

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

-----  
FORM 10-Q  
-----

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 25, 2000

OR

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

Commission file number 333-92383

CHARLES RIVER LABORATORIES HOLDINGS, INC.

(Exact Name of Registrant as specified in its Charter)

DELAWARE 06-1397316  
(State of Incorporation) (I.R.S. Employer Identification No.)

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

978-658-6000  
(Registrant's Telephone Number, Including Area Code)

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

As of March 25, 2000 there were 10,285,715 shares of the registrant's  
common stock outstanding

Charles River Laboratories Holdings, Inc.

Form 10-Q

For the Quarterly Period Ended March 25, 2000

Table of Contents

	PAGE
	----
Part I. Financial Information	
Item 1. Financial Statements .....	3
Condensed Consolidated Statements of Income (Unaudited) as of March 25, 2000 and March 27, 1999 .....	3
Condensed Consolidated Balance sheets (Unaudited) as of March 25, 2000 and December 25, 1999 .....	4
Condensed Consolidated Statements of Cash Flows (Unaudited) as of March 25, 2000 and March 27, 1999 .....	5
Notes to Unaudited Condensed Consolidated Interim Financial Statements .....	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations .....	10
Part II. Other Information	
Item 6. Exhibits .....	
Signatures .....	

CHARLES RIVER LABORATORIES HOLDINGS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(DOLLARS IN THOUSANDS EXCEPT FOR PER SHARE DATA)

	THREE MONTHS ENDED	
	MARCH 27, 1999	MARCH 25, 2000
Net sales related to products .....	\$ 45,157	\$ 50,816
Net sales related to services .....	7,123	18,486
Total net sales .....	\$ 52,280	\$ 69,302
Costs and Expenses		
Cost of products sold .....	27,746	28,993
Cost of services provided .....	4,414	12,399
Selling, general and administrative .....	8,819	11,813
Amortization of goodwill and intangibles .....	411	865
Operating income .....	10,890	15,232
Other income (expense)		
Interest income .....	225	142
Interest expense .....	(77)	(12,664)
Loss from foreign currency, net .....	(53)	(30)
Income before income taxes, minority interests and earnings from equity investments .....	10,985	2,680
Provision for income taxes .....	4,526	2,468
Income before minority interests and earnings from equity investments .....	6,459	212
Minority interests .....	7	(217)
Earnings from equity investments .....	607	641
Net income .....	\$ 7,073	\$ 636
Earnings per common share		
Basic .....	\$ .69	\$ .06
Diluted .....	\$ .69	\$ .05
Weighted average number of common shares outstanding		
Basic .....	10,285,715	10,285,715
Diluted .....	10,285,715	12,453,126

See Notes to Consolidated Financial Statements

CHARLES RIVER LABORATORIES HOLDINGS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(DOLLARS IN THOUSANDS)

	DECEMBER 25, 1999	MARCH 25, 2000
	-----	-----
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents .....	\$ 15,010	\$ 18,458
Trade receivables, less allowances of \$978 and \$1,031, respectively .....	36,293	53,022
Inventories .....	30,534	32,462
Deferred tax asset .....	632	632
Due from affiliates .....	1,233	131
Other current assets .....	6,371	7,069
	-----	-----
Total current assets .....	90,073	111,774
Property, plant and equipment, net .....	85,413	119,174
Goodwill and other intangibles, less accumulated amortization of \$6,073 and \$8,512, respectively .....	36,958	42,619
Investments in affiliates .....	21,722	2,086
Deferred tax asset .....	101,560	101,560
Deferred financing costs .....	14,015	13,587
Other assets .....	13,315	10,800
	-----	-----
Total assets .....	\$ 363,056	\$ 401,600
	-----	-----
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities		
Current portion of long-term debt .....	\$ 3,290	\$ 7,445
Current portion of capital lease obligation .....	253	233
Accounts payable .....	9,291	9,770
Accrued compensation .....	10,792	10,174
Accrued ESLIRP .....	8,315	8,482
Deferred income .....	7,643	6,860
Accrued interest .....	8,935	13,416
Accrued liabilities .....	18,479	22,206
Accrued income taxes .....	2,738	5,334
	-----	-----
Total current liabilities .....	69,736	83,920
Long-term debt .....	381,706	389,743
Deferred tax liability .....	4,990	7,336
Capital lease obligations .....	795	721
Other long-term liabilities .....	2,469	3,706
	-----	-----
Total liabilities .....	459,696	485,426
	-----	-----
Commitments and contingencies (Note 3)		
Minority interests .....	304	14,149
Redeemable common stock .....	13,198	13,198
Shareholder's equity		
Common stock .....	103	103
Capital in excess of par value .....	207,035	207,035
Retained earnings .....	(307,351)	(306,715)
Loans to officers .....	(920)	(920)
Accumulated other comprehensive income .....	(9,009)	(10,676)
	-----	-----
Total shareholder's equity .....	(110,142)	(111,173)
	-----	-----
Total liabilities and shareholder's equity .....	\$ 363,056	\$ 401,600
	-----	-----

See Notes to Consolidated Financial Statements

CHARLES RIVER LABORATORIES HOLDINGS, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(DOLLARS IN THOUSANDS)

