

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

SCHEDULE 14A

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

Filed by the Registrant

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

HERITAGE-CRYSTAL CLEAN, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

HERITAGE-CRYSTAL CLEAN, INC.

**2175 Point Boulevard, Suite 375
Elgin, Illinois 60123**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 26, 2009**

To the shareholders of Heritage-Crystal Clean, Inc.:

The Annual Meeting of Shareholders of Heritage-Crystal Clean, Inc. (the "Company") will be held at the Holiday Inn located at 495 Airport Road, Elgin, Illinois 60123 on May 26, 2009, at 10:00 A.M., Central Time, for the following purposes:

1. To elect two directors to serve for terms of three years or until their successors are duly elected and qualified;
2. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for fiscal 2009; and
3. To consider and transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on April 9, 2009 are entitled to receive notice of and to vote at the Annual Meeting or any adjournments or postponements thereof. Whether or not you expect to attend the Annual Meeting, we encourage you to vote your shares as soon as possible. Please sign, date and mail the included proxy card in the envelope provided. It is important that your shares be represented at the Annual Meeting, whether your holdings are large or small.

By Order of the Board of Directors,

Gregory Ray, Chief Financial Officer, Vice President,
Business Management and Secretary

April 24, 2009

**Important Notice Regarding the Availability Of Proxy Materials
for the Annual Meeting of Shareholders Meeting To Be Held On May 26, 2009.**

Our Proxy Statement and Annual Report to Shareholders for fiscal 2008 are available on Heritage-Crystal Clean, Inc.'s website at www.crystal-clean.com under "Investor Relations."

You may also request hard copies of these documents free of charge by writing to: Heritage-Crystal Clean, Inc., 2175 Point Boulevard, Suite 375, Elgin, Illinois 60123, Attention: Secretary.

Table of Contents

| | |
|---|----|
| General Information..... | 1 |
| About the 2009 Annual Meeting | 1 |
| Voting Procedures | 1 |
| Other..... | 2 |
| Proposal 1: Election Of Directors..... | 2 |
| Securities Beneficially Owned by Management and Principal Shareholders..... | 5 |
| Section 16(a) Beneficial Ownership Reporting Compliance | 6 |
| Corporate Governance | 7 |
| Compensation Discussion and Analysis..... | 10 |
| Compensation Committee Report | 14 |
| Named Executive Officer Compensation..... | 15 |
| Summary Compensation Table..... | 15 |
| Grants of Plan-Based Awards in Fiscal 2008 | 16 |
| Outstanding Equity Awards at 2008 Fiscal Year End..... | 17 |
| Option Exercises and Stock Vested in Fiscal 2008 | 17 |
| Employment Agreements and Potential Payments upon Termination or Change-In-Control | 17 |
| Non-Employee Director Compensation | 20 |
| Relationships and Related Person Transactions..... | 21 |
| Report of the Audit Committee..... | 24 |
| Proposal 2: Ratification of the Appointment of Independent Registered Public Accounting Firm..... | 25 |
| Shareholder Proposals | 27 |
| Householding of Annual Meeting Materials | 27 |
| Availability of Certain Documents | 27 |
| Other Matters..... | 27 |

HERITAGE-CRYSTAL CLEAN, INC.

2175 Point Boulevard, Suite 375
Elgin, Illinois 60123

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 26, 2009

About the 2009 Annual Meeting

This Proxy Statement is being furnished to the shareholders of Heritage-Crystal Clean, Inc. (the "Company") on or about April 24, 2009 in connection with the solicitation of proxies on behalf of the board of directors of the Company for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on May 26, 2009 at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting, and at any adjournments or postponements of that meeting. The Annual Report to Shareholders for fiscal 2008 accompanies this Proxy Statement. If you did not receive a copy of the annual report, you may obtain one by writing to the Secretary of the Company. This Proxy Statement and the annual report are also available on the Company's website at www.crystal-clean.com.

Voting Procedures

Voting Rights. Only shareholders who owned common stock of the Company at the close of business on April 9, 2009 (the "record date") may attend and vote at the Annual Meeting. On the record date, 10,760,080 shares of Common Stock were outstanding. Shareholders are entitled to one vote per share of common stock that they own as of the record date on each matter that may properly come before the Annual Meeting.

If your shares are registered directly in your name with our transfer agent, you are considered the shareholder of record with respect to those shares, and these proxy materials are being sent directly to you. As the shareholder of record, you have the right to grant your voting proxy directly to us, or to vote in person at the Annual Meeting. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in "street name," and these proxy materials are being forwarded to you by your broker, bank or nominee who is considered the shareholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or nominee on how to vote and are also invited to attend the Annual Meeting. However, since you are not the shareholder of record, you may not vote these shares in person at the Annual Meeting, unless you request, complete and deliver a legal proxy from your broker, bank or nominee. Your broker, bank or nominee has enclosed a voting instruction card for you to use in directing the broker, bank or nominee regarding how to vote your shares.

Quorum. The presence, in person or by properly executed proxy, of a majority of the outstanding common stock on the record date is necessary to constitute a quorum at the Annual Meeting. If a quorum is not present at the time the Annual Meeting is convened, the Company may adjourn or postpone the Annual Meeting. Shares that are represented at the Annual Meeting but abstain from voting on any or all matters and "broker non-votes" will be counted as shares present and entitled to vote in determining the presence of a quorum. A broker non-vote occurs when a broker holding shares registered in street name is permitted to vote, in the broker's discretion, on routine matters without receiving instructions from the client, but is not permitted to vote without instructions on non-routine matters, and the broker returns a proxy card with no vote on the non-routine matter. Under the rules and regulations of the primary trading markets applicable to most brokers, the election of directors and the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for fiscal 2009 are considered routine matters on which a broker has the discretion to vote if instructions are not received from the client.

The inspector of election appointed for the Annual Meeting will determine the number of shares of our common stock present at the Annual Meeting, determine the validity of proxies and ballots, determine whether or not a quorum is present, and count all votes and ballots.

Required Vote. Directors are elected by a plurality of all of the votes cast, in person or by proxy. A "plurality" means that the individuals who receive the largest number of votes are elected as directors up to the maximum number of directors to be elected at the meeting. Abstentions and broker non-votes have no effect on the election of directors, except to the extent that the failure to vote for a director nominee results in another nominee receiving a larger number of votes.

The proposal to approve the ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for fiscal 2009 will be approved if a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal are voted in favor of the proposal. Abstentions will have the effect of a no vote and broker non-votes will have no effect on the outcome of this proposal.

All common stock represented at the Annual Meeting by properly executed proxies received prior to or at the Annual Meeting and not properly revoked will be voted at the Annual Meeting in accordance with the instructions indicated in such proxies. If no

instructions are indicated, such proxies will be voted **FOR** the election of the board's director nominees and the proposal to ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for fiscal 2009 and in the discretion of the proxy holders for all other matters that come before the Annual Meeting. The board of directors of the Company does not know of any matters, other than the matters described in the Notice of Annual Meeting attached to this Proxy Statement that will come before the Annual Meeting.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by:

- filing with the Secretary of the Company, at or before the Annual Meeting, a written notice of revocation bearing a date later than the date of the proxy;
- duly executing and dating a subsequent proxy relating to the common stock and delivering it to the Secretary of the Company at or before the Annual Meeting; or
- attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not in and of itself constitute a revocation of a proxy).

Any written notice revoking a proxy should be sent to: Heritage-Crystal Clean, Inc., 2175 Point Boulevard, Suite 375, Elgin, Illinois 60123, Attention: Secretary.

Other

The proxies are solicited by the board of directors of the Company. In addition to the use of the mail, proxies may be solicited personally or by telephone or facsimile transmission, by directors, officers or employees of the Company or persons employed by the Company for the purpose of soliciting proxies. It is contemplated that brokerage houses, custodians, nominees and fiduciaries will be requested to forward the soliciting material to the beneficial owners of Common Stock held of record by such persons, and will be reimbursed for expenses incurred therewith. The cost of solicitation of proxies will be borne by the Company.

The date of this Proxy Statement is April 24, 2009.

PROPOSAL 1:

ELECTION OF DIRECTORS

At the Annual Meeting, our shareholders will vote on the nomination of two directors to be elected for three-year terms expiring at the 2012 Annual Meeting. The board is divided into three classes, denominated as Class I, Class II and Class III. Members of each class hold office for staggered three-year terms. The terms of the Class I directors expire on the date of the 2009 Annual Meeting. It is the intention of the persons named in the accompanying form of proxy to nominate as directors and, unless otherwise specified in a proxy by a shareholder, to vote such proxy for the election of the persons named below as nominees. In the event any of the nominees should become unable to serve as a director, proxies may be voted for another nominee recommended by the board.

Directors are elected by a plurality of all of the votes cast, in person or by proxy. This means that nominees receiving the highest number of votes at the Annual Meeting will be elected, even if these votes do not constitute a majority of the votes cast.

Nominees for Election at the 2009 Annual Meeting.

The following table sets forth certain information with respect to the two director nominees, all of whom are currently Class I board members.

| <u>Name</u> | <u>Age</u> | <u>Principal Occupation and Other Information</u> |
|--------------------------|------------|--|
| Joseph Chalhoub | 63 | Mr. Chalhoub, founder of Heritage-Crystal Clean, LLC, has served as our President, Chief Executive Officer and director since the formation of Heritage-Crystal Clean, LLC in 1999. Mr. Chalhoub formerly served as an executive of Safety-Kleen Corporation (“Safety-Kleen”) from 1987 to 1998 and was the President of Safety-Kleen from 1997 to 1998. Mr. Chalhoub has over 30 years of experience in the industrial and hazardous waste services industry. |
| Fred Fehsenfeld, Jr..... | 58 | Mr. Fehsenfeld has served as a director on our board since 1999. Mr. Fehsenfeld is the general partner and Chairman of the Board of Directors of Calumet Specialty Products Partners, L.P. (“Calumet Partners”). Mr. Fehsenfeld has served as the Vice Chairman of the Board of the predecessor to Calumet Partners since 1990. Mr. Fehsenfeld has worked for The Heritage Group in various capacities since 1977 and has served as its Managing Trustee since 1980. Mr. Fehsenfeld received his B.S. in Mechanical Engineering from Duke University and his M.S. in Management from the Massachusetts Institute of Technology Sloan School. |

The board recommends a vote FOR approval of the director nominees.

The following tables set forth information with respect to our directors who are not up for election at the 2009 Annual Meeting.

