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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-Q

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15() OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001  
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15() OF THE  
SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 333-92383  
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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

(Exact Name of Registrant as specified in its Charter)

DELAWARE  
(State of Incorporation)

06-1397316  
(I.R.S. Employer Identification No.)

251 BALLARDVALE STREET, WILMINGTON, MASSACHUSETTS 01887  
(Address of Principal Executive Offices) (Zip Code)

978-658-6000  
(Registrant's Telephone Number, Including Area Code)  
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

As of March 31, 2001 there were 40,127,642 shares of the registrant's common stock outstanding  
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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.  
FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001  
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CHARLES RIVER LABORATORIES INTERNATIONAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)  
FOR THE THREE MONTHS ENDED MARCH 25, 2000 AND MARCH 31, 2001  
(DOLLARS IN THOUSANDS EXCEPT FOR PER SHARE DATA)

|   | THREE MONTHS ENDED |                   |
|---|--------------------|-------------------|
|   | MARCH 25,<br>2000  | MARCH 31,<br>2001 |
| Net sales related to products.....  | \$ 54,016          | \$ 62,078         |
| Net sales related to services.....  | 18,486             | 36,953            |
| Total net sales.....  | \$ 72,502          | \$ 99,031         |
| Costs and Expenses  |                    |                   |
| Cost of products sold.....  | 32,193             | 36,418            |
| Cost of services provided.....  | 12,399             | 25,951            |
| Selling, general and administrative.....  | 11,813             | 15,460            |
| Amortization of goodwill and intangibles.....   | 865                | 1,828             |
| Operating income.....   | 15,232             | 19,374            |
| Other income (expense)  |                    |                   |
| Interest income.....  | 142                | 253               |
| Interest expense.....   | (12,664)           | (6,958)           |
| Other income (expense).....   | (30)               | 555               |
| Income before income taxes, minority interests, earnings<br>from equity investments and extraordinary item..... | 2,680              | 13,224            |
| Provision for income taxes.....   | 2,468              | 5,555             |
| Income before minority interests, earnings from equity<br>investments and extraordinary item.....               | 212                | 7,669             |
| Minority interests.....   | (217)              | (564)             |
| Earnings from equity investments, net of tax.....   | 641                | 83                |
| Income before extraordinary item.....   | 636                | 7,188             |
| Extraordinary loss, net of tax benefit of \$128.....  | --                 | (237)             |
| Net income.....   | \$ 636             | \$ 6,951          |
| Earnings per common share before extraordinary item   |                    |                   |
| Basic.....  | \$ 0.03            | \$ 0.20           |
| Diluted.....  | \$ 0.03            | \$ 0.18           |
| Earnings per common share after extraordinary item  |                    |                   |
| Basic.....  | \$ 0.03            | \$ 0.19           |
| Diluted.....  | \$ 0.03            | \$ 0.17           |
| Weighted average number of common shares outstanding before<br>and after extraordinary item                     |                    |                   |
| Basic.....  | 19,820,369         | 36,582,532        |
| Diluted.....  | 23,571,555         | 40,287,045        |

See Notes to Condensed Consolidated Financial Statements

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(DOLLARS IN THOUSANDS)

|  | DECEMBER 30,<br>2000 | MARCH 31,<br>2001    |
|--|----------------------|----------------------|
|  | -----                | -----<br>(UNAUDITED) |
| <b>ASSETS</b>  |                      |                      |
| Current assets   |                      |                      |
| Cash and cash equivalents.....   | \$ 33,129            | \$ 72,399            |
| Trade receivables, less allowances of \$1,036 and \$1,012,<br>respectively.....  | 45,949               | 78,295               |
| Inventories.....   | 33,890               | 34,287               |
| Deferred income taxes.....   | 2,055                | 2,055                |
| Due from affiliates.....   | 83                   | 83                   |
| Other current assets.....  | 4,631                | 8,083                |
|  | -----                | -----                |
| Total current assets.....  | 119,737              | 195,202              |
| Property, plant and equipment, net.....  | 117,001              | 139,694              |
| Goodwill and other intangibles, less accumulated<br>amortization of \$10,810 and \$12,624, respectively.....   | 41,893               | 91,529               |
| Investments in affiliates.....   | 2,442                | 2,514                |
| Deferred tax asset.....  | 105,027              | 101,078              |
| Deferred financing costs.....  | 7,979                | 8,203                |
| Other assets.....  | 16,529               | 17,165               |
|  | -----                | -----                |
| Total assets.....  | \$ 410,608<br>=====  | \$ 555,385<br>=====  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                      |                      |
| Current liabilities  |                      |                      |
| Current portion of long-term debt.....   | \$ 231               | \$ 16,153            |
| Current portion of capital lease obligation.....   | 181                  | 1,633                |
| Accounts payable.....  | 10,767               | 10,814               |
| Accrued compensation.....  | 16,997               | 16,300               |
| Deferred income.....   | 5,223                | 11,760               |
| Accrued interest.....  | 3,451                | 7,059                |
| Accrued liabilities.....   | 24,187               | 33,078               |
| Accrued income taxes.....  | 3,283                | 2,503                |
|  | -----                | -----                |
| Total current liabilities.....   | 64,320               | 99,300               |
| Long-term debt.....  | 201,957              | 228,302              |
| Capital lease obligations.....   | 543                  | 2,403                |
| Accrued ESLIRP.....  | 10,116               | 10,391               |
| Other long-term liabilities.....   | 3,415                | 3,886                |
|  | -----                | -----                |
| Total liabilities.....   | 280,351              | 344,282              |
| Commitments and contingencies  |                      |                      |
| Minority interests.....  | 13,330               | 11,962               |
| Shareholders' equity   |                      |                      |
| Common stock \$0.01 par value, 120,000,000 shares<br>authorized, 35,920,369 and 40,127,642 shares issued and<br>outstanding as of December 30, 2000 and March 31, 2001,<br>respectively..... | 359                  | 401                  |
| Capital in excess of par value.....  | 451,404              | 529,959              |
| Retained earnings.....   | (318,575)            | (311,624)            |
| Loans to officers.....   | (920)                | (620)                |
| Accumulated other comprehensive income.....  | (15,341)             | (18,975)             |
|  | -----                | -----                |
| Total shareholders' equity.....  | 116,927              | 199,141              |
|  | -----                | -----                |
| Total liabilities and shareholders' equity.....  | \$ 410,608<br>=====  | \$ 555,385<br>=====  |

See Notes to Condensed Consolidated Financial Statements

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
(DOLLARS IN THOUSANDS)

|   | THREE MONTHS ENDED |                   |
|---|--------------------|-------------------|
|   | MARCH 25,<br>2000  | MARCH 31,<br>2001 |
| <b>CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>                                |                    |                   |
| Net income.....   | \$ 636             | \$ 6,951          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                    |                   |
| Depreciation and amortization.....  | 3,764              | 5,439             |
| Amortization of debt issuance costs and discounts.....                            | 683                | 453               |
| Accretion of debenture and discount note.....                                     | 3,161              | --                |
| Provision for doubtful accounts.....  | 82                 | 199               |
| Extraordinary loss, net of tax.....   | --                 | 237               |
| Earnings from equity investments.....   | (641)              | (83)              |
| Minority interests.....   | 217                | 564               |
| Deferred income taxes.....  | (42)               | 4,303             |
| Property, plant, and equipment write-downs and disposals.....                     | --                 | 195               |
| Other non-cash items.....   | 12                 | --                |
| Changes in assets and liabilities:  |                    |                   |
| Trade receivables.....  | (6,564)            | (5,559)           |
| Inventories.....  | (104)              | (555)             |
| Due from affiliates.....  | 128                | --                |
| Other current assets.....   | (583)              | (2,663)           |
| Other assets.....   | (102)              | (426)             |
| Accounts payable.....   | (2,585)            | (2,581)           |
| Accrued compensation.....   | (413)              | (2,035)           |
| Accrued ESLIRP.....   | 167                | 275               |
| Deferred income.....  | (782)              | (208)             |
| Accrued interest.....   | 4,478              | 3,604             |
| Accrued liabilities.....  | (740)              | 678               |
| Accrued income taxes.....   | 1,243              | (731)             |
| Other long-term liabilities.....  | (154)              | (229)             |
| Net cash provided by operating activities.....                                    | \$ 1,861           | \$ 7,828          |
| <b>CASH FLOWS RELATING TO INVESTING ACTIVITIES</b>                                |                    |                   |
| Capital expenditures.....   | (2,786)            | (4,253)           |
| Contingent payments for prior year acquisitions.....                              | --                 | (250)             |
| Acquisition of businesses, net of cash acquired.....                              | (6,011)            | (51,265)          |
| Proceeds from sale of animal colony.....  | 7,000              | --                |
| Net cash used in investing activities.....  | \$(1,797)          | \$(55,768)        |
| <b>CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>                                |                    |                   |
| Proceeds from long term debt.....   | 4,114              | 39,831            |
| Payments on long-term debt and revolving credit facility.....                     | (300)              | (12,099)          |
| Payments of deferred financing costs.....   | --                 | (891)             |
| Payments on capital lease obligations.....  | (93)               | (701)             |
| Proceeds from issuance of common stock, net of transaction fees.....              | --                 | 62,222            |
| Payments of officer loans.....  | --                 | 300               |
| Net cash provided by financing activities.....                                    | \$ 3,721           | \$ 88,662         |
| Effect of exchange rate changes on cash and cash equivalents.....                 | (337)              | (1,452)           |
| Net change in cash and cash equivalents.....                                      | 3,448              | 39,270            |
| Cash and cash equivalents, beginning of period.....                               | 15,010             | 33,129            |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD.....</b>                              | <b>\$18,458</b>    | <b>\$ 72,399</b>  |
|   | =====              | =====             |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>   |                    |                   |
| Cash paid for interest.....   | \$ 4,317           | \$ 6,747          |
| Cash paid for taxes.....  | 980                | 2,339             |

