

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

FORM S-8

**REGISTRATION STATEMENT UNDER THE
SECURITIES ACT OF 1933**

**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 St., Wilmington, MA 01887
(Address of Principal Executive Offices, Including Zip Code)

Inveresk Research Group, Inc. 2002 Stock Option and Incentive
Compensation Plan
Inveresk Research Group, Inc. 2002 Non-Employee Directors Stock Option Plan
(Full Title of the Plans)

Dennis R. Shaughnessy
Senior Vice President
and General Counsel

Charles River Laboratories International, Inc.
251 Ballardvale St.
Wilmington, MA 01887

(Name and Address of Agent for Service)

(978) 658-6000
Telephone Number, Including Area Code, of Agent For Service

CALCULATION OF REGISTRATION FEE

Title of Securities To Be Registered	Amount To Be Registered ⁽¹⁾	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$0.01 par value per share	1,476,658 ⁽⁴⁾	\$19.07 ⁽²⁾	\$28,159,868.07 ⁽²⁾	\$3,567.86
Common Stock, \$0.01 par value per share	1,539,324 ⁽⁵⁾	\$46.29 ⁽³⁾	\$71,255,307.96 ⁽³⁾	\$9,028.05

- (1) This Registration Statement shall also cover any additional shares of Registrant's common stock that may be offered to prevent dilution by reason of any stock dividend, stock split, recapitalization or other similar transactions.
- (2) Estimated solely for the purpose of computing the registration fee of options granted and outstanding pursuant to Rule 457(h) under the Securities Act of 1933, based on a weighted average exercise price of \$19.07.
- (3) Estimated solely for the purpose of computing the registration fee pursuant to Rule 457(c) and (h) under the Securities Act of 1933, as amended, based on the average of the high (\$46.67) and low (\$45.90) prices of the Registrant's Common Stock, \$0.01 par value per share, reported on the New York Stock Exchange on October 13, 2004.
- (4) Represents shares subject to issuance upon the exercise of outstanding stock options under the Inveresk Research Group, Inc. 2002 Stock Option and Incentive Compensation Plan (amended and restated as of May 4, 2004) and the Inveresk Research Group, Inc. 2002 Non-Employee Directors Stock Option Plan (collectively, the "Inveresk Plans") and assumed by Registrant on October 20, 2004 in connection with the merger described in the Explanatory Note on the following page of this Registration Statement.
- (5) Represents shares registered for issuance, previously issuable under the Employee Plan, adjusted to reflect the terms of the merger described in the Explanatory Note on the following page of this Registration Statement.

EXPLANATORY NOTE

Pursuant to the Agreement and Plan of Merger dated as of June 30, 2004, by and among Charles River Laboratories International, Inc. (the "Registrant"), Inveresk Research Group, Inc. ("Inveresk"), Indigo Merger I Corp. and Indigo Merger II LLC ("Merger Sub II") (as successor to Indigo Merger II Corp.), as amended by Amendment No. 1, dated as of September 15, 2004 (as so amended, the "Merger Agreement"), on October 20, 2004 Indigo Merger I Corp., a wholly owned subsidiary of the Registrant, merged with and into Inveresk, with Inveresk continuing as the initial surviving corporation, and immediately thereafter, the initial surviving corporation merged with and into Merger Sub II, a wholly owned subsidiary of the Registrant, with Merger Sub II (renamed Inveresk Research Group, LLC) continuing as the surviving company. The shares of Registrant's common stock registered are issuable pursuant to options granted under the Inveresk Plans or reserved for future issuance.

Part II. Information Required in the Registration Statement

Item 3: Incorporation of Documents by Reference

We hereby incorporate by reference into this Registration Statement the following documents previously filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"):

(a) The Registrant's annual report on Form 10-K for the fiscal year ended December 27, 2003;

(b) All reports filed by the Registrant pursuant to Section 13(a) or 15(d) of the Exchange Act since December 27, 2003, the end of the fiscal year convened by the Registrant's annual report referred to in (a); and

(c) The description of the Registrant's Common Stock, \$0.01 par value per share, contained in the Registrant's Registration Statement on Form S-1 dated June 23, 2000, filed pursuant to Section 12 of the Exchange Act (No. 333-35524), including any amendment or report filed for the purpose of updating such description.

All other documents filed by the Registrant with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act subsequent to the date of this Registration Statement and prior to the filing of a post-effective amendment to this Registration Statement which indicate that all securities offered have been sold or which de-register all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing such documents (such documents, and the documents enumerated above, being hereinafter referred to collectively as the "Incorporated Documents").

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Any statement contained in an Incorporated Document shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed Incorporated Document modifies or supersedes such statement. Any such statements so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities

Not applicable.

Item 5. Interest of Named Experts and Counsel

Dennis R. Shaughnessy, who has issued the opinion of the Registrant's law department on the legality of the Common Stock of the Registrant offered hereby, is Senior Vice President, Corporate Development, General Counsel and Secretary of the Registrant. Mr. Shaughnessy owns the Registrant's Common Stock and holds employee stock options to purchase the Registrant's Common Stock.

Item 6. Indemnification of Directors and Officers

Section 102 of the Delaware General Corporation Law (the "DGCL") allows a corporation to eliminate or limit the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. Article ELEVENTH of the Registrant's Amended and Restated Certificate of Incorporation includes such a provision. Furthermore, Article ELEVENTH of the Registrant's Amended and Restated Certificate of Incorporation provides that if the DGCL is amended to further eliminate or limit the personal liability of directors, then the liability of a director of the Registrant shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Section 145 of the DGCL provides that a corporation has the power to indemnify a director, officer, employee or agent of the corporation and certain other persons serving at the request of the corporation in related capacities against amounts paid and expenses incurred in connection with an action, suit or proceeding (including attorneys' fees, judgments, fines and amounts paid in settlement in connection with specified actions, suits or proceedings) to which he is or is threatened to be made a party by reason of such position, if such person shall have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, if such person had no reasonable cause to believe his

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conduct was unlawful; provided that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the adjudicating court determines that

such indemnification is proper under the circumstances.

Article SIXTH of the Registrant's Amended and Restated Certificate of Incorporation provides the Registrant (i) may indemnify any persons whom it shall have power to indemnify thereunder from and against any and all of the expenses, liabilities or other matters referred to in or covered thereby, (ii) shall indemnify each such person if he or she is or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was a director, officer or employee of the Registrant or because he or she was serving the Registrant or any other legal entity in any capacity at the request of the Registrant while a director, officer or employee of the Registrant and (iii) shall pay the expense of such a current or former director, officer or employee incurred in connection with any such action, suit or proceeding in advance of the final disposition of such action, suit or proceeding. The indemnification and advancement of expenses provided for herein shall not be deemed exclusive of any other rights to which those entitled to indemnification or advancement of expenses may be entitled under any by-law, agreement, contract or vote of stockholders or disinterested directors or pursuant to the direction (however embodied) of any court of competent jurisdiction or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer or employee and shall inure to the benefit of the heirs, executors and administrators of such a person.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

The following exhibits are filed as part of this Registration Statement:

<u>Exhibit No.</u>	<u>Description of Documents</u>
4.1**	Form of certificate representing shares of common stock, \$0.01 par value per share.
4.2**	Amended and Restated Certificate of Incorporation of Charles River Laboratories International, Inc.
4.3**	Amended and Restated By-laws of Charles River Laboratories International, Inc.
5.1*	Opinion of Dennis R. Shaughnessy, Esq.
23.1*	Consent of Dennis R. Shaughnessy, Esq. (included in Exhibit 5.1).

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23.2*	Consent of PricewaterhouseCoopers LLP.
23.3*	Consent of Deloitte & Touche LLP.
24.1*	Power of Attorney (included in the signature page of this Registration Statement)
99.1*	Inveresk Research Group, Inc. 2002 Stock Option and Incentive Compensation Plan (Amended and Restated as of May 4, 2004).
99.2*	Inveresk Research Group, Inc. 2002 Non-Employee Directors Stock Option Plan.

* Filed herewith.

** Previously filed as an exhibit to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-35524), filed June 23, 2000 and incorporated by reference herein.

Item 9. Undertakings

A. The undersigned Registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement; provided, however, that clauses (1)(i) and (1)(ii) shall not apply if the

or Section 15(d) of the Exchange Act that are incorporated by reference into the Registration Statement;

(2) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof; and

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

B. The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

C. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the indemnification provisions summarized in Item 6 or otherwise, the Registrant has been advised that in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Wilmington, Commonwealth of Massachusetts, as of the 20th day of October 2004.

CHARLES RIVER LABORATORIES
INTERNATIONAL, INC.

By: /s/ James C. Foster

James C. Foster
Chairman, Chief Executive Officer
and President

POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of Charles River Laboratories International, Inc., hereby severally constitute and appoint James C. Foster, Dennis R. Shaughnessy and Thomas F. Ackerman and each of them singly, as true and lawful attorneys-in-fact, with full power of substitution, to sign for us in our names in the capacities indicated below, all additional amendments (including post-effective amendments), together with any exhibits thereto or documents therewith, to this Registration Statement, and generally to do all things in our names and on our behalf in such capacities to enable Charles River Laboratories International, Inc. to comply with the provisions of the Securities Act, and all applicable requirements of the Commission.

Pursuant to the requirements of the Securities Act, this Registration Statement on Form S-8 has been signed by the following persons in the capacities indicated on October 20, 2004.