Class II Directors — Terms Expire in 2010.

| <u>Name</u> | <u>Age</u> | <u>Principal Occupation and Other Information</u> |
|---------------------------|------------|--|
| Donald Brinckman | 78 | Mr. Brinckman has served as a director on our board since 2002. Mr. Brinckman was the Founder of Safety-Kleen in 1968. Mr. Brinckman served as President of Safety-Kleen from 1968 until 1998, excluding portions of 1990-1991 and 1993-1997, and for most of the thirty-year period he also served as Safety-Kleen’s Chief Executive Officer. Mr. Brinckman was appointed Chairman of Safety-Kleen’s Board of Directors in August 1990 and served in that capacity until 1998. Mr. Brinckman has in the past served as a director of Johnson Outdoors Inc., Paychex, Inc. and Snap-On Inc. |
| Charles E. Schalliol..... | 61 | Mr. Schalliol has served as a director on our board since March 2008. Mr. Schalliol served as the Director, Office of Management and Budget, State of Indiana, from 2004 to 2007. Mr. Schalliol served as the President and CEO of BioCrossroads, Indiana’s life science initiative, from 2003 to 2004. Mr. Schalliol served in various executive positions, including strategic planning and investment banking, with Eli Lilly & Company from 1978 to 2003. Mr. Schalliol serves as Chairman of the Board of Directors of First Merchant’s Corporation. Mr. Schalliol holds a business degree with high distinction from Indiana University and a law degree from Yale University. |

Class III Directors — Terms Expire in 2011.

| Name | Age | Principal Occupation and Other Information |
|-------------------------------|-----|---|
| Bruce Bruckmann | 55 | Mr. Bruckmann has served as a director on our board since 2004. Mr. Bruckmann has been a Managing Director of Bruckmann, Rosser, Sherrill & Co., Inc., a private equity investment firm, since January 1995. From March 1994 to January 1995, Mr. Bruckmann served as Managing Director of Citicorp Venture Capital, Ltd. and as an executive officer of 399 Venture Partners, Inc. (formerly Citicorp Investments, Inc.). From 1983 until March 1994, Mr. Bruckmann served as Vice President of Citicorp Venture Capital, Ltd. Mr. Bruckmann is also a director of Town Sports International, Inc., a fitness club operator, MWI Veterinary Products, Inc., a distributor of veterinary products, H&E Equipment Services L.L.C., a renter and distributor of industrial and construction equipment, and Mohawk Industries, Inc., a carpet and rug manufacturer. Mr. Bruckmann also serves as director for several private companies. |
| Carmine Falcone | 62 | Mr. Falcone has served as a director on our board since March 2008. Mr. Falcone served in various operating and executive positions with Shell Group from 1968 through 2004, including roles as Executive Vice President, Oil Products, Shell Canada, as Director — Strategic Planning for Global Oil Products, Shell International, and from 1999 to 2004 as Vice President Manufacturing and Supply, Shell Oil Products USA. Following his retirement from Shell in 2004, Mr. Falcone established CELICO Ventures LLC, a commercial real estate company, which he continues to operate. Mr. Falcone has in the past served as a director of Centurion Energy. Mr. Falcone holds a Chemical Engineering degree with honors from McGill University. |
| Robert W. Willmschen, Jr..... | 61 | Mr. Willmschen has served as a director on our board since March 2008. Mr. Willmschen served as Chief Financial Officer of Safety-Kleen from 1981 to 1997 and as Controller of Safety-Kleen from 1979 to 1981. He was Executive Vice President, Finance of ABC Rail Products Corporation for approximately one year in 1998. Since 1999, Mr. Willmschen has been engaged in managing his private investments. Mr. Willmschen also has nine years experience in public accounting, including Audit Manager with Arthur Andersen LLP. |

SECURITIES BENEFICIALLY OWNED BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of April 9, 2009 for:

- each director, director nominee and named executive officer;
- each person or entity who is known by us to own beneficially more than 5% of any class of outstanding voting securities; and
- all of our executive officers and directors as a group.

The number of shares beneficially owned by each shareholder is determined under rules promulgated by the SEC. The information is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting or investment power and any shares as to which the individual or entity has the right to acquire beneficial ownership within 60 days after April 9, 2009 through the exercise of any stock option, warrant or other right. The inclusion in the following table of those shares, however, does not constitute an admission that the named shareholder is a direct or indirect beneficial owner. Unless otherwise indicated below, to our knowledge, all persons listed below have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. Unless otherwise indicated below, the address of each director and executive officer listed below is Heritage-Crystal Clean, Inc., 2175 Point Boulevard, Suite 375, Elgin, Illinois 60123.

| <u>Name</u> | <u>Number of Shares Beneficially Owned(1)</u> | <u>Percent</u> |
|---|---|----------------|
| <i>Non-employee Directors and Director Nominees:</i> | | |
| Donald Brinckman(2) | 548,012 | 5.1% |
| Bruce Bruckmann(3)..... | 1,041,813 | 9.7% |
| Carmine Falcone | 5,512 | * |
| Fred Fehsenfeld, Jr.(4)..... | 1,010,188 | 9.4% |
| Charles Schalliol | 18,903 | * |
| Robert Willmschen, Jr..... | 11,512 | * |
| <i>Beneficial Owners owning more than 5% of common stock (other than directors and named executive officers):</i> | | |
| The Heritage Group(5)..... | 3,389,958 | 31.5% |
| Bruckmann, Rosser, Sherrill & Co. II, L.P.(3)..... | 951,530 | 8.8% |
| <i>Named Executive Officers:</i> | | |
| Joseph Chalhoub(6) | 1,632,010 | 14.6% |
| John Lucks | 177,264 | 1.6% |
| Gregory Ray(7) | 335,049 | 3.1% |
| Tom Hillstrom..... | 21,159 | * |
| <i>All directors and executive officers as a group (10 persons) ..</i> | 4,801,422 | 42.0% |

* Less than 1%

- (1) Includes the following options to purchase shares of common stock exercisable within 60 days after April 9, 2009: Mr. Chalhoub: 424,590 shares; Mr. Lucks: 127,264 shares; Mr. Ray: 127,264 shares; and Mr. Hillstrom: 5,631 shares.
- (2) Consists of shares held in trust for which Mr. Brinckman has voting control.
- (3) Based on Schedule 13G filed with the SEC on February 17, 2009, BRS-HCC Investment Co., Inc. is wholly owned by Bruckmann, Rosser, Sherrill & Co. II, L.P., or BRS II, and related persons, with BRS II owning 99.81% of BRS-HCC Investment Co., Inc. BRSE LLC is the general partner of BRS II, and by virtue of such status may be deemed to be the beneficial owner of the shares held by BRS II. Bruce Bruckmann is a member and manager of BRSE LLC, and, together with Harold O. Rosser, Stephen C. Sherrill and Thomas J. Baldwin, shares the power to direct the voting or disposition of shares held by BRS II and BRS-HCC Investment Co., Inc.; however, none of these persons individually has the power to direct or veto the voting or disposition of shares held by BRS II or BRS-HCC Investment Co., Inc. BRSE LLC and Messrs. Bruckmann, Rosser, Sherrill and Baldwin expressly disclaim beneficial ownership of the shares held by BRS-HCC Investment Co., Inc. The address of this stockholder is 126 East 56th Street, New York, NY 10022.
- (4) Based on a Schedule 13G filed with the SEC on February 13, 2009. Includes 10,000 shares held by Mr. Fehsenfeld's family members (specifically, his spouse and two children). Mr. Fehsenfeld disclaims beneficial ownership of the shares of common

stock owned by these family members except to the extent of his pecuniary interest therein. In addition, Mr. Fehsenfeld serves as one of five trustees who together are empowered to act on behalf of The Heritage Group. Mr. Fehsenfeld disclaims beneficial ownership of the shares of common stock owned by The Heritage Group except to the extent of his pecuniary interest therein.

- (5) Based on a Schedule 13G filed with the SEC on February 13, 2009. The Heritage Group is a general partnership formed under the laws of the State of Indiana. Thirty grantor trusts own all of the outstanding general partner interests in The Heritage Group. Five trustees, acting on behalf of each of these trusts, have the duty and have been empowered to carry out the purposes of the general partnership pursuant to the Articles of Partnership. The five trustees are Fred M. Fehsenfeld, Jr., James C. Fehsenfeld, Nicholas J. Rutigliano, William S. Fehsenfeld and Amy M. Schumacher. Also includes 60,000 shares held in trust that were previously issued under the Key Employee Membership Interest Trust Agreement of 2002, as amended (the "KEMIT"), for which The Heritage Group has voting control. The KEMIT was terminated in connection with our initial public offering. The address of The Heritage Group is 5400 West 86th Street, Indianapolis, Indiana 46268.
- (6) Joseph Chalhoub has voting control over the shares held by the entity named J. Chalhoub Holdings, Ltd., but disclaims beneficial ownership, other than to the extent of his pecuniary interest therein.
- (7) Includes shares held in trust for which Mr. Ray has voting control.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, and persons who own more than ten percent of the Company's Common Stock, to file initial reports of ownership and changes in ownership with the SEC. Based on a review of the copies of such forms furnished to the Company and written representations from the Company's executive officers and directors, to the knowledge of the Company, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with during 2008; except for one late filing by Mr. Schalliol with respect to 17,391 shares and one report, covering 1,512 shares of restricted stock per director, filed late by each of the Company's non-employee directors.

CORPORATE GOVERNANCE

General

Our business and affairs are managed under the direction of our board of directors. Our bylaws specify that the board shall consist of seven directors, with such number to be determined from time to time by the board. We currently have seven directors. Our board of directors has an audit committee, a compensation committee and a nominating and governance committee (the "nominating committee"). Fred Fehsenfeld, Jr. serves as the Chair of our board.

Director Independence

Our board of directors is comprised of a majority of independent directors. In general, the board of directors determines whether a director is independent by following the listing standards of the Nasdaq Global Select Market (the "Nasdaq listing standards"), in addition to other factors it may deem relevant. The board of directors has determined that each of the following directors is independent: Bruce Bruckmann, Carmine Falcone, Charles E. Schalliol and Robert W. Willmschen, Jr.

Board Meetings

The board of directors met 4 times during fiscal 2008. Independent directors of the Company meet regularly in conjunction with regularly scheduled meetings of the board of directors. Each director attended at least 75% of all board and applicable committee meetings held during the period that such director served in fiscal 2008.

The Audit Committee

The audit committee was formed in connection with our initial public offering and met 6 times in fiscal 2008. The audit committee has functions that include appointing, terminating, evaluating, and setting the compensation of our independent registered public accounting firm; meeting with the independent registered public accounting firm to review the scope, accuracy and results of the audit; and making inquiries as to the adequacy of our accounting, financial and operating controls. Mr. Willmschen is the Chair and Messrs. Falcone and Schalliol are the other members of the audit committee. The board of directors has determined that Messrs. Willmschen, Falcone and Schalliol are independent in accordance with Nasdaq listing standards and the rules and regulations of the SEC and related federal law. In addition, the board of directors has also determined that Mr. Willmschen is an "audit committee financial expert" in accordance with the standards established by the SEC. The audit committee charter is available both on our website and in print. See "Availability of Certain Documents."

