respect to Mr. Kirchhoff, rating determined by a combination of the applicable financial performance goal rating and individual performance goal rating.
- (2) Amount shown was paid in pounds sterling and was converted to U.S. dollars using the applicable exchange rate on March 11, 2009, the date on which Ms. Stubbing's award was approved.

**Long-Term Equity Incentive Compensation**

In determining the size and mix of named executive officers' annual equity grant awards for fiscal 2008, the Compensation Committee reviewed the total current compensation that may be awarded to the executive, the achievement of business, strategic, individual, and financial objectives during the prior fiscal year, competitive conditions, relationship of the executive's compensation to the compensation of other senior executives and determined the size of the award as appropriate to reward and incentivize performance, ensure retention, and maintain appropriate compensation differentials among senior executives. In fiscal 2008, the Compensation Committee decided to grant the following annual awards on March 28, 2008: 45,000 stock options and 3,750 RSUs to Mr. Kirchhoff; 22,500 stock options and 1,875 RSUs to Ms. Sardini; 22,500 stock options and 1,875 RSUs to Mr. Basone; 15,000 stock options and 1,250 RSUs to Ms. Stubbing; and 22,500 stock options and 1,875 RSUs to Mr. Fiarman.

Additionally, to ensure retention and to reward and incentivize performance and creation of shareholder value, as well as in the case of Ms. Stubbing, in connection with her promotion, the Compensation Committee decided to grant the following special awards in fiscal 2008: 11,250 stock options and 938 RSUs to Ms. Sardini on March 14, 2008; 11,250 stock options and 938 RSUs to Mr. Basone on March 14, 2008; and 37,500 stock options and 3,125 RSUs to Ms. Stubbing on July 17, 2008.

**Mix of Compensation Elements**

As discussed above in *Executive Compensation Approach Elements of Executive Compensation*, the Company weights compensation for the named executive officers more toward variable, performance-based compensation. More than 60% of fiscal 2008 total compensation for named executive officers was variable, performance-based (which includes short-term variable performance-based compensation and long-term variable performance-based compensation). As reflected in the Summary Compensation Table, aggregate fiscal 2008 compensation for the named executive officers was allocated as follows:

	Mix of Total Compensation in 2008
Base Salary	31%
Short-Term Variable Performance-Based Compensation <sup>(1)</sup>	11%
Long-Term Variable Performance-Based Compensation <sup>(2)</sup>	51%
Other Compensation <sup>(3)</sup>	7%
Total	100%



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- (1) Represents annual, performance-based cash bonuses under the column *Non-Equity Incentive Plan Compensation* of the *Summary Compensation Table*.
- (2) Represents RSU and stock option awards under the columns *Stock Awards* and *Option Awards*, respectively, of the *Summary Compensation Table*.
- (3) Represents contributions to the savings plans, contributions to and earnings on the executive profit sharing plan, dividend equivalents on RSUs and perquisites and other personal benefits under the columns *Change in Pension Value and Nonqualified Deferred Compensation Earnings* and *All Other Compensation*, as applicable, of the *Summary Compensation Table*.



Table of Contents**SUMMARY COMPENSATION TABLE**

The table below summarizes the total compensation paid to or earned by each of the named executive officers as follows: for fiscal 2008, fiscal 2007 and fiscal 2006 with respect to Mr. Kirchoff, Ms. Sardini and Mr. Fiarman; and for fiscal 2008 with respect to Mr. Basone and Ms. Stubbing.

The named executive officers were not entitled to receive payments which would be characterized as Bonus payments in the fiscal years with respect to which information is provided for each executive. Amounts listed under the column *Non-Equity Incentive Plan Compensation*, were approved by the Compensation Committee in March 2009 with respect to fiscal 2008 and will be paid by March 31, 2009.

Name and Principal Position	Fiscal Year	Salary <sup>(2)</sup>	Bonus	Stock Awards <sup>(3)</sup>	Option Awards <sup>(4)</sup>	Change in Pension Value Non-Equity and Nonqualified Incentive Plan Compensation <sup>(5)</sup>		All Other Compensation	Total
						Earnings <sup>(6)</sup>	Deferred		
<b>David P. Kirchoff</b> President and Chief Executive Officer	2008 <sup>(1)</sup>	\$ 643,558		\$ 626,991	\$ 1,015,039	\$ 215,902	\$ 6,580	\$ 114,711 <sup>(7)</sup>	\$ 2,622,781
	2007	\$ 494,839		\$ 863,828	\$ 854,099	\$ 367,418	\$ 4,062	\$ 77,233	\$ 2,661,479
	2006	\$ 330,007		\$ 668,399	\$ 297,406	\$ 185,727	\$ 729	\$ 50,310	\$ 1,532,578
<b>Ann M. Sardini</b> Chief Financial Officer	2008 <sup>(1)</sup>	\$ 406,865		\$ 179,127	\$ 188,774	\$ 147,632	\$ 25,624	\$ 109,760 <sup>(8)</sup>	\$ 1,057,782
	2007	\$ 377,543		\$ 162,319	\$ 252,790	\$ 230,915	\$ 27,652	\$ 94,477	\$ 1,145,696
	2006	\$ 356,924		\$ 118,887	\$ 493,680	\$ 205,855	\$ 17,486	\$ 88,652	\$ 1,281,484
<b>Michael Basone</b> <sup>(9)</sup> President, WeightWatchers.com and Chief Technology Officer	2008 <sup>(1)</sup>	\$ 396,270		\$ 260,642	\$ 394,773	\$ 189,351	\$ 7,542	\$ 95,752 <sup>(10)</sup>	\$ 1,344,330
<b>Melanie Stack (Stubbing)</b> <sup>(11)</sup> President, International	2008 <sup>(1)</sup>	\$ 365,420		\$ 109,313	\$ 262,563	\$ 94,488	\$	\$ 63,179 <sup>(12)</sup>	\$ 894,963
<b>Jeffrey A. Fiarman</b> Executive Vice President, General Counsel and Secretary	2008 <sup>(1)</sup>	\$ 346,870		\$ 146,619	\$ 372,207	\$ 109,544	\$ 3,344	\$ 59,545 <sup>(13)</sup>	\$ 1,038,129
	2007	\$ 294,216		\$ 123,830	\$ 293,626	\$ 157,038	\$ 2,358	\$ 43,106	\$ 914,174
	2006	\$ 257,116		\$ 211,079	\$ 185,649	\$ 125,183	\$ 490	\$ 36,755	\$ 816,272

(1) Fiscal 2008 consists of a 53-week period.

(2) Amounts shown are not reduced to reflect the named executive officers' elections, if any, to defer receipt of salary into our savings plan for salaried U.S. employees or, in the case of Ms. Stubbing, our savings plan for salaried U.K. employees. Increases in annual base salary for named executive officers for each fiscal year were determined following the beginning of that year. In addition, Ms. Stubbing's annual base salary increased in the third quarter of fiscal 2008 in connection with her promotion to President, International. Therefore, the amounts shown reflect base salary paid at different annual rates during a fiscal year. For additional information on the different annual base salary rates for named executive officers throughout fiscal 2008, see *Compensation Discussion and Analysis 2008 Executive Compensation Determinations Base Salary* above.

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- (3) Stock awards consist solely of awards of RSUs and amounts shown represent the compensation costs for these equity awards for financial reporting purposes under FAS 123R. The FAS 123R estimated grant date fair value for RSUs is based solely on the market value of our Common Stock on the date of grant.
- (4) Amounts shown represent the compensation costs of stock options for financial reporting purposes under FAS 123R. The assumptions made in determining option values with respect to awards granted during fiscal 2008, fiscal 2007 and fiscal 2006 are disclosed in *Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Share-Based Compensation* and Note 10 of the Consolidated Financial Statements in our Annual Report on Form 10-K for fiscal 2008. The assumptions made in determining option values with respect to awards granted during fiscal 2005, fiscal 2004 and fiscal 2003 are disclosed in Note 9 of the Consolidated Financial Statements in our Annual Report on Form 10-K for fiscal 2005.

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- (5) Amounts shown consist solely of the named executive officer's annual, performance-based cash bonus.
- (6) Amounts shown consist solely of the aggregate earnings on the executive profit sharing plan balance for the named executive officer, which include above-market earnings. For information on the applicable interest rate, see *Compensation Discussion and Analysis - Determination of Executive Compensation - Retirement and Deferred Compensation Plans, Termination Payments and Other Arrangements - Executive Profit Sharing Plan* above.
- (7) Amount shown includes \$71,206 in contributions by the Company to the executive profit sharing plan for Mr. Kirchhoff's benefit and \$17,942 of dividend equivalents earned on RSU awards as well as amounts with respect to a car allowance, the payment of cell phone charges and contributions by the Company to its savings plan for salaried U.S. employees for Mr. Kirchhoff's benefit.
- (8) Amount shown includes \$77,406 in contributions by the Company to the executive profit sharing plan for Ms. Sardini's benefit as well as amounts with respect to dividend equivalents earned on RSU awards, a car allowance, the payment of cell phone charges, wellness allowance and contributions by the Company to its savings plan for salaried U.S. employees for Ms. Sardini's benefit.
- (9) Mr. Basone has served as our President, WeightWatchers.com and Chief Technology Officer since April 2008.
- (10) Amount shown includes \$63,634 in contributions by the Company to the executive profit sharing plan for Mr. Basone's benefit and \$12,433 of dividend equivalents earned on RSU awards as well as amounts with respect to a car allowance, the payment of cell phone charges and contributions by the Company to its savings plan for salaried U.S. employees for Mr. Basone's benefit.
- (11) Ms. Stubbing has served as our President, International since August 2008. Ms. Stubbing's Salary, Non-Equity Incentive Plan Compensation and All Other Compensation are paid to her in pounds sterling. These amounts shown were converted to U.S. dollars using the average monthly exchange rate applicable to the month during which such salary or other compensation was earned, except for the amount shown for her Non-Equity Incentive Plan Compensation, which was converted to U.S. dollars using the applicable exchange rate on March 11, 2009, the date on which her award was approved.
- (12) Amount shown includes \$32,162 in contributions by the Company to its savings plan for salaried U.K. employees for Ms. Stubbing's benefit as well as amounts with respect to dividend equivalents earned on RSU awards, a car lease, the payment of cell phone charges and payments for additional family healthcare coverage.
- (13) Amount shown includes \$30,824 in contributions by the Company to the executive profit sharing plan for Mr. Fiarman's benefit as well as amounts with respect to dividend equivalents earned on RSU awards, a car allowance, the payment of cell phone charges and contributions by the Company to its savings plan for salaried U.S. employees for Mr. Fiarman's benefit.