	THREE MONTHS ENDED	
	MARCH 27, 1999	MARCH 25, 2000
<b>CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>		
Net income .....	\$ 7,073	\$ 636
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	2,927	3,764
Amortization of debt issuance costs and discounts .....	--	683
Accretion of debenture and discount note .....	--	3,161
Provision for doubtful accounts .....	(26)	82
Earnings from equity investments .....	(607)	(641)
Minority interests .....	(7)	217
Deferred income taxes .....	1,182	(42)
Stock compensation expense .....	45	--
Other non-cash items .....	9	12
Changes in assets and liabilities		
Trade receivables .....	(3,329)	(6,564)
Inventories .....	339	(104)
Due from affiliates .....	41	128
Other current assets .....	(803)	(583)
Other assets .....	(262)	(102)
Accounts payable .....	(1,136)	(2,585)
Accrued compensation .....	(1,092)	(413)
Accrued ESLIRP .....	165	167
Deferred income .....	1,579	(782)
Accrued interest .....	--	4,478
Accrued liabilities .....	(1,251)	(740)
Accrued income taxes .....	2,687	1,243
Other long-term liabilities .....	(34)	(154)
Net cash provided by operating activities .....	\$ 7,500	\$ 1,861
<b>CASH FLOWS RELATING TO INVESTING ACTIVITIES</b>		
Capital expenditures .....	(1,963)	(2,786)
Contingent payments for prior year acquisitions .....	(251)	--
Acquisition of business, net of cash acquired of \$3,163 .....	--	(6,011)
Proceeds from sale of animal colony .....	--	7,000
Net cash used in investing activities .....	\$ (2,214)	\$ (1,797)
<b>CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>		
Proceeds from long-term debt .....	1,093	4,114
Payments on long-term debt .....	71	(300)
Payments on capital lease obligations .....	(1,132)	(93)
Net activity with Bausch & Lomb .....	(12,906)	--
Net cash provided by (used) in financing activities .....	\$ (12,874)	\$ 3,721
Effect of exchange rate changes on cash and cash equivalents .....	(1,069)	(337)
Net change in cash and cash equivalents .....	(8,657)	3,448
Cash and cash equivalents, beginning of period .....	24,811	15,010
CASH AND CASH EQUIVALENTS, END OF PERIOD .....	\$ 16,154	\$ 18,458
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest .....	\$ 78	\$ 4,317
Cash paid for taxes .....	603	980

See Notes to Consolidated Financial Statements

CHARLES RIVER LABORATORIES HOLDINGS, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION

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

2. SUPPLEMENTAL BALANCE SHEET INFORMATION

The composition of inventories is as follows:

	DECEMBER 25, 1999	MARCH 25, 2000
	-----	-----
Raw materials and supplies .....	\$ 4,196	\$ 3,785
Work in process .....	1,608	1,386
Finished products .....	24,730	27,291
	-----	-----
Inventories .....	\$ 30,534	\$ 32,462
	-----	-----

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

	DECEMBER 25, 1999	MARCH 25, 2000
	-----	-----
Land .....	\$ 7,022	\$ 9,455
Buildings .....	90,730	144,530
Machinery and equipment .....	82,131	92,396
Leasehold improvements .....	4,668	4,924
Furniture and fixtures .....	1,826	1,853
Vehicles .....	2,689	2,647
Construction in progress .....	4,679	4,417
	-----	-----
	193,745	260,222
Less accumulated depreciation .....	(108,332)	(141,048)
	-----	-----
Net property, plant and equipment .....	\$ 85,413	\$ 119,174
	-----	-----

3. COMMITMENTS AND CONTINGENCIES

INSURANCE

CHARLES RIVER LABORATORIES HOLDINGS, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

The Company maintains insurance for workers' compensation, auto liability, employee medical and general liability. The per claim loss limits are \$250, with annual aggregate loss limits of \$1,500. Related accruals were \$2,813 and \$2,798 on December 25, 1999 and March 25, 2000, respectively. Separately, the Company has provided a letter of credit in favor of the insurance carriers in the amount of \$350.

SUPPLY AGREEMENT

The Company is currently engaged in distributing certain products under a supply agreement. In the event certain minimum sales of \$500 in 2000 and \$1,000 in 2001 are not achieved, the Company at its option can pay the difference in cash or terminate the agreement. In the event of such termination the Company will not be required to make any payments.

LITIGATION

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

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

4. EARNINGS PER SHARE

As described in the notes to the condensed consolidated financial statements as of, and for the fiscal year ended, December 25, 1999, pursuant to a recapitalization agreement effective September 29, 1999, all of the assets, liabilities, operations and cash flows relating to Charles River Laboratories, Inc., were contributed to an existing dormant subsidiary which was subsequently renamed Charles River Laboratories, Inc. Under the terms of the recapitalization, Charles River Laboratories, Inc., became a wholly owned subsidiary of Charles River Laboratories, Holdings, Inc. The capital structure in place for periods prior to September 29, 1999 was significantly different than the capital structure of the Company after the recapitalization. The consolidated income statement for the three months ended March 27, 1999 also includes operations of certain Bausch and Lomb (the Company's 100% shareholder prior to the recapitalization) entities which were not historically supported by the combined capital structure of Charles River Laboratories Holdings, Inc. and Charles River Laboratories, Inc. As a result, the presentation of historical earnings per share data determined using the combined historical capital structure for the three month period ended March 27, 1999, would not be meaningful and has not been included in these condensed consolidated interim financial statements. Rather, earnings per share for the three months ended March 27, 1999 have been computed assuming that the shares outstanding after the recapitalization had been outstanding for this period.

As a result of the recapitalization DLJ Merchant Banking Partners II, L.P. and affiliated funds, management and other investors indirectly own 87.5% of the capital stock of the Company, and subsidiaries of Bausch and Lomb own the remaining 12.5%. Based upon the amounts invested, shares outstanding of common stock in Charles River Laboratories, Holdings, Inc. at the date of the recapitalization totaled 10,285,715. Basic earnings per share for the three month period ended March 27, 1999 was computed by dividing earnings available to common shareholders for this period, by the weighted average number of common shares outstanding in the period subsequent to the recapitalization. Basic earnings per share for the three month period ended March 25, 2000 was computed by dividing earnings available to common shareholders for this period by the weighted average number of common shares outstanding in the period.

For purposes of calculating diluted earnings per share for the three month period ended March 27, 1999, the weighted average number of common shares used in the basic earnings per share computation described

CHARLES RIVER LABORATORIES HOLDINGS, INC.  
 NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

above has not been adjusted to include common stock equivalents, as these common stock equivalents were issued in connection with the recapitalization financing and are not assumed to be outstanding for purposes of computing earnings per share in this period. The weighted average number of common shares outstanding in the three month period ended March 25, 2000 has been adjusted to include common stock equivalents for the purpose of calculating diluted earnings per shares for this period.