The Compensation Committee

The compensation committee met 1 time during 2008. Mr. Bruckmann is the Chair and Messrs. Falcone and Schalliol are the other members of the compensation committee. Prior to the completion of our initial public offering, the members of the compensation committee were Donald Brinckman, Bruce Bruckmann and Fred Fehsenfeld.

The compensation committee's responsibilities, which are discussed in detail in its charter, include, among other duties, the responsibility to:

- review and approve corporate goals and objectives relevant to the compensation for executive officers, evaluate the performance of executive officers in light of those goals and objectives, and recommend the compensation level of executive officers based on this evaluation. The compensation and performance of the Chief Executive Officer is also then reviewed with and subject to approval by the Board;
- administer incentive compensation plans and equity-based plans established or maintained by the Company from time to time, such as the 2008 Omnibus Plan;
- review succession plans concerning positions held by corporate officers;
- review the employee benefits made available to executive officers; and
- recommend to the Board the compensation for Board members.

The compensation committee charter is available both on our website or in print. See "Availability of Certain Documents."

A description of the Company's processes and procedures for the consideration and determination of executive compensation is included in the section entitled "Executive Compensation – Compensation Discussion and Analysis" below.

The Nominating Committee

The nominating committee was formed in connection with our initial public offering and did not meet in fiscal 2008. Mr. Schalliol is the Chair and Messrs. Bruckmann and Falcone are the other members of the nominating committee. All the members of the nominating committee are independent in accordance with Nasdaq listing standards. The role of the nominating committee is to develop and recommend to our board criteria for board and committee membership, review the qualifications of candidates for director, nominate candidates for election to our board, oversee our corporate governance policies and practices, develop and recommend to our board corporate governance guidelines, and oversee a review of the performance of our board and its committees at least annually. The nominating committee charter is available both on our website and in print. See "Availability of Certain Documents."

Annual Meeting Attendance Policy

The Company expects all board members to attend the annual meeting of shareholders, but from time to time, other commitments may prevent all directors from attending each meeting. The Company has not held a shareholder meeting since it became a public company.

Compensation Committee Interlocks and Insider Participation

During fiscal 2008, no executive officer of the Company served on the board of directors or compensation committee of any other company with respect to which any member of the compensation committee was engaged as an executive officer. No member of the compensation committee was an officer or employee of the Company during fiscal 2008, and no member of the compensation committee was formerly an officer of the Company.

Director Nominations

The nominating committee is responsible for screening potential director candidates and recommending qualified candidates to the board for nomination. The nominating committee considers recommendations of potential candidates from current directors, management and shareholders. Shareholders' nominations for directors must be made in writing and include the nominee's written consent to the nomination and sufficient background information on the candidate to enable the nominating committee to assess his or her qualifications.

For consideration at the 2010 Annual Meeting, director nominations must be delivered to the Secretary of the Company no later than the close of business on February 25, 2010, but no earlier than the close of business on January 26, 2010.

Article II, Section 9 of our bylaws sets forth the process for submitting director nominations. Notice of nomination must include: (i) with respect to each proposed nominee, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) the name and address of the shareholder who intends to make the nomination (including the beneficial owner, if any, on whose behalf the proposal is made) as they appear on the Company's books, (iii) the number of shares of common stock owned beneficially and of record by such shareholder submitting the nomination (include those owned by the beneficial owner, if any, on whose behalf the proposal is made) as of the date such notice is given, (iv) a representation that such shareholder intends to appear in person or by proxy at the meeting to propose such business; (v) if the shareholder intends to solicit proxies in support of such stockholder's proposal, a representation to that effect.

The board is committed to a diversified membership, in terms of both the individuals involved and their various experiences and areas of expertise. The nominating committee has not established specific minimum age, education, years of business experience or specific types of skills for potential director candidates, but, in general, expects qualified candidates will have ample experience and a proven record of business success and leadership. Nominees for director shall be selected on the basis of experience, integrity, ability to make independent analytical inquiries, understanding of the Company's business environment and willingness to devote adequate time to board duties. Board members are expected to diligently prepare for, attend, and participate in all board and applicable committee meetings. Each board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as a director. The board applies these criteria in evaluating candidates nominated by stockholders as well as in evaluating those recommended by other sources. The committee also considers whether candidates would be "independent" for purposes of the Nasdaq listing standards and SEC rules and regulations. General criteria is reviewed annually by the nominating committee and the board to ensure they remain pertinent and robust.

As provided in its charter, the nominating committee follows procedures which the committee deems reasonable and appropriate in the identification of candidates for election to the Board and evaluating the background and qualifications of those candidates. Those processes can include consideration of nominees suggested by an outside search firm, incumbent board members, and shareholders.

The Company has not received any shareholder recommendations of director candidates with regard to the election of directors covered by this Proxy Statement.

Communications with the Board

Stockholders and other interested parties may communicate with one or more members of the board or the non-management directors as a group in writing by regular mail to either the board of directors, an individual director or directors or Chair of the nominating committee with respect to the non-management directors c/o Corporate Secretary, 2175 Point Boulevard, Suite 375, Elgin, Illinois 60123.

The board has instructed the Corporate Secretary to review all communications so received, and to exercise his discretion not to forward to the board correspondences that are inappropriate such as business solicitations, frivolous communications and advertising, routine business matters (i.e. business inquiries, complaints or suggestions) and personal grievances. However, any director may at any time request the Corporate Secretary to forward any and all communications received by the Corporate Secretary but not forwarded to the directors.

Code of Business Conduct and Ethics

The Company adopted a Code of Business Conduct and Ethics that applies to all executive officers, directors and employees. The Code of Business Conduct and Ethics defines each individual's obligations when representing the Company. The Company's Code of Business Conduct and Ethics is available both on the Company's website and in print. See "Availability of Certain Documents."

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation Objective

The objective of our executive compensation program is to attract and retain the best suited individuals with the knowledge and capability to run our business to achieve the performance expectations set by our shareholders. Our philosophy is to link each executive's compensation to the success of the business, with a focus on growth and development of sustainable shareholder value. Our philosophy is also to keep the executive officer compensation program well-defined and easily understood. Our compensation committee determines the amount of each element of compensation, as well as the overall mix of compensation elements, based on our objective of recruiting and retaining valuable employees and remaining competitive within our industry. Our compensation committee makes compensation determinations in accordance with information that its members have gathered in their many years of industry experience.

Changes in Fiscal 2008

Fiscal 2008 was a transformational year for our Company. In March 2008, we completed our initial public offering and our common stock became listed on the Nasdaq Global Market. As such, a portion of the compensation awarded in fiscal 2008 occurred when we were a private company or was awarded in connection with our initial public offering and therefore may not be indicative of how we will award compensation to our executive officers in the future as a public company.

Named Executive Officers

In this Compensation Discussion and Analysis, we discuss the compensation packages and fiscal 2008 compensation of Joseph Chalhoub, our President, Chief Executive Officer and Director, John Lucks, our Vice President of Sales, Gregory Ray, our Chief Financial Officer, Vice President, Business Management and Secretary, and Tom Hillstrom, our Vice President of Operations. Further details relating to the compensation paid to these named executive officers in fiscal 2008 and their employment arrangements with the Company can be found in the "Summary Compensation Table" and the supplemental tables that follow it.

Compensation Committee

Prior to the completion of our initial public offering, the Board of Directors played an active role in approving the compensation awarded to the named executive officers. With the completion of our initial public offering, the compensation committee has taken on a more prominent role in the compensation of our executive officers. The compensation committee is appointed by the board, in part, to oversee the programs under which performance is evaluated and compensation is paid or awarded to our executive officers.

The agenda for each meeting of the compensation committee is determined by its Chair with the assistance of Mr. Chalhoub, our Chief Executive Officer. Compensation committee meetings are regularly attended by Mr. Chalhoub. At each meeting, the compensation committee has the opportunity to meet in executive session.

Our compensation committee annually reviews the compensation of each of our executive officers and makes recommendations to our Board of Directors for approval. In connection with our initial public offering, the compensation committee engaged a consultant to evaluate current executive compensation plans and provide the compensation committee with competitive information regarding executive officer compensation and general industry best practices.

The compensation committee and board use their collective knowledge and experience, together with the information provided by the compensation consultant, to establish compensation for each executive officer. Due to the limited number of companies comparable to us in terms of both industry and size, the compensation consultant did not create a specific peer group for calculating market competitive compensation. Instead the compensation consultant relied upon surveys reflecting compensation data for companies of our size. We are comfortable that general industry competitive compensation data, adjusted to our revenue size, is relevant for determining compensation for our executive officer positions.

The compensation committee acting upon recommendations of the Chief Executive Officer set and approved all compensation awarded to our executive officers. Our Chief Executive Officer, Mr. Chalhoub, participated in discussions with the compensation committee with respect to the compensation packages of each of our executive officers. Mr. Chalhoub participated in discussions regarding his own compensation only where the compensation committee requested his participation.

Components of Executive Compensation

Our executive officer compensation program has the following components:

Base Pay

Base pay is intended to provide the executive with recurring compensation that reflects our size as well as the employment market for our executive officers. Each executive's individual experience, responsibilities, and performance are also taken into consideration. Base salary also takes total salary into consideration to ensure that our philosophy regarding overall compensation is maintained. The base pay component of compensation is reviewed annually by the compensation committee. The compensation committee is afforded broad discretion with respect to increasing the base salaries of our executives and other key management personnel, and generally bases such increases on the growth and performance of the company, individual job performance and our compensation objectives described above under "Compensation Discussion and Analysis - Executive Compensation Objective." Increases in base salary do not directly affect determinations regarding bonuses and other compensation, and the allocation of total compensation between base salary and other components of compensation is determined by the compensation committee in accordance with information that the members have gathered in their many years of industry experience. As set forth in the "Summary Compensation Table" below, each of the executive officers' base pay increased in fiscal 2008 based in part upon an assessment by the compensation committee that the previous salaries were below the salaries provided by similarly sized companies. In March 2009, the compensation committee set the base salaries for the executive officers for fiscal 2009, and the salaries increased on average 12% with Mr. Chalhoub's base salary increasing 25%.