**Table of Contents****GRANTS OF PLAN-BASED AWARDS FOR FISCAL 2008**

The following table sets forth information regarding non-equity incentive plan awards and each stock option or RSU award made to a named executive officer during fiscal 2008 under any stock plan. All RSU and stock option awards made to our named executive officers in fiscal 2008 were made under our 2004 Stock Incentive Plan, or the 2004 Plan. For fiscal 2008, there were no awards made under any equity incentive plan.

Name	Grant Date	Compensation Committee Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(2)</sup>	All Other Option Awards: Number of Securities Underlying Options (#) <sup>(3)</sup>	Exercise or Closing Price of Option Grant Date (\$/Sh) <sup>(4)</sup>	Market Price on Grant Date (\$)	Fair Value of Stock and Option Awards <sup>(5)(6)</sup>
			Threshold (\$)	Target (\$)	Maximum (\$)					
David P. Kirchhoff	3/28/2008	3/11/2008				3,750 <sup>(7)</sup>			\$ 168,675	
	3/28/2008	3/11/2008					45,000 <sup>(7)</sup>	\$ 47.05 \$ 44.98	\$ 574,763	
			\$ 0	\$ 506,250	\$ 1,012,500					
Ann M. Sardini	3/28/2008	3/11/2008				1,875 <sup>(7)</sup>			\$ 84,338	
	3/28/2008	3/11/2008					22,500 <sup>(7)</sup>	\$ 47.05 \$ 44.98	\$ 287,381	
	3/14/2008	3/11/2008				938 <sup>(8)</sup>			\$ 43,973	
	3/14/2008	3/11/2008					11,250 <sup>(8)</sup>	\$ 47.10 \$ 46.88	\$ 142,853	
			\$ 39,205	\$ 241,262	\$ 482,524					
Michael Basone	3/28/2008	3/11/2008				1,875 <sup>(7)</sup>			\$ 84,338	
	3/28/2008	3/11/2008					22,500 <sup>(7)</sup>	\$ 47.05 \$ 44.98	\$ 287,381	
	3/14/2008	3/11/2008				938 <sup>(8)</sup>			\$ 43,973	
	3/14/2008	3/11/2008					11,250 <sup>(8)</sup>	\$ 47.10 \$ 46.88	\$ 142,853	
			\$ 32,500	\$ 200,000	\$ 400,000					
Melanie Stack (Stubbing)	7/17/2008	7/17/2008				3,125 <sup>(9)</sup>			\$ 110,750	
	7/17/2008	7/17/2008					37,500 <sup>(9)</sup>	\$ 34.21 \$ 35.44	\$ 375,994	
	3/28/2008	3/11/2008				1,250 <sup>(7)</sup>			\$ 56,225	
	3/28/2008	3/11/2008					15,000 <sup>(7)</sup>	\$ 47.05 \$ 44.98	\$ 191,588	
				\$ 24,791 <sup>(10)</sup>	\$ 183,071 <sup>(10)</sup>	\$ 366,142 <sup>(10)</sup>				
Jeffrey A. Fiarman	3/28/2008	3/11/2008				1,875 <sup>(7)</sup>			\$ 84,338	
	3/28/2008	3/11/2008					22,500 <sup>(7)</sup>	\$ 47.05 \$ 44.98	\$ 287,381	
			\$ 28,447	\$ 175,059	\$ 350,117					

(1) Named executive officers receive no payment unless the Company achieves greater than 75% of the target operating income, the minimum performance level, and the executive (other than the chief executive officer) achieves an individual performance rating of at least 65%. For fiscal 2008, because Mr. Kirchhoff's annual, performance-based cash bonus was based solely on the Company's overall financial performance, the amount shown represents an assumption that the Company achieved a percentage of its target operating income that was slightly greater than 75%, which would result in a *de minimis* amount. For fiscal 2008, because the other named executive officers' annual, performance-based cash bonus was comprised of a combination of the financial performance goal rating applicable to the executive and the executive's individual performance rating, the amounts shown represent an assumption that the Company achieved a percentage of its target operating income that was slightly greater than 75% and the executive achieved an individual performance rating of 65%. See the section entitled *Compensation Discussion and Analysis Annual Performance-Based Cash Bonus* above for a description of our annual, performance-based cash bonus.

(2) Stock Awards consist of RSUs. The award of an RSU is the right to receive one share of our Common Stock upon the vesting date of the RSU.

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- (3) Option Awards consist of the grant of non-qualified stock options. Stock options allow the grantee to purchase a share of our Common Stock at an exercise price determined on the date of grant.
  
- (4) The exercise price of our stock options is determined by calculating the average of the closing price of our Common Stock on the grant date and the four previous trading days on the NYSE.

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- (5) Amounts shown represent the grant date fair value of the applicable stock options or RSUs granted during the year as determined in accordance with FAS 123R. Under FAS 123R, the estimated grant date fair value for RSUs is based solely on the market value of our Common Stock on the date of grant. The assumptions made in determining option values are disclosed in *Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Share-Based Compensation* and Note 10 of the Consolidated Financial Statements in our Annual Report on Form 10-K for fiscal 2008. The material terms of our stock options are discussed in the section entitled *Compensation Discussion and Analysis Long-Term Equity Incentive Compensation* above.
- (6) Holders of RSUs have the right to receive dividend equivalents on RSUs, but payment is not made until the underlying RSU vests. There were four dividend record dates in fiscal 2008. All of the RSU awards granted, except Ms. Stubbing's July 17, 2008 award, accrued four dividend payments. Ms. Stubbing's July 17, 2008 award accrued two dividend payments. Therefore, the aggregate dividend equivalents that accrued during fiscal 2008 on the RSU awards made to the named executive officers in fiscal 2008 are as follows: Mr. Kirchhoff, \$2,625; Ms. Sardini, \$1,969; Mr. Basone, \$1,969; Ms. Stubbing, \$1,969; and Mr. Fiarman, \$1,313. Dividend equivalents are not included in the totals for grant date fair value of the RSU awards.
- (7) Each of the named executive officers received an annual award consisting of both stock options and RSUs on March 28, 2008. Both the stock options and RSUs vest 100% on March 28, 2011. The stock options expire on March 28, 2018. The exercise price of the stock options was determined by taking the average of the closing price of our Common Stock on the grant date and the four previous trading days on the NYSE, or \$47.05 per share.
- (8) Ms. Sardini and Mr. Basone each received a special award consisting of both stock options and RSUs on March 14, 2008. Both the stock options and RSUs vest 20% a year over 5 years on each anniversary of the grant date. The stock options expire on March 14, 2018. The exercise price of the stock options was determined by taking the average of the closing price of our Common Stock on the grant date and the four previous trading days on the NYSE, or \$47.10 per share.
- (9) Ms. Stubbing received a special award consisting of both stock options and RSUs on July 17, 2008. Both the stock options and RSUs vest 20% a year over 5 years on each anniversary of the grant date. The stock options expire on July 17, 2018. The exercise price of the stock options was determined by taking the average of the closing price of our Common Stock on the grant date and the four previous trading days on the NYSE, or \$34.21 per share.
- (10) Amounts shown are assumed paid in pounds sterling and were converted to U.S. dollars using the applicable exchange rate on March 11, 2009, the date on which Ms. Stubbing's actual fiscal 2008 award was approved.

**Table of Contents****OUTSTANDING EQUITY AWARDS AT FISCAL 2008 YEAR-END**

The following table sets forth information regarding unexercised non-qualified stock options and any RSUs that were not vested for each named executive officer as of the end of fiscal 2008. There were no vested or unvested equity incentive plan awards held by the named executive officers.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup>
David P. Kirchoff	Exercisable	Unexercisable				
		45,000 <sup>(2)*</sup>	\$ 47.05	3/28/2018		
		33,750 <sup>(2)</sup>	\$ 47.49	3/12/2017		
	45,000 <sup>(2)</sup>	67,500 <sup>(2)</sup>	\$ 52.12	12/31/2016		
	15,000 <sup>(2)</sup>	22,500 <sup>(2)</sup>	\$ 42.08	5/22/2016		
	22,500 <sup>(2)</sup>	15,000 <sup>(2)</sup>	\$ 53.03	7/14/2015		
	15,000 <sup>(2)</sup>		\$ 53.03	7/14/2010		
					3,750 <sup>(3)*</sup>	\$ 109,200
					2,813 <sup>(3)</sup>	\$ 81,915
					6,562 <sup>(3)</sup>	\$ 191,085
				1,875 <sup>(3)</sup>	\$ 54,600	
				6,000 <sup>(3)</sup>	\$ 174,720	
				1,250 <sup>(3)</sup>	\$ 36,400	
Ann M. Sardini		22,500 <sup>(4)*</sup>	\$ 47.05	3/28/2018		
		11,250 <sup>(4)*</sup>	\$ 47.10	3/14/2018		
		18,750 <sup>(4)</sup>	\$ 47.49	3/12/2017		
	60,000 <sup>(4)</sup>		\$ 36.32	4/29/2012		
	15,000 <sup>(4)</sup>		\$ 42.36	3/11/2010		
	20,000 <sup>(4)</sup>		\$ 38.64	1/4/2009		
					1,875 <sup>(5)*</sup>	\$ 54,600
					938 <sup>(5)*</sup>	\$ 27,315
					1,563 <sup>(5)</sup>	\$ 45,515
					7,000 <sup>(5)</sup>	\$ 203,840
Michael Basone		22,500 <sup>(6)*</sup>	\$ 47.05	3/28/2018		
		11,250 <sup>(6)*</sup>	\$ 47.10	3/14/2018		
		12,000 <sup>(6)</sup>	\$ 47.49	3/12/2017		
	10,500 <sup>(6)</sup>	31,500 <sup>(6)</sup>	\$ 42.08	5/22/2016		
	9,000 <sup>(6)</sup>	6,000 <sup>(6)</sup>	\$ 53.03	7/14/2015		
	7,500 <sup>(6)</sup>		\$ 53.03	7/14/2010		
					1,875 <sup>(7)*</sup>	\$ 54,600
					938 <sup>(7)*</sup>	\$ 27,315
					1,000 <sup>(7)</sup>	\$ 29,120
					4,500 <sup>(7)</sup>	\$ 131,040
				2,625 <sup>(7)</sup>	\$ 76,440	
				5,500 <sup>(7)</sup>	\$ 160,160	
				500 <sup>(7)</sup>	\$ 14,560	