Signature

Title

/s/ James C. Foster

James C. Foster Chairman, President, Chief Executive Officer and
Director (Principal Executive Officer)

/s/ Thomas A. Ackerman

Thomas A. Ackerman Senior Vice President of Finance and Chief Financial
Officer (Principal Financial and Accounting Officer)

/s/ Robert Cawthorn

Robert Cawthorn Director

/s/ Stephen D. Chubb

Stephen D. Chubb Director

/s/ George E. Massaro

George E. Massaro Director

/s/ Linda McGoldrick

Linda McGoldrick Director

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/s/ George M. Milne

George M. Milne Director

/s/ Douglas E. Rogers

Douglas E. Rogers Director

/s/ Samuel O. Thier

Samuel O. Thier Director

/s/ William H. Waltrip

William H. Waltrip Director

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Exhibit Index

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5.1*	Opinion of Dennis R. Shaughnessy, Esq.

- 23.1* Consent of Dennis R. Shaughnessy, Esq. (included in Exhibit 5.1).
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* Filed herewith.

** Previously filed as an exhibit to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 (File No. 333-35524), filed June 23, 2000 and incorporated by reference herein.

October 20, 2004

Securities and Exchange Commission
450 Fifth Street
Washington, D.C. 20549

Ladies and Gentlemen:

I am Senior Vice President, Corporate Development, General Counsel and Secretary of Charles River Laboratories International, Inc., a Delaware corporation (the "Company"), and have acted as counsel in connection with the Registration Statement on Form S-8 (the "Registration Statement") being filed by the Company under the Securities Act of 1933, as amended, relating to the registration of shares of the Company's common stock, par value \$.01 (the "Shares"), to be issued under the Inveresk Research Group, Inc. 2002 Stock Option Plan and Incentive Compensation Plan and the Inveresk Research Group, Inc. 2002 Non-Employee Directors Stock Option Plan, each as amended (the "Plans").

I have examined originals or copies, certified or otherwise identified to my satisfaction, of such corporate documents and records which I have deemed necessary or appropriate for the purposes of the opinion and have conducted such other investigations of fact and law as I have deemed necessary or advisable for purposes of this opinion. I have assumed that the signatures (other than those of officers of the Company) on all documents that I have examined are genuine.

Based upon the foregoing, I am of the opinion that the Shares have been duly authorized and, when issued in accordance with the terms of the Plan, will be legally issued, fully paid and non-assessable.

I hereby consent to the filing of the opinion as an exhibit to the Registration Statement.

Very truly yours,

/s/ Dennis R. Shaughnessy
Dennis R. Shaughnessy, Esq.
Senior Vice President, Corporate
Development, General Counsel and
Secretary

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated February 6, 2004 relating to the financial statements and financial statement schedules of Charles River Laboratories International, Inc., which appears in Charles River Laboratories International, Inc.'s Annual Report on Form 10-K for the year ended December 27, 2003.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Boston, Massachusetts
October 20, 2004

[Letterhead of Deloitte & Touche LLP]

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference into the Registration Statement on Form S-8 to be filed by Charles River Laboratories International, Inc. on or around October 18, 2004, of our report dated February 20, 2004, relating to the financial statements of Inveresk Research Group, Inc., which appears in the Annual Report on Form 10-K of Inveresk Research Group, Inc. for the year ended December 31, 2003.

/s/ DELOITTE & TOUCHE LLP
Edinburgh
United Kingdom

October 18, 2004

INVERESK RESEARCH GROUP, INC.

2002 STOCK OPTION AND INCENTIVE COMPENSATION PLAN
Amended and Restated as of May 4, 2004

Inveresk Research Group, Inc., a Delaware corporation (the "Company"), wishes to attract officers, employees and consultants to the Company and its Subsidiaries and to induce officers, employees and consultants to remain with the Company and its Subsidiaries, to encourage those persons to increase their efforts to make the Company's business more successful, whether directly or through its Subsidiaries, and to align their interests with the interests of the Company's stockholders.

The Plan as originally adopted provided that in connection with the transaction pursuant to which Inveresk Research Group Limited became a wholly-owned subsidiary of the Company, the Company would issue Options (to purchase shares of the Company's Common Stock) to holders of options to purchase capital stock of Inveresk Research Group Limited in consideration for the cancellation of the options issued by Inveresk Research Group Limited.

Amendments to the Plan were adopted in 2004 for the purpose of providing for awards of equity-based compensation other than stock options, as hereinafter set forth.

1. Definitions

Whenever used herein, the following terms shall have the meanings set forth below:

"Amendment Date" means May 4, 2004.

"Award" means an Option, Performance Stock Award, Restricted Stock Award, Performance Restricted Stock Award, Cash Performance Award, Stock Unit Award or Stock Appreciation Right (SAR) awarded under this Plan.

"Award Agreement" means a written agreement entered into pursuant to this Plan by the Company and a Participant with respect to an Award.

"Board" means the Board of Directors of the Company.

"Cause" means, with respect to any Participant, unless otherwise provided in the Participant Award Agreement, conduct that is determined by the Board in good faith to fall within one or more of the following categories: (i) engaging in willful or gross misconduct or neglect in the conduct of the Participant's employment obligations, (ii) repeatedly failing to adhere to the directions of superiors or the Board or the written policies and practices of the Company or its Subsidiaries or its affiliates, (iii) the commission of a felony or a crime of moral turpitude, or any crime involving the Company or its Subsidiaries, or any affiliate thereof, (iv) fraud, misappropriation or embezzlement, (v) a material breach of the Participant's employment agreement (if any) with the Company or its Subsidiaries or its affiliates, (vi) acts or omissions constituting a material failure to perform substantially and adequately the duties assigned to the Participant or (vii) any illegal act detrimental to the Company or its Subsidiaries or affiliates.

"Cash Performance Award" means a right to receive cash based on the attainment of pre-established Performance Goals.

"Change in Control" means the occurrence of any of the following:

(i) any "person," including a "group" (as those terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding the Company, any entity, controlled by or under common control with the Company, any employee benefit plan of the Company or any such entity, and, with respect to any particular Participant, the Participant and any "group" (as that term is used in Section 13(d)(3) of the Exchange Act) of which the Participant is a member), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing a majority of either (A) the combined voting power of the Company's then outstanding securities or (B) the Shares then outstanding (in either such case other than as a result of an acquisition of securities directly from the Company); provided, however, that, in no event shall a Change in Control be deemed to have occurred (x) by reason of an increase in the percentage beneficial ownership of any person or group that results from a reduction in the number of outstanding Shares or (y) by reason of an increase in the beneficial ownership of a person or group of less than 5% per year or (z) by

reason of any increase in the beneficial ownership of a person or group that on the date the Company first became subject to the periodic reporting obligations imposed under the Exchange Act was the beneficial owner of the Shares then outstanding; or

(ii) any consolidation or merger of the Company in which the stockholders of the Company immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as that term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, shares representing in the aggregate 50% or more of the combined voting power of the securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any); or

(iii) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least a majority of the combined voting power of the voting securities of which are owned by persons in substantially the same proportion as their ownership of the Company immediately prior to such sale, or the approval by the Company's stockholders, in accordance with the requirements of applicable law, of any plan or proposal for the liquidation or dissolution of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

“Committee” means the committee appointed by the Board pursuant to Section 3, or as the context requires, any subcommittee thereof appointed for the purposes of the Plan.

“Common Stock” means the Company’s Common Stock, par value \$.01, either currently existing or authorized hereafter.

“Company” means Inveresk Research Group, Inc., a Delaware corporation.

“Disability” means, unless otherwise provided by the Committee in the Participant’s Award Agreement, a disability which renders the Participant incapable of performing all of his or her material duties for a period of at least 180 consecutive or non-consecutive days during any consecutive twelve-month period.

“Effective Date” means June 27, 2002.

“Embedded Value” means, with respect to any Option, as of any date, the excess of (i) the Option Price then in effect over (ii) the Fair Market Value on that date.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Exchange Options” means all Options granted as described in Section 4(a) of the Plan.

“Fair Market Value” means, as of any date, the value of a Share determined as follows: (i) if the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, the Fair Market Value of each Share shall be the closing sales price for such stock (or the closing bid, if no sales were reported) on such exchange or system on the last trading day preceding the date of determination, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; (ii) if the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Common Stock on the day of determination, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; and (iii) in the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Committee.

“Incentive Stock Option” means an “incentive stock option” within the meaning of Section 422(b) of the Code.

“Non-Qualified Stock Option” means an Option which is not an Incentive Stock Option.

“Old Inveresk Option” means each option to subscribe for ordinary shares or B ordinary shares of Inveresk Research Group Limited that is outstanding immediately prior to the time Inveresk Research Group Limited becomes a wholly-owned subsidiary of the Company.

“Old Inveresk Optionee” means each person who is a holder of Old Inveresk Options immediately prior to the time Inveresk Research Group Limited becomes a wholly-owned subsidiary of the Company.

“Option” means the right to purchase, at a price and for the term fixed by the Committee in accordance with the Plan, and subject to such other limitations and restrictions in the Plan and the applicable Award Agreement, a number of Shares determined by the Committee.

“Optionee” means a person to whom an Option is granted pursuant to the provisions of this Plan and, except where the context requires otherwise, includes, the Successors of any such person.

“Option Price” means, with respect to any Option, the exercise price per Share.

“Participant” means an officer, employee or consultant who has received an Award under the Plan.

“Performance Goals” means for the purposes of an Award, including any Award that is intended to qualify as performance-based compensation under Section 162(m), any one or more of the following: revenue, profits, net income, pre-tax income, operating income, earnings per share, total shareholder return, return on equity, return on capital, cash flow, stock price, operating margin, pretax margin, and net income margin. These performance criteria can be used individually or in any combination, can be measured annually or cumulatively, can be measured on an absolute basis or relative basis, compared to other companies or indices, and can apply to the entire Company or a business unit.

“Performance Stock Award” means a right to receive Shares, subject to performance and other conditions specified in the applicable Award Agreement, but does not include an Option.

“Performance Option” means an Option that is subject to performance goals specified in the applicable Award Agreement.