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION

The condensed consolidated interim financial statements are unaudited, and certain information and footnote disclosure related thereto normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States, have been omitted in accordance with Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying unaudited condensed consolidated financial statements were prepared following the same policies and procedures used in the preparation of the audited financial statements and reflect all adjustments (consisting of normal recurring adjustments) considered necessary to present fairly the financial position of Charles River Laboratories International, Inc. ("the Company"). The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year. These condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 30, 2000.

2. PUBLIC OFFERINGS

On March 21, 2001, the Company consummated a public offering (the "Follow-on Offering") of 3,500,000 shares of its common stock at a price of \$19.00 per share. As part of the Follow-on Offering, existing shareholders sold an additional 4,550,000 shares of common stock, which included the exercise of the underwriters' over-allotment option of 1,050,000 shares. The Company received proceeds of \$62,222, net of underwriter's commissions and follow-on offering costs. The Company has used a portion of the proceeds to repay \$3,000 and \$9,000 of the Term Loan A and Term Loan B, respectively. As a result of this debt repayment the Company has recorded an extraordinary loss before tax of \$365 due to the write-off of deferred financing costs. This extraordinary loss has been recorded net of a tax benefit of \$128. The Company plans to use the remainder of the proceeds to repay a portion of its remaining indebtedness.

On June 28, 2000, the Company consummated an initial public offering (the "IPO") of 16,100,000 shares of its common stock at a price of \$16.00 per share. The Company used the net proceeds from the IPO of \$235,964 plus cash on hand of \$300 to repay \$204,732 of its existing debt, including issuance discounts and premiums of \$31,532.

3. ACQUISITIONS AND DISPOSALS

ACQUISITIONS

On January 8, 2001, Charles River Laboratories, Inc. ("CRL"), the Company's wholly owned subsidiary, purchased 100% of the common stock of Pathology Associates International Corporation ("PAI"). Consideration, including acquisition expenses, of \$35,238 was paid with respect to this acquisition consisting of \$25,557 in cash and a \$12,000 callable convertible note. The convertible note has a five year term and bears interest at 2% per annum. As the stated interest rate attached to this \$12,000 note is lower than the prevailing borrowing rate available to CRL, a discount of \$2,319, which is being amortized over the life of the note, was recorded upon issuance. Consideration of \$9,681 was recorded with respect to the convertible note. Under certain conditions the note is convertible into shares of the Company's common stock at a price of \$23.38. The cash consideration was funded in part through a \$15,000 drawdown from CRL's revolving credit facility. This acquisition was recorded as a purchase business combination and CRL is consolidating the operations of PAI from the date of acquisition.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

3. ACQUISITIONS AND DISPOSALS (CONTINUED)

Effective February 27, 2001 CRL acquired Primedica Corporation ("Primedica") for consideration, including acquisition expenses, of \$51,107. Consideration was comprised of \$25,708 of cash, \$16,375 of the Company's restricted common stock and \$9,024 in assumed debt. This acquisition was recorded as a purchase business combination and CRL is consolidating the operations of Primedica. The acquisition agreement requires the Company to file a registration statement under the Securities Act covering the restricted common stock no later than July 1, 2001. In addition, the Company has the right to repurchase, at any time prior to July 1, 2001, the restricted common stock at a price equal to the greater of \$24.05 or fair market value. Furthermore, in connection with the Primedica acquisition CRL amended its senior credit facility to add a \$25,000 Term Loan C and to increase the interest rate on the Term Loan A. The interest rate on the Term Loan A, as amended, and the Term Loan C is based on the Libor rate plus 1.75% and 3.25%, respectively.

As of March 31, 2001, CRL is in process of finalizing the purchase price allocation associated with the PAI and Primedica acquisitions. CRL believes the accounting for these acquisitions will be finalized during the second quarter of 2001. CRL's preliminary allocation of purchase price for these acquisitions, based on valuations which have not yet been finalized, is as follows:

|   | PAI      | PRIMEDICA |
|---|----------|-----------|
|   | -----    | -----     |
| Net current assets.....                                 | \$ 3,126 | \$ 6,415  |
| Property, plant and equipment.....                      | 1,276    | 24,637    |
| Non-current assets.....                                 | 159      | 35        |
| Non-current liabilities.....                            | --       | (859)     |
|   | -----    | -----     |
| Estimated fair value, net tangible assets acquired..... | 4,561    | 30,228    |
| Goodwill and other intangible assets.....               | 30,677   | 20,879    |
| Consideration.....                                      | 35,238   | 51,107    |
| Less: assumed debt.....                                 | --       | (9,024)   |
|   | -----    | -----     |
|   | \$35,238 | \$42,083  |
|   | =====    | =====     |

Net current liabilities in the above preliminary purchase price allocation includes a \$530 liability recorded in accordance with EITF 95-3 "Recognition of Liabilities in Connection with a Purchase Business Combination" ("EITF 95-3"). This liability relates to severance benefits to be provided to certain Primedica employees. These benefits are expected to be paid during 2001.

Goodwill and other intangible assets recorded in the accompanying condensed consolidated interim financial statements associated with these acquisitions are being amortized over their estimated useful lives ranging from 2 to 20 years.

The following selected unaudited pro forma consolidated results of operations are presented as if each of the acquisitions had occurred as of the beginning of the period immediately preceding the period of acquisition after giving effect to certain adjustments for the amortization of goodwill, additional interest expense and related income tax effects. The pro forma data is for informational purposes only and does not necessarily reflect the results of operations had the companies operated as

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

3. ACQUISITIONS AND DISPOSALS (CONTINUED)

one during the period. No effect has been given for synergies, if any, that may have been realized through the acquisitions.

|   | THREE MONTHS ENDED |                |
|---|--------------------|----------------|
|   | MARCH 25, 2000     | MARCH 31, 2001 |
| Net sales.....  | \$94,849           | \$111,199      |
| Income/(loss) before extraordinary item.....                  | (411)              | 6,981          |
| Net income.....   | (411)              | 6,744          |
| Earnings/(loss) per common share before<br>extraordinary item |                    |                |
| Basic.....  | \$ (0.02)          | \$ 0.19        |
| Diluted.....  | \$ (0.02)          | \$ 0.17        |
| Earnings/(loss) per common share after<br>extraordinary item  |                    |                |
| Basic.....  | \$ (0.02)          | \$ 0.18        |
| Diluted.....  | \$ (0.02)          | \$ 0.17        |

Refer to Note 7 for further discussion of the method of computation of earnings per share.