Cash Bonus

In connection with our initial public offering, we adopted the Heritage-Crystal Clean, Inc. Performance-Based Annual Incentive Plan, which we refer to as the Annual Incentive Plan. The first awards to be made under the Annual Incentive Plan were made for fiscal 2008. The Annual Incentive Plan is designed to provide annual cash awards that satisfy the conditions for performance-based compensation under Section 162(m) of the Internal Revenue Code. The annual incentive plan is administered by the compensation committee. Under the Annual Incentive Plan, the compensation committee has the authority to grant annual incentive awards to our executive officers or other key employees. Each annual incentive award will be paid out of an incentive pool established for a performance period. Typically, the performance period will be our fiscal year. The incentive pool will equal a percentage of our operating income for the fiscal year as determined by the compensation committee. The compensation committee will allocate an incentive pool percentage to each designated participant for each performance period. In no event may the incentive pool percentage for any one participant exceed 50% of the total pool for that performance period. For purposes of the annual incentive plan, "operating income" means our operating income for a performance period as reported on our income statement computed in accordance with generally accepted accounting principles, but excludes (i) the effects of charges for restructurings, (ii) discontinued operations, (iii) extraordinary items or other unusual or non-recurring items, and (iv) the cumulative effect of tax or accounting changes. Each participant's incentive award is determined by the compensation committee based on the participant's allocated portion of the incentive pool and attainment of specified performance measures subject to adjustment in the sole discretion of the compensation committee. In no event may the portion of the incentive pool allocated to a participant who is a covered employee for purposes of Section 162(m) of the Code be increased in any way, including as a result of the reduction of any other participant's allocated portion, but such portion may be decreased by the compensation committee.

In accordance with the Annual Incentive Plan, at the beginning of fiscal 2008, the compensation committee determined a projected cash bonus pool of \$0.9 million which was 10% of our fiscal 2008 projected operating income, adjusted to exclude the fiscal 2008 non cash compensation expense of \$3.5 million associated with the IPO. The projected cash bonus pool, or projected total pool is divided into two portions: 80% represents the projected bonus pool and 20% represents the projected discretionary pool. Each participant is allocated a certain percentage of the target distribution amount, based upon employee reviews, years of service and job responsibilities, allowing for the calculation of individual target distribution amounts. The Company targeted discretionary bonuses equal to 25% of the budgeted bonuses, but allocation of such amounts is based on individual performance at the end of fiscal 2008. The actual cash bonus pool is calculated by applying the same percentage used to calculate our projected cash bonus pool to our actual operating earnings, adjusted to exclude the fiscal 2008 non-cash compensation expense of \$3.9 million, for fiscal 2008. If the actual cash bonus pool is more or less than the projected cash bonus pool, then the individual target distribution amounts are adjusted accordingly, up or down, on a pro rata basis. The remaining twenty percent of the actual cash bonus pool was assigned after the end of fiscal 2008 to participants as a discretionary bonus.

The fiscal 2008 actual cash bonus pool was \$551,000 as operating income, as adjusted, was \$5.5 million. Because the actual cash bonus pool was significantly lower than the projected cash bonus pool, bonuses for fiscal 2008 under the Annual Incentive Plan were significantly lower than fiscal 2007. Our executive officers were allocated the same percentage of the non-discretionary portion of the cash bonus pools for both fiscal 2007 and fiscal 2008, specifically: 17% to Joseph Chalhoub, 10% to John Lucks, 8% to Gregory Ray and 7% to Tom Hillstrom. For fiscal year 2008, after taking into consideration the non-discretionary and discretionary amounts, our executive officers received the following percentages of the cash bonus pool: 20% to Joseph Chalhoub, 11% to John Lucks, 10% to Gregory Ray and 7% to Tom Hillstrom.

In March 2009, the compensation committee has determined that the aggregate 2009 cash bonus pool for bonuses paid under the Annual Incentive Plan will equal 10% of the Company's operating income and the compensation committee allocated the following percentages of the bonus pool to the named executive officers: 19% to Joseph Chalhoub, 10% to John Lucks, 8% to Gregory Ray and 6% to Tom Hillstrom.

Long-Term Equity Compensation

We are committed to long-term incentive programs for our executives that promote our long-term growth and encourage employee retention and stock ownership. Each of our executive officers has made cash investments to purchase equity in our company. As co-owners of our business, we believe that our executive officers each have a significant financial interest in the long term success of our company. We have encouraged employees to purchase equity interests in our company and determine the amount of long-term equity compensation to be offered to the employee based upon job responsibilities, years of service and employee reviews. We believe that our executive officers should be rewarded with a proprietary interest in the Company for continued long-term performance and to attract, motivate and retain qualified and talented executives.

2008 Omnibus Incentive Plan

We believe that our long-term equity compensation program achieves the goal of aligning the executives' compensation with our long-term growth, and thus aligns the executives' interests with our stockholders' interests. We adopted the 2008 Omnibus Incentive Plan (the "Omnibus Plan") in connection with our initial public offering. The Omnibus Plan permits the issuance of long-term incentive awards to our employees and non-employee directors and employees of our subsidiaries to promote the interests of our company and our stockholders. It is designed to promote these interests by providing such employees and eligible non-employee directors with a proprietary interest in pursuing the long-term growth, profitability and financial success of our company. The Omnibus Plan is administered by our compensation committee. The aggregate number of shares of our common stock that may be issued under the Omnibus Plan will not exceed 1,902,077 (subject to the adjustment in the event of a stock split, stock dividend, recapitalization, reorganization or similar transaction). No participant may receive in any calendar year awards relating to more than 500,000 shares of our common stock. Awards may consist of stock options (incentive stock options or nonqualified stock options), stock appreciation rights, or SARs, restricted stock, restricted stock units, or RSUs, deferred stock units, or DSUs, performance shares, performance cash awards, and other stock or cash awards. The exercise price of any stock option must be equal to or greater than the fair market value of the shares on the date of the grant, unless it is a substitute or assumed stock option, restricted stock, restricted stock unit or deferred stock unit, performance share, performance cash award, stock awards, other stock or cash awards. The term of any award made under this plan cannot be longer than ten years.

We intend to make annual grants of equity to our executive officers under our Omnibus Plan. We do not have any formal policy with respect to allocations between stock options and restricted stock awards. Together with the compensation committee, we believe that stock options align employees' interests with stockholders because the employee realizes no value when the price of the stock remains the same or declines from the price at grant. The number of stock options awarded to an executive officer is based on the individual's level in the organization, competitive practices, individual performance and internal pay equity. The compensation committee does not assign specific weights to these criteria.

On the date of our initial public offering, our executive officers were granted stock options as set forth in the table below. The options have an exercise price per share equal to the initial public offering price of \$11.50, vested immediately and are exercisable for a period of ten years. The options were awarded based upon peer market data and the role of the executive officers in our initial public offering.

| <u>Executive Officer</u> | <u>Number of Shares</u> |
|--------------------------|-------------------------|
| Joseph Chalhoub | 424,590 |
| John Lucks | 127,264 |
| Gregory Ray | 127,264 |
| Tom Hillstrom | 5,631 |

On March 25, 2009, the compensation committee granted to Messrs. Chalhoub, Lucks, Ray and Hillstrom options to purchase 45,748, 14,420, 11,831 and 9,113 shares of common stock, respectively under our Omnibus Plan. The per share exercise price for the options was the closing market price of our common stock on Nasdaq on the grant date. These options vest in equal amounts over the first four anniversaries of the option grant and have ten year terms. The equity award levels were determined based upon general market data and reflect a percentage of each executive's cash compensation for the prior year. The equity awards vary among the executives based upon their positions with the company.

Key Employee Membership Interest Trust Agreement

Prior to our initial public offering, we used the Key Employee Membership Interest Trust Agreement of 2002, as amended (the "KEMIT") to award equity incentive compensation to certain employees. In connection with our initial public offering, common

stock awards of 15,000 and 9,000 shares vested under the KEMIT for Messrs. Lucks and Hillstrom, respectively. The KEMIT was terminated in connection with our initial public offering.

Other Compensation

Our Non-Qualified Deferred Compensation Plan

In connection with our initial public offering, we adopted the Heritage-Crystal Clean, Inc. Non-Qualified Deferred Compensation Plan, which is designed to provide a select group of highly compensated employees, and non-employee directors, the benefits of a non-qualified, unfunded plan of deferred compensation subject to Section 201(2) of ERISA and the provisions of Section 409A of the Internal Revenue Code. Under the plan, all non-employee directors will be permitted to make an irrevocable election to defer the receipt of all or a portion (not less than 25%) of their annual retainer and/or meeting fees into a nonqualified, unfunded deferred compensation plan. In addition, select employees will be entitled to make an irrevocable election to defer receipt of up to 75% of base salary and up to 100% of any bonus. We may make discretionary contributions to participants' deferred accounts. The plan administrator shall select one or more investment funds that will be used to credit participants' deferral accounts with income and gains, and charge deferral accounts with losses, expenses, and distributions. Distribution of funds from deferral accounts to participants shall be made according to distribution dates specified by the participant. Payment of the vested portion of a participant's deferral account shall be made in cash in the form of a single lump sum or a series of annual installments over a period not exceeding ten years. None of our executive officers are currently participating in the deferred compensation plan.

Heritage-Crystal Clean, Inc. Employee Stock Purchase Plan of 2008

In connection with our initial public offering, we adopted the Heritage-Crystal Clean, Inc. Employee Stock Purchase Plan of 2008, or the ESPP. The purpose of the ESPP is to provide an opportunity for our employees and the employees of our designated subsidiaries to purchase a limited number of shares of common stock at a discount through voluntary automatic payroll deductions. The ESPP is designed to attract, retain and reward our employees and to strengthen the mutuality of interest between our employees and our stockholders. The ESPP is administered by the compensation committee. The aggregate number of shares of our common stock that may be issued under the ESPP is 100,000 shares (subject to adjustment in the event of a stock split, stock dividend, recapitalization, reorganization, or similar transaction). The maximum amount eligible for purchase of shares through the ESPP by any employee in any year is \$25,000. All of our U.S. employees may participate in the ESPP, other than (i) employees who own more than 5% of our stock, (ii) employees whose customary employment is 20 hours or less per week and (iii) employees whose customary employment is for not more than five months per year.

Employment Agreements and Severance Benefits

We have entered into employment agreements with each of Messrs. Chalhoub, Lucks, Ray and Hillstrom. The employment agreements with Messrs. Chalhoub, Lucks and Ray provide for severance payments and continuation of benefits upon termination of employment. Mr. Hillstrom's employment agreement does not entitle him to any cash severance or continuation of benefits. See "Employment Agreements and Potential Payments upon Termination or Change-In-Control."