“Performance Restricted Stock Award” means a right to receive Shares, subject to performance and other limitations and restrictions specified in the Plan and the applicable Award Agreement, but does not include an Option.

“Plan” means this 2002 Stock Option and Incentive Compensation Plan, as amended and restated as of May 4, 2004 and as it and may from time to time be further amended.

“Restricted Stock Award” means a right to receive Shares, subject to limitations and restrictions specified in the Plan and the applicable Award Agreement.

“Retirement” means, unless otherwise provided by the Committee in the applicable Award Agreement, the voluntary termination of employment (or other termination of service, in the case of a consultant) of a Participant on or after the Participant’s attainment of age 65.

“Securities Act” means the Securities Act of 1933, as amended.

“Shares” means shares of Common Stock of the Company.

“Stock Appreciation Rights” or “SARs” means the right to receive payment in cash, Shares or a combination of both, in an amount equal to the product of (x) the number of Shares specified in the applicable Award Agreement and (y) the excess of the Fair Market Value at the time of exercise over the exercise (or “strike”) price as specified in the applicable Award Agreement.

“Stock Unit” means a right to receive Shares, subject to limitations and restrictions specified in the Plan and the Applicable Award Agreement.

“Subsidiary” means any corporation (other than the Company) that is a “subsidiary corporation” with respect to the Company under Section 424(f) of the Code. In the event the Company becomes a subsidiary of another company, the provisions hereof applicable to subsidiaries shall, unless otherwise determined by the Committee, also be applicable to any company that is a “parent corporation” with respect to the Company under Section 424(e) of the Code.

“Successor” means, with respect to any Participant who has died, the legal representative of the estate of the person or persons who acquire the right to exercise an Option by bequest or inheritance or otherwise by operation of law.

2. Approval; Effective Date; Termination

The 2002 Stock Option Plan was effective on the Effective Date. The Plan was amended and restated as of May 4, 2004. The Plan shall terminate on, and no Option shall be granted hereunder on or after, the tenth anniversary of the Effective Date of the Plan; provided, however, that the Board may terminate the Plan at any time prior to that date.

3. Administration of Plan

The Plan shall be administered by the Committee appointed by the Board. The Committee shall consist of at least two individuals, each of whom shall be a “non-employee director” as defined in Rule 16b-3 promulgated by the Securities and Exchange Commission (“Rule 16b-3”) under the Exchange Act and shall, at such times as the Company is subject to Section 162(m) of the Code (to the extent relief from the limitation of Section 162(m) of the Code is sought with respect to Awards), qualify as “outside directors” for purposes of Section 162(m) of the Code. The Committee may appoint any appropriate subcommittee consisting solely of two or more directors who qualify as “outside directors” and “non-employee directors” and delegate any of its authority to such subcommittee. The acts of a majority of the members present at any meeting of the Committee at which a quorum is present, or acts approved in writing by a majority of the entire Committee, shall be the acts of the Committee for purposes of the Plan. If and to the extent applicable, no member of the Committee may act as to matters under the Plan specifically relating to such member. If no Committee is designated by the Board to act for these purposes, the Board shall have the rights and responsibilities of the Committee hereunder and under the Award Agreements.

4. Eligibility and Grant of Awards; Committee Authority.

(a) Following the Effective Date, the Company granted Options to each Old Inveresk Optionee, against and in consideration of the cancellation of all Old Inveresk Options held by such Old Inveresk Optionee. The Exchange Options so granted are intended in the aggregate to confer on the Old Inveresk Optionee, to the extent reasonably practicable in the circumstances, substantially the same economic and other rights as were provided under the Old Inveresk Options that are so cancelled.

(b) Subject to the provisions of the Plan, the Committee may, in its discretion as reflected by the terms of the Award Agreements: (i) cause the Company to grant Awards to employees, officers and consultants of the Company and its Subsidiaries; (ii) determine and designate from time to time those employees, officers and consultants of the Company and its Subsidiaries to whom Awards are to be granted and the number of Shares to be included in or covered by such Awards; and (iii) determine and impose such other terms and conditions in respect of each Award as it shall deem appropriate.

(c) In determining the eligibility of an employee, officer or consultant to receive an Award, as well as in determining the terms of the Award, the Committee may consider the position and responsibilities of the employee, officer or consultant, the nature and value to the Company of the employee’s, officer’s or consultant’s services and accomplishments whether directly or through its Subsidiaries, the employee’s, officer’s or consultant’s present and potential contribution to the success of the Company whether directly or through its Subsidiaries and such other factors as the Committee may deem relevant. The Award Agreement shall contain such other terms, provisions and conditions not inconsistent herewith as shall be determined by the Committee. The Committee may require as a condition to the grant of any Award that a Participant shall take whatever additional actions and execute whatever additional documents the Committee may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the express provisions of the Plan and the Award Agreement, and the Participant by accepting the Award subject to such a condition shall be deemed to have accepted those obligations. If any Award Agreement or Award provides (without regard to this sentence) for the obligation of the Company or any affiliate thereof to purchase or repurchase Shares from a Participant or any other person, then, notwithstanding the provisions of the Award Agreement or such other agreement, such obligation shall not apply to the extent that the purchase or repurchase would not be permitted under Delaware law.

5. Number of Shares Subject to Awards.

(a) Subject to the provisions of Section 16, Awards with respect to an aggregate of no more than 5,365,589 Shares may be granted under the Plan; provided, however, that if when an Award expires, terminates or is forfeited, any Shares covered by the Award have not been issued or transferred to the Participant (and are not required to be so issued or transferred), those Shares shall not be counted

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against the foregoing limitation and may be the subject of further Awards. For purposes of the foregoing limitation, each Share covered by a Performance Stock Award or a Restricted Stock Award shall be treated as an Award covering three Shares.

(b) Subject to the requirements of applicable law, Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares. The certificates for Shares issued hereunder may include any legend which the Committee deems appropriate to reflect any restrictions on transfer hereunder or under the Award Agreement, or as the Committee otherwise may deem appropriate.

(c) The aggregate Fair Market Value, determined as of the date an Option is granted, of the Common Stock for which any Participant may be awarded Incentive Stock Options which are first exercisable by the Participant during any calendar year under the Plan (or any other stock option plan required to be taken into account under Section 422(d) of the Code) shall not exceed \$100,000.

(d) Following the Amendment Date and until the tenth anniversary of the Effective Date, no Participant may be granted as an average per year over any three consecutive calendar years Awards of (i) Restricted Stock, Stock Units, Performance Stock or Performance Restricted Stock with respect to more than 100,000 Shares or (ii) Stock Options or Stock Appreciation Rights with respect to more than 300,000 Shares or (iii) Cash Performance Awards of more than \$3 million.

6. Types of Awards.

(a) Options may be granted at the discretion of the Committee. The Option Price in respect of each Option shall be determined by the Committee at the time of grant and reflected in the Award Agreement in respect of that Option, as amended from time to time; provided, however, that except for (i) the Exchange Options; (ii) actions taken by the Committee pursuant to Section 16 of the Plan and (iii) as determined by the Committee in respect of options granted in connection with business combination transactions, the Option Price with respect any particular Award shall in no event be less than 100% of the Fair Market Value of a Share on the day the Option is granted. Any particular Award Agreement may provide for different exercise prices for specified amounts of Shares subject to the Option. The Option Price with respect to each Incentive Stock Option shall not be less than 100% (or 110%, in the case of an individual described in Section 422(b)(6) of the Code (relating to certain 10% owners)) of the Fair Market Value of a Share on the day the Option is granted. For each Award of Options, the Committee shall specify whether the Options are intended to be Incentive Stock Options, Non-Qualified Stock Options, or both. To the extent that any Option does not qualify as an Incentive Stock Option, it shall constitute a separate Non-Qualified Stock Option. Incentive Stock Options may be granted only to employees. Notwithstanding anything to the contrary in the Plan, Options shall not be granted to consultants in the United Kingdom unless the Committee expressly determines otherwise.

(b) Performance Stock Awards may be granted at the discretion of the Committee. Each Performance Stock Award shall consist of an award of Shares, the grant, issuance and vesting of which shall be subject to Performance Goals and such other conditions as the Committee shall specify at the time of grant. An Award shall specify the maximum number of Shares subject to the Performance Stock Award and its terms and conditions. The Committee shall set the Performance Goals and the period within which they must be achieved, in its discretion. Subject to the terms of the applicable Award Agreement, as soon as practicable following the time the Performance Goals and other conditions are met, Shares shall be paid to the Participant. The Performance Goals may be used to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code and to the extent any particular Performance Stock Award is intended by the Committee to comply with Section 162(m), the Performance Goals shall be deemed satisfied only when the Committee (or an applicable subcommittee thereof) so certifies.

(c) Restricted Stock Awards may be granted at the discretion of the Committee. Shares may be issued pursuant to a Restricted Stock Award subject to such conditions on forfeiture, restrictions on sale or transfer and other terms and conditions as the Committee shall specify at the time of grant. Unless otherwise determined by the Committee, a Participant who has received a Restricted Stock Award shall have all the rights and privileges of a stockholder with respect to the Shares covered by the Award during the period in which the Participant's rights in respect of the Shares remain subject to restrictions, but all of the Participant's rights in respect of those Shares shall terminate if the Restricted Stock Award is forfeited or terminated in accordance with its terms before those restrictions expire.

(d) Performance Restricted Stock Awards may be granted at the discretion of the Committee. The rights of a Participant in the Shares covered by a Performance Restricted Stock Award shall be subject to Performance Goals and such conditions on forfeiture, restrictions on sale or transfer and other terms and conditions as the Committee shall specify at the time of grant. Unless otherwise determined by the Committee, a Participant who has received a Performance Restricted Stock Award shall have all the rights and privileges of a stockholder with respect to the Shares covered by the Award during the period in which the Participant's rights in

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respect of the Shares remain subject to restrictions, but all of the Participant's rights shall terminate if the Performance Restricted Stock Award is forfeited or terminated in accordance with its terms before those restrictions expire. The Performance Goals specified in the terms of the Award may be used to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code and to the extent any particular Performance Restricted Stock Award is

intended by the Committee to comply with Section 162(m), the Performance Goals shall be deemed satisfied only when the Committee (or an applicable subcommittee thereof) so certifies.