DISPOSALS

During the fourth quarter of 2000, the Company recorded a pre-tax restructuring charge of \$1,290 associated with the closing of a facility in France. As of December 31, 2000, \$1,078 of this charge was unpaid and included in the consolidated balance sheet as an accrued liability. In the first quarter of 2001 the Company recorded an additional charge of \$799 relating to additional severance payments negotiated with employees following labor disputes arising in the first quarter. These charges have been recorded in selling, general and administrative expenses in the accompanying condensed consolidated interim statements of income. A summary of the activity associated with these restructuring reserves is as follows:

|  | EMPLOYEE<br>SEPARATIONS | OTHER | TOTAL   |
|--|-------------------------|-------|---------|
| December 30, 2000.....                               | \$ 993                  | \$85  | \$1,078 |
| Additional charges recorded--first quarter 2001..... | 799                     | --    | 799     |
| Amounts paid--first quarter 2001.....                | --                      | --    | --      |
| March 31, 2001.....                                  | \$1,792                 | \$85  | \$1,877 |
|  | =====                   | ===   | =====   |

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

4. SUPPLEMENTAL BALANCE SHEET INFORMATION

The composition of inventories is as follows:

|                                 | DECEMBER 30,<br>2000 | MARCH 31,<br>2001 |
|---------------------------------|----------------------|-------------------|
|                                 | -----                | -----             |
| Raw materials and supplies..... | \$ 4,052             | \$ 4,283          |
| Work in process.....            | 910                  | 1,161             |
| Finished products.....          | 28,928               | 28,843            |
|                                 | -----                | -----             |
| Inventories.....                | \$33,890             | \$34,287          |
|                                 | =====                | =====             |

Inventories are stated at the lower of cost or market. Cost is determined principally on the average cost method. Costs for large animals are accumulated in inventory until the large animals are sold.

The composition of property, plant and equipment is as follows:

|  | DECEMBER 30,<br>2000 | MARCH 31,<br>2001 |
|--|----------------------|-------------------|
|  | -----                | -----             |
| Land.....                              | \$ 9,367             | \$ 9,100          |
| Buildings.....                         | 142,569              | 146,331           |
| Machinery and equipment.....           | 95,407               | 102,401           |
| Leasehold improvements.....            | 5,747                | 15,706            |
| Furniture and fixtures.....            | 1,992                | 2,587             |
| Vehicles.....                          | 2,378                | 2,359             |
| Construction in progress.....          | 5,102                | 6,231             |
|  | -----                | -----             |
|  | 262,562              | 284,715           |
| Less accumulated depreciation.....     | (145,561)            | (145,021)         |
|  | -----                | -----             |
| Net property, plant and equipment..... | \$ 117,001           | \$ 139,694        |
|  | =====                | =====             |

5. INCOME TAXES

The provision for income taxes recorded for the three months ended March 25, 2000 included certain unfavorable permanent differences including nondeductible interest associated with debt recorded in the first half of 2000 which was subsequently repaid in connection with the Company's initial public offering on June 28, 2000.

6. COMMITMENTS AND CONTINGENCIES

INSURANCE

The Company maintains insurance for workers' compensation, auto liability, employee medical and general liability. The per claim loss limits are \$250, with annual aggregate loss limits of \$1,500. Related accruals were \$3,461 and \$3,421 on December 30, 2000 and March 31, 2001, respectively. Separately, the Company has provided a letter of credit in favor of the insurance carriers in the amount of \$2,500.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

6. COMMITMENTS AND CONTINGENCIES (CONTINUED)  
LITIGATION

Various lawsuits, claims and proceedings of a nature considered normal to its business are pending against the Company. In the opinion of management, the outcome of such proceedings and litigation currently pending will not materially affect the Company's condensed consolidated financial statements.

The Company is currently under a court order issued in June 1997 to remove its large animal operations from two islands located in the Florida Keys and refoliate the islands. The Company has removed its large animal operations from the island in the first quarter of 2000. The Company continues to hold discussions with the state of Florida and federal authorities regarding the extent of refoiliation required on the islands and believes the reserves recorded in the accompanying condensed consolidated financial statements are sufficient to provide for the estimated exposure in connection with the refoiliation. The Company has provided a letter of credit in regards to the completion of the refoiliation on the island for \$350.

7. EARNINGS PER SHARE

Basic earnings per share for the three month periods ended March 31, 2001 and March 25, 2000 was computed by dividing earnings available to common shareholders for these periods by the weighted average number of common shares outstanding in the respective periods.

The weighted average number of common shares outstanding in the three month periods ended March 25, 2000 and March 31, 2001 have been adjusted to include common stock equivalents for the purpose of calculating diluted earnings per share before and after the extraordinary item for these periods.

On June 5, 2000, a 1.927 for 1 exchange of stock was approved by the Board of Directors of the Company. This exchange of stock was effective June 21, 2000. All earnings per common share amounts, references to common stock and shareholders' equity amounts have been restated as if the exchange of stock had occurred as of the earliest period presented.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

7. EARNINGS PER SHARE (CONTINUED)

The following table illustrates the reconciliation of the numerator and denominator of the basic and diluted earnings per share before and after the extraordinary item computations:

|   | THREE MONTH PERIOD ENDED |                |
|---|--------------------------|----------------|
|   | MARCH 25, 2000           | MARCH 31, 2001 |
| Numerator--basic and diluted earnings per share                         |                          |                |
| Income before the extraordinary item.....                               | \$ 636                   | \$ 7,188       |
| Extraordinary loss.....   | --                       | (237)          |
| Income after the extraordinary item.....                                | 636                      | 6,951          |
| Denominator:  |                          |                |
| Basic earnings per share--weighted average shares<br>outstanding.....   | 19,820,369               | 36,582,532     |
| Effect of dilutive securities--stock options and<br>warrants.....       | 3,751,186                | 3,704,513      |
| Diluted earnings per share--weighted average<br>shares outstanding..... | 23,571,555               | 40,287,045     |
|   | =====                    | =====          |
| Basic earnings per share before extraordinary<br>item.....              | \$ 0.03                  | \$ 0.20        |
| Diluted earnings per share before extraordinary<br>item.....            | \$ 0.03                  | \$ 0.18        |
| Basic (loss) per share on extraordinary item.....                       | --                       | \$ (0.01)      |
| Diluted (loss) per share on extraordinary item...                       | --                       | \$ (0.01)      |
| Basic earnings per share after extraordinary<br>item.....               | \$ 0.03                  | \$ 0.19        |
| Diluted earnings per share after extraordinary<br>item.....             | \$ 0.03                  | \$ 0.17        |

8. BUSINESS SEGMENT INFORMATION

The following table presents sales and other financial information by product line segment for the three month periods ended March 25, 2000 and March 31, 2001. Sales to unaffiliated customers

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

8. BUSINESS SEGMENT INFORMATION (CONTINUED)

represent net sales originating in entities primarily engaged in either research models or biomedical products and services.

|                                    | THREE MONTH PERIOD ENDED |                |
|------------------------------------|--------------------------|----------------|
|                                    | MARCH 25, 2000           | MARCH 31, 2001 |
| Research Models                    |                          |                |
| Net sales.....                     | \$41,104                 | \$49,474       |
| Gross margin.....                  | 16,822                   | 20,549         |
| Operating income.....              | 11,999                   | 13,271         |
| Depreciation and amortization..... | 2,090                    | 2,405          |
| Capital expenditures.....          | 1,438                    | 1,913          |
| Biomedical Products and Services   |                          |                |
| Net sales.....                     | 31,398                   | 49,557         |
| Gross margin.....                  | 11,088                   | 16,113         |
| Operating income.....              | 5,940                    | 8,480          |
| Depreciation and amortization..... | 1,674                    | 3,034          |
| Capital expenditures.....          | 1,348                    | 2,340          |

Total assets attributable to the research models segment as of December 30, 2000 and March 31, 2001 were \$313,763 and \$349,919 respectively. Total assets attributable to the biomedical products and services segment as of December 30, 2000 and March 31, 2001 were \$96,845 and \$205,466 respectively.

A reconciliation of segment operating income to consolidated operating income is as follows:

|                                     | THREE MONTH PERIOD ENDED |                |
|-------------------------------------|--------------------------|----------------|
|                                     | MARCH 25, 2000           | MARCH 31, 2001 |
| Total segment operating income..... | \$17,939                 | \$21,751       |
| Unallocated corporate overhead..... | (2,707)                  | (2,377)        |
| Consolidated operating income.....  | \$15,232                 | \$19,374       |

9. COMPREHENSIVE INCOME/(LOSS)

The components of comprehensive income/(loss) for the three-month periods ended March 25, 2000 and March 31, 2001 are set forth below:

|                                   | THREE MONTH PERIOD ENDED |                |
|-----------------------------------|--------------------------|----------------|
|                                   | MARCH 25, 2000           | MARCH 31, 2001 |
| Net income.....                   | \$ 636                   | \$ 6,951       |
| Foreign currency translation..... | (1,873)                  | (3,634)        |
| Comprehensive income/(loss).....  | \$(1,237)                | \$ 3,317       |

10. SUBSEQUENT EVENTS

On April 27, 2001, the Company's French subsidiaries obtained a favorable legal judgement in a contract dispute, with a damages award of 26,500 French Francs or approximately \$3,500. The Company expects the defendant to appeal the decision. No amounts have been recorded in the quarter ended March 31, 2001,

with respect to this judgement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THE THREE MONTHS ENDED MARCH 25, 2000

**NET SALES.** Net sales for the three months ended March 31, 2001 were \$99.0 million, an increase of \$26.5 million, or 36.6%, from \$72.5 million for the three months ended March 25, 2000.