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Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup>
Melanie Stack (Stubbing)	Exercisable	Unexercisable				
		37,500 <sup>(8)*</sup>	\$ 34.21	7/17/2018		
		15,000 <sup>(8)*</sup>	\$ 47.05	3/28/2018		
		7,500 <sup>(8)</sup>	\$ 47.49	3/12/2017		
		47,000 <sup>(8)</sup>	\$ 35.87	12/18/2013		
		7,500 <sup>(8)</sup>	\$ 42.36	3/11/2010		
	10,000 <sup>(8)</sup>	\$ 38.64	1/4/2009			
					3,125 <sup>(9)*</sup>	\$ 91,000
					1,250 <sup>(9)*</sup>	\$ 36,400
					625 <sup>(9)</sup>	\$ 18,200
					3,000 <sup>(9)</sup>	\$ 87,360
Jeffrey A. Fiarman		22,500 <sup>(10)*</sup>	\$ 47.05	3/28/2018		
		12,000 <sup>(10)</sup>	\$ 47.49	3/12/2017		
		21,900 <sup>(10)</sup>	\$ 42.08	5/22/2016		
		9,000 <sup>(10)</sup>	\$ 53.03	7/14/2015		
		5,250 <sup>(10)</sup>	\$ 53.03	7/14/2010		
						1,875 <sup>(11)*</sup>
					1,000 <sup>(11)</sup>	\$ 29,120
					2,737 <sup>(11)</sup>	\$ 79,701
					3,000 <sup>(11)</sup>	\$ 87,360
					500 <sup>(11)</sup>	\$ 14,560

\* Shows grants made in fiscal 2008, which are also reported in the *Summary Compensation Table* and in the *Grants of Plan-Based Awards for Fiscal 2008* table.

- (1) Amounts shown represent the closing market price of our Common Stock on January 2, 2009 on the NYSE, \$29.12, multiplied by the number of shares underlying the RSU.
- (2) 45,000 stock options awarded on March 28, 2008, with an exercise price of \$47.05 and an expiration date of March 28, 2018, vest 100% on March 28, 2011. 33,750 stock options awarded on March 12, 2007, with an exercise price of \$47.49 and an expiration date of March 12, 2017, vest 100% on March 12, 2010. 112,500 stock options awarded on December 31, 2006, with an exercise price of \$52.12 and an expiration date of December 31, 2016, vest 20% a year over 5 years on each anniversary of the grant date. 37,500 stock options awarded on May 22, 2006, with an exercise price of \$42.08 and an expiration date of May 22, 2016, vest 20% a year over 5 years on each anniversary of the grant date. 37,500 stock options awarded on July 14, 2005, with an exercise price of \$53.03 and an expiration date of July 14, 2015, vest 20% a year over 5 years on each anniversary of the grant date. 15,000 stock options awarded on July 14, 2005, with an exercise price of \$53.03 and an expiration date of July 14, 2010, vested 100% on July 14, 2008.
- (3) 3,750 RSUs awarded on March 28, 2008 vest 100% on March 28, 2011. 2,813 RSUs awarded on March 12, 2007 vest 100% on March 12, 2010. 10,938 RSUs awarded on December 31, 2006, vest 20% a year over 5 years on each anniversary of the grant date (6,562 of which remained unvested as of the end of fiscal 2008). 3,125 RSUs awarded on May 22, 2006 vest 20% a year over 5 years on each anniversary of the grant date (1,875 of which remained unvested as of the end of fiscal 2008). 6,000 RSUs awarded on March 10, 2006 vested 100% on January 15, 2009. 3,125 RSUs awarded on July 14, 2005 vest 20% a year over 5 years on each anniversary of the grant date (1,250 of which remained unvested as of the end of fiscal 2008).



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- (4) 22,500 stock options awarded on March 28, 2008, with an exercise price of \$47.05 and an expiration date of March 28, 2018, vest 100% on March 28, 2011. 11,250 stock options awarded on March 14, 2008, with an

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- exercise price of \$47.10 and an expiration date of March 14, 2018, vest 20% a year over 5 years on each anniversary of the grant date. 18,750 stock options awarded on March 12, 2007, with an exercise price of \$47.49 and an expiration date of March 12, 2017, vest 100% on March 12, 2010. 100,000 stock options awarded on April 29, 2002, with an exercise price of \$36.32 and an expiration date of April 29, 2012, vested 20% a year over 5 years on each anniversary of the grant date (40,000 of which were exercised prior to fiscal 2008). 15,000 stock options awarded on March 11, 2005, with an exercise price of \$42.36 and an expiration date of March 11, 2010, vested 100% on December 29, 2007. 20,000 stock options awarded on January 5, 2004, with an exercise price of \$38.64 and an expiration date of January 4, 2009, vested 100% on December 30, 2006.
- (5) 1,875 RSUs awarded on March 28, 2008 vest 100% on March 28, 2011. 938 RSUs awarded on March 14, 2008 vest 20% a year over 5 years on each anniversary of the grant date. 1,563 RSUs awarded on March 12, 2007 vest 100% on March 12, 2010. 7,000 RSUs awarded on March 10, 2006 vested 100% on January 15, 2009.
- (6) 22,500 stock options awarded on March 28, 2008, with an exercise price of \$47.05 and an expiration date of March 28, 2018, vest 100% on March 28, 2011. 11,250 stock options awarded on March 14, 2008, with an exercise price of \$47.10 and an expiration date of March 14, 2018, vest 20% a year over 5 years on each anniversary of the grant date. 12,000 stock options awarded on March 12, 2007, with an exercise price of \$47.49 and an expiration date of March 12, 2017, vest 100% on March 12, 2010. 52,500 stock options awarded on May 22, 2006, with an exercise price of \$42.08 and an expiration date of May 22, 2016, vest 20% a year over 5 years on each anniversary of the grant date (10,500 of which were exercised prior to fiscal 2008). 15,000 stock options awarded on July 14, 2005, with an exercise price of \$53.03 and an expiration date of July 14, 2015, vest 20% a year over 5 years on each anniversary of the grant date. 7,500 stock options awarded on July 14, 2005 with an exercise price of \$53.03 and an expiration date of July 14, 2010, vested 33% a year over 3 years on each anniversary date of the grant.
- (7) 1,875 RSUs awarded on March 28, 2008 vest 100% on March 28, 2011. 938 RSUs awarded on March 14, 2008 vest 20% a year over 5 years on each anniversary of the grant date. 1,000 RSUs awarded on March 12, 2007 vest 100% on March 12, 2010. 7,500 RSUs awarded on May 22, 2006 vest 20% a year over 5 years on each anniversary of the grant date (4,500 of which remained unvested as of the end of fiscal 2008). 4,375 RSUs awarded on May 22, 2006, vest 20% a year over 5 years on each anniversary of the grant date (2,625 of which remained unvested as of the end of fiscal 2008). 5,500 RSUs awarded on March 10, 2006 vested 100% on January 15, 2009. 1,250 RSUs awarded on July 14, 2005 vest 20% a year over 5 years on each anniversary of the grant date (500 of which remained unvested as of the end of fiscal 2008).
- (8) 37,500 stock options awarded on July 17, 2008, with an exercise price of \$34.21 and an expiration date of July 17, 2018, vest 20% a year over 5 years on each anniversary of the grant date. 15,000 stock options awarded on March 28, 2008, with an exercise price of \$47.05 and an expiration date of March 28, 2018, vest 100% on March 28, 2011. 7,500 stock options awarded on March 12, 2007, with an exercise price of \$47.49 and an expiration date of March 12, 2017, vest 100% on March 12, 2010. 47,000 stock options awarded on December 18, 2003, with an exercise price of \$35.87 and an expiration date of December 18, 2013, vested 20% a year over 5 years on each anniversary of the grant date. 7,500 stock options awarded on March 11, 2005, with an exercise price of \$42.36 and an expiration date of March 11, 2010, vested 100% on December 29, 2007. 10,000 stock options awarded on January 5, 2004, with an exercise price of \$38.64 and an expiration date of January 4, 2009, vested 100% on December 30, 2006.
- (9) 3,125 RSUs awarded on July 17, 2008 vest 20% a year over 5 years on each anniversary of the grant date. 1,250 RSUs awarded on March 28, 2008 vest 100% on March 28, 2011. 625 RSUs awarded on March 12, 2007 vest 100% on March 12, 2010. 3,000 RSUs awarded on March 10, 2006 vested 100% on January 15, 2009.
- (10) 22,500 stock options awarded on March 28, 2008, with an exercise price of \$47.05 and an expiration date of March 28, 2018, vest 100% on March 28, 2011. 12,000 stock options awarded on March 12, 2007, with an exercise price of \$47.49 and an expiration date of March 12, 2017, vest 100% on March 12, 2010. 54,750



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stock options awarded on May 22, 2006, with an exercise price of \$42.08 and an expiration date of May 22, 2016, vest 20% a year over 5 years on each anniversary date of the grant. 15,000 stock options awarded on July 14, 2005, with an exercise price of \$53.03 and an expiration date of July 14, 2015, vest 20% a year over 5 years on each anniversary date of the grant. 5,250 stock options awarded on July 14, 2005, with an exercise price of \$53.03 and an expiration date of July 14, 2010, vested 33% a year over 3 years on each anniversary date of the grant.