(e) Cash Performance Awards may be granted at the discretion of the Committee. The rights of a Participant in respect of a Cash Performance Award shall be subject to Performance Goals and such other conditions and terms as the Committee shall specify at the time of grant. The Committee shall specify as to each Cash Performance Award the maximum cash amount payable, the Performance Goals, the period within which the Performance Goals must be achieved, and such other terms and conditions as the Committee shall determine. As soon as practicable following the time the Performance Goals are met, the applicable cash payment shall be made to the Participant or deferred to the extent permitted by the Committee. The Performance Goals specified in the terms of the Award may be used to satisfy the requirements for "performance-based compensation" under Section 162(m) of the Code and to the extent any particular Cash Performance Award is intended by the Committee to comply with Section 162(m), the Performance Goals shall be deemed satisfied only when the Committee (or an applicable subcommittee thereof) so certifies.

(f) Stock Appreciation Rights may be granted at the discretion of the Committee, either in tandem with an Award of an Option or as a "stand-alone" SAR. The exercise price per share of a tandem SAR shall be the Option Price of the related Option. The exercise price of a stand-alone SAR shall be an amount determined by the Committee, but in no event less than 100% of the Fair Market Value of a Share on the date the SAR is granted. SARs shall be exercisable and vest upon the terms and conditions determined by the Committee at the time of the grant. Unless earlier expired, forfeited, or otherwise terminated, each SAR shall expire on a date determined by the Committee at the time of grant, provided that the term of a tandem SAR shall not exceed the term of the related Option and the term of a stand-alone SAR shall not exceed 10 years. Upon exercise of a SAR, the Participant shall receive payment in cash, Shares or a combination of both, as determined by the Committee, in an amount equal to the excess of the Fair Market Value on the exercise date of the number of Shares covered by the SAR (or in the case of a partial exercise, of the number of Shares as to which the SAR is being exercised) over the aggregate exercise price. To the extent payment is made in Shares, unless otherwise specified by the Committee the Shares delivered in payment shall be valued for purposes of the payment at their Fair Market Value on the date of exercise.

(g) Performance Options may be granted at the discretion of the Committee. The rights of Participant in respect of a Performance Option shall be subject to Performance Goals and such other conditions and terms as the Committee shall specify at the time of grant. The exercise price per share for each Performance Option shall not be less than 100% of the Fair Market Value on the date of grant. Unless earlier expired, forfeited, or otherwise terminated, each Performance Option shall expire upon the tenth anniversary of the date of grant or on such other date as is specified in the applicable Award Agreement.

(h) Stock Units may be granted at the discretion of the Committee. Stock Units will constitute an unfunded commitment by the Company to transfer to the Participant the number of Shares specified by the Committee in the terms of the Award. Stock Unit Awards shall be subject to such conditions, limitations, and vesting requirements as the Committee shall specify at the time of grant. At the discretion of the Committee, and subject to the limitations on the number of Shares that may be granted under the Plan, the Company may credit to a hypothetical account an amount equal to any dividends or distributions declared by the Company, that would have been payable on the number of Shares payable to the Participant pursuant to such Award if those Shares had been outstanding on the record date established for the dividend or distribution.

7. Term of Awards; Vesting.

(a) Unless earlier expired, forfeited or otherwise terminated, each Award shall expire in its entirety upon the tenth anniversary of the date of grant or shall have such other term (which may be shorter, but not longer, in the case of Incentive Stock Options) as is set forth in the applicable Award Agreement (except that, in the case of an individual described in Section 422(b)(6) of the Code (relating to certain 10% owners) who is granted an Incentive Stock Option, the term of such Option shall be no more than five years from the date of grant). The Option shall also expire, be forfeited and terminate at such times and in such circumstances as otherwise provided hereunder or under the Award Agreement.

(b) Each Award, to the extent that there has been no termination of the Participant's employment (or other service, if applicable) and the Award has not otherwise lapsed, expired, terminated or been forfeited, shall first become exercisable according to the terms and conditions set forth in the Award Agreement, as determined by the Committee at the time of grant. Unless otherwise provided in

the Award Agreement or herein, no Award (or portion thereof) shall ever be exercisable if the Participant's employment or other service with the Company and its Subsidiaries has terminated before the time at which such Award would otherwise have become exercisable, and any Award that would otherwise become exercisable after such termination shall not become exercisable and shall be forfeited upon such termination. Notwithstanding the foregoing provisions of this Section 7(b), Awards exercisable pursuant to the schedule set forth by the Committee at the time of grant may be fully or more rapidly exercisable or otherwise vested at any time in the discretion of the Committee. Upon and after the death of a Participant, such Participant's Awards, if and to the extent otherwise exercisable hereunder or under the applicable Award Agreement after the Participant's death, may be exercised by the Successors of the Participant.

8. Exercisability Upon and After Termination of Participant.

(a) Unless otherwise provided in an Award Agreement, if the Participant's employment (or other service, if applicable) with the Company and its Subsidiaries is terminated other than (i) by voluntary resignation of the Participant, (ii) by termination by the Company for Cause, or (iii) by termination by reason of death, Retirement or Disability, an Option or other Award subject to the Participant's exercise may be exercised (but only to the extent the Award otherwise was exercisable on the date of termination) until the earlier of (i) three months from the date of termination of employment or (ii) the date on which the term of the Award expires in accordance with the provisions of the applicable Award Agreement and this Plan.

(b) Unless otherwise provided in the applicable Award Agreement, if the Participant's employment with the Company and its Subsidiaries terminates due to the death, Retirement or Disability of the Participant, any Option or other Award that remains subject to exercise by the Participant on the date of termination may be exercised (but only to the extent the Award otherwise was exercisable on the date of termination) until the earlier of (i) one year from the date of termination of

employment (or other service, if applicable) of the Participant, or (ii) the date on which the term of the Award expires in accordance with the provisions of the applicable Award Agreement and this Plan.

(c) Notwithstanding any other provision of this Plan, unless otherwise specifically provided in an Award Agreement, if (i) the Participant's employment is terminated by the Company or any of its Subsidiaries for Cause or (ii) the Participant terminates his employment with the Company and its Subsidiaries (other than on account of death, Retirement or Disability) the Participant's Awards, to the extent then unexercised, unvested or unpaid, shall thereupon cease to be exercisable or otherwise payable and shall be deemed immediately cancelled.

9. Exercise of Awards.

(a) Subject to vesting, other restrictions on exercisability and other restrictions provided for hereunder or otherwise imposed in accordance herewith, an Award that is subject to exercise by a Participant may be exercised, and payment by a Participant made only by written notice (in the form prescribed by the Committee) to the Company specifying the number of Shares with respect to which the Award shall be exercised.

(b) Without limiting the scope of the Committee's discretion hereunder, the Committee may impose such other restrictions on the exercise of Options and other Awards (whether or not in the nature of the foregoing restrictions) as it may deem necessary or appropriate.

(c) If Shares acquired upon exercise of an Incentive Stock Option are disposed of in a disqualifying disposition within the meaning of Section 422 of the Code by a Participant prior to the expiration of either two years from the date of grant of such Option or one year from the transfer of Shares to the Participant pursuant to the exercise of such Option, or in any other disqualifying disposition within the meaning of Section 422 of the Code, such Participant shall notify the Company in writing as soon as practicable thereafter of the date and terms of such disposition and, if the Company (or any affiliate thereof) thereupon has a tax-withholding obligation, shall pay to the Company (or such affiliate) an amount equal to any withholding tax the Company (or affiliate) is required to pay as a result of the disqualifying disposition.

(d) The aggregate Option Price shall be paid in full upon the exercise of an Option. Payment must be made by one of the following methods:

(i) a certified or bank cashier's check;

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(ii) the proceeds of a Company loan program or third-party sale program or a notice acceptable to the Committee given as consideration under such a program, in each case if permitted by the Committee in its discretion, if such a program has been established and provided the Participant is eligible to participate therein;

(iii) if approved by the Committee in its discretion, Shares of previously owned Common Stock having an aggregate Fair Market Value on the date of exercise equal to the aggregate Option Price, which Common Stock was owned by the Participant at least six months prior to such delivery;

(iv) if approved by the Committee in its discretion, through the written election of the Participant to have Shares withheld by the Company from the Shares otherwise to be received, with such withheld Shares having an aggregate Fair Market Value on the date of exercise equal to the aggregate Option Price;

(v) if approved by the Committee, by surrendering Options in exchange for Shares having an aggregate Fair Market Value on the date of the surrender equal to the aggregate Embedded Value on that date of the Options so surrendered; or

(vi) by any combination of such methods of payment or any other method as the Committee in its discretion may approve.

(e) The Committee, in its discretion, may also permit the Participant to elect to exercise an Option by delivering to the Company a combination of Shares and cash with an aggregate Fair Market Value equal to the applicable Option Price, as determined as of the day the Option is exercised.

(f) Except in the case of Options exercised by certified or bank cashier's check, the Committee may impose limitations and prohibitions on the exercise of Options as it deems appropriate, including, without limitation, any limitation or prohibition designed to avoid accounting consequences which may result from the use of Common Stock as payment upon exercise of an Option.

(g) The Committee may provide that no Option may be exercised with respect to any fractional Share. Any fractional Shares resulting from an Optionee's exercise that is accepted by the Company shall in the discretion of the Committee be paid in cash.