**RESEARCH MODELS.** Net sales of research models for the three months ended March 31, 2001 were \$49.5 million, an increase of \$8.4 million, or 20.4%, from \$41.1 million for the three months ended March 25, 2000. Small animal research model sales increased in North America by 13.5% due to improved pricing, a shift to higher priced specialty units and an increase in unit volume. Excluding negative currency translation of \$1.1 million, small animal research model sales in Europe increased 13.7%. Small animal research model sales in Japan, which we began consolidating during the first quarter of 2000, were \$11.1 million for the three months ended March 31, 2001. Our large animal breeding and import conditioning business sales decreased by \$2.0 million for the three months ended March 31, 2001 due to the closure of our conditioning facility in the UK during the second quarter of 2000 and the sale of our Florida breeding colony, which was sold in the first quarter of 2000.

**BIOMEDICAL PRODUCTS AND SERVICES.** Net sales of biomedical products and services for the three months ended March 31, 2001 were \$49.5 million, an increase of \$18.1 million, or 57.6%, from \$31.4 million for the three months ended March 25, 2000. We acquired two businesses during the first quarter of 2001, Pathology Associates International Corporation ("PAI") on January 8 and Primedica Corporation ("Primedica") on February 27, which contributed \$16.1 million of sales in the quarter. On a proforma basis, giving effect to the acquisitions, sales of biomedical products and services increased 15.0% over last year, before the effects of unfavorable currency.

**COST OF PRODUCTS SOLD AND SERVICES PROVIDED.** Cost of products sold and services provided for the three months ended March 31, 2001 was \$62.4 million, an increase of \$17.8 million, or 39.9%, from \$44.6 million for the three months ended March 25, 2000. Cost of products sold and services provided for the three months ended March 31, 2001 were 63.0% of the net sales compared to 61.5% for the three months ended March 25, 2000.

**RESEARCH MODELS.** Cost of products sold and services provided for research models for the three months ended March 31, 2001 was \$28.9 million, an increase of \$4.6 million, or 18.9%, compared to \$24.3 million for the three months ended March 25, 2000. Cost of products sold and services provided for the three months ended March 31, 2001 improved to 58.4% of net sales compared to 59.1% of net sales for the three months ended March 25, 2000. Cost of products sold and services provided increased at a lower rate than net sales due to a more favorable product mix, improved pricing as well as improved capacity utilization.

**BIOMEDICAL PRODUCTS AND SERVICES.** Cost of products sold and services provided for biomedical products and services for the three months ended March 31, 2001 was \$33.4 million, an increase of \$13.1 million, or 64.5%, compared to \$20.3 million for the three months ended March 25, 2000. Cost of products sold and services provided as a percentage of net sales increased to 67.5% for the three months ended March 31, 2001 from 64.6% for the three months ended March 25, 2000. Cost of products sold and services provided increased as a percentage of sales for the three months ended March 31, 2001 due to the addition of PAI and Primedica which operate at lower gross margins than the remainder of our biomedical products and services businesses.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.** Selling, general and administrative expenses for the three months ended March 31, 2001 were \$15.5 million, an increase of \$3.7 million, or 31.4%, from \$11.8 million for the three months ended March 25, 2000. Selling, general and administrative expenses for the three months ended March 31, 2001 were 15.7% of net sales compared to 16.3% of net sales for the three months ended March 25, 2000.

RESEARCH MODELS. Selling, general and administrative expenses for research models for the three months ended March 31, 2001 were \$7.1 million, an increase of \$2.3 million, or 47.9%, compared to \$4.8 million for the three months ended March 25, 2000. Selling, general and administrative expenses for the three months ended March 31, 2001 were 14.3% of net sales, compared to 11.7% for the three months ended March 25, 2000, principally due to a \$0.8 million restructuring charge in France.

BIOMEDICAL PRODUCTS AND SERVICES. Selling, general and administrative expenses for biomedical products and services for the three months ended March 31, 2001 were \$6.0 million, an increase of \$1.7 million, or 39.5%, compared to \$4.3 million for the three months ended March 25, 2000. Selling, general and administrative expenses for the three months ended March 31, 2001 decreased to 12.1% of net sales, compared to 13.7% of net sales for the three months ended March 25, 2000, due to greater economies of scale realized through our acquisitions of PAI and Primedica.

UNALLOCATED CORPORATE OVERHEAD. Unallocated corporate overhead, which consists of various corporate expenses and income items, was \$2.4 million of expense for the three months ended March 31, 2001, compared to \$2.7 million expense for the three months ended March 25, 2000 due mainly to pension income from favorable investment returns.

AMORTIZATION OF GOODWILL AND OTHER INTANGIBLES. Amortization of goodwill and other intangibles for the three months ended March 31, 2001 was \$1.8 million, an increase of \$0.9 million from \$0.9 million for the three months ended March 25, 2000. The increase was due to the effect of additional amortization of goodwill and other intangibles resulting from our PAI and Primedica acquisitions.

OPERATING INCOME. Operating income for the three months ended March 31, 2001 was \$19.4 million, an increase of \$4.2 million, or 27.6%, from \$15.2 million for the three months ended March 25, 2000. Operating income for the three months ended March 31, 2001 was 19.6% of net sales, compared to 21.0% of net sales for the three months ended March 25, 2000. Operating income as a percentage of net sales decreased due to the additional amortization expense incurred as a result of our acquisitions and the restructuring charge in France.

RESEARCH MODELS. Operating income from sales of research models for the three months ended March 31, 2001 was \$13.3 million, an increase of \$1.3 million, or 10.8%, from \$12.0 million for the three months ended March 25, 2000. Operating income from sales of research models for the three months ended March 31, 2001 was 26.9% of net sales, compared to 29.2% for the three months ended March 25, 2000, principally due to the restructuring charge in France.

BIOMEDICAL PRODUCTS AND SERVICES. Operating income from sales of biomedical products and services for the three months ended March 31, 2001 was \$8.5 million, an increase of \$2.6 million, or 44.1%, from \$5.9 million for the three months ended March 25, 2000. Operating income from sales of biomedical products and services for the three months ended March 31, 2001 decreased to 17.2% of net sales, compared to 18.8% of net sales for the three months ended March 25, 2000, due to the additional amortization expense resulting from the acquisitions of PAI and Primedica.

INTEREST EXPENSE. Interest expense for the three months ended March 31, 2001 was \$7.0 million, compared to \$12.7 million for the three months ended March 25, 2000. The \$5.7 million decrease is primarily due to the reduction of debt in the third quarter of 2000, which was repaid with proceeds from our June 2000 initial public offering.

OTHER INCOME. During the three months ended March 31, 2001 we received insurance proceeds relating to damaged production facilities, which resulted in a net gain of \$0.5 million.

INCOME TAXES. The effective tax rate for the three months ended March 31, 2001 of 42.0% compares favorably to the effective tax rate of 92.1% for the three months ended March 25, 2000. The impact of leverage for the three months ended March 25, 2000 had an unfavorable effect on our tax

rate by lowering our pretax income and increasing the impact of the permanent differences on the effective tax rate.

**INCOME BEFORE THE EXTRAORDINARY LOSS.** Income before the extraordinary loss for the three months ended March 31, 2001 was \$7.2 million, an increase of \$6.6 million from \$0.6 million for the three months ended March 25, 2000. The increase is driven by the increase in operating income, the decrease in interest expense and the decrease in our effective tax rate.

**EXTRAORDINARY LOSS.** We recorded an extraordinary loss of \$0.2 million during the first quarter of 2001. The pre-tax loss of \$0.4 million is the result of the write off of deferred financing costs associated with the debt repayments, net of tax benefits of \$0.2 million.