Internal Revenue Code Section 162(m)

Favorable accounting and tax treatment of the various elements of our compensation program is an important consideration in their design, but it is not the sole consideration. Section 162(m) of the Internal Revenue Code limits the deductibility of certain items of compensation paid to the named executive officers to \$1,000,000 annually, unless the compensation qualifies as "performance based compensation" or is otherwise exempt under Section 162(m). To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, we have not adopted a policy that all compensation must be deductible. In this regard, we believe that Section 162(m) will not prevent us from receiving a tax deduction in fiscal 2008 for the compensation paid to our named executive officers because compensation amounts awarded were less than the \$1,000,000 limit. In addition, under a transition rule for new public companies, the deduction limits under Section 162(m) do not apply to any compensation paid pursuant to a compensation plan or agreement that existed during the period in which the corporation was not publicly held, to the extent that the prospectus accompanying the initial public offering disclosed information concerning those plans or agreements that satisfied all applicable securities laws then in effect. We believe that we can rely on this transition rule until our 2011 annual meeting of stockholders. While we consider the potential impact of Section 162(m) on our compensation decisions, we may approve compensation for an executive officer that does not meet the deductibility requirements of Section 162(m) in the future in order to maintain competitive compensation packages and attract talented leaders.

In fiscal 2006, we began expensing equity awards in accordance with FAS 123(R). Like many of the companies within our peer group, we have taken measures to ensure that our equity granting practice remains competitive.

Compensation Committee Report

The Committee has reviewed and discussed the “Compensation Discussion and Analysis” required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the Committee recommended to the Board of Directors that the “Compensation Discussion and Analysis” be included in this proxy statement on Schedule 14A.

Respectfully submitted,

Bruce Bruckmann, Chair
Carmine Falcone, member
Charles E. Schalliol, member

The Compensation Committee Report and related disclosure shall be deemed incorporated by reference into the Company’s Annual Report on Form 10-K for the year ended January 3, 2009, but shall not be otherwise incorporated by reference by any general statement incorporating this proxy statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such Acts.

NAMED EXECUTIVE OFFICER COMPENSATION

Executive Compensation Tables

The following table sets forth the aggregate amounts of compensation paid or accrued by us during the fiscal years ended December 30, 2006, December 29, 2007 and January 3, 2009 respectively, for services rendered in all capacities by our Chief Executive Officer, Chief Financial Officer and our other executive officers who were employed by us as of December 30, 2006, December 29, 2007 and January 3, 2009 respectively, and whose total compensation exceeded \$100,000 during that fiscal year. Compensation reported for fiscal years ended December 30, 2006 and December 29, 2007, and the portion of compensation awarded in fiscal 2008 prior to our initial public offering in March 2008, occurred when we were a private company and therefore may not be indicative of how we will award compensation to our executive officers in the future as a public company.

Summary Compensation Table

| <u>Name and Principal Position</u> | <u>Year</u> | <u>Salary (\$)(1)</u> | <u>Bonus (\$)(2)</u> | <u>Stock Awards (\$)(3)</u> | <u>Option Awards (\$)(4)</u> | <u>Non-Equity Incentive Plan Compensation (\$)(2)</u> | <u>All Other Compensation (\$)(5)</u> | <u>Total (\$)</u> |
|---|-------------|-----------------------|----------------------|-----------------------------|------------------------------|---|---------------------------------------|-------------------|
| Joseph Chalhouh, President, and Chief Executive Officer | 2008 | \$284,750 | — | — | \$1,655,901 | \$110,860 | \$11,008 | \$2,062,519 |
| | 2007 | \$220,000 | \$172,945 | — | — | — | \$18,950 | \$411,895 |
| | 2006 | \$215,200 | \$117,900 | — | — | — | \$16,550 | \$349,650 |
| John Lucks, Vice President of Sales | 2008 | \$214,750 | — | \$172,500 | \$496,330 | \$61,600 | \$11,008 | \$956,188 |
| | 2007 | \$190,000 | \$96,656 | — | — | — | \$18,750 | \$305,406 |
| | 2006 | \$180,000 | \$73,200 | — | — | — | \$18,550 | \$271,750 |
| Gregory Ray, Chief Financial Officer, Vice President, Business Management and Secretary | 2008 | \$189,750 | — | — | \$496,330 | \$54,978 | \$8,980 | \$750,038 |
| | 2007 | \$167,000 | \$86,266 | — | — | — | \$18,750 | \$272,016 |
| | 2006 | \$158,000 | \$58,880 | — | — | — | \$17,224 | \$234,104 |
| Tom Hillstrom, Vice President of Operations | 2008 | \$152,000 | — | \$103,500 | \$21,961 | \$39,620 | \$8,942 | \$326,023 |
| | 2007 | \$142,000 | \$62,167 | — | — | — | \$7,453 | \$211,620 |
| | 2006 | \$133,100 | \$45,350 | — | — | — | \$6,125 | \$184,575 |

- (1) The salary amounts are determined by the compensation committee, based on their understanding of salaries within the industry in which our company competes and reports from Towers Perrin. See “— Compensation Discussion and Analysis.”
- (2) The bonuses earned in fiscal 2006 and 2007 were paid in February 2007 and February 2008, respectively. The non-equity incentive plan compensation earned in fiscal 2008 was paid in March 2009. See “— Compensation Discussion and Analysis — Components of Executive Compensation — Cash Bonus” for more information.
- (3) Reflects restricted stock granted under the Key Employee Membership Interest Trust that vested upon the completion of our initial public offering (“IPO”) in March 2008. Reflects the value of the amounts recognized for financial reporting purposes in accordance with SFAS 123(R), calculated using the assumptions found in Note 12 to our 2008 audited consolidated financial statements on page 51 of our 2008 Annual Report on Form 10-K for the fiscal year ended January 3, 2009 (the “2008 10-K”).
- (4) For information regarding these option awards, see the table “Outstanding Equity Awards at 2008 Fiscal Year End” set forth below. Reflects the value of the amounts recognized for financial reporting purposes in accordance with SFAS 123(R), calculated using the assumptions in Note 13 to our 2008 audited consolidated financial statements on page 52 of our 2008 10-K. In addition, in March 2009, the compensation committee approved grants of stock options to each of the named executive officers. See “— Compensation Discussion and Analysis — Components of Executive Compensation” for more information.

- (5) The compensation represented by the amounts set forth in the “All Other Compensation” column for the named executive officers are detailed in the following table:

| <u>Name</u> | <u>Year</u> | <u>Car Allowance</u> | <u>Company 401(k) Match</u> | <u>Long-term Disability Insurance Premium Payment</u> | <u>Total</u> |
|-----------------|-------------|----------------------|-----------------------------|---|--------------|
| Joseph Chalhoub | 2008 | \$1,500 | \$9,200 | \$308 | \$11,008 |
| | 2007 | \$9,750 | \$9,200 | — | \$18,950 |
| | 2006 | \$9,750 | \$6,800 | — | \$16,550 |
| John Lucks | 2008 | \$1,500 | \$9,200 | \$308 | \$11,008 |
| | 2007 | \$9,750 | \$9,000 | — | \$18,750 |
| | 2006 | \$9,750 | \$8,800 | — | \$18,550 |
| Gregory Ray | 2008 | \$1,500 | \$7,172 | \$308 | \$8,980 |
| | 2007 | \$9,750 | \$9,000 | — | \$18,750 |
| | 2006 | \$9,750 | \$7,474 | — | \$17,224 |
| Tom Hillstrom | 2008 | — | \$8,634 | \$308 | \$8,942 |
| | 2007 | — | \$7,453 | — | \$7,453 |
| | 2006 | — | \$6,125 | — | \$6,125 |

Salary and Bonus in Proportion to Total Compensation

As discussed in the Compensation Discussion and Analysis, the payment of bonuses and the issuance of equity compensation vary from year to year. The Company believes that its compensation program gives our named executive officers substantial alignment with shareholders, while also permitting the company to incentivize the named executive officers to pursue short and long-term performance goals. Please see Compensation Discussion and Analysis for a description of the objectives of the Company’s compensation program and overall compensation philosophy.

Grants of Plan-Based Awards in Fiscal 2008

The table below sets forth specific information with respect to each grant of an award made under any of our plans to our named executive officers during fiscal year 2008.

| <u>Name</u> | <u>Type of Award</u> | <u>Grant Date</u> | <u>Target Payouts Under Non-Equity Incentive Plan Awards(1)</u> | <u>All Other Option Awards: Number of Securities Underlying Options(2)</u> | <u>Exercise or Base Price of Option Awards (\$/Share)(3)</u> | <u>Closing Price of Stock on Date of Grant(4)</u> | <u>Grant Date Fair Value of Stock and Option Awards</u> |
|-----------------|----------------------------|-------------------|---|--|--|---|---|
| Joseph Chalhoub | Stock option | 3/11/2008 | | 424,590 | \$11.50 | \$14.19 | \$1,655,901 |
| | Non-equity incentive bonus | 3/17/2008 | \$168,670 | | | | |
| John Lucks | Stock option | 3/11/2008 | | 127,264 | \$11.50 | \$14.19 | \$496,330 |
| | Non-equity incentive bonus | 3/17/2008 | \$101,000 | | | | |
| Gregory Ray | Stock option | 3/11/2008 | | 127,264 | \$11.50 | \$14.19 | \$496,330 |
| | Non-equity incentive bonus | 3/17/2008 | \$84,133 | | | | |
| Tom Hillstrom | Stock option | 3/11/2008 | | 5,631 | \$11.50 | \$14.19 | \$21,961 |
| | Non-equity incentive bonus | 3/17/2008 | \$67,367 | | | | |

- (1) Awards under the Management Incentive Plan for fiscal 2008 already have been determined as described in the section captioned “Cash Bonus” included in the Compensation Discussion and Analysis above. There was no threshold or maximum for these awards.
- (2) These options were awarded under our Omnibus Plan and fully vested upon completion of our IPO.
- (3) The exercise price for all of the stock options listed in the table is equal to the per share initial public offering price of our common stock.
- (4) Represents the closing sales price of our common stock on March 12, 2008 (the first day that shares of our common stock were publicly traded).

Outstanding Equity Awards at 2008 Fiscal Year End

The table below includes certain information with respect to stock options previously awarded to our named executive officers that were outstanding as of January 3, 2009.

| <u>Name</u> | <u>Number of Securities Underlying Unexercised Options (#)(1)</u> | | <u>Option Exercise Price</u> | <u>Option Expiration Date</u> |
|-----------------|---|----------------------|------------------------------|-------------------------------|
| | <u>Exercisable</u> | <u>Unexercisable</u> | | |
| Joseph Chalhoub | 424,590 | — | \$11.50 | 3/17/2018 |
| John Lucks | 127,264 | — | \$11.50 | 3/17/2018 |
| Gregory Ray | 127,264 | — | \$11.50 | 3/17/2018 |
| Tom Hillstrom | 5,631 | — | \$11.50 | 3/17/2018 |

(1) These options were awarded under our Omnibus Plan and fully vested upon completion of our IPO.