5. ACQUISITIONS AND DISPOSALS

On February 28, 2000, the Company acquired an additional 16% of the equity (340,840 common shares) of its 50% equity joint venture company, Charles River Japan, from Ajinomoto Co., Inc. The purchase price for the equity was 1.4 billion yen, or \$12,844. One billion yen, or \$9,174, was paid at closing, and the balance of 400 million yen, or \$3,670, was deferred pursuant to a three-year balloon promissory note secured by a pledge of the 16% shares. The note bears interest at the long-term prime rate in Japan, 2.2% at March 25, 2000. Effective with the acquisition of this additional interest, the Company has control of and is consolidating the operations of Charles River Japan. The estimated fair value of the incremental net assets acquired is \$6,207. Goodwill of \$6,637 has been recorded in the accompanying condensed consolidated interim financial statements and is being amortized over its estimated life of 15 years.

On March 10, 2000, the Company announced the closure of its Shamrock primate import and conditioning business in Small Dole, England. The Company expects the closure to be completed during the second quarter of 2000. The actions contemplated in the plan related primarily to severance, property and equipment dispositions and other miscellaneous activities directly related to the operations being shut down. Management has met with the 16 employees subject to its severance plans and has communicated its intended closure actions to customers. The Company does not expect that the animal sales previously made by Shamrock will be significantly affected. A restructuring charge of \$751 related to the closure has been recorded in selling, general and administrative expenses in the accompanying condensed consolidated interim financial statements.

During January 2000, the Company sold a product line within its research model business segment. The selling price of \$7,000 approximated the net book value of the underlying assets at the time of the sales. In addition the Company had approximately \$900 of deferred revenue which related to cash payments received in advance of shipping the research models. Under the term of the sales agreement, the Company is no longer obligated to ship research models and, accordingly, has recorded this amount as income in the accompanying consolidated interim financial statements. Fiscal 1999 sales associated with this product line approximated \$2,800.

6. BUSINESS SEGMENT INFORMATION

The following table presents sales and other financial information by product line segment for the three months ended March 27, 1999 and March 25, 2000. Sales to unaffiliated customers represent net sales originating in entities primarily engaged in either animal services or biomedical products and services.

	THREE MONTHS ENDED	
	MARCH 27, 1999	MARCH 25, 2000
Research models		
Net sales .....	\$ 36,262	\$ 41,047
Operating income .....	9,494	12,695
Total assets .....	269,034	299,549

CHARLES RIVER LABORATORIES HOLDINGS, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

	THREE MONTHS ENDED	
	MARCH 27, 1999	MARCH 25, 2000
Depreciation and amortization .....	2,017	2,090
Capital expenditures .....	1,442	1,485
Biomedical Products and Services		
Net sales .....	16,018	28,255
Operating income .....	3,313	5,263
Total assts .....	94,022	102,051
Depreciation and amortization .....	91	1,674
Capital expenditures .....	521	1,301

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

	THREE MONTHS ENDED	
	MARCH 27, 1999	MARCH 25, 2000
Total segment operating income .....	\$ 12,807	\$ 17,958
Unallocated corporate overhead .....	(1,917)	(2,726)
Consolidated operating income .....	\$ 10,890	\$ 15,232

7. COMPREHENSIVE INCOME

The components of comprehensive income for the three-month periods ended March 27, 1999 and March 25, 2000 are set forth below:

	THREE MONTHS ENDED	
	MARCH 27, 1999	MARCH 25, 2000
Net income	\$ 7,073	\$ 636
Foreign currency translation	(2,565)	(1,873)
Comprehensive income .....	\$ 4,508	\$ (1,237)

ITEM 2

THREE MONTHS ENDED MARCH 25, 2000 COMPARED TO THREE MONTHS ENDED MARCH 27, 1999

**NET SALES.** Net sales for the first three months of 2000 were \$69.3 million, an increase of \$17.0 million, or 32.5%, from \$52.3 million for the first three months of 1999.

**RESEARCH MODELS.** Net sales of research models for the first three months of 2000 were \$41.0 million, an increase of \$4.7 million, or 12.9%, from \$36.3 million for the first three months of 1999. On February 28, 2000, we acquired an additional 16% equity interest in Charles River Japan, increasing our ownership to 66%. This consolidation in March increased sales by \$3.6 million. Small animal research model sales increased in North America by \$1.3 million, or 8.3%. Unit and pricing trends remained strong. Small animal research model sales decreased in Europe by \$1.6 million, principally due to the negative impact of \$1.8 million due to foreign currency translations. We also experienced an increase in the large animal import and conditioning area of \$0.5 million, mainly due to pricing.

**BIOMEDICAL PRODUCTS AND SERVICES.** Net sales of biomedical products and services for the first three months of 2000 were \$28.3 million, an increase of \$12.3 million, or 76.9%, from \$16.0 million for the first three months of 1999. At the beginning of the fourth quarter in 1999 we acquired Sierra Biomedical which had sales of \$8.1 million in the first three months of 2000. The remaining increase was due to significant sales increases of transgenic and research support services of \$1.1 million, endotoxin detection systems of \$0.5 million, biosafety testing increase of \$0.8 million and sales from our contract site management contracts of \$1.1 million, primarily due to better customer awareness of our outsourcing solutions.

**COST OF PRODUCTS SOLD AND SERVICES PROVIDED.** Cost of products sold and services provided for the first three months of 2000 was \$41.4 million, an increase of \$9.2 million, or 28.6%, from \$32.2 million for the first three months of 1999.