- (11) 1,875 RSUs awarded on March 28, 2008 vest 100% on March 28, 2011. 1,000 RSUs awarded on March 12, 2007 vest 100% on March 12, 2010. 4,563 RSUs awarded on May 22, 2006 vest 20% a year over 5 years on each anniversary of the grant date (2,737 of which remained unvested as of the end of fiscal 2008). 3,000 RSUs awarded on March 10, 2006 vested 100% on January 15, 2009. 1,250 RSUs awarded on July 14, 2005 vest 20% a year over 5 years on each anniversary of the grant date (500 of which remained unvested as of the end of fiscal 2008).

**OPTION EXERCISES AND STOCK VESTED FOR FISCAL 2008**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
David P. Kirchhoff			12,046 <sup>(1)</sup>	\$ 483,197
Ann M. Sardini				
Michael Basone			2,833 <sup>(2)</sup>	\$ 115,865
Melanie Stack (Stubbing)			3,000 <sup>(3)</sup>	\$ 87,690
Jeffrey A. Fiarman			1,309 <sup>(4)</sup>	\$ 51,937

- (1) Of the 31,027 RSUs awarded to Mr. Kirchhoff on July 5, 2005, which vested quarterly beginning on September 15, 2005, 2,585 shares vested on March 15, 2008 and 2,585 shares vested on June 15, 2008 (the grant fully vested in fiscal 2008). Of the 3,125 RSUs awarded to Mr. Kirchhoff on July 14, 2005, which vest 20% a year over five years on the anniversary of the grant date, 625 shares vested on July 14, 2008. Of the 1,250 RSUs awarded to Mr. Kirchhoff on July 14, 2005, which vested 100% after three years on the anniversary of the grant date, all 1,250 shares vested on July 14, 2008. Of the 3,125 RSUs awarded to Mr. Kirchhoff on May 22, 2006, which vest 20% a year over five years on the anniversary of the grant date, 625 shares vested on May 22, 2008. Of the 10,938 RSUs awarded to Mr. Kirchhoff on December 31, 2006, which vest 20% a year over five years on the anniversary of the grant date, 2,188 shares vested on December 31, 2007 and 2,188 shares vested on December 31, 2008. These shares represent the gross number of shares of our Common Stock that were issued to Mr. Kirchhoff upon the vesting of his RSUs in fiscal 2008. An aggregate 4,094 shares were withheld by the Company for income and employment taxes owed on the value of the issued shares based on the closing price of those shares on the date of vesting on the NYSE. The aggregate number of net shares received after taxes by Mr. Kirchhoff was 7,952.
- (2) Of the 1,250 RSUs awarded to Mr. Basone on July 14, 2005, which vest 20% a year over five years on the anniversary of the grant date, 250 shares vested on July 14, 2008. Of the 625 RSUs awarded to Mr. Basone on July 14, 2005, which vested 33% per year over three years on the anniversary of the grant date, the remaining 208 shares vested on July 14, 2008. Of the 7,500 RSUs awarded to Mr. Basone on May 22, 2006, which vest 20% a year over five years on the anniversary of the grant date, 1,500 shares vested on May 22, 2008. Of the 4,375 RSUs awarded to Mr. Basone on May 22, 2006, which vest 20% a year over five years on the anniversary of the grant date, 875 shares vested on May 22, 2008. These shares represent the gross number of shares of our Common Stock that were issued to Mr. Basone upon the vesting of his RSUs in fiscal 2008. An aggregate 960 shares were withheld by the Company for income and employment taxes owed on the value of the issued shares based on the closing price of those shares on the date of vesting on the NYSE. The aggregate number of net shares received after taxes by Mr. Basone was 1,873.

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- (3) Of the 3,000 RSUs awarded to Ms. Stubbing on December 18, 2003, which vested 100% on the fifth anniversary of the grant date, all 3,000 shares vested on December 18, 2008. These shares represent the gross number of shares of our Common Stock that were issued to Ms. Stubbing upon the vesting of her RSUs in fiscal 2008. An aggregate 1,231 shares were withheld by the Company for income and employment taxes owed on the value of the issued shares based on the closing price of those shares on the date of vesting on the NYSE. The aggregate number of net shares received after taxes by Ms. Stubbing was 1,769.
- (4) Of the 1,250 RSUs awarded to Mr. Fiarman on July 14, 2005, which vest 20% a year over five years on the anniversary of the grant date, 250 shares vested on July 14, 2008. Of the 438 RSUs awarded to Mr. Fiarman on July 14, 2005, which vested 33% per year over three years on the anniversary of the grant date, the remaining 146 shares vested on July 14, 2008. Of the 4,563 RSUs awarded to Mr. Fiarman on May 22, 2006, which vest 20% a year over five years on the anniversary of the grant date, 913 shares vested on May 22, 2008. These shares represent the gross number of shares of our Common Stock that were issued to Mr. Fiarman upon the vesting of his RSUs in fiscal 2008. An aggregate 444 shares were withheld by the Company for income and employment taxes owed on the value of the issued shares based on the closing price of those shares on the date of vesting on the NYSE. The aggregate number of net shares received after taxes by Mr. Fiarman was 865.

**PENSION BENEFITS**

The Company has no pension plans.

**Table of Contents****NONQUALIFIED DEFERRED COMPENSATION FOR FISCAL 2008**

The following table sets forth information with respect to our executive profit sharing plan, the only defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified. In fiscal 2008, none of the named executive officers made any contributions to, or any withdrawals or distributions from, our executive profit sharing plan. The material terms of our executive profit sharing plan are discussed in the section entitled *Compensation Discussion and Analysis Retirement and Deferred Compensation Plans, Termination Payments and Other Arrangements Executive Profit Sharing Plan* above.

Name	Registrant Contributions in Last Fiscal Year (\$) <sup>(1)</sup>	Aggregate Earnings in Last Fiscal Year (\$) <sup>(2)</sup>	Aggregate Balance at Last Fiscal Year-End (\$) <sup>(3)</sup>
David P. Kirchhoff	\$ 71,206	\$ 6,580	\$ 125,719
Ann M. Sardini	\$ 77,406	\$ 25,624	\$ 418,706
Michael Basone	\$ 63,634	\$ 7,542	\$ 137,680
Melanie Stack (Stubbing) <sup>(4)</sup>	\$	\$	\$
Jeffrey A. Fiarman	\$ 30,824	\$ 3,344	\$ 62,632

- (1) Shows amounts contributed by the Company in fiscal 2008, which are also reported in the column *All Other Compensation* of the *Summary Compensation Table*.
- (2) The Company credits each participant's profit sharing account with interest at an annual rate equal to the sum of (a) 2% plus (b) the annualized prime rate, as published in the Wall Street Journal, compounded as of the end of each fiscal month, subject to a cap of 15%. These amounts are also reported in the column *Change in Pension Value and Nonqualified Deferred Compensation Earnings* of the *Summary Compensation Table*.
- (3) Includes the following amounts for each of the following named executive officers previously reported as compensation to such named executive officers in the columns *Change in Pension Value and Nonqualified Deferred Compensation Earnings* and *All Other Compensation* of the *Summary Compensation Table*: Mr. Kirchhoff, \$51,702 in fiscal 2007 and \$31,705 in fiscal 2006; Ms. Sardini, \$97,660 in fiscal 2007 and \$82,974 in fiscal 2006; and Mr. Fiarman, \$23,328 in fiscal 2007 and \$20,464 in fiscal 2006.
- (4) Ms. Stubbing is not eligible to participate in the executive profit sharing plan because she does not reside in the United States.

**POTENTIAL PAYMENTS UPON TERMINATION, RETIREMENT OR CHANGE OF CONTROL****Payments Made Upon Termination**

Regardless of the manner in which a named executive officer's employment terminates (except in a for cause termination), he or she is entitled to receive amounts earned during his or her term of employment. Such amounts include:

all vested shares granted under our stock plans and the right to exercise within 90 days of termination all vested stock options;

amounts contributed and vested under the executive profit sharing plan;

amounts accrued and vested through the Company's savings plan; and

accrued and unused vacation pay.

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Generally, the Company makes no payments to executives terminated for cause. The Company has no formal policy regarding severance payments. From time to time, the Company, in its discretion based upon the nature and circumstances of an individual being hired, has approved separate severance arrangements for certain named executive officers. For instance, Ms. Sardini is entitled to receive six months of salary continuation in the event of her termination for any reason other than as provided in her continuity agreement.

### **Payments Made Upon Retirement**

In the event of the retirement of a named executive officer, he or she is entitled to receive amounts earned during his or her term of employment. Such amounts include:

certain vested shares granted under our stock plans and the right to exercise within 90 days or one year of retirement (depending on the terms of the award) all vested options;

amounts contributed and vested under the executive profit sharing plan;

amounts accrued and vested through the applicable Company savings plan; and

accrued and unused vacation pay.

### **Payments Made Upon Death or Disability**

In the event of the death or disability of a named executive officer, in addition to the benefits listed under the heading *Payments Made Upon Termination* above, the named executive officer will receive benefits under the Company's disability plan or payments under the Company's life insurance plan, as appropriate. These payments are generally available to all employees. In addition, generally, stock option exercise rights cease one year after the holder's termination for death or disability.

### **Payments Made Upon a Change of Control**

#### ***Stock Awards***

Pursuant to the Company's terms and conditions for employee stock awards, unless provided otherwise by the Board of Directors or a committee thereof, all stock options and RSUs fully vest and stock options become exercisable immediately prior to a change of control.