Option Exercises and Stock Vested in Fiscal 2008

The table below includes information, on an aggregate basis, with respect to the vesting of awards for our named executive officers during fiscal year 2008. No stock options were exercised by any of our named executive officers during fiscal year 2008.

| <u>Name</u> | <u>Stock Awards</u> | |
|-----------------|--|--|
| | <u>Number of Shares acquired on Vesting (#)(1)</u> | <u>Value Realized on Vesting (\$)(2)</u> |
| Joseph Chalhoub | — | — |
| John Lucks | 15,000 | \$172,500 |
| Gregory Ray | — | — |
| Tom Hillstrom | 9,000 | \$103,500 |

(1) Reflects the vesting of common stock upon the completion of our IPO under the Key Employee Membership Interest Trust described above in Compensation Discussion and Analysis.

(2) Based upon the IPO per share price of \$11.50.

Employment Agreements and Potential Payments upon Termination or Change-In-Control

Agreements with Mr. Chalhoub

We have entered into an employment agreement with Joseph Chalhoub under which Mr. Chalhoub serves as our President and Chief Executive Officer and as a member of our Board of Directors. The agreement automatically renews for successive one year renewal terms every year, until either party delivers notice of termination at least 30 days prior to the first day of the applicable renewal term. Under the agreement, Mr. Chalhoub is entitled to a minimum annual base salary of \$284,750, plus benefits and reimbursement of reasonable business expenses. Mr. Chalhoub's employment agreement, by its terms, is deemed to be automatically amended upon each base salary increase approved by the Board of Directors. Mr. Chalhoub is also entitled to an annual bonus payable out of a cash bonus pool for Mr. Chalhoub and other key management personnel equal to ten percent of our operating income, as determined by our Board of Directors in their sole discretion at the end of each calendar year. In the event that we terminate Mr. Chalhoub's employment without cause, we are required to provide 90 days' notice and pay Mr. Chalhoub severance in an amount equal to one times his base salary plus any bonus that he received in the most recently completed fiscal year, as well as full reimbursement for the cost of maintaining COBRA continuation coverage or its equivalent for the greater of one year or until Mr. Chalhoub is fully covered by a subsequent employer health care plan. Under the agreement, we may terminate Mr. Chalhoub upon 30 days' notice for cause which is defined to include the continued willful or grossly negligent failure to perform duties; breach of the non-competition and non-disclosure agreement; commission of fraud; non-adherence to our drug and substance abuse policies; and the conviction of certain categories of felony offenses. In the event that Mr. Chalhoub resigns for good reason or within one year of a change in control, Mr. Chalhoub is entitled to receive the same severance that he would be entitled to if he were to have been terminated by the Company without cause. Under Mr. Chalhoub's employment agreement, good reason is defined to include

diminished status or responsibilities. Mr. Chalhoub has agreed not to compete with us in various markets for one year after he is no longer our employee.

Agreements with Mr. Lucks

We have entered into an employment agreement with John Lucks under which Mr. Lucks serves as our Vice President of Sales. The agreement automatically renews for successive one year renewal terms every year, until either party delivers notice of termination at least 30 days prior to the first day of the applicable renewal term. Under the agreement, Mr. Lucks is entitled to a minimum annual base salary of \$214,750, plus benefits and reimbursement of reasonable business expenses. Mr. Lucks's employment agreement, by its terms, is deemed to be automatically amended upon each base salary increase approved by the Board of Directors. Mr. Lucks is also entitled to an annual bonus payable out of a cash bonus pool for Mr. Lucks and other key management personnel equal to ten percent of our operating income, as determined by our Board of Directors in their sole discretion at the end of each calendar year. In the event that we terminate Mr. Lucks's employment without cause, we are required to provide 90 days' notice and pay Mr. Lucks severance in an amount equal to two times his base salary plus any bonus that he received in the most recently completed fiscal year, as well as full reimbursement for the cost of maintaining COBRA continuation coverage or its equivalent for the greater of one year or until Mr. Lucks is fully covered by a subsequent employer health care plan. Under the agreement, we may terminate Mr. Lucks upon 30 days' notice for cause which is defined to include the continued willful or grossly negligent failure to perform duties; breach of the non-competition and non-disclosure agreement; commission of fraud; non-adherence to our drug and substance abuse policies; and the conviction of certain categories of felony offenses. In the event that Mr. Lucks resigns for good reason or within one year of a change in control, Mr. Lucks is entitled to receive the same severance that he would be entitled to if he were to have been terminated by the Company without cause. Under Mr. Lucks's employment agreement, good reason is defined to include diminished status or responsibilities. Mr. Lucks has agreed not to compete with us in various markets for two years after he is no longer our employee.

Agreements with Mr. Ray

We have entered into an employment agreement with Gregory Ray under which Mr. Ray serves as our Vice President, Business Management. The agreement automatically renews for successive one year renewal terms every year, until either party delivers notice of termination at least 30 days prior to the first day of the applicable renewal term. Under the agreement, Mr. Ray is entitled to a minimum annual base salary of \$189,750, plus benefits and reimbursement of reasonable business expenses. Mr. Ray's employment agreement, by its terms, is deemed to be automatically amended upon each base salary increase approved by the Board of Directors. Mr. Ray is also entitled to an annual bonus payable out of a cash bonus pool for Mr. Ray and other key management personnel equal to ten percent of our operating income, as determined by our Board of Directors in their sole discretion at the end of each calendar year. In the event that we terminate Mr. Ray's employment without cause, we are required to provide 90 days' notice and pay Mr. Ray severance in an amount equal to two times his base salary plus any bonus that he received in the most recently completed fiscal year, as well as full reimbursement for the cost of maintaining COBRA continuation coverage or its equivalent for the greater of one year or until Mr. Ray is fully covered by a subsequent employer health care plan. Under the agreement, we may terminate Mr. Ray upon 30 days' notice for cause which is defined to include the continued willful or grossly negligent failure to perform duties; breach of the non-competition and non-disclosure agreement; commission of fraud; non-adherence to our drug and substance abuse policies; and the conviction of certain categories of felony offenses. In the event that Mr. Ray resigns for good reason or within one year of a change in control, Mr. Ray is entitled to receive the same severance that he would be entitled to if he were to have been terminated by the Company without cause. Under Mr. Ray's employment agreement, good reason is defined to include diminished status or responsibilities or if Mr. Ray is no longer directly reporting to Mr. Chalhoub. Mr. Ray has agreed not to compete with us in various markets for two years after he is no longer our employee.

Agreements with Mr. Hillstrom

We have entered into an employment agreement with Mr. Hillstrom, under which Mr. Hillstrom serves as our Vice President of Operations. Mr. Hillstrom is not entitled to any cash severance or continuation of benefits. Mr. Hillstrom's employment agreement does not set a minimum base salary. Mr. Hillstrom is entitled to an annual bonus payable out of a cash bonus pool for Mr. Hillstrom and other key management personnel equal to ten percent of our operating income, as determined by our Board of Directors in their sole discretion at the end of each calendar year. Mr. Hillstrom has agreed not to compete with us in various markets for one year after he is no longer our employee.

Potential Payments Upon Termination

The tables below reflect the amount of compensation to each of the named executive officers in the event of termination of his employment arrangement with the Company. The amount of compensation payable to each named executive officer upon termination by the Company without cause, resignation by the executive for good reason, resignation by the executive without good reason, termination by the Company for cause or termination by the Company in the event of disability or death of the person is shown below. The amounts shown assume that such termination was effective as of January 3, 2009, and thus includes amounts earned through such time and are estimates of the amounts which would be paid upon termination. The actual amounts to be paid out can only be determined at the time of termination. Payments due upon a change in control are discussed above under "Employment Agreements and Potential Payments upon Termination or Change-In-Control."

| <u>Name</u> | <u>Base Salary</u> | | <u>Non-Equity Incentive Plan(1)</u> | <u>Benefit Continuation(2)</u> | <u>Total</u> |
|---------------------|--------------------|-----|---|------------------------------------|--------------|
| Joseph Chalhoub | | | | | |
| without cause | \$284,750 | | \$110,860 | \$13,220 | \$408,830 |
| for good reason | \$284,750 | | \$110,860 | \$13,220 | \$408,830 |
| without good reason | \$23,729 | (3) | — | — | \$23,729 |
| for cause | \$23,729 | (3) | — | — | \$23,729 |
| disability | \$284,750 | | \$110,860 | (5) \$13,220 | \$408,830 |
| death | — | | \$110,860 | (6) — | \$110,860 |
| John Lucks | | | | | |
| without cause | \$429,500 | (4) | \$61,600 | \$13,220 | \$504,320 |
| for good reason | \$429,500 | (4) | \$61,600 | \$13,220 | \$504,320 |
| without good reason | \$17,896 | (3) | — | — | \$17,896 |
| for cause | \$17,896 | (3) | — | — | \$17,896 |
| disability | \$214,750 | | \$61,600 | (5) \$13,220 | \$289,570 |
| death | — | | \$61,600 | (6) — | \$61,600 |
| Gregory Ray | | | | | |
| without cause | \$379,500 | (4) | \$54,978 | \$13,220 | \$447,698 |
| for good reason | \$379,500 | (4) | \$54,978 | \$13,220 | \$447,698 |
| without good reason | \$15,813 | (3) | — | — | \$15,813 |
| for cause | \$15,813 | (3) | — | — | \$15,813 |
| disability | \$189,750 | | \$54,978 | (5) \$13,220 | \$257,948 |
| death | — | | \$54,978 | (6) — | \$54,978 |
| Tom Hillstrom(7) | — | | — | — | — |

-
- (1) Calculated based on the bonus paid in fiscal 2009 but earned in fiscal 2008.
 - (2) Entitled to the greater of one year of COBRA reimbursement or until fully covered by a subsequent employer's health care plan.
 - (3) Entitled to base salary through notice period which is a minimum of 30 days.
 - (4) Upon termination without cause by the Company or termination for good reason by Messrs. Lucks or Ray, Messrs. Lucks and Ray are entitled to two times their base salary of \$214,750 and \$189,750, respectively, plus the other amounts listed in the table above.
 - (5) Entitled to full amount of bonus for the year in which the disability occurs.
 - (6) Entitled to ratable portion of bonus to date of death.
 - (7) Mr. Hillstrom is not entitled to any cash severance or continuation benefits.