**RESEARCH MODELS.** Cost of products sold and services provided for research models for the first three months of 2000 was \$23.1 million, an increase of \$1.3 million, or 6.0%, compared to \$21.8 million for the first three months of 1999. Cost of products sold and services provided for the first three months of 2000 was 56.3% of net sales compared to 60.1% of net sales for the first three months of 1999. Cost of products sold and services provided increased at a lower rate than net sales due to the more favorable product mix and better pricing, as well as improved capacity utilization.

**BIOMEDICAL PRODUCTS AND SERVICES.** Cost of products sold and services provided for biomedical products and services for the first three months of 2000 was \$18.2 million, an increase of \$8.3 million, or 83.8%, compared to \$9.9 million for the first three months of 1999. Cost of products sold and services provided was 64.3% of net sales for the first three months of 2000 compared to 61.9% for the first three months of 1999. This was principally due to the acquisition of Sierra Biomedical.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.** Selling, general and administrative expenses for the first three months of 2000 were \$11.8 million, an increase of \$3.0 million, or 34.1%, from \$8.8 million for the first three months of 1999. Selling, general and administrative expenses for the first three months of 2000 were 17.0% of net sales compared to 16.8% of net sales for the first three months of 1999.

**RESEARCH MODELS.** Selling, general and administrative expenses for research models for the first three months of 2000 were \$5.2 million, an increase of \$0.2 million, or 4.0%, compared to \$5.0 million for the first three months of 1999. Selling, general and administrative expenses for the first three months of 2000 were 12.7% of net sales, compared to 13.8% for the first three months of 1999.

**BIOMEDICAL PRODUCTS AND SERVICES.** Selling, general and administrative expenses for biomedical products and services for the first three months of 2000 were \$4.0 million, an increase of \$1.6 million, or 66.7%, compared to \$2.4 million for the first three months of 1999. Selling, general and administrative expenses for the first three months of 2000 decreased to 14.1% of net sales, compared to 15.0% of net sales for the first three months of 1999. The acquisition of Sierra Biomedical in the fourth quarter of 1999 is the major reason for the increase in expenses, but since selling, general and administrative expenses at Sierra Biomedical are lower as a percentage of net sales than Charles River Laboratories Holdings, Inc., this contributed to the overall percentage decrease.

UNALLOCATED CORPORATE OVERHEAD. Unallocated corporate overhead, which consists of various corporate expenses, was \$2.7 million for the first three months of 2000, an increase of \$0.8 million, or 42.1%, compared to \$1.9 million for the first three months of 1999.

AMORTIZATION OF GOODWILL AND OTHER INTANGIBLES. Amortization of goodwill and other intangibles for the first three months of 2000 was \$0.9 million, an increase of \$0.5 million from \$0.4 million for the first three months of 1999. The increase was due to the effect of additional amortization of intangibles resulting from our Sierra Biomedical acquisition.

OPERATING INCOME. Operating income for the first three months of 2000 was \$15.2 million, an increase of \$4.3 million, or 39.4%, from \$10.9 million for the first three months of 1999. Operating income for the first three months of 2000 was 21.9% of net sales, compared to 20.8% of net sales for the first three months of 1999. Operating income increased in total and as a percentage of net sales for the reasons described above.

RESEARCH MODELS. Operating income from sales of research models for the first three months of 2000 was \$12.7 million, an increase of \$3.2 million, or 33.7%, from \$9.5 million for the first three months of 1999. Operating income from sales of research models for the first three months of 2000 was 31.0% of net sales, compared to 26.2% for the first three months of 1999. The increase was attributable to the factors described above.

BIOMEDICAL PRODUCTS AND SERVICES. Operating income from sales of biomedical products and services for the first three months of 2000 was \$5.3 million, an increase of \$2.0 million, or 60.6%, from \$3.3 million for the first three months of 1999. Operating income from sales of biomedical products and services for the first three months of 2000 decreased to 18.7% of net sales, compared to 20.6% of net sales for the first three months of 1999. This was primarily due to the acquisition of Sierra Biomedical, and the impact of the additional amortization of intangibles.

INCOME TAXES. The effective tax rate of 92.1% for the first three months of 2000 as compared to 41.2% for the first three months of 1999 is due to several permanent differences, including non-deductible interest expense, goodwill and a valuation allowance on a portion of the deferred tax asset.

INTEREST EXPENSE. Interest expense for the first three months of 2000 was \$12.7 million. The \$12.7 million increase was primarily due to the additional debt incurred as a result of the recapitalization which occurred on September 29, 1999.

NET INCOME. Net income for the first three months of 2000 was \$0.6 million, a decrease of \$6.5 million from \$7.1 million for the first three months of 1999. The decrease was attributable to the increased interest expense.

#### LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents of Charles River totaled \$18.5 million at March 25, 2000 compared with \$15.0 million at December 25, 1999. Our principal sources of liquidity are cash flow from operations and borrowings under our credit facility.

Cash flow from operating activities for the three months ending March 25, 2000 was \$1.9 million, compared to \$7.5 million for the first three months of 1999. Net income for the first three months of 2000 was \$0.6 million compared to \$7.1 million for the first three months of 1999. Net income was impacted by several non-cash expenses including the accretion of the debenture and discount notes of \$3.2 million and accrued interest expense of \$4.5 million. These increases were offset by an increase in accounts receivable.

Net cash used in investment activities for the three months ending March 25, 2000 was \$1.8 million, compared to \$2.2 million for the first three months of 1999. On February 28, 2000, the company acquired an additional 16% of the equity (340,840 common shares) of its 50% equity joint venture company, Charles River Japan, from Ajinomoto Co., Inc. The purchase price for the equity was 1.4 billion yen or \$12.8 million. One billion yen or \$9.2 million was paid at closing and the balance of 400 million yen or \$3.7 million was deferred pursuant to a three year balloon promissory note. In addition, we acquired \$3.2 million in cash. In January we sold our primate colony in Florida for \$7.0 million. Capital expenditures for the first three months ended March 25, 2000 were \$2.8 million compared to \$2.0 million for the first three months of 1999.