Under our 2008 Plan and 2004 Plan, a change in control is defined as (i) any non-affiliate person or group becoming the beneficial owner of 25% or more of the voting stock of the Company; (ii) a change in the composition of the Board of Directors, such that the individuals who constituted the Board of Directors as of March 13, 2008 and March 11, 2004, respectively (or such directors nominated for election to the Board of Directors with the approval of a majority of the individuals constituting the Board of Directors as of March 13, 2008 and March 11, 2004, respectively, or any other directors so approved) cease for any reason to constitute at least a majority of the Board of Directors; (iii) a reorganization, recapitalization, merger or consolidation where the subsequent owner(s) of 51% or more of the voting stock were not the same as the beneficial owners immediately prior to such transaction, in substantially the same proportions as their ownership immediately prior to such transaction; or (iv) the sale of all or substantially all of the assets of the Company or the liquidation or dissolution of the Company; if and only if, as a result of any of the foregoing events set forth in clause (i) or (iii) above, any person or group, other than Artal, is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of its then outstanding securities entitled to vote in the election of members of the Board of Directors.

Under our 1999 Plan, a change of control is defined as (i) a sale of all or substantially all of the assets of the Company to a person who is not an affiliate of Artal, (ii) a sale by Artal or any of its respective affiliates resulting in more than 50% of the voting stock of the Company being held by a person or group that does not





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include Artal or any of its respective affiliates, or (iii) a merger or consolidation of the Company into another person which is not an affiliate of Artal; if and only if any such event results in the inability of Artal to elect a majority of the Board of Directors of the Company (or the resulting entity).

The holder remains subject during his or her employment and for one year following the termination of their employment to certain non-competition and non-solicitation covenants and for an unspecified amount of time to certain confidentiality and assignment of work product covenants.

### ***Continuity Agreements***

#### ***Payments***

The named executive officers as well as certain other senior executives have entered into continuity agreements with us, which are described above in the section entitled *Compensation Discussion and Analysis Termination Payments upon a Change of Control*. With respect to the named executive officers, the following severance benefits will be provided if (a) during the two-year period following a change in control of us, such named executive officer's employment is terminated (other than termination by the Company for cause or by reason of death, disability or retirement), (b) during the three-month period prior to, but in connection with, or during the two-year period following, a change in control of us, such named executive officer voluntarily terminates his or her employment for good reason, or (c) an agreement is signed which would result in a change in control of us and during the period between the date of the agreement and a change in control of us, such named executive officer's employment is terminated in connection with the change in control (other than termination by the Company for cause or by reason of death, disability or retirement):

cash payment equal to three times (two times in the case of Mr. Basone and Ms. Stubbing) the sum of his or her annual base salary on the date of the change in control (or, if higher, the annual base salary in effect immediately prior to when notice of termination is given) and his or her target annual bonus under our bonus plan in respect of the fiscal year in which the termination occurs (or, if higher, the average annual bonus actually earned by the named executive officer in respect of the three full fiscal years prior to the year in which the notice of termination is given);

cash payment equal to the sum of (w) all accrued but unpaid base salary and an amount representing all accrued and unused vacation days, (x) all earned and unpaid bonuses (if any), (y) in respect of the fiscal year in which the date of termination occurs, the higher of (A) the pro rata portion of the executive's target bonus and (B) if we are exceeding the performance targets established under our bonus plan for such fiscal year as of the date of termination, the executive's actual annual bonus payable under our bonus plan based upon such achievement (this pro rata portion in either case calculated from January 1st of such year through the date of termination), and (z) any other compensation previously deferred (excluding qualified plan deferrals by the executive under or into our benefit plans);

three years (two years in the case of Mr. Basone and Ms. Stubbing) of continued medical, dental, vision, and life insurance coverage (excluding accidental death and disability insurance) for the executive and his or her dependents, provided that these benefits will terminate upon the executive receiving comparable benefits from a subsequent employer;

continued provision of the perquisites the executive enjoyed prior to the date of termination for a period ending on the earlier of (x) the third anniversary (the second anniversary in the case of Mr. Basone and Ms. Stubbing) of the executive's termination and (y) the receipt by the executive of comparable perquisites from a subsequent employer;

immediate 100% vesting of all unvested stock options, stock appreciation rights, phantom stock units and restricted stock held by the executive upon the change in control;

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additional contributions by us to our qualified defined contribution plan and any other retirement plans in which the executive participated prior to the date of termination during the period from the date of

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termination through the third anniversary of the executive's termination (second anniversary in the case of Mr. Basone and Ms. Stubbing); provided, however, that where such contributions may not be provided without adversely affecting the qualified status of such plan or where such contributions are otherwise prohibited by any such plans, the executive shall instead receive an additional lump sum payment equal to the contributions that would have been made during the above period if the executive had remained employed with us during such period;

all other accrued or vested benefits in accordance with the terms of any applicable plan of ours, including the executive's otherwise unvested account balances in our qualified defined contribution plan, which shall become vested as of the date of termination; and

outplacement services at a cost to us of not more than \$30,000 (\$15,000 in the case of Mr. Basone and Ms. Stubbing).

### *Terminations*

Terminations of employment that entitle a named executive officer to receive severance benefits under his or her continuity agreement consist of terminations by the Company without cause or resignation by the named executive officer for good reason upon qualifying terminations of employment described above. The named executive officer is not eligible for benefits under his or her continuity agreement if his or her termination is due to disability, retirement, death, or for cause.

### *Change in Control*

A change in control for purposes of the continuity agreements generally consists of any of the following:

an acquisition of more than 25% of the Company's voting securities (other than acquisitions by a Company sponsored employee benefit plan or related trust);

the current Board of Directors (or their approved successors) ceasing to constitute a majority of the Board of Directors;

the consummation of a reorganization, recapitalization, merger or consolidation involving the Company unless the beneficial owners of at least 51% of the outstanding voting securities of the Company or the surviving entity, as the case may be, following the transaction are held by the same persons, and in substantially the same proportion, who were beneficial owners of our voting stock prior to the transaction; or

the sale, transfer or other disposition of all or substantially all of the assets of the Company or the liquidation or dissolution of the Company;

if and only if, as a result of the occurrence of any of the above, any person or group other than Artal Luxembourg S.A. or any of its affiliates is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 50% or more of its then outstanding voting securities.

### *For Cause*

For purposes of the continuity agreements, cause generally means the occurrence of any of the following:

the willful and continued failure of the executive to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to him or her by the Board of Directors;

dishonesty in the performance of the executive's duties with the Company;

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the executive's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting (x) a felony or (y) a misdemeanor involving moral turpitude;

willful malfeasance or misconduct by the executive in connection with his or her Company duties, or any act or omission, which is injurious to the financial condition or business reputation of the Company; or

the executive's breach of his or her confidentiality obligations under the executive's continuity agreement.

### *For Good Reason*

For purposes of the continuity agreements, "good reason" generally means the occurrence of any of the following without the executive's consent:

any diminution in the executive's duties, titles or responsibilities with the Company from those in effect immediately prior to the change in control (or in the event the diminution occurred prior to but in connection with the change in control, from those in effect prior to the date that is three months prior to the change in control);

any reduction in the executive's annual base salary and annual cash bonus target established under the Company's annual incentive plan from his or her compensation in effect immediately prior to the change in control (or in the event the reduction occurred prior to but in connection with the change in control, from that in effect prior to the date that is three months prior to the change in control);

the relocation of the executive's principal work place to a location that, in the case of Mr. Kirchoff, Ms. Sardini and Mr. Fiarman is east of the Nassau County-Suffolk County border, and, in the case of Mr. Basone and Ms. Stubbing, is more than 35 miles from the place where he or she was based immediately prior to the change in control (or in the event the relocation occurred prior to but in connection with the change in control, from the location where the executive was based on the date three months prior to the change in control); or

any failure by the Company to obtain from any successor to the Company an agreement to assume and perform the executive's continuity agreement.

In the event that the executive provides the Company with a notice of termination for "good reason" within 60 days after the occurrence of an event giving rise to "good reason", the Company shall have 30 days after its receipt of the notice to cure or resolve the behavior which gave rise to the "good reason".

Under the continuity agreements, the named executive officers agreed to keep in confidence any and all confidential information concerning the Company, its shareholders, officers, directors and customers and its respective business. In addition, upon the termination of employment, the executive will not take or keep any proprietary or confidential information or documentation belonging to the Company.

### **Change in Control Impact on Named Executive Officers**

The table below was prepared as though a change in control occurred and the named executive officers' employment was terminated without cause or for "good reason" on January 2, 2009 (the last business day of fiscal 2008) using the share price of the Company's Common Stock as of January 2, 2009 (the last trading day of fiscal 2008) (both as required by the SEC). With those assumptions taken as given, the Company believes the remaining assumptions listed below, which are necessary to produce these estimates, are reasonable individually and in the aggregate. However, a change in control did not occur on January 2, 2009 and the named executive officers were not terminated on that date. There can be no assurance that a change in control would produce the same or similar results as those described if it occurs on any other date or at any other price, or if any assumption is not correct in fact.



**Table of Contents****Change in Control Payment and Benefit Estimates****January 2, 2009**

Name	Aggregate Severance Pay and 2008 Bonus <sup>(1)</sup>	Medical, Dental, Vision and Life Insurance <sup>(2)</sup>	Accelerated Vesting of Equity Value	Executive Profit Sharing Plan <sup>(3)</sup>	Savings Plan <sup>(4)</sup>	Excise Tax and Gross-Up Payment <sup>(5)</sup>	Perquisites <sup>(6)</sup>	Outplacement Services	Total
David P. Kirchhoff	\$ 4,050,000	\$ 64,582	\$ 647,698	\$ 122,844	\$ 20,250	\$ 1,622,869	\$ 49,149	\$ 30,000	\$ 6,607,392
Ann M. Sardini	\$ 2,171,357	\$ 21,480	\$ 331,155	\$ 178,567	\$ 20,250	\$ 989,972	\$ 50,523	\$ 30,000	\$ 3,793,304
Michael Basone	\$ 1,400,000	\$ 40,144	\$ 493,065	\$ 83,690	\$ 13,500	\$	\$ 22,630	\$ 15,000	\$ 2,067,999
Melanie Stack (Stubbing) <sup>(7)</sup>	\$ 1,212,033	\$ 8,984	\$ 232,880	\$	\$ 57,412	\$	\$ 34,042	\$ 15,000	\$ 1,560,351
Jeffrey A. Fiarman	\$ 1,750,587	\$ 59,819	\$ 265,250	\$ 62,979	\$ 20,250	\$	\$ 43,452	\$ 30,000	\$ 2,232,337