NON-EMPLOYEE DIRECTOR COMPENSATION

Directors who are employees receive no additional compensation for serving on the board. Our non-employee directors receive annual cash compensation of \$25,000 and restricted stock awards having a value of \$25,000. The Chair of the audit committee receives an additional \$7,500 annual cash retainer and the Chairs of the compensation and nominating committees each receive an additional \$5,000 cash retainer. The restricted stock awarded to directors vests one year after the date of grant. We also reimburse the directors for reasonable expenses that they incur in attending board or committee meetings and have entered into indemnification agreements with each of our directors.

In fiscal 2008, we provided the following compensation to non-employee directors. Mr. Chalhoub is a director, but receives no director-related compensation since he is an employee.

| <u>Name</u> | <u>Fees Earned or Paid in Cash(\$)</u> | <u>Stock Awards\$(1)</u> | <u>Total(\$)</u> |
|--------------------------|--|--------------------------|------------------|
| Donald Brinckman | 18,750 | 12,500 | 31,250 |
| Bruce Bruckmann | 22,500 | 12,500 | 35,000 |
| Carmine Falcone | 18,750 | 12,500 | 31,250 |
| Fred Fehsenfeld Jr. | 18,750 | 12,500 | 31,250 |
| Charles E. Schalliol | 22,500 | 12,500 | 35,000 |
| Robert W. Willmschen Jr. | 24,375 | 12,500 | 36,875 |

-
- (1) Reflects the value of the amounts recognized for financial reporting purposes with respect to 2008 in accordance with SFAS 123(R), calculated using the assumptions in Note 13 to the audited consolidated financial statements of our 2008 10-K, with respect to a total of 9,072 shares of the Company's common stock issued pursuant to restricted stock awards in May 2008 for board services (1,512 shares per non-employee director). On the grant date, May 6, 2008, the fair value of these awards, in accordance with SFAS 123(R), was \$16.53 per share.

RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Procedures for Approval of Related Party Transactions

In March 2009, our Board of Directors adopted written related party transaction policies and procedures which require that all “interested transactions” with “related parties” (each as defined below) be subject to approval or ratification in accordance with the procedures set forth therein. The audit committee reviews the material facts of all interested transactions and either approves or disapproves of the entry into the transaction. If advanced approval of an interested transaction is not feasible, the transaction is reviewed and, if the audit committee determines it to be appropriate, ratified at that committee’s next scheduled meeting. In determining whether to approve or ratify an interested transaction, the audit committee takes into account, among other appropriate factors, the extent of the related party’s interest in the transaction and whether the interested transaction is on terms no less favorable than terms generally available to unaffiliated third parties under similar circumstances. Directors may not participate in any discussion or approval of an interested transaction for which they are a related party.

The audit committee has pre-approved or ratified the following categories of interested transactions:

- Any employment by the Company of an executive officer of the Company if:
 - The related compensation is required to be reported in the Company’s proxy statement under the SEC’s compensation disclosure requirements, or
 - The executive officer is not an immediate family of another executive officer or director of the Company, the related compensation would be reported in the Company’s proxy statement under the SEC’s compensation disclosure requirements if the executive officer was a named executive officer and the compensation committee approved (or recommended that the Board approve) such compensation;
- Any compensation paid to a director if the compensation is required to be reported in the Company’s proxy statement under the SEC’s compensation disclosure requirements;
- Any transaction with another company in which the related person’s only relationship is as a non-executive employee, director or beneficial owner of less than 10% of that company’s shares, if the amount involved does not exceed the greater of \$1,000,000 or 2% of that company’s total annual revenues;
- Any charitable contribution by the Company to a charitable organization, foundation or university at which a related person’s only relationship is as a non-executive employee or director, if the amount involved does not exceed the lesser of \$100,000 or 2% of the charitable organization’s total annual receipts;
- Any transaction where the related person’s interest arises solely from the ownership of the Company common stock and all holders of common stock received the same benefit on a pro rata basis; and
- Any transaction with a related party involving services as a bank depository of funds, transfer agent, registrar, trustee under an indenture or similar services.

In addition, the Board has delegated to the Chair of the audit committee the authority to pre-approve or ratify any interested transaction with a related party in which the aggregate amount is expected to be less than \$1,000,000.

An “interested transaction” is any transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships, in which:

- The aggregate amount involved will or may be expected to exceed \$100,000 in any calendar year;
- The Company is a participant; and
- Any “related party” has or will have a direct or indirect interest (other than solely as a result of being a director or less than 10% beneficial owner of another entity).

A “related party” covered by the policy is any:

- Person who was or is (since the beginning of the last fiscal year for which the Company has filed an Annual Report on Form 10-K or proxy statement) an executive officer, director or nominee for election as a director;
- Greater than 5% beneficial owner of common stock; or

- Immediate family member of the foregoing, which includes a person's spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters- in law and anyone residing in such person's home (other than tenants or employees).

Transactions with Related Persons

The following transactions were initially entered into prior to the adoption of our related party transaction policies and procedures and thus were not approved by our audit committee under those policies and procedures.

Relationship with The Heritage Group

Our operating subsidiary, Heritage-Crystal Clean, LLC, was spun out of Heritage Environmental Services, an affiliate of our largest stockholder, The Heritage Group ("Heritage"), in 1999. Since 1999, we have had many transactions with affiliates of Heritage. In fiscal 2008, we generated sales of \$263,992 from product sales and services to Heritage Environmental Services and incurred expenses of \$1,416,258 from waste transportation and disposal services, rent for facility use, and various advisory and administrative services performed by Heritage Environmental Services. In addition, in fiscal 2008, we generated sales of \$1,800,102 and incurred expenses of \$6,146,628 with other affiliates of Heritage. We believe that the aggregate price we pay Heritage for services is approximately what we would pay for such services from third parties in arms-length transactions.

Employee Benefit Plan

The employees of our operating subsidiary Heritage-Crystal Clean, LLC participate in a defined contribution 401(k) benefit plan sponsored by an affiliate of Heritage. Participants in this plan are allowed to contribute 1% to 70% of their pre-tax earnings up to relevant IRS limitations to the plan. The Company matches 100% of the first 3% contributed by the participant and 50% of the next 2% contributed by the participant for a maximum contribution of 4% per participant. The matching expense for this plan was \$706,084 in fiscal 2008.

Workers' Compensation

We participate in a workers' compensation group insurance program with affiliates of Heritage. In connection with our insurance program for workers' compensation, we contribute payments to an affiliate of Heritage. Payments under the group insurance program for workers' compensation totaled \$293,668 in fiscal 2008, \$324,439 in fiscal 2007 and \$322,420 in fiscal 2006.

Employment of Frank S. Fehsenfeld

Frank S. Fehsenfeld, the brother of Fred Fehsenfeld, Jr., a director, is employed by us as a Vice President and in such capacity earned approximately \$200,000 in fiscal year 2008 (including base salary, bonus and car allowance).

Reorganization Completed in Connection with our Initial Public Offering

In connection with initial public offering, the Company completed a reorganization (the "Reorganization") in which the preferred units of Heritage-Crystal Clean, LLC were exchanged for approximately \$10.9 million in cash and common units of Heritage-Crystal Clean, LLC. All of the common units were then exchanged for shares of common stock. The exchange of units held by BRS-HCC Investment Co., Inc. immediately prior to the initial public offering was accomplished by the merger of BRS-HCC Investment Co., Inc. with and into Heritage-Crystal Clean, Inc. The preferred units held by D. Brinckman Trust were redeemed solely for cash. A majority of our directors and executive officers at the time of the Reorganization owned units in Heritage-Crystal Clean, LLC and received cash and/or common stock in the Reorganization.

The following table sets forth the amount of proceeds and number of shares of common stock that executive officers, directors and holders of more than 5% of our common stock, and the related entities, received in the Reorganization:

| <u>Name</u> | <u>Amount of Proceeds Received in the Reorganization</u> | <u>Shares of Common Stock Received in the Reorganization</u> |
|------------------------------|--|--|
| The Heritage Group..... | \$4,147,545 | 2,790,365 |
| Donald Brinckman(1)..... | \$2,265,622 | 564,100 |
| Bruce Bruckmann(2)..... | \$1,041,677 | 953,345 |
| Joseph Chalhoub(3)..... | \$1,748,131 | 1,198,400 |
| Fred Fehsenfeld, Jr.(4)..... | \$1,463,179 | 1,148,430 |
| Gregory Ray(5)..... | \$157,821 | 234,785 |
| John Lucks..... | — | 50,000 |
| Tom Hillstrom..... | — | 15,000 |
| Total..... | <u>\$10,823,975</u> | <u>6,954,425</u> |

- (1) Donald Brinckman is the beneficial owner of shares held by the D. Brinckman Trust.
- (2) Amount of proceeds received in the Reorganization reflects proceeds received by all of the stockholders of BRS-HCC Investment Co., Inc., which prior to the Reorganization held 1,623 preferred units of Heritage-Crystal Clean, LLC. Mr. Bruckmann, a director of the Company, controls, with others, various entities that control BRS-HCC Investment Co., Inc.
- (3) Joseph Chalhoub has voting control over the shares held by the entity named J. Chalhoub Holdings, Ltd., but disclaims beneficial ownership except to the extent of his pecuniary interest therein.
- (4) Amount of proceeds received in the Reorganization includes \$81,948 received by Maggie Fehsenfeld Trust and \$81,948 received by Frank S. Fehsenfeld Trust, for which Fred Fehsenfeld, Jr. serves as trustee. Shares of common stock received in the Reorganization includes 56,855 shares received by Maggie Fehsenfeld Trust and 56,855 shares received by Frank S. Fehsenfeld Trust, for which Fred Fehsenfeld, Jr. serves as trustee, and 125,000 shares received by Frank Fehsenfeld.
- (5) Gregory Ray is the beneficial owner of shares held by the Gregory Paul Ray Trust.

Merger with BRS-HCC Investment Co., Inc. In Connection with our Initial Public Offering

Prior to the completion of the initial public offering, BRS-HCC Investment Co., Inc. was merged with and into Heritage-Crystal Clean, Inc. In the merger, the stockholders of BRS-HCC Investment Co., Inc. received the shares of common stock in Heritage-Crystal Clean, Inc. that would otherwise have been issued to BRS-HCC Investment Co., Inc. in the Reorganization, the stock of BRS-HCC Investment Co., Inc. was cancelled, and BRS-HCC Investment Co., Inc. ceased to exist. In connection with the merger, the stockholders of BRS-HCC Investment Co., Inc. provided certain indemnifications to Heritage-Crystal Clean, Inc. related to the merger.

Concurrent Direct Placement of Common Stock with the Initial Public Offering

In connection with the initial public offering, we sold 1,200,000 shares of common stock to Heritage, the stockholders of BRS-HCC Investment Co., Inc. and persons designated by Heritage and such stockholders, at the initial public offering price of \$11.50 per share.