Net cash provided from financing activities for the three months ending March 25, 2000 was \$3.7 million compared to \$12.9 million in net cash used in financing activities for the first three months of 1999. We increased

our borrowings under the revolving loan by an additional \$4.0 million during the first three months ended March 25, 2000. We had net activity with Bausch & Lomb, our 100% shareholder up until the recapitalization, of \$12.9 million for the first three months of 1999.

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

#### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks arising from changes in interest rates and foreign currency exchange rates. Our primary interest rate exposure results from changes in LIBOR or the base rate which are used to determine the applicable interest rates under our term loans and revolving credit facility. We have entered into an interest rate protection agreement designed to protect us against fluctuations in interest rates with respect to at least 50% of the aggregate principal amount of the term loans and the senior subordinated notes. Interest rate swaps have the effect of converting variable rate obligations to fixed or other interest rate obligations. Our potential loss over one year that would result from a hypothetical, instantaneous and unfavorable change of 100 basis points in the interest rate on all of our variable rate obligations would be approximately \$1.6 million. Fluctuations in interest rates will not affect the interest payable on the senior subordinated notes, senior discount debentures or subordinated discount note, which is fixed.

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

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Management Incentive Plan

27.1 Financial Data Schedule

(b) No Reports on Form 8-K were filed during the quarter ended  
March 25, 2000

SIGNATURE

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

CHARLES RIVER LABORATORIES HOLDINGS, INC.  
-----

May 8, 2000

/s/ Thomas F. Ackerman  
-----

Thomas F. Ackerman

Sr. Vice President and Chief Financial Officer

MANAGEMENT INCENTIVE PLAN

CHARLES RIVER LABORATORIES HOLDINGS, INC.  
1999 MANAGEMENT INCENTIVE PLAN

SECTION 1. PURPOSE. The purpose of the Charles River Laboratories Holdings, Inc. 1999 Management Incentive Plan (the "PLAN") is to promote the interests of Charles River Laboratories Holdings, Inc. (the "COMPANY") and its stockholders by (i) attracting and retaining exceptional key employees of the Company, its Subsidiaries and its Affiliates (as defined below) and others; (ii) motivating such individuals by means of performance-related incentives to achieve longer-range performance goals; and (iii) enabling such individuals to participate in the long-term growth and financial success of the Company.

SECTION 2. DEFINITIONS. As used in the Plan, the following terms shall have the meanings set forth below:

"AFFILIATE" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; PROVIDED that no stockholder of the Company shall be deemed an Affiliate of any other stockholder of the Company solely by reason of any investment in the Company. For purposes of this definition, the term "CONTROL" (including with correlative meanings, the terms "CONTROLLING", "CONTROLLED BY" and "UNDER COMMON CONTROL WITH"), when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"AWARD AGREEMENT" means any written agreement, contract or other instrument or document evidencing any Option, which may, but need not, be executed or acknowledged by a Participant.

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

"CAUSE" means, with respect to any Participant, "cause" as defined in such Participant's Employment Agreement or Award Agreement, or if not so defined:

(i) such Participant's failure substantially to perform his or her duties (other than as a result of total or partial incapacity due to physical or mental illness);

(ii) such Participant's conviction of a felony arising from, or any act of, fraud, embezzlement or willful dishonesty by such Participant in relation to the business or affairs of the Company and any Subsidiary or Affiliate thereof, or any other felonious conduct on the part of such

Participant that is demonstrably detrimental to the best interests of the Company or any Subsidiary or Affiliate thereof;

(iii) such Participant's being repeatedly under the influence of illegal drugs or alcohol while performing his duties; or

(iv) any other willful act of such Participant which is demonstrably injurious to the financial condition or business reputation of the Company or any Subsidiary or Affiliate thereof as determined in the reasonable discretion of the Compensation Committee, including such Participant's breach of the provisions of any noncompetition, nonsolicitation or confidentiality covenant (whether or not contained in this Agreement) in favor of the Company or any Subsidiary or Affiliate thereof binding upon such Participant.

"CHANGE OF CONTROL" means:

(i) any "person" (as such term is used in Section 3(a)(9) and 13(d)(3) of the Exchange Act) other than (A) the DLJ Entities and/or their respective Permitted Transferees (as defined in the Investors' Agreement) or (B) any "group" (within the meaning of such Section 13(d)(3)) of which any of the DLJ Entities is a part, acquires, directly or indirectly, by virtue of the consummation of any purchase, merger or other combination, securities of the Company (or its successor) representing more than 51% of the combined voting power of the Company's (or its successor's) then outstanding voting securities with respect to matters submitted to a vote of the stockholders generally; or

(ii) a sale or transfer by the Company or any of its Subsidiaries of substantially all of the stock or consolidated assets of the Company and its Subsidiaries to an entity which is not an Affiliate of the Company prior to such sale or transfer.

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

"COMPENSATION COMMITTEE" means a committee of the Board designated by the Board to administer the Plan and composed of not less than the minimum number of persons from time to time required by Rule 16b-3 and Section 162(m), each of whom, to the extent necessary to comply with Rule 16b-3 and Section 162(m) only, is a "Non-Employee Director" and an "Outside Director" within the meaning of Rule 16b-3 and Section 162(m), respectively.

"DISABILITY" means, with respect to any Participant, "disability" as defined in such Participant's Employment Agreement or Award Agreement, or if not so defined:

(i) any permanent physical or mental incapacity or disability rendering such Participant unable or unfit to perform effectively the duties and obligations of his employment or to participate effectively and actively in the management of the Company (or, if applicable, any Subsidiary or Affiliate thereof); or

(ii) any illness, accident, injury, physical or mental incapacity or other disability, where such condition has rendered such Participant unable or unfit to perform effectively the duties and obligations of his or her employment or to participate effectively and actively in the management of the Company (or, if applicable, any Subsidiary or Affiliate thereof) for a period of at least 6 consecutive months or 12 months in any 24-month period (in either case, as determined in the good faith judgment of the Compensation Committee).