- (1) Amounts shown represent three years (two years for Mr. Basone and Ms. Stubbing) of base salary, three years (two years for Mr. Basone and Ms. Stubbing) of target bonus plus an additional year of target bonus.
- (2) Amounts shown represent three years (two years for Mr. Basone and Ms. Stubbing) of continued medical, dental, vision and life insurance.
- (3) Amounts shown represent three years (two years for Mr. Basone) of Company contributions to and earnings on the executive profit sharing plan. Ms. Stubbing does not participate in the executive profit sharing plan.
- (4) Amounts shown represent three years (two years for Mr. Basone) of Company contributions to its savings plan for salaried U.S. employees in the case of Mr. Kirchhoff, Ms. Sardini, Mr. Fiarman and Mr. Basone; and two years of Company contributions to its savings plan for salaried U.K. employees in the case of Ms. Stubbing.
- (5) Pursuant to the continuity agreements, if it is determined that the aggregate amounts payable to any named executive officer under the columns *Aggregate Severance Pay and 2008 Bonus*, *Medical, Dental, Vision and Life Insurance*, *Accelerated Vesting of Equity Value* and *Perquisites* (collectively, the *Payment*) would be subject to excise tax imposed under Section 4999 of the Internal Revenue Code or any similar tax imposed by state or local law, then the named executive officer, depending on the amount of the *Payment*, may be entitled to receive a *gross-up* payment, such that, after payment by the named executive officer of all taxes (including any interest or penalties imposed with respect to such taxes), including any excise tax, imposed upon the *gross-up* payment, the named executive officer will retain an amount of the *gross-up* payment equal to the excise tax imposed upon the *Payment*. The amounts in this column represent such amount.
- (6) Amounts shown represent three years (two years for Mr. Basone and Ms. Stubbing) of continued provision of perquisites enjoyed by the named executive officer prior to the date of termination.
- (7) Other than amounts with respect to RSUs, stock options and outplacement services, amounts shown are assumed paid to Ms. Stubbing in pounds sterling and were converted to U.S. dollars using the applicable exchange rate on January 2, 2009.

**General Assumptions**

Mr. Kirchhoff and Ms. Sardini were assumed to be subject to federal, state and local combined effective tax rate of 6.85% and 3.65%, respectively.

The excise tax rate was assumed to be 20%.

**Equity-based Assumptions**

All previously unvested stock options and RSUs vested on January 2, 2009.



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Stock options were valued at the greater of \$0 or the actual spread between the exercise price of the option and the market price of the Company's Common Stock on January 2, 2009. This would represent the true value received by the executives upon immediate vesting of their options.

RSUs were valued using the market price of the Company's Common Stock on January 2, 2009.

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***Benefit Assumptions***

The executive does not receive comparable perquisites from a subsequent employer and the perquisites are paid until the end of the continuation period set forth in the executive's continuity agreement (three years for Mr. Kirchoff, Ms. Sardini and Mr. Fiarman; two years for Mr. Basone and Ms. Stubbing).

Medical, dental, vision and life insurance are paid at 2009 monthly equivalent rates for 3 years (2 years for Mr. Basone and Ms. Stubbing).

Contributions to the executive profit sharing plan at the named executive officer's rate as of January 2, 2009. Each named executive officer receives in March of each year an annual, performance-based cash bonus equal to his or her fiscal 2008 annual, performance-based cash bonus which is deemed eligible compensation under the plan. Interest is calculated under the plan using the annualized prime rate, as published in the Wall Street Journal on January 2, 2009, plus 2%.

All previously unvested savings plans amounts vested January 2, 2009; plus three years for Mr. Kirchoff, Ms. Sardini and Mr. Fiarman (two years for Mr. Basone) of 3% matching contribution by the Company at his or her salary at January 2, 2009 to the savings plan for U.S. salaried employees, subject to the applicable limitations of the Internal Revenue Code as in effect in fiscal 2008; and two years for Ms. Stubbing of 9% matching contribution by the Company at her salary at January 2, 2009 to the savings plan for U.K. salaried employees.

No legal services are paid for the executive.

**Table of Contents****DIRECTOR COMPENSATION**

The Company uses a combination of cash and equity-based incentive compensation to attract and retain qualified candidates to serve on the Board of Directors. In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their duties to the Company as well as the skill-level required by the Company of members of the Board of Directors. Our directors are not subject to any minimum share ownership requirement. However, all equity-based consideration paid is vested upon grant to the director and is subject to restrictions on transfer so that such shares cannot be sold or transferred until the director is no longer serving on the Board of Directors.

**Cash and Stock Compensation Paid to Directors**

Members of the Board of Directors who are not employees of the Company are entitled to receive annual compensation of \$75,000, payable quarterly, half in cash and half in Common Stock. The number of shares of Common Stock granted quarterly is determined by averaging the closing price of the Common Stock on the NYSE for the last five trading days of each fiscal quarter. This average price is then used to determine the number of shares required to satisfy the share portion of the director's quarterly fees. Any fractional shares are paid in cash. The shares of Common Stock granted are subject to transfer restrictions so that the shares cannot be sold or transferred until the director is no longer serving on the Board of Directors.

In addition, each non-executive director is entitled to receive 1,000 shares of Common Stock per annum which is distributed on December 15<sup>th</sup> of each fiscal year. Directors who are employees of the Company receive no compensation for their service as directors.

**Compensation Paid to Directors serving on Committees of the Board of Directors**

Each director serving as a member of the Audit Committee is entitled to receive \$10,000 per annum, payable quarterly, in cash. Each director who serves as Audit Committee chair receives an additional \$10,000 per annum, payable quarterly in cash. In addition, each director serving as a member on the Compensation Committee is entitled to receive \$4,000 per annum, payable quarterly, in cash.

**Director Summary Compensation Table**

The following table sets forth information concerning the compensation of our directors (other than directors who are named executive officers) for fiscal 2008.

**DIRECTOR COMPENSATION FOR FISCAL 2008**

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>	Total
Raymond Debbane <sup>(2)</sup>	\$ 41,589	\$ 64,236	\$ 105,825
Philippe J. Amouyal <sup>(2)</sup>	\$ 41,589	\$ 64,236	\$ 105,825
John F. Bard <sup>(2)(3)</sup>	\$ 61,589	\$ 64,236	\$ 125,825
Marsha Johnson Evans <sup>(3)</sup>	\$ 47,589	\$ 64,236	\$ 111,825
Jonas M. Fajgenbaum	\$ 37,589	\$ 64,236	\$ 101,825
Sacha Lainovic	\$ 37,589	\$ 64,236	\$ 101,825
Sam K. Reed <sup>(3)(4)</sup>	\$ 11,887	\$ 9,220	\$ 21,107
Kimberly Roy Tofalli <sup>(3)(5)</sup>	\$ 35,702	\$ 55,016	\$ 90,718
Christopher J. Sobecki	\$ 37,589	\$ 64,236	\$ 101,825

- (1) Stock awards consist solely of awards of Common Stock subject to certain transfer restrictions. The amounts represent the value of awards earned in fiscal 2008 which were calculated in accordance with FAS 123R. The FAS 123R estimated fair value for the stock award granted to each director on March 31, 2008

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was \$9,220; June 30, 2008 was \$8,867; September 29, 2008 was \$9,334; January 5, 2009 was \$9,305 and December 15, 2008 was \$27,510, in each case based solely on the market value of our Common Stock on the date of grant. In addition, as of January 3, 2009, Mr. Bard held 6,000 vested stock options and Ms. Evans held 4,000 vested stock options.

- (2) Member of the Compensation Committee.
  
- (3) Member of the Audit Committee. Mr. Reed resigned from the Audit Committee effective as of the end of our first quarter of fiscal 2008 (i.e., at 11:59 p.m. on March 29, 2008).
  
- (4) Mr. Reed resigned from the Board of Directors effective as of the end of our first quarter of fiscal 2008 (i.e., at 11:59 p.m. on March 29, 2008).
  
- (5) Ms. Roy Tofalli filled Mr. Reed's vacancy on the Board of Directors and the Audit Committee effective as of the beginning of the second quarter of fiscal 2008 (i.e., at 12:01 a.m. on March 30, 2008).

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS,  
DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth information regarding the beneficial ownership of our Common Stock by (i) beneficial owners of more than 5% of the Company's Common Stock, (ii) our president and chief executive officer and each of our other named executive officers, as such term is defined in Item 402(a)(3) of Regulations S-K of the Exchange Act, (iii) each of our directors and (iv) all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our Common Stock subject to (i) options held by that person that are currently exercisable or exercisable within 60 days of February 1, 2009 and (ii) shares of our Common Stock issuable upon the vesting of RSUs within 60 days of February 1, 2009 are deemed issued and outstanding. These shares, however, are not deemed outstanding for purposes of computing percentage ownership of each other shareholder.

Our capital consists of our Common Stock and our preferred stock. As of February 1, 2009, there were 76,984,625 shares of our Common Stock outstanding and zero shares of our preferred stock outstanding. None of the shares held by our directors or named executive officers has been pledged as security.

Except as otherwise indicated in the footnotes, each of the beneficial owners listed has, to our knowledge, sole voting and investment power with respect to the indicated shares of Common Stock.

Name of Beneficial Owner	As of February 1, 2009	
	Amount of Beneficial Ownership of Common Stock	Percent of Class
Artal Group S.A. <sup>(1)</sup>	43,247,893	56.2%
Morgan Stanley <sup>(2)</sup>	7,762,879	10.1%
Delaware Management Business Trust <sup>(3)</sup>	7,346,799	9.5%
Capital World Investors <sup>(4)</sup>	6,808,000	8.8%
David P. Kirchhoff <sup>(5)(6)</sup>	126,674	*
Ann M. Sardini <sup>(5)(6)</sup>	82,271	*
Michael Basone <sup>(5)(6)</sup>	33,159	*
Melanie Stack (Stubbing) <sup>(5)(6)</sup>	58,407	*
Jeffrey A. Fiarman <sup>(5)(6)</sup>	42,252	*
Raymond Debbane <sup>(5)(7)(8)</sup>	5,572	*
Philippe Amouyal <sup>(5)(7)</sup>	5,572	*
John F. Bard <sup>(5)(6)(7)</sup>	14,682	*
Marsha Johnson Evans <sup>(5)(6)(7)</sup>	16,964	*
Jonas M. Fajgenbaum <sup>(5)(7)</sup>	5,572	*
Sacha Lainovic <sup>(5)(7)</sup>	5,572	*
Kimberly Roy Tofalli <sup>(5)(7)(9)</sup>	1,829	*
Christopher J. Sobacki <sup>(5)(7)</sup>	5,572	*
All directors and executive officers as a group (13 persons)	404,098	*

\* Amount represents less than 1% of outstanding Common Stock.