**NET INCOME.** Net income for the three months ended March 31, 2001 was \$7.0 million, an increase of \$6.4 million from net income of \$0.6 million for the three months ended March 25, 2000. The increase is attributable to the factors mentioned above.

#### LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents of the Company totaled \$72.4 million at March 31, 2001 compared with \$33.1 million at December 30, 2000. Our principal sources of liquidity are cash from operations as well as cash provided by our public offerings.

Net cash provided by operating activities for the three months ended March 31, 2001 and March 25, 2000 was \$7.8 million and \$1.9 million respectively. The increase in cash provided by operations is primarily a result of our improved performance during the first three months of 2001.

Net cash used in investing activities during the three months ended March 31, 2001 and March 25, 2000 were \$55.8 million and \$1.8 million respectively. The increase in cash used is a result of our business acquisitions. During the first quarter of 2001 we used net cash of \$51.3 million to acquire PAI and Primedica. In the first quarter of 2000, we used net cash of \$6.0 million to acquire an additional 16% of equity in Charles River Japan. Also in order to grow our existing businesses we have incurred capital expenditures for the three month periods ended March 31, 2001 and March 30, 2000 of \$4.3 million and \$2.8 million, respectively.

Net cash provided by financing activities during the three months ended March 31, 2001 and March 25, 2000 were \$88.7 million and \$3.7 million, respectively. During March 2001 we consummated a follow-on offering which netted \$62.2 million in proceeds. We used \$12.0 million of the proceeds to repay part of our bank financing. We plan to use the remaining proceeds to repay portions of our existing debt. Also the Company received \$40.0 million from our bank financing which was used to purchase PAI and Primedica.

We anticipate that our operating cash flow, along with borrowings under our credit facility, will be sufficient to meet our anticipated future operating expenses, capital expenditures and debt service obligations as they become due.

#### QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are subject to market risks arising from changes in interest rates and foreign currency exchange rates. Our primary interest rate exposure results from changes in LIBOR or the base rate which are used to determine the applicable interest rates under our term loans and revolving credit facility. We have entered into an interest rate protection agreement designed to protect us against fluctuations in interest rates with respect to at least 50% of the aggregate principal amount of the term loans and the senior subordinated notes. Our potential loss over one year that would result from a hypothetical, instantaneous and unfavorable change of 100 basis points in the interest rate on all of our variable rate

obligations would be approximately \$1.5 million. Fluctuations in interest rates will not affect the interest payable on the senior subordinated notes, which is fixed.

We do not use financial instruments for trading or other speculative purposes.

We also have exposure to some foreign currency exchange rate fluctuations for the cash flows received from our foreign affiliates. This risk is mitigated by the fact that their operations are conducted in their respective local currencies, and it is not our intention to repatriate earnings prospectively. Currently, we do not engage in any foreign currency hedging activities as we do not believe that our foreign currency exchange rate risk is material.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.  
FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are included as part of this Report on Form 10-Q:

- 10.1\*\* Amended and Restated Credit Agreement, dated as of February 2, 2001, among Charles River Laboratories, Inc., the various financial institutions, Union Bank of California, N.A., Credit Suisse First Boston, and National City Bank, (Filed as Exhibit 10.1).
- 10.2\* Amendment No. 1 to the Credit Agreement among Charles River Laboratories, Inc., the various financial institutions, Union Bank of California, N.A., Credit Suisse First Boston, and National City Bank, dated April 18, 2001.
- 99.1\* Amendment No. 1 to the 2000 Incentive Plan of Charles River Laboratories International, Inc. dated May 8, 2001.

- - - - -  
\* Filed herewith.

\*\* Previously filed as an exhibit to, and incorporated herein by reference from, the Charles River Laboratories International, Inc.'s Registration Statement on Form S-3 (File No. 333-55670), as amended, filed February 15, 2001.

(b) We filed the following Current Reports on Form 8-K during the quarter ended March 31, 2001:

- We filed a Current Report on Form 8-K on January 9, 2001, to announce, pursuant to Item 9, the completion of the acquisition of Pathology Associates International Corporation. On March 12, 2001, we filed an 8-K/A to amend this Form 8-K to change the Item number under which the information was filed from Item 9 ("Regulation FD Disclosure") to Item 5 ("Other Events").
- We filed a Current Report on Form 8-K on February 7, 2001, to announce, pursuant to Item 9, the signing of a definitive agreement to acquire Primedica Corporation from Genzyme Transgenics Corporation. On March 12, 2001, we filed an 8-K/A to amend this Form 8-K to change the Item number under which the information was filed from Item 9 ("Regulation FD Disclosure") to Item 5 ("Other Events").
- We filed a Current Report on Form 8-K on February 15, 2001 to report pursuant to Item 5, our consolidated financial statements for the fiscal year ended December 30, 2000 and our Management's Discussions and Analysis of Financial Condition and Results of Operations. We filed our consolidated financial statements for the year ended December 31, 2000 with this report.
- We filed a Current Report on Form 8-K on February 28, 2001 to announce, pursuant to Item 9, our completion of the acquisition of Primedica Corporation from Genzyme Transgenics Corporation.
- We filed a Current Report on Form 8-K/A on March 12, 2001, to amend the Form 8-K to change the Item number under which the information was filed from Item 9 ("Regulation FD Disclosure") to Item 5 ("Other Events").

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

May 15, 2001

CHARLES RIVER LABORATORIES  
INTERNATIONAL, INC.

/s/ THOMAS F. ACKERMAN

-----  
Thomas F. Ackerman  
SR. VICE PRESIDENT AND CHIEF FINANCIAL  
OFFICER

ANNEX I

AMENDMENT NO. 1 TO CREDIT AGREEMENT

THIS AMENDMENT NO. 1 TO CREDIT AGREEMENT (this "AMENDMENT"), dated as of April 18, 2001, among Charles River Laboratories, Inc., a Delaware corporation (the "BORROWER"), Charles River Laboratories International, Inc. (f/k/a Charles River Laboratories Holdings, Inc.), a Delaware corporation ("HOLDCO"), Credit Suisse First Boston (as successor in interest to DLJ Capital Funding, Inc.), as lead arranger, as sole book runner and as syndication agent (in such capacity, the "SYNDICATION AGENT") for the Lenders (as defined below), and Fleet National Bank (as successor in interest to Union Bank of California, N.A.), as administrative agent (the "ADMINISTRATIVE AGENT") for the Lenders.

W I T N E S S E T H:

WHEREAS, the Borrower, Holdco, certain financial institutions (together with their respective successors and assigns, the "LENDERS"), the Syndication Agent and the Administrative Agent are parties to the Amended and Restated Credit Agreement, dated as of February 2, 2001 (as heretofore modified and supplemented and in effect from time to time, the "EXISTING CREDIT AGREEMENT" and as further amended hereby, the "CREDIT AGREEMENT");

WHEREAS, the Borrower desires, and the Lenders are willing, on the terms and subject to the conditions hereinafter set forth, to amend the Existing Credit Agreement as set forth herein;

NOW, THEREFORE, the parties hereto hereby agree as follows:

PART I  
DEFINITIONS

SUBPART 1.1. CERTAIN DEFINITIONS. Unless otherwise defined herein or the context otherwise requires, terms used in this Amendment, including its preamble and recitals, have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

"ADMINISTRATIVE AGENT" is defined in the PREAMBLE.

"AMENDMENT" is defined in the PREAMBLE.

"AMENDMENT EFFECTIVE DATE" is defined in SUBPART 3.1.

"BORROWER" is defined in the PREAMBLE.

"CREDIT AGREEMENT" is defined in the FIRST RECITAL.

"EXISTING CREDIT AGREEMENT" is defined in the FIRST RECITAL.

"HOLDCO" is defined in the PREAMBLE.

"LENDERS" is defined in the FIRST RECITAL.

"SYNDICATION AGENT" is defined in the PREAMBLE.

SUBPART 1.2. OTHER DEFINITIONS. Unless otherwise defined herein or the context otherwise requires, terms used in this Amendment, including its preamble and recitals, have the meanings set forth in the Existing Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Existing Credit Agreement shall from and after the Amendment Effective Date refer to the Credit Agreement.

PART II  
AMENDMENTS TO CREDIT AGREEMENT

Effective on (and subject to the occurrence of) the Amendment Effective Date, the Existing Credit Agreement is hereby amended in accordance with this Part II. Except to the extent amended by this Amendment, the Credit Agreement is and shall continue to be in full force and effect and is hereby ratified and confirmed in all respects.