"EMPLOYEE" means an employee of the Company or any Subsidiary or Affiliate thereof.

"EMPLOYMENT AGREEMENT" means an employment, severance, consulting or similar agreement between the Company or any Subsidiary or Affiliate thereof and a Participant.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FAIR MARKET VALUE" means:

(i) with respect to a Share:

(A) as of the consummation of the transactions contemplated by the Recapitalization Agreement dated as of July 25, 1999 by and among CRL Acquisition LLC, the Company, Bausch & Lomb Incorporated, CRL Holdings, Inc., Charles River Laboratories, Inc., Charles River SPAFAS, Inc., Bausch & Lomb International, Inc., Wilmington Partners, L.P., Bausch & Lomb Canada, Inc., and DLJ Merchant Banking Partners II, L.P., \$10.27 per share;

(B) if the Shares are traded on an exchange or market, as of any given date or dates, the average reported closing price of such Share on such exchange or market as is the principal trading

market for the Shares for the trading day immediately preceding such date or dates; or

(C) if the Shares are not traded on an exchange or market on the applicable date, as determined by the Compensation Committee in good faith taking into account as appropriate recent sales of the Shares, recent valuations of the Shares and such other factors as the Compensation Committee shall in its discretion deem relevant or appropriate.

(ii) with respect to an Option, for each Share underlying such Option, the Fair Market Value per Share as determined under clause (i) less the exercise price per Share.

"GOOD REASON" means, with respect to any Participant, "good reason" as defined in such Participant's Award Agreement or Employment Agreement, or if not so defined:

(i) any failure by the Company to comply with any of the provisions of this Plan or such Participant's Award Agreement or Employment Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by such Participant;

(ii) the material diminution of such Participant's position (including status, offices, titles and reporting relationships), duties or responsibilities as in effect during the effectiveness of such Participant's Award Agreement, excluding an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by such Participant; or

(iii) any purported termination by the Company of such Participant's employment, other than for Cause.

"INVESTORS' AGREEMENT" means the Investors' Agreement dated as of September 29, 1999 among the Company and the several Stockholders (as defined therein) from time to time parties thereto.

"OPTION" means a right to purchase Shares from the Company that is granted under Section 6 of the Plan.

"PARTICIPANT" means any Employee, non-employee director of the Company of any Subsidiary or Affiliate thereof or consultant to the Company or

any Subsidiary or Affiliate thereof selected by the Compensation Committee to receive an Option under the Plan (and, to the extent applicable, any heirs or legal representatives thereof).

"PERMITTED TRANSFEREE" shall have the meaning assigned to it in the Investors' Agreement.

"PERSON" means any individual, corporation, limited liability company, partnership, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

"RULE 16B-3" means Rule 16b-3 as promulgated and interpreted by the SEC under the Exchange Act, or any successor rule or regulation thereto as in effect from time to time.

"SEC" means the Securities and Exchange Commission or any successor thereto.

"SECTION 162(M)" means Section 162(m) of the Code, or any successor section thereto as in effect from time to time.

"SHARES" means (i) shares of common stock, par value \$0.01 per share, of the Company and any stock into which its common stock may thereafter be converted or changed and/or (ii) such other securities as may be designated by the Compensation Committee from time to time.

"SUBSIDIARY" means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which:

(i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the Subsidiaries of that Person or a combination thereof; or

(ii) if a limited liability company, partnership, association or other business entity, a majority of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof.

"SUBSTITUTE OPTIONS" means Options granted in assumption of, or in substitution for, outstanding options previously granted by a company acquired by the Company or with which the Company combines.

SECTION 3. ADMINISTRATION.

(a) AUTHORITY OF COMPENSATION COMMITTEE. The Plan shall be administered by the Compensation Committee. Subject to the terms of the Plan, applicable law and contractual restrictions (including, to the extent applicable, any Employment Agreements) affecting the Company, and in addition to other express powers and authorizations conferred on the Compensation Committee by the Plan, the Compensation Committee shall have full power and authority to:

(i) designate Participants;

(ii) determine the type or types of Options to be granted to a Participant;

(iii) determine the number of Shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with, Options;

(iv) determine the terms and conditions of any Option and Award Agreement;

(v) determine whether, to what extent and under what circumstances Options may be settled or exercised in cash, Shares, other securities, other Options or other property, or canceled, forfeited, or suspended and the method or methods by which Options may be settled, exercised, canceled, forfeited or suspended;

(vi) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Options, other property and other amounts payable with respect to an Option shall be deferred either automatically or at the election of the holder thereof or of the Compensation Committee;

(vii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Options, other property and other amounts issued or payable with respect to an Option shall be subject to restrictions on transfer, assignment, pledge or other disposition or alienation, and the nature of such restrictions;

(viii) interpret and administer the Plan and any instrument or agreement relating to, or Option made under, the Plan;

(ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and

(x) make any other determination and take any other action that the Compensation Committee deems necessary or desirable for the administration of the Plan.

(b) COMPENSATION COMMITTEE DISCRETION BINDING. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Option shall be within the sole discretion of the Compensation Committee, may be made at any time and shall be final, conclusive and binding upon all Persons (including the Company or any Subsidiary or Affiliate thereof, any Participant, any holder or beneficiary of any Option, any stockholder and any Employee).

#### SECTION 4. SHARES AVAILABLE FOR OPTIONS.

(a) SHARES AVAILABLE. Subject to adjustment as provided in Section 4(b), the number of Shares with respect to which Options may be granted under the Plan shall be 926,000. If, after the effective date of the Plan, any Shares covered by an Option granted under the Plan (other than a Substitute Option) or to which such an Option relates are forfeited, or if such an Option is settled for cash or otherwise terminates or is canceled without the delivery of Shares, then the Shares covered by such Option, or to which such Option relates, or the number of Shares otherwise counted against the aggregate number of Shares with respect to which Options may be granted, to the extent of any such settlement, forfeiture, termination or cancellation, shall again become Shares with respect to which Options may be granted. In addition, Shares tendered in satisfaction or partial satisfaction of the exercise price of any Option or any tax withholding obligations (other than the exercise price or tax withholding obligation relating to a Substitute Option), will again become Shares with respect to which Options may be granted. Notwithstanding the foregoing and subject to adjustment as provided in Section 4(b), no Participant may receive Options in any calendar year that relate to more than 300,000 Shares.