10. Tax Withholding.

The Committee may, in its discretion, require a Participant to pay to the Company at the time of exercise of any Option or SAR, or vesting of any Performance Stock Award or Restricted Stock Award or payment under any other Award the amount that the Committee deems necessary to satisfy the Company's obligation to withhold federal, state or local income or other taxes incurred by reason of the exercise or other income recognition event. The Committee may in its discretion elect to withhold issuance of Shares pursuant to Performance Stock Awards or Restricted Stock Awards in amounts sufficient to cover any withholding tax obligation. Upon exercise of an Option, the Optionee may, if approved by the Committee in its discretion, make a written election to have Shares then issued withheld by the Company from the Shares otherwise to be received, or to deliver previously owned Shares, in order to satisfy the liability for such withholding taxes. In the event of any withholding of Shares in respect of the withholding, the number of Shares so withheld or delivered shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes. Where the exercise or vesting of an Award does not give rise to an obligation by the Company to withhold federal, state or local income or other taxes on the date of exercise, but may give rise to such an obligation in the

future, the Committee may, in its discretion, make such arrangements and impose such requirements as it deems necessary or appropriate. Notwithstanding anything contained in the Plan or the Award Agreement to the contrary, the Participant's satisfaction of any tax-withholding requirements imposed by the Committee in its discretion shall be a condition precedent to the Company's obligation, as may otherwise be provided hereunder, to provide Shares or other benefits to the Participant, and the failure of the Participant to satisfy such requirements with respect to any Award shall cause such Award to be forfeited.

11. Exercise by Successors.

An Award may be exercised by the Successors of the Optionee only by written notice (in the form prescribed by the Committee) to the Company specifying terms and manner of the exercise.

12. Nontransferability of Option.

Each Award granted under the Plan shall be nontransferable by the Optionee except by will or the laws of descent and distribution of the state wherein the Participant is domiciled at the time of his death; provided, however, that the Committee may (but need not)

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permit other transfers, where the Committee concludes that such transferability (i) does not result in accelerated income taxation, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to be described in Section 422(b) of the Code, and (iii) is otherwise appropriate and desirable.

13. Regulations and Approvals.

(a) The obligation of the Company to issue, transfer or sell Shares with respect to Awards granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

(b) The Committee may make such changes to the Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority or to obtain tax benefits applicable to stock options.

(c) Each Award is subject to the requirement that, if at any time the Committee determines, in its discretion, that the listing, registration or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Shares, no Awards shall be granted or payment made or Shares issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions in a manner acceptable to the Committee.

(d) In the event that the disposition of stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act, and is not otherwise exempt from such registration, such Shares shall be restricted against transfer to the extent required under the Securities Act and any other applicable law, and the Committee may require any individual receiving Shares pursuant to the Plan, as a condition precedent to receipt of such Shares, to represent to the Company in writing that the Shares acquired by such individual are acquired for investment only and not with a view to distribution and that such Shares will be disposed of only if registered for sale under the Securities Act or if there is an available exemption for such disposition.

14. Administrative Rules; Interpretation.

The Committee may make such rules and regulations and establish such procedures for the administration of the Plan as it deems appropriate. Without limiting the generality of the foregoing, the Committee may (i) determine (A) the conditions under which a Participant will be considered to have retired or become disabled and (B) whether any Participant has done so; (ii) establish or assist in the establishment of a program (which need not be administered in a nondiscriminatory or uniform manner) under which the Company or a third party may make bona-fide loans on arm's-length terms to any or all Participants to assist such Participants with the satisfaction of any or all of the obligations that such Participants may have hereunder and under any Award Agreement or under which third-party sales may be made for such purpose (including, without limitation, but subject to any limitations or prohibitions imposed under applicable law, a loan program under which the Company or a third party would advance to a holder of an Option the aggregate Option Price payable under the Option and be repaid with Option Shares or the proceeds thereof and a sale program under which funds to pay for Option Shares are delivered by a third party upon the third party's receipt from the Company of stock certificates); (iii) determine the extent, if any, to which Awards or Shares issued or issuable pursuant to any Award shall be forfeited (whether or not such forfeiture is expressly contemplated hereunder); (iv) interpret the Plan and the Award Agreements hereunder, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law, and (v) take any other actions and make any other determinations or decisions that it deems necessary or appropriate in connection with the Plan or the administration or interpretation thereof. In the event of any dispute or disagreement as to the interpretation of the Plan or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to the Plan, the decision of the Committee shall be final and binding upon all persons. Unless otherwise expressly provided hereunder, the Committee, with respect to any Award, may exercise its discretion hereunder at the time of the Award or thereafter.

15. Amendments.

The Board may amend the Plan as it shall deem advisable, except that no amendment may adversely affect a Participant with respect to Awards previously granted unless such amendments are in connection with compliance with applicable laws; provided that the Board may not make any amendment in the Plan that would, if such amendment were not approved by the holders of the Common Stock, cause the Plan to fail to comply with any requirement of applicable law or regulation, unless and until the approval of the holders of such Common Stock is obtained. Without limiting the generality of the foregoing, the Committee may (subject to such considerations as may arise under Section 15 of the Exchange Act, or under other corporate, securities or tax laws) take any steps it

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deems appropriate, that are not inconsistent with the purposes and intent of the Plan, to take into account the provisions of Section 162(m) of the Code.

16. Changes in Capital Structure.

(a) If (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or a transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or other similar change in the capital structure of the Company, or any distribution to holders of Common Stock other than cash dividends, shall occur or (iii) any other event shall occur which in the judgment of the Committee necessitates action by way of adjusting the terms of the outstanding Awards, then the Committee may forthwith take any such action as in its judgment shall be necessary to maintain the Participants' rights hereunder (including under the Award Agreements) so that they are substantially proportionate to the rights existing prior to such event, and to maintain the continuing availability of Shares under Section 5 (if Shares are otherwise then available) in a manner consistent with the intent hereof, including, without limitation, adjustments in (x) the number and kind of shares or other property subject to Awards, (y) the Option Price (if applicable), and (z) the number and kind of shares available under Section 5. To the extent that such action shall include an increase or decrease in the number of Shares (or units of other property then available) subject to outstanding Awards, the number of Shares (or units) available under Section 5 shall be increased or decreased, as the case may be, proportionately, as may be provided by Committee in its discretion.

(b) If a Change in Control shall occur, then the Committee as constituted immediately before the Change in Control may make such adjustments as it, in its discretion, determines are necessary or appropriate in light of the Change in Control (including, without limitation, the substitution of stock, cash or other property for the Shares otherwise issuable on exercise of Awards, the acceleration of the exercisability of Awards or substitution of cash or other property for any Award).

(c) The judgment of the Committee with respect to any matter referred to in this Section 16 shall be conclusive and binding upon each Optionee without the need for any amendment to the Plan.

17. Notices.

All notices under the Plan shall be in writing, and if to the Company, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Board; and if to the Participant, shall be delivered personally, sent by facsimile transmission or mailed to the Participant at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 17.

18. Rights as Stockholder.

Neither the Participant nor any person entitled to exercise the Participant's rights in the event of death shall have any rights of a stockholder with respect to the Shares subject to an Award, except to the extent that a certificate for such Shares shall have been issued upon the Award or exercise of the Award as provided for herein.

19. Rights to Employment.

Nothing in the Plan or in any Award granted pursuant to the Plan shall confer on any individual any right to continue in the employ or other service of the Company or its Subsidiaries or interfere in any way with the right of the Company or its Subsidiaries to terminate the individual's employment or other service at any time.

20. Exculpation and Indemnification.

The Company shall indemnify and hold harmless the members of the Board and the members of the Committee from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan, to the maximum extent permitted by law, other than such liabilities, costs and expenses as may result from the gross negligence, bad faith, willful misconduct or criminal acts of such persons.

21. Non-U.S. Employees.

Without amending the Plan, the Committee may grant Awards to eligible employees and consultants who are foreign nationals on such terms and conditions different from those specified in this Plan as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes of the Plan, and, in furtherance of such purposes the Committee may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries in which the Company or its Subsidiaries operates or has employees.

22. Captions.

The use of captions in this Plan is for convenience. The captions are not intended to and do not provide substantive rights.

23. Severability.

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect.

24. Governing Law.

THE PLAN SHALL BE GOVERNED BY THE LAWS OF DELAWARE, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS.

THE INVERESK APPROVED EXECUTIVE SHARE OPTION
SCHEME

A sub-plan of the Inveresk Research Group, Inc. 2002 Stock Option Plan
Amended by the Board on 24 June 2003

Further amended by the Board on 28 October 2003

IR Reference: X22335/GWW
Date Approved: 17 July 2002

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1. DEFINITIONS AND INTERPRETATION

1.1 In the Scheme, unless the context otherwise requires:-

"**Award Agreement**" means a written agreement entered into by the Company and the Participant recording the terms on which an option has been granted;

"**the Board**" means the board of directors of the Company or a committee appointed by them;

"**Cause**" means, with respect to any Participant, unless otherwise provided in the Participant's Award Agreement, conduct that is determined by the Board in good faith to fall within one or more of the following categories: (i) engaging in wilful or gross misconduct or neglect in the conduct of the Participant's employment obligations, (ii) repeatedly failing to adhere to the directions of superiors or the Board or the written policies and practices of the Company or its Subsidiaries or its affiliates, (iii) the commission of a felony or a crime of moral turpitude, or any crime involving the Company or its Subsidiaries, or any affiliate thereof, (iv) fraud, misappropriation or embezzlement, (v) a material breach of the Participant's employment agreement (if any) with the Company or its Subsidiaries or its affiliates, (vi) acts or omissions constituting a material failure to perform substantially and adequately the duties assigned to the Participant or (vii) any illegal act detrimental to the Company or its Subsidiaries or its affiliates.