SUBPART 2.1. AMENDMENTS TO ARTICLE I. Article I of the Existing Credit Agreement is amended as set forth in this Subpart 2.1.

(a) The following definitions are added to such Article and inserted in the appropriate alphabetical order:

"AMENDMENT NO. 1" means Amendment No. 1 to Credit Agreement, dated as of April 18, 2001, among the Borrower, Holdco and the Agents, which amendment was consented to by the Lenders constituting the Required Lenders.

(b) The definition of "Change in Control" is hereby amended and restated in its entirety as follows:

(i) "CHANGE IN CONTROL" means the failure of Holdco at any time to own, free and clear of all Liens and encumbrances (other than Liens of the types permitted to exist under CLAUSES (b), (d) and (g) of SECTION 7.2.3), all right, title and interest in 100% of the Capital Stock of the Borrower; (ii) any "person" or "group" (as such terms are used in Rule 13d-5 of the Exchange Act, and Sections 13(d) and 14(d) of the Exchange Act) of persons (other than DLJMBP and its Affiliates or members of management of the

Borrower) becomes, directly or indirectly, in a single transaction or in a related series of transactions by way of merger, consolidation, or other business combination or otherwise, the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act) of more than 30% of the total voting power in the aggregate of all classes of Capital Stock of Holdco then outstanding entitled to vote generally in elections of directors of Holdco; or (iii) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the Board of Directors of Holdco (together with any new directors whose election to such Board or whose nomination for election by the stockholders of the Borrower was approved by DLJMBP and its Affiliates or a vote of a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of Holdco then in office.

PART III  
CONDITIONS TO EFFECTIVENESS

SUBPART 3.1. AMENDMENT EFFECTIVE DATE. This Amendment shall become effective as of March 15, 2001 (the "AMENDMENT EFFECTIVE DATE") when the Agents shall have received counterparts of this Amendment, duly executed by the Borrower, Holdco, the Syndication Agent and the Administrative Agent on behalf of the Required Lenders who shall have delivered to the Administrative Agent their written consent to the amendments, as explicitly set forth herein and subject to the terms hereof.

PART IV  
MISCELLANEOUS

SUBPART 4.1. EXPENSES. The Borrower hereby agrees to pay and reimburse the Syndication Agent for all its reasonable fees and expenses incurred in connection with the negotiation, preparation, execution and delivery of this Amendment and related documents, including all reasonable fees and disbursements of counsel to the Syndication Agent.

SUBPART 4.2. BORROWER REPRESENTATION AND WARRANTY. The delivery of an executed counterpart hereof by the Borrower shall constitute a representation and warranty by the Borrower that:

(a) on the Amendment Effective Date, after giving effect to this Amendment, all representations, warranties and other statements set forth in Article VI of the Existing Credit Agreement, as then amended by this Amendment, are true and correct as of such date, except to the extent that such representation, warranty or statement expressly relates to an earlier date (in which case such representation, warranty or statement shall have been true and correct on and as of such earlier date); and

(b) this Amendment constitutes the legal, valid and binding obligation of the Borrower enforceable in accordance with its terms subject to the effects of bankruptcy,

insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

SUBPART 4.3. LOAN DOCUMENT PURSUANT TO CREDIT AGREEMENT. This Amendment is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with all of the terms and provisions of the Credit Agreement, as amended hereby.

SUBPART 4.4. SUCCESSORS AND ASSIGNS. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SUBPART 4.5. COUNTERPARTS. This Amendment may be executed by the parties hereto in several counterparts, each of which when executed and delivered shall be an original and all of which shall constitute together but one and the same agreement.

SUBPART 4.6. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties S-1 S-1 hereto have executed and delivered this Amendment as of the date first above written.

BORROWER: CHARLES RIVER LABORATORIES, INC.

By: \_\_\_\_\_  
Name:  
Title:

HOLDCO: CHARLES RIVER LABORATORIES  
INTERNATIONAL, INC. (f/k/a Charles  
River Laboratories Holdings, Inc.)

By: \_\_\_\_\_  
Name:  
Title:

AGENTS: CREDIT SUISSE FIRST BOSTON (as  
successor in interest to DLJ Capital  
Funding, Inc.), as Syndication Agent

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

FLEET NATIONAL BANK,  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

AMENDMENT TO THE 2000 INCENTIVE PLAN  
OF  
CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

The Charles River Laboratories International, Inc. 2000 Incentive Plan (the "Plan") be and hereby is amended by deleting the first sentence of Section 2(a) thereof in its entirety and inserting in lieu thereof the following:

"A maximum of 3,789,000, shares of Stock may be delivered in satisfaction of Awards under the Plan."

Adopted by the Board of Directors on March 9, 2001.

Adopted by the Stockholders on May 8, 2001.

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.  
2000 INCENTIVE PLAN

1. ADMINISTRATION

Subject to the express provisions of the Plan, the Administrator has the authority to interpret the Plan; determine eligibility for and grant Awards; determine, modify or waive the terms and conditions of any Award; prescribe forms, rules and procedures (which it may modify or waive); and otherwise do all things necessary to implement the Plan. Once an Award has been communicated in writing to a Participant, the Administrator may not, without the Participant's consent, alter the terms of the Award so as to affect adversely the Participant's rights under the Award, unless the Administrator has expressly reserved the right to do so. In the case of any Award intended to be eligible for the performance-based compensation exception under Section 162(m), the Administrator shall exercise its discretion consistent with qualifying the Award for such exception.

2. LIMITS ON AWARD UNDER THE PLAN

a. NUMBER OF SHARES. A maximum of 1,189,000, shares of Stock may be delivered in satisfaction of Awards under the Plan. For purposes of the preceding sentence, shares that have been forfeited in accordance with the terms of the applicable Award and shares held back in satisfaction of the exercise price or tax withholding requirements from shares that would otherwise have been delivered pursuant to an Award shall not be considered to have been delivered under the Plan. Also, the number of shares of Stock delivered under an Award shall be determined net of any previously acquired Shares tendered by the Participant in payment of the exercise price or of withholding taxes.

b. TYPE OF SHARES. Stock delivered by the Company under the Plan may be authorized but unissued Stock or previously issued Stock acquired by the Company and held in treasury. No fractional shares of Stock will be delivered under the Plan.

c. CERTAIN SHARE LIMITS. The maximum number of shares of Stock for which Stock Options may be granted to any person from and after adoption of the Plan and prior to June 5, 2010, the maximum number of shares of Stock subject to SARs granted to any person during such period and the aggregate maximum number of shares of Stock subject to other Awards that may be delivered (or the value of which may be paid) to any person during such period shall each be 2,000,000. For purposes of the preceding sentence, the repricing of a Stock Option or SAR shall be treated as a new grant to the extent required under Section 162(m). Subject to these limitations, each person eligible to participate in the Plan shall be eligible to receive Awards covering up to the full number of shares of

Stock then available for Awards under the Plan. No Awards may be granted under the Plan after June 5, 2010, but previously granted Awards may extend beyond that date.

d. OTHER AWARD LIMITS. No more than \$2,000,000 may be paid to any individual with respect to any Cash Performance Award (other than an Award expressed in terms of shares of Stock or units representing Stock, which shall instead be subject to the limit set forth in Section 2.c. above). In applying the dollar limitation of the preceding sentence: (A) multiple Cash Performance Awards to the same individual that are determined by reference to performance periods of one year or less ending with or within the same fiscal year of the Company shall be subject in the aggregate to one limit of such amount, and (B) multiple Cash Performance Awards to the same individual that are determined by reference to one or more multi-year performance periods ending in the same fiscal year of the Company shall be subject in the aggregate to a separate limit of such amount.

### 3. ELIGIBILITY AND PARTICIPATION

The Administrator will select Participants from among those key Employees, directors and other individuals or entities providing services to the Company or its Affiliates who, in the opinion of the Administrator, are in a position to make a significant contribution to the success of the Company and its Affiliates. Eligibility for ISOs is further limited to those individuals whose employment status would qualify them for the tax treatment described in Sections 421 and 422 of the Code.