- (1) The information concerning Artal Group S.A. is based on a Schedule 13D/A filed jointly with the SEC on March 31, 2009 by Westend S.A., Stichting Administratiekantoor Westend (the "Stichting") and Mr. Pascal Minne, and other information known to us. Westend S.A. is a wholly-owned subsidiary of the Stichting and Mr. Minne is the sole member of the Board of the Stichting. Artal Group S.A. is a wholly-owned subsidiary of Westend S.A. and the parent of Artal International S.C.A., which, in turn, is the parent of Artal Luxembourg S.A. Artal Luxembourg S.A. is the parent of Artal Holdings Sp. z o.o. As of February 2, 2007, and through the date of the filing of the

Schedule 13D/A, Artal Holdings Sp. z o.o. was the record owner of

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43,247,893 of our shares. Artal Luxembourg S.A. holds an irrevocable proxy with respect to 15,000,000 of these shares. As a result of the foregoing, Artal Luxembourg S.A., Artal International S.C.A., Artal Group S.A., Westend S.A., the Stichting and Mr. Minne may each be deemed to be the beneficial owner of all of our shares held of record by Artal Holdings Sp. z o.o. The address of Artal Holdings Sp. z o.o. is 105, Grand-Rue, L-1661, Luxembourg, Luxembourg. The address of Westend S.A., Artal Group S.A., Artal Luxembourg S.A. and Artal International S.C.A., is the same as Artal Holdings Sp. z o.o. The address of the Stichting is Ijsselburcht 3, 6825BS, Arnhem, The Netherlands. The address of Mr. Minne is Place Ste Gudule, 19, B-1000, Bruxelles, Belgium.

- (2) Based on a Schedule 13G/A filed jointly with the SEC on February 17, 2009 by Morgan Stanley and Morgan Stanley Investment Management Inc., whose parent holding company is Morgan Stanley. Morgan Stanley has sole voting power over 6,206,415 shares and sole dispositive power over 7,762,879 shares. Morgan Stanley Investment Management Inc. has sole voting power over 2,289,604 shares and sole dispositive power over 2,505,742 shares. The address for Morgan Stanley is 1585 Broadway, New York, New York 10036 and the address for Morgan Stanley Investment Management Inc. is 522 Fifth Avenue, New York, New York 10036.
- (3) Based on a Schedule 13G/A filed jointly with the SEC on February 6, 2009 by Delaware Management Holdings and Delaware Management Business Trust, whose ultimate parent is Lincoln National Corporation. Delaware Management Holdings and Delaware Management Business Trust have sole voting power over 7,318,938 shares, shared voting power over 761 shares and sole dispositive power over 7,346,799 shares. The address of these entities is 2005 Market Street, Philadelphia, Pennsylvania 19103.
- (4) Based on a Schedule 13G/A filed with the SEC on February 12, 2009 by Capital World Investors. Capital World Investors, a division of Capital Research and Management Company, has sole voting power over 4,298,000 shares and sole dispositive power over 6,808,000 shares. The address for Capital World Investors is 333 South Hope Street, Los Angeles, California, 90071.
- (5) Our executive officers and directors may be contacted c/o Weight Watchers International, Inc., 11 Madison Avenue, 17th Floor, New York, New York 10010.
- (6) The number of shares beneficially owned includes shares issuable in connection with RSUs that vest within 60 days after February 1, 2009 and shares subject to purchase upon exercise of stock options that are currently exercisable or exercisable within 60 days after February 1, 2009, as follows: Mr. Kirchhoff, 97,500 shares; Ms. Sardini, 77,438 shares; Mr. Basone, 29,438 shares; Ms. Stubbing, 54,500 shares; Mr. Fiarman, 36,150 shares; Mr. Bard, 6,000 shares; and Ms. Evans, 4,000 shares. Mr. Bard had options to purchase 2,000 shares that were granted on November 12, 2003 and which expired unexercised on November 12, 2008; Ms. Stubbing had options to purchase 10,000 shares that were granted on January 5, 2004 and which expired unexercised on January 4, 2009; and Ms. Sardini had options to purchase 20,000 shares that were granted on January 5, 2004 and which expired unexercised on January 4, 2009.
- (7) The number of shares beneficially owned by the directors that are subject to transfer restrictions until that person is no longer serving on the Board of Directors, are as follows: Mr. Bard, 5,416 shares; Ms. Evans, 5,416 shares; Ms. Roy Tofalli, 1,829 shares; Mr. Debbane, 5,572 shares; Mr. Sobacki, 5,572 shares; Mr. Amouyal, 5,572 shares; Mr. Lainovic, 5,572 shares; and Mr. Fajgenbaum, 5,572 shares.
- (8) Mr. Debbane is also a director of Artal Group S.A. Artal Group S.A. is the parent entity of Artal International S.C.A., which is the parent entity of Artal Luxembourg S.A., which in turn is the parent entity of Artal Holdings Sp. z o.o. Mr. Debbane may be deemed to share beneficial ownership of all shares owned by Artal Holdings Sp. z o.o. but disclaims such beneficial ownership.
- (9) Ms. Roy Tofalli became a director effective as of the beginning of the second quarter of fiscal 2008 (i.e., at 12:01 a.m. on March 30, 2008).

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### **TRANSACTIONS WITH RELATED PERSONS AND CERTAIN CONTROL PERSONS**

#### **Review, Approval or Ratification of Related Person Transactions**

The Company's Code of Business Conduct and Ethics, as amended, sets forth the Company's policies for the review, approval and ratification of transactions with related persons. The procedures cover related person transactions between the Company and the directors and executive officers or their immediate family members. More specifically, the procedures cover any transaction or arrangement in which the Company is a party and in which a related person has a direct or indirect material interest.

We review all relationships and transactions in which the Company and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. The Company's legal department is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether a related person has a direct or indirect material interest in the transaction. The Board of Directors reviews and approves or ratifies any related person transaction that is required to be disclosed under Item 404(a) of Regulation S-K of the Exchange Act. In the course of its review and approval or ratification of a related person transaction, the Board of Directors considers:

the nature of the related person's interest in the transaction;

the material terms of the transaction, including, without limitation, the amount and type of transaction;

the importance of the transaction to the related person;

the importance of the transaction to the Company;

whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Company; and

any other matters the Board of Directors deems appropriate.

#### **Transactions with Related Persons**

##### ***Stockholders Agreement***

Shortly after our acquisition by Artal Luxembourg S.A. in 1999, we entered into a Stockholders Agreement with Artal Luxembourg S.A., Merchant Capital, Inc., Richard and Heather Penn, Long Island International Limited, Envoy Partners and Scotiabanc, Inc. relating to their rights with respect to our Common Stock held by parties, other than Artal Luxembourg S.A. Without the consent of Artal Luxembourg S.A., transfers of our Common Stock by these shareholders were restricted with certain exceptions until the third anniversary of the completion of our initial public offering. Subsequent transferees of our Common Stock, subject to limited exceptions, agreed to be bound by the terms and provisions of the agreement. Additionally, this agreement provided the shareholders with the right to participate pro rata in certain transfers of our Common Stock by Artal Luxembourg S.A. and granted Artal Luxembourg S.A. the right to require the other shareholders to participate on a pro rata basis in certain transfers of our Common Stock by Artal Luxembourg S.A.

##### ***Registration Rights Agreement***

Simultaneously with the closing of our acquisition by Artal Luxembourg S.A. in 1999, we entered into a Registration Rights Agreement with Artal Luxembourg S.A. and H.J. Heinz Company, or Heinz. The Registration Rights Agreement grants Artal Luxembourg S.A. the right to require us to register shares of our Common Stock for public sale under the Securities Act of 1933, as amended, (1) upon demand and (2) in the event that we conduct certain types of registered offerings. Heinz has sold all shares of our Common Stock held by it and accordingly no longer



has any rights under this agreement. Merchant Capital, Inc., Richard and Heather

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Penn, Long Island International Limited, Envoy Partners and Scotiabanc, Inc. became parties to this Registration Rights Agreement under joinder agreements, and each acquired the right to require us to register and sell their stock in the event that we conduct certain types of registered offerings. The Invus Group, LLC ( Invus ) is the exclusive investment advisor to Artal. The principals of Invus have received customary compensation from Artal in connection with transactions under this Registration Rights Agreement. Certain of our directors, Mr. Debbane, Mr. Amouyal, Mr. Fajgenbaum and Mr. Sobecki, are principals of Invus. Until December 31, 2006, Mr. Lainovic was a principal of Invus when he became a co-founder and Managing Partner of Invus Financial Advisors, LLC, a New York-based investment firm.

***Corporate Agreement***

We entered into a corporate agreement with Artal Luxembourg S.A. in November 2001 which was amended in July 2005. We agreed that so long as Artal Luxembourg S.A. beneficially owns 10% or more, but less than a majority of our then outstanding voting stock, Artal Luxembourg S.A. will have the right to nominate a number of directors approximately equal to that percentage multiplied by the number of directors on the Board of Directors. This right to nominate directors will not restrict Artal Luxembourg S.A. from nominating a greater number of directors.

We also agreed with Artal Luxembourg S.A. that both we and Artal Luxembourg S.A. have the right to:

engage in the same or similar business activities as the other party;

do business with any customer or client of the other party; and

employ or engage any officer or employee of the other party.