"**the Company**" means Inveresk Research Group, Inc., a Delaware corporation;

"**Disability**" means, unless otherwise provided by the Board in the Participant's Award Agreement, a disability which renders the Participant incapable of performing all of his or her material duties for a period of at least 180 consecutive or non-consecutive days during any consecutive twelve-month period;

"**Early Retirement**" means the retirement of a Participant at the age, if any, specified in the Award Agreement, being less than 55 years;

"**the Grant Date**" in relation to an option means the date on which the option was granted;

"**Group Member**" means:

- 1.1.1 a Participating Company or a body corporate which is (within the meaning of section 736 of the U.K. Companies Act 1985) the Company's holding company or a subsidiary of the Company's holding company;
 - 1.1.2 a body corporate which is (within the meaning of section 258 of the U.K. Companies Act of 1985) a subsidiary undertaking of a body corporate within paragraph 1.1.1 above and has been designated by the Board for this purpose; or
 - 1.1.3 any other body corporate in relation to which a body corporate within paragraph 1.1.1 or 1.1.2 above is able (whether directly or indirectly) to exercise 20% or more of its equity voting rights and has been designated by the Board for this purpose.
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"**the Income Tax Act 2003**" means the Income Tax (Earnings and Pensions) Act 2003;

"**Participant**" means a person who holds an option granted under the Scheme;

"**Participating Company**" means the Company or any Subsidiary;

"**Plan**" means the Inveresk Research Group, Inc. 2002 Stock Option Plan;

"**Retirement**" means the retirement of a Participant on or after the Participant's attainment of age 55;

"**Schedule 4**" means Schedule 4 to the Income Tax Act 2003;

"**the Scheme**" means the Inveresk Approved Executive Share Option Scheme;

"**Subsidiary**" means any corporation (other than the Company) that is a "subsidiary" corporation with respect to the Company under Section 424(f) of the U.S. Internal Revenue Code of 1986 as amended and of which the Company has control (within the meaning of section 719 of the Income Tax Act 2003);

and expressions not otherwise defined in the Scheme have the same meanings as they have in Schedule 4, and if not defined in Schedule 4, the same meanings as they have under the Plan.

1.2 Any reference in the Scheme to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.

1.3 Expressions in italics are for guidance only and do not form part of the Scheme.

1.4 For the avoidance of doubt, the rules of the Plan shall not form part of the Scheme unless expressly incorporated herein.

2. **ELIGIBILITY**

2.1 Subject to Rule 2.3, a person is eligible to be granted an option under the Scheme if (and only if) he is a full-time director or qualifying employee of a Participating Company. An option may not be granted to a consultant of a Participating Company.

2.2 For the purposes of Rule 2.1:

- 2.2.1 a person shall be treated as a **full-time director** of a Participating Company if he is obliged to devote to the performance of the duties of his office or employment with that and any other Participating Company not less than 25 hours a week;
- 2.2.2 a **qualifying employee**, in relation to a Participating Company, is an employee of the Participating Company (other than one who is a director of a Participating Company).
- 2.3 A person is not eligible to be granted an option under the Scheme at any time when he is not eligible to participate in the Scheme by virtue of paragraph 9 of Schedule 4 (*material interest in a close company*).

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3. GRANT OF OPTIONS

- 3.1 Subject to Rules 3.4 and 4, the Board may grant (by executing the Award Agreement) an option to acquire shares in the Company which satisfy the requirements of paragraphs 16 to 20 of Schedule 4 (*fully paid up, unrestricted, ordinary share capital*), upon the terms set out in the Scheme and upon such other objective terms as the Board may specify, to any person who is eligible to be granted an option in accordance with Rule 2; and for this purpose an option to acquire includes an option to purchase and an option to subscribe.
- 3.2 The price at which shares may be acquired by the exercise of an option shall be determined by the Board before its grant, but shall not be less than:
- 3.2.1 the market value (within the meaning of Part VIII of the U.K. Taxation of Chargeable Gains Act 1992) of shares of that class, as agreed in advance for the purposes of the Scheme with the Shares Valuation Division of the Inland Revenue, on the Grant Date (or such other day as may be agreed with the Inland Revenue);
- 3.2.2 100% of the Fair Market Value on the day the option is granted; and
- 3.2.3 in the case of an option to acquire shares only by subscription, the par value of those shares.
- 3.3 Subject to Rule 3.4, an option may only be granted at any time permitted under the Plan but not later than the tenth anniversary of the effective date of the Plan.
- 3.4 An option granted to any person:
- 3.4.1 shall not, except as provided in Rule 5.4, be capable of being transferred, assigned or charged by him (and, for the avoidance of doubt, the Board shall not have the power to permit options to be transferred except as provided in Rule 5.4); and
- 3.4.2 shall lapse forthwith if he is adjudged bankrupt.
- 3.5 The Award Agreement shall specify the time or times when the option shall be exercisable and contain such other terms as shall be determined by the Board.

4. LIMITS

- 4.1 No person shall be granted options which would, at the time they are granted, cause the aggregate market value of the shares which he may acquire in pursuance of options granted to him under the Scheme or under any other share option scheme, not being a savings-related share option scheme, approved under Schedule 4 and established by the Company or by any associated company of the Company (and not exercised) to exceed or further exceed £30,000 (or such other limit as may from time to time be imposed by Schedule 4) calculated at the spot rate of exchange between US dollars and pounds sterling equal to the rate quoted in a UK or US national newspaper (at the Board's discretion) on the day by reference to which the price at which shares may be acquired on the exercise of options is determined in accordance with Rule 3.2 above.

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- 4.2 For the purposes of this Rule 4, the market value of the shares in relation to which an option was granted shall be calculated:

- 4.2.1 in the case of an option granted under the Scheme, as on the day by reference to which the price at which shares may be acquired by the exercise of that option was determined in accordance with Rule 3.2;
- 4.2.2 in the case of an option granted under any other approved scheme, as at the time when it was granted or, in a case where an agreement relating to the shares has been made under paragraph 22 of Schedule 4, such earlier time or times as may be provided in the agreement; and
- 4.2.3 in the case of any other option, as on the day or days by reference to which the price at which shares may be acquired by the exercise of that option was determined.
- 4.3 Any option granted under the Scheme shall be limited and take effect so that the above limits are complied with.

5. EXERCISE OF OPTIONS

- 5.1 The exercise of any option shall be effected in the form and manner prescribed by the Board and, unless the Board determines otherwise, any notice of exercise shall take effect only when received by the Company together with the relevant exercise monies or an agreement to provide such monies pursuant to arrangements acceptable to the Company and which have been approved by the Inland Revenue.
- 5.2 Each option, to the extent that there has been no termination of the Participant's employment and the option has not otherwise lapsed, expired, terminated or been forfeited, shall first become exercisable according to the terms and conditions set forth in the Award Agreement, as determined by the Board at the time of grant. Unless otherwise provided in the Award Agreement or herein, no option (or portion thereof) shall ever be exercisable if the Participant's employment with a Group Member terminated before the time at which such option would otherwise have become exercisable, and any option that would otherwise become exercisable after such termination shall not become exercisable and shall be forfeited upon such termination. Upon and after the death of a Participant, such Participant's options, if and to the extent otherwise exercisable hereunder or under the applicable Award Agreement after the Participant's death, may be exercised by the personal representatives of the Participant.
- 5.3 Unless otherwise provided in the Award Agreement, if the Participant's employment with a Group Member is terminated other than (i) by voluntary resignation of the Participant, (ii) by termination by the Company for Cause, or (iii) by termination by reason of death, Retirement, Early Retirement or Disability, the option may be exercised (but only to the extent the option otherwise was exercisable on the date of termination) until the earlier of (i) three months from the date of termination of employment or (ii) the date on which the term of the option expires in accordance with this Rule.
- 5.4 Unless otherwise provided in the Award Agreement, if the Participant's employment with a Group Member terminates due to the death, Retirement, Early Retirement or

Disability of the Participant, the option may be exercised (but only to the extent the option otherwise was exercisable on the date of termination) until the earlier of (i) one year from the date of termination of employment of the Participant, or (ii) the date on which the term of the option expires in accordance with this Rule.

- 5.5 Notwithstanding any other provision of the Scheme, unless otherwise specifically provided in the Award Agreement, if (i) the Participant's employment is terminated by a Group Member for Cause or (ii) the Participant terminates his employment with a Group Member (other than on account of death, Retirement, Early Retirement or Disability) the Participant's options, to the extent then unexercised, shall thereupon cease to be exercisable and shall be deemed cancelled.
- 5.6 Notwithstanding any provision of the Scheme, an option may not be exercised after the expiration of the period of 10 years (or such shorter period as the Board may have determined before the grant of that option) beginning with the Grant Date.
- 5.7 An option may not be exercised unless:
- 5.7.1 the Board considers that the issue or transfer of shares pursuant to such exercise would be lawful in all relevant jurisdictions; and
- 5.7.2 in a case where, if the option were exercised, a Group Member would be obliged to (or would suffer a disadvantage if it were not to) account for any tax or social security contributions (in any jurisdiction) for which the person in question would be liable by virtue of the exercise of that option or that would be recoverable from that person (together, the "Tax Liability"), that person has either:
- (a) made a payment to the Group Member of an amount at least equal to the Company's estimate of the Tax Liability; or
- (b) entered into arrangements acceptable to that or another Group Member to secure that such a payment is made (whether by authorising the sale of some or all of the shares on his behalf and the payment to the Group Member of the relevant amount out of the proceeds of sale or otherwise)

and for the purposes of Rule 5.7.2, "Group Member" shall include any former Group Member.

- 5.8 If at any time the shares subject to an option cease to satisfy the requirements of paragraphs 16 to 20 of Schedule 4:

5.8.1 for the avoidance of doubt, an option may be exercised notwithstanding that fact (but subject to the other provisions of the Scheme); and

5.8.2 the Company shall forthwith notify the Inland Revenue (which may withdraw the Scheme's approval under Schedule 4).