### 4. RULES APPLICABLE TO AWARDS

#### a. ALL AWARDS

- (1) TERMS OF AWARDS. The Administrator shall determine the terms of all Awards subject to the limitations provided herein.
- (2) PERFORMANCE CRITERIA. Where rights under an Award depend in whole or in part on satisfaction of Performance Criteria, actions by the Company that have an effect, however material, on such Performance Criteria or on the likelihood that they will be satisfied will not be deemed an amendment or alteration of the Award.
- (3) ALTERNATIVE SETTLEMENT. The Company may at any time extinguish rights under an Award in exchange for payment in cash, Stock (subject to the limitations of Section 2) or other property on such terms as the Administrator determines, provided the holder of the Award consents to such exchange.
- (4) TRANSFERABILITY OF AWARDS. Except as the Administrator otherwise expressly provides, Awards may not be transferred other than by will or by the laws of descent and distribution and during a Participant's lifetime an Award requiring exercise may be exercised only by the Participant (or in the event of the Participant's incapacity, the person or persons legally appointed to act on the Participant's behalf).
- (5) VESTING, ETC. Without limiting the generality of Section 1, the Administrator may determine the time or times at which an Award will vest (I.E., become free of forfeiture restrictions) or become exercisable and the terms on which an Award requiring exercise will remain exercisable. Unless the Administrator expressly provides otherwise:
  - (A) immediately upon the cessation of a Participant's employment or other service relationship with the Company and its Affiliates, all Awards (other than Stock Options and SARs) held by the Participant (or by a permitted transferee under Section 4.a.(4)) immediately prior to such cessation of employment or other service relationship will be forfeited if not then vested and, where exercisability is relevant, will cease to be exercisable;

- (B) except as provided in (C) and (D) below, all Stock Options and SARs held by a Participant (or by a permitted transferee under Section 4.a.(4)) immediately prior to the cessation of the Participant's employment or other service relationship for reasons other than death, to the extent then exercisable, will remain exercisable for the lesser of (i) a period of three months or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 4.a.(5), and shall thereupon terminate;
- (C) all Stock Options and SARs held by a Participant (or by a permitted transferee under Section 4.a.(4)) immediately prior to the Participant's death, to the extent then exercisable, will remain exercisable for the lesser of (i) the one-year period ending with the first anniversary of the Participant's death or (ii) the period ending on the latest date on which such Stock Option or SAR could have been exercised without regard to this Section 4.a.(5), and shall thereupon terminate; and
- (D) all Stock Options and SARs held by a Participant (or by a permitted transferee of the Participant under Section 4.a.(4)) whose cessation of employment or other service relationship is determined by the Administrator in its sole discretion to result from reasons which cast such discredit on the Participant as to justify immediate termination of the Award shall immediately terminate upon such cessation.

Unless the Administrator expressly provides otherwise, a Participant's "employment or other service relationship with the Company and its Affiliates" will be deemed to have ceased, in the case of an employee Participant, upon termination of the Participant's employment with the Company and its Affiliates (whether or not the Participant continues in the service of the Company or its Affiliates in some capacity other than that of an employee of the Company or its Affiliates), and in the case of any other Participant, when the service relationship in respect of which the Award was granted terminates (whether or not the Participant continues in the service of the Company or its Affiliates in some other capacity).

- (6) TAXES. The Administrator will make such provision for the withholding of taxes as it deems necessary. The Administrator may, but need not, hold back shares of Stock from an Award or permit a Participant to tender previously owned shares of Stock in satisfaction of tax withholding requirements. In no event shall Stock be tendered or held back by the Company in excess of the minimum amount required to be withheld for Federal, state, and local taxes.
- (7) DIVIDEND EQUIVALENTS, ETC. The Administrator may provide for the payment of amounts in lieu of cash dividends or other cash distributions with respect to Stock subject to an Award if and in such manner as it deems appropriate.
- (8) RIGHTS LIMITED. Nothing in the Plan shall be construed as giving any person the right to continued employment or service with the Company or its Affiliates, or any rights as a shareholder except as to shares of Stock actually issued under the Plan. The loss of existing or potential profit in Awards will not constitute an element of damages in the event of termination of employment or service for any reason, even if the termination is in violation of an obligation of the Company or Affiliate to the Participant.
- (9) SECTION 162(m). The Administrator in its discretion may grant Performance Awards that are intended to qualify for the performance-based compensation exception under Section 162(m) and Performance Awards that are not intended so to qualify. In the case of an Award intended to be eligible for the performance-based compensation exception under Section 162(m), the Plan and such Award shall be construed to the maximum extent permitted by law in a manner consistent with qualifying the Award for such

exception. In the case of a Performance Award intended to qualify as performance-based for the purposes of Section 162(m), except as otherwise permitted by the regulations at Treas. Regs.

Section 1.162-27: (i) the Administrator shall preestablish in writing one or more specific Performance Criteria no later than 90 days after the commencement of the period of service to which the performance relates (or at such earlier time as is required to qualify the Award as performance-based under Section 162(m)); (ii) payment of the Award shall be conditioned upon prior certification by the Administrator that the Performance Criteria have been satisfied; and (iii) if the Performance Criteria with respect to the Award are not satisfied, no other Award shall be provided in substitution of the Performance Award. The provisions of this Section 6.a.(9) shall be construed in a manner that is consistent with the regulations under Section 162(m).

b. AWARDS REQUIRING EXERCISE

- (1) TIME AND MANNER OF EXERCISE. Unless the Administrator expressly provides otherwise, (a) an Award requiring exercise by the holder will not be deemed to have been exercised until the Administrator receives a written notice of exercise (in form acceptable to the Administrator) signed by the appropriate person and accompanied by any payment required under the Award; and (b) if the Award is exercised by any person other than the Participant, the Administrator may require satisfactory evidence that the person exercising the Award has the right to do so.
- (2) EXERCISE PRICE. The Administrator shall determine the exercise price of each Stock Option; PROVIDED, that except as otherwise permitted by the regulations at Treas. Regs. Section 1.162-27, each Stock Option intended to qualify for the performance-based exception under Section 162(m) of the Code and each ISO must have an exercise price that is not less than the fair market value of the Stock subject to the Stock Option, determined as of the date of grant. An ISO granted to an Employee described in Section 422(b)(6) of the Code must have an exercise price that is not less than 110% of such fair market value.
- (3) PAYMENT OF EXERCISE PRICE, IF ANY. Where the exercise of an Award is to be accompanied by payment, the Administrator may determine the required or permitted forms of payment, subject to the following:
  - (a) all payments will be by cash or check acceptable to the Administrator, or, if so permitted by the Administrator (with the consent of the optionee of an ISO if permitted after the grant),
    - (i) through the delivery of shares of Stock which have been outstanding for at least six months (unless the Administrator approves a shorter period) and which have a fair market value equal to the exercise price, (ii) by delivery of a promissory note of the person exercising the Award to the Company, payable on such terms as are specified by the Administrator, (iii) if the Stock is publicly traded, by delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company sufficient funds to pay the exercise price, or (iv) by any combination of the foregoing permissible forms of payment; and
    - (b) where shares of Stock issued under an Award are part of an original issue of shares, the Award shall require an exercise price equal to at least the par value of such shares.
- (4) GRANT OF STOCK OPTIONS. Each Stock Option awarded under the Plan shall be deemed to have been awarded as a non-ISO (and to have been so designated by its terms) unless the Administrator expressly provides for ISO treatment that the Stock Option is to be treated as an ISO.

c. AWARDS NOT REQUIRING EXERCISE

Awards of Restricted Stock and Unrestricted Stock may be made in return for either (i) services determined by the Administrator to have a value not less than the par value of the Awarded shares of Stock, or (ii) cash or other property having a value not less than the par value of the Awarded shares of Stock plus such additional amounts (if any) as the Administrator may determine payable in such combination and type of cash, other property (of any kind) or services as the Administrator may determine.

5. EFFECT OF CERTAIN TRANSACTIONS

a. MERGERS, ETC.

Immediately prior to a Covered Transaction (other than an Excluded Transaction in which the outstanding Awards have been assumed or substituted for as provided below), all outstanding Awards shall vest and, if relevant, become exercisable, all Performance Criteria and other conditions to any Award shall be deemed satisfied, and all deferrals measured by reference to or payable in shares of Stock shall be accelerated. Upon consummation of a Covered Transaction, all Awards then outstanding and requiring exercise or delivery shall terminate unless assumed by an acquiring or surviving entity or its affiliate as provided below.