(b) ADJUSTMENTS. In the event that the Compensation Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, reclassification, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Compensation Committee

to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Compensation Committee shall, in such manner as it may deem equitable, adjust any or all of:

(i) the number of Shares of the Company (or number and kind of other securities or property) with respect to which Options may thereafter be granted;

(ii) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Options; and

(iii) the grant or exercise price with respect to any Option, or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Option.

(c) SUBSTITUTE OPTIONS. Any Shares underlying Substitute Options shall not be counted against the Shares available for Options under the Plan.

(d) SOURCES OF SHARES DELIVERABLE UNDER OPTIONS. Any Shares delivered pursuant to an Option may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

SECTION 5. ELIGIBILITY. Any Employee, non-employee director of the Company or any Subsidiary or Affiliate thereof or consultant to the Company or any Subsidiary or Affiliate thereof shall be eligible to be designated a Participant. Holders of options granted by a company that is acquired by the Company or with which the Company combines are eligible for grants of Substitute Options hereunder in connection with such acquisition or combination transaction.

#### SECTION 6. STOCK OPTIONS.

(a) GRANT. Subject to the provisions of the Plan and contractual restrictions (including, to the extent applicable, any Employment Agreements) affecting the Company, the Compensation Committee shall have sole and complete authority to determine the Participants to whom Options shall be granted, the number of Shares to be covered by each Option, the exercise price therefor and the conditions and limitations applicable to the exercise of the Option.

(b) EXERCISE PRICE. The Compensation Committee shall, in its sole discretion, establish the exercise price at the time each Option is granted; PROVIDED

that, except in the case of Substitute Options, in no event shall the exercise price per Share be less than the Fair Market Value of a Share on the date of grant.

(c) EXERCISE. Each Option shall be exercisable at such times and subject to such terms and conditions as the Compensation Committee may, in its sole discretion, specify in the applicable Award Agreement or thereafter. The Compensation Committee may impose such conditions with respect to the exercise of Options, including without limitation, any relating to the application of federal or state securities laws, as it may deem necessary or advisable.

(d) PAYMENT. No Shares shall be delivered pursuant to any exercise of an Option until payment in full of the exercise price, or adequate provision therefor, is received by the Company. Such payment may be made: (i) in cash; (ii) in Shares owned by the Participant for at least six months (the value of such Shares shall be their Fair Market Value on the date of exercise); (iii) by a combination of cash and Shares owned by the Participant for at least six months; (iv) if approved by the Compensation Committee, in accordance with a cashless exercise program; or (v) in such other manner as permitted by the Compensation Committee at the time of grant or thereafter.

SECTION 7. VESTING; TERMINATION OF EMPLOYMENT. Each Award Agreement shall contain such terms as the Committee may in its sole discretion determine concerning vesting, forfeiture, the Company's rights of repurchase of Shares acquired upon exercise of an Option, and/or the effects of termination or suspension of a Participant's employment upon the exercisability of any Option granted thereunder.

SECTION 8. ACCELERATED VESTING. The Compensation Committee may, in its sole discretion, provide in an Award Agreement or at any other time for the accelerated vesting of an Option in the event of a Change of Control.

#### SECTION 9. AMENDMENT AND TERMINATION.

(a) AMENDMENTS TO THE PLAN. The Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; PROVIDED that no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to qualify for or comply with any tax or regulatory status or requirement (including any approval requirement which is a prerequisite for exemptive relief from Section 16(b) of the Exchange Act or Section 162(m) of the Code) for which or with which the Board deems it necessary or desirable to qualify or comply. Notwithstanding anything to the contrary herein, the Compensation Committee may amend the Plan in such manner as may be necessary so as to have the Plan

conform with local rules and regulations in any jurisdiction outside the United States.

(b) AMENDMENTS TO OPTIONS. Subject to the terms of the Plan and applicable law, the Compensation Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any Option theretofore granted, prospectively or retroactively; PROVIDED that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would adversely affect the rights of a Participant or any holder or beneficiary of any Option theretofore granted shall not to that extent be effective without the consent of such affected Participant, holder or beneficiary.

(c) CANCELLATION. Any provision of this Plan or any Award Agreement to the contrary notwithstanding, in the event of a Change of Control or an offer to Participants generally relating to the acquisition of Shares, including through purchase, merger or otherwise, the Compensation Committee may cause any Option granted hereunder to be canceled in consideration of a cash payment or alternative Option made to the holder of such canceled Option.

#### SECTION 10. GENERAL PROVISIONS.

(a) DIVIDEND EQUIVALENTS. In the sole and complete discretion of the Compensation Committee, an Option may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities or other property on a current or deferred basis.

(b) NON-TRANSFERABILITY OF OPTIONS. Except to the extent otherwise provided in a Participant's Award Agreement, no Option shall be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by such Participant, except by will or the laws of descent and distribution.

(c) NO RIGHTS TO OPTIONS. No Employee, Participant or other Person shall have any claim to be granted any Option, and there is no obligation for uniformity of treatment of Employees, Participants or holders or beneficiaries of Options. The terms and conditions of Options need not be the same with respect to each recipient.