Heritage Participation Rights

Simultaneous with the completion of the initial public offering, we entered into a Participation Rights Agreement with Heritage, pursuant to which Heritage received the option to participate, pro rata based on its percentage ownership interest in our common stock, in any future equity offerings for cash consideration, including (i) contracts with parties for equity financing (including any debt financing with an equity component) and (ii) issuances of equity securities or securities convertible, exchangeable or exercisable into or for equity securities (including debt securities with an equity component). If Heritage exercises its rights with respect to all future offerings, it will be able to maintain its percentage ownership interest in our common stock. The Participation Rights Agreement does not have an expiration date. Heritage will not be required to participate or exercise its right of participation with respect to any future offerings. Heritage’s right to participate will not apply to certain future offerings of securities that are not conducted to raise or obtain equity capital or cash such as stock issued as consideration in a merger or consolidation, in connection with strategic partnerships or joint ventures, or for the acquisition of a business, product, license or other assets by us.

REPORT OF THE AUDIT COMMITTEE

The audit committee oversees our financial reporting process on behalf of the board. Management has the primary responsibility for the financial statements and the reporting process. In fulfilling its oversight responsibilities, the audit committee has reviewed and discussed our audited consolidated financial statements for fiscal year 2008 and the report of Grant Thornton LLP, our independent registered public accounting firm, on those financial statements with management and Grant Thornton LLP, including a review and discussion of the quality, not just the acceptability, of our accounting principles; the reasonableness of significant estimates and judgments; and the clarity of disclosures in our financial statements, including the disclosures relating to critical accounting policies.

In addition, the audit committee has reviewed and discussed with Grant Thornton LLP the matters required to be discussed by Statement on Auditing Standards No. 114, "The Auditors Communication with those charged with Governance," as amended. In addition, the audit committee has discussed with Grant Thornton LLP their independence from management and us, and has received the written disclosures and the letter from Grant Thornton LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence and has considered whether the services rendered by Grant Thornton LLP or its affiliates with respect to tax and non-audit services are compatible with maintaining their independence.

The audit committee discussed with Grant Thornton LLP the overall scope and plans for its audit. The audit committee meets with our independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of our internal control over financial reporting, and the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the audit committee recommended to the board (and the board has approved) that our audited financial statements for fiscal year 2008 be included in our Annual Report on Form 10-K for the year ended January 3, 2009, for filing with the SEC. The audit committee has also approved the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year 2009.

Respectfully Submitted By:

The Audit Committee

Robert W. Willmschen, Jr., Chair
Carmine Falcone, member
Charles E. Schalliol, member

PROPOSAL 2:

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee has appointed Grant Thornton LLP (“Grant Thornton”) as our independent registered public accounting firm for fiscal 2009. The board and the audit committee recommend that shareholders ratify the appointment of Grant Thornton as our independent registered public accounting firm for fiscal year 2009. Although we are not required to do so, we believe that it is appropriate to request that shareholders ratify this appointment. If shareholders do not ratify the appointment, the audit committee will investigate the reasons for the shareholders’ rejection and reconsider the appointment. Representatives of Grant Thornton will be at the Annual Meeting, will be given the opportunity to make a statement, and will be available to respond to questions.

Unless otherwise instructed, the proxy holders will vote the proxies received by them “**FOR**” approval of the ratification of the appointment of Grant Thornton. The ratification of the appointment will be approved by our shareholders if, at the Annual Meeting, a quorum is present and a majority of the shares present in person or represented by proxy and entitled to vote on the proposal are voted in favor of the proposal.

The board recommends a vote FOR approval of the ratification of the appointment of Grant Thornton as our independent registered public accounting firm for the fiscal year 2009.

Change in Independent Registered Public Accounting Firm

On October 24, 2008, the audit committee approved the dismissal of KPMG LLP (“KPMG”) as the Company’s independent registered public accounting firm. KPMG served as our independent auditors for the years ended December 30, 2006 and December 29, 2007, and the subsequent interim period through October 24, 2008. During such periods (i) there were no disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to KPMG’s satisfaction, would have caused them to make reference to the subject matter of the disagreement in connection with their opinion; and (ii) there were no reportable events. The audit reports of KPMG on the financial statements of the Company as of and for the years ended December 30, 2006 and December 29, 2007 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

On October 24, 2008, the audit committee appointed Grant Thornton to serve as the Company’s independent registered public accounting firm for the fiscal year ending January 3, 2009. The desire to appoint Grant Thornton as our independent registered public accounting firm was the result of a competitive review process involving several accounting firms. During the years ended December 30, 2006 and December 29, 2007, including the subsequent interim period through October 24, 2008, neither the Company nor anyone on its behalf has consulted with Grant Thornton with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s financial statements, or any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to that Item, or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

Fees Paid to Independent Registered Public Accounting Firm

Set forth below is a summary of fees for professional services by Grant Thornton and KPMG in fiscal 2008 and fiscal 2007.

Grant Thornton LLP

| | <u>2008</u> | <u>2007</u> |
|--------------------|------------------|-------------|
| Audit Fees | \$ 125,646 | — |
| Audit-Related Fees | — | — |
| Tax Fees | \$ 71,828 | — |
| All Other Fees | <u>\$ 28,219</u> | <u>—</u> |
| Total | \$225,693 | — |

KPMG LLP

| | <u>2008</u> | <u>2007</u> |
|--------------------|-------------|------------------|
| Audit Fees | \$252,905 | \$480,737 |
| Audit-Related Fees | \$ 5,136 | \$ 10,500 |
| Tax Fees | \$ 15,800 | \$ 5,850 |
| All Other Fees | <u>—</u> | <u>\$176,590</u> |
| Total | \$273,841 | \$673,677 |

Audit Fees. Audit fees primarily consist of professional services rendered for the audit of our annual financial statements and the review of our quarterly financial statements included in our Quarterly Reports on Form 10-Q. Audit fees also include professional services rendered in connection with periodic reports and registration statements we filed with the SEC (for example, the registration statement filed in connection with our initial public offering).

Audit-Related Fees. Audit-related fees consist of travel and supplies.

Tax Fees. Tax fees consist of fees billed for professional services rendered for tax compliance and tax planning and consulting.

All Other Fees. All other fees consist of review of the tax implications of the KEMIT in fiscal 2008 and cost associated with a special investigation in 2007.

Approval of Services Provided by Independent Registered Public Accounting Firm

The audit committee is responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm. The audit committee has adopted a policy requiring the pre-approval of any audit services and non-audit services performed by the Company's independent registered public accounting firm to ensure that such services do not impair the firm's independence. This policy requires that, unless a proposed service has received general pre-approval by the audit committee, it will require specific pre-approval if it is to be performed by the Company's independent registered public accounting firm. The audit committee may preapprove for up to one year in advance the provision of particular types of permissible routine and recurring audit-related, tax and other non-audit services, in each case described in reasonable detail and subject to a specific annual monetary limit also approved by the audit committee. The audit committee must be informed about each such service that is actually provided. In cases where a service is not covered by one of those approvals, the service must be specifically preapproved by the audit committee no earlier than one year prior to the commencement of the service. In addition, the audit committee has delegated to the Chair of the audit committee the authority to grant the approvals required by this policy for services that are estimated to cost no more than the greater of \$20,000 or 10% of the fees paid to the auditor for the fiscal year preceding the year that the services are to be provided. All requests or applications for services to be provided by the independent auditor must be submitted to our chief financial officer, who determines whether such services are included within the list of services that have received general pre-approval or whether they require specific pre-approval by the audit committee.

The audit committee has considered whether the nature of the services provided by Grant Thornton and KPMG for tax and non-audit services are compatible with maintaining the nature of the firm's independence and has determined that such services are compatible with the provision of independent audit services. All of the services performed by Grant Thornton in fiscal year 2008 were pre-approved in accordance with the policy adopted by the audit committee as described above.

SHAREHOLDER PROPOSALS

Shareholder proposals intended to be presented at the 2010 Annual Meeting of Shareholders must be received by the Company no later than December 25, 2009 in order to be considered for inclusion in the Company's annual meeting proxy statement next year. Upon receipt of any such proposal, the Company will determine whether or not to include such proposal in the proxy statement and proxy in accordance with regulations governing the solicitation of proxies. Shareholders who wish to submit a proposal not intended to be included in the Company's annual meeting proxy statement but to be presented at next year's annual meeting, or who propose to nominate a candidate for election as a director at that meeting, are required by the Company's bylaws to provide notice of such proposal or nomination to the principal executive offices of the Company. This notice must be delivered to the Company no later than the close of business on February 25, 2010, but no earlier than the close of business on January 26, 2010, to be considered for a vote at next year's annual meeting. The notice must contain the information required by the Company's bylaws.

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Some banks, brokers, and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of this proxy statement and the Annual Report to Shareholders for fiscal 2008 may have been sent to multiple shareholders in your household. If you would prefer to receive separate copies of a proxy statement or the Annual Report to Shareholders for fiscal 2008 either now or in the future, please contact your bank, broker or other nominee. Upon written or oral request to Heritage-Crystal Clean, Inc., Attn: Corporate Secretary, 2175 Point Boulevard, Suite 375, Elgin, Illinois 60123, we will provide copies of these materials.

AVAILABILITY OF CERTAIN DOCUMENTS

Heritage-Crystal Clean, Inc. maintains a website at www.crystal-clean.com. Our bylaws, Code of Business Conduct and Ethics, Audit Committee Charter, Compensation Committee Charter, Nominating Committee Charter and Policy on Compliant Procedures for Accounting and Audit Matters are available on this website under "Investor Relations" and "Corporate Governance." In addition, you may obtain a copy of any of these documents without charge by sending a request to Heritage-Crystal Clean, Inc., Attn: Corporate Secretary, 2175 Point Boulevard, Suite 375, Elgin, Illinois 60123. Our website is not incorporated into or a part of this proxy statement.

We will furnish without charge to each person whose proxy is solicited, upon written request, a copy of our Annual Report filed with the SEC, including the financial statements and financial statement schedules. Any written request should be directed to Investor Relations, Heritage-Crystal Clean, Inc., Attn: Corporate Secretary, 2175 Point Boulevard, Suite 375, Elgin, Illinois 60123.

OTHER MATTERS

The Board of Directors does not intend to present to the Annual Meeting any business other than the items stated in the "Notice of Annual Meeting of Shareholders" and does not know of any other matters to be brought before or voted upon at the meeting other than those referred to above. If any other matters properly come before the meeting, it is the intention of the proxies named in the enclosed Proxy to vote the shares represented thereby with respect to such matters in accordance with their best judgment.

Whether or not you expect to attend the meeting, please sign the proxy and return it in the enclosed stamped envelope.