5.9 A Participant shall not be eligible to exercise an option at any time when he is not eligible to participate in the Scheme by virtue of paragraph 9 of Schedule 4 (*material interest in close company*).

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5.10 Within 30 days after an option has been exercised by any person, the Board shall issue to him (or a nominee for him) or, as appropriate, procure the transfer to him (or a nominee for him) of the number of shares in respect of which the option has been exercised.

5.11 All shares issued under the Scheme shall rank equally in all respects with the shares of the same class then in issue except for any rights attaching to such shares by reference to a record date prior to the date of the issuance.

6. TAKEOVER, RECONSTRUCTION, WINDING-UP, DEMERGER ETC

6.1 If any person obtains control of the Company (within the meaning of section 719 of the Income Tax Act 2003) as a result of making a general offer to acquire shares in the Company, or having obtained control makes such an offer or there is a merger of the Company with another company, the Board shall within 7 days of becoming aware of such event notify every Participant of it and, subject to Rules 5.2, 5.3, 5.4, 5.5 and 5.6, any option may be exercised (but only to the extent the option otherwise was exercisable on the date of such event) within one month (or such longer period as the Board may permit) of such notification, but to the extent it is not exercised during that period shall (notwithstanding any other provision of the Scheme) lapse on the expiration of that period.

6.2 If any company ("the acquiring company"):

6.2.1 obtains control of the Company as a result of making:

- (a) a general offer to acquire the whole of the issued ordinary share capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have control of the Company, or
- (b) a general offer to acquire all the shares in the Company which are of the same class as the shares which may be acquired by the exercise of options granted under the Scheme, or

6.2.2 obtains control of the Company in pursuance of a compromise or arrangement sanctioned by the court under a statutory procedure in circumstances which are accepted by the Inland Revenue as being closely comparable to the relevant UK legislation (section 425 of the Companies Act 1985), or

6.2.3 becomes bound or entitled to acquire shares in the Company under statutory compulsory acquisition provisions in circumstances which are accepted by the Revenue as being closely comparable to the relevant UK legislation (sections 428 to 430F of the Companies Act 1985),

any Participant may at any time within the appropriate period (which expression shall be construed in accordance with paragraph 26(3) of Schedule 4), by agreement with the acquiring company, release any option which has not lapsed ("the old option") in consideration of the grant to him of an option ("the new option") which (for the purposes of that paragraph) is equivalent to the old option but relates to shares in a different company (whether the acquiring

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company itself or some other company falling within paragraph 16(b) or (c) of Schedule 4).

6.3 The new option shall not be regarded for the purposes of Rule 6.2 as equivalent to the old option unless the conditions set out in paragraph 27(4) of Schedule 4 are satisfied, but so that the provisions of the Scheme shall for this purpose be construed as if:

6.3.1 the new option were an option granted under the Scheme at the same time as the old option;

6.3.2 except for the purposes of the definitions of "Group Member", "Participating Company" and "Subsidiary" in Rule 1.1 and the reference to "the

Board" in Rule 5.6, the expression "the Company" were defined as "a company whose shares may be acquired by the exercise of options granted under the Scheme".

7. **ADJUSTMENT OF OPTIONS**

- 7.1 Subject to Rule 7.3, in the event of any variation of the share capital of the Company within the meaning of Paragraph 22(3) of Schedule 4, the Board may make such adjustments as it considers appropriate under Rule 7.2.
- 7.2 An adjustment made under this Rule shall be to one or more of the following:
- 7.2.1 the number of shares in respect of which any option may be exercised;
 - 7.2.2 the price at which shares may be acquired by the exercise of any option;
 - 7.2.3 where any option has been exercised but no shares have been issued or transferred pursuant to such exercise, the number of shares which may be so issued or transferred and the price at which they may be acquired.
- 7.3 At a time when the Scheme is approved by the Inland Revenue under Schedule 4, no adjustment under Rule 7.2 shall be made without the prior approval of the Inland Revenue.

8. **ALTERATIONS**

- 8.1 The Board may at any time alter the Scheme, or the terms of any option granted under it (having regard to the fact that, if an alteration is made to a key feature (as defined in paragraph 30(4) of Schedule 4) of this Scheme at a time when the Scheme is approved by the Inland Revenue under Schedule 4, the approval will not thereafter have effect unless and until the Inland Revenue have approved the alteration).
- 8.2 No alteration which solely relates to an objective term specified by the Board pursuant to Rule 3.1 above shall be made under Rule 8.1 above unless:-
- 8.2.1 there shall have occurred an event which shall have caused the Board reasonably to consider that the objective term would not, without the alteration, achieve its original purpose; and
 - 8.2.2 the Board shall act fairly and reasonably in making the alteration.

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9. **MISCELLANEOUS**

- 9.1 The rights and obligations of any individual under the terms of his office or employment with any Group Member shall not be affected by his participation in the Scheme or any right which he may have to participate in it, and an individual who participates in it shall waive any and all rights to compensation or damages in consequence of the termination of his office or employment for any reason whatsoever insofar as those rights arise or may arise from his ceasing to have rights under or be entitled to exercise any option under the Scheme as a result of such termination.
- 9.2 In the event of any dispute or disagreement as to the interpretation of the Scheme, or as to any question or right arising from or related to the Scheme, the decision of the Board shall be final and binding upon all persons.
- 9.3 Any notice or other communication under or in connection with the Scheme may be given either:
- 9.3.1 by personal delivery or by sending the same by post, in the case of a company to its registered office, and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment; or
 - 9.3.2 in an electronic communication to an address for the time being notified for the purpose to the person giving the notice.
- 9.4 The Scheme and all options granted under it shall be governed by and construed in accordance with the law of Scotland.

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INVERESK RESEARCH GROUP, INC.

2002 NON-EMPLOYEE DIRECTORS

STOCK OPTION PLAN

Inveresk Research Group, Inc., a Delaware corporation (the “Company”), wishes to attract persons who are not employees or affiliates of the Company to serve on its Board of Directors, to induce such persons to continue to serve as directors and to align their interests with the interests of the Company’s stockholders. Accordingly, the Company is providing pursuant to this Plan for periodic, automatic grants of options to purchase shares of its common stock as set forth below.

1. Definitions.

Whenever used herein, the following terms shall have the meanings set forth below:

“Award Agreement” means a written agreement entered into by the Company and the Optionee of an Option, as provided in Section 4.

“Board” means the Board of Directors of the Company.

“Change in Control” means the occurrence of any of the following:

(i) any “person,” including a “group” (as those terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding the Company, any entity controlled by or under common control with the Company, any employee benefit plan of the Company or any such entity, and, with respect to any particular Optionee, the Optionee and any “group” (as that term is used in Section 13(d)(3) of the Exchange Act) of which the Optionee is a member), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing a majority of either (A) the combined voting power of the Company’s then outstanding securities or (B) the Shares then outstanding (in either such case other than as a result of an acquisition of securities directly from the Company); provided, however, that, in no event shall a Change in Control be deemed to have occurred (x) by reason of an increase in the percentage beneficial ownership of any person or group that results from a reduction in the number of outstanding Shares or (y) by reason of an increase in the beneficial ownership of a person or group of less than 5% per year or (z) by reason of any increase in the beneficial ownership of a person or group that on the date the Company first became subject to the periodic reporting obligations imposed under the Exchange Act was the beneficial owner of a majority of the Shares then outstanding; or

(ii) any consolidation or merger of the Company in which the stockholders of the Company immediately prior to the consolidation or merger would not, immediately after the consolidation or merger, beneficially own (as that term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, shares representing in the aggregate 50% or more of the combined voting power of the securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any); or

(iii) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company, other than a sale or disposition by the Company of all or substantially all of the Company’s assets to an entity, at least a majority of the combined voting power of the voting securities of which are owned by persons in substantially the same proportion as their ownership of the Company immediately prior to such sale, or the approval by the Company’s stockholders, in accordance with the requirements of applicable law, of any plan or proposal for the liquidation or dissolution of the Company.

“Code” means the Internal Revenue Code of 1986, as amended.

“Common Stock” means the Company’s Common Stock, par value \$.01 either currently existing or authorized hereafter.

“Date of Grant” means, as to any Option, the date of the event that pursuant to this Plan requires the issuance and grant of the Option.

“Disability” means, unless otherwise provided by the Committee in the Optionee’s Award Agreement, a disability which renders the Optionee incapable of performing all of his or her material duties for a period of at least 180 consecutive or nonconsecutive days during any consecutive twelve-month period.

“Eligible Director” shall mean a member of the Board who is not an officer or employee of the Company or any of the Company’s Subsidiaries and is not eligible to receive option grants under the Company’s 2002 Stock Option Plan.

“Embedded Value” means, with respect to any Option, as of any date, the excess of (i) the Option Price then in effect over (ii) the Fair Market Value on that date.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Fair Market Value” means, as of any date, the value of a Share determined as follows: (i) if the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, the Fair Market Value of each Share shall be the closing sales price for such stock (or the closing bid, if no sales were reported) on such exchange or system on the last trading day preceding the date of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable; (ii) if the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share shall be the mean

between the high bid and low asked prices for the Common Stock on the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable; and (iii) in the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

“Option” means the right to purchase, at a price and for the term fixed in accordance with the Plan, and subject to such other limitations and restrictions in the Plan and the applicable Award Agreement, a number of Shares determined hereunder. No Option shall be intended to qualify under Section 422 of the Code.

“Optionee” means the holder of an Option granted pursuant to the provisions of this Plan.

“Option Price” means, with respect to any Option, the exercise price per Share.

“Plan” means this 2002 Non-Employee Director Stock Option Plan, as it may from time to time be amended.

“Securities Act” means the Securities Act of 1933, as amended.

“Shares” means shares of Common Stock of the Company, which may be, in whole or in part, authorized and unissued shares or treasury shares.