(d) STOCK CERTIFICATES. Certificates, if any, issued in respect of Shares shall, unless the Compensation Committee otherwise determines, be registered in the name of the Participant or his or her Permitted Transferees and, so long as a Participant continues to be governed by any forfeiture provisions relating to the Shares, shall be deposited by such Participant or Permitted Transferee, together with a stock power endorsed in blank, with the Company. When such forfeiture conditions lapse, the Company shall deliver such certificates to the Participant

upon request. Such stock certificate shall carry such appropriate legends, and such written instructions shall be given to the Company's transfer agent, as may be deemed necessary or advisable by counsel to the Company in order to comply with the requirements of (i) the Securities Act of 1933, as amended, any state securities laws or any other applicable laws and (ii) the Investors' Agreement. Subject to the provisions of the Investors' Agreement, all certificates for Shares or other securities of the Company or any Subsidiary delivered under the Plan pursuant to any Option or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Compensation Committee may deem advisable under the Plan or the rules, regulations and other requirements of the SEC or any exchange or market upon which such Shares or other securities of the Company are then listed and any applicable laws or rules or regulations, and the Compensation Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(e) WITHHOLDING. A Participant may be required to pay to the Company or any Subsidiary, and the Company or any Subsidiary shall have the right and is hereby authorized to withhold from any Option, from any payment due or transfer made under any Option or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Options or other property) of any applicable withholding taxes in respect of an Option, its exercise or any payment or transfer under an Option or under the Plan, and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Compensation Committee may provide for additional cash payments to holders of Options to defray or offset any tax arising from any such grant, lapse, vesting or exercise of any Option.

(f) AWARD AGREEMENTS. Each Option hereunder shall be evidenced by an Award Agreement which shall be delivered to the Participant and shall specify the terms and conditions of the Option and any rules applicable thereto.

(g) NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS. This Plan is not intended to be the exclusive authority for the grant of options, stock or stock-based awards, and nothing contained in this Plan shall prevent the Company or any Subsidiary or Affiliate thereof from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options, restricted stock, Shares and other types of awards provided for hereunder (subject to stockholder approval if such approval is required by applicable law). Any such arrangements may be either generally applicable or applicable only in specific cases.

(h) NO RIGHT TO EMPLOYMENT. The grant of an Option shall not be construed as giving a Participant the right to be retained in the employment or service of the Company or any Subsidiary or Affiliate thereof. Further, the Company or any Subsidiary may at any time dismiss a Participant from employment or service, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(i) RIGHTS AS A STOCKHOLDER. Subject to the provisions of the applicable Option, no Participant or holder or beneficiary of any Option shall have any rights as a stockholder with respect to any Shares to be issued under the Plan until he or she has become the holder of such Shares.

(j) GOVERNING LAW. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware.

(k) SEVERABILITY. If any provision of the Plan or any Option is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or Option, or would disqualify the Plan or any Option under any law deemed applicable by the Compensation Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Compensation Committee, materially altering the intent of the Plan or the Option, such provision shall be stricken as to such jurisdiction, Person or Option, and the remainder of the Plan and any such Option shall remain in full force and effect.

(l) OTHER LAWS. The Compensation Committee may refuse to issue or transfer any Shares or other consideration under an Option if, acting in its sole discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation or entitle the Company to recover the same under Section 16(b) of the Exchange Act, and any payment tendered to the Company by a Participant in connection therewith shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Option granted hereunder shall be construed as an offer to sell securities of the Company, and no such offer shall be outstanding, unless and until the Compensation Committee in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the federal and state securities laws and any other laws to which such offer, if made, would be subject.

(m) NO TRUST OR FUND CREATED. Neither the Plan nor any Option shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Subsidiary and a Participant or any

other Person. To the extent that any Person acquires a right to receive payments from the Company or any Subsidiary or Affiliate thereof pursuant to an Option, such right shall be no greater than the right of such unsecured general creditor of the Company or such Subsidiary or Affiliate thereof.

(n) NO FRACTIONAL SHARES. No fractional Shares shall be issued or delivered pursuant to the Plan or any Option, and the Compensation Committee shall determine whether cash or other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(o) INVESTORS' AGREEMENT TRANSFER RESTRICTIONS. A Participant shall, as a condition precedent to the exercise or settlement of an Option, execute an instrument agreeing to be bound by the terms of the Investors' Agreement or, at the election of the Company, a counterpart of the Investors' Agreement. In any event, any Shares acquired upon exercise or settlement shall be subject to the provisions in the Investors' Agreement regarding restrictions on transfer and the Company's rights to compel sales and repurchase Shares.

(p) HEADINGS. Headings are given to the sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

#### SECTION 11. TERM OF THE PLAN.

(a) EFFECTIVE DATE. The Plan shall be effective as of September 29, 1999, subject to approval by the stockholders of the Company. Options may be granted hereunder prior to such stockholder approval, subject in all cases, however, to such approval.

(b) EXPIRATION DATE. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Option granted hereunder may, and the authority of the Board or the Compensation Committee to amend, alter, adjust, suspend, discontinue or terminate any such Option or to waive any conditions or rights under any such Option shall, continue after the authority for grant of new Options hereunder has been exhausted.

CROSS-REFERENCE TARGET LIST

NOTE: DUE TO THE NUMBER OF TARGETS SOME TARGET NAMES MAY NOT APPEAR IN THE TARGET PULL-DOWN LIST.

(This list is for the use of the wordprocessor only, is not a part of this document and may be discarded.)

ARTICLE/SECTION	TARGET NAME	ARTICLE/SECTION	TARGET NAME	ARTICLE/SECTION	TARGET NAME	ARTICLE/SECTION	TARGET NAME
6 .....	stock.opt						
4(b) .....	adjustments						
4(c) .....	sub.awards						
7 .....	termination						



THE SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF EARNINGS FOR THE THREE MONTHS ENDED MARCH 25, 2000 AND THE CONSOLIDATED BALANCE SHEET AT MARCH 25, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS	DEC-30-2000	
	MAR-25-2000	
		18,458
		0
		53,022
		1,031
		32,462
	111,774	
		119,174
		141,048
		401,600
	83,920	
		390,464
	0	
		0
		103
		(111,276)
401,600		
		69,302
	69,302	
		41,392
		41,392
		12,678
		0
	12,664	
		2,680
		2,468
	0	
		0
		0
		0
		636
		.06
		.05