In the event of a Covered Transaction, the Administrator may provide for substitute or replacement Awards from, or the assumption of Awards by, the acquiring or surviving entity or its affiliates on such terms as the Administrator determines.

b. CHANGES IN AND DISTRIBUTIONS WITH RESPECT TO THE STOCK

- (1) BASIC ADJUSTMENT PROVISIONS. In the event of a stock dividend, stock split or combination of shares, recapitalization or other change in the Company's capital structure, the Administrator will make appropriate adjustments to the maximum number of shares that may be delivered under the Plan under Section 2.a. and to the maximum share limits described in Section 2.c., and will also make appropriate adjustments to the number and kind of shares of stock or securities subject to Awards then outstanding or subsequently granted, any exercise prices relating to Awards and any other provision of Awards affected by such change. For the avoidance of doubt, the 3,789,000 and 2,000,000 share limits expressed in Section 2 are intended to reflect the increased number of shares resulting from the share exchange approved on June 5, 2000; accordingly, no further adjustment in those limits shall be made under this Section 5.b. solely to reflect such exchange.
- (2) CERTAIN OTHER ADJUSTMENTS. The Administrator may also make adjustments of the type described in paragraph (1) above to take into account distributions to common stockholders other than those provided for in Section 5.a. and 5.b.(1), or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve the value of Awards made hereunder; PROVIDED, that no such adjustment shall be made to the maximum share limits described in Section 2.c., or otherwise to an Award intended to be eligible for the performance-based exception under Section 162(m), except to the extent consistent with that exception, nor shall any change be made to ISOs except to the extent consistent with their continued qualification under Section 422 of the Code.
- (3) CONTINUING APPLICATION OF PLAN TERMS. References in the Plan to shares of Stock shall be construed to include any stock or securities resulting from an adjustment pursuant to Section 5.b.(1) or 5.b.(2) above.

## 6. LEGAL CONDITIONS ON DELIVERY OF STOCK

The Company will not be obligated to deliver any shares of Stock pursuant to the Plan or to remove any restriction from shares of Stock previously delivered under the Plan until the Company's counsel has approved all legal matters in connection with the issuance and delivery of such shares; if the outstanding Stock is at the time of delivery listed on any stock exchange or national market system, the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance; and all conditions of the Award have been satisfied or waived. If the sale of Stock has not been registered under the Securities Act of 1933, as amended, the Company may require, as a condition to exercise of the Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of such Act. The Company may require that certificates evidencing Stock issued under the Plan bear an appropriate legend reflecting any restriction on transfer applicable to such Stock.

## 7. AMENDMENT AND TERMINATION

Subject to the last sentence of Section 1, the Administrator may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by law, or may at any time terminate the Plan as to any further grants of Awards; PROVIDED, that (except to the extent expressly required or permitted by the Plan) no such amendment will, without the approval of the stockholders of the Company, effectuate a change for which stockholder approval is required in order for the Plan to continue to qualify under Section 422 of the Code and for Awards to be eligible for the performance-based exception under Section 162(m).

## 8. NON-LIMITATION OF THE COMPANY'S RIGHTS

The existence of the Plan or the grant of any Award shall not in any way affect the Company's right to Award a person bonuses or other compensation in addition to Awards under the Plan.

## 9. GOVERNING LAW

The Plan shall be construed in accordance with the laws of The Commonwealth of Massachusetts.

## 10. DEFINED TERMS.

The following terms, when used in the Plan, shall have the meanings and be subject to the provisions set forth below:

"ADMINISTRATOR": The Board or, if one or more has been appointed, the Committee. With respect to ministerial tasks deemed appropriate by the Board or Committee, the term "Administrator" shall also include such persons (including Employees) to whom the Board or Committee shall have delegated such tasks.

"AFFILIATE": Any corporation or other entity owning, directly or indirectly, 50% or more of the outstanding Stock of the Company, or in which the Company or any such corporation or other entity owns, directly or indirectly, 50% of the outstanding capital stock (determined by aggregate voting rights) or other voting interests.

"AWARD": Any or a combination of the following:

- (i) Stock Options.
- (ii) SARs.
- (iii) Restricted Stock.
- (iv) Unrestricted Stock.

- (v) Deferred Stock.
- (vi) Cash Performance Awards.
- (vii) Other Performance Awards.
- (viii) Grants of cash, or loans, made in connection with other Awards in order to help defray in whole or in part the economic cost (including tax cost) of the Award to the Participant.

"BOARD": The Board of Directors of the Company.

"CASH PERFORMANCE AWARD": A Performance Award payable in cash. The right of the Company under Section 4.a.(3) (subject to the consent of the holder of the Award as therein provided) to extinguish an Award in exchange for cash or the exercise by the Company of such right shall not make an Award otherwise not payable in cash a Cash Performance Award.

"CODE": The U.S. Internal Revenue Code of 1986 as from time to time amended and in effect, or any successor statute as from time to time in effect.

"COMMITTEE": One or more committees of the Board (including any subcommittee thereof) appointed or authorized to make Awards and otherwise to administer the Plan. In the case of Awards granted to officers of the Company, except as otherwise permitted by the regulations at Treas. Regs. Section 1.162-27, the Committee shall be comprised solely of two or more outside directors within the meaning of Section 162(m).

"COMPANY": Charles River Laboratories International, Inc.

"COVERED TRANSACTION": Any of (i) a consolidation or merger in which the Company is not the surviving corporation or which results in any individual, entity or "group" (within the meaning of section 13(d) of the Securities Exchange Act of 1934) acquiring the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) directly or indirectly of more than 50% of either the then outstanding shares of common stock of the Company or the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors, (ii) a sale or transfer of all or substantially all the Company's assets, or (iii) a dissolution or liquidation of the Company.

"DEFERRED STOCK": A promise to deliver Stock or other securities in the future on specified terms.

"EMPLOYEE": Any person who is employed by the Company or an Affiliate.

"EXCLUDED TRANSACTION": A Covered Transaction in which

- (i) the shares of common stock of the Company or the voting securities of the Company entitled to vote generally in the election of directors are acquired directly from the Company; or
- (ii) the shares of common stock of the Company or the voting securities of the Company entitled to vote generally in the election of directors are acquired by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or
- (iii) (a) the beneficial owners of the outstanding shares of common stock of the Company, and of the securities of the Company entitled to vote generally in the election of directors, immediately prior to such transaction beneficially own, directly or indirectly, in substantially the same proportions immediately following such transaction more than 50% of the outstanding shares of common stock and of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the

corporation (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) resulting from such transaction excluding such ownership as existed prior to the transaction and (b) at least a majority of the members of the board of directors of the corporation resulting from such transaction were members of the board of directors at the time of the execution of the initial agreement, or of the action of the Board, authorizing such transaction.

"ISO": A Stock Option intended to be an "incentive stock option" within the meaning of Section 422 of the Code.

"PARTICIPANT": An Employee, director or other person providing services to the Company or its Affiliates who is granted an Award under the Plan.

"PERFORMANCE AWARD": An Award subject to Performance Criteria.

"PERFORMANCE CRITERIA": Specified criteria the satisfaction of which is a condition for the exercisability, vesting or full enjoyment of an Award. For purposes of Performance Awards that are intended to qualify for the performance-based compensation exception under Section 162(m), a Performance Criterion shall mean an objectively determinable measure of performance relating to any of the following (determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof): (i) sales; revenues; assets; liabilities; costs; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, amortization or other items, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital or assets; one or more operating ratios; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; working capital requirements; stock price; stockholder return; sales, contribution or gross margin, of particular products or services; particular operating or financial ratios; customer acquisition, expansion and retention; or any combination of the foregoing; or (ii) acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; recapitalizations, restructurings, financings (issuance of debt or equity) and refinancings; transactions that would constitute a change of control; or any combination of the foregoing. A Performance Criterion measure and targets with respect thereto determined by the Administrator need not be based upon an increase, a positive or improved result or avoidance of loss.

"PLAN": The Charles River Laboratories International, Inc. 2000 Incentive Plan as from time to time amended and in effect.

"RESTRICTED STOCK": An Award of Stock subject to restrictions requiring that such Stock be redelivered to the Company if specified conditions are not satisfied.

"SECTION 162(m)": Section 162(m) of the Code.

"SARS": Rights entitling the holder upon exercise to receive cash or Stock, as the Administrator determines, equal to a function (determined by the Administrator using such factors as it deems appropriate) of the amount by which the Stock has appreciated in value since the date of the Award.

"STOCK": Common Stock of the Company.

"STOCK OPTIONS": Options entitling the recipient to acquire shares of Stock upon payment of the exercise price.

"UNRESTRICTED STOCK": An Award of Stock not subject to any restrictions under the Plan.