Neither Artal Luxembourg S.A. nor we, nor our respective related parties, will be liable to each other as a result of engaging in any of these activities.

Under the corporate agreement, if one of our officers or directors who also serves as an officer, director or advisor of Artal Luxembourg S.A. becomes aware of a potential transaction related primarily to the group education-based weight-loss business or an internet diet business, as defined, that may represent a corporate opportunity for both Artal Luxembourg S.A. and us, the officer or director has no duty to present that opportunity to Artal Luxembourg S.A., and we will have the sole right to pursue the transaction if the Board of Directors so determines. If one of our officers or directors who also serves as an officer, director or advisor of Artal Luxembourg S.A. becomes aware of any other potential transaction that may represent a corporate opportunity for both Artal Luxembourg S.A. and us, the officer or director will have a duty to present that opportunity to Artal Luxembourg S.A., and Artal Luxembourg S.A. will have the sole right to pursue the transaction if Artal Luxembourg S.A. so determines. If one of our officers or directors who does not serve as an officer, director or advisor of Artal Luxembourg S.A. becomes aware of a potential transaction that may represent a corporate opportunity for both Artal Luxembourg S.A. and us, neither the officer nor the director nor we have a duty to present that opportunity to Artal Luxembourg S.A., and we may pursue the transaction if the Board of Directors so determines. If any officer, director or advisor of Artal Luxembourg S.A. who does not serve as an officer or director of us becomes aware of a potential transaction that may represent a corporate opportunity for both Artal Luxembourg S.A. and us, none of the officer, director, advisor, or Artal Luxembourg S.A. has a duty to present that opportunity to us, and Artal Luxembourg S.A. may pursue the transaction if it so determines.

If Artal Luxembourg S.A. transfers, sells or otherwise disposes of our then outstanding voting stock, the transferee will generally succeed to the same rights that Artal Luxembourg S.A. has under this agreement by virtue of its ownership of our voting stock, subject to Artal Luxembourg S.A.'s option not to transfer those rights. Subsequent to Artal Luxembourg S.A.'s acquisition of us, Artal Luxembourg S.A. transferred ownership of its shares in us to Artal Participations and Management S.A. and Artal Holdings Sp. z o.o., each also members of the Artal corporate group. Currently, Artal Holdings Sp. z o.o. is the only record holder of our shares by Artal.

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**OTHER MATTERS**

**Other Matters**

The Board of Directors knows of no other business that will be presented to shareholders at the 2009 Annual Meeting for a vote. If other matters properly come before the 2009 Annual Meeting, the persons named as proxies will vote on them in accordance with their discretion.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, officers and beneficial owners of more than 10% of our Common Stock (collectively, Reporting Persons ) to file with the SEC and NYSE initial reports of ownership and reports of changes in ownership of our Common Stock. Such persons are required by regulations of the SEC to furnish us with copies of all such filings. Based on our records and written representations from certain Reporting Persons, we believe with two exceptions that all Reporting Persons complied with all Section 16(a) filing requirements in fiscal 2008. During fiscal 2008, the Stichting and Mr. Pascal Minne each failed to file on a timely basis a Form 3 describing their beneficial ownership of our Common Stock. Each of these reports has now been filed.

**Procedures for Submitting Shareholder Proposals**

The Company currently intends to hold its next annual meeting in May 2010.

Pursuant to Rule 14a-8 under the Exchange Act, shareholders may present proper proposals for inclusion in the Company's 2010 proxy statement and proxy card by submitting their proposals to the Company on or before December 10, 2009. In addition, all shareholder proposals requested to be included in the Company's proxy statement and proxy card must also comply with the requirements set forth in the federal securities laws, including Rule 14a-8, in order to be included in the Company's proxy statement and proxy card for the 2010 annual meeting.

In addition, the Company's Bylaws establish an advance notice procedure with regard to certain matters, including nominations of persons for election as directors and shareholder proposals included in the Company's proxy statement, to be brought before an annual meeting of shareholders. In general, notice must be received by the Corporate Secretary of the Company not less than 120 days nor more than 150 days prior to the anniversary date of the proxy statement in connection with the immediately preceding annual meeting and must contain specified information concerning the matters to be brought before such meeting and concerning the shareholder proposing such matters. Therefore, to be presented at the Company's 2010 annual meeting, such a proposal must be received by the Company on or after November 10, 2009 but no later than December 10, 2009. If the date of the annual meeting is more than 30 days earlier or later than the anniversary date of the prior year's annual meeting, notice must be received not less than 60 days prior to such annual meeting. So long as Artal owns a majority of our Common Stock, notice by Artal shall be timely and proper if delivered in writing or orally at least five business days prior to the date the Company mails its proxy statement in connection with the annual meeting of shareholders with respect to the nomination of a director and at any time prior to the annual meeting with respect to any other proposal. Copies of the Company's Bylaws may be obtained free of charge by contacting the Corporate Secretary at Weight Watchers International, Inc., 11 Madison Avenue, 17<sup>th</sup> Floor, New York, New York 10010, (212) 589-2700.

All notices of proposals by shareholders, whether or not to be included in the Company's proxy materials, should be sent to the attention of the Corporate Secretary at Weight Watchers International, Inc., 11 Madison Avenue, 17<sup>th</sup> Floor, New York, New York 10010, (212) 589-2700.

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### **Shareholders of Record with Multiple Accounts**

SEC rules permit a single set of annual reports and proxy statements to be sent to any household at which two or more shareholders reside. Each shareholder continues to receive a separate proxy card. This procedure is referred to as householding. While the Company does not household its mailings to its shareholders of record, a number of brokerage firms with account holders who are Company shareholders have instituted householding. The Company will deliver promptly a separate copy of the proxy statement and annual report to any shareholder who sends a written or oral request to the Company at Weight Watchers International, Inc. Attention: Corporate Secretary, 11 Madison Avenue, 17<sup>th</sup> Floor, New York, New York 10010, (212) 589-2700. Similarly, if a shareholder shares an address with another shareholder and has received multiple copies of the Company's proxy statement or annual report, he or she may write or call the Company at the above address or phone number to request a single copy of these materials.

### **Annual Report**

The Annual Report to Shareholders covering the Company's fiscal 2008 has been mailed together with the proxy solicitation material. The Annual Report does not form any part of the material for the solicitation of proxies.

Corporate information and our press releases, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments thereto, are available on our website at [www.weightwatchersinternational.com](http://www.weightwatchersinternational.com) as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC (*i.e.*, generally the same day as the filing). Copies of our Annual Report on Form 10-K for the Company's fiscal 2008, including financial statements and schedules thereto, filed with the SEC, are also available without charge to shareholders upon written request addressed to: Weight Watchers International, Inc., Attn: Corporate Secretary, 11 Madison Avenue, 17<sup>th</sup> Floor, New York, NY 10010.

By Order of the Board of Directors,

Jeffrey A. Fiarman

Executive Vice President,

General Counsel and Secretary

Dated: April 9, 2009

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**PROXY CARD**

**WEIGHT WATCHERS INTERNATIONAL, INC.**

**2009 Annual Meeting of Shareholders to be held on May 11, 2009**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned, revoking all prior proxies, hereby appoints David P. Kirchhoff, Ann M. Sardini and Jeffrey A. Fiarman, and each of them, with full power of substitution, as proxies to represent and vote all shares of stock of Weight Watchers International, Inc. (the "Company"), which the undersigned would be entitled to vote if personally present at the Annual Meeting of Shareholders of the Company to be held on Monday, May 11, 2009, and at all adjournments and postponements thereof, upon matters set forth in the Notice of 2009 Annual Meeting of Shareholders and Proxy Statement dated April 9, 2009, a copy of which has been received by the undersigned. The proxies are further authorized to vote, in their discretion, upon such other business as may properly come before the meeting or any adjournments and postponements thereof.

The Board of Directors recommends a vote **FOR** each of the nominees for Class II director to the Board of Directors and **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending January 2, 2010.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED SHAREHOLDER(S). IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES FOR DIRECTOR IN PROPOSAL 1 AND FOR THE RATIFICATION OF THE SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM IN PROPOSAL 2.**

YOUR VOTE IS IMPORTANT TO US. PLEASE COMPLETE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE. IF YOU PLAN TO ATTEND THE 2009 ANNUAL MEETING OF SHAREHOLDERS IN PERSON, PLEASE MARK THE APPROPRIATE BOX.

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**

**Electronic Voting Instructions**

**You can vote by Internet or telephone!**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 12:00 a.m., Eastern Time, on May 11, 2009.**

**Vote by Internet**

Edgar Filing: WEIGHT WATCHERS INTERNATIONAL INC - Form DEF 14A

Log on to the Internet and go to [www.investorvote.com/WTW](http://www.investorvote.com/WTW).

Follow the steps outlined on the secure website.

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**Vote by telephone**

Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is NO CHARGE to you for the call.

Follow the instructions provided by the recorded message.  
Using a black ink pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas. x

**Annual Meeting Proxy Card**

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**A. Proposals The Board of Directors recommends a vote FOR all the nominees listed in Proposal 1 and FOR Proposal 2.**

1. Election of Class II Directors: To elect three members to the Board of Directors to serve for a three-year term as Class II Directors.

01-Marsha Johnson Evans	<b>For</b>	<b>Withhold</b>	02-Sacha Lainovic	<b>For</b>	<b>Withhold</b>	03-Christopher J. Sobecki	<b>For</b>	<b>Withhold</b>
	..	..		..	..		..	..

2. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending January 2, 2010.	<b>For</b>	<b>Against</b>	<b>Abstain</b>
	..	..	..

**B. Non-Voting Items**

Change of Address Please print your new address below.

**Meeting Attendance**

Mark the box to the right if you plan to attend the Annual Meeting. ..

**Future Electronic Materials**

Mark the box to the right if you are interested in receiving future Company materials electronically. ..

**C. Authorized Signatures** This section must be completed for your vote to be counted Date and Sign Below.  
Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian or custodian, please give full title. A corporation or partnership must sign its full name by an authorized person.

Date (mm/dd/yyyy) Please print date below.

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.