“Subsidiary” means any corporation (other than the Company) that is a “subsidiary corporation” with respect to the Company under Section 424(f) of the Code. In the event the Company becomes a subsidiary of another company, the provisions hereof applicable to subsidiaries shall, unless otherwise determined by the Board, also be applicable to any company that is a “parent corporation” with respect to the Company under Section 424(e) of the Code.

“Successor” means, with respect to any Optionee who has died, the executor, administrator or other legal representative of the estate of the person or persons who acquire the right to exercise an Option by bequest or inheritance or otherwise by operation of law.

2. Approval; Effective Date; Termination.

The effective date of the Plan is the date on which the Company’s Registration Statement on Form S-1 (File No. 333-85356) is declared effective by the United States Securities and Exchange Commission, subject to approval by the stockholders of the Company. The Plan shall terminate on, and no Option shall be granted hereunder on or after, the tenth anniversary of the effective date of the Plan; provided, however, that the Board may terminate the Plan at any time prior to that date.

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3. Administration of Plan.

To the extent, if any, that questions of administration of the Plan arise, these shall be resolved by the Board. The Board may, in its discretion, delegate to the Chief Executive Officer or the Chief Financial Officer of the Company authority and responsibility to act pursuant to the Plan with respect to ministerial administrative matters, which actions shall at all times be subject to the supervision of the Board.

4. Stock Option Grants to Eligible Directors.

(a) Each Eligible Director automatically shall be entitled to receive, and shall be granted, (i) on the date the Eligible Director first is elected or appointed to the Board, an Option to purchase 7,500 shares of Common Stock and (ii) as of the date of each annual meeting of the Company’s stockholders (each an “Annual Meeting”), an Option to purchase 5,000 shares of Common Stock; provided, however, that, if a person first is elected or appointed to the Board within 60 days prior to an Annual Meeting such Eligible Director shall not be granted an Option on the date of that Annual Meeting. Each Option shall be evidenced by an Award Agreement.

(b) If the Company effects a stock split, reverse split or similar process, the number of shares of Common Stock issuable on exercise of Options issued after that date shall be ratably adjusted.

5. Option Price.

The Option Price in respect of each Option shall be 100% of the Fair Market Value of the Common Stock subject to an Option on the Date of Grant.

6. Term; Vesting.

(a) Unless earlier expired, forfeited or otherwise terminated, each Option shall expire in its entirety upon the 10th anniversary of the Date of Grant.

(b) Except as otherwise expressly provided in this Plan, each Option first shall become exercisable one year after the Date of Grant, at which time up to one-third of the Shares covered by that Option may be acquired upon exercise. On each of the second and third anniversaries of issuance, the Option shall become exercisable as to an additional one-third of the underlying Shares, provided the Eligible Director to whom the Option was issued remains a member of the Board on each such date. An Option may be exercised by an Eligible Director during the period that the Eligible Director remains a member of the Board and for a period of one year after the Eligible Director ceases to be a member of the Board, but in no event beyond the expiration of the Option. If an Eligible Director dies, the Option shall be exercisable only within the twelve months next succeeding the date of death, and then only (i) by the executor or administrator of the Eligible Director’s estate or by the person or persons to whom the Eligible Director’s rights under the Option shall pass by the Eligible Director’s will or the laws of descent and distribution, and (ii) if and to the extent that the Eligible Director was entitled to exercise the Option at the date of the Eligible Director’s death.

Notwithstanding any other provision of the Plan to the contrary, in no event shall any Option (A) that is not exercisable at the time of the Optionee's cessation of service on the Board ever become exercisable or (B) be exercisable more than ten years after the Date of Grant.

7. Exercise of Options.

(a) Subject to vesting, restrictions on exercisability and other restrictions provided for in this Plan or otherwise imposed pursuant to this Plan, an Option may be exercised, and payment in full of the aggregate Option Price made, by an Optionee (including any Successor) only by written notice (in the form prescribed by the Committee) to the Company specifying the number of Shares to be purchased.

(b) The aggregate Option Price shall be paid in full upon the exercise of the Option. The specified number of Shares with respect to which an Option is exercised will, subject to applicable tax withholding, if any, be issued following receipt by the Company of full payment for such Shares. Payment must be made by one of the following methods:

(i) a certified or bank cashier's check;

(ii) if approved by the Board in its discretion, Shares of previously owned Common Stock having an aggregate Fair Market Value on the date of exercise equal to the aggregate Option Price, which Common Stock was owned by the Optionee at least six months prior to such delivery;

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(iii) by surrendering Options in exchange for Shares having an aggregate Fair Market Value on the date of surrender equal to the aggregate Embedded Value on that date of the Options so surrendered; and

(iv) by any combination of such methods of payment or any other method approved by the Board in its discretion.

(c) No fractional Shares shall be issuable on exercise of an Option and in lieu of any fractional Share that otherwise would be issuable, the Company shall pay to the Optionee, by cash or check, an amount equal to the Fair Market Value on the date of exercise, multiplied by the applicable fraction.

8. Nontransferability of Options.

No Option granted under the Plan shall be transferable by the Eligible Director to whom it is issued except by will or the laws of descent and distribution of the state in which the Eligible Director is domiciled at the time of his or her death.

9. Regulations and Approvals.

(a) The obligation of the Company to sell Shares upon exercise of Options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies, as may be deemed necessary or appropriate by the Board.

(b) The Board may make such changes to the Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority or to obtain tax benefits applicable to stock options.

(c) Each Option is subject to the requirement that, if at any time the Board determines, in its reasonable discretion, that the listing, registration or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Option or the issuance of Shares, no Options shall be granted or Shares issued upon exercise, in whole or in part, unless each such listing, registration, qualification, consent or approval has been effected or obtained in a manner reasonably acceptable to the Board.

(d) In the event that the disposition of stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act, and is not otherwise exempt from such registration, such Shares shall be restricted against transfer to the extent required under the Securities Act and any other applicable law, and the Board may require any individual receiving Shares pursuant to the Plan, as a condition precedent to receipt of such Shares, to represent to the Company in writing that the Shares acquired by such individual are acquired for investment only and not with a view to distribution and that such Shares will be disposed of only if registered for sale under the Securities Act or if there is an available exemption for such disposition.

10. Amendments; Termination.

The Board may at any time terminate, suspend, modify or amend the Plan as it shall deem advisable, except that no amendment may adversely affect an Optionee with respect to Options previously granted unless such amendments are for the purpose of compliance with applicable laws; provided that the Board may not make any amendment in the Plan that would, if such amendment were not approved by the holders of the Common Stock, cause the Plan to fail to comply with any requirement of applicable law or regulation, unless and until the approval of the holders of such Common Stock is obtained.

11. Changes in Capital Structure.

(a) If (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or a transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or other similar change in the capital structure of the Company, or any distribution to holders of Common Stock other than cash dividends, shall occur or (iii) any other event shall occur which in the judgment of the Board necessitates action by way of adjusting the terms of the outstanding

Options, then the Board may forthwith take any such action as in its judgment shall be necessary to maintain the Optionees' rights hereunder (including under the Award Agreements) so that they are substantially proportionate to the rights existing prior to such event, and to maintain the continuing availability of Shares under the Plan (if Shares are otherwise then available) in a manner consistent with the intent hereof, including, without limitation, adjustments in (x) the number and kind of shares or other property subject to Options, (y) the Option Price, and (z) the number and kind of shares available under the Plan. To the extent that such action shall include an increase or decrease in the number of Shares (or units of other property then available) subject to outstanding Options, the number of

Shares (or units) available under the Plan shall be increased or decreased, as the case may be, proportionately, as may be provided by the Board in its discretion. The judgment of the Board with respect to any matter referred to in this Section 11(a) shall be conclusive and binding upon each Optionee without the need for any amendment to the Plan.

(b) Notwithstanding the provisions of Section 6(b) of the Plan, if a Change in Control shall occur, each Option then outstanding immediately and automatically shall become exercisable in full.

12. Notices.

All notices under the Plan shall be in writing, and if to the Company, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Board; and if to the Optionee, shall be delivered personally, sent by facsimile transmission or mailed to the Optionee at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 12.

13. Rights as Stockholder.

Neither the Optionee nor any person entitled to exercise the Optionee's rights in the event of death shall have any rights of a stockholder with respect to the Shares subject to an Option, except to the extent that a certificate for such Shares shall have been issued upon the exercise of the Option as provided for herein.

14. No Right to Continued Board Membership.

Nothing in the Plan or any Option granted pursuant to the Plan shall confer on an Eligible Director any right to continue as a member of the Board, or in any way affect any right to terminate the Eligible Director's membership on the Board under applicable law.

15. Exculpation and Indemnification.

The Company shall indemnify and hold harmless the members of the Board from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan, to the maximum extent permitted by law, other than such liabilities, costs and expenses as may result from the gross negligence, bad faith, willful misconduct or criminal acts of such persons.

16. Exchange Act.

It is the intention that the Plan at all times fully satisfy the provisions and conditions of Rule 16b-3 applicable to a plan of this type. Accordingly, irrespective of any rights or discretionary power which an Eligible Director who is or becomes subject to the reporting requirements of Section 16 of the Exchange Act (a "Section 16 Reporting Person") holding a pertinent Option otherwise would possess hereunder evidencing an Option, a Section 16 Reporting Person shall be entitled to exercise such rights and discretion only at such times and manner and under such other conditions as at the time are contemplated by the applicable provisions of Rule 16b-3 and any attempt otherwise to exercise such rights or discretion shall be void and of no effect.

17. Captions.

The use of captions in this Plan is for convenience. The captions are not intended to and do not provide substantive rights.

18. Severability.

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect.

19. Governing Law.

THE PLAN SHALL BE GOVERNED BY THE LAWS OF DELAWARE, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS.