# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE FISCAL YEAR ENDED DECEMBER 26, 2015**

**OR**

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

**FOR THE TRANSITION PERIOD FROM TO**

**Commission File No. 001-15943**

# CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

| **Delaware** | **06-1397316** |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| **251 Ballardvale Street Wilmington, Massachusetts** | **01887** |
| (Address of Principal Executive Offices) | (Zip Code) |

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(Registrant's telephone number, including area code): **(781) 222-6000**

Securities registered pursuant to Section 12(b) of the Act:

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Stock, $0.01 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ☒

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ☒ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| Large accelerated filer ☒ | Accelerated filer o | Non-accelerated filer o (Do not check if smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☒

On June 27, 2015, the aggregate market value of the Registrant's voting common stock held by non-affiliates of the Registrant was approximately $3,300,699,578. As of January 29, 2016, there were 46,718,000 shares of the Registrant's common stock outstanding, $0.01 par value per share.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's definitive Proxy Statement for its 2016 Annual Meeting of Shareholders scheduled to be held on May 11, 2016, which will be filed with the Securities and Exchange Commission (SEC) not later than 120 days after December 26, 2015, are incorporated by reference into Part III of this Annual Report on Form 10-K. With the exception of the portions of the 2016 Proxy Statement expressly incorporated into this Annual Report on Form 10-K by reference, such document shall not be deemed filed as part of this Form 10-K.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**
**ANNUAL REPORT ON FORM 10-K**
**FOR THE FISCAL YEAR 2015**

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# PART I

**Item 1. Business**

**General**

This Annual Report on Form 10-K contains forward-looking statements regarding future events and the future results of Charles River Laboratories International, Inc. that are based on our current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as “expect,” “anticipate,” “target,” “goal,” “project,” “intend,” “plan,” “believe,” “seek,” “estimate,” “will,” “likely,” “may,” “designed,” “would,” “future,” “can,” “could” and other similar expressions that are predictions, indicate future events and trends or which do not relate to historical matters are intended to identify such forward-looking statements. These statements are based on our current expectations and beliefs and involve a number of risks, uncertainties and assumptions that are difficult to predict. For example, we may use forward-looking statements when addressing topics such as: goodwill and asset impairments still under review; future demand for drug discovery and development products and services, including the outsourcing of these services; our expectations regarding stock repurchases, including the number of shares to be repurchased, expected timing and duration, the amount of capital that may be expended and the treatment of repurchased shares; present spending trends and other cost reduction activities by our clients; future actions by our management; the outcome of contingencies; changes in our business strategy, business practices and methods of generating revenue; the development and performance of our services and products; market and industry conditions, including competitive and pricing trends; our strategic relationships with leading pharmaceutical companies and venture capital limited partnerships, and opportunities for future similar arrangements; our cost structure; the impact of completed and in-process acquisitions (including Argenta, BioFocus, VivoPath, ChanTest, Sunrise, Celsis, Oncotest and WIL Research) and the timing of closing of in-process acquisitions; our expectations with respect to revenue growth and operating synergies (including the impact of specific actions intended to cause related improvements); the impact of specific actions intended to improve overall operating efficiencies and profitability (and our ability to accommodate future demand with our infrastructure), including gains and losses attributable to businesses we plan to close, consolidate or divest; changes in our expectations regarding future stock option, restricted stock, performance share units and other equity grants to employees and directors; expectations with respect to foreign currency exchange; assessing (or changing our assessment of) our tax positions for financial statement purposes; and our liquidity. In addition, these statements include the impact of economic and market conditions on us and our clients; the effects of our cost-saving actions and the steps to optimize returns to shareholders on an effective and timely basis.

You should not rely on forward-looking statements because they are predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document or in the case of statements incorporated by reference, on the date of the document incorporated by reference. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this Form 10-K under the sections entitled “Our Strategy,” “Risk Factors,” "Management's Discussion and Analysis of Financial Condition and Results of Operations,” in our press releases and other financial filings with the SEC. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or risks. New information, future events or risks may cause the forward-looking events we discuss in this report not to occur.

**Corporate History**

We began operating in 1947 and since then, we have undergone several changes to our business structure. Charles River Laboratories International, Inc. was incorporated in 1994 and in 2000 we completed our initial public offering. Our stock is traded on the New York Stock Exchange under the symbol “CRL” and is included in the Standard & Poor's MidCap 400 and Composite 1500 indices, the Dow Jones U.S. Biotechnology Index, the NYSE Arca Biotechnology Index, the NYSE Composite and Healthcare Sector indices, and many of the Russell indices, among others. We are headquartered in Wilmington, Massachusetts. Our headquarters mailing address is 251 Ballardvale Street, Wilmington, MA, 01887, and the telephone number at that location is (781) 222-6000. Our Internet site is www.criver.com. Material contained on our Internet site is not incorporated by reference into this Form 10-K. Unless the context otherwise requires, references in this Form 10-K to “Charles River,” “we,” “us” “the Company” or “our” refer to Charles River Laboratories International, Inc. and its subsidiaries.

This Form 10-K, as well as all other reports filed with the SEC, are available free of charge through the Investor Relations section of our Internet site as soon as practicable after we electronically file such material with, or furnish it to, the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington,

DC 20549. In addition, you may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

**Overview**

We are a full service, early-stage contract research organization (CRO). We have built upon our core competency of laboratory animal medicine and science (research model technologies) to develop a diverse portfolio of discovery and safety assessment services, both Good Laboratory Practice (GLP) and non-GLP, which is able to support our clients from target identification through preclinical development. We also provide a suite of products and services to support our clients' manufacturing activities. Utilizing our broad portfolio of products and services enables our clients to create a more flexible drug development model, which reduces their costs, enhances their productivity and effectiveness and increases speed to market.

Discovery represents the earliest stages of research in the life sciences, directed at the identification, screening and selection of a lead molecule for future drug development. Discovery activities typically extend anywhere from 4-6 years in conventional pharmaceutical research and development timelines.

Development activities, which follow, and which can take up to 7-10 years, are directed at demonstrating the safety, tolerability and clinical efficacy of the selected drug candidates. During the preclinical stage of the development process, a drug candidate is tested *in vitro* (non-animal, typically on a cellular or sub-cellular level in a test tube or multi-well petri plate) and *in vivo* (in research models) to support planned or on-going human trials.

The development of new drugs requires the steadily increasing investment of time and money. Various studies and reports estimate that it takes between 10-15 years, up to $2.0 billion, and exploration of between 5,000 and 10,000 drug molecules to produce a single Food and Drug Administration (FDA)-approved drug. We are positioned to leverage our leading portfolio in early-stage drug research in an efficient and cost-effective way to aid our clients in bringing their drugs to market faster. Our clients reduce their costs, increase their speed and improve their productivity and effectiveness in early-stage discovery and development by using our broad portfolio of products and services.

For nearly 70 years, we have been in the business of providing the research models required in research and development of new drugs, devices and therapies. Over this time, we have built upon our core competency of *in vivo* biology to develop a diverse and expanding portfolio of products and services, which now encompasses the broader early-stage drug research process. Our client base includes global pharmaceutical companies, biotechnology companies, government agencies and hospitals and academic institutions around the world. We currently operate 64 facilities in 18 countries worldwide, which numbers exclude our Insourcing Solutions (IS) sites. Our products and services, supported by our global infrastructure and deep scientific expertise, enable our clients to overcome many of the challenges of early-stage life sciences research. In 2015, our total revenue was $1.4 billion and our operating income from continuing operations, before income taxes, was $195.4 million.

We have three reporting segments: Research Models and Services (RMS), Discovery and Safety Assessment (DSA), and Manufacturing Support (Manufacturing).

Through our RMS segment, we have been supplying research models to the drug development industry since 1947. With over 150 different strains, we continue to maintain our position as the global leader in the production and sale of the most widely used rodent research model strains, principally genetically and microbiologically defined purpose-bred rats and mice. We also provide a variety of related services that are designed to assist our clients in supporting the use of research models in drug discovery and development. With multiple facilities located on three continents (North America, Europe and Asia), we maintain production centers, including barrier rooms and/or isolator facilities. In 2015, RMS accounted for 34.7% of our total revenue and approximately 3,100 of our employees, including approximately 75 science professionals with advanced degrees.

Our DSA business segment provides services that enable our clients to outsource their innovative drug discovery research, their critical, regulatory-required safety assessment testing and related drug discovery and development activities to us. The demand for these services has historically been driven by the needs of large global pharmaceutical companies that exceeded their internal capacity and by the needs of biotechnology companies and non-profits who traditionally outsourced most of their discovery and development programs. Global pharmaceutical and biotechnology companies choose to outsource their discovery and development activities because outsourcing reduces the significant investment in personnel, facilities and other capital resources necessary to efficiently and effectively conduct required scientific studies.

We are one of the two largest providers of drug discovery and preclinical development services worldwide and offer a comprehensive portfolio of target discovery through safety assessment studies required for regulatory submission. We have extensive expertise in the discovery of small molecule clinical candidates and in the design, execution and reporting of safety

assessment studies for both small and large molecules. We currently provide discovery and safety assessment services at multiple facilities located in the United States (U.S.), Canada and Europe. Our DSA segment represented 44.9% of our total revenue in 2015 and employed approximately 3,900 of our employees including approximately 630 science professionals with advanced degrees.

Through our Manufacturing segment, we help ensure the safe production and release of products manufactured by our clients. Our Microbial Solutions (formerly known as Endotoxin and Microbial Detection or EMD) business provides *in vitro* methods for conventional and rapid quality control testing of sterile and non-sterile biopharmaceuticals and consumer products. Our Avian Vaccine Services business provides specific-pathogen-free (SPF) fertile chicken eggs and chickens used in the manufacture of live viruses. Our Biologics Testing Solutions business provides specialized testing of biologics and devices frequently outsourced by global pharmaceutical and biotechnology companies.

In 2015, Manufacturing accounted for 20.4% of our total revenue from continuing operations and approximately 1,200 of our employees, including approximately 65 science professionals with advanced degrees.

In recent years, we have focused our efforts on unifying our businesses and improving the efficiency of our global operations to enhance our ability to support our key clients. Our key pharmaceutical and biotechnology clients are increasingly seeking full service, “one-stop” global partners to whom they can outsource more of their drug discovery and development efforts. It is estimated that the market for regulated safety assessment services is at least 50% outsourced, while emerging growth areas such as *in vivo* discovery and certain research model services are currently believed to be less outsourced.

**Research Models and Services (RMS)**. Our RMS segment is comprised of (1) Research Models and (2) Research Model Services.

***Research Models***. Our Research Models business is comprised of the production and sale of research models.

*Research Models.* A significant portion of this business is comprised of the commercial production and sale of research models, principally purpose-bred rats and mice for use by researchers. We provide our rodent models to numerous clients around the world, including most pharmaceutical companies, a broad range of biotechnology companies and many government agencies, hospitals and academic institutions. We have a global footprint with production facilities strategically located in eight countries, in close proximity to our clients. Our research models include standard stocks and strains and disease models such as those with compromised immune systems, which are in demand as early-stage research tools. The FDA and foreign regulatory bodies typically require that the safety and efficacy of new drug candidates be tested on research models like ours prior to testing in humans. As a result, our research models are an essential part of the drug discovery and development process.

Our rodent species have been, and continue to be, some of the most extensively used research models in the world, largely as a result of our continuous commitment to innovation and quality. Our research models are bred and maintained in controlled environments, which are designed to ensure that the models are free of specific viral and bacterial agents and other contaminants that can disrupt research operations and distort results. With our production capabilities, we are able to deliver consistently high-quality research models worldwide.

Our research models include:

- outbred, which are purposefully bred for heterogeneity;
- inbred, which are bred to be homogeneous;
- spontaneous mutant, which contain a naturally occurring genetic mutation (such as immune deficiency);
- hybrid, which are the offspring of two different inbred parents; and
- other genetically modified research models, such as knock-out models with one or more disabled genes and transgenic models.

Certain of our research models are proprietary, disease-specific rodent models used to find new treatments for diseases such as diabetes, obesity, cardiovascular and kidney disease.

We are also a premier provider of high quality, purpose bred, SPF large research models to the biomedical research community.

***Research Model Services.*** RMS also offers a variety of services designed to support our clients' use of research models in basic research and screening preclinical drug candidates. These services address the need among pharmaceutical and biotechnology companies to outsource the non-core aspects of their drug discovery activities. Our services include those which are related to the maintenance and monitoring of research models, and managing research operations for government entities, academic

organizations and commercial clients. We currently have three service offerings in research models services: Genetically Engineered Models and Services, Insourcing Solutions and Research Animal Diagnostic Services.

*Genetically Engineered Models and Services (GEMS)*. We breed and maintain research models purchased or purposefully created by our clients for biomedical research activities. The creation of a genetically engineered model (GEM) is a critical scientific event, but it is only the first step in the discovery process. Productive utilization of GEMs requires significant additional technical expertise in order to properly support basic and early discovery research. We provide breeding expertise and colony development, quarantine, health and genetic testing and monitoring, germplasm cryopreservation, and rederivation including assisted reproduction. Our team of project managers is supported by a technologically advanced system Internet Colony Management (ICM™) that allows for real-time data exchange. We provide these services to clients around the world, including pharmaceutical and biotechnology companies, hospitals, universities and government agencies.

*Insourcing Solutions (IS)*. We manage research operations (including recruitment, training, staffing and management services) for government entities, academic organizations and commercial clients. Research institutions prefer to outsource staffing and management while retaining certain elements of their research in-house thus driving demand for our services. We believe that our expertise in early-stage drug research, and in particular research model care, scientific and technical support, facility operations, and discovery and development services, enhances the productivity and quality of our clients' research programs.

*Research Animal Diagnostic Services (RADS)*. We monitor and analyze the health profiles of research models and cell lines used by our clients. We developed this capability internally in order to address the diagnostic needs of our own research model business. We are able to serve as their sole-source testing laboratory, or as an alternative source supporting our clients' internal laboratory capabilities. We believe we are the reference laboratory of choice for health testing of laboratory research models and an industry leader in the field of animal diagnostics.

**Discovery and Safety Assessment (DSA)**

We currently offer discovery and safety assessment services, both regulated and non-regulated, in which we include both *in vivo* and *in vitro* studies, supporting laboratory services, and strategic preclinical consulting and program management to support product development.

***Discovery Services***. We offer a full spectrum of discovery services from identification of a novel druggable target, followed by high-throughput screening and medical chemistry, through delivery of preclinical drug and therapeutic candidates ready for safety assessment. In 2014, we integrated our Early Discovery and *In Vivo* Discovery businesses into a single business line - Discovery Services - as part of our continued efforts to streamline and enhance the support we can provide for clients' integrated drug discovery programs. One seamless discovery organization allows us to better engage with clients at the earliest stages of drug discovery and support their complex scientific needs. We support a variety of therapeutic areas including oncology, central nervous system, bone and musculoskeletal, inflammation, metabolic diseases, respiratory and fibrotic diseases, cardiovascular, gastrointestinal, genito-urinary and ophthalmology. We also provide expertise in the growing area of rare and orphan diseases, which are typically diseases of high unmet medical need in smaller patient populations, such as cystic fibrosis and Huntington's Disease. We believe there are emerging opportunities to assist our clients in a variety of drug discovery applications and platforms from target discovery to candidate selection.

*Early Discovery*. We are a global leader in integrated drug discovery services, with a predominant focus on *in vitro* biology capabilities and medicinal chemistry. Our knowledge and expertise allow us to support our clients as they drive their programs forward through design and implementation of clear program plans. Our full suite of service offerings allows us to support our clients at the earliest stages of their research, and to stay with them through the entire early-stage process. Our Early Discovery service capabilities include: target discovery and validation, hit identification, medicinal chemistry and testing how a drug is absorbed, distributed in the body, metabolized and excreted (ADME). We also offer ion channel testing and *in vitro* cardiac safety assessment services, for both discovery and preclinical purposes. These services extend from the early discovery screening process through to *in vitro* GLP safety assessment testing.

*In Vivo Discovery Services*. *In Vivo* Discovery Services represents the earliest *in vivo* stages of drug research, directed at the identification, screening and selection of a lead compound for drug development. *In vivo* activities typically extend anywhere from 4-6 years in conventional pharmaceutical research and development timelines. We offer research and development expertise, capabilities, and services globally to accelerate our clients' drug discovery pipelines from lead generation to candidate selection and on occasion, completing *in vivo* studies in support of clinical efforts or post-marketing work. We complement clients' capabilities and expertise to improve their decision-making, increase their flexibility, and reduce their internal costs and product development timelines. In addition, we provide *in vitro* and *in vivo* assays in support of lead optimization to candidate selection activities. Examples of this include early pharmacokinetic and pharmacodynamic studies and *in vitro* and *in*

*vivo* assays to assess mechanism, bioavailability, metabolism, efficacy, and safety pharmacology. Furthermore, our November 2015 acquisition of Oncotest, a Germany-based CRO providing discovery services for oncology, complements our existing business in the United States, Canada, United Kingdom (U.K.) and Finland.

***Safety Assessment***. We offer a full range of discovery and safety assessment studies required for regulatory submission on a global basis.

*Bioanalysis, Pharmacokinetics and Drug Metabolism*. In support of preclinical drug safety testing, our clients are required to demonstrate appropriate exposure, stability in the collected sample, kinetics of their drug or compound in circulation, the presence of metabolites, and, with biologics, the presence or absence of anti-drug antibodies. We have scientific depth in the sophisticated bioanalytical techniques required to satisfy these requirements for a number of drug classes. After performing sample analysis in support of preclinical studies, we have the opportunity to capture the benefits of bridging the preclinical bioanalysis with subsequent clinical development. Once the analysis is complete, our scientists evaluate the data to provide information on the pharmacokinetics and/or toxicokinetics of the drug, and complete an evaluation of the distribution of the drug or metabolites. Pharmacokinetics refers to understanding what the body does to a drug or compound once administered, including the process by which the drug is absorbed, distributed in the body, metabolized and excreted (ADME); toxicokinetics refers to the same understanding as applied at higher doses that may result in adverse effects. These studies are required for the full preclinical assessment of the disposition of the drug and the results are used in the final preclinical safety evaluation of the compound.

In support of preclinical drug safety testing, our clients are required to demonstrate that the compound does not have the potential to prolong the cardiac QT interval. We have the assays and can perform the screening for this demonstration that is required for an investigational new drug submission.

*Toxicology.* Toxicology is one of our nonclinical competencies and a competitive strength. We have expertise in the design and execution of development programs in support of both chemically-derived (small molecule) and biotechnology-derived (large molecule) pharmaceuticals. Once a lead molecule is selected, toxicology studies are required to support clinical trials in humans and new drug registrations. These toxicology studies focus on assessing the safety of the molecule to determine if administration of the molecules to humans might cause any unintended harmful effects. These studies are typically performed in research models to identify any potential adverse effects that a compound has on an organism over a variety of doses and over various time periods.

Our toxicology services feature:

- a broad offering of *in vitro* and *in vivo* capabilities and study types designed to identify possible safety risks for potential therapeutics as they transition from discovery into regulated drug development toxicology and human clinical testing;
- all the standard *in vitro* and *in vivo* studies in support of general toxicology (acute, sub-acute and chronic studies), genetic toxicology, safety pharmacology and carcinogenicity bioassays that are required for regulatory submissions supporting “first-in-human” to “first-to-the-market” strategies;
- expertise in standard and specialty routes of administration (e.g., infusion, intravitreal, intrathecal, and inhalation) that are important not only for the testing of potential pharmaceuticals and biopharmaceuticals, but also for the safety testing of medical devices, industrial chemicals, food additives, agrochemicals, biocides, nutraceuticals, animal health products and other materials;
- expertise in the conduct and assessment of reproductive and developmental toxicology studies (in support of larger-scale and later-stage human clinical trials);
- services in important specialty areas such as ocular, bone, juvenile/neonatal, immune-toxicology, photobiology and dermal testing;
- expertise in all major therapeutic areas;
- study design and strategic advice to our clients based on our wealth of experience and scientific expertise in support of drug development; and
- a strong history of assisting our clients in achieving their regulatory and/or internal milestones for the safety testing of numerous therapy types including stem cells, vaccines, proteins, antibodies, drug conjugates, oligonucleotide biotherapeutics, small molecules and medical devices.

Our safety assessment facilities comply with GLP to the extent required by the FDA, as well as other international regulatory bodies. Furthermore, our early-stage discovery work, which is not subject to GLP standards, is typically carried out under a quality management system such as ISO 9100 or similarly constructed internally developed quality systems. Our facilities are regularly inspected by U.S. and other regulatory compliance monitoring authorities, our clients' quality assurance departments and our own internal quality assessment program.

*Pathology Services.* The ability to identify and characterize clinical and anatomic pathologic changes is critical in determining the safety and efficacy of potential new therapeutics. Key “go/no-go” decisions regarding continued product development are typically dependent on the identification, characterization and evaluation of fluid, tissue and cellular changes that our experts identify and interpret for our clients. We employ a large number of highly trained veterinary anatomic and clinical pathologists and other scientists who use state-of-the-art techniques to identify potential test article-related changes within tissues, fluids and cells. In addition to all standard anatomic and clinical pathology techniques, we provide specialized evaluations such as cytology, platelet function, assay development, immunohistochemistry, in situ hybridization and electron microscopy services.

**Manufacturing Support (Manufacturing)**

***Microbial Solutions (formerly known as Endotoxin and Microbial Detection)***. Our Microbial Solutions business provides *in vitro* methods for conventional and rapid quality control testing of sterile and non-sterile biopharmaceutical and consumer products. Our legacy business provided lot release testing of medical devices and injectable drugs for endotoxin contamination. With our acquisition of Celsis in July 2015, we now provide rapid microbial detection systems for quality control testing in the pharmaceutical, biopharmaceutical and consumer products industries. Our Accugenix business provides state-of-the-art microbial identification and genetic sequencing services for manufacturing in the biopharmaceutical, medical device, nutraceutical and consumer care industries.

Endotoxin testing is an *in vitro* process which uses a processed extract from the blood of the horseshoe crab, known as limulus amebocyte lysate (LAL). The LAL test is the first and most successful FDA-validated alternative to an *in vivo* test to date. The extraction of blood does not harm the crabs, which are subsequently returned to their natural ocean environment. Our Microbial Solutions business produces and distributes a comprehensive portfolio of endotoxin testing, microbial detection and identification kits, reagents, software, accessories, instruments and associated microbial quality control laboratory services to a broad range of companies manufacturing and releasing products from the pharmaceutical, biotechnology, consumer products and dairy industries worldwide. We are a market leader in endotoxin testing products and services, which are used for FDA-required quality control testing of injectable drugs and medical devices, their components and the processes by which they are manufactured.

The growth in our Microbial Solutions business is driven by our FDA approved line of next-generation endotoxin testing products. This line is based on the Endosafe Portable Testing System (Endosafe®-PTS™) technology, which allows rapid endotoxin testing in the central laboratory or manufacturing environment. In recent years, we expanded the PTS product portfolio to include a multiple sample testing system known as the Endosafe®-MCS™ (multi-cartridge system) to satisfy the demand of our clients who require higher sample throughput. We anticipate our clients' demand for rapid testing methods will continue to increase as they respond to the FDA's Process Analytical Technology (PAT) Initiative as well as move to faster, simpler testing methods for their technicians. In 2013, we launched the first fully automated robotic system developed specifically for high-volume endotoxin testing: Endosafe®-Nexus™. We expect to see expanded use of this rapid endotoxin testing technology in non-traditional areas such as renal dialysis, nuclear and compounding pharmacies and cellular therapy.

Celsis’ systems are principally used for product-release testing to help ensure the safe manufacture of pharmaceutical, biopharmaceutical and consumer products. The addition of Celsis, with its Advance II™, Accel™ and Innovate™ systems for non-sterile applications, complements our PTS-Micro™, a rapid bacterial (bioburden) detection system for sterile biopharmaceutical applications. We expect our comprehensive portfolio to drive increased adoption of our quality control testing solutions across both sterile and non-sterile applications.

Our Accugenix subsidiary is the premier global provider of current Good Manufacturing Practice (cGMP) compliant contract microbial identification and genetic sequencing testing. Accugenix is an acknowledged industry leader in species-level identification and strain typing of bacteria and fungi that are recovered from manufacturing facilities. Utilizing state-of-the-art and proprietary *in vitro* technologies, coupled with scientific expertise and analysis, Accugenix excels in providing accurate, timely and cost-effective microbial identification services required to meet internal quality standards and government regulations.

***Biologics Testing Solutions***. We perform specialized testing of biologics frequently outsourced by global pharmaceutical and biotechnology companies. Our laboratories in the U.S., Germany, Scotland and Ireland provide timely and compliant molecular

biology, virology, bioanalysis, immunochemistry, microbiology and related services. We confirm that biological processes and the drug candidates and drugs produced are consistent, correctly defined, stable and essentially contaminant free. This testing is required by the FDA and other international regulatory authorities for our clients to obtain new drug approvals, to maintain government licensed manufacturing facilities and to release approved therapeutic products for patient treatment.

Our manufacturing services group grows and stores well-characterized early-stage client cell lines for later development or manufacture of therapeutic proteins and vaccines for clinical trials. We further design and provide viral clearance projects for Phase I, II and III studies in our German and U.S. facilities.

***Avian Vaccine Services***. We are the global leader for the supply of SPF fertile chicken eggs and chickens. SPF chicken embryos are used by animal health companies as self-contained “bioreactors” for the manufacture of live viruses. These viruses are used as a raw material primarily in poultry as well as human and veterinary vaccine applications. The production of SPF eggs is performed under biosecure conditions, similar in many ways to our research model production. We have a worldwide presence, with several SPF egg production facilities in the U.S., contracted production capabilities in Hungary, and franchise operations in India. We also operate a specialized avian laboratory in the U.S., which provides in-house quality control testing of the SPF flocks, offers testing services to vaccine companies and commercial poultry operations, and manufactures poultry diagnostics and bulk antigens for poultry vaccines.

**Our Strategy**

Our objective is to be the preferred strategic global partner for our clients. Our strategy is to deliver a comprehensive and integrated portfolio of drug discovery and non-clinical development products, services and solutions to support our clients' discovery and early-stage drug research, process development, scale up and manufacturing efforts, and enable them to bring new and improved therapies to market faster and more cost effectively. In addition, we believe we can improve and augment drug discovery and early-stage development effectiveness by coordinating the dialog between large pharmaceutical, biotechnology, academic and non-governmental organizations and venture capitalists. Separately, through our various Manufacturing segment businesses, we aim to be the premier provider of products and services that ensure our clients produce and release their products safely. As these groups increasingly rely and interact with one another in this field, we assist them in working together by developing deeper strategic relationships with each of these constituencies.

We believe we have certain competitive advantages in executing this strategy, as a result of our continuing focus on the following:

*Integrated Early-Stage Portfolio*. We are the only large, global CRO with a portfolio of products, services and solutions that focuses on drug discovery and early-stage development. We provide research models and associated services, discovery research studies and services, and comprehensive safety assessment studies in both regulated and non-regulated environments. As such, we are able to collaborate with clients from target discovery through candidate selection. When critical decisions are made regarding which therapeutics will progress from discovery to development, we continue to work alongside our clients as the drug candidates move downstream. Our recognized expertise in early-stage drug research and pharmacology provides us with a competitive advantage. We understand our clients' therapies, and the challenges they face during the discovery and development process, including mechanism of action, efficacy, drug metabolism, safety assessment and toxicological testing critical for making “go/no-go” decisions.

*Pharmaceutical Manufacturing Support Portfolio.* We also offer a portfolio of products, services, and solutions that supports the process development, scale up and quality control efforts of the biopharmaceutical industry. We provide products and services that support the development and release of commercialized biologics products. In particular, we are an industry leader in the areas of microbial detection and microbial identification to support process development and ongoing commercial production. Our portfolio spans a broad range of traditional and rapid methods, which provide the highest testing quality, enhance productivity and reduce cycle time.

*Deep Scientific Expertis*e. We provide a breadth and depth of scientific expertise which may be too costly for our clients to build and/or maintain in-house. We provide essential capabilities, including biomarkers, biologics, medicinal chemistry, *in vitro* screening, *in vivo* pharmacology, immunology, pathology, biologics process development testing, microbial detection and identification and other specialty service areas that have high infrastructure costs or are cost-prohibitive for clients to maintain in-house. We continue to expand our portfolio in key therapeutic and pharmacology areas to align with our clients' internal drug discovery and development areas of focus. These areas of disease focus and expertise include oncology, metabolism and obesity, immunology, respiratory, bone and musculoskeletal, diabetes, cardiovascular, infectious disease and central nervous system. In the areas of functional expertise, it includes synthetic and medicinal chemistry, library design, cell line development, *in vitro* and *in vivo* assay development screening,

preclinical imaging, structural biology, process chemistry, toxicology, veterinary pathology, bioanalysis, scale up and formulation development. We also continue to enhance our small molecule and biologics manufacturing portfolio in areas of greatest industry need, where outsourcing provides major benefits for our clients and where we could provide significant benefits given our unique early development portfolio and global footprint.

*Commitment to Animal Welfare*. We are committed to being the worldwide leader in the humane care of laboratory animals and implementation of the "3Rs" (Replacement, Reduction and Refinement). As researchers, we are responsible to our clients and the public for the health and well-being of the animals in our care. We work hand-in-hand with the scientific community to understand how living conditions, handling procedures and reduction of stress play an important role in the quality and efficiency of research.

*Superior Quality and Client Support*. We maintain scientific rigor and high quality standards through management of key performance indicators and an intense focus on biosecurity. These standards allow clients to access our global portfolio of products and services with the confidence that they will obtain consistent results no matter where they choose to obtain their products or conduct their research.

*Flexible and Customized Environment to Provide the Right Solutions*. Each of our clients is different, with unique needs and specific requirements. We understand the importance of flexibility, and leverage the expertise embedded in our integrated early-stage portfolio to provide customized solutions tailored to the specific need or therapeutic area for a particular client. By utilizing our streamlined and efficient facilities, we help clients create a flexible infrastructure in order to improve their workload and staffing requirements. This allows our clients to reduce internal capacity and/or staff. We provide enhanced value to clients who use us as a full-service integrated partner over a longer period of time.

*Large, Global Partner*. We believe there is a particular advantage in being a full service, high-quality provider of research models and associated services, discovery and preclinical *in vivo* and *in vitro* services and manufacturing support on a global scale. Many of our clients, especially large biopharmaceutical companies, have decided to limit the number of suppliers with which they work. Their preference is to partner with large Tier 1 CROs like Charles River, who can offer clients support across the earlier-stage drug research process as a result of broader portfolios and experience in project management. This includes extensive scientific, technical and therapeutic area expertise, real-time access to data through secure portals, a global footprint, and streamlined and simplified processes and communications including professional project and relationship management. We are focused on leveraging our competitive advantages to ensure we are recognized as the premier preferred provider thereby enabling us to build broader and deeper long-term strategic relationships with our clients.

Global biopharmaceutical companies are continuing to make the decision to outsource more significant tranches of their drug discovery, development and manufacturing processes. Over the past few years we have entered into strategic relationships with leading global biopharmaceutical companies and expanded existing preferred provider agreements with other leading global biopharmaceutical companies. For example, in 2015, we extended the term of our collaboration with AstraZeneca for outsourced regulated safety assessment and development drug metabolism and pharmacokinetics until 2020. For some of these partners, we provide a broad suite of our research models and discovery and safety assessment services and for others we provide a customized and select array of discovery and safety assessment services and/or research models. Offering flexibility enables our clients to utilize our products and services to deliver innovative health solutions in a manner which best suits their individual needs.

There have been fundamental changes in our clients' research and development needs, particularly with regard to the large pharmaceutical industry. First, these clients are increasingly emphasizing studies that have greater translation to the clinic so that they can make appropriate decisions regarding the progression of potential therapeutic entities earlier in the development process. The result is a greater focus on discovery services, including *in vivo* pharmacology studies consisting of efficacy and non-GLP DMPK (drug metabolism and pharmacokinetics) studies. Second, these clients are choosing to outsource additional discovery and safety assessment services in order to increase the efficiency and effectiveness of their drug selection processes.

There have been fundamental shifts in the manufacturing needs of our clients. Clients have significantly outsourced their small molecule manufacturing capacity by selling off assets as well as contracting with contract manufacturing organizations (CMOs). There is now a very large, global and highly fragmented CMO industry supporting the industry. Biologic production has been slower to be outsourced, but this is accelerating. Furthermore, the industry is increasing reliance on venture capital funded and mid-tier companies for new small molecule and biologics drugs and they prefer an outsourced CMO model. This will continue to drive further manufacturing outsourcing. Higher standards for quality control testing during process

development and ongoing manufacturing will drive enhanced need for CMO testing support services, particularly rapid methods and fast turnaround services, to minimize the impact on manufacturing timelines and costs.

We believe that this changing environment will provide enhanced outsourcing opportunities for us in the future. We remain optimistic that our clients are increasingly receptive to partnering with CROs and CMOs as a means of meeting their discovery and preclinical support needs. We believe that the successful launch of new therapies and outsourcing by the pharmaceutical industry will continue to be positive drivers of demand for our products and services.

We also believe that larger biopharmaceutical companies will increasingly focus on efficiencies and execution. They will continue to reassess what are core differentiators from research and development to commercialization. We expect they will also continue to be conservative in re-building infrastructure and expertise. This should lead to more opportunities for strategic outsourcing as clients choose to utilize external resources rather than invest in internal infrastructure. In the aggregate, we believe that the evolving large biopharmaceutical research and development business model will make our essential products and services even more relevant to our clients, and allow them to leverage our integrated offerings and expertise to drive their research, preclinical development and manufacturing efficiency and cost effectiveness.

We believe it is critical to participate in the strategic partnering process because these relationships are likely to extend for lengthy periods of time - three to five years. Furthermore, both the client and the CRO invest heavily in the initial phases of the relationship to successfully transfer work streams and establish governance processes. Given this investment, clients are less likely to change CROs at the conclusion of the initial relationship. Our goal is to prevail in the majority of these opportunities.

We also believe that our portfolio provides flexible solutions that meet the customized needs for virtual and small biotechnology companies, which have limited or no infrastructure. These clients also value our ability to provide a broad range of services and integrated services where we work hand in hand with our customers to design, plan and manage integrated projects and programs. This includes classically outsourced services, “insourced” services and hybrid offerings blending resources from both our clients and staff. Our clients have utilized this capability, which blends both resources inside and outside their walls.

We maintain an intense focus on initiatives designed to allow us to drive profitable growth and maximize value for shareholders, and better position ourselves to operate successfully in the current and future business environment. As a result, we believe that we are well positioned to exploit both existing and new outsourcing opportunities.

We intend to continue to broaden the scope of the products and services we provide across the drug discovery and early-stage development continuum primarily through internal development, and, as needed, through focused acquisitions and alliances. Acquisitions are an integral part of our growth strategy, but we are committed to a disciplined approach that seeks to target businesses that are a sound strategic fit and that offer the prospect of enhancing shareholder value, typically including the achievement of a hurdle rate for return on invested capital above our weighted cost of capital. For example, in each of 2014 and 2015, we completed significant strategic acquisitions. In 2014, we acquired Argenta and BioFocus, global leaders in integrated drug discovery services with a predominant focus on *in vitro* capabilities, and ChanTest, a premier provider of ion channel testing. In 2015, we acquired Celsis Group Limited., a leading provider of rapid bacterial detection systems for sterile and non-sterile quality control testing in the biopharmaceutical and consumer products industries.

Our acquisition strategy also takes into account geographic as well as strategic expansion of existing core services. For example, in 2015, we acquired Oncotest, a Germany-based CRO providing discovery services for oncology, which complements our existing *In Vivo* Discovery businesses in the U.S. and Finland, and Sunrise Farms, a producer of SPF fertile chicken eggs and chickens used in the manufacture of live viruses. In 2013, we acquired Microbial Solutions Singapore and 75% ownership of Vital River, the premier commercial provider of research models and related services in China. And, in 2014 and 2012, we acquired VivoPath and Accugenix, respectively.

We are also partnering with a number of venture capital firms primarily investing in life sciences, health care and technology companies with an emphasis on early-stage emerging growth companies. Through these partnerships we are able to promote contract research services for discovery and safety assessment to these companies. This offers us the opportunity to establish ourselves as a provider of choice for a unique client group which has emerged as biopharmaceutical companies rationalize and prioritize their development pipelines.

**Customers**

We maintain a three-pronged sales organization with a focus on:

- global biopharmaceutical companies;

- small and mid-sized pharmaceutical and biotechnology companies; and
- academic and government institutions.

We also maintain several sales specialists which either have specific technical expertise (often degreed scientists) or cover unique markets.

Our clients continue to consist primarily of all of the major biopharmaceutical companies; many biotechnology, agricultural and chemical, life science, veterinary medicine, medical device, diagnostic and consumer product companies; contract research and contract manufacturing organizations; and other commercial entities, as well as leading hospitals, academic institutions, and government agencies. We have stable, long-term relationships with many of our clients. During 2015, no single commercial client accounted for more than 5% of our total revenue and no single customer accounted for more than 10% of the revenue of any of our three business segments.

We continue to pursue a goal of expanding our relationships with our large biopharmaceutical clients, and with many of our larger mid-market clients. These relationships take different forms, from preferred provider arrangements to strategic partnerships. The structure of these relationships incentivizes clients to purchase more products and services across our early-stage portfolio, and in total, the strategic relationships in which we are now engaged represent over 30% of our total revenues. Because of the strength of these relationships, we have better insight into our clients' planning processes, and therefore, better visibility than in the past. For information regarding revenue attributable to each of our business segments for the last three fiscal years, please see Note 14 “Segment and Geographic Information” included in the Notes to Consolidated Financial Statements included elsewhere in this Form 10-K. For information regarding revenue and long-lived assets attributable to operations in the United States, Europe, Canada, Japan and other countries for each of the last three fiscal years, please review Note 14 “Segment and Geographic Information” included in the Notes to Consolidated Financial Statements included elsewhere in this Form 10-K.

**Sales, Marketing and Customer Support**

We have designated dedicated sales people for each of our three client segments (global biopharmaceutical, small and mid-sized pharmaceutical and biotechnology companies, and academic and government institutions). This enhances our ability to meet client needs by offering customized, tailored solutions across our entire portfolio. In addition, our mid-market pharmaceutical and biotechnology clients benefit by additional support from a combination of account managers with broad portfolio knowledge and specialists with specific scientific expertise. This allows us to provide comprehensive coverage of all of the market segments among our diverse client population. We also apply the use of dedicated sales specialists for certain technical product lines, such as in our Manufacturing business.

We sell our products and services principally through our direct sales force and account management teams who work in North America, Europe and the Asia-Pacific countries. In addition to interactions with our direct sales force, our primary promotional activities include organizing scientific symposia, publishing scientific papers and newsletters, webinars and making presentations at, and participating in, scientific conferences and trade shows in North America, Europe and Asia. We supplement these scientifically based marketing activities with internet-based marketing, advertising and direct mail. In certain areas, our direct sales force is supplemented by international distributors and agents.

Our internal marketing/product management teams support the field sales staff and account management teams while developing and implementing programs to create close working relationships with our clients in the biomedical research industry. We maintain customer service, technical assistance and consulting service departments (in addition to project managers for our service businesses), which address both our clients' routine and more specialized needs and generally serve as a scientific resource for them. We frequently assist our clients in solving problems related to animal husbandry, health and genetics, biosecurity, preclinical study design, regulatory consulting, protocol development and other areas in which our expertise is widely recognized as a valuable resource by our clients.

Our marketing efforts are focused on stimulating demand for further outsourcing across our entire services portfolio. We believe that our ability to provide solutions that address all aspects of early-stage drug research are increasingly attractive to our clients, and we continue to design and market our commercial activities to deliver flexible, customized programs designed by segment to meet our clients' global and site-specific needs.

**Competition**

Our goal is to be a leader in each of the markets in which we participate. We compete in the marketplace on the basis of our therapeutic and scientific expertise in early-stage drug research, quality, reputation, flexibility, responsiveness, pricing,

innovation and global capabilities. We are able to offer a unique portfolio of early-stage products and services to support drug discovery and development.

We encounter a broad range of competitors of different sizes and capabilities in each of our three businesses segments, although the largest competitors within any segment vary. We also face competition from the internal discovery and development resources of our clients.

- For RMS, we have five main competitors of which one is a government funded, not-for-profit entity; one is part of a large public company; two are privately held in Europe and one is privately held in the U.S. We believe that none of these competitors compare to us in global reach, financial strength, breadth of product and services offerings, technical expertise or pharmaceutical and biotechnology industry relationships.
- For DSA, both our Discovery Services and Safety Assessment businesses have numerous competitors. Discovery has hundreds of competitors as in a highly competitive and fragmented market. Safety Assessment has seven main competitors; one is part of a large public company in the U.S.; one is a privately held company in the U.K.; one is a private company with operations in the U.S. and China; one is a privately held company with operations in the U.S. and the EU; and three are privately held companies in the U.S. Our DSA segment also competes with in-house departments of pharmaceutical and biotechnology companies, universities and teaching hospitals.
- For Manufacturing, each of our underlying businesses has several competitors. In addition to many smaller competitors, Biologics has five main competitors, of which three are public companies in Europe, one is a private company in the U.S., and one is a public company in China. Avian has one main competitor to its SPF eggs business, which is privately held in the European Union, and numerous competitors for services provided through our specialized avian laboratory. Microbial Solutions has six main competitors, of which three are public companies in the European Union, two are public companies in the U.S. and one is privately held in the U.S.

**Industry Support and Animal Welfare**

One of our core values is a concern for, and commitment to, animal welfare. We have been in the forefront of animal welfare improvements in our industry, and continue to show our commitment with special recognition programs for employees who demonstrate an extraordinary commitment in this critical aspect of our business. We created our own Humane Care Initiative, which is directed by our Animal Welfare and Training Group. The goal of the initiative is to assure that we continue as a worldwide leader in the humane care of laboratory animals and implementation of the 3Rs (Replacement, Reduction and Refinement). Laboratory animals are an important resource that further our knowledge of living systems and contribute to the discovery of life-saving drugs and procedures. We work hand-in-hand with the scientific community to understand how living conditions, handling procedures and stress play a role in the quality and efficiency of research. As researchers, we are responsible to our clients and the public for the health and well-being of the animals in our care.

We are firmly committed to the 3Rs and to reducing the number of animals used by emphasizing health and genetic integrity to decrease study data variability. Whenever possible, we use technological advances such as new diagnostic tests for screening pathogens in laboratory rodents, microsampling and *in vitro* assays. We also partner with customers to develop study designs decreasing the number of animals needed and suggesting pilot studies where appropriate. We have recently instituted a quarterly award recognizing our employees' efforts to continually implement the 3Rs at our sites globally.

We support a wide variety of organizations and individuals working to further animal welfare as well as the interests of the biomedical research community. We fund scholarships to laboratory animal training programs, provide financial support to non-profit institutions that educate the public about the benefits of animal research and provide awards and prizes to outstanding leaders in the laboratory animal medicine field and the supporters of 3Rs.

**Employees**

As of December 26, 2015, we had approximately 8,600 employees (including approximately 770 science professionals with advanced degrees, including Ph.D.s, D.V.M.s and M.D.s). Our employees are not unionized in the U.S. Employees at some of our European facilities are represented by works councils and/or unions, which is consistent with local customs for our industry. We believe we have good relationships with our employees, based on a number of factors including employee retention and survey results.

**Backlog**

Our backlog for our RMS, DSA and Manufacturing reportable segments was $106.6 million, $327.8 million and $36.2 million, respectively, as of December 26, 2015, as compared to $115.7 million, $310.5 million and $27.5 million, respectively, as of

December 27, 2014. Related services are performed over varying durations, from short to extended periods of time, which may be as long as several years. We maintain an order backlog to track anticipated revenue from studies and projects that either have not started, but are anticipated to begin in the near future, or are in process and have not been completed. We only recognize a study or project in backlog after we have received written evidence of a client's intention to proceed. Canceled studies or projects are removed from backlog.

We believe our aggregate backlog as of any date is not necessarily a meaningful indicator of our future results for a variety of reasons. First, studies vary in duration (i.e., some studies or projects that are included in 2015 backlog may be completed in 2016, while others may be completed in later years). Second, the scope of studies or projects may change, which may either increase or decrease their value. Third, studies or projects included in backlog may be subject to bonus or penalty payments. Fourth, studies or projects may be terminated or delayed at any time by the client or regulatory authorities for a number of reasons, including the failure of a drug to satisfy safety and efficacy requirements, or a sponsor making a strategic decision that a study or service is no longer necessary. Delayed contracts remain in our backlog until a determination of whether to continue, modify or cancel the study has been made. We cannot provide any assurance that we will be able to realize all or most of the net revenues included in backlog or estimate the portion to be filled in the current year.

**Regulatory Matters**

As our business operates in a number of distinct operating environments and in a variety of locations worldwide, we are subject to numerous, and sometimes overlapping, regulatory environments.

The Animal Welfare Act (AWA) governs the care and use of certain species of animals used for research in the U.S. other than laboratory rats, mice and chickens. As a result, most of our U.S. small animal research models activities and our avian vaccine services operations are not subject to regulation under the AWA. For regulated species, the AWA and the associated Animal Care regulations require producers and users of regulated species to provide veterinary care and to utilize specific husbandry practices such as cage size, shipping conditions, sanitation and, for certain species, environmental enrichment to assure the welfare of these animals. Separately, facilities using live vertebrate animals in research funded by the U.S. Public Health Service (PHS) must also adhere to the PHS Policy on Humane Care and Use of Laboratory Animals and follow the Guide for the Care and Use of Laboratory Animals produced by the Institute for Laboratory Animal Research.

We comply with licensing and registration requirement standards set by the United States Department of Agriculture (USDA) and similar agencies in other countries such as the European Union, China, Japan and Canada for the care and use of regulated species. Our animal production facilities in the U.S. - our DSA facilities in the U.S., and Canada - and most of our DSA sites in the European Union are accredited by the Association for Assessment and Accreditation of Laboratory Animal Care International, a private, nonprofit, international organization that promotes the humane treatment of animals in science through voluntary accreditation and assessment programs.

Our import and export of animals and our operations in foreign countries are subject to international agreements and conventions, as well as a variety of national, regional, and local laws and regulations, which establish the standards for the humane treatment, care, handling and transport of animals by dealers and research facilities.

We conduct nonclinical safety assessment studies to support the submissions for approval or licensing of our clients' products throughout the world. Many of these studies must comply with national statutory or regulatory requirements for Good Laboratory Practice (GLP). GLP regulations describe a quality system for the organizational process and the conditions under which nonclinical studies are planned, performed, monitored, recorded, reported and archived. GLP compliance is required by such regulatory agencies as the FDA, United States Environmental Protection Agency, European Medicines Agency, Medicines and Healthcare Products Regulatory Agency in the U.K., Health Products Regulatory Authority in Ireland, Health Canada and other similar monitoring authorities in the countries where we operate. GLP requirements are significantly harmonized throughout the world and our laboratories are capable of conducting studies in compliance with all necessary requirements.

Our Manufacturing businesses produce endotoxin test kits, reagents, cell banks used in research and biopharmaceutical production, clinical trial vaccines and vaccine support products. Additionally, several of our laboratories conduct identity, stability, sterility and potency testing in support of our clients' manufacturing programs working with our clients to fulfill their validation requirements as applicable. These activities are subject to regulation by the FDA and other national regulatory agencies under their respective current Good Manufacturing Practice (cGMP) regulations. These regulations require that we manufacture our products or perform testing in a prescribed manner with respect to cGMP compliance, and maintain records of our manufacturing, testing and control activities. In addition, the specific activities of some of our businesses require us to hold specialized licenses for the manufacture, distribution and/or marketing of particular products.

All of our sites are subject to licensing and regulation under international treaties and conventions, including national, regional and local laws relating to:

- the surface and air transportation of chemicals, biological reagents and laboratory specimens;
- the handling, use, storage and disposal of chemicals (including narcotics and psychotropic drugs), biological reagents, laboratory specimens, hazardous waste and radioactive materials;
- the procurement, handling, use, storage and disposal of human cells, tissues and cellular and tissue based products for research purposes;
- the safety and health of employees and visitors to our facilities; and
- protection of the environment and general public.

Global compliance programs are centralized under a single group responsible for global quality programs and systems to ensure that all business sectors comply with applicable statutory and regulatory requirements and satisfy our clients' expectations for quality and regulatory compliance. To assure these compliance obligations, we established quality assurance units (QAUs) in each of our regulated businesses that require independent oversight. The QAUs operate independently from those individuals that direct and conduct studies, manufacturing or studies that support manufacturing.

**Intellectual Property**

We develop and implement computer software and technically derived procedures and products intended to maximize the quality and effectiveness of our services. Although our intellectual property rights are valuable to our success, we believe that such factors as the technical expertise, proprietary know-how, ability and experience of our professionals are more important, and that, overall, these technological capabilities provide significant benefits to our clients. Where we consider it appropriate, steps are taken to protect our know-how through confidentiality agreements and registrations. In addition, we in-license technology and products from other companies when it enhances our product and services businesses. In the future, in-licensing may become a larger initiative to enhance our offerings, particularly as we focus on therapeutic area expertise. With the exception of technology related to our Microbial Solutions testing business, we have no patents, trademarks, licenses, franchises or concessions which are material and upon which any of our products or services are dependent.

**Corporate Governance**

We are committed to operating our business with integrity and accountability. We strive to meet or exceed all of the corporate governance standards established by the New York Stock Exchange, the SEC, and the Federal government as implemented by the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Eight of the nine members of our Board of Directors are independent and have no significant financial, business or personal ties to us or management and all of our board committees (with the exception of our Executive Committee and our Strategic Planning and Capital Allocation Committee) are composed entirely of independent directors. The Board adheres to our Corporate Governance Guidelines and a Code of Business Conduct and Ethics which has been communicated to employees and posted on our website. We are diligent in complying with established accounting principles and are committed to providing financial information that is transparent, timely and accurate. We have a Related Person Transactions Policy designed to promote the timely identification of such transactions and to ensure we give appropriate consideration to any real or perceived conflicts in our commercial arrangements. We have a global process through which employees, either directly or anonymously, can notify management (and the Audit Committee of the Board of Directors) of alleged accounting and auditing concerns or violations including fraud. Our internal Disclosure Committee meets regularly and operates pursuant to formal disclosure procedures and guidelines which help to ensure that our public disclosures are accurate and timely. Copies of our Corporate Governance Guidelines, Code of Business Conduct and Ethics and Related Person Transactions Policy are available on our website at www.criver.com under the "Investor Relations-Corporate Governance" caption.

**Item 1A. Risk Factors**

Set forth below, elsewhere in this Form 10-K and in other documents we file with the SEC are risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this Form 10-K. We note that factors set forth below, individually or in the aggregate, may cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties.

***The outsourcing trend in preclinical (discovery and safety assessment) stages of drug discovery and development may decrease, which could impair our growth.***

Over the past decade, pharmaceutical and biotechnology companies have generally increased their outsourcing of preclinical research support activities, such as discovery and safety assessment. While many industry analysts expect the outsourcing trend to continue to increase for the next several years (although with different growth rates for different phases of drug discovery and development), decreases in such outsourcing may result in a diminished growth rate in the sales of any one or more of our service lines and may adversely affect our financial condition and results of operations. For additional discussion of the factors that we believe have recently been influencing outsourcing demand from our clients, please see the section entitled “Our Strategy” included elsewhere in this Form 10-K.

***A reduction in research and development budgets at pharmaceutical and biotechnology companies may adversely affect our business.***

Our clients include researchers at pharmaceutical and biotechnology companies. Our ability to continue to grow and win new business is dependent in large part upon the ability and willingness of the pharmaceutical and biotechnology industries to continue to spend on molecules in the preclinical phases of research and development (and in particular discovery and safety assessment) and to outsource the products and services we provide. Fluctuations in the expenditure amounts in each phase of the research and development budgets of these researchers and their organizations could have a significant effect on the demand for our products and services. Research and development budgets fluctuate due to changes in available resources, mergers of pharmaceutical and biotechnology companies, spending priorities (including available resources of our biotechnology clients, particularly those that are cash-negative, who may be highly focused on rationing their liquid assets in a challenging funding environment), general economic conditions and institutional budgetary policies. Available funding for biotechnology clients in particular may be affected by the capital markets, investment objectives of venture capital investors, and priorities of biopharmaceutical industry sponsors.

Our business could be adversely affected by any significant decrease in drug research and development expenditures by pharmaceutical and biotechnology companies, as well as by academic institutions, government laboratories or private foundations. In particular, studies in recent years have indicated that a majority of academic researchers are anticipating reductions in their budgets. Similarly, economic factors and industry trends that affect our clients in these industries, also affect their research and development budgets and, consequentially, our business as well. Furthermore, our clients (particularly larger biopharmaceutical companies) continue to search for ways to maximize the return on their investments with a focus on leaner research and development costs per drug candidate. For additional discussion of the factors that we believe have recently been influencing research and development budgets at our clients, please see the sections entitled “Our Strategy” and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K.

***A reduction or delay in government funding of research and development may adversely affect our business.***

A portion of revenue in our RMS segment is derived from clients at academic institutions and research laboratories whose funding is partially dependent on both the level and timing of funding from government sources such as the U.S. National Institutes of Health (NIH) and similar domestic and international agencies, which can be difficult to forecast. Government funding of research and development is subject to the political process, which is inherently fluid and unpredictable. Our sales may be adversely affected if our clients delay purchases as a result of uncertainties surrounding the approval of government budget proposals. Also, government proposals to reduce or eliminate budgetary deficits have sometimes included reduced allocations to the NIH and other government agencies that fund research and development activities. Other programs, such as homeland security or defense, or general efforts to reduce the federal budget deficit could be viewed by the U.S. government as a higher priority. These budgetary pressures may result in reduced allocations in the future to government agencies that fund research and development activities. Only since 2013 has funding for the NIH begun to increase. A reduction in government funding for the NIH or other government research agencies could adversely affect our business and our financial results. Also, there is no guarantee that NIH funding will be directed towards projects and studies that require use of our products and services.

***Several of our product and service offerings are dependent on a limited source of supply, which if interrupted could adversely affect our business.***

We depend on a limited international source of supply for certain products, such as large research models. Disruptions to their continued supply may arise from health problems, export or import laws/restrictions or embargoes, international trade regulations, foreign government or economic instability, severe weather conditions, increased competition amongst suppliers for models, disruptions to the air travel system, commercial disputes, supplier insolvency, or other normal-course or

unanticipated events. Any disruption of supply could harm our business if we cannot remove the disruption or are unable to secure an alternative or secondary supply source on comparable commercial terms.

***Changes in government regulation or in practices relating to the pharmaceutical or biotechnology industries, including potential health care reform, could decrease the need for the services we provide.***

Governmental agencies throughout the world, but particularly in the U.S., strictly regulate the drug development process. Our business involves helping pharmaceutical and biotechnology companies, among others, navigate the regulatory drug approval process. Accordingly, many regulations, and often new regulations, are expected to result in higher regulatory standards and often additional revenues for companies that service these industries. However, some changes in regulations, such as a relaxation in regulatory requirements or the introduction of streamlined or expedited drug approval procedures, or an increase in regulatory requirements that we have difficulty satisfying or that make our services less competitive, could eliminate or substantially reduce the demand for our services.

Although we believe we are currently in compliance in all material respects with national, regional and local laws as well as other accepted guidance used by oversight bodies (which include the USDA, the standards set by the International Air Transport Association, the Convention on International Trade in Endangered Species of Wild Fauna and Flora, U.S. Fish and Wildlife Service, The Centers for Disease Control, the Department of Transportation, the office of Laboratory Animal Welfare of NIH, the Drug Enforcement Agency as well as numerous other Canadian, European and Asian oversight agencies), failure to comply could subject us to denial of the right to conduct business, fines, criminal penalties and other enforcement actions. In addition, if regulatory authorities were to mandate a significant reduction in safety assessment procedures which utilize laboratory animals (as has been advocated by certain groups), certain segments of our business could be materially adversely affected.

In March 2010, the U.S. Congress enacted health care reform legislation intended over time to expand health insurance coverage and impose health industry cost containment measures. In June 2012, the U.S. Supreme Court upheld the constitutionality of this legislation. The Court’s decision allows implementation of key provisions impacting drug manufacturers going forward including, but not limited to, (1) expansion of access to health insurance coverage, (2) expansion of the Medicaid program, (3) enactment of an industry fee on pharmaceutical companies, and (4) imposition of an excise tax on the sale of medical devices. Since the law and its implementation continue to face challenges in Congress and federal courts, and from certain state governments, opposition advocacy groups, and some small business organizations, we are uncertain as to the effects of this legislation on our business and are unable to predict what legislative proposals will be adopted in the future.

Implementation of health care reform legislation may have certain benefits but also may contain costs that could limit the profits that can be made from the development of new drugs. This could adversely affect research and development expenditures by pharmaceutical and biotechnology companies, which could in turn decrease the business opportunities available to us both in the U.S. and abroad. In addition, new laws or regulations may create a risk of liability, increase our costs or limit our service offerings. Furthermore, if health insurers were to change their practices with respect to reimbursements for pharmaceutical products, our clients may spend less, or reduce their growth in spending on research and development.

***The FDA is in the process of reviewing and modernizing the GLP regulations to reflect current industry standards. As this may change some of the GLP requirements, the regulatory impact will not be known until the final regulations are issued.***

We are at risk that changes in U.S. Government practices may negatively affect our business since it is a significant customer of ours. For example, in 2014, the National Cancer Institute (NCI) canceled a 10-year, $112.0 million contract that was originally initiated in 2006, which had two years remaining. Under the contract, we produced NCI research models for academic and government researchers. In an effort to mitigate the effect of the cancellation, we launched an outreach program to inform researchers that they could continue to obtain the NCI models from us, with no change in initial pricing or logistics. From a revenue standpoint, we received between $10.0 and $11.0 million annually to produce the models, and expect that we will retain approximately half of that amount from direct sales to researchers.

***Contaminations in our animal populations can damage our inventory, harm our reputation for contaminant-free production, result in decreased sales and cause us to incur additional costs.***

Our research models and fertile chicken eggs must be free of certain infectious agents such as certain viruses and bacteria because the presence of these contaminants can distort or compromise the quality of research results and could adversely impact human or animal health. The presence of these infectious agents in our animal production facilities and certain service operations could disrupt our contaminant-free research model and fertile egg production as well as our animal services businesses including GEMS, harm our reputation for contaminant-free production and result in decreased sales.

If they occur, contaminations typically require cleaning up, renovating, disinfecting, retesting and restarting production or services. Such clean-ups result in inventory loss, clean-up and start-up costs, and reduced sales as a result of lost client orders and potentially credits for prior shipments. In addition to microbiological contaminations, the potential for genetic mix-ups or mis-matings also exists and may require the restarting of the applicable colonies. While this does not require the complete clean-up, renovation and disinfection of the barrier room, it would likely result in inventory loss, additional start-up costs and possibly reduced sales. Contaminations also expose us to risks that clients will request compensation for damages in excess of our contractual indemnification requirements. There also exists a risk that contaminations from models that we produce may affect our client's facilities, with similar impact to them for which we could be liable for damages. In some cases, we may produce or import animals carrying infectious agents capable of causing disease in humans; and in the case of such a contamination or undiagnosed infection, there could be a possible risk of human exposure and infection.

We are also subject to similar contamination risks with respect to our large research models. While often we own these models, they may be maintained on our behalf at a site operated by the original provider. Accordingly, risk of contamination may be outside of our control, and we depend on the practices and protocols of third parties to ensure a contamination-free environment. A contamination may require extended CDC quarantine with subsequent reduced sales as a result of lost client orders as well as the potential for complete inventory loss and disinfection of the affected quarantine rooms. Furthermore, while we often negotiate for contractual risk indemnification, we may be exposed in the event of such contaminations if the third party does not fulfill its indemnification obligation or is unable to as a result of insolvency or other impediments.

All such contaminations described above are unanticipated and difficult to predict and could adversely impact our financial results. Many of our operations are comprised of complex mechanical systems which are subject to periodic failure, including aging fatigue. Such failures are unpredictable, and while we have made significant capital expenditures designed to create redundancy within these mechanical systems, strengthen our biosecurity, improve our operating procedures to protect against such contaminations, and replace impaired systems and equipment in advance of such events, failures and/or contaminations may still occur.

***Any failure by us to comply with applicable regulations and related guidance could harm our reputation and operating results, and compliance with new regulations and guidance may result in additional costs.***

Any failure on our part to comply with applicable regulations could result in the termination of ongoing research or the disqualification of data for submission to regulatory authorities. This could harm our reputation, our prospects for future work and our operating results. For example, the issuance of a notice of objectionable observations or a warning from the FDA based on a finding of a material violation by us for GLP or cGMP requirements could materially and adversely affect us. If our operations are found to violate any applicable law or other governmental regulations, we might be subject to civil and criminal penalties, damages and fines. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and damage our reputation.

In addition, regulations and guidance worldwide concerning the production and use of laboratory animals for research purposes continues to be updated. Notably, the European Directive 2010/63/EU requires new standards for animal housing and accommodations that require implementation by 2017. Some of these new standards require additional operating and capital expenses that will impact not only us and our industry competitors, but clients in the biomedical research community through both changes in the pricing of goods and services and changes in their own operations.

Similarly, guidance has been and continues to be developed for other areas that impact the biomedical research community on both a national and international basis including transportation, mandated contingency planning, euthanasia guidance, import and export requirements of biological materials, health monitoring requirements and the use of disinfectants.

***Our revenue generating agreements contain termination and service reduction provisions or may otherwise terminate according to their term, which may result in less contract revenue than we anticipate.***

Many of our agreements with both large and small clients, including those which underlie our strategic relationships with some of our more significant customers, provide for termination or reduction in scope with little or no notice. In addition, we sell our products and services to our competitors, and similarly they sell products and services to us. For instance, we have historically entered into, and currently are party to, contracts with certain of our competitors to distribute specialty research models in locations where our competitors may not have distribution capabilities.

Clients and/or competitors may elect to terminate their agreements with us for various reasons including:

- the products being tested fail to satisfy safety requirements;

- unexpected or undesired study results;
- production problems resulting in shortages of the drug being tested;
- a client's decision to forego or terminate a particular study;
- establishment of alternative distribution channels by our competitors;
- the loss of funding for the particular research study; or
- general convenience/counterparty preference.

If a client or competitor terminates a contract with us, we are typically entitled under the terms of the contract to receive revenue earned to date as well as certain other costs and, in some cases, termination fees. Cancellation of a large contract or proximate delay, cancellation or conclusion of multiple contracts could materially adversely affect our business and, therefore, may adversely affect our operating results.

***Many of our contracts are fixed price and may be delayed or terminated or reduced in scope for reasons beyond our control, or we may under-price or overrun cost estimates with these contracts, potentially resulting in financial losses.***

Many of our contracts provide for services on a fixed price or fee-for-service with a cap basis and, accordingly, we bear the financial risk if we initially under-price our contracts or otherwise overrun our cost estimates. In addition, these contracts may be terminated or reduced in scope either immediately or upon notice. Cancellations may occur for a variety of reasons, and often at the discretion of the client. The loss, reduction in scope or delay of a large contract or the loss or delay of multiple contracts could materially adversely affect our business, although our contracts frequently entitle us to receive the costs of winding down the terminated projects, as well as all fees earned by us up to the time of termination. Some contracts also entitle us to a predetermined termination fee and irrevocably committed costs/expenses.

***We could experience a breach of the confidentiality of the information we hold or of the security of our computer systems.***

We operate large and complex computer systems that contain significant amounts of client data. As a routine element of our business, we collect, analyze and retain substantial amounts of data pertaining to the preclinical studies we conduct for our clients. Unauthorized third parties could attempt to gain entry to such computer systems for the purpose of stealing data or disrupting the systems. We believe that we have taken appropriate measures to protect them from intrusion, and we continue to improve and enhance our systems in this regard, but in the event that our efforts are unsuccessful we could suffer significant harm. Our contracts with our clients typically contain provisions that require us to keep confidential the information generated from these studies. In the event the confidentiality of such information was compromised, we could suffer significant harm.

***Impairment of goodwill or other intangible assets may adversely impact future results of operations.***

We have intangible assets, including goodwill, on our balance sheet due to our acquisitions of businesses. The initial identification and valuation of these intangible assets and the determination of the estimated useful lives at the time of acquisition involve use of management judgments and estimates. These estimates are based on, among other factors, projections of cash flows that arise from identifiable intangible assets of acquired businesses and discount rates based on an analysis of our weighted average cost of capital, adjusted for specific risks associated with the assets. Disruptions in global financial markets and deterioration of economic conditions could, among other things, impact the discount rate and other assumptions used in the valuations and actual cash flows arising from a particular intangible asset could vary from projected cash flows, which could imply different carrying values from those established at the dates of acquisition and which could result in impairment of such assets.

If the future growth and operating results of our business are not as strong as anticipated, overall macroeconomic or industry conditions deteriorate and/or our market capitalization declines, this could impact the assumptions used in calculating the carrying value of goodwill or other intangibles. To the extent goodwill or other intangibles are impaired, their carrying value will be written down to their implied fair value and a charge will be made to our income from continuing operations. Such an impairment charge could materially and adversely affect our operating results. As of December 26, 2015, the carrying amount of goodwill and other intangibles on our consolidated balance sheet was $719.6 million.

***Our business is subject to risks relating to operating internationally.***

A significant part of our revenue is derived from operations outside the U.S. Our international revenues, which include revenues from our non-U.S. subsidiaries, have represented approximately one-half of our total revenue in recent years. We expect that

international revenues will continue to account for a significant percentage of our revenues for the foreseeable future. There are a number of risks associated with our international business including:

- foreign currencies we receive for sales and in which we record expenses outside the U.S. could be subject to unfavorable exchange rates with the U.S. dollar and reduce the amount of revenue and cash flow (and increase the amount of expenses) that we recognize and cause fluctuations in reported financial results;
- certain contracts, particularly in Canada, are frequently denominated in currencies other than the currency in which we incur expenses related to those contracts and where expenses are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material adverse effect on our results of operations;
- general economic and political conditions in the markets in which we operate;
- potential international conflicts, including terrorist acts;
- potential trade restrictions, exchange controls, adverse tax consequences, and legal restrictions on the repatriation of funds into the U.S.;
- difficulties and costs associated with staffing and managing foreign operations, including risks of work stoppages and/or strikes, as well as violations of local laws or anti-bribery laws such as the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, and the Organization for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions;
- unexpected changes in regulatory requirements;
- the difficulties of compliance with a wide variety of foreign laws and regulations;
- unfavorable labor regulations in foreign jurisdictions;
- potentially negative consequences from changes in or interpretations of U.S. and foreign tax laws;
- exposure to business disruption or property damage due to geographically unique natural disasters;
- longer accounts receivable cycles in certain foreign countries; and
- import and export licensing requirements.

These risks, individually or in the aggregate, could have an adverse effect on our results of operations and financial condition. For example, as mentioned above, we are subject to compliance with the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws, which generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. While our employees, distributors and agents are required to comply with these laws, we cannot be sure that our internal policies and procedures will always protect us from violations of these laws despite our commitment to legal compliance and corporate ethics. The occurrence or allegation of these types of risks may adversely affect our business, performance, prospects, value, financial condition, and results of operations.

***New technologies may be developed, validated and increasingly used in biomedical research that could reduce demand for some of our products and services.***

The scientific and research communities continue to explore methods to develop improved models and systems that would improve the translation of cellular and animal models to human studies and vice-versa and possibly replace or supplement the use of traditional living animals as test platforms in biomedical research. Some companies have developed techniques in these areas that may have scientific merit to improve translation between species. In addition, technological improvements to existing or new processes, such as imaging and other translational biomarker technologies, could result in the refinement and utility for the number of animal research models necessary to improve the translation from preclinical to human studies. There is an increasing push to focus on *in vitro* technologies such as human materials, stem cell technology and model creation technology. However, the increasing availability and utility of these *in vitro* models is partially offset by these technologies facilitating the creation of humanized, highly specialized and specific disease mimicking models we can produce.

It is our strategy to explore these *in vitro* technologies to refine and potentially reduce the utilization of animal models as these new methods become validated. For example, ChanTest has a well-developed program to evaluate the cardiac properties of induced pluripotent stem cell-derived cardiomyocytes. We may not be successful in commercializing these methods, and, furthermore, revenues from these new models and approaches if successfully developed may not offset reduced sales or profits

from research models. In addition, alternative research methods could decrease the need for future research models, and we may not be able to develop new products effectively or in a timely manner to replace any lost sales. Lastly, other companies or entities may develop research models with characteristics different than the ones that we produce, and which may be viewed as more desirable by some of our clients.

***Negative attention from special interest groups may impair our business.***

The products and services which we provide our clients are essential to the drug discovery, development and manufacturing processes, and are almost universally mandated by law. Notwithstanding, certain special interest groups categorically object to the use of animals for valid research purposes. Historically, our core research model activities with rats, mice and other rodents have not been the subject of significant animal rights media attention. However, research activities with animals have been the subject of adverse attention, including shareholder proposals and attempts to disrupt air carriers from transporting research models, impacting the industry. This has included demonstrations near facilities operated by us and at our annual meetings, as well as shareholder proposals we received for some of our past Annual Meetings of Shareholders. Periodic demonstrations at our operating sites occur, particularly where large animals are situated. Any negative attention, threats or acts of vandalism directed against either our animal research activities or our third party service providers such as our airline carriers in the future could impair our ability to operate our business efficiently.

***Our debt level could adversely affect our business and growth prospects.***

At December 26, 2015, we had $829.4 million of debt and in connection with our plan to acquire WIL Research (See Note 16 “Subsequent Events”, included in the Notes to Consolidated Financial Statements elsewhere in this Form 10-K), we announced our intention to increase our borrowing by approximately $350.0 million. Our debt could have significant adverse effects on our business, including making it more difficult for us to obtain additional financing on favorable terms; requiring us to dedicate a substantial portion of our cash flows from operations to the repayment of debt and the interest on this debt; limiting our ability to capitalize on significant business opportunities; and making us more vulnerable to rising interest rates. For additional information regarding our debt, please see Note 7 “Long-Term Debt and Capital Lease Obligations”, included in the Notes to Consolidated Financial Statements elsewhere in this Form 10-K.

***The drug discovery, development services and manufacturing support industries are highly competitive.***

The drug discovery, preclinical development and manufacturing support services industries are highly competitive. We often compete for business not only with other CROs and CMOs, but also with internal discovery and development departments within our larger clients, who may have greater resources than ours. We also compete with universities and teaching hospitals for outsourced services. We compete on a variety of factors, including:

- reputation for on-time quality performance;
- reputation for regulatory compliance;
- expertise and experience in multiple specialized areas;
- scope and breadth of service and product offerings across the drug discovery and development spectrum;
- scope and breadth of service and product offerings across the manufacturing support spectrum;
- ability to provide flexible and customized solutions to support our clients' drug discovery, preclinical development and manufacturing support needs;
- broad geographic availability (with consistent quality);
- price/value;
- technological expertise and efficient drug development processes;
- quality of facilities;
- financial stability;
- size;
- ability to acquire, process, analyze and report data in an accurate manner; and
- accessibility of client data through secure portals.

If we do not compete successfully, our business will suffer. Increased competition might lead to price and other concessions that might adversely affect our operating results. The drug discovery and development services industry has continued to see a trend towards consolidation, particularly among the biotechnology companies, who are targets for each other and for larger pharmaceutical companies. If this trend continues, it is likely to produce more competition among the larger companies and CROs and CMOs generally, with respect to both clients and acquisition candidates. In addition, small, specialized entities considering entering the CRO industries will continue to find lower barriers to entry, and private equity firms may determine that there are opportunities to acquire and consolidate these companies, thus further increasing possible competition. More generally, our competitors or others might develop technologies, services or products that are more effective or commercially attractive than our current or future technologies, services or products, or that render our technologies, services or products less competitive or obsolete. If competitors introduce superior technologies, services or products and we cannot make enhancements to ours to remain competitive, our competitive position, and in turn our business, revenue and financial condition, would be materially and adversely affected. In the aggregate, these competitive pressures may affect the attractiveness of our technologies, services or products and could adversely affect our financial results.

***Potential Changes in U.S. and International Tax Law.***

In the U.S., there are several proposals to reform corporate tax law that are currently under consideration. These proposals include reducing the corporate statutory tax rate, broadening the corporate tax base through the elimination or reduction of deductions, exclusions and credits, implementing a territorial regime of taxation, limiting the ability of U.S. corporations to deduct interest expense associated with offshore earnings, modifying the foreign tax credit rules, and reducing the ability to defer U.S. tax on offshore earnings. These or other changes in the U.S. tax laws could increase our effective tax rate which would affect our profitability.

We have substantial operations in Canada and the United Kingdom which currently benefit from favorable corporate tax arrangements. We receive substantial tax credits in Canada, from both the Canadian federal and Quebec governments, and the United Kingdom. Any reduction in the availability or amount of these tax credits due to tax law changes or outcomes of tax controversies could have a material adverse effect on our profits, cash flow and effective tax rate.

Currently, the OECD has developed an action plan to address concerns regarding base erosion and profit shifting (BEPS). This initiative has resulted in proposed and enacted changes to tax laws in various countries including France, Germany, and the United Kingdom. Future changes to tax laws or interpretation of tax laws resulting from the BEPS project could increase our effective tax rate which would affect our profitability.

***Contract research services create a risk of liability.***

As a CRO, we face a range of potential liabilities which may include:

- errors or omissions in reporting of study detail in preclinical studies that may lead to inaccurate reports, which may undermine the usefulness of a study or data from the study, or which may potentially advance studies absent the necessary support or inhibit studies from proceeding to the next level of testing;
- risks associated with our possible failure to properly care for our clients' property, such as research models and samples, study compounds, records, work in progress, other archived materials, or goods and materials in transit, while in our possession;
- risks that models in our breeding facilities or in facilities that we manage may be infected with diseases that may be harmful and even lethal to themselves or humans despite preventive measures contained in our policies for the quarantine and handling of imported animals; and
- risks that we may have errors and omissions and/or product liabilities related to our products designed to conduct lot release testing of medical devices, injectable drugs, food, beverages and home and beauty products (primarily through our Microbial Solutions business) or in the testing of biologics and other services performed by our Biologics business, which could result in us or our clients failing to identify unsafe or contaminated materials.

While we attempt to mitigate these risks through a variety of methods, it is impossible to completely eradicate such risks. In our RMS business, we mitigate these risks to the best of our abilities through our regimen of animal testing, quarantine procedures, and veterinary staff vigilance, through which we seek to control the exposure of animal related disease or infections. In our DSA and Manufacturing businesses, we attempt to reduce these risks by contractual risk transfer provisions entitling us to be indemnified subject to a limitation of liability, by insurance maintained by our clients and/or by us, and by various regulatory requirements we must follow in connection with our business.

Contractual risk transfer indemnifications generally do not protect us against liability arising from certain of our own actions, such as negligence or misconduct. We could be materially and adversely affected if we are required to pay damages or bear the costs of defending any claim that is outside any contractual indemnification provision, or if a party does not fulfill its indemnification obligations, or the damage is beyond the scope or level of insurance coverage. We also often contractually indemnify our clients (subject to a limitation of liability), similar to the way they indemnify us, and we may be materially adversely affected if we have to fulfill our indemnity obligations. Furthermore, there can be no assurance that we nor a party required to indemnify us will be able to maintain such insurance coverage (either at all or on terms acceptable to us).

***If we are not successful in selecting and integrating the businesses and technologies we acquire, or in managing our current and future divestitures, our business may suffer.***

During the past fifteen years, we have steadily expanded our business through numerous acquisitions. We plan to continue to acquire businesses and technologies and form strategic alliances. However, businesses and technologies may not be available on terms and conditions we find acceptable. We risk spending time and money investigating and negotiating with potential acquisition or alliance partners, but not completing transactions.

On January 6, 2016, we announced our plans to acquire WIL Research, a premier provider of safety assessment and contract development manufacturing services to biopharmaceutical, agricultural and industrial chemical companies worldwide. If consummated, this transaction will be the largest acquisition in over ten years. Refer to Item 8, “Financial Statements and Other Supplementary Data” in this Annual Report on Form 10-K for more details.

Even if completed, acquisitions and alliances involve numerous risks which may include:

- difficulties in achieving business and financial success;
- difficulties and expenses incurred in assimilating and integrating operations, services, products, technologies or pre-existing relationships with our customers, distributors and suppliers;
- challenges with developing and operating new businesses, including those which are materially different from our existing businesses and which may require the development or acquisition of new internal capabilities and expertise;
- potential losses resulting from undiscovered liabilities of acquired companies that are not covered by the indemnification we may obtain from the seller or the insurance we acquire in connection with the transaction;
- loss of key employees;
- the presence or absence of adequate internal controls and/or significant fraud in the financial systems of acquired companies;
- diversion of management's attention from other business concerns;
- acquisitions could be dilutive to earnings, or in the event of acquisitions made through the issuance of our common stock to the shareholders of the acquired company, dilutive to the percentage of ownership of our existing shareholders;
- risks of not being able to overcome differences in foreign business practices, customs and importation regulations, language and other cultural barriers in connection with the acquisition of foreign companies;
- new technologies and products may be developed which cause businesses or assets we acquire to become less valuable; and
- risks that disagreements or disputes with prior owners of an acquired business, technology, service or product may result in litigation expenses and distribution of our management's attention.

In the event that an acquired business, technology or an alliance does not meet our expectations, our results of operations may be adversely affected.

Some of the same risks exist when we decide to sell a business, site, or product line. In addition, divestitures could involve additional risks, including the following:

- difficulties in the separation of operations, services, products and personnel; and
- the need to agree to retain or assume certain current or future liabilities in order to complete the divestiture.

We continually evaluate the performance and strategic fit of our businesses. These and any divestitures may result in significant write-offs, including those related to goodwill and other intangible assets, which could have an adverse effect on our results of operations and financial condition. In addition, we may encounter difficulty in finding buyers, or, alternative exit strategies at acceptable prices, terms and in a timely manner. We may not be successful in managing these or any other significant risks that we encounter in divesting a business, site or product line, and as a result, we may not achieve some or all of the expected benefits of the divestiture.

***Upgrading and integrating our business systems could result in implementation issues and business disruptions.***

In recent years we implemented a project to replace many of our numerous legacy business systems at certain sites worldwide with an enterprise wide, integrated enterprise resource planning (ERP) system. The expansion of the system to other international locations may occur at a future date based on value to the business. In general, the process of planning and preparing for these types of integrated, wide-scale implementations is extremely complex and we are required to address a number of challenges including data conversion, system cutover and user training. Problems in any of these areas could cause operational problems during implementation including delayed shipments, missed sales, billing and accounting errors and other operational issues. There have been numerous, well-publicized instances of companies experiencing difficulties with the implementation of ERP systems which resulted in negative business consequences.

***The drug discovery and development industry has a history of patent and other intellectual property litigation, and we might be involved in costly intellectual property lawsuits.***

The drug discovery and development industry has a history of patent and other intellectual property litigation and these lawsuits will likely continue. Accordingly, we face potential patent infringement suits by companies that have patents for similar products and methods used in business or other suits alleging infringement of their intellectual property rights. Legal proceedings relating to intellectual property could be expensive, take significant time and divert management's attention from other business concerns, whether we win or lose. If we do not prevail in an infringement lawsuit brought against us, we might have to pay substantial damages, including treble damages, and we could be required to stop the infringing activity or obtain a license to use technology on unfavorable terms.

***We may not be able to successfully develop and market new services and products.***

We may seek to develop and market new services and products that complement or expand our existing business or service offerings. We believe our ability to in-license new technologies from third-parties will be critical to our ability to offer new products and services to our customers. Our ability to gain access to technologies that we need for new products and services depends, in part, on our ability to convince inventors and their agents or assignees that we can successfully commercialize their inventions. We cannot guarantee that we will be able to identify new technologies of interest to our customers. Even if we are able to identify new technologies of interest, we may not be able to negotiate license agreements on acceptable terms, or at all. If we are unable to develop new services and products and/or create demand for those newly developed services and products, our future business, results of operations, financial condition, and cash flows could be adversely affected.

***We depend on key personnel and may not be able to retain these employees or recruit additional qualified personnel, which would harm our business.***

Our success depends to a significant extent on the continued services of our senior management and other members of management. James C. Foster, our Chief Executive Officer since 1992 and Chairman since 2000, has held various positions with us for four decades. We have no employment agreement with Mr. Foster or other members of our non-European based senior management. If Mr. Foster or other members of senior management do not continue in their present positions, our business may suffer.

Because of the specialized scientific nature of our business, we are highly dependent upon attracting and retaining qualified scientific, technical and managerial personnel. While we have a strong record of employee retention, there is still significant competition for qualified personnel in the veterinary, pharmaceutical and biotechnology fields. Therefore, we may not be able to attract and retain the qualified personnel necessary for the development of our business. The loss of the services of existing personnel, as well as the failure to recruit additional key scientific, technical and managerial personnel in a timely manner, could harm our business.

***Our quarterly operating results may vary, which could negatively affect the market price of our common stock.***

Our results of operations in any quarter may vary from quarter to quarter and are influenced by such factors as:

- changes in the general global economy;

- the number and scope of ongoing client engagements;
- the commencement, postponement, delay, progress, completion or cancellation of client contracts in the quarter;
- changes in the mix of our products and services;
- competitive pricing pressures;
- the extent of cost overruns;
- holiday buying patterns of our clients;
- budget cycles of our clients;
- changes in tax laws, rules, regulations and tax rates in the locations in which we operate;
- the timing and charges associated with completed acquisitions and other events;
- the financial performance of the limited partnerships in which we invest;
- the occasional extra "53rd week" that we recognize in a fiscal year (and 4th fiscal quarter thereof) due to our fiscal year ending on the last Saturday in December; and
- exchange rate fluctuations.

We believe that operating results for any particular quarter are not necessarily a meaningful indication of future results. Nonetheless, fluctuations in our quarterly operating results could negatively affect the market price of our common stock.

***Our industry has a history of patent and other intellectual property litigation, which can be costly***.

Our industry has a history of intellectual property litigation. On July 31, 2015, IDEXX Laboratories, Inc. and IDEXX Distribution, Inc. filed a complaint in the United States District Court for the District of Delaware alleging we infringed three recently issued patents related to a dried blood spot sample collection method used in determining the presence or absence of an infectious disease in a population of rodents. Legal proceedings relating to intellectual property can be expensive, take significant time and divert management's attention from other business concerns, regardless of the outcome of the litigation. While we intend to defend against this proceeding vigorously, if we do not prevail in this lawsuit, we might be ordered to pay damages, and we could be required to stop the infringing activity or obtain a license to use the technology on unfavorable terms.

***Since we do not expect to pay any cash dividends for the foreseeable future, our shareholders will benefit from an investment in our common stock only if it appreciates in value.***

We have never declared or paid any cash dividends on our common stock. We do not anticipate that we will pay any dividends to holders of our common stock for the foreseeable future. Any payment of cash dividends will be at the discretion of our Board of Directors and will depend on our financial condition, capital requirements, legal requirements, earnings and other factors. Consequently, our shareholders should not rely on dividends to receive a return on their investment.

**Item 1B. Unresolved Staff Comments**

There are no unresolved comments to be reported in response to Item 1B.

**Item 2. Properties**

We own or lease the land and buildings where we have facilities. We own large facilities (facilities over 50,000 square feet) for our DSA businesses in Canada, Ireland, Scotland and the United States and lease large facilities in England and the United States. We own large RMS facilities in Canada, China, France, Germany, Japan, England and the United States. We own large Manufacturing segment facilities in the United States and China. None of our leases is individually material to our business operations. Many of our leases have an option to renew, and we believe that we will be able to successfully renew expiring leases on terms satisfactory to us. We believe that our facilities are adequate for our operations and that suitable additional space will be available when needed. For additional information, see Note 7, "Long-Term Debt and Capital Lease Obligations" and Note 13, "Commitments and Contingencies" included in Item 8, "Financial Statements and Other Supplementary Data" in this Annual Report on Form 10-K.

Capacity at our Safety Assessment businesses within our DSA segment is primarily based on physical room infrastructure designed towards meeting specific scientific and regulatory requirements. We track room utilization on an ongoing basis and

depending on the needs of our clients at given times, we may need to execute on contingent plans for expansion, which average between six and fifteen months to complete.

We may also expand at specific sites in order to accommodate needs resulting from any consolidation strategy. We continue to employ a master site planning strategy to proactively evaluate our real estate needs. In certain circumstances, we dispose of or consolidate operations, which could result in impairment charges. In situations where the associated real estate is leased, and depending on the resolution of these situations, we may be encumbered with the remaining real estate lease obligations.

**Item 3. Legal Proceedings**

We are not party to any material legal proceedings, other than ordinary routine litigation incidental to our business that is not material to our business or financial condition.

In early May 2013, with the assistance of the law firm of Davis Polk & Wardwell LLP, we commenced an investigation of inaccurate billing with respect to certain government contracts. This issue had been reported to our senior management by a Charles River employee. We promptly reported these matters to the relevant government contracting officers, the Department of Health and Human Services' Office of the Inspector General, and the Department of Justice, and is cooperating with these agencies to ensure the proper repayment and resolution of this matter.

The investigation to date has confirmed that our RMS business segment billed the Department of Health and Human Services for certain work that had not been performed with respect to a small subset of our government contracts. It has been determined that when employees regularly assigned to work in research model barrier rooms associated with these contracts were absent, other employees' names would be substituted on time-keeping records associated with the relevant contracts. We billed the government for the hours associated with these substitute employees, despite the fact that, in many cases, these employees did not perform any services in connection with the relevant government contracts. Based on the findings of the investigation to date, we believe that this conduct was limited to our research model facilities in Raleigh, North Carolina, and Kingston, New York. We have identified approximately $1.5 million in excess amounts billed on these contracts since January 1, 2007 and have recorded a liability for such amount as of December 26, 2015. Because of the ongoing discussions with the government and the complex nature of this matter, we believe it is reasonably possible that additional losses may be incurred but cannot at this time make a reasonable estimate of the potential range of loss beyond such estimated liability.

We have already taken appropriate steps to prevent this conduct from recurring, and will consider additional remedial measures following the conclusion of the investigation.

On July 31, 2015, IDEXX Laboratories, Inc. and IDEXX Distribution, Inc. (collectively, IDEXX) filed a complaint in the United States District Court for the District of Delaware alleging we infringed three recently issued patents related to a blood spot sample collection method used in determining the presence or absence of an infectious disease in a population of rodents. On September 21, 2015, we timely filed a motion to dismiss the complaint on the grounds that all of the claims are directed to unpatentable subject matter and therefore are invalid. On October 7, 2015, IDEXX filed an amended complaint which substantially asserts the same patents and infringement allegations as asserted in the original complaint and, on October 26, 2015, we timely filed a motion to dismiss this amended complaint. While no prediction may be made as to the outcome of litigation, we intend to defend against this proceeding vigorously and therefore an estimate of the possible loss or range of loss cannot be made.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Supplementary Item. Executive Officers of the Registrant (pursuant to Instruction 3 to Item 401(b) of Regulation S-K)**

Below are the names, ages and principal occupations of each of our current executive officers. All such persons have been elected to serve until their successors are elected and qualified or until their earlier resignation or removal.

***James C. Foster***, age 65, joined us in 1976 as General Counsel. During his tenure, Mr. Foster has held various staff and managerial positions, and was named our President in 1991, Chief Executive Officer in 1992 and our Chairman in 2000.

***Nancy A. Gillett***, age 60, joined us in 1999 with the acquisition of Sierra Biomedical. Dr. Gillett has 29 years of experience as an ACVP board certified pathologist and scientific manager. In 1999, she became Senior Vice President and General Manager of our Sierra Biomedical division, and subsequently held a variety of managerial positions, including President and General Manager of Sierra Biomedical and Corporate Vice President and General Manager of Drug Discovery and Development (the predecessor to our DSA business segment). In 2004, Dr. Gillett was named Corporate Senior Vice President and President,

Global Preclinical Services, and in 2006, she became a Corporate Executive Vice President. Currently, Dr. Gillett serves as our Corporate Executive Vice President, Chief Scientific Officer.

***David P. Johst***, age 54, joined us in 1991 as Corporate Counsel and was named Vice President, Human Resources in 1995. He became Vice President, Human Resources and Administration in 1996, a Senior Vice President in 1999, and a Corporate Executive Vice President in 2005. He currently serves as our General Counsel and Chief Administrative Officer and is responsible for overseeing our corporate legal function, Human Resources department and several other corporate staff departments. Prior to joining us, Mr. Johst was in private practice at the law firm of Hale and Dorr (now WilmerHale). Mr. Johst currently serves as a trustee of Mt. Ida College.

***Davide Molho***, age 46, joined our Italian operations in 1999 and was promoted to Director of Operations for Research Models and Services (RMS) Italy in 2002. In 2005, his role was expanded to include French RMS operations and in 2007, he became Corporate Vice President, European Research Models and Services with responsibility for all European RMS operations. In July 2009, Dr. Molho was promoted to Corporate Senior Vice President, North American and European Research Models and Services. He was subsequently promoted to Corporate Executive Vice President and President, Global Research Models and Services in December 2010. In 2011, Dr. Molho was named Corporate Executive Vice President, North America Operations and in December 2013, he was named Corporate Executive Vice President and President, Global RMS and DSA Operations.

***David R. Smith***, age 50, has served as our Corporate Executive Vice President and Chief Financial Officer since August 2015. He joined us as Corporate Vice President, Discovery Services through our acquisition of Argenta and BioFocus from Galapagos NV in March 2014 and was promoted to Corporate Senior Vice President, Global Discovery Services in October 2014. At Galapagos, he served in various capacities, including as Chief Executive Officer of its Galapagos Services division and as Chief Financial Officer. Mr. Smith served as Chief Financial Officer for Cambridge University Hospitals from 2007 to 2013. Mr. Smith spent eight years at PricewaterhouseCoopers prior to joining AstraZeneca in 1997, where he spent the next nine years in various finance and business roles of increasingly greater responsibility.

# PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock began trading on the New York Stock Exchange on June 23, 2000 under the symbol "CRL." The following table shows the high and low sales prices for our common stock:

| **Fiscal 2016** | **High** | **Low** |
|---|---|---|
| First quarter (through January 29, 2016) | $ 81.61 | $ 71.95 |
| **Fiscal 2015** | **High** | **Low** |
| First quarter | $ 84.69 | $ 63.22 |
| Second quarter | 80.30 | 68.59 |
| Third quarter | 78.50 | 63.75 |
| Fourth quarter | 80.44 | 59.99 |
| **Fiscal 2014** | **High** | **Low** |
| First quarter | $ 62.50 | $ 52.41 |
| Second quarter | 61.92 | 49.60 |
| Third quarter | 61.49 | 52.02 |
| Fourth quarter | 66.11 | 55.47 |

There were no equity securities that were not registered under the Securities Act of 1933, as amended, sold during the fiscal year 2015.

***Shareholders***

As of January 29, 2016, there were approximately 419 registered shareholders of the outstanding shares of common stock.

***Dividends***

We have not declared or paid any cash dividends on shares of our common stock in the past two years and we do not intend to pay cash dividends in the foreseeable future. We currently intend to retain any earnings to finance future operations and expansion.

***Issuer Purchases of Equity Securities***

The following table provides information relating to our purchases of shares of our common stock during the fourth quarter of 2015:

| | **Total Number of Shares Purchased** | **Average Price Paid per Share** | **Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs** | **Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs** |
|---|---|---|---|---|
| | | | | **(in thousands)** |
| 9/27/2015 to 10/24/2015 | 734 | $ 64.11 | — | $ 69,694 |
| 10/25/2015 to 11/21/2015 | — | — | — | $ 69,694 |
| 11/22/2015 to 12/26/2015 | — | — | — | $ 69,694 |
| Total: | 734 | | — | |

In July 2010, our Board of Directors authorized a $500.0 million stock repurchase program, and subsequently approved increases to the stock repurchase program of $250.0 million in the fiscal year 2010, $250.0 million in the fiscal year 2013 and $150.0 million in the fiscal year 2014, for an aggregate authorization of $1,150.0 million. During the fourth quarter of the fiscal year 2015, we did not repurchase any shares of common stock under our Rule 10b5-1 Purchase Plan and in open market trading.

Additionally, our stock-based compensation plans permit the netting of common stock upon vesting of restricted stock, performance share units, and restricted stock units in order to satisfy individual minimum statutory tax withholding requirements.

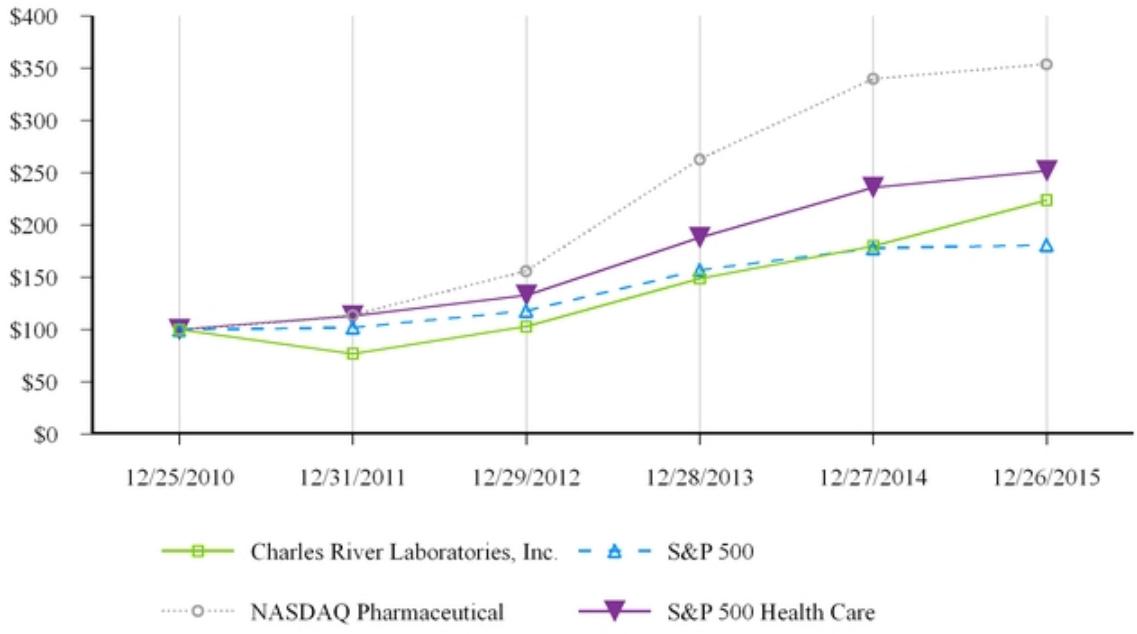
***Comparison of 5-Year Cumulative Total Return***

The following stock performance graph compares the annual percentage change in the Company's cumulative total shareholder return on its common stock during a period commencing on December 25, 2010 and ending on December 26, 2015 (as measured by dividing (1) the sum of (A) the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and (B) the difference between the Company's share price at the end and the beginning of the measurement period; by (2) the share price at the beginning of the measurement period) with the cumulative total return of the S&P 500 Index, the S&P 500 Health Care Index, and the NASDAQ Pharmaceutical Index during such period. The Company has not paid any dividends on the common stock, and no dividends are included in the representation of the Company's performance. The stock price performance on the graph below is not necessarily indicative of future price performance. The graph is not "soliciting material," is not deemed filed with the Securities and Exchange Commission, and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing. Information used in the graph was obtained from Standards & Poor's Institutional Market Services, a source believed to be reliable, but the Company is not responsible for any errors or omissions in such information.

In the fiscal year 2015, the Company changed from the NASDAQ Pharmaceutical to the S&P 500 Health Care index because the companies which comprise the S&P 500 Health Care index better reflect the Company's current size and businesses. For the fiscal year 2015, the Company has presented both the old and new indices for comparison purposes.

**COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN**

Among Charles River Laboratories International, Inc., The S&P 500, The NASDAQ Pharmaceutical and The S&P 500 Health Care



| | December 25, 2010 | December 31, 2011 | December 29, 2012 | December 28, 2013 | December 27, 2014 | December 26, 2015 |
|---|---|---|---|---|---|---|
| Charles River Laboratories, Inc. | 100 | 77 | 103 | 149 | 180 | 224 |
| S&P 500 | 100 | 102 | 118 | 157 | 178 | 181 |
| NASDAQ Pharmaceutical | 100 | 114 | 156 | 263 | 340 | 354 |
| S&P 500 Health Care | 100 | 113 | 133 | 188 | 236 | 252 |

## Item 6. Selected Consolidated Financial Data

The selected financial data presented below is derived from our audited consolidated financial statements and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Item 7 and "Financial Statements and Supplementary Data" contained in Item 8 of this Annual Report on Form 10-K. Our fiscal quarters consists of the 3 months ending on the last Saturday on, or prior to, March 31, June 30, September 30 and December 31.

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| | (in thousands) | | | | |
| **Statement of Income Data:** | | | | | |
| Total revenue | $ 1,363,302 | $ 1,297,662 | $ 1,165,528 | $ 1,129,530 | $ 1,142,647 |
| Income from continuing operations, net of income taxes[1] | 152,037 | 129,924 | 105,416 | 102,118 | 115,522 |
| Loss from discontinued operations, net of income taxes | (950) | (1,726) | (1,265) | (4,252) | (5,545) |
| **Common Share Data:** | | | | | |
| Earnings per common share from continuing operations: | | | | | |
| Basic | $ 3.23 | $ 2.76 | $ 2.18 | $ 2.12 | $ 2.26 |
| Diluted | $ 3.15 | $ 2.70 | $ 2.15 | $ 2.10 | $ 2.24 |
| **Other Data:** | | | | | |
| Depreciation and amortization | $ 94,881 | $ 96,445 | $ 96,636 | $ 81,275 | $ 85,230 |
| Capital expenditures | 63,252 | 56,925 | 39,154 | 47,534 | 49,143 |
| **Balance Sheet Data (at end of period):** | | | | | |
| Cash and cash equivalents | $ 117,947 | $ 160,023 | $ 155,927 | $ 109,685 | $ 68,905 |
| Total assets [2] | 2,068,497 | 1,870,578 | 1,623,438 | 1,577,111 | 1,546,215 |
| Total debt and capital lease obligations [2] | 863,030 | 772,461 | 656,663 | 660,096 | 708,706 |
| Redeemable noncontrolling interest | 28,008 | 28,419 | 20,581 | — | — |

[1] In the fiscal year 2011, our income from continuing operations, net of income taxes, included an asset impairment charge of $7.5 million.

[2]During the second quarter of 2015, we elected early adoption of Accounting Standards Update (ASU) 2015-03, "Simplifying the Presentation of Debt Issuance Costs" and applied the changes retrospectively to all prior periods. During the fourth quarter of 2015, we elected early adoption of ASU 2015-17, "Balance Sheet Classification of Deferred Taxes" and applied the changes retrospectively to all prior periods. Refer to "Financial Statements and Supplementary Data" contained in Item 8 for more details. Prior years' amounts have been updated to conform to current year presentation.

Refer to Item 8. "Financial Statements and Supplementary Data" for additional information concerning the impact of our recent acquisitions.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and related notes appearing in Item 8, "Financial Statements and Supplementary Data" in this Annual Report on Form 10-K. The following discussion contains forward-looking statements. Actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those discussed in Item 1A "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Certain percentage changes from period over period may not recalculate due to rounding.

### Overview

We are a full service, early-stage contract research organization (CRO). For nearly 70 years, we have been in the business of providing the research models required in research and development of new drugs, devices, and therapies. Over this time, we have built upon our original core competency of laboratory animal medicine and science (research model technologies) to develop a diverse portfolio of discovery and safety assessment services, both Good Laboratory Practice (GLP) and non-GLP, which are able to support our clients from target identification through preclinical development. We also provide a suite of products and services to support our clients' manufacturing activities. Utilizing our broad portfolio of products and services enables our clients to create a more flexible drug development model, which reduces their costs, enhances their productivity and effectiveness, and increases speed to market.

Our client base includes all of the major global pharmaceutical companies, many biotechnology companies, CROs, agricultural and industrial chemical companies, life science companies, veterinary medicine companies, contract manufacturing organizations, medical device companies, and diagnostic and other commercial entities, as well as leading hospitals, academic institutions and government agencies around the world. We currently operate approximately 64 facilities in 18 countries worldwide, which numbers exclude our Insourcing Solutions (IS) sites.

#### *Business Trends*

The demand for our outsourced services increased in the fiscal year 2015, as did demand for products and services to support our clients' manufacturing activities. Our pharmaceutical and biotechnology clients continued to intensify their use of strategic outsourcing to improve their operating efficiency and access capabilities that they do not maintain internally. Many of our large biopharmaceutical clients have refocused on their drug discovery and early-stage development efforts, after a period of greater emphasis on delivering late-stage programs to bring new drugs to market. In addition, small and mid-size biopharmaceutical clients benefited from the continued strength in the biotechnology funding environment in the fiscal year 2015, from capital markets partnering with large biopharmaceutical companies, and investment by venture capital. Academia has also benefited from partnering activities, as large biopharmaceutical companies have increasingly utilized academic research capabilities to broaden the scope of their research activities.

The primary result of these trends was improved demand for our discovery and safety assessment services in the fiscal year 2015, particularly from biotechnology clients. This improvement led to capacity continuing to fill in our safety assessment facilities which were open during 2015, and in which utilization approached optimal levels. Price also improved moderately in the fiscal year 2015, as industry capacity utilization continued to increase. We believe our scientific expertise, quality, and responsiveness remain key criteria when our clients make the decision to outsource to us. In order to accommodate this increased demand and maintain responsiveness to clients' needs, we opened small amounts of new capacity in the fiscal year 2015 at existing facilities and reopened our Charles River Massachusetts facility in the first quarter of 2016. Charles River Massachusetts will provide additional capacity for early-stage drug research services and is strategically located near the Boston/Cambridge biotechnology hub.

Demand for our products and services that support our clients' manufacturing activities was also robust in the fiscal year 2015. Our Biologics Testing Solutions (Biologics) business continued to benefit from increased demand for services associated with the growing proportion of biologic drugs in the pipeline and on the market. Demand for our Microbial Solutions (formerly Endotoxin and Microbial Detection, or EMD) business also remained strong as we addressed manufacturers' requirements for a comprehensive rapid microbial testing solution. To further enhance our rapid testing portfolio, we acquired Celsis in the fiscal year 2015 to expand in the non-sterile quality control testing market.

Our clients' intensified focus on the earliest stages of their pipelines has been visible in increasing demand for discovery services, and the willingness to outsource new areas of their research programs. To address these emerging needs and move further upstream in the drug research and development continuum, we have significantly enhanced our Discovery Services capabilities over the past two years to enable us to work with clients at the earliest stages of the discovery process. We acquired

the Discovery Services businesses of Argenta, BioFocus, ChanTest, and VivoPath in the fiscal year 2014, and Oncotest in the fiscal year 2015. Our full service, early-stage portfolio continued to lead to additional client discussions in the fiscal year 2015 regarding strategic relationships, where clients seek to outsource larger portions of their early-stage drug research programs to us.

Demand for research models and certain services began to stabilize in the fiscal year 2015, particularly in North America and Europe. Clients' efforts to consolidate infrastructure and seek greater pipeline productivity have begun to moderate as these initiatives generate the desired benefits. We remain confident in the long-term drivers of this business because research models and services remain essential tools for our clients' drug discovery and early-stage development efforts.

***Acquisitions***

During the fiscal year 2015, we continued to make a number of strategic acquisitions designed to expand our portfolio of services to support the drug discovery and early-stage development continuum and position us as a market leader in the outsourced discovery services market. The 2015 acquisitions include:

- In May 2015, we acquired Sunrise Farms, Inc. (Sunrise), a producer of specific-pathogen-free fertile chicken eggs and chickens used in the manufacture of live viruses. The purpose of this business acquisition was to expand the capabilities of our existing Avian Vaccine Services (Avian) business. The purchase price of the acquisition was $9.6 million.
- In July 2015, we acquired Celsis Group Limited (Celsis), a leading provider of rapid testing systems for non-sterile bacterial contamination for the biopharmaceutical and consumer products industries. The purpose of this acquisition was to enhance our portfolio of rapid microbial detection products and services with the addition of a rapid bioburden testing product. The purchase price for Celsis was $214.5 million.
- In November 2015, we acquired Oncotest GmbH (Oncotest), a CRO providing discovery services for oncology, one of the largest therapeutic areas for biopharmaceutical research and development spending. The purpose of this acquisition was to expand our oncology services capabilities, enabling us to provide clients with access to a more comprehensive portfolio of technologies, including patient-derived xenograft (PDX) and syngeneic models. The preliminary purchase price for Oncotest was $36.0 million.

On January 6, 2016, we entered into a definitive agreement to acquire WRH, Inc. (WIL Research), a premier provider of safety assessment and contract development and manufacturing services to biopharmaceutical and agricultural and industrial chemical companies worldwide. Acquiring WIL Research will enhance our position as a leading global early-stage CRO by strengthening our ability to partner with global clients across the drug discovery and development continuum. The transaction is expected to close early in the second quarter of 2016, subject to regulatory approvals and customary closing conditions. The preliminary purchase price will be approximately $585.0 million in cash, subject to customary closing adjustments. The acquisition and associated fees are expected to be financed through an expansion of our credit facility and cash. In the event the agreement is terminated under specified circumstances, we may be required to pay WIL Research a termination fee of $17.5 million.

***Segment Reporting***

In the second quarter of 2014, following our acquisition of Argenta and BioFocus, we revised our reportable segments to ensure alignment with our view of the business. We reviewed the new and existing markets addressed by the business, the recently revised go-to-market strategy, long-term operating margins, and the discrete financial information available to our Chief Operating Decision Maker, and considered how our businesses aggregated based on these qualitative and quantitative factors. Based on this review, we identified three reportable segments: Research Models and Services (RMS), Discovery and Safety Assessment (DSA), and Manufacturing Support (Manufacturing). We reported segment results on this basis for all periods presented in this Annual Report on Form 10-K.

The revised reportable segments are as follows:

| Research Models and Services | Discovery and Safety Assessment | Manufacturing Support |
|---|---|---|
| Research Models | Discovery Services [2] | Microbial Solutions |
| Research Model Services [1] | Safety Assessment | Avian |
| | | Biologics |

[1] Research Model Services includes Genetically Engineered Models and Services (GEMS), Research Animal Diagnostic Services (RADS), and IS.

[2] Discovery Services includes both the *In Vivo* Discovery business and the Early Discovery business. Early Discovery includes Argenta and BioFocus, which were acquired in April 2014; ChanTest Corporation (ChanTest), which was acquired in October 2014; and Oncotest, which was acquired in November 2015.

Our RMS segment includes the Research Models and Research Model Services businesses. Research Models includes the commercial production and sale of small research models, as well as the supply of large research models. Research Model Services includes three business units: GEMS, which performs contract breeding and other services associated with genetically engineered research models; RADS, which provides health monitoring and diagnostics services related to research models; and IS, which provides management of our clients' research operations (including recruitment, training, staffing, and management services). Our DSA segment includes services required to take a drug through the early development process including discovery services, which are non-regulated services to assist clients with the identification, screening, and selection of a lead compound for drug development, and regulated and non-regulated safety assessment services. Our Manufacturing segment includes Microbial Solutions, which includes *in vitro* (non-animal) lot-release testing products and microbial detection, conventional and rapid quality control testing of sterile and non-sterile biopharmaceutical and consumer products and species identification services; Biologics, which performs specialized testing of biologics; and Avian, which supplies specific-pathogen-free fertile chicken eggs and chickens.

Prior to recasting the reportable segments, the businesses were reported in two segments as follows:

| Research Models and Services | Preclinical Services |
|---|---|
| Research Models [3] | Discovery Services |
| Research Model Services [4] | Safety Assessment |
| Endotoxin and Microbial Detection | Biologics |

[3] Research Models included Avian.

[4] Research Model Services included GEMS, RADS, IS and Discovery Research Services. As part of the segment revisions, the former Discovery Research Services was folded into the Company's Discovery Services business, previously located under the Preclinical Services segment.

***Fiscal Quarters***

Our fiscal quarters consists of the 3 months ending on the last Saturday on, or prior to, March 31, June 30, September 30 and December 31.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States (U.S.). The preparation of these financial statements requires us to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses during the reported periods and related disclosures. These estimates and assumptions are monitored and analyzed by us for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on our historical experience, trends in the industry, and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions.

We believe that our application of the following accounting policies, each of which require significant judgments and estimates on the part of management, are the most critical to aid in fully understanding and evaluating our reported financial results. Our significant accounting policies are more fully described in Note 1, "Description of Business and Summary of Significant Accounting Policies", to our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K.

We believe the following represent our critical accounting policies and estimates used in the preparation of our financial statements:

***Revenue Recognition***

We recognize revenue when all of the following conditions are satisfied: persuasive evidence of an arrangement exists, delivery has occurred or services have been provided, our price to the customer is fixed or determinable, and collectibility is reasonably assured.

Service revenue is generally evidenced by client contracts, which range in duration from a few weeks to a few years and typically take the form of an agreed upon rate per unit or fixed fee arrangements. Such contracts typically do not contain acceptance provisions based upon the achievement of certain study or laboratory testing results. Revenue of agreed upon rate per unit contracts is recognized as services are performed, based upon rates specified in the contract. In cases where performance spans reporting periods, revenue of fixed fee contracts is recognized as services are performed, measured on the ratio of outputs or performance obligations completed to the total contractual outputs or performance obligations to be provided. Changes in estimated effort to complete the fixed fee contract are reflected in the period in which the change becomes known. Changes in scope of work are common, especially under long-term contracts, and generally result in a change in contract value. Once the parties have agreed to the changes in scope and renegotiated pricing terms, the contract value is amended and revenue is typically recognized as described above.

Most contracts are terminable by the client, either immediately or upon notice. These contracts often require payment to us of expenses to wind down the project, fees earned to date or, in some cases, a termination fee. Such payments are included in revenues when earned.

We recognize product revenue, net of allowances for estimated returns, rebates and discounts, when title and risk of loss pass to customers. When we sell equipment with specified acceptance criteria, we assess our ability to meet the acceptance criteria in order to determine the timing of revenue recognition. We would defer revenue until completion of customer acceptance testing if we are not able to demonstrate the ability to meet such acceptance criteria.

A portion of our revenue is from multiple-element arrangements that include multiple products and/or services as deliverables in a single arrangement, with each deliverable, or a combination of the deliverables, representing a separate unit of accounting. We allocate revenues to each element in a multiple-element arrangement based upon the relative selling price of each deliverable. Revenue allocated to each deliverable is then recognized when all revenue recognition criteria are met. Judgments as to the identification of deliverables, units of accounting, the allocation of consideration to the deliverable, and the appropriate timing of revenue recognition are critical with respect to these arrangements.

At the inception of each arrangement that includes milestone payments, we evaluate whether each milestone is substantive. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (1) our performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from our performance to achieve the milestone; (b) the consideration relates solely to past performance; and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. We evaluate factors such as the scientific, clinical, regulatory and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment. If a substantive milestone is achieved and collection of the related receivable is reasonably assured, we recognize revenue related to the milestone in its entirety in the period in which the milestone is achieved. If we were to achieve milestones that we consider substantive under any of our revenue arrangements, we may experience significant fluctuations in our revenue from quarter to quarter and year to year depending on the timing of achieving such substantive milestones. In those circumstances where a milestone is not substantive, we recognize as revenue, on the date the milestone is achieved, an amount equal to the applicable percentage of the performance period that had elapsed as of the date the milestone was achieved, with the balance being deferred and recognized over the remaining period of performance. As of December 26, 2015, we had no significant milestones that were deemed substantive.

***Income Taxes***

We prepare and file income tax returns based on our interpretation of each jurisdiction’s tax laws and regulations. In preparing our consolidated financial statements, we estimate our income tax liability in each of the jurisdictions in which we operate by estimating our actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and financial reporting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. Significant management judgment is required in assessing the realizability of our deferred

tax assets. In performing this assessment, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In making this determination, under the applicable financial accounting standards, we are allowed to consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and the effects of tax planning strategies. In the event that actual results differ from our estimates, we adjust our estimates in future periods and we may need to establish a valuation allowance, which could materially impact our financial position and results of operations.

We account for uncertain tax positions using a “more-likely-than-not” threshold for recognizing and resolving uncertain tax positions. We evaluate uncertain tax positions on a quarterly basis and consider various factors, that include, but are not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, information obtained during in process audit activities and changes in facts or circumstances related to a tax position. We adjust the level of the liability to reflect any subsequent changes in the relevant facts surrounding the uncertain positions. Our liabilities for uncertain tax positions can be relieved only if the contingency becomes legally extinguished through either payment to the taxing authority or the expiration of the statute of limitations, the recognition of the benefits associated with the position meet the “more-likely-than-not” threshold or the liability becomes effectively settled through the examination process. We consider matters to be effectively settled once the taxing authority has completed all of its required or expected examination procedures, including all appeals and administrative reviews; we have no plans to appeal or litigate any aspect of the tax position; and we believe that it is highly unlikely that the taxing authority would re-examine the related tax position. We also accrue for potential interest and penalties related to unrecognized tax benefits in income tax expense.

As of December 26, 2015, our non-U.S. subsidiaries’ undistributed foreign earnings included in consolidated retained earnings were $547.6 million. As of the end of fiscal year 2015, our policy with respect to the undistributed earnings of our non-U.S. subsidiaries is to maintain an indefinite reinvestment assertion as they are required to fund needs outside of the U.S. and cannot be repatriated in a manner that is substantially tax-free. This assertion is made on a jurisdiction by jurisdiction basis and takes into account the liquidity requirements in both the U.S. and within our foreign subsidiaries. If we decide to repatriate funds to the U.S. in the future to execute our growth initiatives or to fund any other liquidity needs, the resulting tax consequences could negatively impact our results of operations through a higher effective tax rate and dilution of our earnings. On December 18, 2015, the U.S. enacted the Consolidated Appropriations Act, which provides for a reinstatement and extension of the controlled foreign corporation look-through rules through the fiscal year 2019. This rule allows us to access Chinese and Canadian cash in a more tax-efficient manner and utilize the cash outside of the U.S. without triggering residual U.S. tax. As such, we will begin accruing foreign withholding taxes to reflect this change for the years in which the rules are reinstated.

***Goodwill and Intangible Assets***

We use assumptions and estimates in determining the fair value of assets acquired and liabilities assumed in a business combination. The determination of the fair value of intangible assets, which represent a significant portion of the purchase price in many of our acquisitions, requires the use of significant judgment with regard to (i) the fair value; and (ii) whether such intangibles are amortizable or non-amortizable and, if the former, the period and the method by which the intangible asset will be amortized. We utilize commonly accepted valuation techniques, such as the income approach and the cost approach, as appropriate, in establishing the fair value of intangible assets. Typically, key assumptions include projections of cash flows that arise from identifiable intangible assets of acquired businesses as well as discount rates based on an analysis of our weighted average cost of capital, adjusted for specific risks associated with the assets.

We review definite-lived intangible assets for impairment when indication of potential impairment exists, such as a significant reduction in cash flows associated with the assets. Actual cash flows arising from a particular intangible asset could vary from projected cash flows which could imply different carrying values from those established at the dates of acquisition and which could result in impairment of such asset.

We evaluate goodwill for impairment annually, during the fourth quarter, and when events occur or circumstances change that may reduce the fair value of the asset below its carrying amount. Events or circumstances that might require an interim evaluation include unexpected adverse business conditions, economic factors, unanticipated technological changes or competitive activities, loss of key personnel and acts by governments and courts. Estimates of future cash flows require assumptions related to revenue and operating income growth, asset-related expenditures, working capital levels and other factors. Different assumptions from those made in our analysis could materially affect projected cash flows and our evaluation of goodwill for impairment.

We have the option to first assess qualitative factors to determine whether it is necessary to perform the two-step goodwill impairment test. If we elect this option and believe, as a result of the qualitative assessment, that it is more-likely-than-not that the carrying value of goodwill is not recoverable, the quantitative two-step impairment test is required; otherwise, no further testing is required. Alternatively, we may elect to not first assess qualitative factors and immediately perform the quantitative two-step impairment test. In the first step, we compare the fair value of our reporting units to their carrying values. If the carrying values of the net assets assigned to the reporting units exceed the fair values of the reporting units, then the second step of the impairment test is performed in order to determine the implied fair value of our goodwill. If the carrying value of the reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference.

In the fiscal years 2015, 2014 and 2013, we performed the first step of the two-step goodwill impairment test for our reporting units. Fair value was determined by using a weighted combination of a market-based approach and an income approach, as this combination was deemed to be the most indicative of our fair value in an orderly transaction between market participants. Under the market-based approach, we utilized information about our Company as well as publicly available industry information to determine earnings multiples and sales multiples that are used to value our reporting units. Under the income approach, we determined fair value based on the estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of the reporting unit and the rate of return an outside investor would expect to earn.

Our 2015, 2014 and 2013 impairment test indicated that goodwill and other intangible assets were not impaired.

In 2014, we revised our reportable segments to align with our new view of the business following the Argenta and BioFocus acquisition. As a result of this reorganization, goodwill was allocated from our prior reportable segments to our new reportable segments based on the fair value of each business group within its original reporting unit relative to the fair value of that reporting unit. In addition, we completed an assessment of any potential goodwill impairment for all reporting units immediately prior to the reallocation and determined that no impairment existed.

***Valuation and Impairment of Long-Lived Assets***

Long-lived assets to be held and used, including property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets or asset group may not be recoverable. Factors we consider important which could trigger an impairment review include, but are not limited to, the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant negative industry or economic trends; or
- significant changes or developments in strategy or operations that negatively affect the utilization of our long-lived assets.

Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset, net of any sublease income, if applicable, and its eventual disposition. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written-down to their fair values. We measure any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in our current business model. Significant judgments are required to estimate future cash flows, including the selection of appropriate discount rates and other assumptions. We may also estimate fair value based on market prices for similar assets, as appropriate. Changes in these estimates and assumptions could materially affect the determination of fair value for these assets. During the fiscal year 2015, we did not record any significant impairment charges to long-lived assets.

***Pension and Other Post-Retirement Benefit Plans***

Several of our U.S. and non-U.S. subsidiaries sponsor defined benefit pension and other post-retirement benefit plans. We recognize the funded status of our defined benefit pension and other postretirement benefit plans as an asset or liability. This amount is defined as the difference between the fair value of plan assets and the benefit obligation. We measure plan assets and benefit obligations as of the date of our fiscal year end.

The cost and obligations of these arrangements are calculated using many assumptions to estimate the benefits that the employee earns while working, the amount of which cannot be completely determined until the benefit payments cease. Major assumptions used in the accounting for these employee benefit plans include the expected return on plan assets, withdrawal and mortality rates, discount rate, and rate of increase in employee compensation levels. Assumptions are determined based on our

data and appropriate market indicators, and are evaluated each year as of the plans' measurement date. Should any of these assumptions change, they would have an effect on net periodic pension costs and the unfunded benefit obligation.

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the projected benefit obligations. In determining the expected long-term rate of return on plan assets, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance.

The discount rate reflects the rate we would have to pay to purchase high-quality investments that would provide cash sufficient to settle our current pension obligations. Beginning in the fiscal year 2014, we have employed the discount rate based on a cash-flow matching analysis using Towers Watson's proprietary Bond:Link tool. Prior to the fiscal year 2014, we employed a cash-flow matching methodology, which used the spot yield curve underlying the Citigroup Index. The refined estimation technique permits us to more closely match cash flows to the expected payments to participants than would be possible with the previously used yield curve model. We believe such a refinement results in an estimate of the discount rate that more accurately reflects the settlement value for plan obligations than the yield curve methodology used in prior years, as it provides the ability to review the quality and diversification of the portfolio to select the bond issues that would settle the obligation in an optimal manner. This refinement reduced our benefit obligations as of December 27, 2014 by $5.5 million.

The rate of compensation increase reflects the expected annual salary increases for the plan participants based on historical experience and the current employee compensation strategy.

In the fiscal year 2014, for our U.K. and U.S. plans, we adopted newly released mortality tables and mortality improvement scales for measurement of retirement plan obligations, which increased our benefit obligations by $7.9 million as of December 27, 2014. In the fiscal year 2015, new mortality improvement scales were issued in the U.S. and the U.K. reflecting a decline in longevity projection from the 2014 releases that we adopted, which decreased our benefit obligations by $3.3 million as of December 26, 2015.

***Stock-Based Compensation***

We grant stock options, restricted stock, restricted stock units, and performance share units (PSUs) to employees, and stock options and restricted stock to non-employee directors under stock-based compensation plans. We make certain assumptions in order to value and record expense associated with awards made under our stock-based compensation arrangements. Changes in these assumptions may lead to variability with respect to the timing and amount of expense we recognize in connection with share-based payments.

Determining the appropriate valuation model and related assumptions requires judgment. The fair value of stock options granted is calculated using the Black-Scholes model and the fair value of PSUs is calculated using a lattice model with a Monte Carlo simulation, both of which require the use of subjective assumptions including volatility and expected term, among others.

Determining the appropriate amount to expense based on the anticipated achievement of PSU's performance targets requires judgment, including forecasting the achievement of future financial targets. The estimate of expense is revised periodically based on the probability of achieving the required performance targets. The cumulative impact of any changes to our estimates is reflected in the period of change.

We also estimate forfeitures over the requisite service period when recognizing share-based compensation expense based on historical rates and forward looking factors; these estimates are adjusted to the extent that actual forfeitures differ, or are expected to materially differ, from our estimates.

***New Accounting Pronouncements***

For a discussion of new accounting pronouncements, refer to Note 1, "Description of Business and Summary of Significant Accounting Policies" to our consolidated financial statements included in this Annual Report on Form 10-K.

**Results of Operations**

**Fiscal Year 2015 Compared to Fiscal Year 2014**

***Revenue***

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2015 | 2014 | $ Change | % Change | Impact of FX |
| | (in millions, except percentages) | | | | |
| RMS | $ 473.2 | $ 507.4 | $ (34.2) | (6.7)% | (6.3)% |
| DSA | 612.2 | 538.2 | 74.0 | 13.7 % | (3.4)% |
| Manufacturing | 277.9 | 252.1 | 25.8 | 10.2 % | (7.6)% |
| Total revenue | $ 1,363.3 | $ 1,297.7 | $ 65.6 | 5.1 % | (5.3)% |

Revenue for the fiscal year 2015 increased $65.6 million, or 5.1%, compared with the fiscal year 2014. The negative effect of changes in foreign currency exchange rates decreased revenue by $69.4 million, or 5.3%, when compared to the prior year.

RMS revenue decreased $34.2 million due primarily to the negative effect of changes in foreign currency exchange rates. Excluding the impact of foreign exchange rates, RMS revenue decreased slightly due to lower research model services revenue and lower research models revenue in Japan; partially offset by higher research models revenue in North America, China and Europe.

DSA revenue increased $74.0 million due to higher revenue in the Safety Assessment business, as a result of increased study volume; higher revenue in the Discovery Services business, primarily as a result of the Argenta, BioFocus, ChanTest, and Oncotest acquisitions that contributed $27.8 million to revenue growth; partially offset by the negative effect of changes in foreign currency exchange rates.

Manufacturing revenue increased $25.8 million, as higher revenue for Microbial Solutions and Avian, which include the Celsis and Sunrise acquisitions, respectively, was partially offset by the negative effect of changes in foreign currency exchange rates.

Service revenue for the fiscal year 2015 was $858.2 million, an increase of $60.4 million, or 7.6%, compared to $797.8 million for the fiscal year 2014. The increase in service revenue was due to higher revenue in the Safety Assessment business, as a result of increased study volume; and higher revenue in the Discovery Services business, which included the acquisitions of Argenta, BioFocus, ChanTest, and Oncotest that contributed $27.3 million to service revenue growth; partially offset by lower revenue in our research model services and the negative effect of changes in foreign currency exchange rates. Product revenue for the fiscal year 2015 was $505.1 million, an increase of $5.2 million, or 1.0%, compared to $499.9 million for the fiscal year 2014. The increase was due to higher revenue for Microbial Solutions and Avian, which include the acquisitions of Celsis and Sunrise, respectively that contributed $16.7 million to product revenue growth; higher research models revenue in North America, China and Europe; partially offset by lower revenue in our research models and the negative effect of changes in foreign currency exchange rates.

***Cost of Products Sold and Services Provided (Excluding Amortization of Intangible Assets)***

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2015 | 2014 | $ Change | % Change |
| | (in millions, except percentages) | | | |
| RMS | $ 286.2 | $ 317.2 | $ (31.0) | (9.8)% |
| DSA | 407.0 | 387.3 | 19.7 | 5.1 % |
| Manufacturing | 139.0 | 120.5 | 18.5 | 15.4 % |
| Total cost of products sold and services provided (excluding amortization of intangible assets) | $ 832.2 | $ 825.0 | $ 7.2 | 0.9 % |

Cost of products sold and services provided (excluding amortization of intangible assets) (costs) for the fiscal year 2015 increased $7.2 million, or 0.9%, compared with the fiscal year 2014. Costs as a percentage of revenue for the fiscal year 2015 were 61.0%, a decrease of 2.6%, from 63.6% for the fiscal year 2014.

RMS costs decreased $31.0 million due primarily to favorable effect of changes in foreign currency exchange rates, cost savings achieved as a result of our efficiency initiatives, and reduced restructuring costs. RMS costs as a percentage of revenue for the fiscal year 2015 were 60.5%, a decrease of 2.0%, from 62.5% for the fiscal year 2014.

DSA costs increased $19.7 million due primarily to an increase in Discovery Services costs, which included a higher cost base due to the acquisitions of Argenta, BioFocus, ChanTest, and Oncotest; partially offset by the favorable effect of changes in foreign currency exchange rates. Safety Assessment costs increased due to higher costs resulting from the growth of the business, partially offset by the favorable effect of changes in foreign currency exchanges rates. DSA costs as a percentage of revenue for the fiscal year 2014 were 66.5%, a decrease of 5.5%, from 72.0% for the fiscal year 2014, primarily due to improved operating leverage as a result of increased study volume in our Safety Assessment business.

Manufacturing costs increased $18.5 million due primarily to the Celsis and Sunrise acquisitions, partially offset by the favorable effect of changes in foreign currency exchange rates. Manufacturing costs as a percentage of revenue for the fiscal year 2015 were 50.0%, an increase of 2.2%, from 47.8% for the fiscal year 2014.

Costs of services provided for the fiscal year 2015 was $568.2 million, an increase of $9.6 million, or 1.7%, compared to $558.6 million for the fiscal year 2014. The increase was due to a higher cost base, as a result of the acquisitions of Argenta, BioFocus, ChanTest, and Oncotest as well as increased Safety Assessment revenues; partially offset by the favorable effect of changes in foreign currency exchange rates and lower costs for our research model services as a result of lower revenue. Costs of products sold for the fiscal year 2015 was $264.0 million, a decrease of $2.4 million, or 0.9%, compared to $266.4 million for the fiscal year 2014. The decrease was due to savings associated with global efficiency initiatives, reduced restructuring costs and the favorable effect of changes in foreign currency exchange rates, partially offset by increased costs as a result of the acquisitions of Sunrise and Celsis.

***Selling, General and Administrative Expenses***

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2015 | 2014 | $ Change | % Change |
| | (in millions, except percentages) | | | |
| RMS | $ 62.5 | $ 66.2 | $ (3.7) | (5.6)% |
| DSA | 69.2 | 63.1 | 6.1 | 9.7 % |
| Manufacturing | 57.5 | 47.6 | 9.9 | 20.8 % |
| Unallocated corporate | 111.2 | 92.1 | 19.1 | 20.7 % |
| Total selling, general and administrative | $ 300.4 | $ 269.0 | $ 31.4 | 11.7 % |

Selling, general and administrative expenses (SG&A) for the fiscal year 2015 increased $31.4 million, or 11.7%, compared with the fiscal year 2014. SG&A as a percentage of revenue for the fiscal year 2015 was 22.0%, an increase of 1.3%, from 20.7% for the fiscal year 2014.

The decrease in RMS SG&A of $3.7 million was related to a decrease of $1.4 million in external consulting and other service expenses; a decrease of $1.2 million in depreciation expense; a decrease of $1.1 million in compensation, benefits and other employee related expenses; and a decrease of $0.5 million in other expenses; partially offset by an increase of $0.5 million in stock-based compensation, primarily related to our annual stock-based grants made in the first quarter of 2015, which included a new retirement vesting provision. RMS SG&A as a percentage of revenue for the fiscal year 2015 was 13.2%, an increase of 0.2%, from 13.0% for the fiscal year 2014.

The increase in DSA SG&A of $6.1 million was related to an increase of $5.9 million in compensation, benefits and other employee related expenses; an increase of $1.4 million in external consulting and other service expenses; an increase of $0.4 million in operating expenses, including information technology infrastructure and facility expenses; an increase of $0.4 million in bad debt expense; and an increase of $0.3 million in depreciation expense; partially offset by a decrease of $1.8 million in severance expense and a decrease of $0.5 million in other expenses. DSA SG&A as a percentage of revenue for the fiscal year 2015 was 11.3%, a decrease of 0.4%, from 11.7% for the fiscal year 2014.

The increase in Manufacturing SG&A of $9.9 million was related to an increase of $4.8 million in compensation, benefits and other employee related expenses; an increase of $1.7 million in external consulting and other service expenses; an increase of $1.6 million in severance expense; an increase of $1.0 million in operating expenses, including information technology infrastructure and facility expenses; an increase of $0.9 million in depreciation expense; and an increase of $0.5 million in stock-based compensation, primarily related to our annual stock-based grants made in the first quarter of 2015, which included a new retirement vesting provision; partially offset by a decrease of $0.6 million in other expenses. Manufacturing SG&A as a percentage of revenue for the fiscal year 2015 was 20.7%, an increase of 1.8%, from 18.9% for the fiscal year 2014.

The increase in unallocated corporate SG&A of $19.1 million was related to an increase of $7.3 million in stock-based compensation, primarily related to our annual stock-based grants made in the first quarter of 2015, which included a new retirement vesting provision and the modification of certain stock-based awards as part of executive retirement transitions; an increase of $7.3 million in costs associated with the evaluation and integration of acquisitions and compensation costs related to business acquisitions; an increase of $2.2 million in compensation, benefits and other employee-related expenses; an increase of $2.0 million in external consulting and other service expenses; an increase of $1.9 million in information technology related expenses; and an increase of $0.4 million in other expenses; partially offset by a decrease of $2.0 million in contingent consideration related to business acquisitions.

***Amortization of Intangible Assets*** Amortization of intangibles for the fiscal year 2015 was $24.2 million, a decrease of $1.8 million, or 6.7%, from $26.0 million for the fiscal year 2014, due primarily to certain intangibles acquired in connection with several Discovery Services and Safety Assessment businesses becoming fully amortized and the effect of changes in foreign currency exchange rates, partially offset by an increase due to recent acquisitions, primarily Argenta, BioFocus, ChanTest, Sunrise, Celsis and Oncotest.

***Interest Income*** Interest income, which represents earnings on held cash, cash equivalents, and time deposits was $1.0 million for the fiscal year 2015, a decrease of $0.2 million, or 9.4%, compared to $1.2 million for the fiscal year 2014.

***Interest Expense*** Interest expense for the fiscal year 2015 was $15.1 million, an increase of $3.1 million, or 26.1%, compared to $12.0 million for the fiscal year 2014. The increase was due primarily to the write-off of a portion of debt issuance costs in connection with the modification of our $970M Credit Facility in April 2015, interest expense related to new capital leases, and overall higher average debt due to additional borrowings related to business acquisitions.

***Other Income (Expense), Net*** Other income (expense), net was a net other income of $3.0 million for the fiscal year 2015, a decrease of $7.7 million, or 71.9%, compared to a net other income of $10.7 million for the fiscal year 2014. The decrease in other income (expense), net was driven by a decrease of $10.4 million due to a reversal of the indemnification asset associated with a pre-acquisition tax position and corresponding unrecognized tax benefit; a decrease of $5.5 million in income from our investments in limited partnerships accounted for under the equity method; and the absence of a noncash gain of $2.1 million related to assets assumed at our Frederick, Maryland, facility following the termination of a customer contract, which was recorded in the fiscal year 2014; partially offset by a bargain purchase gain of $9.8 million associated with the acquisition of Sunrise and an increase of $0.5 million from other activity.

***Income Taxes*** Income tax expense was $43.4 million for the fiscal year 2015, a decrease of $4.3 million, compared to $47.7 million for the fiscal year 2014. Our effective tax rate was 22.2% in the fiscal year 2015, compared to 26.8% in the fiscal year 2014. The decrease was primarily attributable to a $10.4 million reduction in unrecognized tax benefits and related interest due to the expiration of the statute of limitations associated with pre-acquisition tax positions on the forgiveness of debt and a non-taxable bargain purchase gain of $9.8 million associated with the acquisition of Sunrise. These benefits were offset by a tax accrual of $6.6 million of withholding taxes in order to access cash from our Canadian and Chinese operations for use outside of the U.S.

**Fiscal Year 2014 Compared to Fiscal Year 2013**

***Revenue***

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | $ Change | % Change | Impact of FX |
| | (in millions, except percentages) | | | | |
| RMS | $ 507.4 | $ 511.3 | $ (3.9) | (0.8)% | (0.7)% |
| DSA | 538.2 | 432.4 | 105.8 | 24.5 % | 0.3 % |
| Manufacturing | 252.1 | 221.8 | 30.3 | 13.7 % | 0.2 % |
| Total revenue | $ 1,297.7 | $ 1,165.5 | $ 132.2 | 11.3 % | (0.1)% |

Revenue for the fiscal year 2014 increased $132.2 million, or 11.3%, compared with the fiscal year 2013. The negative effect of changes in foreign currency exchange rates decreased revenue by $1.7 million, or 0.1%, when compared to the prior period.

RMS revenue decreased $3.9 million due to lower research models services and research models revenue, primarily in Japan and Europe. Additionally, the fiscal year 2013 included a $1.5 million revenue adjustment related to inaccurate billings with respect to certain government contracts. See Note 13, “Commitments and Contingencies.”

DSA revenue increased $105.8 million due to an increase in the Discovery Services business, which included the Argenta and BioFocus acquisition that contributed $71.4 million to revenue growth, as well as higher revenue in the Safety Assessment business.

Manufacturing revenue increased $30.3 million, driven by broad-based growth across all three businesses, particularly the Microbial Solutions business.

Service revenue for the fiscal year 2014 was $797.8 million, an increase of $108.6 million, or 15.8%, compared to $689.2 million for the fiscal year 2013. The increase in service revenue was due to the acquisition of Argenta and BioFocus that contributed $68.9 million to service revenue growth, as well as higher revenue in the Safety Assessment business, primarily driven by increased volume. Product revenue for the fiscal year 2014 was $499.9 million, an increase of $23.5 million, or 4.9%, compared to $476.4 million for the fiscal year 2013. The increase was due to growth in our Manufacturing businesses, particularly Microbial Solutions, and the acquisition of Argenta and BioFocus that contributed $2.5 million to product revenue growth.

***Cost of Products Sold and Services Provided (Excluding Amortization of Intangible Assets)***

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2014 | 2013 | $ Change | % Change |
| | (in millions, except percentages) | | | |
| RMS | $ 317.2 | $ 331.8 | $ (14.6) | (4.4)% |
| DSA | 387.3 | 325.6 | 61.7 | 18.9 % |
| Manufacturing | 120.5 | 113.2 | 7.3 | 6.4 % |
| Total cost of products sold and services provided (excluding amortization of intangible assets) | $ 825.0 | $ 770.6 | $ 54.4 | 7.1 % |

Costs for the fiscal year 2014 increased $54.4 million, or 7.1%, compared with the fiscal year 2013. Costs as a percentage of revenue for the fiscal year 2014 were 63.6%, a decrease of 2.5%, from 66.1% for the fiscal year 2013. The costs above include asset impairments, which were previously presented separately in our consolidated statement of income.

RMS costs decreased $14.6 million, primarily the result of lower accelerated depreciation expense associated with global efficiency initiatives in our research models business. RMS costs as a percentage of revenue for the fiscal year 2014 were 62.5%, a decrease of 2.4%, from 64.9% for the fiscal year 2013, the result of global efficiency initiatives in our research models business.

DSA costs increased $61.7 million due to a $49.1 million increase in Discovery Services costs, which includes a higher cost base due to the Argenta and BioFocus acquisition, and a $12.6 million increase in Safety Assessment costs, as a result of increased revenues. DSA costs as a percentage of revenue for the fiscal year 2014 were 72.0%, a decrease of 3.3%, from 75.3% for the fiscal year 2013, as a result of leverage of fixed costs from higher revenues.

Manufacturing costs increased $7.3 million, primarily as a result of higher revenue for each of our Manufacturing businesses. Manufacturing costs as a percentage of revenue for the fiscal year 2014 were 47.8%, a decrease of 3.2%, from 51.0% for the fiscal year 2013, as a result of leverage of fixed costs from higher revenue.

Costs of services provided for the fiscal year 2014 was $558.6 million, an increase of $60.7 million, or 12.2%, compared to $497.9 million for the fiscal year 2013. The increase was due to a higher cost base as a result of the acquisition of Argenta and BioFocus, and increased costs in the Safety Assessment business as a result of increased revenue. Costs of products sold for the fiscal year 2014 was $266.4 million, a decrease of $6.4 million, or 2.3%, compared to $272.8 million for the fiscal year 2013. The decrease was primarily due to lower accelerated depreciation expense associated with global efficiency initiatives in our research models business; partially offset by growth in our Manufacturing business and a higher costs base due to the acquisition of Argenta and BioFocus.

***Selling, General and Administrative Expenses***

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2014 | 2013 | $ Change | % Change |
| | (in millions, except percentages) | | | |
| RMS | $ 66.2 | $ 60.0 | $ 6.2 | 10.3% |
| DSA | 63.1 | 49.7 | 13.4 | 27.0% |
| Manufacturing | 47.6 | 42.0 | 5.6 | 13.3% |
| Unallocated corporate | 92.1 | 74.0 | 18.1 | 24.5% |
| Total selling, general and administrative | $ 269.0 | $ 225.7 | $ 43.3 | 19.2% |

SG&A for the fiscal year 2014 increased $43.3 million, or 19.2%, compared with the fiscal year 2013. SG&A as a percentage of revenue for the fiscal year 2014 was 20.7%, an increase of 1.3%, from 19.4% for the fiscal year 2013.

The increase in RMS SG&A of $6.2 million was related to an increase of $2.5 million in compensation, benefits and other employee related expenses; the recording of $1.6 million in charges related to an arbitration award in favor of a large model supplier; an increase of $0.5 million in severance due to consolidation plans in the U.S. and Japan; and an increase of $2.6 million in other expenses; partially offset by a decrease of $1.0 million due to a gain on the sale of a facility impacted by a consolidation plan. RMS SG&A as a percentage of revenue for the fiscal year 2014 was 13.0%, an increase of 1.3%, from 11.7% for the fiscal year 2013.

The increase in DSA SG&A of $13.4 million was related to an increase of $5.5 million in compensation, benefits and other employee related expenses; an increase of $1.9 million in severance; an increase of $1.2 million in operating expenses including information technology infrastructure and facility expenses; an increase of $0.8 million in stock-based compensation, primarily related to our new hire grants and our annual stock-based grants made in February 2014; and an increase of $4.0 million in other expenses; all of which were primarily due to the Argenta and BioFocus acquisition. DSA SG&A as a percentage of revenue for the fiscal year 2014 was 11.7%, an increase of 0.2%, from 11.5% for the fiscal year 2013.

The increase in Manufacturing SG&A of $5.6 million was related to an increase of $3.8 million in compensation, benefits and other employee related expenses; an increase of $1.8 million in operating expenses including information technology infrastructure and facility expenses; and an increase of $0.5 million in stock-based compensation, primarily related to our new hire grants and our annual stock-based grants made in February 2014; partially offset by a decrease of $0.5 million in other expenses. Manufacturing SG&A as a percentage of revenue for the fiscal year 2014 was 18.9%, consistent with the fiscal year 2013.

The increase in unallocated corporate SG&A of $18.1 million was related to an increase of $7.4 million in compensation, benefits and other employee related expenses; an increase of $5.1 million of stock-based compensation, primarily related to our new hire grants; our annual stock-based grants made in February 2014 and increased expense recognized for performance share units whose payout is based upon our financial performance; an increase of $4.8 million in external consulting and other service expenses; an increase of $4.5 million of costs associated with the evaluation and integration of acquisitions; and an increase of $1.4 million in other expenses; partially offset by a reduction of $5.1 million in information technology related expenses.

***Amortization of Intangible Assets*** Amortization of intangibles for the fiscal year 2014 was $26.0 million, an increase of $8.2 million, or 46.1%, from $17.8 million for the fiscal year 2013, primarily as a result of the Argenta and BioFocus acquisition.

***Interest Income*** Interest income, which represents earnings on held cash, cash equivalents, and time deposits, was $1.2 million for the fiscal year 2014, an increase of $0.5 million, or 71.4%, compared to $0.7 million for the fiscal year 2013.

***Interest Expense*** Interest expense for the fiscal year 2014 was $12.0 million, a decrease of $9.0 million, or 42.9%, compared to $21.0 million for the fiscal year 2013. The decrease was primarily the result of the retirement of our senior convertible debentures late in the second quarter of the fiscal year 2013, which lowered our effective interest rate.

***Other Income (Expense), Net*** Other income (expense), net was $10.7 million for the fiscal year 2014, an increase of $3.5 million, or 48.6%, compared to $7.2 million for the fiscal year 2013. The increase in other income (expense), net was driven by our investments in limited partnerships accounted for under the equity method, which increased $3.4 million, and a non-cash gain of $2.1 million related to assets assumed at our Frederick, Maryland facility following the termination of a customer contract, partially offset by the impact of foreign exchange and other activity of $2.0 million.

***Income Taxes*** Income tax expense in the fiscal year 2014 increased $14.8 million, compared with the fiscal year 2013. Our effective tax rate was 26.8% in the fiscal year 2014, compared to 23.8% in the fiscal year 2013. The increase was primarily attributable to current-year tax law changes, including a statutory 25% decrease in the Canadian Scientific Research and Experimental Development (SR&ED) credit and an increase in the limitation of deductibility of interest expense in France. In addition, the effective tax rate for the fiscal year 2014 reflected a discrete tax cost of $1.6 million related to the nondeductible transaction costs incurred in the fiscal year 2014 for the acquisition of the Early Discovery businesses and a discrete tax cost of $1.2 million related to the write-off of deferred tax assets as a result of the reorganization of the Company's RMS U.K. entities. These increases were partially offset by a $2.1 million release of an uncertain tax position resulting from an ability to offset tax on a capital gain from an investment in a limited partnership. The fiscal year 2013 effective tax rate included a discrete tax detriment of $2.0 million related to the ongoing transfer pricing controversy with the Canadian Revenue Authority (CRA).

**Liquidity and Capital Resources**

We currently require cash to fund our working capital needs, pension obligations, capital expansion, acquisitions, and to pay our debt obligations. Our principal sources of liquidity have been our cash flows from operations, supplemented by long-term borrowings. Based on our current business plan, we believe that our existing funds, when combined with cash generated from operations and our access to financing resources, are sufficient to fund our operations for the foreseeable future.

The following table presents our cash, cash equivalents and investments held by U.S. and non-U.S. entities:

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| | (in millions) | |
| Cash and cash equivalents: | | |
| Held by U.S. entities | $ 3.6 | $ 10.0 |
| Held by non-U.S. entities | 114.3 | 150.0 |
| Total cash and cash equivalents | 117.9 | 160.0 |
| Investments: | | |
| Held by U.S. entities | 4.5 | 2.8 |
| Held by non-U.S. entities | 16.0 | 13.4 |
| Total cash, cash equivalents and investments | $ 138.4 | $ 176.2 |

***Borrowings***

In April, 2015, we amended and restated our $970M Credit Facility, creating a $1.3 billion facility ($1.3B Credit Facility) that provides for a $400.0 million term loan facility and a $900.0 million multi-currency revolving facility. The term loan facility matures in 20 quarterly installments with the last installment due April 22, 2020. The revolving facility matures on April 22, 2020 and requires no scheduled payment before that date. The interest rates applicable to term loans and revolving loans under our credit agreement are, at our option, equal to either the alternate base rate (which is the higher of (1) the prime rate, (2) the federal funds rate plus 0.50%, or (3) the one-month adjusted LIBOR rate plus 1%), or the adjusted LIBOR rate plus an interest rate margin based upon our leverage ratio.

Amounts outstanding under the $1.3B Credit Facility were as follows as of December 26, 2015 and December 27, 2014:

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| | (in millions) | |
| Term loans | $ 390.0 | $ 378.0 |
| Revolving credit facility | 446.0 | 375.5 |
| Total | $ 836.0 | $ 753.5 |

In connection with our plan to acquire WIL Research, we entered into a commitment letter, pursuant to which our existing credit facility will be expanded to make available to us up to an additional $350.0 million in debt financing.

***Repurchases of Common Stock***

In July 2010, our Board of Directors authorized a $500.0 million stock repurchase program, and subsequently approved increases for an aggregate authorization of $1,150.0 million. During the fiscal year 2015, we repurchased approximately 1.5 million shares at a cost of $108.8 million. As of December 26, 2015, we had $69.7 million remaining on the authorized stock

repurchase program. Our stock-based compensation plans permit the netting of common stock upon vesting of restricted stock, performance share units, and restricted stock units in order to satisfy individual minimum statutory tax withholding requirements. During the fiscal year 2015, we acquired approximately 0.1 million shares for $8.7 million.

***Cash Flows***

The following table presents our net cash provided by operating activities:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in millions) | | |
| Income from continuing operations | $ 152.0 | $ 129.9 | $ 105.4 |
| Adjustments to reconcile net income from continuing operations to net cash provided by operating activities | 126.6 | 126.0 | 129.0 |
| Changes in assets and liabilities | 9.6 | (3.8) | (25.4) |
| Net cash provided by operating activities | $ 288.2 | $ 252.1 | $ 209.0 |

Cash flows from operating activities represent the cash receipts and disbursements related to all of our activities other than investing and financing activities. Operating cash flow is derived by adjusting our income from continuing operations for (1) non-cash operating items such as depreciation and amortization, stock-based compensation, gains (losses) on investments in limited partnerships and gains on bargain purchases, as well as (2) changes in operating assets and liabilities, which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in our results of operations. The increases in cash provided by operating activities from the fiscal year 2014 to 2015 and from the fiscal year 2013 to 2014 were primarily driven by higher income from continuing operations and changes in assets and liabilities. Our days sales outstanding, which includes deferred revenue as an offset to accounts receivable in the calculation, was 51 days as of December 26, 2015, compared to 52 days as of December 27, 2014 and 56 days as of December 28, 2013.

The following table presents our net cash used in investing activities:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in millions) | | |
| Acquisition of businesses and assets, net of cash acquired | $ (247.7) | $ (234.3) | $ (29.2) |
| Capital expenditures | (63.3) | (56.9) | (39.1) |
| Investments, net | (7.1) | (5.6) | (6.0) |
| Other, net | (2.2) | (1.2) | 0.3 |
| Net cash used in investing activities | $ (320.3) | $ (298.0) | $ (74.0) |

The primary use of cash in investing activities in the fiscal year 2015 was related to our acquisitions, primarily Celsis for $202.0 million, net of cash acquired; Oncotest for $35.2 million, net of cash acquired; and Sunrise for $9.6 million, net of cash acquired, as well as our capital expenditures. The primary use of cash in the fiscal year 2014 was related to our acquisitions, primarily Argenta and BioFocus for $182.5 million, net of cash acquired; and ChanTest for $51.1 million, net of cash acquired, as well as our capital expenditures. The primary use of cash in the fiscal year 2013 was our acquisition of 75% of Vital River for $24.2 million, net of cash acquired, and of a Microbial Solutions products and service provider in Singapore for $4.9 million.

The following table presents our net cash provided by (used in) financing activities:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in millions) | | |
| Proceeds from long-term debt and revolving credit agreement | $ 492.5 | $ 298.9 | $ 511.8 |
| Proceeds from exercises of stock options | 39.3 | 73.7 | 93.8 |
| Payments on long-term debt, capital lease obligation and revolving credit agreement | (417.3) | (194.5) | (523.3) |
| Purchase of treasury stock | (117.5) | (122.0) | (165.9) |
| Other, net | 7.5 | 5.3 | (0.6) |
| Net cash provided by (used in) financing activities | $ 4.5 | $ 61.4 | $ (84.2) |

For the fiscal year 2015, cash provided by financing activities reflected net borrowings of $75.2 million and proceeds from exercises of employee stock options of $39.3 million, partially offset by treasury stock purchases of $117.5 million made pursuant to our authorized stock repurchase program. For the fiscal year 2014, cash provided by financing activities reflected net borrowings of $104.4 million and proceeds from exercises of employee stock options of $73.7 million, partially offset by treasury stock purchases of $122.0 million made pursuant to our authorized stock repurchase program. For the fiscal year 2013, cash used in financing activities reflected net debt repayments of $11.5 million and treasury stock purchases of $165.9 million, partially offset by proceeds from exercises of employee stock options of $93.8 million.

**Contractual Commitments and Obligations**

Minimum future payments of our contractual obligations as of December 26, 2015 are as follows:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1 - 3 Years | 3 - 5 Years | More Than 5 Years |
| | (in millions) | | | | |
| Notes payable [1] | $ 836.2 | $ 15.2 | $ 55.0 | $ 766.0 | $ — |
| Operating leases [2] | 85.4 | 19.7 | 29.8 | 17.8 | 18.1 |
| Capital leases | 50.4 | 3.4 | 5.4 | 5.2 | 36.4 |
| Redeemable noncontrolling interest [3] | 28.0 | 28.0 | — | — | — |
| Limited partnership capital commitments [4] | 36.2 | 21.3 | 14.9 | — | — |
| Contingent consideration [5] | 3.3 | 0.9 | 2.4 | — | — |
| Total contractual cash obligations | $ 1,039.5 | $ 88.5 | $ 107.5 | $ 789.0 | $ 54.5 |

(1) Notes payable includes the principal payments on our debt.

(2) We lease properties and equipment for use in our operations. In addition to rent, the leases may require us to pay additional amounts for taxes, insurance, maintenance and other operating expenses. Amounts reflected within the table, detail future minimum rental commitments under non-cancellable operating leases for each of the periods presented.

(3) The estimated cash obligation for redeemable noncontrolling interest, which is exercisable by the non-controlling interest holders in 2016 at fair value, is based on the estimated fair value of the interest as of December 26, 2015.

(4) The timing of the remaining capital commitment payments to limited partnerships is subject to the procedures of the limited partnerships; the above table reflects the earliest possible date the payment can be required under the relevant agreements.

(5) In connection with business acquisitions, we agreed to make additional payments of up to $3.3 million based upon the achievement of certain financial targets. The contingent consideration obligation included in the table above has not been probability adjusted or discounted.

The above table excludes obligations related to our pension and other post-retirement benefit plans. Refer to Item 8, “Financial Statements and Other Supplementary Data” in this Annual Report on Form 10-K for more details.

***Tax Related Obligations***

We excluded liabilities pertaining to uncertain tax positions from our summary of contractual obligations presented above, as we cannot make a reliable estimate of the period of cash settlement with the respective taxing authorities. As of December 26, 2015, we had $23.3 million of liabilities associated with uncertain tax positions.

**Off-Balance Sheet Arrangements**

As of December 26, 2015, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K promulgated under the Exchange Act, except as disclosed below.

***WIL Research***

On January 6, 2016, we entered into a definitive agreement to acquire WIL Research. In the event the agreement is terminated under specified circumstances, we may be required to pay WIL Research a termination fee of $17.5 million. Refer to Item 8. “Financial Statements and Supplementary Data” in this Annual Report on Form 10-K for more details.

***Investments in Limited Partnerships***

We invest in several venture capital limited partnerships that invest in start-up companies, primarily in the life sciences industry. Our total commitment to these entities as of December 26, 2015 was $65.0 million, of which we had funded $28.8 million as of December 26, 2015. Refer to Item 8. “Financial Statements and Supplementary Data” in this Annual Report on Form 10-K for more details.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to market risk from changes in interest rates and currency exchange rates, which could affect our future results of operations and financial condition. We manage our exposure to these risks through our regular operating and financing activities.

***Interest Rate Risk***

We are exposed to changes in interest rates while conducting normal business operations as a result of ongoing financing activities. As of December 26, 2015, our debt portfolio was comprised primarily of floating interest rate borrowings. A 100-basis point increase in interest rates would increase our annual pre-tax interest expense by approximately $8.4 million.

***Foreign Currency Exchange Rate Risk***

We operate on a global basis and have exposure to some foreign currency exchange rate fluctuations for our financial position, results of operations and cash flows.

While the financial results of our global activities are reported in U.S. dollars, our foreign subsidiaries typically conduct their operations in their respective local currency. The principal functional currencies of the company’s foreign subsidiaries are the Euro, British Pound and Canadian Dollar. During the fiscal year 2015, the most significant drivers of foreign currency translation adjustment the Company recorded as part of comprehensive income were the Euro and Canadian Dollar, and to a lesser extent, the British Pound.

Fluctuations in the foreign currency exchange rates of the countries in which we do business will affect our financial position, results of operations, and cash flows, often in ways that are difficult to predict. In particular, as the U.S. dollar strengthens against other currencies, the value of our non-U.S. revenue, expenses, assets, liabilities and cash flows will generally decline when reported in U.S. dollars. The impact to net income as a result of a U.S. dollar strengthening will be partially mitigated by the value of non-U.S. expense, which will also decline when reported in U.S. dollars. As the U.S. dollar weakens versus other currencies, the value of the non-U.S. revenue and expenses, assets, liabilities, and cash flows will generally increase when reported in U.S. dollars. For the fiscal year 2015, our revenue would have decreased by approximately $55.7 million and our operating income would have increased by approximately $0.8 million, respectively, if the U.S. dollar exchange rate would have strengthened by 10% with all other variables held constant.

We attempt to minimize this exposure by using certain financial instruments in accordance with our overall risk management and our hedge policy. We do not enter into speculative derivative agreements.

During the fiscal year 2015, we utilized foreign exchange contracts, principally to hedge certain balance sheet exposures resulting from currency fluctuations.

**Item 8. Financial Statements and Supplementary Data**

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Charles River Laboratories International, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of Charles River Laboratories International, Inc. and its subsidiaries at December 26, 2015 and December 27, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 26, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 26, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it classifies deferred taxes in 2015 and 2014 due to the adoption of Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Sunrise Farms, Inc., Celsis Group Limited and Oncotest GmbH from its assessment of internal control over financial reporting as of December 26, 2015 because they were acquired by the Company during 2015. We have also excluded Sunrise Farms, Inc., Celsis Group Limited and Oncotest GmbH from our audit of internal control over financial reporting. Sunrise Farms, Inc., Celsis Group Limited and Oncotest GmbH are wholly-owned subsidiaries whose total assets and total revenues collectively represent 14.4 percent and 1.4 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 26, 2015.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

February 12, 2016

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**
**CONSOLIDATED STATEMENTS OF INCOME**
**(in thousands, except per share amounts)**

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Service revenue | $ 858,244 | $ 797,765 | $ 689,166 |
| Product revenue | 505,058 | 499,897 | 476,362 |
| Total revenue | 1,363,302 | 1,297,662 | 1,165,528 |
| Costs and expenses: | | | |
| Cost of services provided (excluding amortization of intangible assets) | 568,227 | 558,578 | 497,876 |
| Cost of products sold (excluding amortization of intangible assets) | 263,983 | 266,424 | 272,750 |
| Selling, general and administrative | 300,414 | 269,033 | 225,695 |
| Amortization of intangible assets | 24,229 | 25,957 | 17,806 |
| Operating income | 206,449 | 177,670 | 151,401 |
| Other income (expense): | | | |
| Interest income | 1,043 | 1,154 | 730 |
| Interest expense | (15,072) | (11,950) | (20,969) |
| Other income (expense), net | 3,008 | 10,721 | 7,165 |
| Income from continuing operations, before income taxes | 195,428 | 177,595 | 138,327 |
| Provision for income taxes | 43,391 | 47,671 | 32,911 |
| Income from continuing operations, net of income taxes | 152,037 | 129,924 | 105,416 |
| Loss from discontinued operations, net of income taxes | (950) | (1,726) | (1,265) |
| Net income | 151,087 | 128,198 | 104,151 |
| Less: Net income attributable to noncontrolling interests | (1,774) | (1,500) | (1,323) |
| Net income attributable to common shareholders | $ 149,313 | $ 126,698 | $ 102,828 |
| Earnings (loss) per common share | | | |
| Basic: | | | |
| Continuing operations attributable to common shareholders | $ 3.23 | $ 2.76 | $ 2.18 |
| Discontinued operations | $ (0.02) | $ (0.04) | $ (0.03) |
| Net income attributable to common shareholders | $ 3.21 | $ 2.72 | $ 2.15 |
| Diluted: | | | |
| Continuing operations attributable to common shareholders | $ 3.15 | $ 2.70 | $ 2.15 |
| Discontinued operations | $ (0.02) | $ (0.04) | $ (0.03) |
| Net income attributable to common shareholders | $ 3.13 | $ 2.66 | $ 2.12 |

See Notes to Consolidated Financial Statements.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(in thousands)**

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Net income | $ 151,087 | $ 128,198 | $ 104,151 |
| Foreign currency translation adjustment and other | (61,982) | (48,955) | (15,322) |
| Cumulative translation adjustment related to intercompany loan forgiveness | (2,341) | — | — |
| Pension and other post-retirement benefit plans (Note 10): | | | |
| Prior service cost and gains (losses) arising during the period | (302) | (42,236) | 19,293 |
| Amortization of net gains (losses) and prior service benefit included in net periodic pension cost | 2,617 | 1,234 | 3,017 |
| Comprehensive income, before income taxes | 89,079 | 38,241 | 111,139 |
| Income tax expense (benefit) related to items of other comprehensive income (Note 8) | 530 | (9,897) | 7,805 |
| Comprehensive income, net of income taxes | 88,549 | 48,138 | 103,334 |
| Less: Comprehensive income related to noncontrolling interests | 537 | 1,044 | 1,752 |
| Comprehensive income attributable to common shareholders | $ 88,012 | $ 47,094 | $ 101,582 |

See Notes to Consolidated Financial Statements.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**
**CONSOLIDATED BALANCE SHEETS**
**(in thousands, except per share amounts)**

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 117,947 | $ 160,023 |
| Trade receivables, net | 270,068 | 257,991 |
| Inventories | 93,735 | 89,043 |
| Prepaid assets | 30,198 | 26,900 |
| Other current assets | 47,286 | 45,297 |
| Total current assets | 559,234 | 579,254 |
| Property, plant and equipment, net | 677,959 | 676,797 |
| Goodwill | 438,829 | 321,077 |
| Client relationships, net | 213,374 | 161,401 |
| Other intangible assets, net | 67,430 | 17,474 |
| Deferred tax assets | 40,028 | 41,624 |
| Other assets | 71,643 | 72,951 |
| Total assets | $ 2,068,497 | $ 1,870,578 |
| **Liabilities, Redeemable Noncontrolling Interest and Equity** | | |
| Current liabilities: | | |
| Current portion of long-term debt and capital leases | $ 17,033 | $ 31,904 |
| Accounts payable | 36,675 | 33,815 |
| Accrued compensation | 72,832 | 71,569 |
| Deferred revenue | 81,343 | 78,124 |
| Accrued liabilities | 89,494 | 67,380 |
| Other current liabilities | 12,544 | 9,595 |
| Current liabilities of discontinued operations | 1,840 | 2,299 |
| Total current liabilities | 311,761 | 294,686 |
| Long-term debt, net and capital leases | 845,997 | 740,557 |
| Deferred tax liabilities | 48,223 | 23,087 |
| Other long-term liabilities | 89,062 | 99,545 |
| Long-term liabilities of discontinued operations | 7,890 | 8,357 |
| Total liabilities | 1,302,933 | 1,166,232 |
| Commitments and contingencies (Notes 2, 7, 9, 10, 13 and 16) | | |
| Redeemable noncontrolling interest | 28,008 | 28,419 |
| Equity: | | |
| Preferred stock, $0.01 par value; 20,000 shares authorized; no shares issued and outstanding | — | — |
| Common stock, $0.01 par value; 120,000 shares authorized; 85,464 shares issued and 46,698 shares outstanding at December 26, 2015 and 84,503 shares issued and 47,327 shares outstanding at December 27, 2014 | 855 | 845 |
| Additional paid-in capital | 2,397,960 | 2,307,640 |
| Retained earnings (accumulated deficit) | 10,538 | (138,775) |
| Treasury stock, at cost, 38,766 shares and 37,176 shares at December 26, 2015 and December 27, 2014, respectively | (1,540,738) | (1,423,260) |
| Accumulated other comprehensive loss | (135,548) | (74,247) |
| Total equity attributable to common shareholders | 733,067 | 672,203 |
| Noncontrolling interests | 4,489 | 3,724 |
| Total equity | 737,556 | 675,927 |
| Total liabilities, redeemable noncontrolling interest and equity | $ 2,068,497 | $ 1,870,578 |

See Notes to Consolidated Financial Statements.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**

| | Fiscal Year | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| **Cash flows relating to operating activities** | | | |
| Net income | $ 151,087 | $ 128,198 | $ 104,151 |
| Less: Loss from discontinued operations | (950) | (1,726) | (1,265) |
| Income from continuing operations | 152,037 | 129,924 | 105,416 |
| Adjustments to reconcile net income from continuing operations to net cash provided by operating activities: | | | |
| Depreciation and amortization | 94,881 | 96,445 | 96,636 |
| Amortization of debt issuance costs and discounts | 2,380 | 1,725 | 9,561 |
| Impairment charges | 196 | 582 | 4,202 |
| Stock-based compensation | 40,122 | 31,035 | 24,542 |
| Deferred income taxes | 2,689 | 7,060 | (846) |
| Gain on investments in limited partnerships | (3,823) | (9,301) | (5,864) |
| Gain on bargain purchase | (9,837) | — | — |
| Other, net | (28) | (1,564) | 755 |
| Changes in assets and liabilities: | | | |
| Trade receivables, net | (16,963) | (28,088) | (19,492) |
| Inventories | 3,364 | (2,956) | (1,571) |
| Other assets | 850 | (5,145) | 2,421 |
| Accounts payable | 1,174 | 4,599 | (7,080) |
| Accrued compensation | 8,414 | 13,631 | 11,926 |
| Deferred revenue | 6,274 | 22,244 | (3,297) |
| Accrued liabilities | 14,069 | 8,284 | 759 |
| Taxes payable and prepaid taxes | (3,906) | (7,090) | (3,054) |
| Other liabilities | (3,659) | (9,253) | (5,969) |
| Net cash provided by operating activities | 288,234 | 252,132 | 209,045 |
| **Cash flows relating to investing activities** | | | |
| Acquisition of businesses and assets, net of cash acquired | (247,651) | (234,267) | (29,218) |
| Capital expenditures | (63,252) | (56,925) | (39,154) |
| Purchases of investments | (34,235) | (26,648) | (17,566) |
| Proceeds from sale of investments and distributions from investments in limited partnerships | 27,072 | 21,000 | 11,584 |
| Other, net | (2,221) | (1,150) | 307 |
| Net cash used in investing activities | (320,287) | (297,990) | (74,047) |
| **Cash flows relating to financing activities** | | | |
| Proceeds from long-term debt and revolving credit agreement | 492,514 | 298,920 | 511,804 |
| Proceeds from exercises of stock options | 39,367 | 73,688 | 93,789 |
| Payments on long-term debt, capital lease obligations and revolving credit agreement | (417,331) | (194,536) | (523,304) |
| Purchase of treasury stock | (117,478) | (122,018) | (165,932) |
| Other, net | 7,476 | 5,360 | (594) |
| Net cash provided by (used in) financing activities | 4,548 | 61,414 | (84,237) |
| **Discontinued operations** | | | |
| Net cash used in operating activities from discontinued operations | (1,876) | (1,081) | (1,906) |
| Effect of exchange rate changes on cash and cash equivalents | (12,695) | (10,379) | (2,613) |
| Net change in cash and cash equivalents | (42,076) | 4,096 | 46,242 |
| Cash and cash equivalents, beginning of period | 160,023 | 155,927 | 109,685 |
| **Cash and cash equivalents, end of period** | $ 117,947 | $ 160,023 | $ 155,927 |

See Notes to Consolidated Financial Statements.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**
**(in thousands)**

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| **Supplemental cash flow information:** | | | |
| Cash paid for income taxes | $ 24,436 | $ 29,704 | $ 19,139 |
| Cash paid for interest | $ 11,101 | $ 10,199 | $ 12,029 |
| **Non-cash investing and financing activities:** | | | |
| Capitalized interest | $ 424 | $ 1,032 | $ 243 |
| Additions to property, plant and equipment, net | $ 6,720 | $ 4,355 | $ 6,960 |
| Assets acquired under capital lease | $ 10,281 | $ 18,690 | $ — |

See Notes to Consolidated Financial Statements.

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**(in thousands)**

| | Common stock | | Additional Paid-In Capital | Retained Earnings (Accumulated Deficit) | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | | Total Equity Attributable to Common Shareholders | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | Shares | Amount | | | |
| **December 29, 2012** | **79,608** | **$ 796** | **$ 2,097,316** | **$ (368,301)** | **$ 6,603** | **31,388** | **$ (1,135,609)** | **$ 600,805** | **$ 2,395** | **$ 603,200** |
| Net income | — | — | — | 102,828 | — | — | — | 102,828 | 636 | 103,464 |
| Other comprehensive income (loss) | — | — | — | — | (1,246) | — | — | (1,246) | 62 | (1,184) |
| Adjustment of redeemable noncontrolling interest to fair value | — | — | (10,564) | — | — | — | — | (10,564) | — | (10,564) |
| Tax benefit associated with stock issued under employee compensation plans | — | — | 1,069 | — | — | — | — | 1,069 | — | 1,069 |
| Issuance of stock under employee compensation plans | 2,915 | 29 | 93,792 | — | — | — | — | 93,821 | — | 93,821 |
| Acquisition of treasury shares | — | — | — | — | — | 3,581 | (170,271) | (170,271) | — | (170,271) |
| Stock-based compensation | — | — | 24,542 | — | — | — | — | 24,542 | — | 24,542 |
| **December 28, 2013** | **82,523** | **825** | **2,206,155** | **(265,473)** | **5,357** | **34,969** | **(1,305,880)** | **640,984** | **3,093** | **644,077** |
| Net income | — | — | — | 126,698 | — | — | — | 126,698 | 645 | 127,343 |
| Other comprehensive loss | — | — | — | — | (79,604) | — | — | (79,604) | (14) | (79,618) |
| Adjustment of redeemable noncontrolling interest to fair value | — | — | (7,425) | — | — | — | — | (7,425) | — | (7,425) |
| Tax benefit associated with stock issued under employee compensation plans | — | — | 4,301 | — | — | — | — | 4,301 | — | 4,301 |
| Issuance of stock under employee compensation plans | 1,980 | 20 | 73,574 | — | — | — | — | 73,594 | — | 73,594 |
| Acquisition of treasury shares | — | — | — | — | — | 2,207 | (117,380) | (117,380) | — | (117,380) |
| Stock-based compensation | — | — | 31,035 | — | — | — | — | 31,035 | — | 31,035 |
| **December 27, 2014** | **84,503** | **845** | **2,307,640** | **(138,775)** | **(74,247)** | **37,176** | **(1,423,260)** | **672,203** | **3,724** | **675,927** |
| Net income | — | — | — | 149,313 | — | — | — | 149,313 | 936 | 150,249 |
| Other comprehensive loss | — | — | — | | (61,301) | — | — | (61,301) | (171) | (61,472) |
| Adjustment of redeemable noncontrolling interest to fair value | — | — | 183 | — | — | — | — | 183 | — | 183 |
| Tax benefit associated with stock issued under employee compensation plans | — | — | 10,608 | — | — | — | — | 10,608 | — | 10,608 |
| Issuance of stock under employee compensation plans | 961 | 10 | 39,407 | — | — | — | — | 39,417 | — | 39,417 |
| Acquisition of treasury shares | — | — | — | — | — | 1,590 | (117,478) | (117,478) | — | (117,478) |
| Stock-based compensation | — | — | 40,122 | — | — | — | — | 40,122 | — | 40,122 |
| **December 26, 2015** | **85,464** | **$ 855** | **$ 2,397,960** | **$ 10,538** | **$ (135,548)** | **38,766** | **$ (1,540,738)** | **$ 733,067** | **$ 4,489** | **$ 737,556** |

See Notes to Consolidated Financial Statements.

## 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Description of Business***

Charles River Laboratories International, Inc. (the Company), together with its subsidiaries, is a full service, early-stage contract research organization (CRO). The Company has built upon its core competency of laboratory animal medicine and science (research model technologies) to develop a diverse portfolio of discovery and safety assessment services, both Good Laboratory Practice (GLP) and non-GLP, which is able to support its clients from target identification through preclinical development. The Company also provides a suite of products and services to support its clients' manufacturing activities.

***Principles of Consolidation***

The Company's consolidated financial statements reflect its financial statements and those of its subsidiaries in which the Company holds a controlling financial interest. For consolidated entities in which the Company owns or is exposed to less than 100% of the economics, the Company records net income (loss) attributable to noncontrolling interests in its consolidated statements of income equal to the percentage of the economic or ownership interest retained in such entities by the respective noncontrolling parties. Intercompany balances and transactions are eliminated in consolidation.

The Company's fiscal quarters consists of the 3 months ending on the last Saturday on, or prior to, March 31, June 30, September 30 and December 31.

***Reclassifications***

Certain reclassifications have been made to prior year statements to conform to the current year presentation. These reclassifications have no impact on period reported net income or cash flow.

***Segment Reporting***

During the quarter ended June 28, 2014, following its acquisition of the CRO services division of Galapagos N.V. (Argenta and BioFocus), the Company revised its reportable segments to ensure alignment with the Company's view of the business. The Company reviewed the new and existing markets addressed by the business, the recently revised go-to-market strategy, long-term operating margins, and the discrete financial information available to its Chief Operating Decision Maker, and considered how its businesses aggregate based on these qualitative and quantitative factors. Based on this review, the Company identified three reportable segments: Research Models and Services (RMS), Discovery and Safety Assessment (DSA) and Manufacturing Support (Manufacturing). The Company reported segment results on this basis for all periods presented.

The revised reportable segments are as follows:

| Research Models and Services | Discovery and Safety Assessment | Manufacturing Support |
|---|---|---|
| Research Models | Discovery Services [2] | Microbial Solutions (formerly Endotoxin and Microbial Detection, or EMD) |
| Research Model Services [1] | Safety Assessment | Avian |
| | | Biologics |

[1] Research Model Services includes Genetically Engineered Models and Services (GEMS), Research Animal Diagnostic Services (RADS), and Insourcing Solutions (IS).

[2] Discovery Services includes both the *In Vivo* Discovery business and the Early Discovery business. Early Discovery includes Argenta and BioFocus, which were acquired in April 2014, ChanTest Corporation (ChanTest), which was acquired in October 2014 and Oncotest GmbH (Oncotest), which was acquired in November 2015.

Prior to recasting the reportable segments, the businesses were reported in two segments as follows:

| Research Models and Services | Preclinical Services |
|---|---|
| Research Models [3] | Discovery Services |
| Research Model Services [4] | Safety Assessment |
| Endotoxin and Microbial Detection | Biologics Testing Solutions |

[3] Research Models included Avian Vaccine Services.

[4] Research Model Services included GEMS, RADS, IS and Discovery Research Services. As part of the segment revisions, the former Discovery Research Services was folded into the Company's Discovery Services business, previously located under the Preclinical Services segment.

***Use of Estimates***

The preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States (U.S. GAAP) requires that the Company makes estimates and judgments that may affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, judgments and methodologies. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Changes in estimates are reflected in reported results in the period in which they become known.

***Cash and Cash Equivalents***

Cash equivalents include money market funds, time deposits and other investments with remaining maturities at the purchase date of three months or less.

***Investments***

Marketable securities are reported at fair value. Realized gains and losses on marketable securities are included in other income (expense), net and are determined using the specific identification method. Unrealized gains and losses on available-for-sale marketable securities are included in accumulated other comprehensive income (loss). Time deposits with original maturities of greater than three months are reported as investments.

***Trade Receivables, Net***

The Company records trade receivables net of an allowance for doubtful accounts. An allowance for doubtful accounts is established based on historical collection information, a review of major client accounts receivable balances and current economic conditions in the geographies in which it operates. Amounts determined to be uncollectible are charged or written off against the allowance.

***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, investments and trade receivables. The Company places cash and cash equivalents and investments in various financial institutions with high credit rating and limits the amount of credit exposure to any one financial institution. Trade receivables are primarily from clients in the pharmaceutical and biotechnology industries, as well as academic and government institutions. Concentrations of credit risk with respect to trade receivables, which are typically unsecured, are limited due to the wide variety of customers using the Company's products and services as well as their dispersion across many geographic areas. No single client accounted for more than 5% of revenue or trade receivables for any period presented.

***Fair Value Measurements***

The accounting standard for fair value measurements defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and requires certain disclosures about fair value measurements. Under this standard, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has certain financial assets and liabilities recorded at fair value which have been classified as Level 1, 2 or 3 within the fair value hierarchy:

- Level 1 - Fair values are determined utilizing quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access;

- Level 2 - Fair values are determined by utilizing quoted prices for identical or similar assets and liabilities in active markets or other market observable inputs such as interest rates, yield curves and foreign currency spot rates;
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The fair value hierarchy level is determined by asset or liability class based on the lowest level of significant input. The observability of inputs may change for certain assets or liabilities. This condition could cause an asset or liability to be reclassified between levels. The Company recognizes transfers between levels within the fair value hierarchy, if any, at the end of each quarter.

Valuation methodologies used for assets and liabilities measured or disclosed at fair value are as follows:

- Cash equivalents - Valued at quoted market prices determined through third-party pricing services.
- Mutual funds - Valued at the unadjusted quoted net asset value of shares held by the Company.
- Foreign currency forward contracts - Valued using readily observable market inputs, such as forward foreign exchange points and foreign exchanges rates.
- Life insurance policies - Valued at cash surrender value based on fair value of underlying investments.
- Contingent consideration - Valued based on a probability weighting of the future cash flows associated with the potential outcomes.
- Redeemable noncontrolling interest - Valued using the income approach based on estimated future cash flows of the underlying business discounted by a weighted average cost of capital.

***Inventories***

Inventories are stated at the lower of cost or market. Cost is determined on the average cost method for the small model business and first-in-first-out for the Company’s large model and Microbial Solutions businesses. For the small model business, cost includes direct materials such as feed and bedding, costs of personnel directly involved in the care of the models, and an allocation of facility overhead. For the large model business, cost is primarily the external cost paid to acquire the model. Certain businesses value inventory based on standard costs, which are periodically compared to and adjusted to actual costs. Inventory costs are charged to cost of revenue in the period the products are sold to an external party. The Company analyzes its inventory levels on a quarterly basis and writes down inventory that is determined to be damaged, obsolete or otherwise unmarketable, with a corresponding charge to cost of products sold.

***Property, Plant and Equipment, Net***

Property, plant and equipment, including improvements that significantly add to productive capacity or extend useful life, are carried at cost and are subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The cost of normal, recurring, or periodic repairs and maintenance activities related to property, plant and equipment is expensed as incurred. In addition, the Company capitalizes certain internal use computer software development costs. Costs incurred during the preliminary project stage are expensed as incurred, while costs incurred during the application development stage are capitalized and amortized over the estimated useful life of the software. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Maintenance and training costs related to software obtained for internal use are expensed as incurred.

Interest costs incurred during the construction of major capital projects are capitalized until the underlying asset is ready for its intended use, at which point the interest costs are amortized as depreciation expense over the life of the underlying asset.

The Company generally depreciates the cost of its property, plant and equipment using the straight-line method over the estimated useful lives of the respective assets as follows:

| | Estimated Useful Lives (in years) |
|---|---|
| Land | Indefinite |
| Buildings | 20 - 40 |
| Machinery and equipment | 3 - 20 |
| Furniture and fixtures | 5 - 10 |
| Computer hardware and software | 3 - 8 |
| Vehicles | 3 - 5 |

Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the lease term. Capital lease assets are amortized over the lease term, however, if ownership is transferred by the end of the capital lease, or there is a bargain purchase option, such capital lease assets are amortized over the useful life that would be assigned if such assets were owned.

When the Company disposes of property, plant and equipment, it removes the associated cost and accumulated depreciation from the related accounts on its consolidated balance sheet and includes any resulting gain or loss in its consolidated statement of income.

***Business Acquisitions***

The Company accounts for acquisitions as business acquisitions under the acquisition method of accounting. The Company allocates the amounts that it pays for each acquisition to the assets it acquires and liabilities it assumes based on their fair values at the dates of acquisition, including identifiable intangible assets. The Company bases the fair value of identifiable intangible assets acquired in a business combination on valuations that use information and assumptions determined by management and which consider management’s best estimates of inputs and assumptions that a market participant would use.

***Contingent Consideration***

The consideration for the Company’s acquisitions often includes future payments that are contingent upon the occurrence of a particular event. The Company records an obligation for such contingent payments at fair value on the acquisition date. The Company estimates the fair value of contingent consideration obligations through valuation models that incorporate probability adjusted assumptions related to the achievement of the milestones and thus likelihood of making related payments. The Company revalues these contingent consideration obligations each reporting period. Changes in the fair value of the contingent consideration obligations are recognized in the Company’s consolidated statements of income as a component of selling, general and administrative expenses. Changes in the fair value of the contingent consideration obligations can result from changes to one or multiple inputs, including adjustments to the discount rates and changes in the assumed probabilities of successful achievement of certain financial targets.

Discount rates in the Company’s valuation models represent a measure of the credit risk associated with settling the liability. The period over which the Company discounts its contingent obligations is typically based on when the contingent payments would be triggered. These fair value measurements are based on significant inputs not observable in the market. See Note 5, “Fair Value.”

***Goodwill and Intangible Assets***

Goodwill represents the difference between the purchase price and the fair value of the identifiable tangible and intangible net assets when accounted for using the purchase method of accounting. Goodwill is not amortized, but reviewed for impairment on an annual basis, during the fourth quarter, or more frequently if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of the Company's reporting units below their carrying amounts.

The Company has the option to first assess qualitative factors to determine whether it is necessary to perform the two-step impairment test. If the Company elects this option and believes, as a result of the qualitative assessment, that it is more-likely-than-not that the carrying value of goodwill is not recoverable, the quantitative two-step impairment test is required; otherwise, no further testing is required. Alternatively, the Company may elect to not first assess qualitative factors and immediately perform the quantitative two-step impairment test. In the first step, the Company compares the fair value of its reporting units

to their carrying values. If the carrying values of the net assets assigned to the reporting units exceed the fair values of the reporting units, then the second step of the impairment test is performed in order to determine the implied fair value of the Company's goodwill. If the carrying value of the reporting unit's goodwill exceeds its implied fair value, then the Company would record an impairment loss equal to the difference.

Definite-lived intangible assets, including client relationships, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets or asset group may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset, which requires the use of customer attribution rates and other assumptions. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the definite-lived intangible assets, the definite-lived intangible assets are written-down to their fair values.

***Valuation and Impairment of Long-Lived Assets***

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets or asset group may not be recoverable.

Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written-down to their fair values.

Long-lived assets to be disposed of are carried at fair value less costs to sell.

***Limited Partnerships***

The Company invests in several venture capital limited partnerships that invest in start-up companies primarily in the life sciences industry. The Company ownership interest in these limited partnerships ranges from 3.6% to 12.0%. The Company accounts for such investments under the equity method of accounting, whereby its portion of the investment gains and losses, as reported in the fund's financial statements on a quarterly lag each reporting period, is recorded in other income (expense), net. In addition, the Company adjusts the carrying value of these investments to reflect its estimate of changes to fair value since the fund's financial statements based on information from the fund's management team, market prices of known public holdings of the fund and other information.

***Life Insurance Contracts***

Investments in life insurance contracts are recorded at cash surrender value. The initial investment at the transaction price is recognized and remeasured based on fair value of underlying investments or contractual value each reporting period. Investments in and redemptions of these life insurance contracts are reported as cash flows from investing activities in the consolidated statement of cash flows. As of December 26, 2015 and December 27, 2014, the Company held 42 and 40 contracts, respectively, with a face value of $60.5 million and $68.2 million, respectively.

***Stock-Based Compensation***

The Company grants stock options, restricted stock, restricted stock units and performance share units (PSUs) to employees and stock options and restricted stock to non-employee directors under stock-based compensation plans. Stock-based compensation is recognized as an expense in the consolidated financial statements based on the grant date fair value, adjusted for estimated forfeitures, over the requisite service period.

For stock options, restricted stock and restricted stock units that vest based on service conditions, the Company uses the straight-line method to allocate compensation expense to reporting periods. Where awards are made with non-substantive vesting periods, where a portion of the award continues to vests after the employee's retirement, the Company recognizes expense based on the period from the grant date to the date on which the employee is retirement eligible. The Company records the expense for PSU grants subject to performance and/or market conditions using the accelerated attribution method over the remaining service period when management determines that achievement of the performance-based milestone is probable.

The fair value of stock options granted is calculated using the Black-Scholes option-pricing model and the fair value of PSUs is estimated using a lattice model with a Monte Carlo simulation, both of which require the use of subjective assumptions including volatility and expected term, among others. The expected volatility assumption is typically determined using the historical volatility of the Company's common stock over the expected life of the stock-based award. The expected term is determined using historical option exercise activity. The fair value of restricted stock and restricted stock units is based on the market value of the Company's common stock on the date of grant.

***Revenue Recognition***

The Company recognizes revenue when all of the following conditions are satisfied: persuasive evidence of an arrangement exists, delivery has occurred or services have been provided, the price to the customer is fixed or determinable, and collectibility is reasonably assured.

Service revenue is generally evidenced by client contracts, which range in duration from a few weeks to a few years and typically take the form of an agreed upon rate per unit or fixed fee arrangements. Such contracts typically do not contain acceptance provisions based upon the achievement of certain study or laboratory testing results. Revenue of agreed upon rate per unit contracts is recognized as services are performed, based upon rates specified in the contract. In cases where performance spans reporting periods, revenue of fixed fee contracts is recognized as services are performed, measured on the ratio of outputs or performance obligations completed to the total contractual outputs or performance obligations to be provided. Changes in estimated effort to complete the fixed fee contract are reflected in the period in which the change becomes known. Changes in scope of work are common, especially under long-term contracts, and generally result in a change in contract value. Once the client has agreed to the changes in scope and renegotiated pricing terms, the contract value is amended and revenue is typically recognized as described above.

Billing schedules and payment terms are generally negotiated on a contract-by-contract basis. Payments received in excess of revenue recognized are recorded as deferred revenue. As the contracted services are subsequently performed and the associated revenue is recognized, the deferred revenue balance is reduced by the amount of revenue recognized during the period. In other cases, services may be provided and revenue is recognized before the client is invoiced. In these cases, revenue recognized will exceed amounts billed and the difference, representing amounts which are currently unbillable to the customer pursuant to contractual terms, is recorded as an unbilled receivable. Once the client is invoiced, the unbilled receivable is reduced for the amount billed, and a corresponding trade receivable is recorded.

Most contracts are terminable by the client, either immediately or upon notice. These contracts often require payment to the Company of expenses to wind down the project, fees earned to date or, in some cases, a termination fee. Such payments are included in revenues when earned.

The Company recognizes product revenue net of allowances for estimated returns, rebates and discounts when title and risk of loss pass to customers. When the Company sells equipment with specified acceptance criteria, it assesses its ability to meet the acceptance criteria in order to determine the timing of revenue recognition. The Company would defer revenue until completion of customer acceptance testing if it is not able to demonstrate the ability to meet such acceptance criteria.

A portion of the Company’s revenue is from multiple-element arrangements that include multiple products and/or services as deliverables in a single arrangement with each deliverable, or a combination of the deliverables, representing a separate unit of accounting. The Company allocates revenues to each element in a multiple-element arrangement based upon the relative selling price of each deliverable. Revenue allocated to each deliverable is then recognized when all revenue recognition criteria are met. Judgments as to the identification of deliverables, units of accounting, the allocation of consideration to the deliverable, and the appropriate timing of revenue recognition are critical with respect to these arrangements.

At the inception of each arrangement that includes milestone payments, the Company evaluates whether each milestone is substantive. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (1) the Company’s performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the Company’s performance to achieve the milestone; (b) the consideration relates solely to past performance; and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. If a substantive milestone is achieved and collection of the related receivable is reasonably assured, the Company recognizes revenue related to the milestone in its entirety in the period in which the milestone is achieved. In those circumstances where a milestone is not substantive, the Company recognizes as revenue, on the date the milestone is achieved, an amount equal to the applicable percentage of the performance period that had elapsed as of the date the milestone was achieved, with the balance being deferred and recognized over the remaining period of performance. As of December 26, 2015, the Company had no significant milestones that were deemed substantive.

***Advertising Costs***

Advertising costs are expensed as incurred. For the fiscal years 2015, 2014 and 2013, advertising costs totaled $1.2 million, $1.3 million and $1.1 million, respectively.

***Income Taxes***

The provision for income taxes includes federal, state, local and foreign taxes. Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statements carrying amounts and their respective tax basis. The Company measures deferred tax assets and liabilities using the enacted tax rates expected to be in effect when the temporary differences are expected to be settled. The Company evaluates the realizability of its deferred tax assets and establishes a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized.

The Company accounts for uncertain tax positions using a “more-likely-than-not” threshold for recognizing and resolving uncertain tax positions. The Company evaluates uncertain tax positions on a quarterly basis and considers various factors, including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, information obtained during in process audit activities and changes in facts or circumstances related to a tax position. The Company also accrues for potential interest and penalties related to unrecognized tax benefits in income tax expense.

***Foreign Currency Contracts***

Foreign currency contracts are recorded at fair value in the Company’s consolidated balance sheet and are not designated as hedging instruments. Any gains or losses on such contracts are immediately recognized in other income (expense), net.

***Translation of Foreign Currencies***

For the Company’s subsidiaries that transact in a functional currency other than the U.S. dollar, assets and liabilities are translated at current rates of exchange at the balance sheet date. Income and expense items are translated at the average foreign exchange rates for the period. Adjustments resulting from the translation of the financial statements of our foreign operations into U.S. dollars are excluded from the determination of net income and are recorded in accumulated other comprehensive income (loss), a separate component of equity.

***Pension and Other Post-Retirement Benefit Plans***

The Company recognizes the funded status of its defined benefit pension and other post-retirement benefit plans as an asset or liability. This amount is defined as the difference between the fair value of plan assets and the benefit obligation. The Company measures plan assets and benefit obligations as of its fiscal year end.

The key assumptions used to calculate benefit obligations and related pension costs include expected long-term rate of return on plan assets, withdrawal and mortality rates, expected rate of increase in employee compensation levels and discount rate. Assumptions are determined based on the Company’s data and appropriate market indicators, and evaluated each year as of the plan’s measurement date.

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the projected benefit obligations. In determining the expected long-term rate of return on plan assets, the Company considers the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance.

In the fiscal year 2014, for the U.K. and U.S. plans, the Company adopted newly released mortality tables and mortality improvement scales for measurement of retirement plan obligations, which increased the Company’s benefit obligations by $7.9 million as of December 27, 2014. In the fiscal year 2015, new mortality improvement scales were issued in the U.S. and the U.K. reflecting a decline in longevity projection from the 2014 releases that the Company adopted, which decreased the Company’s benefit obligations by $3.3 million as of December 26, 2015.

The discount rate reflects the rate the Company would have to pay to purchase high-quality investments that would provide cash sufficient to settle its current pension obligations. Beginning in the fiscal year 2014, the Company had employed a discount rate based on a cash-flow matching analysis using Towers Watson’s proprietary Bond:Link tool. Prior to the fiscal year 2014, the Company employed a cash-flow matching methodology, which used the spot yield curve underlying the Citigroup Index. The refined estimation technique permits the Company to more closely match cash flows to the expected payments to participants than would be possible with the previously used yield curve model. This refinement reduced the Company’s benefit obligations as of December 27, 2014 by $5.5 million.

The rate of compensation increase reflects the expected annual salary increases for the plan participants based on historical experience and the current employee compensation strategy.

The Company is required to recognize as a component of other comprehensive income, net of tax, the actuarial gains or losses and prior service costs or credits that arise but were not previously required to be recognized as components of net periodic benefit cost. Other comprehensive income is adjusted as these amounts are later recognized in income as components of net periodic benefit cost.

***Earnings Per Share***

Basic earnings per share are calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. Except where the result would be anti-dilutive to income from continuing operations, diluted earnings per share is computed using the treasury stock method, assuming the exercise of stock options and the vesting of restricted stock awards, restricted stock units, or PSUs, as well as their related income tax effects.

***Newly Adopted Accounting Pronouncements***

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-17, “Balance Sheet Classification of Deferred Taxes,” that requires companies to classify all deferred tax assets and liabilities, along with any valuation allowance, as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. The guidance does not change the existing requirement that only permits offsetting within a jurisdiction. The ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. During the fourth quarter of 2015, the Company elected early adoption of this standard as it improved the efficiency of the year end financial reporting process for income taxes and applied the changes retrospectively to all prior periods presented in its consolidated financial statements.

As of December 27, 2014, the adoption of this standard has resulted in decreases of $27.6 million, $1.5 million, and $7.7 million to other current assets, other current liabilities and noncurrent deferred tax liabilities, respectively, and an increase of $18.4 million to noncurrent deferred tax assets.

In September 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments,” that eliminates the current requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers will recognize measurement-period adjustments during the period in which they determine the amount of the adjustments, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. During the fourth quarter of 2015, the Company elected early adoption of this standard. The adoption of this standard did not have a material impact to the Company’s consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-04, “Practical Expedient for the Measurement Date of an Employer’s Defined Benefit Obligation and Plan Assets” to provide a practical expedient related to the measurement date of the defined benefit plan assets and obligations. The practical expedient allows employers with fiscal year-end dates that do not coincide with a calendar month end to measure pension and post-retirement benefit plan assets and obligations as of the calendar month-end date closest to the fiscal year end. The standard requires entities that elect the practical expedient to adjust the measurement of benefit plan assets and obligations for contributions or significant events between the month-end measurement date and the entity fiscal year end. The ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. During the fourth quarter of 2015, the Company elected not to utilize the practical expedient provided by ASU 2015-04.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of debt discounts or premiums. The ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. During the second quarter of 2015, the Company elected early adoption of this standard and applied the changes retrospectively to all prior periods presented in its consolidated financial statements.

The Company historically presented deferred debt issuance costs, or fees related to directly issuing debt, as assets on the consolidated balance sheets. As of December 27, 2014, the adoption of this standard has resulted in the reclassification of $5.4 million from other assets to long-term debt, net and capital leases. These costs will continue to be amortized as interest expense over the term of the corresponding debt issuance.

In February 2015, the FASB issued ASU 2015-02, “Amendments to the Consolidation Analysis,” which amends existing consolidation requirements. The guidance affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the guidance amends (i) the identification of variable interests (fees paid to a

decision maker or service provider), (ii) the variable interest entity characteristics for a limited partnership or similar entity and (iii) the primary beneficiary determination. The ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. During the fourth quarter of 2015, the Company elected early adoption of this standard. The adoption of this standard did not have a material impact to the Company's consolidated financial statements.

***Newly Issued Accounting Pronouncements***

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," that simplifies the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost or net realizable value test. The ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The Company is still evaluating the impact this standard will have on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." The standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. The standard will be effective for annual and interim periods beginning after December 15, 2017. The Company has not yet selected a transition method and is evaluating the impact the adoption will have on its consolidated financial statements and related disclosures.

## 2. BUSINESS ACQUISITIONS

***Oncotest***

On November 18, 2015, the Company acquired Oncotest, a German CRO providing discovery services for oncology, one of the largest therapeutic areas for biopharmaceutical research and development spending. With this acquisition, the Company has expanded its oncology services capabilities, enabling it to provide clients with access to a more comprehensive portfolio of technologies, including patient-derived xenograft (PDX) and syngeneic models. The purchase price for Oncotest was approximately $36.0 million, including $0.3 million in contingent consideration. The acquisition was funded by borrowings on the Company's revolving credit facility. The business is reported in the Company's DSA reportable segment.

The contingent consideration is a one-time payment that could become payable based on the achievement of a revenue target for the fiscal year 2016. If achieved, the payment will become due in the first quarter of fiscal year 2017. The aggregate, undiscounted amount of contingent consideration that the Company may pay is €2.0 million ($2.2 million as of December 26, 2015). The Company estimated the fair value of this contingent consideration based on a probability-weighted set of outcomes.

The preliminary purchase price allocation of $35.4 million, net of $0.6 million of cash acquired, was as follows:

| | November 18, 2015 |
|---|---|
| | (in thousands) |
| Trade receivables (contractual amount of $3,546) | $ 3,520 |
| Inventories | 129 |
| Other current assets (excluding cash) | 706 |
| Property, plant and equipment | 2,528 |
| Definite-lived intangible assets | 13,330 |
| Goodwill | 22,894 |
| Other long-term assets | 250 |
| Current liabilities | (3,456) |
| Long-term liabilities | (4,470) |
| Total purchase price allocation | $ 35,431 |

The purchase price allocations were prepared on a preliminary basis and are subject to change as additional information becomes available concerning the fair value and tax basis of the assets acquired and liabilities assumed. Any additional adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the date of acquisition.

The breakout of definite-lived intangible assets acquired was as follows:

| | Definite-Lived Intangible Assets | Weighted Average Amortization Life |
|---|---|---|
| | (in thousands) | (in years) |
| Client relationships | $ 7,146 | 19 |
| Developed technology | 5,960 | 19 |
| Other intangible assets | 224 | 3 |
| Total definite-lived intangible assets | $ 13,330 | |

The goodwill resulting from the transaction is primarily attributed to the potential growth in the Company's DSA businesses from customers and technology introduced through Oncotest, the assembled workforce of the acquired business and expected cost synergies. The goodwill attributable to Oncotest is not deductible for tax purposes.

The Company incurred transaction and integration costs in connection with the acquisition of $2.1 million during the fiscal year 2015, which were included in selling, general and administrative expenses.

***Celsis***

On July 24, 2015, the Company acquired Celsis Group Limited (Celsis), a leading provider of rapid testing systems for non-sterile bacterial contamination for the biopharmaceutical and consumer products industries. The purpose of this acquisition was to enhance the Company’s portfolio of rapid microbial detection products and services with the addition of a rapid bioburden testing product. The purchase price for Celsis was $214.5 million, including assumed debt and certain liabilities of $10.3 million. The acquisition was funded by cash on hand and borrowings on the Company’s revolving credit facility. The business is reported in the Company’s Manufacturing reportable segment.

The preliminary purchase price allocation of $212.2 million, net of $2.3 million of cash acquired, was as follows:

| | July 24, 2015 |
|---|---|
| | (in thousands) |
| Trade receivables (contractual amount of $5,410) | $ 5,288 |
| Inventories | 10,103 |
| Other current assets (excluding cash) | 13,432 |
| Property, plant and equipment | 4,639 |
| Definite-lived intangible assets | 118,140 |
| Goodwill | 105,380 |
| Other long-term assets | 614 |
| Short-term debt | (9,766) |
| Other current liabilities | (7,448) |
| Long-term liabilities | (28,146) |
| Total purchase price allocation | $ 212,236 |

The purchase price allocations were prepared on a preliminary basis and are subject to change as additional information becomes available concerning the fair value and tax basis of the assets acquired and liabilities assumed. During the fiscal year 2015, the Company recorded measurement-period adjustments related to the Celsis acquisition that resulted in an immaterial change to the purchase price allocation. Any additional adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the date of acquisition.

The breakout of definite-lived intangible assets acquired was as follows:

| | Definite-Lived Intangible Assets | Weighted Average Amortization Life |
|---|---|---|
| | (in thousands) | (in years) |
| Client relationships | $ 71,000 | 16 |
| Developed technology | 39,140 | 14 |
| Trademark and trade names | 5,200 | 14 |
| Non-compete | 2,800 | 5 |
| Total definite-lived intangible assets | $ 118,140 | |

The goodwill resulting from the transaction is primarily attributed to the potential growth of the Company's Manufacturing business from clients introduced through Celsis, the assembled workforce of the acquired business and expected cost synergies. The goodwill attributable to Celsis is not deductible for tax purposes.

The Company incurred transaction and integration costs in connection with the acquisition of $8.8 million during the fiscal year 2015, which were included in selling, general and administrative expenses.

Celsis revenue and operating loss for the fiscal year 2015 were $11.1 million and $6.1 million, respectively. Beginning on July 24, 2015, Celsis has been included in the operating results of the Company.

The following selected unaudited *pro forma* consolidated results of operations are presented as if the Celsis acquisition had occurred as of the beginning of the period immediately preceding the period of acquisition after giving effect to certain nonrecurring costs and other adjustments, resulting in a reversal of $0.6 million and additional expenses of $13.1 million for the fiscal years 2015 and 2014, respectively, related to depreciation and amortization of property, plant and equipment, inventory fair value adjustments and intangible assets.

| | Fiscal Year | |
|---|---|---|
| | 2015 | 2014 |
| | (in thousands, except per share amounts) | |
| | (unaudited) | |
| Revenue | $ 1,380,493 | $ 1,329,025 |
| Net income attributable to common shareholders | 162,672 | 110,387 |
| Earnings per common share | | |
| Basic | $ 3.50 | $ 2.37 |
| Diluted | $ 3.42 | $ 2.32 |

These unaudited *pro forma* results of operations have been prepared for comparative purposes only, and they do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the date indicated or that may result in the future. No effect has been given for synergies, if any, that may have been realized through the acquisition.

***Sunrise***

On May 5, 2015, the Company acquired Sunrise Farms, Inc. (Sunrise), a producer of specific-pathogen-free fertile chicken eggs and chickens used in the manufacture of live viruses. The purpose of this business acquisition was to expand the capabilities of the Company's existing Avian Vaccine Services business. The purchase price of the acquisition was $9.6 million and was funded by cash on hand and borrowings on the Company's revolving credit facility. The business is reported in the Company's Manufacturing reportable segment.

The Company recorded a bargain purchase gain of $9.8 million, which represents the excess of the estimated fair value of the net assets acquired over the preliminary purchase price. The bargain purchase gain was recorded in other income (expense), net in the Company's consolidated statement of income and was not recognized for tax purposes. The Company believes there were several factors that contributed to this transaction resulting in a bargain purchase gain, including the highly specialized nature of Sunrise's business falling outside of the seller's core activities and a limited pool of potential buyers.

Before recognizing the gain from the bargain purchase, the Company reassessed its initial identification and valuation of assets acquired and liabilities assumed to validate that all assets and liabilities that the Company was able to identify at the acquisition date were properly recognized.

The preliminary purchase price allocation of $9.6 million, net of less than $0.1 million of cash acquired, was as follows:

| | May 5, 2015 |
|---|---|
| | (in thousands) |
| Trade receivables (contractual amount of $995) | $ 981 |
| Inventories | 1,518 |
| Other current assets (excluding cash) | 973 |
| Property, plant and equipment | 13,698 |
| Definite-lived intangible assets | 3,400 |
| Current liabilities | (925) |
| Long-term liabilities | (250) |
| Fair value of net assets acquired | 19,395 |
| Bargain purchase gain | (9,837) |
| Total purchase price allocation | $ 9,558 |

The purchase price allocations were prepared on a preliminary basis and are subject to change as additional information becomes available concerning the fair value and tax basis of the assets acquired and liabilities assumed. During the fiscal year 2015, the Company recorded measurement-period adjustments related to the Sunrise acquisition that resulted in an immaterial change to the purchase price allocation and bargain purchase gain. Any additional adjustments to the purchase price allocation will be made as soon as practicable but no later than one year from the date of acquisition.

The identifiable definite-lived intangible assets acquired represent the client relationships intangible, which is being amortized over the estimated useful life of approximately 15 years.

The Company incurred transaction and integration costs in connection with the acquisition of $1.5 million during the fiscal year 2015, which were included in selling, general and administrative expenses.

***ChanTest***

On October 29, 2014, the Company acquired ChanTest, a leading provider of ion channel testing services to the biopharmaceutical industry. The acquisition augments the Company’s early discovery capabilities and enhances the Company’s ability to support clients’ target discovery and lead optimization efforts. The purchase price of the acquisition was $59.2 million, including $0.3 million in contingent consideration. The business is reported in the Company’s DSA reportable segment.

The contingent consideration earn-out period ended in the fourth quarter of 2015. As a result, the related contingent consideration liability was reversed and a gain of $0.3 million was recorded in selling, general and administrative expenses, as no payments are expected to be made. The aggregate, undiscounted amount of contingent consideration that could have become payable was $2.0 million. The Company estimated the fair value of this contingent consideration based on a probability-weighted set of outcomes.

The purchase price allocation of $52.0 million, net of $7.2 million in cash acquired, is as follows:

| | October 29, 2014 |
|---|---|
| | (in thousands) |
| Current assets (excluding cash) | $ 4,669 |
| Property, plant and equipment | 1,637 |
| Definite-lived intangible assets | 23,920 |
| Goodwill | 34,775 |
| Current liabilities | (3,486) |
| Long-term liabilities | (9,486) |
| Total purchase price allocation | $ 52,029 |

The breakout of definite-lived intangible assets acquired is as follows:

| | October 29, 2014 | Weighted Average Amortization Life |
|---|---|---|
| | (in thousands) | (in years) |
| Client relationships | $ 19,000 | 13 |
| Other intangible assets | 4,920 | 9 |
| Total definite-lived intangible assets | $ 23,920 | |

The definite-lived intangibles are largely attributed to the expected cash flows related to client relationships existing at the acquisition closing date. The goodwill resulting from the transaction is primarily attributed to the potential growth of the business and is not deductible for tax purposes.

The Company incurred insignificant transaction and integration costs in connection with the acquisition during the fiscal year 2015 and costs of $1.1 million during the fiscal year 2014, which were included in selling, general and administrative expenses.

***VivoPath***

On June 16, 2014, the Company acquired substantially all of the assets of VivoPath LLC (VivoPath), a discovery services company specializing in the rapid, *in vivo* compound evaluation of molecules in the therapeutic areas of metabolism, inflammation and oncology. The purchase price was $2.3 million, including $1.6 million in contingent consideration, and was allocated primarily to the intangible assets acquired. The Company estimated the fair value of this contingent consideration based on a probability-weighted set of outcomes. The undiscounted total amount of contingent consideration was a maximum of $2.4 million, payable over three years based on the achievement of revenue growth targets and other contractual requirements. During the fiscal year 2015, the Company paid the first year tranche of the contingent consideration of $0.6 million and recorded a gain of $0.8 million, primarily due to a decrease in the expected future contingent consideration payments. As of December 26, 2015, the remaining contingent consideration payable is a maximum of $0.4 million. The business is reported in the Company's DSA reportable segment.

***Argenta and BioFocus***

On April 1, 2014, the Company acquired (1) 100% of the shares of the United Kingdom (U.K.) based entities Argenta and BioFocus, and (2) certain Dutch assets. These businesses have formed the core of the Company's Early Discovery business. With this acquisition, the Company has enhanced its position as a full service, early-stage CRO, with integrated *in vitro* and *in vivo* capabilities from target discovery through preclinical development. The purchase price of the acquisition was $191.8 million, including $0.9 million in contingent consideration. The acquisition was funded by cash on hand and borrowings on the Company's revolving credit facility. The businesses are reported in the Company's DSA reportable segment.

The contingent consideration earn-out period ended on April 1, 2015. As a result, the related contingent consideration liability, as adjusted for subsequent changes in fair value, was reversed and a gain of $0.8 million was recorded in selling, general and administrative expenses during the fiscal year 2015, as no payments are expected to be made. The contingent consideration was a one-time payment that could have become payable in the second quarter of 2015 based on the achievement of a certain revenue target for the twelve-month period following the acquisition. The aggregate, undiscounted amount of contingent consideration that the Company could have paid was €5.0 million ($5.5 million as of December 26, 2015). The Company estimated the fair value of this contingent consideration based on a probability-weighted set of outcomes.

The purchase price allocation of $183.6 million, net of $8.2 million of cash acquired, was as follows:

| | April 1, 2014 |
|---|---|
| | (in thousands) |
| Current assets (excluding cash) | $ 31,682 |
| Property, plant and equipment | 21,008 |
| Other long-term assets | 11,140 |
| Definite-lived intangible assets | 104,470 |
| Goodwill | 65,235 |
| Current liabilities | (13,139) |
| Long-term liabilities | (36,802) |
| Total purchase price allocation | $ 183,594 |

The breakout of definite-lived intangible assets acquired was as follows:

| | April 1, 2014 | Weighted Average Amortization Life |
|---|---|---|
| | (in thousands) | (in years) |
| Client relationships | $ 94,000 | 18 |
| Backlog | 5,900 | 1 |
| Trademark and trade names | 1,170 | 3 |
| Leasehold interests | 1,000 | 13 |
| Other intangible assets | 2,400 | 19 |
| Total definite-lived intangible assets | $ 104,470 | |

The goodwill resulting from the transaction is primarily attributed to the potential growth of the Company's DSA businesses from clients introduced through Argenta and BioFocus, the assembled workforce of the acquired businesses and expected cost synergies. The goodwill attributable to Argenta and BioFocus is not deductible for tax purposes. The Company incurred insignificant transaction and integration costs in connection with the acquisition during the fiscal year 2015 and costs of $5.3 million during the fiscal year 2014, which were included in selling, general and administrative expenses.

Argenta and BioFocus revenue and operating income for the fiscal year 2014 were $71.4 million and $1.8 million, respectively. Beginning on April 1, 2014, Argenta and BioFocus have been included in the operating results of the Company.

The following selected unaudited *pro forma* consolidated results of operations are presented as if the Argenta and BioFocus acquisition had occurred as of the beginning of the period immediately preceding the period of acquisition after giving effect to certain adjustments, including amortization of intangible assets and depreciation of fixed assets of $3.7 million and other nonrecurring costs.

| | Fiscal Year | |
|---|---|---|
| | 2014 | 2013 |
| | (in thousands, except per share amounts) | |
| | (unaudited) | |
| Revenue | $ 1,322,771 | $ 1,249,649 |
| Net income attributable to common shareholders | 128,195 | 98,508 |
| Earnings per common share: | | |
| Basic | $ 2.75 | $ 2.06 |
| Diluted | $ 2.70 | $ 2.03 |

These unaudited *pro forma* results of operations have been prepared for comparative purposes only, and they do not purport to be indicative of the results of operations that actually would have resulted had the acquisition occurred on the date indicated or that may result in the future. No effect has been given for synergies, if any, that may have been realized through the acquisition.

***Microbial Solutions Singapore (formerly EMD Singapore)***

In October 2013, the Company acquired 100% of an Microbial Solutions products and service provider located in Singapore for $4.9 million in cash. The financial results of the acquired entity are included in the Manufacturing reportable segment.

The purchase price allocation was as follows:

| | October 4, 2013 |
|---|---|
| | (in thousands) |
| Current assets (excluding cash) | $ 300 |
| Property, plant and equipment | 154 |
| Definite-lived intangible assets | 1,885 |
| Goodwill | 2,659 |
| Current liabilities | (64) |
| Total purchase price allocation | $ 4,934 |

The breakout of definite-lived intangible assets acquired was as follows:

| | October 4, 2013 | Weighted Average Amortization Life |
|---|---|---|
| | (in thousands) | (in years) |
| Client relationships | $ 1,870 | 8 |
| Other intangible assets | 15 | 2 |
| Total definite-lived intangible assets | $ 1,885 | |

The goodwill resulting from the transaction is primarily attributed to the potential growth of the business in Southeast Asia and is not deductible for tax purposes.

***Vital River***

In January 2013, the Company acquired a 75% ownership interest of Vital River, a commercial provider of research models and related services in China, for $24.2 million, net of $2.7 million of cash acquired. Vital River's financial results are included in the RMS reportable segment.

The purchase price allocation was as follows:

| | January 4, 2013 |
|---|---|
| | (in thousands) |
| Current assets (excluding cash) | $ 3,092 |
| Property, plant and equipment | 10,468 |
| Other long-term assets | 2,242 |
| Definite-lived intangible assets | 16,954 |
| Goodwill | 16,989 |
| Current liabilities | (11,303) |
| Long-term liabilities | (5,260) |
| Redeemable noncontrolling interest | (8,963) |
| Total purchase price allocation | $ 24,219 |

The breakout of definite-lived intangible assets acquired was as follows:

| | January 4, 2013 | Weighted Average Amortization Life |
|---|---|---|
| | (in thousands) | (in years) |
| Client relationships | $ 14,741 | 12 |
| Reacquired rights | 2,053 | 1 |
| Other intangible assets | 160 | 3 |
| Total definite-lived intangible assets | $ 16,954 | |

The goodwill resulting from the transaction is primarily attributed to the potential growth of the business in China and is not deductible for tax purposes.

Concurrent with the acquisition, the Company entered into a joint venture agreement with the noncontrolling interest holders that provide the Company with the right to purchase the remaining 25% of the entity for cash at its then appraised value beginning in January 2016. Additionally, the noncontrolling interest holders were granted the right to require the Company to purchase the remaining 25% of the entity at its then appraised value beginning in January 2016 for cash. These rights are accelerated in certain events. As the noncontrolling interest holders can require the Company purchase the remaining 25% interest, the noncontrolling interest is classified in the mezzanine section of the consolidated balance sheet, which is above the equity section and below liabilities. The acquisition-date fair value of the noncontrolling interest was determined based on the fair value of the consideration exchanged for the 75% of Vital River. Subsequent to the acquisition, the noncontrolling interest carrying amount is adjusted to the fair value each quarter using an income approach. The income approach uses estimated future cash flows based on projected financial data discounted by a rate which considers the Company's weighted average cost of capital and the specific risks of achieving these cash flows. Adjustments to fair value are recorded through additional paid-in capital.

## 3. SUPPLEMENTAL BALANCE SHEET INFORMATION

The composition of trade receivables, net is as follows:

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| | (in thousands) | |
| Client receivables | $ 230,010 | $ 219,118 |
| Unbilled revenue | 45,996 | 43,780 |
| Total | 276,006 | 262,898 |
| Less: Allowance for doubtful accounts | (5,938) | (4,907) |
| Trade receivables, net | $ 270,068 | $ 257,991 |

Provisions to the allowance for doubtful accounts in the fiscal years 2015, 2014 and 2013 were $1.8 million, $0.5 million, and $1.3 million, respectively.

The composition of inventories is as follows:

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| | (in thousands) | |
| Raw materials and supplies | $ 15,998 | $ 15,416 |
| Work in process | 12,101 | 11,802 |
| Finished products | 65,636 | 61,825 |
| Inventories | $ 93,735 | $ 89,043 |

The composition of other current assets is as follows:

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| | (in thousands) | |
| Investments | $ 20,516 | $ 16,167 |
| Prepaid income tax | 26,350 | 26,287 |
| Restricted cash | 271 | 2,552 |
| Other | 149 | 291 |
| Other current assets | $ 47,286 | $ 45,297 |

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

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| | (in thousands) | |
| Land | $ 39,846 | $ 40,314 |
| Buildings [1] | 713,841 | 682,495 |
| Machinery and equipment | 362,695 | 384,713 |
| Leasehold improvements | 41,477 | 37,270 |
| Furniture and fixtures | 21,783 | 22,577 |
| Vehicles | 3,819 | 3,967 |
| Computer hardware and software | 113,466 | 119,474 |
| Construction in progress | 25,845 | 40,970 |
| Total | 1,322,772 | 1,331,780 |
| Less: Accumulated depreciation | (644,813) | (654,983) |
| Property, plant and equipment, net | $ 677,959 | $ 676,797 |

[1] The balance as of December 26, 2015 includes capital lease buildings. See Note 7, “Long-Term Debt and Capital Lease Obligations.”

Depreciation expense in the fiscal years 2015, 2014 and 2013 was $70.7 million, $70.5 million and $78.8 million, respectively.

The composition of other assets is as follows:

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| | (in thousands) | |
| Life insurance policies | $ 27,554 | $ 27,603 |
| Investment in limited partnerships | 32,730 | 27,047 |
| Restricted cash | 1,745 | — |
| Other | 9,614 | 18,301 |
| Other assets | $ 71,643 | $ 72,951 |

The composition of other current liabilities is as follows:

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| | (in thousands) | |
| Accrued income taxes | $ 12,168 | $ 9,362 |
| Other | 376 | 233 |
| Other current liabilities | $ 12,544 | $ 9,595 |

The composition of other long-term liabilities is as follows:

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| | (in thousands) | |
| Long-term pension liability | $ 34,604 | $ 45,135 |
| Accrued executive supplemental life insurance retirement plan and deferred compensation plan | 30,188 | 33,007 |
| Other | 24,270 | 21,403 |
| Other long-term liabilities | $ 89,062 | $ 99,545 |

## 4. INVESTMENTS IN LIMITED PARTNERSHIPS AND MARKETABLE SECURITIES

***Investments in Limited Partnerships***

During the fiscal years 2015, 2014 and 2013, the Company recognized gains related to the limited partnership investments of $3.8 million, $9.3 million and $5.9 million, respectively. The Company's total commitment to these entities as of December 26, 2015 was $65.0 million, of which the Company had funded $28.8 million as of December 26, 2015. During the fiscal years 2015 and 2014, the Company received dividends totaling $7.3 million and $7.4 million. No distributions were made to the Company in the fiscal year 2013. As of December 26, 2015 and December 27, 2014, the Company's consolidated retained earnings (accumulated deficit) included $2.4 million and $4.6 million, respectively, of the undistributed earnings related to these limited partnerships.

***Marketable Securities***

The following is a summary of the Company's marketable securities, all of which are classified as available-for-sale:

| | December 26, 2015 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| | (in thousands) | | | |
| Mutual fund | $ 4,650 | $ — | $ (141) | $ 4,509 |
| Total | $ 4,650 | $ — | $ (141) | $ 4,509 |

There were no sales of available-for-sale securities during the fiscal year 2015.

## 5. FAIR VALUE

Assets, liabilities, and redeemable noncontrolling interest measured at fair value on a recurring basis are summarized below:

| | December 26, 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (in thousands) | | | |
| Cash equivalents | $ — | $ 190 | $ — | $ 190 |
| Other current assets: | | | | |
| Marketable securities | 4,509 | — | — | 4,509 |
| Foreign currency forward contracts | — | 15 | — | 15 |
| Other assets: | | | | |
| Life insurance policies | — | 20,364 | — | 20,364 |
| Total assets measured at fair value | $ 4,509 | $ 20,569 | $ — | $ 25,078 |
| | | | | |
| Other current liabilities: | | | | |
| Contingent consideration | $ — | $ — | $ 1,172 | $ 1,172 |
| Other long-term liabilities: | | | | |
| Contingent consideration | — | — | 198 | 198 |
| Redeemable noncontrolling interest | — | — | 28,008 | 28,008 |
| Total liabilities and redeemable noncontrolling interest measured at fair value | $ — | $ — | $ 29,378 | $ 29,378 |

| | December 27, 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (in thousands) | | | |
| Cash equivalents | $ — | $ 1,934 | $ — | $ 1,934 |
| Other assets: | | | | |
| Life insurance policies | — | 20,520 | — | 20,520 |
| Total assets measured at fair value | $ — | $ 22,454 | $ — | $ 22,454 |
| | | | | |
| Other current liabilities: | | | | |
| Contingent consideration | $ — | $ — | $ 1,583 | $ 1,583 |
| Other long-term liabilities: | | | | |
| Contingent consideration | — | — | 1,245 | 1,245 |
| Redeemable noncontrolling interest | — | — | 28,419 | 28,419 |
| Total liabilities and redeemable noncontrolling interest measured at fair value | $ — | $ — | $ 31,247 | $ 31,247 |

During the fiscal years 2015 and 2014, there were no transfers between fair value levels.

***Redeemable Noncontrolling Interest***

The following table provides a rollforward of the fair value of the Company's redeemable noncontrolling interest related to the acquisition of Vital River in January 2013. Refer to Note 2, "Business Acquisitions."

| | Fiscal Year | |
|---|---|---|
| | 2015 | 2014 |
| | (in thousands) | |
| Beginning balance | $ 28,419 | $ 20,581 |
| Additions | — | — |
| Total gains or losses (realized/unrealized): | | |
| Net income attributable to noncontrolling interest | 838 | 855 |
| Foreign currency translation | (1,066) | (442) |
| Change in fair value included in additional paid-in capital | (183) | 7,425 |
| Ending balance | $ 28,008 | $ 28,419 |

As of December 26, 2015, the significant unobservable inputs used in the fair value measurement of the Company's redeemable noncontrolling interest are the estimated future cash flows and a discount rate of 18.0%. Significant changes in the timing or amounts of the estimated future cash flows would result in a significantly higher or lower fair value measurement. Significant increases or decreases in the discount rate would result in a significantly lower or higher fair value measurement, respectively. A 1% increase in the discount rate used would result in a $1.7 million decrease in the fair value of the redeemable noncontrolling interest.

***Contingent Consideration***

The following table provides a rollforward of the contingent consideration related to previous business acquisitions. See Note 2, "Business Acquisitions."

| | Fiscal Year | |
|---|---|---|
| | 2015 | 2014 |
| | (in thousands) | |
| Beginning balance | $ 2,828 | $ — |
| Additions | 973 | 2,678 |
| Payments | (600) | — |
| Total gains or losses (realized/unrealized): | | |
| Reversal of previously recorded contingent liability and change in fair value | (1,831) | 150 |
| Ending balance | $ 1,370 | $ 2,828 |

The significant unobservable inputs used in the fair value measurement of the Company's contingent consideration are the probabilities of successful achievement of certain financial targets and a discount rate. Significant increases or decreases in any of the probabilities of success would result in a significantly higher or lower fair value measurement, respectively. Significant increases or decreases in the discount rate would result in a significantly lower or higher fair value measurement, respectively.

***Debt Instruments***

The book value of the Company's term and revolving loans, which are variable rate loans carried at amortized cost, approximates their fair value based on current market pricing of similar debt. As the fair value is based on significant other observable inputs, including current interest and foreign currency exchange rates, it is deemed to be Level 2.

## 6. GOODWILL AND INTANGIBLE ASSETS

### *Goodwill*

The following table provides a rollforward of the Company's goodwill:

| | December 28, 2013 | Adjustments to Goodwill | | | December 27, 2014 | Adjustments to Goodwill | | December 26, 2015 |
|---|---|---|---|---|---|---|---|---|
| | | Acquisitions | Transfers | Foreign Exchange | | Acquisitions | Foreign Exchange | |
| | | | | (in thousands) | | | | |
| RMS | $ 83,551 | $ — | $ (23,172) | $ (1,183) | $ 59,196 | $ — | $ (1,029) | $ 58,167 |
| DSA | 1,152,150 | 102,171 | (9,196) | (10,823) | 1,234,302 | 22,146 | (4,398) | 1,252,050 |
| Manufacturing | — | — | 32,368 | 211 | 32,579 | 105,567 | (4,534) | 133,612 |
| Gross carrying amount | 1,235,701 | | | | 1,326,077 | | | 1,443,829 |
| DSA - Accumulated impairment loss | (1,005,000) | — | — | — | (1,005,000) | — | — | (1,005,000) |
| Goodwill | $ 230,701 | | | | $ 321,077 | | | $ 438,829 |

In the second quarter of 2014, the Company revised its reportable segments to align with the view of the business following its acquisition of Argenta and BioFocus. See Note 1, "Description of Business and Summary of Significant Accounting Policies." As a result of this reorganization, goodwill was allocated from the Company's prior reportable segments to new reportable segments, as shown in the preceding table within "transfers." The allocation was based on the fair value of each business group within its original reporting unit relative to the fair value of that reporting unit. In addition, the Company completed an assessment of any potential goodwill impairment for all reporting units immediately prior to the reallocation and determined that no impairment existed.

Based on the Company's step one goodwill impairment test for the fiscal years 2015, 2014 and 2013, the fair value of each reporting unit exceeded the reporting unit's book value and, therefore, goodwill was not impaired.

### *Intangible Assets, Net*

The following table displays the gross carrying amount and accumulated amortization of intangible assets, net by major class:

| | December 26, 2015 | | | December 27, 2014 | | |
|---|---|---|---|---|---|---|
| | Gross | Accumulated Amortization | Net | Gross | Accumulated Amortization | Net |
| | | | (in thousands) | | | |
| Backlog | $ 50,568 | $ (50,554) | $ 14 | $ 8,728 | $ (6,636) | $ 2,092 |
| Technology[1] | 60,350 | (5,911) | 54,439 | 13,474 | (4,166) | 9,308 |
| Trademarks and trade names | 11,495 | (5,944) | 5,551 | 6,603 | (5,314) | 1,289 |
| Other identifiable intangible assets | 14,711 | (7,285) | 7,426 | 5,169 | (3,822) | 1,347 |
| Definite-lived other intangible assets, net | 137,124 | (69,694) | 67,430 | 33,974 | (19,938) | 14,036 |
| Indefinite-lived intangibles [1] | | | — | | | 3,438 |
| Total other intangible assets, net | | | 67,430 | | | 17,474 |
| Client relationships | 396,537 | (183,163) | 213,374 | 379,339 | (217,938) | 161,401 |
| Total intangible assets, net | | | $ 280,804 | | | $ 178,875 |

[1] During the fourth quarter of 2015, certain intangible assets with a carrying value of $3.4 million that were previously assigned indefinite lives have been assigned definite lives of 20 years. The Company recorded an immaterial amount of amortization expense on these intangible assets during the fiscal year 2015.

Amortization expense of definite-lived intangible assets, including client relationships, for the fiscal years 2015, 2014 and 2013 was $24.2 million, $26.0 million and $17.8 million, respectively. Estimated amortization expense for intangible assets for each of the next five fiscal years is expected to be as follows:

| Fiscal Year | Amortization Expense |
|---|---|
| | (in thousands) |
| 2016 | $ 26,835 |
| 2017 | 26,678 |
| 2018 | 24,434 |
| 2019 | 21,617 |
| 2020 | 21,293 |

## 7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

***Long-Term Debt***

Long-term debt, net consists of the following:

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| | (in thousands) | |
| Term loans | $ 390,000 | $ 378,000 |
| Revolving credit facility | 446,041 | 375,536 |
| Other long-term debt | 193 | 214 |
| Total debt | 836,234 | 753,750 |
| Less: current portion of long-term debt | (15,193) | (31,714) |
| Long-term debt | 821,041 | 722,036 |
| Debt discount and debt issuance costs [(1)] | (6,805) | (5,401) |
| Long-term debt, net | $ 814,236 | $ 716,635 |

[(1)] During the second quarter of 2015, the Company adopted ASU 2015-03 and reclassified unamortized debt issuance costs from other assets to long-term debt, net and capital leases. See Note 1, “Basis of Presentation” for further discussion.

In April 2015, the Company amended and restated the $970M Credit Facility, creating a $1.3 billion facility ($1.3B Credit Facility) that provides for a $400.0 million term loan facility and a $900.0 million multi-currency revolving facility. The term loan facility matures in 20 quarterly installments with the last installment due April 22, 2020. The revolving facility matures on April 22, 2020 and requires no scheduled payment before that date.

The interest rates applicable to term loans and revolving loans under our credit agreement are, at the Company’s option, equal to either the alternate base rate (which is the higher of (1) the prime rate, (2) the federal funds rate plus 0.5% or (3) the one-month adjusted LIBOR rate plus 1%), or the adjusted LIBOR rate plus an interest rate margin based upon the Company’s leverage ratio. As of December 26, 2015 and December 27, 2014, the weighted average interest rate on the Company’s debt was 1.33% and 1.42%, respectively.

The $1.3B Credit Facility includes certain customary representations and warranties, events of default, notices of material adverse changes to the Company’s business and negative and affirmative covenants. These covenants include (1) maintenance of a ratio of consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) less capital expenditures to consolidated cash interest expense, for any period of four consecutive fiscal quarters, of no less than 3.5 to 1.0 as well as (2) maintenance of a ratio of consolidated indebtedness to consolidated EBITDA for any period of four consecutive fiscal quarters, of no more than 3.5 to 1.0. As of December 26, 2015, the Company was compliant with all covenants. The Company’s obligations under the credit agreement are collateralized by substantially all of the Company’s assets.

As of December 26, 2015 and December 27, 2014, the Company had $4.9 million and $5.0 million, respectively, outstanding under letters of credit.

Principal maturities of existing debt for the periods set forth in the table below, are as follows:

| Fiscal Year | Principal |
|---|---|
| | (in thousands) |
| 2016 | $ 15,193 |
| 2017 | 22,500 |
| 2018 | 32,500 |
| 2019 | 50,000 |
| 2020 | 716,041 |
| Total | $ 836,234 |

***Capital Lease Obligations***

The Company acquired a build-to-suit lease as part of its acquisition of Argenta and BioFocus. In accordance with accounting guidance applicable to entities involved with the construction of an asset that will be leased when the construction is completed, the Company was considered the owner, for accounting purposes, of this property during the construction period. Accordingly, the Company recorded an asset and a corresponding financing obligation on its consolidated balance sheet for the amount of total project costs incurred related to the construction in progress for this property through completion of the construction period. Upon completion of the construction during the second quarter of 2015, the Company determined that it was no longer considered the owner of the property because it did not have continuing involvement. Consequently, the Company recorded a successful sale leaseback and derecognized the property and the associated financing obligation from the Company's consolidated balance sheet and recorded a capital lease asset and a corresponding liability of $35.8 million.

The Company's capital lease obligations amounted to $33.6 million and $1.0 million as of December 26, 2015 and December 27, 2014, respectively.

## 8. EQUITY AND REDEEMABLE NONCONTROLLING INTEREST

***Earnings Per Share***

The following table reconciles the numerator and denominator in the computations of basic and diluted earnings per share:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in thousands) | | |
| **Numerator:** | | | |
| Net income from continuing operations attributable to common shareholders | $ 150,263 | $ 128,424 | $ 104,093 |
| Loss from discontinued operations, net of income taxes | (950) | (1,726) | (1,265) |
| Net income attributable to common shareholders | $ 149,313 | $ 126,698 | $ 102,828 |
| **Denominator:** | | | |
| Weighted-average shares outstanding—Basic | 46,496 | 46,627 | 47,740 |
| Effect of dilutive securities: | | | |
| Stock options, restricted stock units, performance share units and restricted stock | 1,138 | 931 | 749 |
| Weighted-average shares outstanding—Diluted | 47,634 | 47,558 | 48,489 |

Options to purchase approximately 0.5 million shares, 0.6 million shares and 2.3 million shares were not included in computing diluted earnings per share for the fiscal years 2015, 2014 and 2013, respectively, because their inclusion would have been anti-dilutive. Basic weighted average shares outstanding for the fiscal years 2015, 2014 and 2013 excluded the impact of approximately 1.1 million shares, 1.2 million shares, and 1.1 million shares, respectively, of non-vested restricted stock, restricted stock units and PSUs.

***Treasury Shares***

In July 2010, the Company's Board of Directors authorized a $500.0 million stock repurchase program, and subsequently approved increases to the stock repurchase program of $250.0 million in 2010, $250.0 million in 2013 and $150.0 million in 2014, for an aggregate authorization of $1,150.0 million. The Company repurchased approximately 1.5 million shares for $108.8 million, approximately 2.1 million shares for $110.6 million and approximately 3.5 million shares for $165.7 million in the fiscal years 2015, 2014 and 2013, respectively. As of December 26, 2015, the Company had $69.7 million remaining on the authorized stock repurchase program. In addition, the Company's stock-based compensation plans permit the netting of common stock upon vesting of restricted stock, restricted stock units and performance share units in order to satisfy individual minimum statutory tax withholding requirements. The Company repurchased approximately 0.1 million shares for $8.7 million, approximately 0.1 million shares for $6.8 million and approximately 0.1 million shares for $4.6 million in the fiscal years 2015, 2014 and 2013, respectively.

***Accumulated Other Comprehensive Income (Loss)***

Changes to each component of accumulated other comprehensive income (loss), net of income taxes, are as follows:

| | Foreign Currency Translation and Other [3] | Pension and Other Post-Retirement Benefit Plans | Total |
|---|---|---|---|
| | | (in thousands) | |
| December 28, 2013 | $ 28,503 | $ (23,146) | $ 5,357 |
| Other comprehensive loss before reclassifications [1] | (48,499) | (42,236) | (90,735) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | 1,234 | 1,234 |
| Net current period other comprehensive loss | (48,499) | (41,002) | (89,501) |
| Income tax benefit | 105 | 9,792 | 9,897 |
| December 27, 2014 | (19,891) | (54,356) | (74,247) |
| Other comprehensive loss before reclassifications [2] | (60,745) | (302) | (61,047) |
| Amounts reclassified from accumulated other comprehensive income (loss) | (2,341) | 2,617 | 276 |
| Net current period other comprehensive (loss) | (63,086) | 2,315 | (60,771) |
| Income tax expense | — | (530) | (530) |
| December 26, 2015 | $ (82,977) | $ (52,571) | $ (135,548) |

[1] The impact of the foreign currency translation adjustment to other comprehensive income (loss) before reclassifications for the fiscal year 2014 was primarily due to the effect of changes in foreign currency exchange rates of the Euro and Canadian Dollar and to a lesser extent due to the impact of changes in the Japanese Yen and British Pound.

[2] The impact of the foreign currency translation adjustment to other comprehensive income (loss) before reclassifications for the fiscal year 2015 was primarily due to the effect of changes in foreign currency exchange rates of the Euro and Canadian Dollar and to a lesser extent due to the impact of changes in the British Pound.

[3] Foreign currency translation and other includes an insignificant amount of unrealized gains (losses) on available-for-sale marketable securities.

***Nonredeemable Noncontrolling Interests***

The Company has investments in several entities, whose financial results are consolidated in the Company's financial statements, as it has the ability to exercise control over these entities. The interests of the respective noncontrolling parties in these entities have been recorded as noncontrolling interests.

## 9. INCOME TAXES

The components of income from continuing operations before income taxes and the related provision for income taxes are presented below:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in thousands) | | |
| Income from continuing operations before income taxes: | | | |
| U.S. | $ 76,157 | $ 71,002 | $ 39,900 |
| Non-U.S. | 119,271 | 106,593 | 98,427 |
| | $ 195,428 | $ 177,595 | $ 138,327 |
| Income tax provision: | | | |
| Current: | | | |
| Federal | 23,687 | 13,733 | 10,832 |
| Foreign | 8,572 | 20,364 | 18,370 |
| State | 6,819 | 4,746 | 4,240 |
| Total current | 39,078 | 38,843 | 33,442 |
| Deferred: | | | |
| Federal | 1,790 | 12,982 | 5,468 |
| Foreign | 3,064 | (4,672) | (6,431) |
| State | (541) | 518 | 432 |
| Total deferred | 4,313 | 8,828 | (531) |
| | $ 43,391 | $ 47,671 | $ 32,911 |

The components of deferred tax assets and liabilities are as follows:

| | December 26, 2015 | December 27, 2014 |
|---|---|---|
| | (in thousands) | |
| Deferred tax assets: | | |
| Compensation | $ 55,259 | $ 49,702 |
| Accruals and reserves | 8,941 | 7,061 |
| Inventory reserves and valuations | 2,022 | 1,940 |
| Financing related | 902 | 993 |
| Net operating loss and credit carryforwards | 35,233 | 39,927 |
| Other | 2,593 | 4,426 |
| Valuation allowance | (6,112) | (5,866) |
| Total deferred tax assets: | 98,838 | 98,183 |
| Deferred tax liabilities: | | |
| Goodwill and other intangibles | (73,208) | (52,029) |
| Depreciation related | (23,664) | (23,549) |
| Investments in limited partnerships | (3,570) | (4,067) |
| Foreign withholding taxes | (6,590) | — |
| Total deferred tax liabilities: | (107,032) | (79,645) |
| Net deferred taxes | $ (8,194) | $ 18,538 |

Reconciliations of the statutory U.S. Federal income tax rate to effective tax rates are as follows:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| U.S. statutory income tax rate | 35.0 % | 35.0 % | 35.0 % |
| Foreign tax rate differences | (8.6)% | (9.4)% | (8.0)% |
| State income taxes, net of Federal tax benefit | 1.9 % | 1.9 % | 1.6 % |
| Research tax credits and enhanced deductions | (2.6)% | (4.1)% | (6.6)% |
| Enacted tax rate changes | (1.5)% | — % | (0.4)% |
| Impact of tax uncertainties | (5.2)% | (0.7)% | 1.0 % |
| Foreign withholding taxes | 3.4 % | — % | — % |
| Impact of acquisitions and restructuring | (2.0)% | 1.6 % | 0.2 % |
| Other | 1.8 % | 2.5 % | 1.0 % |
| | 22.2 % | 26.8 % | 23.8 % |

The tax rate benefit for the impact of tax uncertainties is primarily related to a $10.4 million reduction in unrecognized tax benefits and related interest due to the expiration of the statute of limitations associated with pre-acquisition tax positions on the forgiveness of debt. The tax rate benefit for enacted tax rate changes is primarily associated with a reduction in the U.K.'s statutory tax rates. The tax benefit associated with a $9.8 million non-taxable bargain purchase gain related to the acquisition of Sunrise is included within the impact of acquisitions and restructuring line of the rate reconciliation above.

As of December 26, 2015, the Company had foreign net operating loss and tax credit carryforwards of $34.6 million, as compared to $39.8 million as of December 27, 2014. Of this amount, $4.3 million will expire beginning after 2015, $18.7 million will begin to expire in 2032 and beyond, and the remainder of $11.6 million can be carried forward indefinitely. In accordance with Canadian Federal tax law, the Company claims Scientific Research and Experimental Development (SR&ED) credits on qualified research and development costs incurred in its Safety Assessment facility in Montreal, and currently maintains $18.7 million in credit carryforwards, which will begin to expire in 2032. Additionally, the Company records a benefit to operating income for research and development credits in both Quebec and the U.K. related to its Safety Assessment and Early Discovery facilities.

The Company has fully recognized its deferred tax assets on the belief that it is more likely than not that they will be realized. The only exceptions relate to deferred tax assets primarily for net operating losses in Hong Kong, Luxembourg and the Netherlands, capital losses in the U.S. and Canada, and fixed assets in the U.K. The valuation allowance increased by $0.2 million from $5.9 million as of December 27, 2014 to $6.1 million as of December 26, 2015.

A reconciliation of the Company's beginning and ending unrecognized income tax benefits is as follows:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in thousands) | | |
| Beginning balance | $ 34,627 | $ 18,475 | $ 30,996 |
| Additions to tax positions for current year | 2,362 | 1,700 | 2,009 |
| Additions to tax positions for prior years | 3,028 | 18,502 | 1,709 |
| Reductions to tax positions for current year | — | — | — |
| Reductions to tax positions for prior years | (3,991) | (3,722) | (732) |
| Settlements | (1,946) | (308) | (15,246) |
| Expiration of statute of limitations | (10,742) | (20) | (261) |
| Ending balance | $ 23,338 | $ 34,627 | $ 18,475 |

The $11.3 million decrease in unrecognized income tax benefits during the fiscal year 2015 is primarily attributable to the expiration of the statute of limitations associated with pre-acquisition tax positions on forgiveness of debt.

The amount of unrecognized income tax benefits that, if recognized, would favorably impact the effective tax rate was $20.1 million as of December 26, 2015 and $32.3 million as of December 27, 2014. The $12.2 million decrease is primarily attributable to the expiration of the statute of limitations associated with pre-acquisition tax positions on forgiveness of debt. It is reasonably possible as of December 26, 2015 that the liability for unrecognized tax benefits for the uncertain tax position will decrease by $1.9 million, primarily as a result of the outcome of a pending tax ruling. The Company continues to recognize interest and penalties related to unrecognized income tax benefits in income tax expense. The total amount of accrued interest related to unrecognized income tax benefits as of December 26, 2015 and December 27, 2014 was $1.0 million and $1.4 million, respectively.

The Company conducts business in a number of tax jurisdictions. As a result, it is subject to tax audits on a regular basis including, but not limited to, such major jurisdictions as the U.S., the U.K., France, Japan, Germany and Canada. With few exceptions, the Company is no longer subject to U.S. and international income tax examinations for years before 2012.

The Company and certain of its subsidiaries are currently under audit by various tax authorities in the U.S. and France. The Company does not anticipate resolution of these audits will have a material impact on its financial statements.

During 2015, the Company applied with the Internal Revenue Service (IRS) and Canadian Revenue Authority (CRA) for relief pursuant to the competent authority procedure provided in the tax treaty between the U.S. and Canada for transfer pricing tax assessments related to the tax years 2008 through 2012. The Company believes that the controversy will likely be ultimately settled via the competent authority process and accordingly have recorded both a Canadian liability and a U.S. receivable. The actual amounts of the liability for Canadian taxes and the asset for the correlative relief in the U.S. could be different based upon the agreement reached between the IRS and the CRA.

On October 21, 2015, the Quebec government enacted Bill 13, which provides for a one-time retroactive benefit to operating income in the fourth quarter of 2015 related to tax years 2012 through 2014 and provides for a corresponding increase to the Company's effective tax rate. Additionally, the tax law change provides for an ongoing reduction in benefit to operating income and an additional corresponding increase to the Company's effective tax rate beginning in 2015 and beyond. The cumulative impact of this law change has been reflected in the fourth quarter results.

In accordance with the Company's policy, the undistributed earnings of the Company's non-U.S. subsidiaries remain indefinitely reinvested outside of the U.S. as of the end of 2015 as they are required to fund needs outside the U.S. and cannot be repatriated in a manner that is substantially tax free. As of December 26, 2015, the earnings of non-U.S. subsidiaries considered to be indefinitely reinvested totaled $547.6 million. No provision for U.S. income taxes has been provided herein. Determination of the amount of unrecognized deferred income tax liabilities on these earnings is not practicable because of the complexities with the hypothetical calculation. Additionally, the amount of liability is dependent on circumstances existing if and when remittance occurs. On December 18, 2015, the U.S. enacted the Consolidated Appropriations Act, which provides for a reinstatement and extension of the controlled foreign corporation look-through rules. This rule allows the Company to access Chinese and Canadian cash in a more tax-efficient manner and utilize the cash outside of the U.S. without triggering residual U.S. tax. As such, in 2015 the Company accrued $6.6 million of foreign withholding taxes to reflect this change.

## 10. EMPLOYEE BENEFIT PLANS

### *Charles River Laboratories Employee Savings Plan*

The Charles River Laboratories Employee Savings Plan is a defined contribution plan in the form of a qualified 401(k) plan in which substantially all U.S. employees are eligible to participate upon employment. The plan contains a provision whereby the Company matches a percentage of employee contributions. During the fiscal years 2015, 2014 and 2013, the costs associated with this defined contribution plan totaled $5.3 million, $4.9 million and $4.7 million, respectively.

### *Charles River Laboratories Deferred Compensation Plan and Executive Supplemental Life Insurance Retirement Plan*

The Company maintains a non-qualified deferred compensation plan, known as the Charles River Laboratories Deferred Compensation Plan (DCP), which allows a select group of eligible employees to defer a portion of their compensation. At the present time, no contributions are credited to the DCP, except as set forth below. Participants must specify the distribution date for deferred amounts at the time of deferral, in accordance with applicable IRS regulations. Generally, amounts may be paid in lump sum or installments upon retirement or termination of employment, or later if the employee terminates employment after age 55 and before age 65. Amounts may also be distributed during employment, subject to a minimum deferral requirement of three years.

The Company provides certain active employees an annual contribution into their DCP account of 10% of the employee's base salary plus the lesser of their target annual bonus or actual annual bonus.

In addition to the DCP, certain officers and key employees also participate, or in the past participated, in the Company's Executive Supplemental Life Insurance Retirement Plan (ESLIRP), which is a non-funded, non-qualified arrangement. Annual benefits under this plan will equal a percentage of the highest five consecutive years of compensation, offset by amounts payable under the Charles River Laboratories, Inc. Pension Plan (CRL Pension Plan) and Social Security. In connection with the establishment of the DCP, certain active ESLIRP participants, who agreed to convert their accrued ESLIRP benefit to a comparable deferred compensation benefit, discontinued their direct participation in the ESLIRP. Instead, the present values of the accrued benefits of ESLIRP participants were credited to their DCP accounts, and future accruals are converted to present values and credited to their DCP accounts annually.

The costs associated with these plans, including the ESLIRP, for the fiscal years 2015, 2014 and 2013 totaled $2.6 million, $3.3 million and $3.3 million, respectively.

The Company has invested in several corporate-owned key-person life insurance policies and mutual funds with the intention of using these investments to fund the ESLIRP and the DCP. Participants have no interest in any such investments. As of December 26, 2015 and December 27, 2014, the cash surrender value of these life insurance policies were $27.6 million and $27.6 million, respectively.

***Post-Retirement Health and Life Insurance Plans***

The Company's Canadian location offers post-retirement life insurance benefits to its employees and post-retirement medical and dental insurance coverage to certain executives. The plan is non-contributory and unfunded. As of December 26, 2015 and December 27, 2014, the accumulated benefit obligation related to the plan was $0.9 million and $1.2 million, respectively. The amounts included in other accumulated comprehensive income as well as expenses related to the plan were insignificant in the fiscal years 2015, 2014, and 2013.

***Pension Plans***

The CRL Pension Plan is a qualified, non-contributory defined benefit plan covering certain U.S. employees. Effective 2002, the plan was amended to exclude new participants from joining and in 2008 the accrual of benefits was frozen.

The Charles River Pension Plan is a defined contribution and defined benefit pension plan covering certain U.K. employees. Benefits are based on participants' final pensionable salary and years of service. Participants' rights vest immediately. Effective December 31, 2002, the plan was amended to exclude new participants from joining the defined benefit section of the plan and a defined contribution section was established for new entrants. Contributions under the defined contribution plan are determined as a percentage of gross salary. In the fourth quarter of 2015, the Charles River Pension Plan was amended such that the members of the defined benefit section of the plan will cease to accrue additional benefits; however, their benefits will continue to be adjusted for changes in their final pensionable salary or a specified inflation index, as applicable.

In addition, the Company has several defined benefit plans in certain other countries in which it maintains an operating presence, including Japan, Canada and France.

The following tables provide a reconciliation of benefit obligations and plan assets of the Company's pension plans and other post-retirement benefit plans:

| | Pension Plans | | Other Post-Retirement Benefit Plans | |
|---|---|---|---|---|
| | December 26, 2015 | December 27, 2014 | December 26, 2015 | December 27, 2014 |
| | (in thousands) | | | |
| Change in projected benefit obligations: | | | | |
| Benefit obligation at beginning of year | $ 326,884 | $ 286,212 | $ 32,246 | $ 29,498 |
| Service cost | 3,437 | 3,397 | 856 | 758 |
| Interest cost | 11,912 | 12,822 | 1,062 | 1,009 |
| Benefit payments | (7,517) | (9,002) | (674) | (722) |
| Actuarial loss (gain) | (11,783) | 50,550 | 1,421 | 1,703 |
| Administrative expenses paid | (411) | (459) | — | — |
| Effect of foreign exchange | (12,213) | (16,636) | — | — |
| Benefit obligation at end of year | $ 310,309 | $ 326,884 | $ 34,911 | $ 32,246 |
| Change in fair value of plan assets: | | | | |
| Fair value of plan assets at beginning of year | 281,290 | 272,659 | — | — |
| Actual return on plan assets | 6,263 | 25,630 | — | — |
| Employer contributions | 6,088 | 6,874 | 674 | 722 |
| Benefit payments | (7,517) | (9,002) | (674) | (722) |
| Premiums paid | (411) | (459) | — | — |
| Effect of foreign exchange | (10,233) | (14,412) | — | — |
| Fair value of plan assets at end of year | $ 275,480 | $ 281,290 | $ — | $ — |
| | | | | |
| Net balance sheet liability | $ 34,829 | $ 45,594 | $ 34,911 | $ 32,246 |
| | | | | |
| Amounts recognized in balance sheet: | | | | |
| Noncurrent assets | $ 261 | $ 61 | $ — | $ — |
| Current liabilities | 149 | 169 | 5,984 | 744 |
| Noncurrent liabilities | 34,941 | 45,486 | 28,927 | 31,502 |

Amounts recognized in accumulated other comprehensive loss:

| | Pension Plans | | Other Post-Retirement Benefit Plans | |
|---|---|---|---|---|
| | Fiscal Year | | Fiscal Year | |
| | 2015 | 2014 | 2015 | 2014 |
| | (in thousands) | | | |
| Net actuarial loss | $ 66,499 | $ 73,433 | $ 6,913 | $ 5,761 |
| Net prior service cost (credit) | (4,584) | (5,388) | — | — |
| Net amount recognized | $ 61,915 | $ 68,045 | $ 6,913 | $ 5,761 |

The accumulated benefit obligation and fair value of plan assets for the Company plans with accumulated benefit obligations in excess of plan assets are as follows:

| | Pension Plans | | Other Post-Retirement Benefit Plans | |
|---|---|---|---|---|
| | December 26, 2015 | December 27, 2014 | December 26, 2015 | December 27, 2014 |
| | (in thousands) | | | |
| Accumulated benefit obligation | $ 275,849 | $ 299,127 | $ 30,584 | $ 29,994 |
| Fair value of plan assets | 253,225 | 267,026 | — | — |

The projected benefit obligation and fair value of plan assets for the Company plans with projected benefit obligations in excess of plan assets are as follows:

| | Pension Plans | | Other Post-Retirement Benefit Plans | |
|---|---|---|---|---|
| | December 26, 2015 | December 27, 2014 | December 26, 2015 | December 27, 2014 |
| | (in thousands) | | | |
| Projected benefit obligation | $ 301,244 | $ 326,731 | $ 34,911 | $ 32,246 |
| Fair value of plan assets | 266,154 | 281,075 | — | — |

The amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year are as follows:

| | Pension Plans | Other Post-Retirement Benefit Plans |
|---|---|---|
| | (in thousands) | |
| Amortization of net actuarial loss | $ 1,931 | $ 251 |
| Amortization of net prior service credit | (576) | — |

Components of net periodic benefit cost:

| | Pension Plans | | | Other Post-Retirement Benefit Plans | | |
|---|---|---|---|---|---|---|
| | Fiscal Year | | | Fiscal Year | | |
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| | (in thousands) | | | | | |
| Service cost | $ 3,437 | $ 3,397 | $ 3,368 | $ 856 | $ 758 | $ 643 |
| Interest cost | 11,912 | 12,822 | 11,273 | 1,062 | 1,009 | 708 |
| Expected return on plan assets | (16,987) | (17,444) | (14,672) | — | — | — |
| Amortization of prior service cost (credit) | (581) | 961 | 2,711 | — | 250 | 249 |
| Amortization of net loss (gain) | 2,929 | (637) | (603) | 269 | 660 | 660 |
| Net periodic cost (benefit) | $ 710 | $ (901) | $ 2,077 | $ 2,187 | $ 2,677 | $ 2,260 |

***Assumptions***

Weighted-average assumptions used to determine projected benefit obligations:

| | Pension Plans | | Other Post-Retirement Benefit Plans | |
|---|---|---|---|---|
| | December 26, 2015 | December 27, 2014 | December 26, 2015 | December 27, 2014 |
| Discount rate | 3.93% | 3.79% | 3.56% | 3.34% |
| Rate of compensation increase | 3.19% | 3.19% | 3.00% | 3.00% |

Weighted-average assumptions used to determine net periodic benefit cost:

| | Pension Plans | | | Other Post-Retirement Benefit Plans | | |
|---|---|---|---|---|---|---|
| | December 26, 2015 | December 27, 2014 | December 28, 2013 | December 26, 2015 | December 27, 2014 | December 28, 2013 |
| Discount rate | 3.79% | 4.54% | 4.13% | 3.34% | 3.47% | 2.63% |
| Expected long-term return on plan assets | 6.24% | 6.41% | 6.27% | — | — | — |
| Rate of compensation increase | 3.19% | 3.39% | 3.04% | 3.00% | 3.00% | 2.50% |

A 0.5% decrease in the expected rate of return would increase annual pension expense by $1.4 million.

***Plan assets***

The Company invests its pension assets with the objective of achieving a total long-term rate of return sufficient to fund future pension obligations and to minimize future pension contributions. The Company is willing to tolerate a commensurate level of risk to achieve this objective. The Company controls its risk by maintaining a diversified portfolio of assets classes. Plan assets

did not include any of the Company's common stock as of December 26, 2015 or December 27, 2014. The weighted-average target asset allocations are approximately 44.3% to equity securities, approximately 31.1% to fixed income securities and approximately 24.6% to other securities.

The fair value of the Company's pension plan assets by asset category are as follows:

| | December 26, 2015 | | | | December 27, 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | (in thousands) | | | | | | | |
| Cash | $ 92 | $ — | $ — | $ 92 | $ 1 | $ — | $ — | $ 1 |
| Equity securities[a] | 65,890 | 5,941 | — | 71,831 | 80,692 | 5,126 | — | 85,818 |
| Debt securities[b] | 68,489 | 2,822 | — | 71,311 | 69,716 | 3,232 | — | 72,948 |
| Mutual funds[c] | 63,689 | 65,725 | — | 129,414 | 67,079 | 53,330 | — | 120,409 |
| Other | 1,021 | 49 | 1,762 | 2,832 | 297 | 46 | 1,771 | 2,114 |
| Total | $ 199,181 | $ 74,537 | $ 1,762 | $ 275,480 | $ 217,785 | $ 61,734 | $ 1,771 | $ 281,290 |

(a) This category comprises equity securities held by non-U.S. pension plans valued at the quoted closing price, and translated into U.S. dollars using a foreign currency exchange rate at year end.

(b) This category comprises debt securities held by non-U.S. pension plans valued at the quoted closing price, and translated into U.S. dollars using a foreign currency exchange rate at year end.

(c) This category comprises mutual funds valued at the net asset value of shares held at year end.

The activity within the Level 3 pension plan assets was insignificant during the periods presented.

During the fiscal year 2015, the Company contributed $5.9 million to the pension plans and expects to contribute $4.5 million to its pension plan in 2016.

Expected benefit payments are estimated using the same assumptions used in determining the Company's benefit obligation as of December 26, 2015. Benefit payments will depend on future employment and compensation levels, among other factors, and changes in any of these factors could significantly affect these estimated future benefit payments. Estimated future benefit payments during the next five years and in the aggregate for the fiscal years thereafter, are as follows:

| | Pension Plans | Other Post-Retirement Benefit Plans |
|---|---|---|
| | (in thousands) | |
| 2016 | $ 7,561 | $ 6,087 |
| 2017 | 7,914 | 747 |
| 2018 | 8,361 | 734 |
| 2019 | 8,926 | 722 |
| 2020 | 9,379 | 709 |
| Thereafter | 52,917 | 24,480 |

## 11. STOCK-BASED COMPENSATION

The Company has stock-based compensation plans under which employees and non-employee directors may be granted stock-based awards such as stock options, restricted stock, restricted stock units and PSUs.

During the fiscal years 2015, 2014 and 2013, the primary share-based awards and their general terms and conditions are as follows:

- Stock options, which entitle the holder to purchase a specified number of shares of common stock at an exercise price equal to the closing market price of common stock on the date of grant; typically vest over 4 years; and typically expire 5 to 7 years from date of grant.
- Restricted stock units, which represent an unsecured promise to grant at no cost a set number of shares of common stock upon the completion of the vesting schedule, and typically vest over 2 to 4 years. With respect to restricted

stock units, recipients are not entitled to cash dividends and have no voting rights on the stock during the vesting period.

- Restricted stock, which is an award of common stock issued on the grant date and subject to vesting, typically over 2 to 4 years. Recipients cannot sell or transfer the shares until the restriction period has lapsed, but are entitled to forfeitable cash dividends and to vote their respective shares upon grant.
- PSUs, which entitle the holder to receive at no cost, a specified number of shares of common stock within a range of shares from zero to a specified maximum and typically vest over 3 years. Payout of this award is contingent upon achievement of certain performance and market conditions.

In May 2007, the Company's shareholders approved the 2007 Incentive Plan, which was amended in 2009, 2011 and 2013 (2007 Plan). The 2007 Plan provided no further awards to be granted under preexisting stock option and incentive plans; provided, however, that any shares that have been forfeited or canceled in accordance with the terms of the applicable award under a preexisting plan may be subsequently awarded in accordance with the terms of the preexisting plan. The 2007 Plan allows a maximum of 18.7 million shares to be awarded, of which restricted stock grants, restricted stock units and performance based stock awards count as 2.3 shares and stock options count as 1.0 shares. Any stock options and other share-based awards that were granted under prior plans and were outstanding in May 2007, continue in accordance with the terms of the respective plans.

As of December 26, 2015, approximately 6.3 million shares were authorized for future grants under the Company's share-based compensation plans. The Company settles employee share-based compensation awards with newly issued shares. The following table provides the financial statement line items in which stock-based compensation is reflected:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in thousands) | | |
| Cost of revenue (excluding amortization of intangible assets) | $ 6,511 | $ 5,382 | $ 5,381 |
| Selling, general and administrative | 33,611 | 25,653 | 19,161 |
| Stock-based compensation expense, before income taxes | 40,122 | 31,035 | 24,542 |
| Provision for income taxes | (14,225) | (11,006) | (8,658) |
| Stock-based compensation, net of income taxes | $ 25,897 | $ 20,029 | $ 15,884 |

During the fiscal year 2015, the Company modified certain stock-based awards granted in previous years as part of executive retirement transitions. For the stock-based awards granted to employees during 2015, the Company introduced a new retirement provision, which allows for continued vesting of such awards after the employee's retirement if certain eligibility conditions are met. The introduction of the new retirement provision and stock-based award modifications increased the Company's stock-based compensation expense for 2015 by $4.5 million.

The Company capitalized no stock-based compensation related costs for the fiscal years 2015, 2014 and 2013.

The Company's pool of excess tax benefits, which is computed in accordance with the long form method, was $22.3 million as of December 26, 2015, $10.8 million as of December 27, 2014, and $7.3 million as of December 28, 2013. During the fiscal year 2015, the Company recorded a tax benefit of $10.6 million to additional paid-in capital related to the exercise of stock options and vesting of restricted shares and restricted stock units, compared to a tax benefit of $4.3 million in the fiscal year 2014. The windfall tax benefit reduction of $1.6 million in the fiscal year 2014, due to the utilization of foreign tax credits, was reversed in the fiscal year 2015.

***Stock Options***

The following table summarizes stock option activities under the Company's stock-based compensation plans:

| | Number of shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | (in thousands, except per share amounts) | | | |
| Options outstanding as of December 27, 2014 | 2,553 | $ 43.39 | | |
| Options granted | 474 | $ 76.33 | | |
| Options exercised | (909) | $ 43.34 | | |
| Options canceled | (52) | $ 55.78 | | |
| Options outstanding as of December 26, 2015 | 2,066 | $ 50.62 | 3.7 | $ 60,846 |
| Options exercisable as of December 26, 2015 | 834 | $ 37.88 | 2.6 | $ 35,200 |
| Options expected to vest at December 26, 2015 | 1,219 | $ 59.21 | 4.4 | $ 25,448 |

The fair value of stock options granted was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Expected life (in years) | 3.6 | 4.2 | 4.2 |
| Expected volatility | 28% | 30% | 33% |
| Risk-free interest rate | 1.1% | 1.5% | 0.8% |
| Expected dividend yield | 0% | 0% | 0% |

The weighted-average grant date fair value of stock options granted was $17.24, $15.19 and $11.17 for the fiscal years 2015, 2014 and 2013, respectively.

As of December 26, 2015, the unrecognized compensation cost related to unvested stock options expected to vest was $11.2 million. This unrecognized compensation will be recognized over an estimated weighted-average amortization period of 2.2 years.

The total intrinsic value of options exercised during the fiscal years 2015, 2014 and 2013 was $28.3 million, $30.5 million and $24.7 million, respectively, with intrinsic value defined as the difference between the market price on the date of exercise and the exercise price.

***Restricted Stock and Restricted Stock Units***

The following table summarizes the restricted stock and restricted stock units activity for the fiscal year 2015:

| | Restricted Stock and Restricted Stock Units | Weighted Average Grant Date Fair Value |
|---|---|---|
| | (in thousands) | |
| December 27, 2014 | 803 | $ 44.67 |
| Granted | 198 | 76.16 |
| Vested | (365) | 42.95 |
| Canceled | (29) | 54.08 |
| December 26, 2015 | 607 | $ 55.52 |

As of December 26, 2015, the unrecognized compensation cost related to shares of unvested restricted stock and restricted stock units expected to vest was $20.2 million, which is expected to be recognized over an estimated weighted-average amortization period of 1.1 years. The total fair value of restricted stock and restricted stock unit grants that vested during the fiscal years 2015, 2014 and 2013 was $15.7 million, $13.9 million and $15.1 million, respectively.

***Performance Based Stock Award Program***

In the fiscal years 2015, 2014 and 2013, the Company issued PSUs to certain corporate officers. The number of shares of common stock issued for each PSU is adjusted based on a performance condition linked to the Company's financial performance. Certain awards are further adjusted based on a market condition, which is calculated based on the Company's stock performance relative to a peer group over the three-year vesting period. The fair value of the market condition is reflected in the fair value of the award at grant date.

The Company utilizes a Monte Carlo simulation valuation model to value these awards. Information pertaining to the Company's PSUs and the related estimated weighted-average assumptions used to calculate their fair value were as follows:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| PSUs granted | 148,900 | 214,823 | 163,847 |
| Weighted average per share fair value | $88.62 | $67.82 | $44.47 |
| Key Assumptions: | | | |
| Expected volatility | 23% | 29% | 32% |
| Risk-free interest rate | 0.96% | 0.63% | 0.38% |
| Expected dividend yield | —% | —% | —% |
| 20 trading day average stock price on grant date | 20.6% | 13.1% | 6.9% |

The maximum amount of common shares to be issued upon vesting of PSUs is approximately 0.8 million. For the fiscal years 2015, 2014 and 2013, the Company recognized stock-based compensation related to PSUs of $14.7 million, $8.5 million and $2.2 million, respectively. The total fair value of PSUs that vested during the fiscal year 2015 was $6.6 million.

In the fiscal year 2015, the Company also issued approximately 15,000 PSUs using a fair value per share of $76.67. These PSUs vest upon the achievement of financial targets and other performance measures.

## 12. FOREIGN CURRENCY CONTRACTS

During the fiscal year 2015, the Company entered into foreign exchange forward contracts to limit its foreign currency exposure related to intercompany loans denominated in Euros that are not of a long-term investment nature. These contracts are recorded at fair value in the Company's consolidated balance sheet and are not designated as hedging instruments. Any gains or losses on such contracts are immediately recognized in other income (expense), net, and are largely offset by the remeasurement of the underlying intercompany loan balances.

The notional amount and fair value of the Company's foreign currency forward contracts is summarized as follows:

| December 26, 2015 | | |
|---|---|---|
| Notional Amount | Fair Value | Balance Sheet Location |
| | (in thousands) | |
| $ 88,483 | $ 15 | Other current assets |

The following table summarizes the effect of foreign exchange forward contracts on the Company's consolidated statement of income:

| Fiscal Year 2015 | |
|---|---|
| Location of Gain (Loss) | Gain (Loss) Recognized |
| | (in thousands) |
| Other income (expense), net | $ (4,917) |

The forward contracts outstanding as of December 26, 2015 had durations of approximately 3 months.

## 13. COMMITMENTS AND CONTINGENCIES

***Operating Leases***

The Company rents laboratory and office space, land, vehicles and certain equipment under non-cancelable operating leases. These lease agreements contain various clauses for renewal at the Company's option and, in certain cases, rent escalation

clauses. Rental expense under these leases amounted to $23.4 million, $14.2 million and $16.7 million in the fiscal years 2015, 2014 and 2013, respectively. In addition to rent, the leases may require the Company to pay additional amounts for taxes, insurance, maintenance and other operating expenses.

As of December 26, 2015, minimum rental commitments under non-cancelable leases, net of income from subleases, for each of the next five years and total thereafter were as follows:

| | Minimum Lease Payments |
|---|---|
| | (in thousands) |
| 2016 | $ 19,702 |
| 2017 | 17,841 |
| 2018 | 12,009 |
| 2019 | 9,783 |
| 2020 | 7,969 |
| Thereafter | 18,086 |
| Total | $ 85,390 |

***Insurance***

The Company maintains various insurance policies that maintain large deductibles up to approximately $5.0 million, some with or without stop-loss limits, depending on market availability. Insurance policies at certain locations are based on a percentage of the insured assets, for which deductibles for certain property may exceed $5.0 million in the event of a catastrophic event.

***Litigation***

Various lawsuits, claims, and proceedings of a nature considered normal to its business are pending against the Company. While the outcome of any of these proceedings cannot be accurately predicted, the Company does not believe the ultimate resolution of any of these existing matters would have a material adverse effect on the Company’s business or financial condition.

In July 2015, IDEXX Laboratories, Inc. and IDEXX Distribution, Inc. (collectively, IDEXX) filed a complaint in the United States District Court for the District of Delaware alleging the Company has infringed three recently issued patents related to a blood spot sample collection method used in determining the presence or absence of an infectious disease in a population of rodents. On September 21, 2015, the Company timely filed a motion to dismiss the complaint on the grounds that all of the claims are directed to unpatentable subject matter and therefore are invalid. On October 7, 2015, IDEXX filed an amended complaint which substantially asserts the same patents and infringement allegations as asserted in the original complaint, and on October 26, 2015, the Company timely filed a motion to dismiss this amended complaint. While no prediction may be made as to the outcome of litigation, the Company intends to defend against this proceeding vigorously and therefore an estimate of the possible loss or range of loss cannot be made.

In May 2013, the Company commenced an investigation into inaccurate billing with respect to certain government contracts. The Company promptly reported these matters to the relevant government contracting officers, the Department of Health and Human Services’ Office of the Inspector General, and the Department of Justice, and the Company is cooperating with these agencies to ensure the proper repayment and resolution of this matter. The Company has identified approximately $1.5 million in excess amounts billed on these contracts since January 1, 2007 and has recorded a liability for such amount as of December 26, 2015 as this represents the Company’s best estimate. Because of the ongoing discussions with the government and the complex nature of this matter, the Company believes it is reasonably possible that additional losses may be incurred but cannot at this time make a reasonable estimate of the potential range of loss beyond such estimated liability.

***Guarantees***

The Company enters into certain agreements with other parties in the ordinary course of business that contain indemnification provisions. These typically include agreements with directors and officers, business partners, contractors, landlords, and customers. Under these provisions, the Company generally indemnifies and holds harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of the Company’s activities. These indemnification provisions generally survive termination of the underlying agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited. However, to date the Company has not incurred

material costs to defend lawsuits or settle claims related to these indemnification provisions. As a result, the estimated fair value of these obligations is minimal.

## 14. SEGMENT AND GEOGRAPHIC INFORMATION

The Company revised its reportable segments during the fiscal year 2014 to align with its view of the business following its acquisition of Argenta and BioFocus. See Note 1, “Description of Business and Summary of Significant Accounting Policies.” The Company reported segment results on this basis retrospectively for all comparable prior periods. Asset information on a reportable segment basis is not disclosed as this information is not separately identified and internally reported to the Company’s Chief Operating Decision Maker.

The following table presents revenue and other financial information by reportable segment:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in thousands) | | |
| **RMS** | | | |
| Revenue | $ 473,230 | $ 507,327 | $ 511,350 |
| Operating income | 121,447 | 121,376 | 116,737 |
| Depreciation and amortization | 22,688 | 27,512 | 41,837 |
| Capital expenditures | 17,398 | 18,749 | 16,717 |
| **DSA** | | | |
| Revenue | $ 612,173 | $ 538,218 | $ 432,378 |
| Operating income | 121,981 | 69,749 | 47,413 |
| Depreciation and amortization | 46,812 | 47,138 | 37,720 |
| Capital expenditures | 30,333 | 19,759 | 12,561 |
| **Manufacturing** | | | |
| Revenue | $ 277,899 | $ 252,117 | $ 221,800 |
| Operating income | 74,201 | 78,620 | 61,227 |
| Depreciation and amortization | 17,967 | 14,092 | 17,079 |
| Capital expenditures | 9,814 | 15,541 | 9,876 |

For the fiscal years ended 2015, 2014 and 2013, reconciliations of segment operating income and capital expenditures to the respective consolidated amounts are as follows:

| | Operating Income | | | Capital Expenditures | | |
|---|---|---|---|---|---|---|
| | Fiscal Year | | | Fiscal Year | | |
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| | (in thousands) | | | | | |
| Total reportable segments | $ 317,629 | $ 269,745 | $ 225,377 | $ 57,545 | $ 54,049 | $ 39,154 |
| Unallocated corporate | (111,180) | (92,075) | (73,976) | 5,707 | 2,876 | — |
| Total consolidated | $ 206,449 | $ 177,670 | $ 151,401 | $ 63,252 | $ 56,925 | $ 39,154 |

Revenue for each significant product or service offering is as follows:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in thousands) | | |
| RMS | $ 473,230 | $ 507,327 | $ 511,350 |
| DSA | 612,173 | 538,218 | 432,378 |
| Manufacturing | 277,899 | 252,117 | 221,800 |
| Total revenue | $ 1,363,302 | $ 1,297,662 | $ 1,165,528 |

A summary of unallocated corporate overhead consists of the following:

| | Fiscal Year | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| | (in thousands) | | |
| Stock-based compensation expense | $ 25,751 | $ 18,474 | $ 13,411 |
| Salary, bonus and fringe | 33,026 | 30,838 | 23,446 |
| Consulting, audit and professional services | 15,418 | 13,431 | 8,666 |
| IT related expenses | 8,400 | 6,528 | 11,646 |
| Depreciation expense | 7,414 | 7,703 | 6,334 |
| Acquisition related adjustments | 11,644 | 6,285 | 1,752 |
| Other general unallocated corporate expenses | 9,527 | 8,816 | 8,721 |
| Total unallocated corporate overhead costs | $ 111,180 | $ 92,075 | $ 73,976 |

Other general unallocated corporate expenses consist of various departmental costs including those associated with departments such as senior executives, corporate accounting, legal, tax, human resources, treasury, and investor relations.

Revenue and long-lived assets by geographic area are as follows:

| | U.S. | Europe | Canada | Japan | Other Non-U.S. | Consolidated |
|---|---|---|---|---|---|---|
| | (in thousands) | | | | | |
| 2015 | | | | | | |
| Revenue | $ 659,466 | $ 435,491 | $ 172,349 | $ 40,520 | $ 55,476 | $ 1,363,302 |
| Long-lived assets | 402,238 | 159,445 | 77,535 | 22,348 | 16,393 | 677,959 |
| 2014 | | | | | | |
| Revenue | $ 588,531 | $ 446,263 | $ 163,490 | $ 49,921 | $ 49,457 | $ 1,297,662 |
| Long-lived assets | 386,624 | 153,203 | 95,272 | 23,896 | 17,802 | 676,797 |
| 2013 | | | | | | |
| Revenue | $ 551,340 | $ 353,688 | $ 162,404 | $ 59,370 | $ 38,726 | $ 1,165,528 |
| Long-lived assets | 447,829 | 130,855 | 109,811 | 30,589 | 19,062 | 738,146 |

Included in the other non-U.S. category above are operations located in China, Korea, Australia, Singapore and India. Revenues represent sales originating in entities physically located in the identified geographic area. Long-lived assets include property, plant and equipment and other long-lived assets.

## 15. SELECTED QUARTERLY FINANCIAL DATA (unaudited)

The following table contains quarterly financial information for fiscal years 2015 and 2014. The operating results for any quarter are not necessarily indicative of future period results:

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| **Fiscal Year 2015** | (in thousands, except per share amounts) | | | |
| Total revenue | $ 320,414 | $ 339,573 | $ 349,465 | $ 353,850 |
| Gross profit[1] | 119,660 | 132,783 | 138,075 | 140,574 |
| Operating income | 43,005 | 55,735 | 55,440 | 52,269 |
| Net income attributable to common shareholders | 31,541 | 48,509 | 37,379 | 31,884 |
| Earnings (loss) per common share: | | | | |
| Basic: | | | | |
| Continuing operations attributable to common shareholders | $ 0.67 | $ 1.04 | $ 0.81 | $ 0.71 |
| Discontinued operations | — | — | — | (0.02) |
| Net income attributable to common shareholders | $ 0.67 | $ 1.04 | $ 0.81 | $ 0.69 |
| Diluted: | | | | |
| Continuing operations attributable to common shareholders | $ 0.66 | $ 1.02 | $ 0.79 | $ 0.69 |
| Discontinued operations | — | — | — | (0.02) |
| Net income attributable to common shareholders | $ 0.66 | $ 1.02 | $ 0.79 | $ 0.67 |
| **Fiscal Year 2014** | | | | |
| Total revenue | $ 299,368 | $ 341,179 | $ 327,567 | $ 329,548 |
| Gross profit[1] | 108,813 | 125,634 | 118,268 | 119,945 |
| Operating income | 39,706 | 51,025 | 46,172 | 40,767 |
| Net income attributable to common shareholders | 32,232 | 35,264 | 32,036 | 27,166 |
| Earnings (loss) per common share: | | | | |
| Basic: | | | | |
| Continuing operations attributable to common shareholders | $ 0.69 | $ 0.76 | $ 0.70 | $ 0.60 |
| Discontinued operations | (0.01) | (0.01) | — | (0.02) |
| Net income attributable to common shareholders | $ 0.68 | $ 0.75 | $ 0.70 | $ 0.58 |
| Diluted: | | | | |
| Continuing operations attributable to common shareholders | $ 0.67 | $ 0.75 | $ 0.68 | $ 0.59 |
| Discontinued operations | (0.01) | (0.01) | — | (0.02) |
| Net income attributable to common shareholders | $ 0.67 | $ 0.74 | $ 0.68 | $ 0.57 |

[1] Gross profit is calculated as total revenues minus cost of revenue, excluding amortization of intangible assets.

Full-year amounts may not sum due to rounding.

**16. SUBSEQUENT EVENTS**

On January 6, 2016, the Company entered into a definitive agreement to acquire WRH, Inc. (WIL Research) for approximately $585.0 million in cash, subject to customary closing adjustments. WIL Research is a premier provider of safety assessment and contract development and manufacturing (CDMO) services to biopharmaceutical and agricultural and industrial chemical companies worldwide. Acquiring WIL Research will enhance the Company's position as a leading global early-stage CRO by strengthening its ability to partner with global clients across the drug discovery and development continuum.

The transaction is expected to close early in the second quarter of 2016, subject to regulatory approvals and customary closing conditions. In connection with the plan to acquire WIL Research, the Company entered into a commitment letter, pursuant to which its existing credit facility will be expanded by up to $350.0 million. In the event the agreement is terminated under specified circumstances, the Company may be required to pay WIL Research a termination fee of $17.5 million. WIL Research is expected to be reported primarily as part of the Company's DSA reportable segment.

**Item 9. Changes in and Disagreement with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**(a) Evaluation of Disclosure Controls and Procedures**

Based on their evaluation, required by paragraph (b) of Rules 13a-15 or 15d-15, promulgated by the Securities Exchange Act of 1934, as amended (Exchange Act), the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act are effective, at a reasonable assurance level, as of December 26, 2015 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures.

***Management's Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of December 26, 2015.

We have excluded the business acquisitions completed during the fiscal year 2015, including Sunrise Farms, Inc., Celsis Group Limited and Oncotest GmbH, from the assessment of the effectiveness of internal control over financial reporting as of December 26, 2015. The acquired businesses are wholly-owned subsidiaries whose total assets and total revenues collectively represent 14.4% and 1.4%, respectively, of the related consolidated financial statement amounts as of and for the fiscal year ended December 26, 2015.

The effectiveness of our internal control over financial reporting as of December 26, 2015 has been audited by PricewaterhouseCoopers LLP, an Independent Registered Public Accounting Firm, as stated in their report which is included herein.

**(b) Changes in Internal Controls**

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of the Exchange Act Rules 13a-15 or 15d-15 that occurred during the fourth quarter of 2015 that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information**

None.

# PART III

**Item 10. Directors, Executive Officers and Corporate Governance**

***A. Directors and Compliance with Section 16(a) of the Exchange Act***

The information required by this Item regarding our directors and compliance with Section 16(a) of the Exchange Act by our officers and directors will be included in the 2016 Proxy Statement under the sections captioned “Nominees for Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” and is incorporated herein by reference thereto. The information required by this Item regarding our corporate governance will be included in the 2016 Proxy Statement under the section captioned “Corporate Governance” and is incorporated herein by reference thereto.

***B. Our Executive Officers***

The information required by this Item regarding our executive officers is reported in Part I of this Form 10-K under the heading “Supplementary Item. Executive Officers of the Registrant pursuant to Instruction 3 to Item 401(b) of Regulation S-K.”

***C. Audit Committee Financial Expert***

The information required by this Item regarding the audit committee of the Board of Directors and financial experts will be included in the 2016 Proxy Statement under the section captioned “The Board of Directors and its Committees-Audit Committee and Financial Experts” and is incorporated herein by reference thereto.

***D. Code of Ethics***

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees and directors, including our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions. Our Code of Business Conduct and Ethics is posted on our website by selecting the “Corporate Governance” link at http://ir.criver.com. We will provide to any person, without charge, a copy of our Code of Business Conduct and Ethics by requesting a copy from the Secretary, Charles River Laboratories, Inc., 251 Ballardvale Street, Wilmington, MA 01887. Information on our website is not incorporated by reference in this annual report.

***E. Changes to Board Nomination Procedures***

Since December 2008, there have been no material changes to the procedures by which security holders may recommend nominees to our Board of Directors.

**Item 11. Executive Compensation**

The information required by this Item will be included in the 2016 Proxy Statement under the sections captioned “2015 Director Compensation,” “Compensation Discussion and Analysis,” “Executive Compensation and Related Information,” “Compensation Committee Interlocks and Insider Participation” and “Report of Compensation Committee” and is incorporated herein by reference thereto.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this Item will be included in the 2016 Proxy Statement under the sections captioned “Beneficial Ownership of Securities” and “Equity Compensation Plan Information” and is incorporated herein by reference thereto.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this Item will be included in the 2016 Proxy Statement under the sections captioned “Related Person Transaction Policy” and “Corporate Governance-Director Qualification Standards; Director Independence” and is incorporated herein by reference thereto.

**Item 14. Principal Accountant Fees and Services**

The information required by this Item will be included in the 2016 Proxy Statement under the section captioned “Statement of Fees Paid to Independent Registered Public Accounting Firm” and is incorporated herein by reference thereto.

# PART IV

**Item 15. Exhibits and Financial Statement Schedules**

**Item 15(a)(1) and (2) Financial Statements and Schedules**

See "Index to Consolidated Financial Statements and Financial Statements Schedules" at Item 8 to this Annual Report on Form 10-K. Other financial statement schedules have not been included because they are not applicable or the information is included in the financial statements or notes thereto.

**Item 15(a)(3) and Item 15(b) Exhibits**

The exhibits filed as part of this Annual Report on Form 10-K are listed in the Exhibit Index immediately preceding the exhibits. We have identified in the Exhibit Index each management contract and compensation plan filed as an exhibit to this Annual Report on Form 10-K in response to Item 15(c) of Form 10-K.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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 INTERNATIONAL, INC.

By: /s/ DAVID R. SMITH
David R. Smith
*Corporate Executive Vice President and Chief Financial Officer*

Date: February 12, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated below and on the dates indicated.

| | Signatures | Title | Date |
|---|---|---|---|
| By: | /s/ JAMES C. FOSTER<br>James C. Foster | *President, Chief Executive Officer and Chairman* | February 12, 2016 |
| By: | /s/ DAVID R. SMITH<br>David R. Smith | *Corporate Executive Vice President and Chief Financial Officer* | February 12, 2016 |
| By: | /s/ JOHN J. CROWLEY<br>John J. Crowley | *Corporate Senior Vice President, Corporate Controller and Chief Accounting Officer* | February 12, 2016 |
| By: | /s/ ROBERT J. BERTOLINI<br>Robert J. Bertolini | *Director* | February 12, 2016 |
| By: | /s/ STEPHEN D. CHUBB<br>Stephen D. Chubb | *Director* | February 12, 2016 |
| By: | /s/ GEORGE E. MASSARO<br>George E. Massaro | *Director* | February 12, 2016 |
| By: | /s/ DEBORAH KOCHEVAR<br>Deborah Kochevar | *Director* | February 12, 2016 |
| By: | /s/ GEORGE M. MILNE, JR.<br>George M. Milne, Jr. | *Director* | February 12, 2016 |
| By: | /s/ C. RICHARD REESE<br>C. Richard Reese | *Director* | February 12, 2016 |
| By: | /s/ CRAIG B THOMPSON<br>Craig B. Thompson | *Director* | February 12, 2016 |
| By: | /s/ RICHARD F. WALLMAN<br>Richard F. Wallman | *Director* | February 12, 2016 |

**EXHIBIT INDEX**

| Exhibit No. | Description | Filed with this Form 10-K | Incorporated by Reference | | |
|---|---|---|---|---|---|
| | | | Form | Filing Date | Exhibit No. |
| 2.1** | Agreement and Plan of Merger dated January 6, 2016 among Charles River Laboratories International, Inc., Pretzel Acquisition Corporation, WRH, Inc. and American Capital Equity III, LP | X | | | |
| 3.1 | Second Amended and Restated Certificate of Incorporation of Charles River Laboratories International, Inc. dated June 5, 2000 | | S-1/A | June 23, 2000 | 3.1 |
| 3.2 | Fourth Amended and Restated By-laws of Charles River Laboratories International, Inc. | | 8-K | January 19, 2016 | 3.2 |
| 4.1 | Form of common stock certificate, $0.01 par value, of Charles River Laboratories International, Inc. | | S-1 | June 23, 2000 | 4.1 |
| 4.2 | Charles River Laboratories International, Inc. Form of Performance Share Unit Granted Under 2007 Incentive Plan | | 10-K | February 27, 2013 | 4.4 |
| 10.1* | Charles River Corporate Officer Separation Plan dated April 30, 2010 | | 10-Q | August 3, 2010 | 10.1 |
| 10.2* | Charles River Laboratories International, Inc. 2000 Incentive Plan amended May 9, 2005 | | 10-K | March 14, 2006 | 10.7 |
| 10.3* | Form of change in control agreement | | 10-K | February 23, 2009 | 10.7 |
| 10.4* | Executive Incentive Compensation Plan dated January 1, 2016 | X | | | |
| 10.5* | Charles River Laboratories, Inc. Executive Life Insurance/Supplemental Retirement Income Plan | | 10-K | March 9, 2005 | 10.23 |
| 10.6* | Charles River Laboratories amended and restated Deferred Compensation Plan amended December 2, 2008, July 20, 2011 and October 27, 2011 | | 10-K | February 27, 2012 | 10.11 |
| 10.7 | Charles River Laboratories International, Inc. Sixth Amended and Restated Credit Agreement dated April 22, 2015 | | 8-K | April 22, 2015 | 10.1 |
| 10.8 | First Amendment to Charles River Laboratories International, Inc. Sixth Amended and Restated Credit Agreement dated July 29, 2015 | X | | | |
| 10.9* | Charles River Laboratories International, Inc. 2007 Incentive Plan, as amended | | 10-K | February 17, 2015 | 10.13 |
| 10.10* | Charles River Laboratories International, Inc. Form of Stock Option granted under 2007 Incentive Plan | | 10-K | February 20, 2008 | 10.17 |
| 10.11* | Charles River Laboratories International, Inc. Form of Restricted Stock Award granted under 2007 Incentive Plan | | 10-K | February 20, 2008 | 10.18 |
| 10.12* | Letter Agreements with Dr. Davide Molho dated May 22, 2009 | | 10-K | February 23, 2011 | 10.17 |
| 10.13* | Amended and Restated Deferred Compensation Plan Document dated July 17, 2012 | | 10-Q | August 7, 2012 | 10.1 |
| 10.14* | Agreement between Dr. Nancy Gillett and Charles River Laboratories, Inc. effective January 1, 2015 | | 10-K | February 17, 2015 | 10.23 |
| 10.15* | Agreement between Thomas Ackerman and Charles River Laboratories, Inc. dated February 25, 2015 | | 8-K | February 27, 2015 | 99.10 |
| 10.16* | Agreement between David Smith and Charles River Laboratories, Inc. dated March 3, 2015 | X | | | |
| 10.17 | Support Agreement dated January 6, 2016 among Charles River Laboratories International, Inc., American Capital Equity II, American Capital Equity III and certain other stockholders of WRH, Inc. | X | | | |
| 10.18 | Commitment Letter dated January 6, 2016 among Charles River Laboratories International, Inc., J.P. Morgan Securities LLC and JPMorgan Chase Bank, N.A. | X | | | |
| 21.1 | Subsidiaries of Charles River Laboratories International, Inc. | X | | | |
| 23.1 | Consent of PricewaterhouseCoopers LLP | X | | | |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer | X | | | |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer | X | | | |
| 32.1 | Section 1350 Certification of the Chief Executive Officer and Chief Financial Officer | X | | | |

| Exhibit No. | Description | Filed with this Form 10-K | Incorporated by Reference | | |
|---|---|---|---|---|---|
| | | | Form | Filing Date | Exhibit No. |
| 101.INS | XBRL Instance Document | X | | | |
| 101.SCH | XBRL Taxonomy Extension Schema | X | | | |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase | X | | | |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase | X | | | |
| 101.LAB | XBRL Taxonomy Extension Labels Linkbase | X | | | |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase | X | | | |

***** Management contract or compensatory plan, contract or arrangement.

****** Certain schedules and exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule and/or exhibit to the Securities and Exchange Commission upon request.

**Exhibit 2.1**

**EXECUTION VERSION**

# AGREEMENT AND PLAN OF MERGER

**BY AND AMONG**

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.,**

**PRETZEL ACQUISITION CORPORATION**

**WRH, INC.**

**and**

**AMERICAN CAPITAL EQUITY III, LP,**

**solely in its capacity as the Stockholders' Representative**

**Dated as of January 6, 2016**

***This document is not intended to create nor shall it be deemed to create a legally binding or enforceable offer or agreement of any type or nature, unless and until agreed to and duly executed and delivered by the Parties.***

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**LIST OF EXHIBITS**

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Exhibit B Form of Support Agreement
Exhibit C Form of Escrow Agreement
Exhibit D Working Capital Guidelines

**AGREEMENT AND PLAN OF MERGER**

This AGREEMENT AND PLAN OF MERGER, dated January 6, 2016 (this "Agreement"), is made and entered into by and among Charles River Laboratories International, Inc. a Delaware corporation ("Buyer"), Pretzel Acquisition Corporation, a Delaware corporation and a wholly-owned Subsidiary of Buyer ("Merger Sub"), WRH, Inc., a Delaware corporation (the "Company"), and, solely in its capacity as the Stockholders' Representative pursuant to Section 10.15 hereof, American Capital Equity III, LP, a Delaware limited partnership (the "Stockholders' Representative"). Buyer, Merger Sub, the Company and the Stockholders' Representative (solely for purposes of Section 10.15) are sometimes individually referred to in this Agreement as a "Party" and collectively as the "Parties". Capitalized terms used in this Agreement shall have the meanings ascribed to them in Exhibit A attached hereto.

WHEREAS, the Parties intend that, at the Effective Time and subject to the terms and conditions of this Agreement, and in accordance with the Delaware General Corporation Law (the "DGCL"), Merger Sub shall merge with and into the Company with the Company surviving such merger (the "Merger");

WHEREAS, each of the Board of Directors of Buyer and Merger Sub have unanimously approved this Agreement and declared it advisable for Buyer and Merger Sub, respectively, to enter into this Agreement;

WHEREAS, Buyer, as the sole stockholder of Merger Sub, has approved and adopted this Agreement, the Merger and the transactions contemplated by this Agreement pursuant to action taken by unanimous written consent in accordance with the requirements of the DGCL and the Organizational Documents of Merger Sub;

WHEREAS, the Board of Directors of the Company has (a) determined that it is in the best interests of the Company and its stockholders for the Company to enter into this Agreement, (b) approved the execution and delivery of this Agreement, the Company's performance of its obligations hereunder and the consummation of the transactions contemplated hereby, including the Merger, and (c) resolved to recommend adoption and approval of this Agreement and the transactions contemplated herein by the stockholders of the Company;

WHEREAS, concurrently with the execution and delivery of this Agreement, each of the Approving Persons has delivered to Buyer an executed Support Agreement and Written Consent in the form attached hereto as Exhibit B (each, a "Support Agreement"); and

WHEREAS, the Parties desire to make certain representations, warranties, covenants and other agreements in connection with the foregoing and also prescribe certain conditions to the Merger as specified herein.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants, agreements and conditions set forth in this Agreement, and intending to be legally bound hereby, each Party hereby agrees:

## ARTICLE I

## THE MERGER

Section 1.1 The Merger Upon the terms and subject to the conditions set forth in this Agreement and in accordance with the DGCL, Merger Sub will merge with and into the Company at the Effective Time. Following the Merger, the separate corporate existence of Merger Sub will cease, and the Company will continue as the surviving corporation in the Merger (the "Surviving Corporation") and as a direct or indirect wholly owned subsidiary of Buyer or, to the extent permitted by Section 10.4, its Affiliates.

Section 1.2 Effective Time. Prior to the Closing, Buyer and the Company shall prepare a certificate of merger (the "Certificate of Merger"). Upon the terms and subject to the provisions of this Agreement, the Parties shall file the Certificate of Merger, executed in accordance with the relevant provisions of the DGCL, with the Secretary of State of the State of Delaware as soon as practicable on the Closing Date. As soon as practicable on or after the Closing Date, the Parties shall make any and all other filings or recordings required under the DGCL to give effect to the Merger. The Merger will be effective at such time as the Parties duly file the Certificate of Merger with the Secretary of State of the State of Delaware or at such other date or time as Buyer and the Company agree in writing and specify in the Certificate of Merger (the time the Merger becomes effective being the "Effective Time").

Section 1.3 Effects of the Merger. The Merger will have the effects set forth in this Agreement and the relevant provisions of the DGCL. Without limiting the generality of the foregoing, and subject hereto, at the Effective Time, all property, rights, privileges, immunities, powers and franchises of the Company and Merger Sub will vest in the Surviving Corporation, and all claims, obligations, restrictions, disabilities, liabilities, debts and duties of the Company and Merger Sub will become the claims, obligations, restrictions, disabilities, liabilities, debts and duties of the Surviving Corporation.

Section 1.4 Certificate of Incorporation; Bylaws. At the Effective Time, by virtue of the Merger and without any action on the part of Merger Sub or the Company, (i) the certificate of incorporation of the Company shall be amended by virtue of the Merger to be in a form reasonably acceptable to Buyer and the Stockholders' Representative and, as so amended, shall be the certificate of incorporation of the Surviving Corporation and (ii) the bylaws of the Surviving Corporation shall be the bylaws of Merger Sub, as in effect immediately prior to the Effective Time, in each case until duly amended as provided therein or by applicable laws.

Section 1.5 Directors and Officers. The directors and officers of Merger Sub serving in those positions immediately prior to the Effective Time will become the directors and officers of the Surviving Corporation as of the Effective Time, and will remain the directors and officers of the Surviving Corporation after the Merger, in each case until their respective successors are duly elected or appointed and qualified or until the earlier of their death, resignation or removal.

## ARTICLE II

## MERGER CONSIDERATION; CONVERSION OF SECURITIES

Section 2.1 Closing Date Statements. Not less than three (3) Business Days prior to the Closing Date, the Company shall deliver to Buyer:

(a) a statement (the "Closing Date Payment Certificate"), signed by the Chief Financial Officer of the Company, which sets forth, in each case, as of immediately preceding the Closing, the (i) name of each Stockholder of record on the books and records of the Company, (ii) number of shares of Common Stock owned of record by each such Stockholder, (iii) number of shares of Series A Preferred Stock owned of record by each such Stockholder and their respective Series A Liquidation Amounts, (iv) number of shares of Series B Preferred Stock owned of record by each such Stockholder and their respective Series B Liquidation Amounts, (v) number of shares of Series C Preferred Stock owned of record by each such Stockholder and their respective Series C Liquidation Amounts, (vi) number of shares of Series D Preferred Stock owned of record by each such Stockholder and their respective Series D Liquidation Amounts, (vii) number of shares of Series E Preferred Stock owned of record by each such Stockholder and their respective Series E Liquidation Amounts, (viii) portion of the Closing Date Payment Amount to be paid to such Stockholder by the Paying Agent, (ix) name of each Option Holder, (x) Per Share Amount, (xi) Aggregate Option Exercise Price, (xii) amount of the Option Payment payable to each Option Holder pursuant to Section 2.5(a), (xiii) the SAR Closing Payment Amount, and the portion of the SAR Closing Payment Amount to be paid to each SAR Participant; and (xiv) number of Fully Diluted Shares; and

(b) a statement (the "Closing Date Certificate"), signed by the Chief Financial Officer of the Company, which sets forth the Company's good faith estimate of (i) the Cash and Cash Equivalents, (ii) the Net Working Capital and the Net Working Capital Adjustment based thereon and (iii) the Company Transaction Expenses (the "Estimated Closing Company Transaction Expenses") (iv) the aggregate Indebtedness of the Company and the Company Subsidiaries (on a lender-by-lender basis, where applicable), (v) the Audit Support Amount, and (vi) the amount of the Merger Consideration determined on the basis of the foregoing (the "Estimated Merger Consideration Amount"), in each case prepared (x) as of immediately preceding the Closing and (y) in accordance with the accounting principles, policies, procedures, practices, judgments, applications, and methodologies used in preparing the Financial Statements, along with reasonable supporting detail to evidence the calculation of such amounts.

Buyer shall have an opportunity to make a good faith review of, and consult with the Company regarding, the information set forth in the Closing Date Payment Certificate and the Closing Date Certificate. Buyer and the Company shall use good faith efforts to mutually agree on the information set forth in the Closing Date Payment Certificate and the Closing Date Certificate; provided, that if Buyer and the Company are not able to reach a mutual agreement prior to the Closing Date, the Closing Date Payment Certificate and Closing Date Certificate provided by the Company to Buyer shall control. The Stockholders shall be solely responsible for the allocation of the Merger Consideration among the Stockholders and Option Holders and payments to the SAR Participants as set forth in the Closing Date Payment Certificate and as contemplated by this Agreement, and Buyer shall have no responsibility or liability in respect thereof.

Section 2.2 Calculation and Payment of the Merger Consideration.

(a) Calculation of Merger Consideration. Upon the terms and subject to the conditions set forth in this Agreement, Buyer shall pay, or cause to be paid, with respect to the Preferred Stock, Common Stock, and Options, an aggregate amount in cash (the "Merger Consideration") equal to:

(i) $585,000,000.00 (the "Enterprise Value");

(ii) plus the Net Working Capital Adjustment;

(iii) plus the Closing Cash;

(iv) plus the Product and Professional Liability Tail Premium;

(v) plus the Transaction Tax Benefit Amount;

(vi) plus the Audit Support Amount;

(vii) minus the Closing Indebtedness;

(viii) minus the Closing Company Transaction Expenses;

(ix) minus the Administrative Expense Amount;

(x) minus the SAR Closing Payment Amount

(xi) minus the Tax Liability Amount; and

(xii) minus the Pension Liability Amount;

After the Effective Time, the Merger Consideration shall be subject to the Merger Consideration Adjustment pursuant to Section 2.8.

(b) Payment of the Merger Consideration. At the Closing, Buyer shall (1) remit to the Company the aggregate amount of the Option Payments, if any, which the Company shall disburse through its payroll system to each In-the-Money Option Holder entitled to receive an Option Payment, subject to applicable withholding Tax and such Option Holder executing and returning a release in form acceptable to Buyer, the Company and the Stockholders' Representative, and (2) remit to the Paying Agent, by wire transfer of immediately available funds, an aggregate amount in cash (the "Closing Date Payment Amount") equal to (x) the Estimated Merger Consideration Amount; minus (y) the aggregate amount of the Option Payments, if any, minus (z) the Adjustment Escrow Amount and the Indemnity Escrow Amount. To the extent that a Stockholder (other than a holder of Dissenting Shares) delivers a duly executed Letter of Transmittal in accordance with Section 2.6(c), the Paying Agent shall distribute the Closing Date Payment Amount to the Stockholders (other than holders of Dissenting Shares) in the following order of priority:

(i) *first*, the Paying Agent shall pay to each Series A Preferred Stockholder the Pro Rata Amount of the aggregate Series A Liquidation Amounts with respect to the shares of Series A Preferred Stock held by such Series A Preferred Stockholder;

(ii) *next*, only to the extent a portion of the Closing Date Payment Amount remains unpaid after the payments specified in Section 2.2(b)(i) are made, the Paying Agent shall pay to each Series B Preferred Stockholder the Pro Rata Amount of the aggregate Series B Liquidation Amounts with respect to the shares of Series B Preferred Stock held by such Series B Preferred Stockholder;

(iii) *next*, only to the extent a portion of the Closing Date Payment Amount remains unpaid after the payments specified in Sections 2.2(b)(i) through 2.2(b)(ii) are made, the Paying Agent shall pay to each Series C Preferred Stockholder the Pro Rata Amount of the aggregate Series C Liquidation Amounts with respect to the shares of Series C Preferred Stock held by such Series C Preferred Stockholder;

(iv) *next*, only to the extent a portion of the Closing Date Payment Amount remains unpaid after the payments specified in Sections 2.2(b)(i) through 2.2(b)(iii) are made, the Paying Agent shall pay to each Series D Preferred Stockholder the Pro Rata Amount of the aggregate Series D Liquidation Amounts with respect to the shares of Series D Preferred Stock held by such Series D Preferred Stockholder;

(v) *next*, only to the extent a portion of the Closing Date Payment Amount remains unpaid after the payments specified in Sections 2.2(b)(i) through 2.2(b)(iv) are made, the Paying Agent shall pay to each Series E Preferred Stockholder the Pro Rata Amount of the aggregate Series E Liquidation Amounts with respect to the shares of Series E Preferred Stock held by such Series E Preferred Stockholder; and

(vi) *thereafter*, only to the extent a portion of the Closing Date Payment Amount remains unpaid after the payments specified in Sections 2.2(b)(i) through 2.2(b)(v) are made, the Paying Agent shall pay to each Stockholder the Per Share Amount with respect to its shares of Company Stock.

(c) Paying Agent. Not less than ten (10) Business Days prior to the Effective Time, the Stockholders' Representative, as the representative of the Equity Holders, shall appoint a bank or trust company (which bank or trust company will be reasonably acceptable to Buyer and will have a credit rating of at least AA) to act as paying agent (the "Paying Agent") and enter into a paying agent agreement with such Paying Agent (which paying agent agreement will be in form and substance reasonably acceptable to Buyer) for the purpose of making the payments pursuant to Section 2.2(b)(i) through (vi). For the avoidance of doubt, Buyer shall have no responsibility or liability for any action or omission by the Paying Agent.

(d) It is expressly understood and agreed that Buyer's payment on the Closing Date (i) of the Option Payments to the Company (for dispersal by the Company through its payroll system) and (ii) of the Closing Date Payment Amount to the Paying Agent, shall be in full satisfaction of Buyer's obligation with respect to such amounts, subject to any Merger Consideration Adjustment pursuant to Section 2.8, and, once paid in accordance with the terms of this Agreement, Buyer and its Affiliates shall have no liability to the Stockholders' Representative, any Equity Holder or any other Person for any amounts in respect of the same.

Section 2.3 Payment of Other Amounts at Closing. At the Closing, Buyer shall:

(a) on behalf of the Company, pay to such account or accounts as the Company specifies to Buyer pursuant to the Closing Date Certificate, the aggregate amount of Paid Indebtedness;

(b) on behalf of the Company, pay to such account or accounts as the Company specifies to Buyer pursuant to the Closing Date Certificate, the aggregate amount of the Estimated Closing Company Transaction Expenses;

(c) deposit the Adjustment Escrow Amount and the Indemnity Escrow Amount with the Escrow Agent by wire transfer of immediately available funds, which shall be held by the Escrow Agent in accordance with the terms of the Escrow Agreement;

(d) on behalf of the Equity Holders, pay to the Stockholders' Representative the Administrative Expense Amount for deposit into the Administrative Expense Account; and

(e) pay to the Company (for the benefit of the SAR Participants), the SAR Closing Payment Amount, which the Company shall disburse through its payroll system to each SAR Participant in accordance with the amounts set forth in the Closing Date Payment Certificate, less applicable withholding Tax.

Section 2.4 Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of any Party or the holders of any of the following securities:

(a) Conversion of Company Stock. Subject to the Equity Holders' rights pursuant to this Agreement to receive any portion of the Merger Consideration Adjustment, any amounts from the Adjustment Escrow Fund, the Indemnity Escrow Fund or any portion of the Administrative Expense Amount, in each case, to the extent applicable, each class, series and subclass of Company Stock issued and outstanding immediately prior to the Effective Time, excluding shares of Company Stock to be canceled pursuant to Section 2.4(b) and any Dissenting Shares, will be canceled and convert automatically into the right to receive an amount in cash as set forth in Section 2.2(b) payable, without interest, to the applicable Stockholder upon the surrender pursuant to Section 2.6 of the Certificate formerly representing such shares of Company Stock.

(b) Cancellation of Treasury Stock and Buyer-Owned Stock. Each share of Company Stock held in the treasury of the Company and any shares of Company Stock owned by Buyer, Merger Sub or any other subsidiary of Buyer will be canceled automatically without conversion thereof and no payment or distribution will be made with respect thereto.

(c) Equity Interests of Merger Sub. Each share of common stock of Merger Sub issued and outstanding immediately prior to the Effective Time will be converted into and exchanged for one validly issued, fully paid and nonassessable share of common stock of the Surviving Corporation.

Section 2.5 Termination of Options and SAR Units. At or prior to the Effective Time, the Company shall, subject to and conditioned upon the Closing, take all necessary action, which action will be effective as of the Effective Time, to:

(a) terminate the Stock Option Plans and all Option Agreements;

(b) terminate the SAR Plan and all SAR Unit agreements

(c) cancel each Option and SAR Unit, in each case, whether vested or unvested; and

(d) to the extent the exercise price for a share of Common Stock under a vested Option (including those Options which vest in connection with the transactions contemplated by this Agreement) ("Vested Options") is less than the Per Share Amount (such Vested Options, the "In-the-Money Options"), make a cash payment through the Company's payroll system to each In-the-Money Option Holder of In-the-Money Options in an amount equal to (A) the excess of (x) the Per Share Amount, over (y) the exercise price for a share of Common Stock under such In-the-Money Option, multiplied by (B) the total number of shares of Common Stock subject to such In-the-Money Option (an "Option Payment") less applicable Tax withholding.

Section 2.6 Surrender of Certificates.

(a) Payment Procedures. The Company shall mail, or shall cause its designee to mail, to each Person that is a holder of record of Company Stock entitled to receive the amounts set forth in Section 2.2(b): (i) a letter of transmittal reasonably acceptable to Buyer and the Stockholders' Representative (provided that such letter of transmittal shall contain customary covenants and shall not include any representations or warranties on the part of such Person other than with respect to ownership of and title to such Person's Company Stock, power and authority of such Person to execute and deliver the letter of transmittal, the letter of transmittal constituting a valid and binding obligation of such Person, and receipt and acknowledgment of this Agreement and the opportunity to ask questions about this Agreement) (the "Letter of Transmittal"), which shall specify that (A) the Stockholders' Representative is designated to serve in the capacity set forth in Section 10.15, and (B) delivery will be effected, and risk of loss and title to the certificates evidencing such shares of Company Stock (the "Certificates") will pass, only upon proper delivery of the Certificates and the Letter of Transmittal to the Paying Agent, with a copy delivered to Buyer, and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the portion of the Closing Date Payment Amount to be paid to such holder of record of Company Stock by the Paying Agent in accordance with Section 2.2(b). Upon surrender to the Paying Agent of a Certificate for cancellation and a copy thereof being delivered to Buyer, together with the Letter of Transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be required pursuant to such instructions, the holder of such Certificate will be entitled to receive in exchange therefor the amount to be paid in respect of each share of Company Stock formerly evidenced by such Certificate in accordance with Section 2.2(b), and such Certificate shall then be cancelled. Until surrendered as contemplated by this Section 2.6, each Certificate shall be deemed at all times after the Effective Time to represent only the right to receive upon such surrender the amount of cash, if any, to which the holder of such Certificate is entitled pursuant to this Article II.

(b) No Further Rights. All Merger Consideration paid upon the surrender of Certificates in accordance with the terms of this Article II shall be deemed to have been exchanged and paid in full satisfaction of all rights pertaining to the securities represented by such Certificates and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Stock that were issued and outstanding immediately prior to the Effective Time. From and after the Effective Time, holders of Certificates shall cease to have any rights as Stockholders of the Company, except as provided in this Agreement or by applicable Law.

(c) Withholding Rights. Each of the Stockholders' Representative, the Surviving Corporation, Buyer, the Paying Agent or the Escrow Agent are entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement (including any amounts paid from the Adjustment Escrow Fund, the Indemnity Escrow Fund or the Administrative Expense Account) such amounts as it is required to deduct and withhold with respect to such payment under all applicable Laws. To the extent that amounts are so withheld by the Stockholders' Representative, the Surviving Corporation or Buyer, as the case may be, such withheld amounts will be treated for all purposes of this Agreement as having been paid to the Equity Holders in respect of which such deduction and withholding was made.

(d) Lost Certificates. If a Stockholder's Certificate has been lost, stolen or destroyed, the Stockholder may submit in lieu thereof, an affidavit of loss or destruction.

Section 2.7 Dissenting Shares. Notwithstanding any provision of this Agreement to the contrary, any Dissenting Share shall not be converted into the right to receive the amount of cash as provided in Section 2.2(b) or any other amounts contemplated by this Agreement, if any, but shall instead be converted into the right to receive such consideration as may be determined to be due with respect to any such Dissenting Share pursuant to the DGCL. Each holder of Dissenting Shares who, pursuant to the DGCL, becomes entitled to payment thereunder for such shares shall receive payment therefor in accordance with the DGCL (but only after the value therefor shall have been agreed upon or finally determined pursuant to the DGCL). If, after the Effective Time, any Dissenting Share shall lose its status as a Dissenting Share, then any such share shall immediately be converted into the right to receive the amount of cash as provided in Section 2.2(b) and any other amounts contemplated by this Agreement, if any, as if such share never had been a Dissenting Share, and Buyer shall deliver, or cause to be delivered in accordance with the terms of this Agreement, to the holder thereof, at (or as promptly as reasonably practicable after) the applicable time specified in Section 2.6 following the satisfaction of the applicable conditions set forth in Section 2.6, the amount of cash as provided in Section 2.2(b) as if such share had never been a Dissenting Share. The Company shall give Buyer (a) prompt written notice of any demands for appraisal received by the Company, withdrawals of such demands, and any other instruments served pursuant to the DGCL and received by the Company and (b) the right to direct all negotiations and proceedings with respect to demands for appraisal under the DGCL. The Company shall not, except with the prior written consent of Buyer, voluntarily make any payment or offer to make any payment with respect to, or settle or offer to settle, any claim or demand with respect to any Dissenting Share. The Company and the Stockholders' Representative shall (or shall cause their Affiliates to) enforce any contractual waivers that the Equity Holders have granted regarding appraisal rights that would apply to the Merger.

Section 2.8 Adjustment to the Merger Consideration.

(a) The Merger Consideration shall be increased or reduced as set forth in Section 2.8(f) hereof. Any increase or decrease in the Merger Consideration pursuant to this Section 2.8 shall be referred to as a "Merger Consideration Adjustment".

(b) Within ninety (90) days after the Closing Date, Buyer shall prepare and deliver to the Stockholders' Representative a statement (the "Preliminary Closing Statement"), which sets forth Buyer's calculation of (i) the Net Working Capital (the "Closing Net Working Capital") and the Net Working Capital Adjustment Amount based thereon, (ii) the Cash and Cash Equivalents (the "Closing Cash"), (iii) the Indebtedness of the Group Companies (the "Closing Indebtedness"), (iv) the Company Transaction Expenses (the "Closing Company Transaction Expenses"), (v) the Audit Support Amount (the "Closing Audit Support Amount") and (vi) the amount of the Merger Consideration based thereon, in each case prepared (x) as of immediately preceding the Closing and (y) in accordance with the accounting principles, policies, procedures, practices, judgments, applications and methodologies used in preparing the Financial Statements, along with reasonable supporting detail to evidence the Buyer's calculations of such amounts. For the avoidance of doubt, the accounting principles, policies, procedures, practices, judgments, applications and methodologies used in preparing the Financial Statements shall be the only accounting principles, policies, procedures, practices, judgments, applications or methodologies used or relied upon in the preparation of the Preliminary Closing Statement, the calculation of each of Closing Net Working Capital, Closing Cash, Closing Indebtedness, Closing Company Transaction Expenses, and the Closing Audit Support Amount and no other accounting principles, policies, procedures, practices, judgments, applications or methodologies shall be introduced by any party hereto or the Accounting Firm.

(c) The Stockholders' Representative shall have a period of thirty (30) days after the date it receives the Preliminary Closing Statement from Buyer to deliver to Buyer written notice of the Stockholders' Representative's disagreement with any item contained in the Preliminary Closing Statement, which notice shall set forth in reasonable detail the basis for such disagreement (a "Notice of Disagreement"). At all times prior to a determination of the Final Closing Statement, the Final Closing Net Working Capital, Final Closing Cash, Final Closing Indebtedness, Final Closing Company Transaction Expenses, the Final Closing Audit Support Amount and Final Merger Consideration Amount in accordance with Section 2.8(c) or Section 2.8(d), as applicable, Buyer shall (i) permit the Stockholders' Representative and its accountants to consult with the Company, Buyer, and their respective accountants (subject to such accountants' consent) at reasonable times, upon reasonable prior notice and without unduly interfering with the Company's or Buyer's business, and (ii) provide to the Stockholders' Representative and its accountants reasonable access during reasonable hours, upon reasonable prior notice, under reasonable circumstances and without unduly interfering with Buyer's or its Affiliates' business to all relevant books and records relating to the preparation of the Preliminary Closing Statement. If a Notice of Disagreement is received by Buyer, then the Preliminary Closing Statement (as revised in accordance with clause (A) or (B) below) shall become the Final Closing Statement and become final and binding upon the Parties on the earlier of the date (A) on which the Stockholders' Representative and Buyer resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement, and (B) all matters in dispute are finally resolved in writing by the Accounting Firm. During the thirty (30) days following Buyer's receipt of a Notice of Disagreement, Buyer and the Stockholders' Representative shall seek in good faith to resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement, and upon such resolution, the Final Closing Statement shall be prepared in accordance with the agreement of Buyer and the Stockholders' Representative.

(d) If Buyer and the Stockholders' Representative are unable to resolve the disputed items set forth in the Notice of Disagreement within forty-five (45) days following Buyer's receipt of such Notice of Disagreement (or such longer period as Buyer and the Stockholders' Representative may mutually agree in writing), following notice of such dispute, such dispute shall be submitted to, and such dispute shall be resolved by, (i) Deloitte & Touche LLP, or (ii) in the event such accounting firm is unable or unwilling to take such assignment, a nationally recognized accounting firm mutually agreed upon by Buyer and the Stockholders' Representative or, if Buyer and the Stockholders' Representative cannot agree on an accounting firm within thirty (30) days after timely delivery of a Notice of Disagreement, each of Buyer and the Stockholders' Representative shall select a nationally recognized accounting firm and such two accounting firms shall designate a third nationally recognized accounting firm that neither presently is, nor in the past three (3) years has been, engaged by either Party or any of their respective Affiliates. Deloitte & Touche LLP, the accounting firm so agreed to by Buyer and the Stockholders' Representative, or the third accounting firm so selected by the two accounting firms, is hereinafter referred to as the "Accounting Firm". Buyer and the Stockholders' Representative shall submit to the Accounting Firm for review and resolution all matters (but only such matters) that are set forth in the Notice of Disagreement which remain in dispute. Buyer and the Stockholders' Representative shall instruct the Accounting Firm to select one of its partners experienced in purchase price adjustment disputes to make a final determination of the Closing Net Working Capital, Closing Cash, Closing Indebtedness, Closing Company Transaction Expenses, Closing Audit Support Amount and the amount of the Merger Consideration based thereon, in each case, calculated with reference to the items that are in dispute as set forth in the Notice of Disagreement. Buyer and the Stockholders' Representative shall instruct the Accounting Firm that, in resolving the items in the Notice of Disagreement that are still in dispute and in determining the Closing Net Working Capital, Closing Cash, Closing Indebtedness, Closing Company Transaction Expenses, and Closing Audit Support Amount, in each case, the Accounting Firm shall (i) not assign to any item in dispute a value that is (A) greater than the greatest value for such item assigned by Buyer, on the one hand, or the Stockholders' Representative, on the other hand, or (B) less than the smallest value for such item assigned by Buyer, on the one hand, or the Stockholders' Representative, on the other hand, (ii) make its determination based on an independent review (which will be in accordance with the guidelines and procedures set forth in this Agreement) and, at the Accounting Firm's discretion, a one-day conference concerning the dispute, at which conference each of Buyer and the Stockholders' Representative shall have the right to present their respective positions with respect to the dispute and have present their respective advisors, counsel and accountants, (iii) render a final resolution in writing to Buyer and the Stockholders' Representative (which final resolution shall be requested by Buyer and the Stockholders' Representative to be delivered not more than thirty (30) days following submission of such disputed matters to the Accounting Firm), which, absent manifest error, shall be final, conclusive and binding on the Parties with respect to the Closing Net Working Capital, Closing Cash, Closing Indebtedness, Closing

Company Transaction Expenses, Closing Audit Support Amount and the amount of the Merger Consideration based thereon, and (iv) provide a written report to Buyer and the Stockholders' Representative, if requested by either of them, which sets forth in reasonable detail the basis for the Accounting Firm's final determination. The fees and expenses of the Accounting Firm shall be allocated between Buyer, on the one hand, and the Equity Holders, on the other hand, based upon the percentage by which the portion of the contested amount not awarded to each of Buyer and the Stockholders' Representative bears to the amount actually contested by such Party.

(e) The Preliminary Closing Statement (as adjusted by the agreement of the Parties or at the direction of the Accounting Firm, as applicable) shall be deemed final for the purposes of this Section 2.8 upon the earliest of the (i) failure of the Stockholders' Representative to notify Buyer of a dispute within thirty (30) days after the Stockholders' Representative receives the Preliminary Closing Statement, (i) resolution of all disputes, pursuant to Section 2.8(c), by Buyer and the Stockholders' Representative, and (ii) resolution of all disputes, pursuant to Section 2.8(d), by the Accounting Firm.

(f) Within five (5) Business Days following the determination of the Final Closing Statement in accordance with Section 2.8(c) or Section 2.8(d), as applicable:

(i) if the Estimated Merger Consideration Amount exceeds the Final Merger Consideration Amount, then Buyer shall be entitled to claim from the Adjustment Escrow Fund an amount equal to such excess (and if the Adjustment Escrow Fund is insufficient to cover such adjustment in full, Buyer shall be entitled to claim such shortfall from the General Indemnity Escrow Fund, and Buyer and the Stockholders' Representative will promptly deliver a joint written instruction to the Escrow Agent instructing it to release (A) to Buyer or its designee the amount of such excess from the Adjustment Escrow Fund (and the General Indemnity Escrow Fund, as applicable) and (B) if any amount remains in the Adjustment Escrow Fund after giving effect to the foregoing clause (A), (x) to the Company an amount as directed by the Stockholders' Representative, not to exceed the amount remaining in the Adjustment Escrow Fund, which the Company shall distribute to the SAR Participants in accordance with instructions provided by the Stockholders' Representative, (y) to the Paying Agent from the remaining amount in the Adjustment Escrow Fund, if any, the amount required to satisfy the payments to be made to holders of the Preferred Stock pursuant to Sections 2.2(b)(i) through (v), for further distribution to the holders of Preferred Stock in the order of priority set forth in Sections 2.2(b)(i) through (v); and (C) *thereafter*, only to the extent a portion of Adjustment Escrow Fund remains unpaid after giving effect to the foregoing clauses (x) and (y), (1) pay to the Paying Agent an amount equal to the remainder of the Adjustment Escrow Fund multiplied by the aggregate Pro Rata Percentages of the Stockholders, for further distribution to the Stockholders in accordance with their respective Pro Rata Percentages, and (2) pay to the Company an amount equal to the remainder of the Adjustment Escrow Fund, if any, multiplied by the aggregate Pro Rata Percentages of the In-the-Money Option Holders, which the Company shall distribute through the Company's payroll system to the In-the-Money Option Holders, less applicable withholding Tax, in accordance with their respective Pro Rata Percentages.

(ii) if the Final Merger Consideration Amount exceeds the Estimated Merger Consideration Amount (such excess, the "Upward Adjustment"), then Buyer shall: (A) *first*, pay to the Company an amount as directed by the Stockholders' Representative (not to exceed the amount of the Upward Adjustment), which the Company shall distribute through the Company's payroll system to the SAR Participants, less applicable withholding Tax, in accordance with instructions provided by the Stockholders' Representative; (B) *then*, pay to the Paying Agent from the remaining amount of the Upward Adjustment, if any, the amount required to satisfy the payments to be made to holders of the Preferred Stock pursuant to Sections 2.2(b)(i) through (v), for further distribution to the holders of Preferred Stock in the order of priority set forth in Sections 2.2(b)(i) through (v); and (C) *thereafter*, only to the extent a portion of such Upward Adjustment remains unpaid after giving effect to the foregoing clauses (A) and (B), (x) pay to the Paying Agent an amount equal to the remainder of such Upward Adjustment multiplied by the aggregate Pro Rata Percentages of the Stockholders, for further distribution to the Stockholders in accordance with their respective Pro Rata Percentages, and (y) pay to the Company an amount equal to the remainder of such Upward Adjustment, if any, multiplied by the aggregate Pro Rata Percentages of the In-the-Money Option Holders, which the Company shall distribute through the

Company's payroll system to the In-the-Money Option Holders, less applicable withholding Tax, in accordance with their respective Pro Rata Percentages.

(g) All payments required under this Section 2.8 shall be made in cash by wire transfer of immediately available funds to such bank account(s) as shall be designated in writing by the recipient(s).

(h) Any payment that is to be made pursuant to Section 2.8(f) to an Equity Holder and that is attributable to an Option or to an SAR Participant shall be paid to the Company for disbursal through the Company's payroll system and treated for Tax purposes as a payment, when and if made, of compensation for services. Accordingly Buyer shall reduce, or shall cause the Company to reduce, each such payment by the amount of any required federal, foreign, provincial, state, or local withholding Taxes payable by the Company with respect to such payment. Buyer shall pay or shall cause the Company to pay such withholding Taxes to the applicable Governmental Entities as required by Law.

(i) It is expressly understood and agreed that Buyer's payment of the Merger Consideration Adjustment, if any, (i) to the Company in respect of the portion of the Merger Consideration Adjustment to be paid to the Option Holders and payment thereof to the Option Holders by the Company and (ii) to the Paying Agent in respect of the portion of the Merger Consideration Adjustment to be paid to the other Equity Holders, shall be in full satisfaction of Buyer's obligation with respect to such amounts, and, once paid in accordance with the terms of this Agreement, Buyer and its Affiliates shall have no liability to the Stockholders' Representative, any Equity Holder or any other Person for any amounts in respect of the same.

## ARTICLE III

## REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Subject to the terms, conditions and limitations set forth in this Agreement, the Company hereby represents and warrants to Buyer and Merger Sub as of the date hereof and as of the Closing Date as follows:

Section 3.1 Organization. Each Group Company (a) is a corporation or other entity duly incorporated or organized, validly existing and in good standing under the Laws of its respective jurisdiction of incorporation or organization, and (b) has all requisite power and authority to own, lease and operate its properties and to carry on in all material respects its businesses as conducted on the date hereof. Each Group Company is duly qualified or registered as a foreign corporation to transact business under the Laws of each jurisdiction where the character of its activities or the location of the properties owned or leased by it requires such qualification or registration, except where the failure of such qualification or registration would not reasonably be expected to be material to the Group Companies. The Company has made available to Buyer prior to the date hereof true, correct and complete copies of the Organizational Documents of each Group Company.

Section 3.2 Authorization. The Company has the requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby, subject in the case of the consummation of the Merger, to the Stockholder Approval. The Stockholder Approval is the only vote or approval of the holders of any class or series of capital stock of the Company necessary to adopt this Agreement and to approve. This Agreement has been duly authorized, executed and delivered by the Company and, when duly authorized, executed by all other Parties and delivered by the Company, constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency and other similar Laws affecting the enforceability of creditors' rights generally, general equitable principles and the discretion of courts in granting equitable remedies.

Section 3.3 Capitalization.

(a) The authorized capital stock of the Company consists only of (i) 1,000,000 shares of Class A Common Stock and 1,000,000 shares of Class B Common Stock and (ii) 1,000,000 shares of Series A Preferred Stock, 1,000,000 shares of Series B Preferred Stock, 1,000,000 shares of Series C Preferred Stock, 1,000,000 shares of Series D Preferred Stock, and 1,000,000 shares of Series E Preferred Stock. The number of shares issued and outstanding, the liquidation preference, and the owners of such shares, in each case, as of the date hereof, are set forth on Schedule 3.3(a). All of the issued and outstanding shares of Company Stock are duly authorized, validly issued, fully paid and nonassessable. None of the issued and outstanding shares of Company Stock were issued in violation of any preemptive rights or Laws. Except as set forth on Schedule 3.3(a), as of the date hereof there are no (i) outstanding shares of capital stock or equity voting interest of, or any stock appreciation, phantom stock, profit participation or other similar rights with respect to, the Company or (ii) preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements or commitments of any character relating to shares of Company Stock or obligating either the Equity Holders or the Company to issue or sell any shares of Company Stock, or any other interest in, the Company or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any capital stock or other interest in the Company, and no securities or obligations evidencing such rights are authorized, issued or outstanding. There are no Contracts to which the Company is a party which require the Company to repurchase, redeem or otherwise acquire any shares of Company Stock or to make any investment in any other Person. Except as set forth on Schedule 3.3(a), there are no voting trusts, stockholder agreements, proxies or other agreements in effect with respect to the voting or transfer of any shares of capital stock of or any other interests in the Company. Schedule 3.3(a) contains a true and complete list, as of the date hereof, of all outstanding Options and SAR Units, including with respect to each such award, as applicable, the holder, date of grant, exercise price, and number of shares of Company Stock subject thereto. Five Business Days prior to the Closing Date, the Company shall provide Buyer with a revised version of Schedule 3.3(a), updated as of such date. No Company Subsidiary owns any shares of Company Stock.

(b) Except as set forth on Schedule 3.3(b), all of the outstanding equity securities of each Company Subsidiary are validly issued, fully paid, nonassessable and free of preemptive rights and are owned by the Company, whether directly or indirectly, free and clear of all Liens, and there are no other (i) outstanding shares of capital stock or voting securities of, or any stock appreciation, phantom stock, profit participation or other similar rights with respect to, any Company Subsidiary or, (ii) preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements or commitments of any character relating to any capital stock or other interest in any Company Subsidiary, or obligating either the Company or any Company Subsidiary to issue or to sell any shares of capital stock or other interests in any Company Subsidiary or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any capital stock or other interest in any Company Subsidiary, and no securities or obligation evidencing such rights are authorized, issued or outstanding There are no voting trusts, stockholder agreements, proxies or other agreements in effect with respect to the voting or transfer of any equity securities of or any other interests in any Company Subsidiary.

(c) The allocation of the Merger Consideration among the Stockholders and the payments to the Option Holders and SAR Participants, in each case, as contemplated by this Agreement, are in accordance with the Company's Organizational Documents, applicable Law and any applicable Contract to which the Company is a party. Except for payments under this Agreement, no amounts are due and payable to any Equity Holder in respect of such Equity Holder's interest in the Company.

Section 3.4 Company Subsidiaries. Schedule 3.4 sets forth a true and complete list of the Company Subsidiaries, listing for each Company Subsidiary its name, type of entity, the jurisdiction of its incorporation or organization, its authorized capital stock, the number and type of its issued and outstanding shares of capital stock and the current ownership of such shares. All shares of capital stock of each Company Subsidiary are owned, directly or indirectly, by the Company. The Company does not, directly or indirectly, own any capital stock in any Person other than a Company Subsidiary.

Section 3.5 Consents and Approvals; No Violations. Except as set forth on Schedule 3.5, and subject to the receipt of the Stockholder Approval, the filing of the Certificate of Merger, the applicable requirements of German Antitrust Laws, neither the execution and delivery of this Agreement nor the

consummation of the transactions contemplated by this Agreement will with the lapse of time, the giving of notice or both (a) conflict with or result in any breach of any provision of the Organizational Documents of any Group Company, (b) require any filing with, notice to or the obtaining of any permit, authorization, consent or approval of, any Governmental Entity or affect the validity of any License, (c) result in a default under, or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any Company Material Contract, (d) violate in any respect any Law, order, injunction or decree applicable to any Group Company, or (e) result in the imposition of any Lien (other than a Permitted Lien) on any asset or property of a Group Company, excluding from the foregoing clauses (c), (c), (d) and (e) such requirements, violations, conflicts, defaults or rights which (i) would not reasonably be expected to be material to the Group Companies, or (ii) become applicable solely as a result of the business or activities in which Buyer or its Affiliates (other than any Group Company) is engaged or as a result of any acts or omissions by, Buyer or its Affiliates (other than any Group Company). The amount of the Merger Consideration to be paid with respect to the Class A Common Shares of the Company is less than the relevant size-of-transaction threshold set pursuant to the HSR Act.

Section 3.6 Financial Statements.

(a) The Company has made available to Buyer copies of the audited consolidated balance sheet of the Company for the fiscal years ended December 31, 2012, 2013 and 2014, and the related audited consolidated statements of operations and comprehensive income and cash flows of the Company for the years then-ended, together with all related notes and schedules thereto, accompanied by the report thereon of the Company's independent auditors (collectively referred to as the "Financial Statements"), and the unaudited consolidated balance sheet of the Company as of October 31, 2015 (the "Interim Balance Sheet") and the related unaudited consolidated statements of operations and comprehensive income and cash flows of the Company for the ten-month period then ended (together with the Interim Balance Sheet, the "Interim Financial Statements"). The Financial Statements and the Interim Financial Statements (as of the dates thereof and for the periods covered thereby) (i) are in accordance with the books and records of the Group Companies in all material respects and (ii) present fairly in all material respects the financial position of the Group Companies as of the dates indicated and the results of operations and comprehensive income and cash flows of the Group Companies for the periods indicated (subject to exceptions as to consistency specified therein or as may be indicated in the notes thereto and to normal recurring year-end adjustments (which are in the aggregate not material) and the absence of notes). The Financial Statements and the Interim Financial Statements were prepared in accordance with GAAP applied on a consistent basis during the periods involved. There are no material unrecorded credits to customers that have not been fully reflected in the Financial Statements and the Interim Financial Statements regardless of whether the omission of such credit is consistent with or required by GAAP. No Group Company has entered into or engaged in, any securitization transaction or "off-balance sheet arrangement" (as defined in Item 303 of Regulation S-K promulgated by the United States Securities and Exchange Commission.

(b) Since January 1, 2013, the Company and the Company Subsidiaries have established and maintained a system of internal controls over financial reporting sufficient to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the Company's financial statements in accordance with GAAP. To the Knowledge of the Company, there are no significant deficiencies or material weaknesses in the design or operation of the Company's internal controls. The Company has not disclosed to its auditors or accountants, and to the Knowledge of the Company, there has not occurred, any fraud, whether or not material, that involves management or other employees.

Section 3.7 No Undisclosed Liabilities; Indebtedness.

(a) Except as set forth in the Financial Statements, the Interim Balance Sheet or Schedule 3.7, the Group Companies do not have any liabilities or obligations of any kind, whether accrued, contingent, absolute, determined, determinable or otherwise, except for liabilities and obligations (i) incurred since the Balance Sheet Date in the Ordinary Course, not in violation of Section 3.8, (ii) that are executory obligations arising under any Company Material Contract provided to Buyer prior to the date hereof that do not arise in connection with any breach thereunder or (iii) incurred since the Balance Sheet Date pursuant to or in connection with this Agreement or the transactions contemplated hereby or (iv) which would not reasonably be expected to be material to the Group Companies.

(b) Except as set forth on Schedule 3.7(b), the Group Companies have no Indebtedness. Neither the Company nor any Company Subsidiary is in default under any such Indebtedness.

Section 3.8 Absence of Certain Changes. Except as set forth on Schedule 3.8, since June 30, 2015 and through the date hereof:

(c) the Group Companies have conducted their business in the Ordinary Course;

(d) there has been no Material Adverse Effect;

(e) there has been no material casualty, loss, damage or destruction of any property and that is not covered by insurance, subject to any retentions, deductibles or similar items;

(f) there has been no material change in the accounting methods or practices of any Group Company or any change in depreciation or amortization policies or rates theretofore adopted by the Group Companies;

(g) the Company has not made any capital expenditures other than in compliance with the Capex Budget; and

(h) no Group Company has taken any action that, if taken after the date hereof and prior to Closing without Buyer's consent, would constitute a violation of Section 5.1(b) (excluding Sections 5.1(b)(v), 5.1(b)(viii) or 5.1(b)(xiii)).

Section 3.9 Properties.

(a) Schedule 3.9(a) lists the street address and land registry number (if applicable) of all land owned by any Group Company (each, an "Owned Real Property"), and sets forth the name of the entity holding such Owned Real Property interest.

(b) True, correct and complete copies of all existing vesting deeds, prior title insurance policies, copies of all underlying recorded documents and prior surveys, in each case, relating to the Owned Real Property, have been made available to Buyer (in each case, to the extent in the possession of the Company or any of its Subsidiaries) prior to the date hereof.

(c) Except as set forth on Schedule 3.9(c), with respect to each Owned Real Property, or as would not be material to the Company: (i) the applicable Group Company has good and valid indefeasible fee simple title to such Owned Real Property, free and clear of all Liens, except Permitted Liens, (ii) the applicable Group Company has not leased or otherwise granted to any Person the right to use or occupy such Owned Real Property or any portion thereof; (iii) other than the right of Buyer pursuant to this Agreement, there are no outstanding options, rights of first offer or rights of first refusal to purchase such Owned Real Property or any portion thereof or interest therein and (iv) the Group Companies are in compliance with any zoning, use, occupancy or similar requirements applicable to such Owned Real Property. No Group Company is a party to any agreement or option to purchase any real property or interest therein.

(d) Schedule 3.9(d) lists each real property leased, subleased or otherwise used or occupied by any Group Company (each, a "Leased Real Property" and collectively, the "Leased Real Properties"), and sets forth the name of the landlord, the name of the entity holding such leasehold interest and the street address of each Leased Real Property.

(e) True, correct and complete copies of all leases, subleases and licenses (in each case, including all amendments, extensions, renewals and guarantees with respect thereto) with respect to the Leased Real Properties (individually, a "Lease" and collectively, the "Leases") have been made available to Buyer prior to the date hereof.

(f) The leasehold interests of the Group Companies in the Leased Real Properties and their ownership interests in the Owned Real Properties constitute all of the real property leased, owned, occupied or otherwise utilized i

n connection with the business of the Group Companies and are adequate to conduct such businesses as currently conducted.

(g) Except as set forth on Schedule 3.9(g), with respect to each of the Leased Real Property: (i) the Lease for such Leased Real Property is legal, valid, binding, enforceable and in full force and effect in all material respects in accordance with its respective terms with respect to the applicable Group Company, and, to the Knowledge of the Company, the other party thereto, assuming the due authorization, execution and delivery by such other party, subject to bankruptcy, insolvency, reorganization, moratorium or similar Laws of general applicability relating to or affecting creditors' rights and to general principles of equity; (ii) no event has occurred or circumstance exists which, with the delivery of notice, the passage of time or both, would constitute a material breach or material default (or permit termination, modification or acceleration of rent) under such Lease on the part of the applicable Group Company, nor, to the Knowledge of the Company, on the part of the other party thereto; (iii) no security deposit or portion thereof deposited with respect to such Lease has been applied in respect of a breach or default thereunder which has not been replenished to the extent required under such Lease; (iv) no Group Company owes any brokerage commissions or finder's fees with respect to such Lease; (v) no Group Company has subleased, licensed or otherwise granted any Person the right to use or occupy the Leased Real Property (or any portion thereof) that is the subject matter of such Lease; (vi) no Group Company has collaterally assigned or granted any other security interest in such Leased Real Property or any interest therein, (vii) the applicable Group Company's possession and quiet enjoyment of the Leased Real Property under such Lease has not been disturbed, (viii) the cost to restore any Leased Real Property at the expiration of the applicable Lease in accordance with its terms will not exceed $100,000 and (ix) the Group Companies are in compliance with any zoning, use, occupancy or similar requirements applicable to such Leased Real Property.

(h) Except as would not reasonably be expected to be material to the Group Companies, the plants, buildings, structures and equipment owned by the Company or any Company Subsidiary have no material defects, are in good operating condition and repair, and have been reasonably maintained consistent with standards generally followed in the industry (giving due account to the age and length of use of the same, and ordinary wear and tear excepted), and are adequate and suitable for the purposes currently used by the Group Companies. The property and assets owned or leased by the Company or any Company Subsidiary, or which they otherwise have the right to use, constitute all of the property and assets used or held for use in connection with the businesses of the Company or any Company Subsidiary as currently conducted, and are adequate to conduct such businesses as currently conducted.

Section 3.10 Intellectual Property.

(a) Schedule 3.10(a) contains a true, correct and complete list of all of the following items included in the Owned Intellectual Property: (i) all trademarks and pending trademark applications, including, as appropriate, registration and application dates and numbers; (ii) all registered copyrights; (iii) all domain names; (iv) all registered patents and pending patent applications; and (v) all Company Software. Collectively, the items listed on Schedule 3.10(a) represent the "Company Intellectual Property".

(b) The Licensed Intellectual Property and the Owned Intellectual Property together constitute all the Intellectual Property necessary to, or used or held for use in, the conduct of the business of the Group Companies as presently conducted. The consummation of the transactions contemplated by this Agreement will not alter, encumber, impair or extinguish any Owned Intellectual Property or, to the Knowledge of the Company, any Licensed Intellectual Property.

(c) Except as set forth on Schedule 3.10(c), (i) the Group Companies are the sole and exclusive owners of all Owned Intellectual Property and possess all right, title and interest in and to all Owned Intellectual Property and Licensed Intellectual Property, in each case free and clear of all Liens (other than Permitted Liens); (ii) there are no judgments finding any of the Owned Intellectual Property or, to the Knowledge of the Company, the Licensed Intellectual Property, to be invalid or unenforceable in whole or in part, and to the Knowledge of the Company, all such Owned Intellectual Property and Licensed Intellectual Property is valid and enforceable; (iiii) there are no proceedings pending or, to the Knowledge of the Company, threatened, that challenge the validity, use, ownership, or enforceability of the Owned Intellectual Property and/or seek to deny or restrict, the rights of any Group Company in any of the Owned

Intellectual Property or, to the Knowledge of the Company, the Licensed Intellectual Property; and (iv) the maintenance fees necessary to maintain the Company Intellectual Property through the Closing Date have been paid.

(d) Except as set forth on Schedule 3.10(d): (i) neither the use of the Intellectual Property as currently used by the Group Companies in the conduct of their business, nor the conduct of their business as presently conducted, infringes, misappropriates or violates the rights of any Person in any Intellectual Property in a manner that would reasonably be expected to be material to the Group Companies, (ii) no Group Company has received any written notice from any third party since January 1, 2013 alleging any of the same, and (iii) there is no Action pending against, or, to the Knowledge of the Company, threatened against, any Group Company alleging that the use of the Owned Intellectual Property or the Licensed Intellectual Property or any services provided, processes used or products manufactured, offered for sale or sold by any Group Company do or may conflict with, misappropriate, infringe or otherwise violate any Intellectual Property of any third party.

(e) Except as set forth on Schedule 3.10(e): (i) there are no claims, proceedings, actions, suits, hearings, arbitrations, investigations, charges, complaints, demands or similar actions currently pending or threatened, or that have been brought since January 1, 2013, by any Group Company against any Person alleging infringement, misappropriation, or violation of any Owned Intellectual Property; and (ii) to the Knowledge of the Company, no Person has since January 1, 2013, infringed, misappropriated or otherwise violated or is currently infringing upon, misappropriating, or otherwise violating any of the Owned Intellectual Property or Licensed Intellectual Property.

(f) Each Group Company has taken commercially reasonable measures to maintain the confidentiality of all Owned Intellectual Property that is material to the business or operation of any Group Company and the value of which to such Group Company is contingent upon maintaining the confidentiality thereof. None of the Owned Intellectual Property that is material to the business or operation of any Group Company and the value of which to such Group Company is contingent upon maintaining the confidentiality thereof, has been disclosed other than to employees, representatives, customers and agents of a Group Company all of whom are bound by confidentiality agreements or policies.

(g) Each Group Company has commercially reasonable rules, policies and procedures in place to protect Personal Data in such Group Company's possession or control from unauthorized access by third persons. Each Group Company has since January 1, 2013, complied in all material respects with all such rules, policies, procedures and applicable Laws with respect to the protection, storage, collection, retention, use, disclosure and other processing of Personal Data. There is no Action pending against, or, to the Knowledge of the Company, threatened against, any Group Company alleging that any Group Company has violated any such Law. To the Knowledge of the Company, since January 1, 2013, no person or entity has made any illegal or unauthorized use of Personal Data that was collected by or on behalf of the Group Companies and is in the possession or control of the Group Companies. To the Knowledge of the Company, no Group Company is currently under any investigation by any Governmental Entity regarding its protection, storage, use, and disclosure of Personal Data.

(h) It is the practice of the Group Companies to scan with commercially available virus scan software the Company Software that is capable of being scanned for viruses. Except as set forth on Schedule 3.10(h), (i) to the Knowledge of the Company, none of the Company Software that is material to the conduct of the business of the Group Companies as presently conducted contains any worm, bomb, backdoor, clock, timer, or other disabling device code, design or routine which can cause software to be erased, inoperable, or otherwise incapable of being used, either automatically or upon command by any Person and (ii) all software vendor audits requested prior to the date hereof have been satisfied by verifying, with respect to the software that is the subject of such audit, that (A) the Group Companies have valid licenses to use all copies of such software that are necessary to, or used or held for use in, the conduct of the business of the Group Companies as presently conducted and/or (B) the Group Companies have paid all amounts owed (including any associated penalties) arising from their use of such software.

Section 3.11 Litigation.

(a) Except as set forth on Schedule 3.11(a) or as would not reasonably be expected to be material to the Group Companies: (i) there are no Actions pending or, to the Knowledge of the Company, threatened, by any

Governmental Entity or other Person with respect to any Group Company or any of their respective properties or assets at Law or in equity and (ii) to the Knowledge of the Company, there is no fact, event or circumstances that would reasonably be expected to give rise to any Action that would be required to be set forth on Schedule 3.11(a) if currently pending. Except as set forth on Schedule 3.11(a) or as would not reasonably be expected to be material to the Group Companies, there are no unsatisfied or continuing judgments, orders or settlements to which any Group Company is a party or is bound and neither the Company (or its applicable Subsidiary) nor, to the Knowledge of the Company, the other party thereto, is in default under or with respect to any such judgment, order or settlement.

(b) Schedule 3.11(b) sets forth all Actions that involved the Company since January 1, 2013 and are no longer pending (the "Prior Actions"). All of the Prior Actions have been resolved in their entirety, any amounts related thereto have been paid in full and no Group Company has any ongoing obligations thereunder.

(c) Except as set forth on Schedule 3.11(c), since January 1, 2013, no customer (or potential customer) has conducted an audit of any Group Company after which such customer (or potential customer) notified such Group Company in writing that such customer intended to terminate its relationship with the applicable Group Company, or that such potential customer determined not to commence a relationship with the applicable Group Company, as a result of its dissatisfaction with the applicable Group Company's performance, processes or capabilities.

Section 3.12 Company Material Contracts.

(a) Schedule 3.12(a) sets forth a true, correct and complete list as of the date hereof, of the following Contracts (the "Company Material Contracts") to which any Group Company is bound:

(iii) any Contract for the lease of real property;

(iv) any Contract for the lease of personal property having annual rents in excess of $25,000;

(v) any Contract (excluding purchase orders) for the purchase of materials, supplies, goods, services, equipment or other assets with the top 20 vendors or suppliers of the Group Companies, taken as a whole, as determined by aggregate dollar spend during the period between January 1, 2015 and October 31, 2015;

(vi) any sales, distribution or other similar Contract providing for the sale by the Company or any of its Subsidiaries of materials, supplies, goods, services, equipment or other assets (excluding purchase orders) with the top 20 customers of the Group Companies, taken as a whole, as determined by aggregate revenue during the period between January 1, 2015 and October 31, 2015;

(vii) any manufacturing Contract with the top ten manufacturing customers of the Group Companies, taken as a whole, as determined by aggregate revenue during the period between January 1, 2015 and October 31, 2015;

(viii) any partnership, joint venture, collaboration or other similar agreement or arrangement;

(ix) any Contract relating to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets or otherwise), since January 1, 2012 or which contain unsatisfied obligations of the Group Companies;

(x) any Contract relating to Indebtedness (in either case, whether incurred, assumed, guaranteed or secured by any asset);

(xi) any employment or restrictive covenant Contract with any Service Provider that is not terminable at will (other than standard employee confidentiality or non-disclosure agreements), other than employment agreements with non-U.S. Service Providers (A) that are on a standard form previously made a

vailable to Buyer and (B) which do not provide for the payment of severance or base compensation exceeding € 125,000 ("Excluded Employment Agreements");

(xii) any Collective Bargaining Agreement or other Contract with any labor union, works council or similar body;

(xiii) any indemnification agreement entered into by any Group Company for the benefit of any current or former employee, officer or director of any Group Company;

(xiv) any agency, distributor, dealer, sales representative, marketing or other similar Contract;

(xv) any Contract that limits the freedom of the Company or any Company Subsidiary to compete in any line of business or with any Person or in any area or which would so limit the freedom of the Company or any Company Subsidiary after the Closing Date or that contains a material exclusivity, requirements or similar provision binding on the Company or any Company Subsidiary;

(xvi) any settlement agreement pursuant to which any Group Company is obligated to (A) pay any amounts after the date of this Agreement, (B) provide any injunctive relief, (C) take any action or refrain from taking any action after the date of this Agreement or (D) admit liability, fault or negligence;

(xvii) any Contract with a Governmental Entity;

(xviii) any Contract granting or permitting any Lien on any properties, assets or rights of the Company or any of its Subsidiaries that will not be released at or prior to Closing;

(xix) any Contract involving the payment or receipt by any Group Company of milestone payments or royalties other than any service Contract with customers in the Ordinary Course;

(xx) any Contract pursuant to which the Company is bound or has committed to provide any product or service on a most favored nation basis or that has other preferential pricing terms;

(xxi) any Contract involving the grant of any right of first refusal, right of first offer or comparable right to or from any Group Company with respect to any Intellectual Property Rights, other than Ordinary Course Contracts with customers substantially in a form previously disclosed to Buyer;

(xxii) any Contract involving research, development modification or enhancement of Intellectual Property Rights, other than Ordinary Course Contracts with customers substantially in a form previously disclosed to Buyer;

(xxiii) any Contract (excluding licenses for commercial off-the-shelf computer software that are generally available on nondiscriminatory pricing terms which have an aggregate acquisition cost of $10,000 or less) pursuant to which any Group Company (A) obtains the right to use, or a covenant not to be sued under, any Intellectual Property or (B) grants the right to use, or a covenant not to sue under, any Intellectual Property, in each case, other than Ordinary Course Contracts with customers substantially in a form previously disclosed to Buyer; or

(xxiv) any other Contract not made in the Ordinary Course and that is material to the Company and its Subsidiaries taken as a whole.

(b) The Company Material Contracts (except those that are cancelled, rescinded or terminated after the date hereof in accordance with their terms) are in full force and effect in all material respects in accordance with their respective terms with respect to the applicable Group Company, and, to the Knowledge of the Company, the other party thereto, assuming the due authorization, execution and delivery by such other party, subject to bankruptcy, insolvency, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to g

eneral principles of equity. There does not exist under any Company Material Contract any event of material default or event or condition that, with notice or lapse of time or both, constitutes or would constitute a material violation, breach or event of default thereunder on the part of the applicable Group Company, or, to the Knowledge of the Company, the other parties thereto. No notice to terminate, repudiate or breach any Company Material Contract, in whole or in part, has been received. The Company has furnished to Buyer a true, complete and correct copy of each Company Material Contract, including any amendments or supplements thereto.

Section 3.13 Taxes; Tax Returns.

(a) Except as otherwise disclosed on Schedule 3.13(a):

(i) all federal, state and local income Tax Returns and all other material Tax Returns of the Group Companies required to have been filed with any Governmental Entity in accordance with any applicable Law have been duly filed and are correct and complete in all material respects;

(ii) all Taxes due and owing by the Group Companies that are reflected on the Tax Returns described in Section 3.13(a)(i), and all other material Taxes due and owing by the Group Companies have been paid in full, or, if such Taxes have not been paid in full, adequate provision in respect of such Taxes has been made in accordance with GAAP on the Company's Financial Statements;

(iii) there are not now any extensions of time in effect with respect to the dates on which any Tax Returns of the Group Companies were or are due to be filed;

(iv) all deficiencies asserted as a result of any examination of any Tax Return of a Group Company have been paid in full, accrued on the books of the Group Companies or finally settled;

(v) no material assertions for claims for additional Taxes or material proposals or material deficiencies for any Taxes of a Group Company have been made since January 1, 2012 or are currently outstanding, proposed or, to the Knowledge of the Company, threatened, and no audit, investigation, contest, litigation or other proceeding with or against any Governmental Entity with respect to Taxes of a Group Company is currently underway, pending or, to the Knowledge of the Company, threatened;

(vi) the Group Companies have withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other Person;

(vii) there are no outstanding waivers or agreements by or on behalf of any Group Company for the extension of time for the assessment of any Taxes or any deficiency thereof;

(viii) there are no Liens for Taxes against any asset of a Group Company (other than Liens for Taxes which are not yet due and payable);

(ix) no Group Company is a party to any Tax allocation, Tax indemnity, or Tax sharing agreement under which a Group Company will have any liability after the Closing (excluding commercial agreements the primary subject of which is not Taxes);

(x) no Group Company has been a member of an affiliated group filing a consolidated U.S. federal income Tax Return (other than a group the common parent of which was the Company);

(xi) no Group Company has participated in any "reportable transaction," as defined in Treasury Regulation Section 1.6011-4(b);

(xii) (A) since the end of the last period for which the Group Companies ordinarily recorded items on their respective books, no Group Company has engaged in any transaction, or taken any other action, o

ther than in the Ordinary Course, that would impact any Tax asset or Tax Liability of the Group Companies and (B) no Group Company will be required to include in a period after the Closing Date taxable income attributable to income economically realized in a period prior to the Closing Date;

(xiii) all material Taxes of the Group Companies for all Pre-Closing Tax Periods that are due and payable before the Closing Date have been or will be timely paid, except for Taxes being contested in good faith through appropriate proceedings and for which adequate provision has been made in accordance with GAAP on the Financial Statements;

(xiv) None of the Group Companies has any liability for Taxes of any Person under Treasury Regulations Section 1.1502-6 (or any corresponding provision of state, local or non-U.S. Law) as transferee or successor, by contract or otherwise; and

(xv) The Group Companies have (A) followed applicable transfer pricing rules, under Section 482 of the Code and analogous provisions in all relevant jurisdictions, in determining the pricing and terms of all intercompany and related party transactions, (B) determined and paid all applicable Taxes in accordance with applicable transfer pricing rules, and (C) maintained and continue to maintain adequate documentation at all times supporting their transfer pricing policies consistent with documentary and substantiation requirements in all relevant jurisdictions.

(xvi) Each Company Subsidiary incorporated or resident in France has maintained its records in compliance with the Carrez Amendment as it relates to Tax deductions for interest expense in France.

(b) Schedule 3.13(b) contains a list of all jurisdictions in which the Group Companies file Tax Returns.

Section 3.14 Environmental Matters.

(a) Each Group Company is and has been since January 1, 2013, in compliance in all material respects with all applicable Environmental Laws, which compliance has included obtaining and complying in all material respects with all Environmental Permits required pursuant to Environmental Laws for the occupation of its facilities and the operation of its business.

(b) No Group Company has (i) treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, exposed any Person to, or released any Hazardous Substance or (ii) owned or operated any facility or property which is or has been contaminated by any Hazardous Substance by any Group Company, in each case so as to give rise to any material Liabilities for the Group Companies.

(c) None of the Group Companies has assumed, undertaken or otherwise become subject to any material obligation or liability of any other Person relating to any Environmental Laws.

(d) No Group Company has received written notice or, to the Knowledge of the Company, any other notice, from any Governmental Entity that such Group Company is subject to any pending claim, investigation or proceeding (i) based upon any provision of any Environmental Law and arising out of any act or omission of any Group Company or any of their respective employees, agents or Representatives, or (ii) arising out of the ownership, use, control or operation by any Group Company of any facility, site, area or property from which there was a Release of any Hazardous Substance, in each case, which claim, if adversely resolved, would reasonably be expected to be material to the Group Companies.

(e) The Company has furnished Buyer with true, complete and correct copies of all Phase I studies or other written results of audits, tests, reviews or analyses conducted by third parties at any Real Property since January 1, 2013 (in each case, to the extent in the possession of the Company or any of its Subsidiaries).

Section 3.15 Licenses and Permits. Schedule 3.15 sets forth a true, correct and complete list of all material Licenses held by the Group Companies, including all animal use Licenses and all Licenses covering

the use of select agents, toxins, pathologic materials, radioactive or radioisotopic materials, controlled substances and any other Hazardous Materials. The Group Companies own or possess all Licenses that are necessary to enable them to carry on their respective operations as presently conducted, except, in each case, where the failure to own or possess any such License would not reasonably be expected to be material to the Group Companies. To the Knowledge of the Company, there are no facts or circumstances that would reasonably be expected to lead to any of the Group Companies' Licenses being revoked, suspended, cancelled or not renewed. The Group Companies' Licenses are valid and in full force and effect, and, except as would not reasonably be expected to be material to the Group Companies, none of the Licenses will be terminated or impaired or become terminable, in whole or in part, as a result of the transactions contemplated hereby.

Section 3.16 Compliance with Laws.

(a) The businesses of each Group Company is, and since January 1, 2013 has been, conducted in compliance in all material respects with all applicable Laws, including applicable requirements relating to Good Laboratory Practices, Good Clinical Practices, adverse event reporting, Good Manufacturing Practices, recordkeeping, and filing of reports. Since January 1, 2013, neither the Company nor any of its Subsidiaries has received any written notification or communication (or to the Knowledge of the Company, any oral notification or communication) from any relevant Governmental Entity of noncompliance by, or liability of the Company or its Subsidiaries under, any applicable Law, and, to the Knowledge of the Company, no notification or communication of noncompliance or liability has been threatened by any Governmental Entity.

(b) Neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any current officer, employee, agent or distributor of the Company or any of its Subsidiaries, has been debarred or convicted of any crime or engaged in any conduct for which debarment is mandated by 21 U.S.C. § 335a(a) or any similar Law or authorized by 21 U.S.C. § 335a(b) or any similar Law. Neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any officer, employee, agent or distributor of the Company or any of its Subsidiaries, has been excluded from participation in any federal health care program or convicted of any crime or engaged in any conduct for which such Person could be excluded from participating in any federal health care program under Section 1128 of the Social Security Act of 1935 or any similar Law or program.

(c) No Group Company has received a warning letter from the FDA since January 1, 2013, and, to the Knowledge of the Company, there is no indication that any Group Company will receive a warning letter or notice of disqualification from the FDA within twelve (12) months from the date hereof.

(d) The Company has made available to Buyer prior to the date hereof true, complete and correct copies of all material documentation and written correspondence between any Group Company and any Governmental Entity with respect to any inspection or audit observations of non-compliance or which pertains to the receipt of any written notice or communication of non-compliance, including warning letters, from any Governmental Entity with respect to the business, facilities or assets of the Group Companies. The Company has made available to Buyer prior to the date hereof true and complete copies of all documentation related to all audits and completed site evaluations performed by or on behalf of any customer (or potential customer) since January 1, 2013, including any written audit-related materials and quality reports provided by such customers or potential customers.

Section 3.17 Company Benefit Plans.

(a) The Company has made available to Buyer a schedule that sets forth for each employee of the Group Companies as of the date of the agreement (to the extent permitted by applicable Law), his or her employee identification number, title, annual base salary, most recent annual bonus received, current annual bonus opportunity, location of employment, leave status and exempt or non-exempt status, in each case, as of the date of the agreement. Five Business Days prior to the Closing Date, the Company will provide Buyer with a revised version of such schedule, updated as of ten days prior to the Closing Date. Within five (5) Business Days prior to Closing, the Company shall make available to Buyer an updated list of employees of the Group Companies as of such date. To the Knowledge of the Company, no Covered Employee intends to resign or retire as a result of the transactions contemplated by this Agreement or otherwise within one year following the Closing Date.

(b) Schedule 3.17(b) contains a true, correct and complete list of all Company Benefit Plans (other than Excluded Employment Agreements) as of the date hereof and specifies whether such plan is a US Plan or an International Plan. For each Company Benefit Plan (other than the Excluded Employment Agreements), the Company has made available to Buyer a copy of such plan (or a description, if such plan is not written) and all amendments thereto and, as applicable, (i) all trust agreements, insurance contracts or other funding arrangements and amendments thereto, (ii) the current prospectus or summary plan description and all summaries of material modifications, (iii) the most recent favorable determination or opinion letter from the U.S. Internal Revenue Service (the "IRS"), (iv) the most recently filed annual return/report (Form 5500) and accompanying schedules and attachments thereto, (v) the most recently prepared actuarial report and financial statements and (vi) if such plan is an International Plan, documents that are substantially comparable (taking into account differences in applicable Law and practices) to the documents required to be provided in clauses (i) through (v).

(c) Except as set forth on Schedule 3.17(c):

(i) No Company Benefit Plan is, and no Group Company has contributed to or sponsored since January 1, 2010, (i) a "multiemployer pension plan" (as defined in Sections 3(37) or 4001(a)(3) of ERISA or (ii) a "multiple employer plan" described in Section 413(c) of the Code, and the Company has no obligation or liability in connection with any such "multiemployer plan" or "multiple employer plan";

(ii) No Company Benefit Plan is, and no Group Company has contributed to or sponsored since January 1, 2010, an employee benefit plan subject to Section 302 or Title IV of ERISA or Section 412 of the Code, and no Group Company has, or is reasonably expected to have, any direct or indirect material liability under Title IV of ERISA;

(iii) No Company Benefit Plan is a defined benefit plan;

(iv) Each Company Benefit Plan has been established, administered and operated in all material respects in accordance with its terms and in compliance with material applicable Laws, including ERISA and the Code;

(v) No liability, claim, action or litigation has been made, commenced or threatened since January 1, 2013 with respect to any Company Benefit Plan (other than routine claims for benefits payable in the Ordinary Course, and appeals of the denial of such claims);

(vi) Each Company Benefit Plan intended to be "qualified" within the meaning of Section 401(a) of the Code has received a favorable determination letter from the IRS, or is comprised of a master or prototype plan that has received a favorable opinion letter from the IRS, and no event has occurred and no condition exists which would reasonably be expected to result in the revocation of any such determination letter or opinion letter, and each trust created under any such Company Benefit Plan is exempt from Tax under Section 501(a) of the Code and has been so exempt from its creation;

(vii) Each International Plan that (i) is intended to qualify for special tax treatment meets all the requirements for such treatment and (ii) if required, to any extent, to be funded, book-reserved or secured by an insurance policy, is fully funded, book-reserved or secured by an insurance policy, as applicable, based on reasonable actuarial assumptions in accordance with applicable accounting principles;

(viii) No Group Company has any current or projected liability for, and no Company Benefit Plan provides or promises, any post-employment or retiree welfare benefits (whether insured or self-insured) to any current or former Service Provider, except as required by applicable Laws;

(ix) No Group Company nor any other "disqualified person" or "party in interest" (as defined in Section 4975(e)(2) of the Code and Section 3(14) of ERISA, respectively) has engaged in any transactions since January 1, 2013 in connection with any Company Benefit Plan that would reasonably be expected to r

esult in the imposition of a penalty pursuant to Section 502 of ERISA, damages pursuant to Section 409 of ERISA or a tax pursuant to Section 4975 of the Code;

(x) No Group Company has filed since January 1, 2013, or considered filing, an application under the IRS Employee Plans Compliance Resolution System or the Department of Labor's Voluntary Fiduciary Correction Program with respect to any Company Benefit Plan;

(xi) All material contributions, premiums and payments that are due have been made for each Company Benefit Plan within the time periods prescribed by the terms of such plan and applicable Law, and all contributions, premiums and payments for any period ending on or before the Closing Date that are not due are properly accrued to the extent required to be accrued under applicable accounting principles;

(xii) There has been no amendment to, written interpretation of or announcement (whether or not written) by any Group Company relating to, or change in employee participation or coverage under, any Company Benefit Plan that would materially increase the expense of maintaining such plan above the level of expense incurred in respect thereof for the most recently completed fiscal year;

(xiii) The consummation of the transactions contemplated by this Agreement (either alone or in combination with another event) shall not (i) entitle any Service Provider to severance, retention, retirement or change in control or any other payment or benefit, (ii) accelerate the time of payment or vesting, or increase the amount of compensation or benefits due to any Service Provider or (iii) result in the payment of any amount that would reasonably be expected to not be deductible under Section 280G of the Code;

(xiv) Each Company Benefit Plan which is a "nonqualified deferred compensation plan" (within the meaning of Section 409A or 457A of the Code) has been timely amended (if applicable) to comply and has been operated and administered in compliance with, and all Group Companies have complied in practice and operation with, all applicable requirements of Sections 409A and 457A of the Code and any proposed and final guidance under Sections 409A and 457A of the Code. No Group Company has any obligation to gross-up, indemnify or otherwise reimburse any current or former Service Provider of the Company for any Taxes incurred by such Service Provider, including under Section 409A, 457A or 4999 of the Code; and

(xv) All current and former employees of WIL Research Europe B.V. participate or have participated in the relevant Company Benefit Plan regarding pensions as stipulated in their employment agreements with WIL Research Europe B.V. or any legal predecessor thereof.

(d) In connection with the amendments to the Company Benefit Plans of WIL Research Europe B.V. ("WRE") on January 1, 2014 and January 1, 2015: (i) "all-employee" meetings were held to inform the applicable employees of WRE of such amendments, (ii) such employees were provided a copy of written presentation materials setting forth in reasonable detail the changes to WRE's Company Benefit Plans, (iii) no objections have been raised by any such employee in respect of such amendments, (iv) each such employee was informed in writing of the effects of the changes in the Dutch fiscal framework as of January 1, 2014 and January 1, 2015 and (v) the notice and negative consent process undertaken by WRE was completed diligently and in a customary manner.

Section 3.18 Labor Relationships. Except as otherwise disclosed on Schedule 3.18:

(a) None of the Group Companies is or since January 1, 2013 been party to or subject to, or is currently negotiating in connection with entering into, and none of the Service Providers are represented by, a labor organization or group that was either voluntarily recognized or certified by any labor relations board (including the United States National Labor Relations Board (the "NLRB")) or by any other Governmental Entity;

(b) none of the Service Providers are covered by a collective bargaining agreement with any trade union, or any labor organization or group, in each case with respect to their employment with any of the Group Companies;

(c) no labor dispute (including any dispute with any works council), walk out, strike, hand billing, picketing, or work stoppage involving the employees of the Group Companies has occurred, is in progress or, to the Knowledge of the Company, has been threatened since January 1, 2013;

(d) there are no material unfair labor practice complaints pending or, to the Knowledge of the Company, threatened in writing against or affecting any Group Company before the NLRB or any other Governmental Entity;

(e) the consent or consultation of, or the rendering of formal advice by, any labor or trade union, works council or other employee representative body is not required for the Company to enter into this Agreement or to consummate any of the transactions contemplated hereby;

(f) except as would not reasonably be expected to be material to the Group Companies, each Dutch Group Company and each French Group Company has, at all times, fulfilled all of its obligations towards any applicable works council(s) and any other representative bodies;

(g) there are no Contracts or other agreements regarding the right of participation in the decision-making with any works council or other employee representative body or with any Group Company employees or groups of employees or groups of former employees;

(h) each Group Company is, and since January 1, 2013 has been, in material compliance with WARN and has no liabilities or obligations thereunder, and none of the Group Companies has taken any action that would reasonably be expected to cause Buyer or any of its Affiliates to have any material liability or other obligation following the Closing Date under WARN; and

(i) the Group Companies are, and have been since January 1, 2013, in material compliance with all applicable Laws with respect to labor relations, employment and employment practices, including those relating to labor management relations, wages, hours, overtime, employee classification, discrimination, sexual harassment, civil rights, affirmative action, work authorization, immigration, safety and health, information privacy and security, workers compensation, continuation coverage under group health plans, wage payment and the payment and withholding of Taxes.

Section 3.19 Certain Fees. Buyer shall not be obligated to pay or bear (*e.g.*, by virtue of any payment by or obligation of any of the Equity Holders or the Group Companies at or at any time after the Closing) any brokerage, finder's or other fee or commission to any broker, finder or investment banker in connection with the transactions contemplated by this Agreement based on arrangements made by or on behalf of any of the Equity Holders or the Group Companies or any of their respective Affiliates.

Section 3.20 Insurance Policies. Schedule 3.20 contains a true, correct and complete list of all insurance policies carried by or for the benefit of the Group Companies as of the date hereof. All such insurance policies are in full force and effect in all material respects and shall be maintained by the applicable Group Company in full force and effect in all material respects as they apply to any matter, action or event relating to the Group Companies occurring through the Closing Date; and, assuming the maintenance of such policies as maintained prior to the Closing, the Group Companies shall, after the Closing, continue to have coverage under such policies and bond with respect to events occurring prior to the Closing. There have been no material lapses in the insurance coverage of the Group Companies since January 1, 2013. All premiums payable under all such policies have been timely paid and the Group Companies have otherwise complied with the terms and conditions of all such policies and bonds in all material respects. The Company has notified its insurance carrier(s) in compliance with the reporting and notification requirements of the applicable insurance policies of any and all material claims made against the Company. There is no material claim by any Group Company pending under any such policy as to which coverage has been disputed or denied by the underwriters of such policies or in respect of which the underwriters have reserved their rights. True, complete and correct copies of all such insurance policies have been provided to Buyer prior to the date hereof.

Section 3.21 Affiliate Transactions. Except for employment relationships and compensation, benefits, travel advances and employee loans in the Ordinary Course or as disclosed on Schedule 3.21, since January 1, 2013, no Group Company is or has been a party to any Contract with (A) any Equity Holder or any of its Affiliates, (B) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by any Equity Holder or any of its Affiliates or (C) any director, officer or employee of any Group Company, any Equity Holder or any of their respective Affiliates or, to the Knowledge of the Company, any "associates" or members of the "immediate family" (as such terms are respectively defined in Rule 12b-2 and Rule 16a-1 of the 1934 Act) of any such director or officer (each of the foregoing, a "Related Party"). None of the Related Parties (i) possesses, directly or indirectly, any financial interest in, or is a director or executive officer of, any Person (other than any Group Company) which is a client, supplier, customer, lessor, lessee or competitor of any Group Company or (ii) except as set forth on Schedule 3.21, owns any property right, tangible or intangible, or is party to any Contract, in each case which is used or held for use by a Group Company in the conduct of its business.

Section 3.22 Clients and Vendors.

(a) Schedule 3.22(a)(i) sets forth a list of the top twenty (20) clients of the Company and its Subsidiaries during each of the 2014 calendar year and the 2015 calendar year through the Balance Sheet Date ranked by consolidated revenue from each client in each such period (the "Top 20 Clients") and Schedule 3.22(a)(ii) sets forth a list of the top twenty (20) vendors or suppliers or the Company and its Subsidiaries during each of the 2014 calendar year and the 2015 calendar year through the Balance Sheet Date, ranked by the aggregate amounts paid to each such vendor or supplier in each such period (the "Top 20 Vendors").

(b) Except as set forth in Schedule 3.22(b), since January 1, 2015, none of the Top 20 Clients has canceled or otherwise terminated its relationship with the Group Companies or has materially decreased, or indicated in writing to the Company that it intends to materially decrease, its usage or purchase of services from the Group Companies, in each case, other than in the Ordinary Course. To the Knowledge of the Company, the Company has not received any written threat from any Top 20 Customer, to terminate or cancel or otherwise materially modify its relationship with the Group Companies or materially decrease or limit its usage or purchase of services from the Group Companies.

Section 3.23 Accounts Payable; Accounts Receivable.

(a) Other than with respect to trade payables which are made in the Ordinary Course and for which the third party recipient has raised no objection to the timing of payment, no Group Company is delinquent in its payment of any accounts payable or accrued liability as of the date hereof, and no such accounts payable or accrued liabilities have been deferred (regardless of whether such Group Company and the third party have agreed to such deferral).

(b) Except as set forth on Schedule 3.23, all accounts receivable of the Group Companies: (i) have arisen only from bona fide transactions in the Ordinary Course; (ii) represent valid and enforceable obligations; (iii) are fully collectable in the aggregate face amounts thereof no later than 90 days from the date of the invoice related to such account receivable resort to litigation and without offset or counterclaim, except to the extent of any reserve or accrual on the consolidated balance sheet of the Company in respect of such receivable for doubtful accounts; and (iv) are owned by the Group Companies free of any Liens (other than Permitted Liens). No discount or allowance from the face amount of any receivables has been made or agreed to and none represents billings prior to actual sale of goods or provision of services. Except as set forth on Schedule 3.23, there is no single debtor of the Group Companies that has refused or, to the Knowledge of the Company, threatened to refuse to pay obligations to the Group Companies that exceeds $10,000, and the debtors of the Group Companies have not refused or, to the Knowledge of the Company, threatened to refuse to pay obligations to the Group Companies that exceed $20,000 in the aggregate, in each case, for any reason and, to the Knowledge of the Company, no debtor of the Group Companies has since January 1, 2013 filed for or has been declared bankrupt by a court of competent jurisdiction or that is subject to any bankruptcy proceeding. Schedule 3.23 sets forth a complete and accurate accounts receivable aging report for the Group Companies as of November 30, 2015.

Section 3.24 Complete Copies of Materials. Except as set forth on Schedule 3.24, the Company has delivered or made available to the Buyer true and complete copies of each document that has been listed in the Schedules. As used in this Agreement, the Company shall be deemed to have "delivered", "made available", "provided" or "furnished" to the Buyer (or other words of similar import) such documents referred to herein if such documents were made available by the Company for review by the Buyer prior to the execution of this Agreement in the virtual data room maintained on behalf of the Company, including in the clean room portion thereof made available only to certain representatives of Buyer.

Section 3.25 Bank Accounts. Schedule 3.25 sets forth (a) a true and complete list of the names and locations of all banks, trust companies, securities brokers and other financial institutions at which any Group Company has an account or safe deposit box or maintains a banking, custodial, trading or other similar relationship, including any credit facility (collectively, the "Bank Accounts") (b) a true and complete list and description of each such Bank Account, indicating in each case the account number and the names of the respective officers, employees, agents or other similar representatives of the Group Companies having signatory power with respect thereto and (c) a true and complete list of the names of all Persons holding general or special powers of attorney from any Group Company. The Company has made available to the Buyer copies of the documents granting such powers of attorney.

Section 3.26 Certain Business Practices. (a) None of the Group Companies, or, to the Knowledge of the Company, any Stockholder, director, officer, agent, employee, partner or Affiliate of any Group Company acting on behalf of a Group Company has violated since January 1, 2013 in any material respect the Foreign Corrupt Practices Act of 1997 (the "FCPA"), the U.K. Bribery Act (2010) or any other applicable Law relating to anti-corruption, export restrictions or anti-boycott regulation.

(a) No natural person who is an Equity Holder is a "foreign official" within the meaning of the FCPA. There have been no false or fictitious entries made in the books and records of the Group Companies relating to any secret or unrecorded fund or any unlawful payment, gift or other thing of value, and no Group Company has established or maintained a secret or unrecorded fund.

(b) No Group Company or any of its agents acting or benefiting in any capacity in connection with this Agreement is any of the following: (i) a "Blocked Person" listed in the Annex to Executive Order No. 13224, (ii) a Person owned or controlled by, or acting for or on behalf of a Blocked Person listed in such annex or (iii) a Person that is named as a "specially designated national" on the most current list published by the U.S. Treasury Department, Office of Foreign Assets Control at its official website.

Section 3.27 Product and Professional Liability. The products and services developed, designed, manufactured, distributed or rendered by or on behalf of the Group Companies since January 1, 2013 do not suffer from any defects which give or could give rise to any product liability, professional liability or warranty claims, and no such claims have been asserted, raised, are pending or, to the Knowledge of the Company, threatened against any Group Company which have not already been resolved. Since January 1, 2013, there have been no Actions initiated or, to the Knowledge of the Company, threatened (whether satisfied, settled, abandoned or otherwise) against any Group Company with respect to the matters referenced in the preceding sentence.

Section 3.28 No Other Representations or Warranties; Schedules. Except for the representations and warranties contained in Article III (as modified by the Schedules hereto), the Letter of Transmittal or Support Agreements, none of the Company, any Company Subsidiary, any Equity Holder or any other Person makes any other express or implied representation or warranty with respect to the Company, the Company Subsidiaries, the Equity Holders or the transactions contemplated by this Agreement, and the Company disclaims any and all liability and responsibility for any representation, warranty, projection, forecast, statement, or information made, communicated, or furnished (orally or in writing) to Buyer or its Affiliates or Representatives (including any opinion, information, projection, or advice that may have been or may be provided to Buyer by any director, officer, employee, agent, consultant, or representative of the Company or the Equity Holders or any of their respective Affiliates). Except as expressly set forth in Article III (as modified by the Schedules hereto), the

Company makes no representation or warranty to Buyer regarding the probable success or future profitability of the Group Companies. Except as expressly set forth herein, the condition of the assets of the Group Companies shall be "as is" and "where is" and the Company makes no warranty of merchantability, suitability, fitness for a particular purpose or quality with respect to any of the tangible assets of any Group Company or as to the condition or workmanship thereof or the absence of any defects therein, whether latent or patent. It is understood that any Due Diligence Materials (as defined in Section 4.9(a)) made available to Buyer or its Affiliates or their respective Representatives do not, directly or indirectly, and shall not be deemed to, directly or indirectly, contain representations or warranties of the Company or its Affiliates or their respective Representatives.

## ARTCILE IV
## REPRESENTATIONS AND WARRANTIES OF BUYER AND MERGER SUB

Buyer and Merger Sub hereby jointly and severally represent and warrant to the Company as of the date hereof and as of the Closing Date as follows:

Section 4.1 Organization. Each of Buyer and Merger Sub is a corporation duly incorporated, validly existing and in good standing under the Laws of its jurisdiction of incorporation, and has the corporate power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted.

Section 4.2 Authorization. Each of Buyer and Merger Sub has the power and authority to execute and deliver this Agreement and the Escrow Agreement, and to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. This Agreement has been, and the Escrow Agreement shall be as of the Closing Date, duly authorized, executed and delivered by Buyer and Merger Sub, and when duly executed by all parties thereto and delivered by Buyer and Merger Sub, shall constitute the legal, valid and binding obligations of Buyer and Merger Sub, enforceable against Buyer and Merger Sub in accordance with their respective terms, subject to applicable bankruptcy, insolvency and other similar Laws affecting the enforceability of creditors' rights generally, general equitable principles and the discretion of courts in granting equitable remedies.

Section 4.3 Consents and Approvals; No Violations. Except for applicable requirements of German Antitrust Laws, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (a) conflict with or result in any breach of any provision of the Organizational Documents of Buyer or Merger Sub, (b) require any filing with, or the obtaining of any permit, authorization, consent or approval of, any Governmental Entity, (c) violate, conflict with or result in a default (or any event which, with notice or lapse of time or both, would constitute a default) under, or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any note, mortgage, other evidence of indebtedness, guarantee, license, agreement, lease or other contract, instrument or obligation to which Buyer or Merger Sub is a party or by which Buyer or Merger Sub or any of their respective assets may be bound, or (d) violate any Law, order, injunction or decree applicable to Buyer or Merger Sub, excluding from the foregoing clauses (b), (c) and (d) such requirements, violations, conflicts, defaults or rights which would not be reasonably likely to materially and adversely affect or restrict Buyer's or Merger Sub's ability to consummate the transactions contemplated by this Agreement or the Escrow Agreement.

Section 4.4 Litigation. There is no claim, action, suit, proceeding or governmental investigation pending or, to the knowledge of Buyer or Merger Sub, threatened against Buyer or Merger Sub, by or before any Governmental Entity or by any third party which challenges the validity of this Agreement or the Escrow Agreement or which would be reasonably likely to materially and adversely affect or restrict Buyer's or Merger Sub's ability to consummate the transactions contemplated by this Agreement or the Escrow Agreement.

Section 4.5 Financial Capability. Buyer has on hand or will have prior to the Effective Time, sufficient immediately available funds to enable it to pay the Merger Consideration and to consummate the Merger and the other transactions contemplated by this Agreement, and on the Closing Date Buyer will have immediately available funds necessary to make the payments required to be made by it hereunder.

Section 4.6 Organization of Merger Sub. Merger Sub was formed solely for the purpose of engaging in the transactions contemplated by this Agreement, has not conducted any business prior to the date hereof and has no assets, liabilities or obligations of any nature other than the conduct of such business and such assets, liabilities or obligations that are incident to its formation and pursuant to this Agreement and the other transactions contemplated by this Agreement.

Section 4.7 Solvency. Assuming the accuracy of the representations and warranties of the Company, immediately after giving effect to the transactions contemplated by this Agreement and Buyer's financing incurred in connection herewith, each of Buyer and its Subsidiaries, including the Group Companies, shall be solvent and shall (a) be able to pay its debts as they become due, (b) own property that has a fair saleable value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities), and (c) have adequate capital to carry on its business. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated by this Agreement with the intent to hinder, delay or defraud either present or future creditors of any of Buyer and its subsidiaries, including the Group Companies. In connection with the transactions contemplated by this Agreement, Buyer has not incurred, nor plans to incur, debts beyond its ability to pay as they become absolute and matured.

Section 4.8 Certain Fees. Neither the Company nor any Equity Holder shall be directly or indirectly obligated to pay or bear (*e.g.*, by virtue of any payment by or obligation of Buyer or any of its Affiliates at or at any time after the Closing) any brokerage, finder's or other fee or commission to any broker, finder or investment banker in connection with the transactions contemplated by this Agreement based on arrangements made by or on behalf of Buyer or any of its Affiliates.

Section 4.9 Condition of the Business. Buyer and Merger Sub have conducted their own independent investigation, verification, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition, technology and prospects of the Group Companies, which investigation, review and analysis was conducted by Buyer, Merger Sub and their respective Affiliates and, to the extent Buyer and Merger Sub deemed appropriate, by Buyer and Merger Sub's respective Representatives. Each of Buyer and Merger Sub acknowledges that it and its Representatives have been provided adequate access to the personnel, properties, premises and records of the Group Companies for such purpose. In entering into this Agreement, each of Buyer and Merger Sub acknowledges that it has relied solely upon the aforementioned investigation, review and analysis and not on any factual representations or opinions of the Group Companies or any of the Group Companies' Representatives (except the specific representations and warranties of the Company set forth in Article III, and the representations and warranties set forth in the Letter of Transmittal and the Support Agreements), and each of Buyer and Merger Sub acknowledge and agree, to the fullest extent permitted by Law, that:

(a) no Group Company or any of its directors, officers, equityholders, members, employees, Affiliates, controlling Persons, agents, advisors or Representatives makes or has made any oral or written representation or warranty, either express or implied, as to the accuracy or completeness of any of the information set forth in management presentations relating to the Group Companies made available to Buyer, its Affiliates or its Representatives, in materials made available in any "data room" (virtual or otherwise), including any cost estimates delivered or made available, financial projections or other projections, in presentations by the management of the Group Companies, in "break-out" discussions, in responses to questions submitted by or on behalf of Buyer, its Affiliates or its Representatives, whether orally or in writing, in materials prepared by or on behalf of the Company, or in any other form (such information, collectively, "Due Diligence Materials"); and

(b) except as otherwise set forth in this Agreement no Group Company nor any of its directors, officers, employees, equityholders, members, Affiliates, controlling Persons, agents, advisors, Representatives or any other Person shall have any liability or responsibility whatsoever to Buyer, Merger Sub or their respective directors, officers, employees, Affiliates, controlling Persons, agents or Representatives on any basis (including in contract or tort, under federal or state securities Laws or otherwise) based upon any information provided or made available, or statements made (including set forth in management summaries relating to the Company provided to Buyer, in materials furnished in the Company's data site (virtual or otherwise), in presentations by the Company's management or otherwise), to B

uyer, Merger Sub or their respective directors, officers, employees, Affiliates, controlling Persons, advisors, agents or Representatives (or any omissions therefrom).

## ARTICLE V

## COVENANTS

Section 5.1 Conduct of the Business. The Company agrees that, during the period from the date of this Agreement to the earlier of (x) termination of this Agreement in accordance with Section 8.1 and (y) Closing, except as otherwise contemplated by this Agreement, or as consented to by Buyer (which consent shall not be unreasonably withheld, conditioned or delayed):

(a) the Company shall, and shall cause its Subsidiaries to, conduct its business in the Ordinary Course and use its commercially reasonable efforts to (i) preserve intact its present business organization, (ii) maintain in effect all of its material Licenses, (iii) keep available the services of its directors, officers and key employees, (iv) make capital expenditures in the Ordinary Course and in accordance with the capital expenditure budget attached as Schedule 5.1(b)(v) and (v) maintain, preserve and retain satisfactory relationships with its suppliers, vendors and customers, in each case, with whom it has entered into any Material Contract; and

(b) without limiting the generality of the foregoing, the Company shall not and shall cause each Company Subsidiary not to effect any of the following;

(i) make any change in or amendment to its Organizational Documents whether by merger, consolidation or otherwise;

(ii) declare, set aside or pay any dividend or other distribution with respect to, or any direct or indirect acquisition of, any capital stock of any Group Company;

(iii) issue or sell, or authorize to issue or sell, any shares of its capital stock or any other ownership interests, as applicable, or issue or sell, or authorize to issue or sell, any securities convertible into or exchangeable for, or options, warrants or rights to purchase or subscribe for, or enter into any Contract with respect to the issuance or sale of or which relate to, any shares of capital stock or any other ownership interests, as applicable (for the avoidance of doubt, this Section 5.1(b)(iii) shall not prohibit an Option Holder from otherwise exercising any or all Options outstanding as of the date hereof held by such Option Holder in accordance with the applicable Option Agreement);

(iv) split, combine, redeem or reclassify, or purchase or otherwise acquire, any membership interests, shares of its capital stock or any other ownership interests, as applicable;

(v) incur any capital expenditures or any obligations or liabilities in respect thereof, except for (A) those contemplated in the capital expenditure budget attached as Schedule 5.1(b)(v) hereto (the "Capex Budget") and (B) any unbudgeted capital expenditures not to exceed $50,000 individually or $200,000 in the aggregate;

(vi) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, any assets, securities, properties, interests or businesses, other than supplies in the Ordinary Course;

(vii) sell, license, lease, transfer, assign, abandon or otherwise dispose of, or create or incur any Lien on, any of, or impose any Lien (other than Permitted Liens) upon, its properties or assets other than (A) in the Ordinary Course or (B) Liens that would not reasonably be expected to be material to the Group Companies;

(viii) materially amend in a manner adverse to the Group Companies or terminate any Company Material Contract, or waive any material right thereunder, or, other than in the Ordinary Course, enter into a Contract which, had it been entered into prior to the date hereof, would have been a Company Material Contract (other than entering into any new Contract with any supplier, customer or vendor in the Ordinary Course); provided, however, that the Company and the Company Subsidiaries may renegotiate the terms of, or otherwise extend, any Company Material Contract that has expired in accordance with its terms prior to the date hereof or is scheduled to expire in accordance with its terms within six (6) months after the date hereof so long as the Contract as renegotiated (A) is terminable without penalty on not more than 90 days' notice and (B) is no less favorable in the aggregate to the Group Companies as compared to the initial Contract;

(ix) (A) create, incur, assume, suffer to exist or otherwise become liable with respect to any material Indebtedness, other than short-term Indebtedness or letters of credit incurred in the Ordinary Course or borrowings under existing credit facilities, in each case, that will be repaid in full at or prior to Closing, or (B) make any loans or advances to any other Person;

(x) (A) grant or agree to grant to any current or former employee of the Company or any of the Company Subsidiaries any increase in salary, wages, bonus, profit sharing, retirement, insurance or other compensation or benefits (other than increases in salary or wages in the Ordinary Course for employees who are not Covered Employees), (B) (x) grant any equity or equity-based or other incentive award or (y) grant or increase any severance, retention or termination pay, in each case, to any current or former Service Provider, (C) enter into, adopt, amend in any material respect or terminate any Company Benefit Plan or Collective Bargaining Agreement or (D) hire any individuals who would be Covered Employees, in each case, except (I) as may be required (1) under applicable Law or (2) by any Company Benefit Plan (including, any employment, retention or change-of-control Contracts) or Collective Bargaining Agreement of a Group Company in effect on the date hereof or (II) for the payment of accrued or earned but unpaid compensation;

(xi) except as may be required under applicable Law, make or change any material Tax election, change in a material manner any Tax accounting period, adopt or change any method of Tax accounting, file any amended Tax Return, settle any Tax claim, assessment audit, contest or other similar proceeding, surrender any right to claim a Tax refund, offset or other reduction in Tax liability, consent to any extension or waiver of the limitations period applicable to any Tax claim or assessment, obtain any Tax ruling or enter into any closing or similar agreement or, other than in the Ordinary Course, take any action that would have the effect of increasing the Tax liability of any Group Company or reducing any Tax asset of a Group Company;

(xii) change any of the accounting principles adopted by the Group Companies or change in the Group Companies' accounting policies, procedures, practices or methods with respect to applying such principles, other than as required by Law;

(xiii) except as set forth on Schedule 5.1(b)(xiii), commence, settle, or offer or propose to settle (A) any litigation, investigation, arbitration, proceeding or claim involving or against any Group Company, (B) any stockholder litigation or dispute against the Company or any of its officers or directors or (C) any litigation, arbitration, proceeding or dispute that relates to the transactions contemplated by this Agreement;

(xiv) cancel or forgive any material Indebtedness owed to the Company or any of the Company Subsidiaries, other than Indebtedness of the Company to a Company Subsidiary or Indebtedness for borrowed money of a Company Subsidiary to the Company or to another Company Subsidiary;

(xv) change in any material respect, the manner in which the Group Companies extend discounts, credits or rebates to customers;

(xvi) enter into, modify or amend in any respect, any Related Party Contract, or Contract that would have been a Related Party Contract if entered into prior to the date hereof;

(xvii) write-off any accounts or notes receivable of the Group Company in excess of $25,000 individually or $75,000 in the aggregate, or sell or assign any account or note receivable;

(xviii) fail to pay or discharge when due (after giving effect to any applicable grace periods) any liabilities of the Group Companies, other than those that are being contested in good faith and for which adequate reserves have been made on the Group Companies consolidated balance sheet in accordance with GAAP; or

(xix) authorize any of, or commit or agree to take any of, the foregoing actions in respect of which it is restricted by the provisions of this Section 5.1.

(c) Merger Sub agrees that, between the date hereof and the Effective Time, it shall not, directly or indirectly, engage in any business activities or incur any liabilities or obligations other than as expressly contemplated by this Agreement.

Section 5.2 Commercially Reasonable Efforts; Consents

(a) Each of the Parties shall cooperate, and use their respective commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary or advisable under applicable Laws to consummate the transactions contemplated by this Agreement as promptly as practicable after the date hereof, including obtaining all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Entities and other third parties necessary to consummate the transactions contemplated by this Agreement; provided, that in no event shall any Group Company be required to pay any fee, penalty or other consideration to obtain any license, permit, consent, approval, authorization, qualification or waiver required under any Contract for the consummation of the transactions contemplated hereby. No Group Company shall be required to pay any fees or other payments to any Governmental Entity in connection with any filings as may be required under applicable Laws. In addition to the foregoing, Buyer agrees to provide such assurances as to financial capability, resources and creditworthiness as may be reasonably requested by any third party whose consent or approval is sought in connection with the transactions contemplated hereby. Notwithstanding anything in this Agreement to the contrary, the Parties understand and agree that the commercially reasonable efforts of the Parties shall not require Buyer (or permit the Company, without Buyer's prior written consent) to take, or agree or commit to take, any action, or agree to any condition or restriction, involving the Company or Buyer or their respective Affiliates pursuant to this Section 5.2 or any other provision of this Agreement.

(b) Each Party will, as promptly as reasonably practicable after execution of this Agreement, make all filings or submissions as are required under applicable German Antitrust Laws, and any other filings, submissions or notifications to any Governmental Entity relating to Antitrust Laws that are, in the sole discretion of Buyer, considered advisable. Each Party will promptly furnish to the other such necessary information and reasonable assistance as the other may request in connection with its preparation of any such filing or submission. Each Party will promptly provide the other with copies of all written communications (and memoranda setting forth the substance of all oral communications) between each of them, any of their Affiliates or any of its or their Representatives, on the one hand, and any Governmental Entity, on the other hand, with respect to this Agreement or the transactions contemplated hereby. Without limiting the generality of the foregoing, each Party will promptly notify the other of the receipt and content of any inquiries or requests for additional information made by any Governmental Entity in connection therewith and will promptly (i) comply with any such inquiry or request, and (ii) provide the other with a description of the information provided to any Governmental Entity with respect to any such inquiry or request. In addition, each Party will keep the other apprised on a prompt basis of the status of any such inquiry or request. Except as prohibited by applicable Law, neither the Company nor Buyer shall participate in any meetings or discussions with any Governmental Entity in connection with the transactions contemplated hereby pertaining to Antitrust Laws (including any filing, submission, notification, application or investigation relating thereto) without providing the other Party prior written notice as far in advance of such meeting or discussion as reasonably practicable under the circumstances, and providing such Party with the opportunity to participate in such meeting or discussion (which, at the request of the other Party, shall be limited to outside antitrust counsel only). Subject to applicable Law, the Company and Buyer shall each approve the content of any presentations, white papers or other written materials (including requests for interpretation of any a

pplicable Law) to be submitted to any Governmental Entity pertaining to Antitrust Laws in advance of any such submission.

(c) No Party shall take any action that could reasonably be expected to adversely affect the approval or acquiescence of any Governmental Entity regarding any of the aforementioned required or advisable filings, submissions or notifications. The Parties further covenant and agree, with respect to a threatened or pending preliminary or permanent injunction or other order, decree or ruling or statute, rule, regulation or executive order that would adversely affect the ability of the Parties to consummate the transactions contemplated hereby, to use commercially reasonable efforts to prevent or lift the entry, enactment or promulgation thereof, as the case may be.

(d) From the date hereof until the earlier of the Closing Date and the date, if any, that this Agreement is terminated pursuant to Section 8.1, the Company and its Subsidiaries shall use commercially reasonable efforts to make the employees of the Group Companies reasonably available to Buyer at reasonable times, upon reasonable notice and without unduly interfering with the Group Companies' business, for the purpose of negotiating employment agreements to be effective after the Closing.

Section 5.3 Public Announcements. None of the Parties shall, and each Party shall cause its Affiliates not to, make or issue any public announcement or press release to the general public with respect to this Agreement or the transactions contemplated by this Agreement without the prior written consent of the other Parties, which consent shall not be unreasonably withheld, delayed or conditioned; provided that no such consent or prior notice shall be required in connection with any public announcement or press release the content of which is consistent with that of any prior or contemporaneous public announcement or press release by either Party in compliance with this Section 5.3. Nothing in this Section 5.3 shall limit any Party from making any announcements, statements or acknowledgments that such Party is required by applicable Laws or the requirements of any national securities exchange to make, issue or release.

Section 5.4 Tax Matters.

(a) Tax Indemnity. Subject to Section 9.5, from and after the Closing, the Equity Holders shall indemnify and hold harmless the Buyer Indemnified Parties, solely to the extent of funds available in the General Indemnity Escrow Fund, from and against any Covered Taxes and all Losses arising out of or incident to the imposition, assessment or assertion of Covered Taxes (together with the Covered Taxes, "Tax Losses"); provided that no such indemnification will be provided for a Tax Loss to the extent that such Tax Loss is reflected in the calculation of Final Closing Net Working Capital as shown on the Final Closing Statement. For purposes of determining Covered Taxes, (i) in the case of any Taxes other than gross receipts, sales or use Taxes and Taxes based upon or related to income, the definition of Covered Tax shall be deemed to include the amount of such Tax for the entire Tax period multiplied by a fraction the numerator of which is the number of days in the Tax period ending on and including the Closing Date and the denominator of which is the number of days in the entire Tax period, and (ii) in the case of any Tax based upon or related to income and any gross receipts, sales or use Tax, the definition of Covered Tax shall be deemed to include the amount that would be payable if the relevant Tax period ended on and included the Closing Date. All determinations made pursuant to the preceding sentence shall be made in accordance with the past practices of the Group Companies, if any, to the extent those practices are supportable by reasonable interpretations of applicable Law.

(b) Tax Indemnity Procedures; Tax Contests. Buyer agrees to give prompt notice to Stockholders' Representative of any Tax Loss or the assertion of any claim, or the commencement of any suit, action or proceeding in respect of which indemnity may be sought hereunder relating to Taxes of any Group Company and to give Stockholders' Representative such information with respect thereto as Stockholders' Representative may reasonably request. The Stockholders' Representative may, on behalf of the Equity Holders and at their expense, (i) participate in and (ii) with respect to any suits, actions or proceedings (including Tax audits) ("Tax Contests") that relate solely to Pre-Closing Tax Periods, assume the defense of any such Tax Contest; provided that (A) Stockholders' Representative's chosen counsel is reasonably satisfactory to Buyer, (B) Stockholders' Representative shall provide Buyer with copies of all material correspondence, notice or other written materials received from any Tax authority in connection with, and shall otherwise keep Buyer and its tax advisers informed of the progress of, such Tax Contest, (C) the Stockholders' Representative shall provide Buyer with a copy of any written submission to be sent to a Tax authority in connection

with such Tax Contest prior to the submission thereof and shall give good faith consideration to any comments or suggested revisions that Buyer or its advisers may have with respect thereto, and (D) Stockholders' Representative shall not agree to any settlement with respect to any Tax Contest without Buyer's consent, which consent shall not be unreasonably withheld. If Stockholders' Representative elects to assume the defense of any such Tax Contest, (x) Buyer shall have the right (but not the duty) to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by Stockholders' Representative and (y) Stockholders' Representative shall not assert that the Tax Loss, or any portion thereof, with respect to which Buyer seeks indemnification, if determined adversely, is not subject to indemnification. If Buyer controls any Tax Contest relating in whole or in part to any Pre-Closing Tax Period (including any Straddle Tax Period), (A) Buyer shall provide Stockholders' Representative with copies of all material correspondence, notice or other written materials received from any Tax authority in connection with, and shall otherwise keep Stockholders' Representative and its tax advisers informed of the progress of, such Tax Contest, (B) Buyer shall provide Stockholders' Representative with a copy of any written submission to be sent to a Tax authority in connection with such Tax Contest prior to the submission thereof and shall give good faith consideration to any comments or suggested revisions that Stockholders' Representative or its advisers may have with respect thereto, and (C) Buyer shall not settle any such Tax Contest or any other suit, action or proceeding in respect of which indemnity may be sought under this Section 5.4 without the consent of Stockholders' Representative, which consent shall not be unreasonably withheld. The reasonable fees and expenses of counsel employed by Buyer for any Tax Contest relating solely to Pre-Closing Tax Periods for which Stockholders' Representative has not assumed the defense thereof shall constitute additional Tax Loss for which Buyer may be indemnified. Whether or not Stockholders' Representative chooses to defend or prosecute any claim, all of the parties hereto shall cooperate in the defense or prosecution thereof. Any claim of any Buyer Indemnified Party under this Section 5.4 (Tax Matters) may be made and enforced by Buyer on behalf of such Buyer Indemnified Party. To the extent of any conflict between this Section 5.4(b) and Section 9.3, this Section 5.4(b) shall be controlling with respect to any Tax matters.

(c) Tax Returns; Payment of Taxes. Buyer shall, at its own expense, prepare or cause to be prepared and timely file or cause to be timely filed all Tax Returns of the Group Companies that are required to be filed after the Closing Date. To the extent that any such Tax Return includes a Pre-Closing Tax Period, Buyer shall (A) provide the Stockholders' Representative with a copy of each such draft Tax Return at least fifteen (15) calendar days prior to the earlier of (x) the date such Tax Return is filed and (y) the due date for filing such return (taking into account any extensions thereof) and (B) promptly deliver such additional information regarding such Tax Return as may reasonably be requested by the Stockholders' Representative. Buyer shall reasonably and in good faith consider any revisions to such Tax Returns as are requested by the Stockholders' Representative, ***provided*** that such revisions are requested no more than seven (7) days after such Tax Return is delivered to the Stockholders' Representative. If Buyer and the Stockholders' Representative are unable through good faith negotiations to resolve any objection raised by the Stockholders' Representative with respect to any such Tax Returns, the matter shall be referred to the Accounting Firm for resolution in accordance with procedures substantially similar to those described in Section 2.8(d); provided that if Buyer determined in good faith that such resolution procedures would cause the Tax Returns not to be timely filed, Buyer may, after good faith consideration of Stockholders' Representative's suggested revisions, file such Tax Returns, and as soon as practicable thereafter shall, if necessary, amend such Tax returns in accordance with the abovementioned resolution procedures. Not later than two (2) Business Days prior to the due date for the payment of Taxes on any Tax Return that includes a Pre-Closing Period, Buyer shall be entitled to receive from the General Indemnity Escrow Fund the amount of Taxes, if any, for which the Equity Holders are liable pursuant to Section 5.4(a).

(d) Remittance of Taxes. Subject to the indemnification obligations in Section 5.4(a), Buyer shall cause any amounts shown to be due on such Tax Returns to be timely remitted to the applicable Governmental Entity no later than the date on which such Taxes are due.

(e) Transfer Taxes. All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement shall be paid by Buyer when due, and Buyer will, at its own expense, file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by applicable Law or at the reasonable request of Buyer, the Equity Holders will, and will cause their Affiliates to, join in the execution of any such Tax Returns and other documentation.

(f) Refunds. Buyer shall pay over to the Stockholders' Representative (on behalf of the Equity Holders) any Tax refunds (or credits in lieu of Tax refunds) that (i) are received by Buyer, the Company or any of their respective Subsidiaries prior to the expiration of the Claims Period with respect to indemnification claims under Section 5.4 and (ii) are attributable to Taxes paid on or before the Closing Date by any Group Company with respect to any Pre-Closing Tax Period, provided, that notwithstanding the foregoing, Buyer shall not be required to pay over any Tax refunds (or credits in lieu of Tax refunds) that are received by Buyer, the Company or any of their respective Subsidiaries that are attributable to any carryback of any Tax item (including a net operating loss or credit carryback) from any Post-Closing Tax Period to any Pre-Closing Tax Period. Such payment shall be made within fifteen (15) Business Days after receipt of such refund (or the filing of any Tax return on which there is allowed a credit in lieu of such refund). For the avoidance of doubt, in no event shall Buyer be required to make any payment under this Section 5.4(f) in respect of the carryforward of any Tax asset from any Pre-Closing Tax Period to any Post-Closing Tax Period.

(g) Cooperation; Preservation of Records. Buyer, the Group Companies and the Stockholders' Representative shall cooperate fully, as and to the extent reasonably requested by the other parties, in connection with the filing of Tax returns, including the filing of any claim for a refund. After Closing, the Company shall use its commercially reasonable efforts to (i) preserve and keep the Tax records of the Group Companies for a period of seven (7) years from the Closing, or for any longer periods as may be required by any Governmental Entity or ongoing litigation, and (ii) make such records, and any employees who assisted in the preparation of such records, available to the Stockholders' Representative upon the reasonable request of the Stockholders' Representative. If any Group Company wishes to destroy such records after the time specified above, the Company shall first give sixty (60) days' prior written notice to the Stockholders' Representative and the Stockholders' Representative shall have the right at its respective option and expense, upon providing written notice within that sixty (60)-day period, to take possession of the records within ninety (90) days after the date of such Company's provision of notice.

(h) French VDA Process. Notwithstanding anything to the contrary in this Agreement, the Parties acknowledge and agree that Buyer shall be entitled to pursue a process (including voluntary disclosure to, and settlements with the relevant Taxing authority, and/or the filing of Tax Returns and amended Tax Returns with the relevant Taxing authority in connection therewith) that it in good faith believes is appropriate to ensure that the Group Companies complied with their Tax Return filing and Tax payment obligations in France with regard to Imprime Fiscal Unique (IFU) whether such obligations relate to any Pre-Closing Tax Period, Straddle Tax Period or Post-Closing Tax Period (such process, the "French VDA Process"). Promptly after submitting to a Taxing authority any voluntary disclosure statement, Tax Return or amended Tax Return pursuant to the French VDA Process that shows or will result in liability for Taxes attributable to any Pre-Closing Tax Period, Buyer shall provide the Stockholders' Representative with a copy of such voluntary disclosure statement, settlement agreement, Tax Return or amended Tax Return, as applicable, and other relevant documents. For the avoidance of doubt, Buyer Indemnified Parties' rights to be indemnified pursuant to Section 5.4(a) shall include indemnification for Covered Taxes (including any reasonable expenses incurred by Buyer in connection with the French VDA Process) incurred as a result of the French VDA Process.

(i) Exclusivity. The indemnification provided for in this Section 5.4 shall be the sole remedy for any claim in respect of Taxes, including any claim arising out of or relating to a breach of any of the representations or warranties in Section 3.13 (Taxes; Tax Returns).

Section 5.5 Directors' and Officers' Indemnification.

(a) Subject to the Company purchasing tail coverage described in Section 5.5(b), and except as prohibited by applicable Law, Buyer and Merger Sub agree to cause the Surviving Corporation to ensure, and the Surviving Corporation immediately following the Closing agrees to ensure, that all rights to indemnification now existing in favor of any individual who, at or prior to the Effective Time, was a director, officer, employee or agent of the Company or any of the Company Subsidiaries or who, at the request of the Company or any of the Company Subsidiaries, served as a director, officer, member, contractor, agent, trustee or fiduciary of, or otherwise provided services to, another corporation, partnership, professional entity, joint venture, industry association, trust, pension or other employee benefit plan or enterprise (collectively, with such individual's heirs, executors or administrators, the "Indemnified Persons") as provided in the respective governing documents and indemnification agreements to which the Company or any of the Company Subsidiaries is a party or bound (only to the extent that such agreements have been provided to Buyer

prior to the date hereof), shall survive the Merger and shall continue in full force and effect for a period of not less than six (6) years from the Effective Time and indemnification agreements and the provisions with respect to indemnification and limitations on liability set forth in such governing documents shall not be amended, repealed or otherwise modified; provided, that in the event any claim or claims are asserted or made within such six (6) year period, all rights to indemnification in respect of any such claim or claims shall continue until final disposition of any and all such claims. The term of indemnification under the Directors' and Officers' Indemnification shall be limited to the lesser of six (6) years following the Closing Date or the duration of the tail policy referred to in Section 5.5(b). Neither Buyer nor the Surviving Corporation shall settle, compromise or consent to the entry of judgment in any action, proceeding or investigation or threatened action, proceeding or investigation without the written consent of such Indemnified Person (not to be unreasonably withheld, conditioned or delayed).

(b) On or prior to the Closing Date, the Company shall purchase, and maintain in effect for a period of six (6) years thereafter, (i) a tail policy to the current policy of directors' and officers' liability insurance maintained by the Company, which tail policy shall be effective for a period from the Closing through and including the date six (6) years after the Closing Date with respect to claims arising from facts or events that occurred on or before the Closing, and which tail policy shall contain substantially the same coverage and amounts as, and contain terms and conditions no less advantageous than, in the aggregate, the coverage currently provided by such current policy and (ii) "run off" coverage as provided by the Company's fiduciary and employee benefit policies, in each case, covering those Persons who are covered on the date hereof by such policies and with terms, conditions, retentions and limits of liability that are no less advantageous than the coverage provided under the Company's existing policies. The amount paid by the Company under this Section 5.5(b) shall be referred to as the "D&O Tail Premium." For the avoidance of doubt, the amount of the D&O Tail Premium shall be treated as a Company Transaction Expense.

(c) Nothing in this Agreement is intended to, shall be construed to or shall release, waive or impair any rights to directors' and officers' insurance claims under any policy that is or has been in existence with respect to the Company or any of the Company Subsidiaries or any of their respective directors or officers, it being understood and agreed that the indemnification provided for in this Section 5.5 is not prior to or in substitution for any such claims under such policies.

Section 5.6 Termination of Agreements; Repayment of Indebtedness. (a) Except for the Contracts set forth in Schedule 5.6(a), the Company shall take all actions necessary to terminate any Contract between any Group Company, on the one hand, and any Related Party, on the other hand, including the Managerial Assistance Agreement and the Stockholder Agreement, in each case, at or prior to the Effective Time in a manner such that the Company does not have any liability or obligation following the Effective Time pursuant to such agreements, subject to the survival of the indemnification provisions set forth in the Managerial Assistance Agreement.

(a) No later than three (3) Business Days prior to the Closing Date, the Company shall deliver to Buyer a copy of the Payoff Letter with respect to the Indebtedness and shall have made arrangements reasonably satisfactory to Buyer for, and at the Closing shall cause, the release of all Liens, if any, securing such Indebtedness upon payment of such Indebtedness.

Section 5.7 Stockholder Approval. (a) At or prior to 12:00 p.m., New York, New York time, on the second (2nd) Business Day following the date hereof, the Company shall deliver to Buyer evidence, in form and substance reasonably satisfactory to Buyer, of the Stockholder Approval.

(a) Promptly, but in no event later than fifteen (15) Business Days after the date of the Stockholder Approval, the Company shall:

(i) deliver notice to all holders of Company Stock of the approval by the requisite number of holders of Company Stock of this Agreement, the Merger, the conversion of all shares of Company Stock as provided for in this Agreement and the other contemplated hereby, pursuant to an in accordance with the applicable provisions of the DGCL, including Section 228(e) and the Company's Organizational Documents (the "Stockholder Notices");

(ii) provide to each holder of Company Stock whose consent was not obtained with a copy of the notice required pursuant to Section 262 of the DGCL informing such holder that appraisal rights are available for his, her or its shares of Company Stock pursuant to Section 262 of the DGCL along with such other information as is required by Section 262 of the DGCL and applicable Law (the "Section 262 Notice"); and

(iii) a Letter of Transmittal and instructions for use in effecting the surrender of certificates in exchange for the Merger Consideration.

(b) The Stockholder Notices and the Section 262 Notice, including any amendments or supplements thereto, shall be subject to review and approval by Buyer prior to the first mailing or distribution thereof to the Stockholders.

(c) Each party shall provide to the other any information for inclusion in the preparation of the Stockholder Consent, the Stockholder Notices or Section 262 Notice that may be required by Law and that is reasonably requested by the other Party.

Section 5.8 Elections and Other Matters. From and after the Closing Date until the expiration of the Claims Period with respect to indemnification claims under Section 5.4, Buyer shall not, and shall cause the Surviving Corporation and the Company Subsidiaries not to, without the prior written consent of the Stockholders' Representative (which consent shall not be unreasonably withheld conditioned or delayed), and other than in the Ordinary Course or as required by applicable Law, make, cause or permit to be made any Tax election or adopt or change any method of accounting, in each case that will adversely affect the Taxes for any Pre-Closing Tax Period of the Company or any Company Subsidiary.

Section 5.9 Approval of 280G Payments. To the extent that the execution of this Agreement and the consummation of the transactions contemplated hereby (either alone or in connection with another event) would entitle any current or former Service Provider who is a "disqualified individual" to a "parachute payment" (as such terms are defined in Section 280G of the Code), then, prior to the Closing, the Company shall (i) use its commercially reasonable efforts to obtain any necessary waivers from such disqualified individuals and (ii) submit to the Company's equityholders entitled to vote for approval, as provided under Section 280G(b)(5)(B) of the Code, any payments as to which any such Service Provider has waived his or her rights that would otherwise entitle such Service Provider to such a parachute payment.

Section 5.10 Financing Matters.

(a) Prior to Closing, Buyer shall use commercially reasonable efforts to obtain debt financing through an expansion of Buyer's existing credit facility or alternative debt financing (the "Financing").

(b) From the date hereof through the earlier of (x) the Closing Date and (y) termination of this Agreement pursuant to Section 8.1, the Company shall use its commercially reasonable efforts to provide reasonable cooperation in connection with the arrangement of the Financing as may be reasonably requested by Buyer in a manner that does not unreasonably interfere with the ongoing operations of the Company and its Subsidiaries.

(c) Notwithstanding the foregoing, (i) the Company shall not be required to provide, or to cause its Subsidiaries to provide, cooperation under this Section 5.10 that (x) causes any representation or warranty in this Agreement to be breached, (y) causes any closing condition set forth in Article VI to fail to be satisfied or otherwise causes the breach of this Agreement or any Contract, or (z) requires the Company, any of its Subsidiaries, or any of their respective pre-Closing directors, officers, managers or employees to execute, deliver or enter into, or perform any agreement, document or instrument with respect to the Financing that become effective prior to Closing; (ii) none of the Company, any of its Affiliates or any of their respective officers, directors, employees, representatives or agents shall be required to incur any liability or obligation (including any obligation to pay any commitment or other fee) in respect of any assistance provided in connection with the Financing (other than any such liability, obligation, commitment or fee that is subject to reimbursement or indemnification as set forth below), (iii) any rating agency presentations, bank information memoranda, financing marketing materials or similar documents required or used in

connection with the Financing shall contain customary disclosures exculpating the Company and their respective Affiliates with respect to any liability related to the contents or use thereof by the recipients thereof, (iv) the Company and their Affiliates shall not be required to issue any offering document, (v) neither the Company nor any of their respective Affiliates shall be required to obtain any other consent or any agreement from any other Person that requires any Group Company to incur any out-of-pocket cost that is not reimbursed or indemnified as set forth below, (vi) the Company shall not be required to consent to the pre-filing of UCC-1 financing statements or any other grant of any Lien or other encumbrances and (vii) the boards of directors of the Company or its respective Affiliates shall not be required to enter into any resolutions or take similar action, in each case, that becomes effective prior to Closing. All nonpublic or otherwise confidential information regarding the business obtained by Buyer and its financing sources pursuant to this Section 5.10 shall be kept confidential in accordance with the Confidentiality Agreement, except that Buyer shall be permitted to disclose such information to the lender under the Financing and its officers, employees, representatives and advisors in connection with the Financing, subject to customary confidentiality provisions. In no event shall the Company be in breach of this Section 5.10 because of the failure to deliver any financial or other information that is not currently readily prepared in the Ordinary Course at the time requested by Buyer or for the failure to obtain review of any financial or other information by its accountants.

(d) Notwithstanding anything to the contrary, the condition set forth in Section 6.2(b), as it applies to the Company's and the Sellers' obligations under this Section 5.10, shall be deemed satisfied unless the Financing has not been obtained primarily as a result of the Company's material breach of its obligations under this Section 5.10 (which breach has not been cured within five (5) Business Days after receipt of written notice thereof by Buyer).

(e) In no event shall the Company or any of its Subsidiaries be required to pay any commitment or similar fee or incur any liability or expense in connection with assisting Buyer in arranging the Financing or as a result of any information provided by the Company or its Affiliates in connection therewith. Buyer shall indemnify and hold harmless the Company and its Affiliates and each of their respective officers, directors, employees, representatives or agents from and against any and all Losses suffered or incurred by any of them in connection with any of their cooperation or assistance with respect to the Financing or the provision of any information utilized in connection therewith or otherwise arising from the Financing. Buyer shall from time to time, promptly upon request by the Company or the Stockholders' Representative, reimburse the Company and its Affiliates and each of their respective officers, directors, employees, representatives or agents for any and all reasonable and documented out-of-pocket fees, costs or expenses (including reasonable third party fees, costs and expenses of counsel, accountants and other advisors) actually incurred by any of them in connection with any of their cooperation or assistance with respect to the Financing or the provision of any information utilized in connection therewith or otherwise arising from the Financing.

Section 5.11 Resignations. The Company and the Stockholders' Representative shall procure letters of resignation to be effective at the Effective Time from each of the officers and directors of the Group Companies with respect to their positions as an officer or director of any of the Group Companies (solely in their capacities as directors and officers and not as employees of the Group Companies), other than those directors and officers who Buyer informs the Company need not resign; provided, that such resignation shall not, in and of itself, cause any such officer to forfeit any severance or any amounts otherwise due under any applicable employment contract between such officer and a Group Company.

Section 5.12 Products Liability. On or prior to the Closing Date, the Company shall purchase, and maintain in effect for a period of six (6) years thereafter, (i) a tail policy, extended reporting period, to the current policies of product and professional liability and employment practices liability insurance maintained by the Company, which tail policy shall be effective for a period from the Closing through and including the date six (6) years after the Closing Date with respect to claims arising from facts or events that occurred on or before the Closing, and which tail policy shall contain substantially the same coverage and amounts as, and contain terms and conditions no less advantageous than, in the aggregate, the coverage currently provided by such current policies. The amount paid by the Company under this Section 5.12 shall be referred to as the "Product and Professional Liability Tail Premium."

Section 5.13 Monthly Financial Statements. The Company shall deliver to Buyer (i) when available (and in any event no later than February 15, 2016) the unaudited consolidated balance sheet of the

Company for the fiscal year ended December 31, 2015 and the related unaudited consolidated statements of operations and comprehensive income and cash flows of the Company for the year then-ended prepared in accordance with GAAP applied on a consistent basis and (ii) when available (and in any event no later than thirty (30) calendar days after the end of the applicable period) the unaudited consolidated balance sheet of the Company for each calendar month ending after January 1, 2016 and the related unaudited consolidated statements of operations and comprehensive income and cash flows of the Company for the month then-ended and for the fiscal year-to-date, in each case, prepared in accordance with GAAP applied on a consistent basis; provided that, if the Closing Date occurs prior to the thirtieth day of a month, the Company shall not be obligated to deliver the financial statements contemplated by the foregoing clause (ii) for the immediately preceding month.

Section 5.14 Other Matters. Prior to Closing, the Company shall notify the Governmental Entity that issued the Nuclear Permit dated October 10, 2014 to WIL Research Europe B.V., a private limited liability company incorporated under the laws of the Netherlands, regarding the transactions contemplated by the Agreement.

## ARTICLE VI

## CONDITIONS TO OBLIGATIONS OF THE PARTIES

Section 6.1 Conditions to Each Party's Obligations. The respective obligation of each Party to consummate the transactions contemplated by this Agreement is subject to the satisfaction (or written waiver by such Party) at or prior to the Closing of the following conditions:

(a) Injunction. There will be no effective injunction, writ or temporary, preliminary or permanent restraining order or any order or agreement of any nature with or issued by any Governmental Entity of competent jurisdiction or any applicable Law to the effect that the transactions contemplated by this Agreement may not be consummated as provided in this Agreement; provided, that no works council shall be considered a Governmental Entity for purposes of this Section 6.1(a); and

(b) Antitrust Condition. (i) Any approval shall have been obtained or the applicable waiting periods shall have expired or been terminated under applicable German Antitrust Laws; and (ii) no Governmental Entity of competent jurisdiction shall have commenced, instituted or implemented any Action regarding the transactions contemplated hereby pursuant to any Antitrust Law that has not been fully and unconditionally resolved, nor shall any Governmental Entity have threatened to commence, institute or implement any such Action.

Section 6.2 Conditions to Obligations of the Company. The obligations of the Company to consummate the transactions contemplated by this Agreement are further subject to the satisfaction (or written waiver by the Company) at or prior to the Closing of the following conditions:

(a) Representations and Warranties. The representations and warranties of Buyer and Merger Sub contained in Article IV shall be true and correct in all material respects as of the Closing Date as if made at and as of such time (except for representations and warranties that speak as of a specific date prior to the Closing Date, in which case such representations and warranties need only be true and correct in all material respects as of such earlier date);

(b) Performance of Obligations. Each of Buyer and Merger Sub shall have performed in all material respects its obligations under this Agreement required to be performed by it at or prior to the Closing pursuant to the terms hereof; and

(c) Buyer Officer's Certificate. An authorized officer of Buyer and Merger Sub shall have executed and delivered to the Company a certificate (the "Buyer Closing Certificate") as to compliance with the conditions set forth in Section 6.2(a) and Section 6.2(b) hereof.

Section 6.3 Conditions to Obligations of Buyer and Merger Sub. The obligations of Buyer and Merger Sub to consummate the transactions contemplated by this Agreement are further subject to the satisfaction (or written waiver by Buyer and Merger Sub) at or prior to the Closing of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of the Company contained in Section 3.3 shall be true and correct in all respects as of the Closing Date as if made at and as of such time except for *de minimis* errors, (ii) all of the other Company Fundamental Representations shall be true and correct in all material respects as of the Closing Date as if made at and as of such time, except for representations and warranties that speak as of a specific date prior to the Closing Date, in which case such representations and warranties need only be true and correct in all material respects as of such earlier date (ignoring for the purposes of this clause (ii) any qualifications by Material Adverse Effect or "materiality" contained in such representations or warranties), and (iii) all of the other representations and warranties contained in Article III shall be true and correct as of the Closing Date as if made at and as of such time (except for representations and warranties that speak as of a specific date prior to the Closing Date, in which case such representations and warranties need only be true and correct as of such earlier date); provided, that this clause (iii) shall be deemed satisfied unless any and all inaccuracies in such representations and warranties, in the aggregate, result in a Material Adverse Effect (ignoring for the purposes of this clause (iii) any qualifications by Material Adverse Effect or "materiality" contained in such representations or warranties);

(b) Performance of Obligations. The Company shall have performed in all material respects its obligations under this Agreement required to be performed by it at or prior to the Closing pursuant to the terms hereof;

(c) Company Officer's Certificate. An authorized officer of the Company shall have executed and delivered to Buyer a certificate (the "Company Closing Certificate") as to the Company's compliance with the conditions set forth in Section 6.3(a) and Section 6.3(b);

(d) No Material Adverse Effect. Since the date of this Agreement through the Closing Date, there shall not have occurred a Material Adverse Effect;

(e) 2015 Audited Financials. The Company shall have delivered to Buyer, at least seven (7) days prior to the Closing Date, the audited consolidated balance sheet of the Company for the fiscal year ended December 31, 2015 and the related audited consolidated statements of operations and comprehensive income and cash flows of the Company for the year then-ended, together with all related notes and schedules thereto (the "2015 Audited Financials"), which shall be prepared by the Company and its current auditors consistent with past practice;

(f) Termination of Agreements. The Stockholders Representative shall have delivered evidence reasonably satisfactory to Buyer that each of the Stockholders Agreement and the Managerial Assistance Agreement shall have been (or effective at the Effective Time will be) terminated as contemplated by Section 5.6; and

(g) Dissenting Stockholders. Stockholders who would otherwise be entitled to receive no more than 2% of the Merger Consideration payable with respect to the Company Stock shall have validly elected to, perfected and continue to have rights to appraisal under applicable Law as to such shares.

Section 6.4 Frustration of Closing Conditions. None of the Company, Buyer or Merger Sub may rely on the failure of any condition set forth in Section 6.1, Section 6.2 or Section 6.3, as the case may be, if such failure was caused by such Party's failure to comply with any provision of this Agreement.

## ARTICLE VII

## CLOSING

Section 7.1 Closing. Subject to the terms and conditions of this Agreement, the closing of the transactions contemplated by this Agreement (the "Closing") shall occur as promptly as possible, and in any

event no later than three (3) Business Days following the satisfaction or, to the extent permitted, waiver by the Party entitled to the benefit thereof, of the conditions to the obligations of the Parties set forth in Article VI (other than those conditions that by their nature are to be fulfilled at Closing, but subject to the satisfaction or waiver of such conditions); provided, however, that notwithstanding the foregoing, the Parties shall not be obligated to consummate the Closing prior to April 4, 2016; provided, further, that if the Closing has not occurred on or before May 13, 2016 (the "Closing Threshold Date"), Buyer may elect, by providing written notice to the Company and the Stockholders' Representative, to delay the Closing until June 27, 2016. The date of the Closing shall be referred to herein as the "Closing Date". The Closing shall take place at the offices of King & Spalding LLP located at 1180 Peachtree Street, N.E., Atlanta, Georgia 30309, at 10:00 a.m. Atlanta, Georgia time, or at such other place or at such other time as the Parties may agree in writing.

Section 7.2 Deliveries by the Company. At the Closing, the Company will deliver or cause to be delivered to Buyer (unless delivered previously) the following:

(a) the Certificate of Merger, executed by the Company;

(b) the Company Closing Certificate;

(c) the Escrow Agreement executed by the Stockholders' Representative;

(d) the Payoff Letters duly executed by the Company and the applicable lenders;

(e) a statement (and accompanying notice) from the Company meeting the requirements of Treasury Regulation Sections 1.1445-2(c) and 1.897-2(h) and dated not more than 30 days prior to the Closing Date, certifying that shares of Company Stock are not U.S. real property interests within the meaning of Section 897 of the Code;

(f) the resignation letters required pursuant to Section 5.11; and

(g) any other document required to be delivered by the Company at Closing pursuant to this Agreement.

Section 7.3 Deliveries by Buyer. At the Closing, Buyer will deliver or cause to be delivered to the Company the following:

(a) the Escrow Agreement executed by Buyer;

(b) the Buyer Closing Certificate; and

(c) any other document required to be delivered by Buyer at Closing pursuant to this Agreement.

Section 7.4 Deferred Closing. If Buyer exercises its right in the second proviso to Section 7.1 to defer the Closing Date:

(a) *Interest*. At the Closing, in addition to the Merger Consideration otherwise payable pursuant to Section 2.2, Buyer shall pay interest on the Enterprise Value for the period from and including the Closing Threshold Date to and excluding the Closing Date at a rate per annum equal to the 3-month LIBOR determined as of the Closing Threshold Date.

(b) *Purchase Price*. Notwithstanding anything to the contrary in this Agreement, the Net Working Capital, the Net Working Capital Adjustment, Closing Cash (subject to Schedule 7.4(b)) and Closing Indebtedness shall each be determined as of the Closing Threshold Date. In addition, notwithstanding anything to the contrary in this Agreement, from and after the Closing Threshold Date, the Company shall not make or pay any dividend, distribution or redemption, whether in cash or otherwise.

(c) *Indemnity*. Notwithstanding anything to the contrary in this Agreement, the Buyer Indemnified Parties shall not be entitled to indemnification under Section 9.1(a) with respect to any breach of representation or warranty to the extent resulting from events or circumstances first arising after the Closing Threshold Date.

(d) *Conditions*. Notwithstanding anything to the contrary in this Agreement, the condition set forth in Section 6.3(d) shall be deemed to reference the Closing Threshold Date instead of the Closing Date.

## ARTICLE VIII

## TERMINATION

Section 8.1 Termination. This Agreement may be terminated at any time at or prior to the Closing:

(a) in writing, by mutual consent of the Parties;

(b) by Buyer or Merger Sub if there has been a breach of any representation, warranty, covenant or other agreement made by the Company in this Agreement, or any such representation and warranty shall have become untrue or inaccurate after the date of this Agreement, in each case which breach, untruth or inaccuracy (i) would reasonably be expected to result in Section 6.3(a) or Section 6.3(b) not being satisfied as of the Closing Date (a "Terminating Company Breach"), and (ii) shall not have been cured within fifteen (15) days after written notice from Buyer or Merger Sub of such Terminating Company Breach is received by the Company (such notice to describe such Terminating Company Breach in reasonable detail to the extent then known by the Buyer), or which breach, untruth or inaccuracy, by its nature, cannot be cured prior to the Outside Date; provided, that neither Buyer nor Merger Sub is then in material breach of any of their respective representations, warranties, covenants or other obligations under this Agreement, which breach would give rise to a failure of a condition set forth in Section 6.2(a) or Section 6.2(b); provided, further, that the fifteen (15) day cure period for the Company to cure a Terminating Company Breach set forth in subclause (ii) above shall not apply if such Terminating Company Breach was a breach of Section 7.1;

(c) by the Company if there has been a breach of any representation, warranty, covenant or other agreement made by Buyer or Merger Sub in this Agreement, or any such representation and warranty shall have become untrue or inaccurate after the date of this Agreement, in each case which breach, untruth or inaccuracy (i) would reasonably be expected to result in Section 6.2(a) or Section 6.2(b) not being satisfied as of the Closing Date (a "Terminating Buyer Breach"), and (ii) shall not have been cured within fifteen (15) days after written notice from the Company of such Terminating Buyer Breach is received by Buyer (such notice to describe such Terminating Buyer Breach in reasonable detail to the extent then known by the Company), or which breach, untruth or inaccuracy, by its nature, cannot be cured prior to the Outside Date; provided, that the Company is not then in material breach of any of its representations, warranties, covenants or other obligations under this Agreement, which breach would give rise to a failure of a condition set forth in Section 6.3(a) or Section 6.3(b); provided, further, that the fifteen (15) day cure period for the Buyer to cure a Terminating Buyer Breach set forth in subclause (ii) above shall not apply if such Terminating Buyer Breach is a result of a breach of Section 7.1;

(d) by written notice by any Party if the Closing has not occurred on or prior to September 2, 2016 (the "Outside Date") for any reason other than delay and/or nonperformance of the Party seeking such termination;

(e) by written notice by any Party if there shall be any permanent injunction or other order issued by any Governmental Entity of competent jurisdiction preventing the consummation of the transactions contemplated by this Agreement and such injunction or other order shall have become final and non-appealable such that the closing condition set forth in Section 6.1(a) is incapable of being satisfied; or

(f) by Buyer, if evidence, in form and substance reasonably satisfactory to Buyer, of the Stockholder Approval is not delivered to Buyer by 5:00 p.m., New York, New York time, on, or prior to, the second (2nd) Business Day following the date hereof.

Section 8.2 Procedure and Effect of Termination. In the event of the termination of this Agreement pursuant to Section 8.1 by Buyer, on the one hand, or the Company, on the other hand, written notice thereof shall forthwith be given to the other parties hereto specifying the provision hereof pursuant to which such termination is made, and this Agreement shall be terminated and become void and have no effect, and there shall be no liability hereunder on the part of Buyer, Merger Sub or the Company, except that this Section 8.2 and Section 5.3 (Public Announcements), Section 10.1 (Fees and Expenses), Section 10.2 (Notices), Section 10.3 (Severability), Section 10.7 (Consent to Jurisdiction, Etc.), Section 10.9 (Governing Law), and Section 10.18 (No Recourse) shall survive any termination of this Agreement. Nothing in this Section 8.2 shall (i) relieve or release any party to this Agreement of any liability or damages (which the parties acknowledge and agree shall not be limited to reimbursement of expenses or out-of-pocket costs, and may include to the extent proven the benefit of the bargain lost by a party's equityholders (taking into consideration relevant matters including other combination opportunities and the time value of money, which shall be deemed in such event to be damages of such party)) arising out of such party's willful, intentional and material breach of any provision of this Agreement or (ii) impair the right of any party hereto to compel specific performance by the other party or parties, as the case may be, of such party's obligations under this Agreement.

Section 8.3 Termination Fee. (a) If this Agreement is terminated (i) by the Company or Buyer pursuant to Section 8.1(e) where the applicable injunction or other order is issued pursuant to any Antitrust Law, (ii) by the Company pursuant to Section 8.1(c) due to a material breach by Buyer of Section 5.2, which breach results in the conditions set forth in either Section 6.1(a) or Section 6.1(b) (in each case, as such conditions apply with respect to any Antitrust Law) being incapable of being satisfied, or (iii) by the Company or Buyer pursuant to Section 8.1(d) and as of the Outside Date, one or more of the conditions set forth in Section 6.1(a) or Section 6.1(b) (in each case, as such conditions apply with respect to any Antitrust Law) has not been satisfied and, in each case of clauses (i), (ii) and (iii), all of the other conditions set forth in Article VI have been satisfied or are capable of being satisfied (other than any such conditions which by their nature cannot be satisfied until the Closing Date but subject to such conditions being capable of being satisfied if the Closing Date were the date of termination), then Buyer will, within three (3) Business Days following any such termination, pay to the Company or its designee in cash by wire transfer in immediately available funds to an account designated by the Company a termination fee in an amount equal to $17,500,000.00 (the "Termination Fee"). Each Party acknowledges that the agreements contained in this Section 8.3 are an integral part of this Agreement, and that, without these agreements, the Company would not enter into this Agreement. Accordingly, if Buyer fails to promptly pay any applicable amount when due pursuant to this Section 8.3, and, in order to obtain such payment, the Company commences a suit that results in a judgment against Buyer for the fee set forth in this Section 8.3 or any portion of such fee, then Buyer shall pay to the Company its reasonable costs and expenses (including reasonable attorneys' fees and expenses) in connection with such suit, together with interest on the amount of the fee at the prime rate published in The Wall Street Journal on the date such payment was required to be made through the date of payment.

(a) Notwithstanding anything to the contrary contained in this Agreement, in any circumstance in which the Buyer makes payment of the Termination Fee pursuant to this Section 8.3, the Termination Fee shall constitute the sole and exclusive remedy of the Company, the Equity Holders and any of their respective Affiliates against Buyer, Merger Sub or any of their respective Affiliates for all Losses suffered as a result of the failure of the transactions contemplated by this Agreement to be consummated or for a breach or failure to perform hereunder or thereunder or otherwise arising out of, or directly or indirectly relating to this Agreement, the negotiation, execution or performance hereof or the transactions contemplated hereby, and upon payment of the Termination Fee, none of Buyer, Merger Sub or any of their respective Affiliates shall have any further liability or obligation to the Company, any Equity Holder or any of their respective Affiliates relating to or arising out of this Agreement or the transactions contemplated hereby under any theory of law or equity.

## ARTICLE IX

## INDEMNIFICATION

Section 9.1 Indemnification Obligations of Equity Holders. Subject to the provisions of this Article IX, from and after the Closing, the Buyer Indemnified Parties shall be indemnified and held harmless (solely from amounts in the Indemnity Escrow Fund) from, against, and in respect of, any and all Losses arising out of:

(a) Any breach of any representation or warranty made by the Company in Article III; (other than Section 3.13 (Taxes; Tax Returns)) determined for all purposes without regard to any qualification or exception contained therein relating to materiality or Material Adverse Effect or any similar qualification or standard, except in the case of the representations and warranties contained Section 3.8(b);

(b) Any breach of any covenant, agreement or undertaking made by the Company in this Agreement that is required to be performed prior to the Closing;

(c) Any (i) demand for appraisal rights under Section 262 of the Delaware General Corporate Law or (ii) claim, suit, litigation or other proceeding against any Group Company brought by any current or former stockholder of the Company in connection with the equity interest held by such party and arising out of or in connection with this Agreement;

(d) Any (i) Action arising out of or related to the 2007 Acquisition Agreement or (ii) payment required, or alleged to be required, to be made pursuant to Section 2.7(a) of the 2007 Acquisition Agreement (in each case of this clause (ii), to the extent not reflected in Final Closing Indebtedness);

(e) Any Closing Indebtedness or Company Transaction Expenses, in each case to the extent not reflected in Final Closing Indebtedness or Final Closing Company Transaction Expenses, as applicable; and

(f) Any of the matters set forth on Schedule 9.1(f).

The Losses of Buyer Indemnified Parties described in this Section 9.1 as to which Buyer Indemnified Parties are entitled to indemnification are collectively referred to as "Buyer Losses".

Section 9.2 Indemnification Obligations of Buyer. Subject to the provisions of this Article IX, from and after the Closing, Buyer shall indemnify and hold harmless each of Equity Holder Indemnified Parties from, against and in respect of any and all Losses arising out of:

(a) Any breach of any representation or warranty made by Buyer or Merger Sub in Article IV determined for all purposes without regard to any qualification or exception contained therein relating to materiality or Material Adverse Effect or any similar qualification or standard;

(b) Any breach of any covenant, agreement or undertaking made by Buyer or Merger Sub in this Agreement.

Section 9.3 Indemnification Procedure.

(a) Promptly after receipt by an Indemnified Party of a notice from a third party of a claim, dispute, or threatened or filed complaint or the threatened or actual commencement of any audit, investigation, action or proceeding (a "Third Party Claim") with respect to which such Indemnified Party may be entitled to indemnification under this Article IX, such Indemnified Party shall provide prompt written notice to Buyer or the Stockholders' Representative (on behalf of the Equity Holders), whichever is the appropriate indemnifying Party under this Article IX (the "Indemnifying Party"); provided that the failure to so notify the Indemnifying Party shall relieve the Indemnifying Party from liability under this Article IX with respect to such claim only if, and only to the extent that, such failure to

notify the Indemnifying Party results in (i) the forfeiture by the Indemnifying Party of rights and defenses otherwise available to the Indemnifying Party with respect to such claim or (ii) actual and material prejudice to the Indemnifying Party with respect to such claim. The Indemnifying Party shall have the right, upon written notice delivered to the Indemnified Party within thirty (30) days thereafter, to assume the defense of such Third Party Claim, including the employment of counsel reasonably satisfactory to the Indemnified Party; *provided* that, the Indemnifying Party must first acknowledge in writing that it would have an indemnity obligation for the Losses arising out of such Third Party Claim.

(b) The Indemnifying Party shall not be entitled to assume the defense of such Third Party Claim if (i) the Indemnifying Party does not deliver the acknowledgement referred to in the proviso in Section 9.3(a), (ii) the Third Party Claim relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation, (iii) the Indemnified Party reasonably believes that an adverse determination with respect to the Third Party Claim would be materially detrimental to the reputation or future business prospects of the Indemnified Party or its Affiliates, (iv) the Third Party Claim seeks injunctive or equitable relief against the Indemnified Party or any of its Affiliates, (v) the Third Party Claim involves a customer of the Group Companies or (vi) the Indemnifying Party has failed or is failing to prosecute or vigorously defend the Third Party Claim, and such failure has not been cured within fifteen (15) days following written notice thereof delivered by the Indemnified Party to the Indemnifying Party. For purposes of clarity, (i) Buyer acknowledges that the Indemnifying Party shall be entitled to assume the defense of the matter referenced in Item 1 of Schedule 9.1(f), and (ii) that the Indemnifying Party will be entitled to reimbursement for its reasonable out-of-pocket expenses in pursuing the defense of such matter from the Specific Indemnity Escrow Fund.

(c) In any Third Party Claim with respect to which indemnification is being sought under this Article IX, the Indemnified Party or the Indemnifying Party, whichever is not assuming the defense of such action, shall have the right to participate in such matter and to retain its own counsel at such Party's own expense; *provided* that the foregoing will not limit such Party's ability to recover the amount of such attorneys' fees to the extent they would otherwise constitute indemnifiable Losses hereunder. The Indemnifying Party or the Indemnified Party, as the case may be, shall at all times use reasonable efforts to keep the Indemnifying Party or the Indemnified Party, as the case may be, reasonably apprised of the status of any matter the defense of which they are maintaining and to cooperate in good faith with each other with respect to the defense of any such matter.

(d) No Indemnified Party may settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought under this Article IX without the prior written consent of the Indemnifying Party (not to be unreasonably withheld, conditioned or delayed).

(e) If the Indemnifying Party assumes control of the defense of any Third Party Claim, the Indemnifying Party shall obtain the prior written consent of the Indemnified Party (not to be unreasonably withheld, conditioned or delayed) before entering into any settlement of such Third Party Claim unless such settlement (i) includes an unconditional release of the Indemnified Party from all liability arising out of such claim, (ii) does not contain any admission or statement admitting any wrongdoing or liability on behalf of the Indemnified Party, and (iii) involves only the payment of monetary relief that will be paid from the Indemnity Escrow Fund (subject to the other limitations set forth in this Article IX).

(f) If an Indemnified Party claims a right to payment pursuant to this Agreement not involving a Third Party Claim, then such Indemnified Party shall send written notice of such claim to the appropriate Indemnifying Party. Such notice shall specify in reasonable detail the basis for such claim to the extent then known by the Indemnified Party. As promptly as possible after the Indemnified Party has given such notice, such Indemnified Party and the appropriate Indemnifying Party shall establish the merits and amount of such claim (by mutual agreement, arbitration, litigation or otherwise) and, within five (5) Business Days after the final determination of the merits and amount of such claim, (i) if the Indemnifying Party is the Equity Holders, then the Stockholders' Representative shall cause the Escrow Agent to pay to Buyer in immediately available funds an amount equal to such claim as determined under this Article IX and (ii) if the Indemnifying Party is Buyer, then Buyer shall pay to the Stockholders' Representative (on behalf of the Equity Holders), an amount equal to claim as determined under this Article IX.

Section 9.4 Claims Period.

(a) (i) The Claims Period with respect to any claim under this Article IX (other than any claim with respect to Item 1 on Schedule 9.1(f)) or Section 5.4 shall begin on the Closing Date and terminate on the date that is fifteen (15) months following the Closing Date (the "Initial Claims Period") and (ii) the Claims Period with respect to any claim under Item 1 on Schedule 9.1(f) shall begin on the Closing Date and terminate on the date that is three (3) years after the Closing Date.

(b) No claim for indemnification under this Article IX or Section 5.4 can be made after the expiration of the applicable Claims Period; provided if prior to the close of business on the last day of the applicable Claims Period, an Indemnifying Party shall have been properly notified of a claim for indemnity hereunder and such claim shall not have been finally resolved or disposed of at such date, such claim shall continue to survive and shall remain a basis for indemnity hereunder until such claim is finally resolved or disposed of in accordance with the terms hereof.

Section 9.5 Liability Limits. Notwithstanding anything to the contrary set forth in this Agreement, except in the case of a claim for fraud in the breach of any representation or warranty set forth in ARTICLE III or ARTICLE IV, the Equity Holders' obligation to indemnify, defend and hold Buyer Indemnified Parties harmless, and Buyer's obligation to indemnify, defend and hold the Equity Holder Indemnified Parties harmless, shall be limited as follows:

(a) No amounts of indemnity shall be payable pursuant to Section 9.1(a) or Section 9.2(a) unless and until (i) each claim or series of claims arising from the same or substantially similar facts or circumstances exceeds $50,000 (the "De Minimis Threshold") and (ii) the applicable Indemnified Parties shall have suffered Losses in excess of $3,500,000 (the "Deductible Amount") in the aggregate, in which case such Indemnified Parties shall be entitled to recover only Losses in excess of the Deductible Amount; provided that amounts of indemnity for Losses pursuant to Section 9.1(a) or Section 9.2(a) with respect to any breach of any Company Fundamental Representation or any Buyer Fundamental Representation, as applicable, shall not be subject to the De Minimis Threshold or the Deductible Amount;

(a) Any indemnification obligation of the Equity Holders pursuant to (i) this Article IX (other than any claim with respect to Item 1 on Schedule 9.1(f)) or Section 5.4 shall be satisfied solely from the General Indemnity Escrow Fund and (ii) any claim with respect to Item 1 on Schedule 9.1(f) shall be satisfied solely from the Specific Indemnity Escrow Fund; it being understood that nothing in this Section 9.5(b) shall limit Buyer's ability to recover Buyer Losses under the Buyer Rep and Warranty Policy;

(b) In no event shall the aggregate amount of indemnity required to be paid by the Equity Holders pursuant to Section 9.1 or otherwise (other than any claim with respect to Item 1 on Schedule 9.1(f)) exceed the General Indemnity Escrow Fund, and if the General Indemnity Escrow Fund is insufficient to satisfy any amount of any Buyer Loss or Covered Tax (other than in connection with any claims with respect to Item 1 on Schedule 9.1(f)), then such amount of such Buyer Loss shall remain unsatisfied (solely as between the Buyer Indemnified Parties and the Equity Holders) and no Buyer Indemnified Party shall be entitled to recover any such shortfall from any Equity Holder;

(c) In no event shall the aggregate amount of indemnity required to be paid by the Equity Holders pursuant to any claim with respect to Item 1 on Schedule 9.1(f) exceed the Specific Indemnity Escrow Fund, and if the Specific Indemnity Escrow Fund is insufficient to satisfy any amount of any Buyer Loss, then such amount of such Buyer Loss shall remain unsatisfied (solely as between the Buyer Indemnified Parties and the Equity Holders) and no Buyer Indemnified Party shall be entitled to recover any such shortfall from any Equity Holder;

(d) In no event shall the aggregate amount of indemnity required to be paid by the Buyer and its Affiliates hereunder exceed $585,000,000;

(e) The amount of each claim for Buyer Losses by a Buyer Indemnified Party shall be deemed to be an amount equal to, and any payments from the Indemnity Escrow Fund pursuant to Section 9.1 shall be limited to, the amount of such Buyer Losses that remain after deducting therefrom (i) any third party insurance proceeds (net of any increase in insurance premium with respect thereto) and any indemnity, contributions or other similar payment actually

recovered from any third party with respect thereto and (ii) any Tax benefit actually realized by a Buyer Indemnified Party or any Affiliate thereof with respect to Buyer Losses or items giving rise to such claim for indemnification to the extent the Tax benefit is actually realized in the year of the Buyer Loss or item giving rise to such a claim or the following two (2) taxable years, or a prior year, in each case of clauses (i) and (ii), net of any collection costs;

(f) The amount of indemnity payable pursuant to Section 9.1 with respect to any Buyer Loss shall be reduced to the extent such Buyer Loss is reflected on the Final Closing Statement;

(g) Any Indemnified Party that becomes aware of a Loss for which it seeks indemnification under this Article IX shall be required to use commercially reasonable efforts to (i) recover for such Loss under any available third party sources of recovery (including insurance policies), and (ii) mitigate such Loss after becoming aware thereof, and an Indemnifying Party shall not be liable for any Loss to the extent that it is attributable solely to the Indemnified Party's failure to mitigate;

(h) No Party shall be deemed to have breached any representation or warranty under this Agreement solely as a result of (i) any alteration, repeal or enactment of any Law after the Closing Date (even if such alteration, repeal or enactment is applied with retroactive effect) or (ii) any change in the accounting policies, practices or procedures adopted by Buyer and/or its Affiliates after the Closing Date;

(i) In any case where a Buyer Indemnified Party recovers from any third party any amount in respect of a matter with respect to which the Equity Holders have indemnified Buyer pursuant to this Article IX, such Buyer Indemnified Party shall promptly pay over to the Escrow Agent, if during the applicable Claims Period or, to the Stockholders' Representative (on behalf of the Equity Holders), if after the applicable Claims Period, the amount so recovered (but not in excess of the amount by which the Equity Holders have indemnified Buyer pursuant to this Agreement) net of any costs of recovery;

(j) With respect to the matter referenced in Item 1 on Schedule 9.1(f), the Buyer Indemnified Parties shall use their commercially reasonable efforts to obtain recovery for such matter under available insurance policies, and shall only be permitted to recover payment from the Specific Indemnity Escrow Fund after the Buyer Indemnified Parties have used their commercially reasonable efforts to obtain such recovery; provided that, it is expressly understood and agreed that the foregoing shall not in any way alter the time at which, or the ability of, the Buyer Indemnified Parties would otherwise be permitted to submit a notice of an indemnity claim pursuant to this Article IX;

(k) With respect to the matters referenced in Item 1 on Schedule 9.1(f), the Buyer Indemnified Parties shall only bring claims for Losses related to or arising out of such matter pursuant to Section 9.1(f), and not under any other clause of Section 9.1; and

(l) The liability of the Equity Holders for Buyer Losses shall be considered in the aggregate and shall be determined on a cumulative basis so Buyer Losses incurred under this Article IX shall be combined with all other Buyer Losses incurred under this Article IX for purposes of determining limitations on liability, including the maximum liability amounts described above.

Section 9.6 Exclusive Remedies. From and after the Closing, the provisions of Section 5.4, this Article IX and Section 10.10 set forth the exclusive rights and remedies of the Parties to seek or obtain damages or any other remedy or relief whatsoever from any party with respect to matters arising under or in connection with this Agreement and the transactions contemplated hereby. Without in any way limiting the provisions of Section 9.5, the Parties agree that, excluding any claim for injunctive or other equitable relief, the indemnification provisions of Section 5.4 and this Article IX are intended to provide the sole and exclusive remedy as to all claims against either the Company and the Equity Holders (it being acknowledged and agreed that the Equity Holders shall have no liability under this Agreement apart from their beneficial interests in the Indemnity Escrow Fund and the Adjustment Escrow Fund), on the one hand, and Buyer, on the other hand, may incur arising from or relating to this Agreement and the agreements and documents contemplated hereby and the transactions contemplated hereby and thereby. In furtherance of the foregoing, from and after the Closing, the Parties hereby waive, to the fullest extent permitted by applicable Law, any and all other rights, claims and

causes of action (including rights of contributions, if any) known or unknown, foreseen or unforeseen, which exist or may arise in the future, that they may have against the Equity Holders, the Company, Buyer, as the case may be, arising under or based upon any federal, state or local Law (including any such Law relating to environmental matters or arising under or based upon any securities Law, common Law or otherwise). Notwithstanding anything to the contrary in this Section 9.6, this Section 9.6 shall not operate to (a) interfere with or impede the operation of the provisions of Article II providing for the resolution of certain disputes relating to the Merger Consideration between the Parties and/or by the Accounting Firm, (b) limit the rights of the Parties to seek equitable remedies (including specific performance or injunctive relief), (c) limit the rights of the Indemnified Persons pursuant to Section 5.5, (d) prevent or limit any claim related to fraud based on the representations and warranties set forth in Article III or Article IV by Buyer, Merger Sub or the Company in connection with the transactions contemplated by this Agreement, or (e) limit Buyer's rights or any Equity Holder's obligations under any Support Agreement. The Parties hereby waive and release any and all tort claims and causes of action that may be based upon, arise out of or relate to this Agreement, or the negotiation, execution or performance of this Agreement (including any tort claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement or as an inducement to enter into this Agreement).

Section 9.7 Payment of Indemnity Escrow Amount. (a) Subject to the provisions of the Escrow Agreement, any distributions from the Indemnity Escrow Fund to the Stockholders' Representative or its designee for further credit to the Equity Holders shall be made as follows:

(xvii) *first*, that portion of such distribution as directed by the Stockholders' Representative shall be paid to the Company, which the Company shall distribute, less applicable withholding Tax, to the SAR Participants through the Company's payroll system in accordance with instructions provided by the Stockholders' Representative;

(xviii) *next*, the amount of such remaining distribution, if any, required to satisfy the payments to be made to holders of the Preferred Stock pursuant to Sections 2.2(b)(i) through (v) shall be paid to the Paying Agent for further distribution to the holders of Preferred Stock in the order of priority set forth in Sections 2.2(b)(i) through (v); and

(xix) *thereafter*, only to the extent a portion of such distribution remains unpaid, such amount shall be paid (A) to the Paying Agent in an amount equal to the remainder of such distribution amount multiplied by the aggregate Pro Rata Percentages of the Stockholders, for further distribution to the Stockholders in accordance with their respective Pro Rata Percentages, and (B) to the Company in an amount equal to the remainder of such distribution multiplied by the aggregate Pro Rata Percentages of the In-the-Money Option Holders, which the Company shall distribute through the Company's payroll system to the In-the-Money Option Holders, less applicable withholding Tax, in accordance with their respective Pro Rata Percentages.

(b) Subject to the terms of the Escrow Agreement, if, following the expiration of the Initial Claims Period, there are amounts remaining in the General Indemnity Escrow Fund, then Buyer and the Stockholders' Representative shall jointly direct the Escrow Agent to release such amount to the Stockholders' Representative or its designees pursuant to Section 9.7(a), less the aggregate of the Buyer's good faith estimates of Losses set forth in any valid written notices of claims for indemnification (other than with respect to claims under Item 1 on Schedule 9.1(f)) that have timely been delivered to the Stockholders' Representative hereunder that remain pending or unresolved.

(c) Subject to the terms of the Escrow Agreement, within five (5) Business Days following the first anniversary of the Closing Date, Buyer and the Stockholders' Representative shall jointly instruct the Escrow Agent to pay to the Stockholders' Representative or its designees pursuant to Section 9.7(a) an amount equal to (i) the remaining amount of the Specific Indemnity Escrow Fund at such time, if any, minus (ii) the aggregate of the Buyer's good faith estimates of Losses set forth in any valid written notices of claims for indemnification with respect to claims under Item 1 on Schedule 9.1(f) that have timely been delivered to the Stockholders' Representative hereunder prior to the first anniversary of the Closing Date that remain pending or unresolved, minus (iii) $4,000,000.

(d) Subject to the terms of the Escrow Agreement, within five (5) Business Days following the second anniversary of the Closing Date, Buyer and the Stockholders' Representative shall jointly instruct the Escrow Agent to pay to the Stockholders' Representative or its designees pursuant to Section 9.7(a) an amount equal to (i) the remaining amount of the Specific Indemnity Escrow Fund at such time, if any, minus (ii) the aggregate of the Buyer's good faith estimates of Losses set forth in any valid written notices of claims for indemnification with respect to claims under Item 1 on Schedule 9.1(f) that have timely been delivered to the Stockholders' Representative hereunder prior to the second anniversary of the Closing Date that remain pending or unresolved, minus (iii) $2,000,000.

(e) Subject to the terms of the Escrow Agreement, within five (5) Business Days following the third anniversary of the Closing Date, Buyer and the Stockholders' Representative shall jointly instruct the Escrow Agent to pay to the Stockholders' Representative or its designees pursuant to Section 9.7(a) an amount equal to the aggregate amount of the remaining Specific Indemnity Escrow Fund less the aggregate of the Buyer's good faith estimates of Losses set forth in any valid written notices of claims for indemnification with respect to claims under Item 1 on Schedule 9.1(f) that have timely been delivered to the Stockholders' Representative hereunder prior to the third anniversary of the Closing Date that remain pending or unresolved. Any reserve amount held in the Escrow Account following the third anniversary of the Closing Date that is not expended in resolving such claim shall, upon joint written instruction to the Escrow Agent by Buyer and the Stockholders' Representative, be disbursed to the Stockholders' Representative or its designee pursuant to Section 9.7(a) after final resolution of the Claim to which it relates.

(f) Notwithstanding anything to the contrary in this Agreement, within five (5) Business Days following the final resolution of the matter referenced in Item 1 on Schedule 9.1(f), Buyer and the Stockholders' Representative shall jointly instruct the Escrow Agent to pay to the Stockholders' Representative or its designees pursuant to Section 9.7(a) an amount equal to the aggregate amount of the remaining Specific Indemnity Escrow Fund.

## ARTICLE X

## MISCELLANEOUS

Section 10.1 Fees and Expenses. Except as otherwise expressly provided herein, each Party shall pay its own fees, costs and expenses incurred in connection herewith and the transactions contemplated hereby, including the fees, costs and expenses of its financial advisors, accountants and counsel; provided, that (i) the Company Transaction Expenses shall be paid by the Company and deducted from the Merger Consideration pursuant to Section 2.2, and (ii) Buyer shall pay all fees, costs and expenses (including attorneys' fees) of the Escrow Agent.

Section 10.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered in person or by facsimile, (b) on the next Business Day when sent by overnight courier, or (c) on the second succeeding Business Day when sent by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified by like notice):

If to Buyer or Merger Sub, to:

Charles River Laboratories International, Inc.
251 Ballardvale Street
Wilmington, MA 01887
Attention: Matthew Daniel, Corporate Vice President, Deputy General Counsel
Telephone: 781-222-6273
Facsimile: 978-988-5665

with a copy (which shall not constitute notice) to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017
Attention: Michael Davis
Telephone: 212-450-4184
Facsimile: 212-701-5184

If to the Company (prior to the Closing) to:

WRH, Inc.
c/o American Capital Equity
Two Bethesda Metro Center
12th Floor
Bethesda, MD 20814
Attention: Compliance Officer
Facsimile No.: (301) 654-6714

with a copy (which shall not constitute notice) to:

King & Spalding LLP
1180 Peachtree Street, N.E.
Atlanta, Georgia 30309-3521
Attention: Raymond E. Baltz, Jr.
Telephone: (404) 572-4715
Facsimile: (404) 572-5100

If to the Stockholders' Representative to:

American Capital Equity III, LP
c/o American Capital Equity
Two Bethesda Metro Center
12th Floor
Bethesda, MD 20814
Attention: Compliance Officer
Facsimile No.: (301) 654-6714

with a copy (which shall not constitute notice) to:

King & Spalding LLP
1180 Peachtree Street, N.E.
Atlanta, Georgia 30309-3521
Attention: Raymond E. Baltz, Jr.
Telephone: (404) 572-4715
Facsimile: (404) 572-5100

Section 10.3 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other terms, conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the fullest extent possible.

Section 10.4 Binding Effect; Assignment. This Agreement and all of the provisions hereof shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, directly or indirectly, including by operation of law, by any Party without the prior written consent of the other Parties; provided, that (i) Buyer and Merger Sub shall be permitted, without the consent of any other party hereto, to make a collateral assignment to any lender (or agent thereof) providing debt financing in connection with the transactions contemplated by this Agreement and (ii) Buyer shall be permitted, without the consent of any other party hereto, to assign its rights and obligations hereunder, in whole or in part, to any Affiliate of Buyer; provided that, in each case of clauses (i) and (ii), notwithstanding any such assignment, Buyer and Merger Sub, as applicable, shall remain responsible for all of their respective obligations pursuant to this Agreement.

Section 10.5 No Third Party Beneficiaries. Except as otherwise provided in Section 5.5 and Section 10.18, this Agreement is exclusively for the benefit of the Company, and its respective successors and permitted assigns, with respect to the obligations of Buyer and Merger Sub under this Agreement, and for the benefit of Buyer and Merger Sub, and their respective successors and permitted assigns, with respect to the obligations of the Company under this Agreement, and this Agreement shall not be deemed to confer upon or give to any other third party any remedy, claim, liability, reimbursement, cause of action or other right. Notwithstanding anything herein to the contrary, the Company shall have the right to enforce the rights of the Equity Holders to pursue damages in the event of Buyer's or Merger Sub's material breach of this Agreement, in which event the damages recoverable by the Company for itself and on behalf of the Equity Holders shall be determined by reference to the total amount that would have been recoverable by the Equity Holders if all such Equity Holders brought an action against Buyer or Merger Sub and were recognized as intended third party beneficiaries hereunder.

Section 10.6 Section Headings. The Article and Section headings contained in this Agreement are exclusively for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement.

Section 10.7 Consent to Jurisdiction, Etc.. Each Party hereby irrevocably agrees that any Legal Dispute shall be brought only to the exclusive jurisdiction of the courts of the State of Delaware or the federal courts located in the State of Delaware, and each Party hereby consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by Law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding that is brought in any such court has been brought in an inconvenient forum. During the period a Legal Dispute that is filed in accordance with this Section 10.7 is pending before a court, all actions, suits or proceedings with respect to such Legal Dispute or any other Legal Dispute, including any counterclaim, cross-claim or interpleader, shall be subject to the exclusive jurisdiction of such court. Each Party hereby waives, and shall not assert as a defense in any Legal Dispute, that (a) such Party is not subject to the personal jurisdiction thereof, (b) such action, suit or proceeding may not be brought or is not maintainable in such court, (c) such Party's property is exempt or immune from execution, (d) such action, suit or proceeding is brought in an inconvenient forum, or (e) the venue of such action, suit or proceeding is improper. A final judgment in any action, suit or proceeding described in this Section 10.7 following the expiration of any period permitted for appeal and subject to any stay during appeal shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Laws. EACH OF THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY ON ANY CLAIMS OR COUNTERCLAIMS ASSERTED IN ANY LEGAL DISPUTE RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AND FOR ANY COUNTERCLAIM RELATING THERETO. IF THE SUBJECT MATTER OF ANY SUCH LEGAL DISPUTE IS ONE IN WHICH THE WAIVER OF JURY TRIAL IS PROHIBITED, NO PARTY SHALL ASSERT IN SUCH LEGAL DISPUTE A COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, UNLESS FAILURE TO BRING SUCH COUNTERCLAIM WOULD RESULT IN A WAIVER OR ESTOPPEL THEREOF, OR OTHERWISE PREJUDICE SUCH PARTY'S RIGHTS IN ANY MATERIAL RESPECT. FURTHERMORE, NO PARTY SHALL SEEK TO CONSOLIDATE ANY SUCH LEGAL DISPUTE WITH A

SEPARATE ACTION OR OTHER LEGAL PROCEEDING IN WHICH A JURY TRIAL CANNOT BE WAIVED.

Section 10.8 Entire Agreement. This Agreement (including the Schedules and Exhibits attached hereto), the Confidentiality Agreement, the Escrow Agreement, the Letters of Transmittal, the Support Agreements and the other documents delivered pursuant hereto or thereto constitute the entire agreement among the Parties with respect to the subject matter of this Agreement and supersede all other prior agreements and understandings, both written and oral, between the Parties with respect to the subject matter of this Agreement. Each Party acknowledges and agrees that, in entering into this Agreement, such Party has not relied on any promises or assurances, written or oral, that are not reflected in this Agreement (including the Schedules and Exhibits attached hereto), the Confidentiality Agreement, the Escrow Agreement and the other documents delivered pursuant to this Agreement.

Section 10.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof) as to all matters, including matters of validity, construction, effect, performance and remedies.

Section 10.10 Specific Performance. The Parties acknowledge that the rights of each Party to consummate the transactions contemplated hereby are unique and recognize and affirm that in the event of a breach of this Agreement by any Party, money damages may be inadequate and the non-breaching Party may have no adequate remedy at law. Accordingly, the Parties agree that such non-breaching Party shall have the right, in addition to any other rights and remedies existing in their favor at law or in equity, to enforce their rights and the other Party's obligations hereunder not only by an action or actions for damages but also by an action or actions for specific performance, injunctive and/or other equitable relief (without posting of bond or other security), including any order, injunction or decree sought by the Company and/or the Stockholders' Representative to cause Buyer and/or Merger Sub to perform its agreements and covenants contained in this Agreement. Each Party further agrees that the only permitted objection that it may raise in response to any action for equitable relief is that it contests the existence of a breach or threatened breach of this Agreement.

Section 10.11 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or e-mail shall be as effective as delivery of a manually executed counterpart of the Agreement.

Section 10.12 Amendment; Modification. This Agreement may be amended, modified or supplemented at any time only by written agreement of the Parties.

Section 10.13 Time of Essence. With regard to all dates and time periods set forth in this Agreement, time is of the essence.

Section 10.14 Administrative Expense Account.

(a) The Stockholders' Representative shall hold the Administrative Expense Amount in the Administrative Expense Account as a fund from which the Stockholders' Representative may pay any amounts due by the Equity Holders hereunder, including, any losses, third-party fees, expenses or costs it incurs in performing its duties and obligations under this Agreement by or on behalf of the Equity Holders, including fees and expenses incurred pursuant to the procedures and provisions set forth in Section 2.8 and legal and consultant fees, expenses and costs for reviewing, analyzing and defending any claim or process arising under or pursuant to this Agreement (collectively, "Administrative Costs").

(b) Amounts drawn from the Administrative Expense Account to pay Administrative Costs shall be drawn to reflect each Equity Holder's liability for such Administrative Costs in accordance with its respective Pro Rata Percentage.

(c) At such time, and from time to time, that the Stockholders' Representative determines in its discretion that the Administrative Expense Amount will not be required for the payment of such fees, expenses or costs, the Stockholders' Representative shall, (i) *first*, distribute to the Paying Agent the amount of such remaining Administrative Expense Amount, if any, required to satisfy the payments to be made to holders of the Preferred Stock pursuant to Sections 2.2(b)(i) through (v), for further distribution to the holders of Preferred Stock in the order of priority set forth in Sections 2.2(b)(i) through (v); and (ii) *thereafter*, only to the extent a portion of such Administrative Expense Amount remains unpaid, (x) pay to the Paying Agent an amount equal to the remainder of the Administrative Expense Amount multiplied by the aggregate Pro Rata Percentages of the Stockholders, for further distribution to the Stockholders in accordance with their respective Pro Rata Percentages, and (y) pay to the Company an amount equal to the remainder of the Administrative Expense Amount multiplied by the aggregate Pro Rata Percentages of the In-the-Money Option Holders, which the Company shall distribute through the Company's payroll system, to the In-the-Money Option Holders, less applicable withholding Tax, in accordance with their respective Pro Rata Percentages.

(d) The Stockholders' Representative shall report and withhold any Taxes (from amounts paid by or from the Administrative Expense Account) as required by applicable Law.

Section 10.15 Stockholders' Representative.

(a) By virtue of the adoption of this Agreement, the delivery of the Letters of Transmittal and/or acceptance of any portion of the Merger Consideration, each Equity Holder shall be deemed to have designated the Stockholders' Representative to execute any and all instruments or other documents on behalf of such Equity Holder, and to do any and all other acts or things on behalf of such Equity Holder, which the Stockholders' Representative may deem necessary or advisable, or which may be required pursuant to this Agreement, the Escrow Agreement or otherwise, in connection with the consummation of the transactions contemplated hereby or thereby and the performance of all obligations hereunder or thereunder at or following the Closing, including, but not limited to, the exercise of the power to: (i) negotiate and execute the Escrow Agreement on behalf of each Equity Holder, (ii) act for each Equity Holder with respect to any Merger Consideration Adjustment, (iii) give and receive notices and communications to or from Buyer and/or the Escrow Agent relating to this Agreement, the Escrow Agreement or any of the transactions and other matters contemplated hereby or thereby (except to the extent that this Agreement or the Escrow Agreement expressly contemplates that any such notice or communication shall be given or received by such Equity Holders individually), and (iv) take all actions necessary or appropriate in the judgment of the Stockholders' Representative for the accomplishment of the foregoing. The Stockholders' Representative shall have authority and power to act on behalf of each Equity Holder with respect to the disposition, settlement or other handling of all claims under this Agreement and the Escrow Agreement and all rights or obligations arising under this Agreement and the Escrow Agreement. The Equity Holders shall be bound by all actions taken and documents executed by the Stockholders' Representative in connection with this Agreement and the Escrow Agreement, and Buyer shall be entitled to rely on any action or decision of the Stockholders' Representative. The Stockholders' Representative shall receive no compensation for its services. Notices or communications to or from the Stockholders' Representative shall constitute notice to or from each Equity Holder.

(b) In performing the functions specified in this Agreement, the Stockholders' Representative shall not be liable to any Equity Holder in the absence of gross negligence or willful misconduct on the part of the Stockholders' Representative. Each Equity Holder shall severally (based on each such Equity Holder's Pro Rata Percentage), and not jointly, indemnify and hold harmless the Stockholders' Representative from and against any loss incurred without gross negligence or willful misconduct on the part of the Stockholders' Representative and arising out of or in connection with the acceptance or administration of its duties hereunder.

Section 10.16 Schedules. Disclosure of any fact or item in any Schedule hereto referenced by a particular Section in this Agreement shall be deemed to have been disclosed with respect to every other Section in this Agreement in respect of which the applicability of such disclosure is reasonably apparent on its face. The specification of any dollar amount in the representations or warranties contained in this Agreement or the inclusion of any specific item in any Schedules hereto is not intended to imply that such amounts, or higher or lower amounts or the items so included or other items, are or are not material, and no Party shall use the fact of the setting of such amounts or the inclusion of any such item in any dispute or controversy as to whether any

obligation, items or matter not described herein or included in a Schedule is or is not material for purposes of this Agreement

Section 10.17 Conflict Waiver. King & Spalding LLP has represented the Company and the Equity Holders. All Parties recognize the commonality of interest that exists and will continue to exist until Closing, and the Parties agree that such commonality of interest should continue to be recognized after the Closing. Specifically, Buyer agrees that (a) it shall not, and shall not cause the Company or any Affiliate of the Company to, seek to have King & Spalding LLP disqualified from representing any Equity Holder or such Equity Holder's Affiliates in connection with any dispute that may arise between such parties and Buyer or the Company in connection with this Agreement or the transactions contemplated by this Agreement on the basis of King & Spalding LLP's prior representation of the Company and the Equity Holders in connection with this Agreement and the transactions contemplated hereby, and (b) in connection with any such dispute, the Equity Holders or the Equity Holders' Affiliates involved in such dispute (and not Buyer or the Company) will have the right to decide whether or not to waive the attorney-client privilege that may apply to any communications between the Company and King & Spalding LLP that occurred prior to the Closing. Buyer further agrees that, as to all communications among King & Spalding LLP, any Equity Holder, the Company, any of its Subsidiaries, and/or the Stockholders' Representative that relate in any way to the transactions contemplated by this Agreement, the attorney-client privilege and the expectation of client confidence belongs to the Stockholders' Representative and may be controlled by the Stockholders' Representative and shall not pass to or be claimed by the Buyer, the Company or any of its Subsidiaries; provided that with respect to communications among King & Spalding LLP and the Company or any of its Subsidiaries, such agreement shall only apply to communications occurring prior to the Closing. Notwithstanding the foregoing, in the event that a dispute arises between the Buyer, the Company or any of its Subsidiaries and a third party other than a party to this Agreement after the Closing, the Company and its Subsidiaries may assert the attorney-client privilege to prevent disclosure of confidential communications by King & Spalding LLP or any Equity Holder to such third party; provided, however, that neither the Company nor any of its Subsidiaries may waive such privilege without the prior written consent of the Stockholders' Representative.

Section 10.18 No Recourse. Except in the case of a claim for fraud in the breach of any representation or warranty set forth in ARTICLE III or ARTICLE IV, all claims, obligations, liabilities, or causes of action (whether in contract or in tort, in law or in equity, or granted by statute) that may be based upon, in respect of, arise under, out or by reason of, be connected with, or relate in any manner to this Agreement, or the negotiation, execution, or performance of this Agreement (including any representation or warranty made in, in connection with, or as an inducement to, this Agreement), may be made only against (and such representations and warranties are those solely of) a Party and then only with respect to the specific obligations set forth herein with respect to such Party. No Person who is not a Party, including any current, former or future director, officer, employee, incorporator, member, partner, manager, stockholder, Affiliate, agent, attorney, representative or assignee of, and any financial advisor or lender to, any Party, or any current, former or future director, officer, employee, incorporator, member, partner, manager, stockholder, Affiliate, agent, attorney, representative or assignee of, and any financial advisor or lender to, any of the foregoing (collectively, the "Nonparty Affiliates"), shall have any liability (whether in contract or in tort, in law or in equity, or granted by statute) for any claims, causes of action, obligations, or liabilities arising under, out of, in connection with, or related in any manner to this Agreement or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance, or breach, and, to the maximum extent permitted by Laws, each Party hereby waives and releases all such liabilities, claims, causes of action, and obligations against any such Nonparty Affiliates. Without limiting the foregoing, to the maximum extent permitted by Laws, and except in the case of a claim for fraud in the breach of any representation or warranty set forth in ARTICLE III or ARTICLE IV, (a) each Party hereby waives and releases any and all rights, claims, demands, or causes of action that may otherwise be available at law or in equity, or granted by statute, to avoid or disregard the entity form of a Party or otherwise impose liability of a Party on any Nonparty Affiliate, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or otherwise, and (b) each Party disclaims any reliance upon any Nonparty Affiliates with respect to the performance of this Agreement or any representation or warranty made in, in connection with, or as an inducement to this Agreement. Nothing in this Section 10.18 shall limit, amend or modify any Party's

rights, liabilities or obligations under any Letter of Transmittal or any Support Agreement entered into by such Party.

Section 10.19 Construction.

(a) Unless the context of this Agreement otherwise clearly requires, (i) references to the plural include the singular, and references to the singular include the plural, (ii) references to one gender include the other gender, (iii) the words "include," "includes" and "including " do not limit the preceding terms or words and shall be deemed to be followed by the words "without limitation", (iv) the terms "hereof", "herein", "hereunder", "hereto" and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, (v) the terms "day" and "days" mean and refer to calendar day(s), and vi) the terms "year" and "years" mean and refer to calendar year(s).

(b) Unless otherwise set forth in this Agreement, references in this Agreement to (i) any document, instrument or agreement (including this Agreement) (A) includes and incorporates all exhibits, schedules and other attachments thereto, (B) includes all documents, instruments or agreements issued or executed in replacement thereof and (C) means such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified or supplemented from time to time in accordance with its terms and in effect at any given time, and (ii) a particular Law means such Law, as amended, modified, supplemented or succeeded from time to time and in effect on the date hereof and the rules and regulations promulgated thereunder. All Article, Section, Exhibit and Schedule references herein are to Articles, Sections, Exhibits and Schedules of this Agreement, unless otherwise specified.

(c) This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if all Parties had prepared it.

[Signatures follow on next page.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first above written.

BUYER:

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

By: /s/ James Foster

Name: James Foster

Title: Chairman, President and CEO

MERGER SUB:

PRETZEL ACQUISITION CORPORATION

By: /s/ David Johst
Name: David Johst
Title: Secretary and Treasurer

COMPANY:

WRH, INC.

By: /s/ David Spaight
Name: David Spaight
Title: Chairman, CEO and President

[Signature Pages Continue]

[Signature page to Agreement and Plan of Merger]

STOCKHOLDERS' REPRESENTATIVE:

AMERICAN CAPITAL EQUITY III, LP, solely in its capacity as the Stockholders' Representative

By: American Capital Equity GP III, LP, its General Partner

By: American Capital Equity Management, LLC, its General Partner

By: /s/ Justin DuFour
Name: Justin DuFour
Title: SVP and Partner

[Signature page to Agreement and Plan of Merger]

**EXHIBIT A**

**DEFINITIONS**

For purposes of this Agreement, each of the following terms (including the singular and plural thereof, as applicable) shall have the meaning set forth below:

"2007 Acquisition Agreement" means the Agreement and Plan of Merger dated as of July 10, 2007 by and among WRH Intermediate Holding, Inc., WRH Acquisition, Inc., WIL Research Holding Company, Inc. and Behrman Capital III L.P., solely in its capacity as the stockholders' representative thereunder.

"Action" means any action, complaint, claim, arbitration, hearing, litigation, charge, suit, investigation, review, audit, demand letter, warning letter, request for information or other proceeding, in each case, by or before any arbitrator, mediator or Governmental Entity.

"Adjustment Escrow Amount" means an amount equal to $750,000.

"Adjustment Escrow Fund" has the meaning given to such term in the Escrow Agreement.

"Administrative Expense Account" means the account maintained by the Stockholders' Representative into which the payment required by the Equity Holders in accordance with Section 2.3(d) shall be made and any successor account in which the Administrative Expense Amount shall be held by the Stockholders' Representative.

"Administrative Expense Amount" means $500,000.00, and any earnings on such amount, as such amount may be reduced from time to time by payments made therefrom in accordance with the terms of this Agreement.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by, or under common control with, such specified Person; provided, however, none of American Capital Equity III, LP, American Capital Equity II, LP, American Capital Equity I, LP or any of their respective portfolio companies (other than the Company (but solely with respect to a determination made prior to the Closing Date)) shall be deemed an Affiliate of the Stockholder's Representative or any Equity Holder for any reason hereunder.

"Aggregate Liquidation Amount" means the aggregate amount of the Series A Liquidation Amounts with respect to all shares of Series A Preferred Stock, plus the Series B Liquidation Amounts with respect to all shares of Series B Preferred Stock, plus the Series C Liquidation Amounts with respect to all shares of Series C Preferred Stock, plus the Series D Liquidation Amounts with respect to all shares of Series D Preferred Stock, plus the Series E Liquidation Amounts with respect to all shares of Series E Preferred Stock.

"Aggregate Option Exercise Price" means the aggregate exercise price payable by all In-the-Money Option Holders with respect to the In-the-Money Options.

"Antitrust Laws" means statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

"Approving Persons" means each of American Capital Equity II, LP, American Capital Equity III, LP, Steve Barkyoumb, JP Briffaux, Stephane Bulle, Alan Findlater; Wilbert Frieling, Nutan Gangrade, John Maxwell, Jos Mertens, Howard Moody, Andrew Nathanson, George Parker, David Spaight, Don Stump and Andy Vick.

"Audit Support Amount" means an amount equal to any fees or costs paid by the Company to its auditor, KPMG or Rich Feigel in obtaining the 2015 Audited Financials that are incremental to such costs that would have been incurred beyond the amount set forth in the respective engagement letters with the Company or its Subsidiaries as of the date hereof (and which have been furnished to Buyer prior to the date hereof) but for the condition in Section 6.3(e); provided, that the Audit Support Amount shall not exceed $250,000.

"Balance Sheet Date" means the date of Interim Balance Sheet.

"Business Day" means any day except Saturday, Sunday or any days on which banks are generally not open for business in New York, New York.

"Buyer Fundamental Representations" means the representations and warranties of the Buyer set forth in Section 4.1 (Organization), Section 4.2 (Authorization), Section 4.5 (Financial Capability), Section 4.6 (Organization of Merger Sub), Section 4.7 (Solvency) and Section 4.8 (Certain Fees).

"Buyer Indemnified Parties" means Buyer and its Affiliates, and each of their respective officers, directors, members, managers, shareholders, employees, agents, trustees and representatives and each of the heirs, executors, successors and assigns of any of the foregoing.

"Buyer Rep and Warranty Policy" means the representation and warranty policy acquired by Buyer, at Buyer's cost, in connection with the transactions contemplated by this Agreement

"Cash and Cash Equivalents" means the cash, cash equivalents, checks received but not cleared to the extent that the amounts to be paid by such checks have been applied to reduce a category of current assets reflected in Net Working Capital, checks issued but not cleared to the extent that the amounts to be paid by such checks have been applied to reduce a categories of current liabilities reflected in Net Working Capital and deposits in transit to the extent the amounts to be paid by such deposits in transit have been applied to reduce a category of current assets reflected in Net Working Capital of the Group Companies as of 11:59 p.m. Eastern time on the day immediately prior to the Closing Date, excluding any cash delivered to any Group Company pursuant to Section 2.2(b)(i) in respect of the Option Payments.

"Claims Period" means the period during which a claim for indemnification may be asserted under Article IX or Section 5.4 by an Indemnified Party.

"Class A Common Stock" means the Class A Voting Common Stock, par value $0.001 per share, of the Company.

"Class B Common Stock" means the Class B Non-Voting Common Stock, par value $0.001 per share, of the Company.

"Code" means the United States Internal Revenue Code of 1986.

"Collective Bargaining Agreement" means any agreement, memorandum of understanding or other contractual obligation between the Company or any of its Subsidiaries and any labor organization or other authorized employee representative representing Service Providers.

"Common Stock" means the Class A Common Stock and the Class B Common Stock.

"Company Benefit Plan" means any (i) "employee benefit plan" as defined in Section 3(3) of ERISA, (ii) compensation, employment, consulting, severance, termination protection, change in control, transaction bonus, retention or similar plan, agreement, arrangement, program or policy or (iii) other plan, agreement, arrangement, program or policy providing for compensation, bonuses, profit-sharing, equity or equity-based compensation or other forms of incentive or deferred compensation, vacation benefits, insurance (including any self-insured arrangement), medical, dental, vision, prescription or fringe benefits, life insurance, relocation

or expatriate benefits, perquisites, disability or sick leave benefits, employee assistance program, workers' compensation, supplemental unemployment benefits or post-employment or retirement benefits (including compensation, pension, health, medical or insurance benefits), in each case whether or not written (x) that is sponsored, maintained, administered, contributed to or entered into by the Company or any of its Affiliates for the current or future benefit of any current or former Service Provider or (y) for which any Group Company has any direct or indirect liability. For the avoidance of doubt, a Collective Bargaining Agreement shall constitute an agreement for purposes of clauses (ii) and (iii).

"Company Certificate" shall mean the Amended and Restated Certificate of Incorporation of the Company, dated July 17, 2007.

"Company Fundamental Representations" means the representations and warranties of the Company set forth in Section 3.1 (Organization), Section 3.2 (Authorization), Section 3.3 (Capitalization), Section 3.19 (Certain Fees), and Section 3.21 (Affiliate Transactions).

"Company Software" means any software (other than "off the shelf" software) owned by a Group Company, together with any related source code, object code, firmware, operating systems and specifications.

"Company Stock" means all of the issued and outstanding Common Stock and Preferred Stock.

"Company Subsidiary" means any Subsidiary of the Company.

"Company Transaction Expenses" means the legal, accounting, financial advisory, and other advisory, transaction or consulting fees and expenses incurred by the Group Companies, the Stockholders' Representative or the Equity Holders in connection with the transactions contemplated by this Agreement, including (a) any fees and expenses payable under the terms of the Managerial Assistance Agreement, (b) transaction-related bonuses, retention awards, change in control or severance payments or other similar amounts payable by any Group Company in connection with the consummation of the transactions contemplated by this Agreement together with any related employment or payroll Taxes payable by any Group Company (including, for avoidance of doubt, any employment or payroll Taxes payable in connection with any Option Payment or payment in respect of the SAR Closing Payment Amount), in each case to the extent not paid at or prior to the Closing by the Group Companies, the Stockholders' Representative or the Equity Holders, (c) the amount of the D&O Tail Premium and (d) all fees, costs and expenses (including attorneys' fees) of the Paying Agent; provided, that the Company Transaction Expenses shall not include (i) the SAR Closing Payment Amount or (ii) any severance payments owed to any Service Provider as a result of the termination by Buyer or its Affiliates of such Service Provider's relationship with a Group Company at or after the Closing.

"Confidentiality Agreement" means that certain confidentiality agreement by and between WIL Research Company, Inc. and Buyer, dated October 15, 2015.

"Contract" means any contract, agreement, lease, note, license or other commitment, in each case, to which any Group Company is legally bound, whether written or oral, and all amendments, side letters, modifications and supplements thereto.

"Covered Employee" means any Approving Person who is also a Service Provider and any employee of the Company or any of its Subsidiaries whose annual base compensation is $150,000 or more or who has the title of Vice President or above.

"Covered Taxes" means (i) any Taxes of a Group Company (or any predecessor) for a Pre-Closing Tax Period, (ii) any liability of a Group Company (or any predecessor) for the payment of a Tax as a result of the Group Company or predecessor being or having been before the Closing a member of an affiliated, consolidated, combined or unitary group, as a result of which liability of the Group Company or predecessor to a Taxing authority is determined or taken into account with reference to the activities of any other Person (including, without limitation, any liability of a Group Company pursuant to Treasury Regulations Section

1.1502-6), (iii) any liability of a Group Company (or any predecessor) for the payment of any amount as a result of being a party to any Tax sharing agreement before the Closing, (iv) any Loss resulting from a breach of any representation in Section 3.13 (Taxes; Tax Returns) or any covenant of the Equity Holders or the Stockholders' Representative in Section 5.4 (Tax Indemnity; Other Tax Matters); and (v) any employment or payroll Taxes payable by Buyer, any Group Company or any of their Affiliates in respect of any amounts paid under this Agreement to any In-the-Money Option Holder in respect of an In-the-Money Option or SAR Participant in respect of a SAR Unit, in each case except to the extent otherwise taken into account in the determination of Final Closing Company Transaction Expenses. Notwithstanding the foregoing, the term "Covered Taxes" shall not include any Taxes related to the matters set forth on Schedule A-1.

"Dissenting Shares" means any shares of Company Stock that are issued and outstanding immediately prior to the Effective Time and in respect of which appraisal rights have been properly demanded in accordance with the DGCL in connection with the Merger.

"Environmental Laws" means all domestic, foreign or transnational federal, state and local Laws relating to (i) human health and safety, (ii) the protection, preservation or remediation of the environment or natural resources, including surface or ground water, drinking water supply, soil, surface or subsurface strata or medium, or ambient air or pollution control or (iii) the exposure to, or storage, recycling, treatment, generation, transportation, production, Release, threatened Release or disposal of Hazardous Substances.

"Environmental Permits" means all material Licenses applicable to any Group Company issued pursuant to or relating to Environmental Laws.

"Equity Holder Indemnified Parties" means each Equity Holder and its respective Affiliates, and each of their respective officers, directors, members, managers, shareholders, employees, agents, trustees and representatives and each of the heirs, executors, successors and assigns of any of the foregoing.

"Equity Holders" means the Stockholders and the Option Holders.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Escheat Payment" means any payment required to be made to any Governmental Entity pursuant to an abandoned property, escheat or similar Law.

"Escrow Agent" means U.S. Bank National Association.

"Escrow Agreement" means the Escrow Agreement, by and among Buyer, the Stockholders' Representative and the Escrow Agent, substantially in the form attached hereto as Exhibit C, subject to any comments requested by the Escrow Agent and mutually agreed by Buyer and the Stockholders' Representative.

"FDA" means the U.S. Food and Drug Administration and corresponding regulatory agencies in other counties and states of the United States;

"Final Audit Support Amount" means the Audit Support Amount as set forth in the Final Closing Statement.

"Final Closing Cash" means the aggregate amount of Closing Cash set forth in the Final Closing Statement.

"Final Closing Company Transaction Expenses" means the aggregate amount of Closing Company Transaction Expenses set forth in the Final Closing Statement.

"Final Closing Indebtedness" means the aggregate amount of Closing Indebtedness set forth in the Final Closing Statement.

"Final Closing Net Working Capital" means the aggregate amount of Closing Net Working Capital set forth in the Final Closing Statement.

"Final Closing Statement" means the Preliminary Closing Statement as finally determined pursuant to Section 2.8.

"Final Merger Consideration Amount" means the amount of the Merger Consideration as set forth in the Final Closing Statement.

"Fully Diluted Shares" means, as of the time of determination, the sum of (a) the aggregate number of shares of Common Stock outstanding as of such time, plus (b) the aggregate number of shares of Common Stock issuable upon the conversion of all shares of Preferred Stock outstanding as of such time, plus (c) the aggregate number of shares of Common Stock into which the In-the-Money Options are exercisable as of such time.

"GAAP" means generally accepted accounting principles in the United States as applied consistently with the past practices of the Company in the preparation of the year-end audited financial statements.

"General Indemnity Escrow Amount" means an amount equal to $1,462,500.

"General Indemnity Escrow Fund" has the meaning given to such term in the Escrow Agreement.

"Good Clinical Practice" means any applicable Law, guidance of any Governmental Entity and prevailing industry practices concerning the conduct of clinical trials, including 21 C.F.R. Parts 50, 54, 56 and 312.

"Good Laboratory Practice" means any applicable Law, guidance of any Governmental Entity and prevailing industry practices concerning the conduct of non-clinical trials, including 21 C.F.R. Part 58.

"Good Manufacturing Practice" means any applicable Law, guidance of any Governmental Entity and prevailing industry practices concerning manufacturing practices for pharmaceutical products (and components thereof), including 21 C.F.R. Parts 210, 211.

"Governmental Entity" means any transnational, domestic or foreign, federal, state or local government, any political subdivision thereof or any court, administrative or regulatory agency, department, instrumentality, body or commission or other governmental authority or agency.

"Group Companies" means, collectively, the Company and each of the Company Subsidiaries.

"Hazardous Substance" means any waste (human, animal or otherwise), pollutant, contaminant, hazardous substance, toxic, radioactive, radioisotopic or corrosive substance, including petroleum or petroleum-derived products or by-products, chemical liquids or solids, liquid or gaseous products, asbestos, lead, radon, polychlorinated biphenyls or any constituent of any of the foregoing or any substance included within any definition of "hazardous substances", "hazardous waste", "special waste", "hazardous substance", "hazardous materials", "toxic substance", "toxic mold" or words of similar import under any Environmental Law.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"In-the-Money Option Holder" means a holder of In-the-Money Options.

"Indebtedness" means, without duplication, with respect to any Person, all obligations (including all obligations in respect of principal, accrued interest, penalties, breakage costs, fees and premiums) of such Person (including, for the avoidance of doubt, any prepayment or similar penalties with respect to the

prepayment of any of the foregoing or amounts that become payable as a result of the transactions contemplated hereby) (a) for borrowed money, (b) evidenced by notes, bonds, debentures, hedging or swap arrangements or similar contracts or instruments, (c) for the deferred purchase price of assets, property, goods or services including obligations under any "earn-outs" or similar obligations (including amounts due to former owners of any Group Company other than trade payables or accruals incurred in the Ordinary Course and that are not past due) and with respect to any conditional sale, title retention, consignment or similar arrangements, (d) by which such Person assured a creditor against loss, including letters of credit, standby letters of credit and bankers' acceptances, in each case to the extent drawn upon or payable and not contingent, (e) in respect of the portion of any leases required under GAAP to be classified as capital leases, (f) in respect of any interest rate, currency hedging agreement or other similar instrument, (g) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of borrowing, (h) under Section 2.7(a) of the 2007 Acquisition Agreement, (i) accrued obligations in respect of severance obligations or bonuses for the 2015 fiscal year, and (j) accrued liabilities for contract termination fees and litigation costs, and (l) in the nature of guarantees of the obligations described in clauses (a) through (j) above of any other Person, in each case excluding intercompany indebtedness.

"Indemnified Party" means any Buyer Indemnified Party or Equity Holder Indemnified Party.

"Indemnity Escrow Amount" means an amount equal to the General Indemnity Escrow Amount plus the Specific Indemnity Escrow Amount.

"Indemnity Escrow Fund" has the meaning given to such term in the Escrow Agreement.

"Intellectual Property" means all of the following in any jurisdiction throughout the world (whether or not registered): (a) trademarks, service marks, trade dress, trade names, logos, including all variations, derivations and combinations thereof, (b) Internet domain names, Internet websites and URLs; (c) inventions, whether or not patentable, reduced to practice or made the subject of one or more pending patent applications; (d) national and multinational statutory invention registrations, patents and patent applications (including all reissues, divisions, continuations, continuations-in-part, extensions and reexaminations thereof) registered or applied for, all improvements to the inventions disclosed in each such registration, patent or patent application; (e) copyrights and copyrightable works, including all derivative works, moral rights, renewals, extensions, reversions or restorations associated with such copyrights and copyrightable works, now or hereafter provided by law, regardless of the medium of fixation or means of expression; (f) industrial designs; (g) registrations and applications for any of the foregoing; (h) trade secrets, know-how (including manufacturing and production processes and techniques and research and development information) and confidential information; (i) computer software (including the Company Software); (j) any goodwill associated with each of the foregoing; (k) databases and data collections; (l) all rights in all of the foregoing provided by treaties, conventions and common law; and (m) all rights to sue or recover and retain damages and costs and attorneys' fees for past, present and future infringement or misappropriation of any of the foregoing.

"International Plan" means any Company Benefit Plan that is not a US Plan.

"Knowledge of the Company" means the knowledge, after reasonable inquiry of their direct reports, of David Spaight, John Maxwell, Alan Findlater, Steve Barkyoumb, Wilbert Frieling, Nutan Gangrade, Jon Galli and Andrew Nathanson.

"Law" means any transnational, domestic or foreign statutes, rules, codes, regulations, ordinances or orders, injunctions, judgments, decrees, rulings, policies or other similar requirements of, or issued enacted, adopted, promulgated or applied by applicable Governmental Entities.

"Legal Dispute" means any action, suit or proceeding between or among the Parties arising in connection with any disagreement, dispute, controversy or claim arising out of or relating to this Agreement or any related document.

"Licensed Intellectual Property" means all Intellectual Property owned by a third party and licensed or sublicensed (or purported to be licensed or sublicensed) to any Group Company or for which any Group Company has obtained a covenant not to be sued.

"Licenses" means all licenses, permits (including environmental, construction and operation permits), franchises, registrations, clearances, notifications, approvals, authorizations and certificates issued by any Governmental Entity.

"Liens" means mortgages, liens, pledges, security interests, charges, claims, restrictions, options, rights of way, easements and encumbrances of any kind.

"Loss" means any damages, costs, expenses, penalties or fines, including reasonable attorney's fees and expenses and any expenses of investigation or remediation and including any costs or expenses in connection with any settlement, resolution or collections; provided that in no event will Loss include (a) any punitive or special damages, except to the extent paid to a third party, or (b) any amounts relating to unfunded pension liabilities in France.

"Lower Target Net Working Capital" means negative $1,570,203.00.

"Managerial Assistance Agreement" means the Managerial Assistance Agreement, dated as of April 23, 2012, by and among WIL Research Company, Inc., WIL U.S. Acquisition, Inc., WIL Research Laboratories, LLC, QS Pharma LLC, WRH, Inc., WIL Intermediate Holding, Inc., Biotechnics, LLC, Midwest BioResearch, LLC and American Capital, Ltd.

"Material Adverse Effect" means any change, development or occurrence that is or would reasonably be expected to be materially adverse to (i) the business, assets, operations, financial condition or results of operations of the Company and the Company Subsidiaries, taken as a whole; provided, that, for purposes of this clause (i), the term "Material Adverse Effect" shall not include any change, development or occurrence to the extent caused by (a) changes or proposed changes in laws, regulations or interpretations thereof or decisions by a court of relevant jurisdiction or any Governmental Entity, (b) changes or proposed changes in GAAP, (c) actions or omissions of the Group Companies required to be taken by this Agreement or taken with the prior written consent of Buyer pursuant to this Agreement, (d) general economic conditions, including changes in the credit, debt, financial, or capital markets (including changes in interest or exchange rates, prices of any security or market index or any disruption of such markets), in each case, in the United States or anywhere else in the world, (e) events or conditions generally affecting the industries in which the Group Companies operate, (f) global, national or regional political conditions, including national or international hostilities, acts of terror or acts of war, sabotage or terrorism or military actions or any escalation or worsening of any hostilities, acts of war, sabotage or terrorism or military actions, (g) pandemics, earthquakes, hurricanes, tornados or other natural disasters, (h) the announcement or pendency of this Agreement or the transactions contemplated hereby or the identity of Buyer in connection with the transactions contemplated hereby or (i) any failure to meet any projections, forecasts, guidance, estimates, milestones, budgets or financial or operating predictions of revenue, earnings, cash flow or cash position (provided, that (x) the matters described in clauses (b), (d), (e), (f) and (g) shall be included in the term "Material Adverse Effect" to the extent any such matter has a disproportionate, adverse impact on the business, assets, financial condition or results of operations of the Company and the Company Subsidiaries, taken as a whole, relative to other participants in the same business as the Group Companies and (y) clause (i) will not prevent a determination that any change or effect underlying any such change or failure, as applicable, has resulted in a Material Adverse Effect, to the extent such change or effect is not otherwise excluded from this definition of Material Adverse Effect), or (ii) the Company's ability to consummate the transactions contemplated by this Agreement.

"Net Working Capital" means (a) the consolidated current assets of the Group Companies (excluding Cash and Cash Equivalents, intercompany accounts and any income Tax-related assets), minus (b) the consolidated current liabilities of the Group Companies (excluding any Indebtedness, intercompany accounts, any income Tax related liabilities and any Company Transaction Expenses), in each case, as of immediately

prior to the Closing and calculated in accordance with the guidelines and including only those line items set forth on Exhibit D.

"Net Working Capital Adjustment" means the amount (which may be negative) equal to: (a) if the Net Working Capital is greater than the Upper Target Net Working Capital, an amount equal to the Net Working Capital minus the Upper Target Net Working Capital; (b) if the Net Working Capital is less than the Lower Target Net Working Capital, an amount equal to the Net Working Capital minus the Lower Target Net Working Capital; or (c) if the Net Working Capital is greater than the Lower Target Net Working Capital and less than the Upper Target Net Working Capital, an amount equal to $0.00.

"Option" has the meaning set forth in an Option Agreement.

"Option Agreement" means an option certificate pursuant to which an Option Holder has been granted Options by the Company, a list of which is set forth on Schedule 3.3(a).

"Option Holder" means a holder of Options.

"Ordinary Course" means the ordinary course of business of the Group Companies consistent with past practice.

"Organizational Documents" means, as applicable, (a) the certificate of incorporation, formation or organization (b) deed of incorporation, (c) articles of association, (d) bylaws, (e) any charter, limited liability company agreement, partnership agreement or similar document adopted or filed in connection with the creation, formation or organization of a Person, and (f) any amendment to any of the foregoing.

"Owned Intellectual Property" means all Intellectual Property owned (or purported to be owned) by and Group Company.

"Paid Indebtedness" means the Indebtedness of the type set forth in clauses (a) and (b) of the definition of "Indebtedness," including the Indebtedness set forth on Schedule I.

"Payoff Letters" means the payoff letters, each in a form and substance reasonably acceptable to Buyer, from each lender of Paid Indebtedness evidencing the aggregate amount of such Closing Indebtedness outstanding as of the Closing Date (including any interest accrued thereon and any prepayment or similar penalties and expenses associated with the prepayment of such Indebtedness on the Closing Date) and an agreement that, if such aggregate amount so identified is paid to such lender on the Closing Date, such Closing Indebtedness shall be repaid in full, no Group Company will have any further obligation or liability under such Indebtedness and that all Liens relating to such Indebtedness will be terminated and released.

"Pension Liability Amount" means an amount equal to $3,500,000.

"Permitted Liens" means (a) Liens for Taxes not yet due and payable or that are being contested in good faith and for which adequate reserves have been made on the Company's consolidated balance sheet in accordance with GAAP, (b) statutory Liens of landlords with respect to Leased Real Property, (c) Liens of carriers, warehousemen, mechanics, materialmen, and repairmen incurred in the Ordinary Course and not yet due and payable, (d) in the case of Real Property, (i) zoning, building, or other land use restrictions regulating the use or occupancy of such Real Property or the activities conducted thereon which are imposed by any Governmental Entity having jurisdiction over such Real Property and (ii) covenants, rights of way, encumbrances, easements and other similar matters of record affecting title to the Real Property, in each case, none of which, individually or in the aggregate, interfere in any material respect with the present use of or occupancy of the affected parcel by the applicable Group Company, (e) Liens securing the Indebtedness of any Group Company that will be terminated at or prior to Closing, (f) in the case of Intellectual Property, third party license agreements entered into in the Ordinary Course, and (g) Liens incurred pursuant to capital lease obligations of the Group Companies securing payments thereunder.

"Per Share Amount" means an amount, if positive, equal to (a) the Merger Consideration plus the Aggregate Option Exercise Price minus the Indemnity Escrow Amount minus the Adjustment Escrow Amount minus the Aggregate Liquidation Amounts, divided by (b) the number of Fully Diluted Shares as of the Closing Date.

"Person" means any individual, partnership, joint venture, corporation, trust, limited liability company, unincorporated organization or other entity or any Governmental Entity.

"Personal Data" means all data relating to one or more individual(s) that is personally identifying (i.e., data that identifies an individual or, in combination with any other information or data available to the Group Companies, is capable of identifying an individual).

"Post-Closing Tax Period" means any Tax period beginning after the Closing Date; and, with respect to a Straddle Tax Period, the portion of such Tax period beginning after the Closing Date.

"Pre-Closing Tax Period" means any Tax period ending on or before the Closing Date; and, with respect to a Straddle Tax Period, the portion of such Tax period ending on the Closing Date.

"Preferred Stock" means the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, and Series E Preferred Stock.

"Pro Rata Amount" means, with respect to the distribution of the Closing Date Proceeds pursuant to a particular subclause (i.e., subclauses (i) through (v)) of Section 2.2(b), a number expressed as a percentage, not to exceed 100%, equal to (a) the remaining amount of the Closing Date Payment Amount available for distribution after giving effect to all distributions under the preceding subclauses of Section 2.2(b), if any, divided by (b) the aggregate amount of the Series A Liquidation Amounts, the Series B Liquidation Amounts, the Series C Liquidation Amounts, the Series D Liquidation Amounts, or the Series E Liquidation Amounts, as applicable.

"Pro Rata Percentage" means, (i) with respect to any Stockholder, the percentage equal to the aggregate number of all outstanding shares of Common Stock held by such Stockholder immediately prior to the Effective Time assuming conversion of all shares of Preferred Stock into shares of Common Stock divided by the number of Fully Diluted Shares immediately prior to the Effective Time; (ii) with respect to any Option Holder, the percentage equal to the aggregate number of all outstanding shares of Common Stock underlying all outstanding In-the-Money Options held by such Option Holder immediately prior to the Effective Time divided by the number of Fully Diluted Shares immediately prior to the Effective Time; and (iii) with respect to any Equity Holder, the percentage equal to the aggregate number of all outstanding shares of Common Stock held by such Equity Holder immediately prior to the Effective Time assuming, if applicable, conversion of all shares of Preferred Stock into shares of Common Stock and exercise of all outstanding In-the-Money Options held by such Equity Holder divided by the number of Fully Diluted Shares immediately prior to the Effective Time.

"Real Property" means collectively, the Owned Real Property and the Leased Real Property.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, dumping or disposing into the environment.

"Representatives" of any Person shall mean such Person's directors, managers, officers, employees, agents, attorneys, consultants, advisors or other representatives.

"SAR Closing Payment Amount" shall mean the aggregate amount payable at the Closing to the SAR Participants pursuant to SAR Units.

"SAR Participants" shall mean the participants who have been issued SAR Units.

"SAR Plan" means the 2010 Executive Incentive Compensation Plan of the Company.

"SAR Units" means appreciation units issued under the SAR Plan.

"Schedules" means the disclosure schedules to this Agreement.

"Series A Liquidation Amount" means, with respect to each share of Series A Preferred Stock, an amount equal to $100 plus an amount equal to the accrued and unpaid dividends and distributions on such share of Series A Preferred Stock, whether or not declared, to the date of payment, including for any partial monthly period, calculated in accordance with the Company Certificate.

"Series A Preferred Stock" means the Series A Convertible Preferred Stock, par value $0.001 per share, of the Company.

"Series A Preferred Stockholder" shall mean any holder of shares of Series A Preferred Stock.

"Series B Liquidation Amount" means, with respect to each share of Series B Preferred Stock, an amount equal to $100 plus an amount equal to the accrued and unpaid dividends and distributions on such share of Series B Preferred Stock, whether or not declared, to the date of payment, including for any partial monthly period, calculated in accordance with the Company Certificate.

"Series B Preferred Stock" means the Series B Convertible Preferred Stock, par value $0.001 per share, of the Company.

"Series B Preferred Stockholder" shall mean any holder of shares of Series B Preferred Stock.

"Series C Liquidation Amount" means, with respect to each share of Series C Preferred Stock, an amount equal to $100 plus an amount equal to the accrued and unpaid dividends and distributions on such share of Series C Preferred Stock, whether or not declared, to the date of payment, including for any partial monthly period, calculated in accordance with the Company Certificate.

"Series C Preferred Stock" means the Series C Convertible Preferred Stock, par value $0.001 per share, of the Company.

"Series C Preferred Stockholder" shall mean any holder of shares of Series C Preferred Stock.

"Series D Liquidation Amount" means, with respect to each share of Series D Preferred Stock, an amount equal to $100 plus an amount equal to the accrued and unpaid dividends and distributions on such share of Series D Preferred Stock, whether or not declared, to the date of payment, including for any partial monthly period, calculated in accordance with the Company Certificate.

"Series D Preferred Stock" means the Series D Convertible Preferred Stock, par value $0.001 per share, of the Company.

"Series D Preferred Stockholder" shall mean any holder of shares of Series D Preferred Stock.

"Series E Liquidation Amount" means, with respect to each share of Series E Preferred Stock, an amount equal to $100 plus an amount equal to the accrued and unpaid dividends and distributions on such share of Series E Preferred Stock, whether or not declared, to the date of payment, including for any partial monthly period, calculated in accordance with the Company Certificate.

"Series E Preferred Stock" means the Series E Convertible Preferred Stock, par value $0.001 per share, of the Company.

"Series E Preferred Stockholder" shall mean any holder of shares of Series E Preferred Stock.

"Service Provider" means any director, officer, employee or individual independent contractor of any Group Company.

"Specific Indemnity Escrow Amount" means an amount determined pursuant to Schedule A-2.

"Specific Indemnity Escrow Fund" has the meaning given to such term in the Escrow Agreement.

"Stockholders Agreement" means the Stockholders Agreement of the Company, dated as of July 17, 2007, and as amended by Amendment No. 1 to the Company Stockholders Agreement, dated as of August 28, 2013.

"Stockholder Approval" means the approval of the Merger pursuant to Section 251 of the DGCL and the Company's Organizational Documents.

"Stockholders" means the holders of Company Stock.

"Stock Option Plans" means the Company's 2007 Long-Term Incentive Plan.

"Straddle Tax Period" means a Tax period that begins on or before the Closing Date and ends thereafter.

"Subsidiary or Subsidiaries" means any Person of which the Company (or other specified Person) shall own directly or indirectly through a Subsidiary, a nominee arrangement or otherwise at least a majority of the outstanding capital stock (or other shares of beneficial interest) entitled to vote generally or otherwise have the power to elect a majority of the board of directors or similar governing body.

"Target Net Working Capital" means negative $570,203.00.

"Tax Liability Amount" means an amount equal to $2,000,000.

"Taxes" means all federal, state, local or non-U.S. taxes, including income, franchise, capital stock, real property, personal property, tangible, withholding, employment, payroll, social security, social contribution, unemployment compensation, disability, stamp, transfer, registration, sales, use, excise, gross receipts, value-added and all other taxes and similar charges, fees, duties or levies of any kind whatsoever, including any Escheat Payment, in each case, whether disputed or not, and any additional amounts, interest or penalties imposed by any Governmental Entity with respect to any such taxes or similar charges, fees, duties or levies.

"Tax Return" means any report, return, declaration, claim for refund or information return or statement or other information required or permitted to be supplied to a Governmental Entity in connection with Taxes.

"Transaction Tax Benefit Amount" means an amount equal to $8,000,000.

"Treasury Regulations" means the Income Tax Regulations promulgated under the Code.

"Upper Target Net Working Capital" means $429,797.00.

"US Plan" means any Company Benefit Plan that covers Service Providers located primarily within the United States.

"WARN" means the Worker Adjustment and Retraining Notification Act and any comparable foreign, state or local law.

Additionally, each of the following terms is defined in the Section set forth opposite such term:

| Term | Section |
|---|---|
| 2015 Audited Financials | 6.3(e) |
| Accounting Firm | 2.8(d) |
| Administrative Costs | 10.14(a) |
| Agreement | Preamble |
| Bank Accounts | 3.25(a) |
| Buyer | Preamble |
| Buyer Closing Certificate | 6.2(c) |
| Buyer Losses | 9.1 |
| Capex Budget | 5.1(b)(v) |
| Certificate of Merger | 1.2 |
| Certificates | 2.6(a)(i) |
| Closing | 7.1 |
| Closing Audit Support Amount | 2.8(b) |
| Closing Cash | 2.8(b)(ii) |
| Closing Company Transaction Expenses | 2.8(b)(iv) |
| Closing Date | 7.1 |
| Closing Date Certificate | 2.1(b) |
| Closing Date Payment Amount | 2.2(b) |
| Closing Date Payment Certificate | 2.1(a) |
| Closing Indebtedness | 2.8(b)(iii) |
| Closing Net Working Capital | 2.8(b)(i) |
| Closing Threshold Date | 7.1 |
| Company | Preamble |
| Company Closing Certificate | 6.3(c) |
| Company Intellectual Property | 3.10(a) |
| Company Material Contract | 3.12(a) |
| Deductible Amount | 9.5(a)(ii) |
| De Minimis Threshold | 9.5(a)(i) |
| DGCL | Recitals |
| Due Diligence Materials | 4.9(a) |
| D&O Tail Premium | 5.5(b) |
| Effective Time | 1.2 |
| Enterprise Value | 2.2(a)(i) |
| Estimated Closing Company Transaction Expenses | 2.1(b) |
| Estimated Merger Consideration Amount | 2.1(b)(vi) |
| Excluded Employment Agreements | 3.12(a)(ix) |
| FCPA | 3.26(a) |
| Financial Statements | 3.6(a) |
| Financing | 5.10(a) |
| French VDA Process | 5.4(h) |
| In-the-Money Options | 2.5(d) |
| Indemnified Party | 9.3(a) |
| Indemnified Persons | 5.5(a) |
| Interim Balance Sheet | 3.6(a) |
| Interim Financial Statements | 3.6(a) |
| Initial Claims Period | 9.4(a)(i) |
| IRS | 3.17(b)(iii) |
| Lease | 3.9(e) |
| Leased Real Property | 3.9(d) |
| Letter of Transmittal | 2.6(a)(i) |

Merger Recitals
Merger Consideration 2.2(a)
Merger Consideration Adjustment 2.8(a)
Merger Sub Preamble
NLRB 3.18(a)
Nonparty Affiliates 10.18
Notice of Disagreement 2.8(c)
Option Payment 2.5(d)
Outside Date 8.1(f)
Owned Real Property 3.9(a)
Parties Preamble
Party Preamble
Paying Agent 2.2(c)
Preliminary Closing Statement 2.8(b)
Prior Actions 3.11(b)
Product and Professional Liability Tail Premium 5.12
Related Party 3.21
Section 262 Notice 5.7(b)(ii)
Stockholder Notices 5.7(b)(i)
Stockholders' Representative Preamble
Support Agreement Recitals
Surviving Corporation 1.1
Tax Contests 5.4(b)(ii)
Tax Losses 5.4(a)
Terminating Buyer Breach 8.1(c)(i)
Terminating Company Breach 8.1(b)(i)
Termination Fee 8.3
Third Party Claim 9.3(a)
Top 20 Clients 3.22(a)
Top 20 Vendors 3.22(a)
Upward Adjustment 2.8(f)(ii)
Vested Option 2.5(d)
WRE 3.17(d)

**Executive Incentive Compensation Program**

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**PURPOSE**

The Executive Incentive Compensation Program ("EICP" or the "Program") of Charles River Laboratories, Inc. (the "Company") is designed to focus corporate officers, senior-level management and other key employees on the achievement of organizational, financial and operational goals that have been identified as important for the success of the Company. The Program is also intended to attract and retain talented individuals with desired skills in a competitive labor market.

**DEFINITIONS**

As used herein, the following terms shall have the following meanings:

**"Annual Base Salary"** refers to a Participant's base rate of pay, annualized, as of the last day of the Program fiscal year. It does not include any additional payments that may have been made such as commissions, bonus payments, overtime pay or imputed income.

**"Award Amount"** is a dollar amount determined for each Participant by multiplying the Participant's Annual Base Salary by their Award Percentage for each performance measure. The Award Amounts for each performance measure are then aggregated to determine the total Award Amount.

**"Award Percentage"** is a percentage of the Target Percentage determined for each Participant by multiplying his or her Target Percentage by his or her actual performance rating at the end of a Program Year.

**"Participant"** means an employee of the Company who is eligible to participate in the EICP.

**"Program Year"** means the applicable Company fiscal year.

**"Target Award"** means a Participant's targeted award amount which is determined by multiplying the Participant's Annual Base Salary by his or her Target Percentage.

**"Target Percentage"** is a pre-determined percentage of a Participant's Annual Base Salary. Target Percentages are determined based on a Participant's salary grade at the end of a Program Year. Salary Grades of 88 through 93 and equivalent grades receive a single Target Percentage.

**"Target Percentage Range"** is a range of Target Percentages of a Participant's Annual Base Salary. Target Percentage Ranges are determined based on a Participant's salary grade at the end of a Program Year. Salary Grades of 94 and above receive a Target Percentage Range.

**ELIGIBILITY**

Regular, full-time employees who hold a position with a U.S. salary grade of 88 or higher (or current or future salary grade equivalents) are eligible to participate in the Program. In addition, in order to be eligible for participation in the Program, employees must be hired or promoted into an eligible salary grade position on or before June 30th of the applicable Program Year. Employees hired or promoted into an EICP eligible Salary Grade position on or after July 1st of a Program Year are eligible to participate in the Program the following fiscal year.

Employees, who participate in the Company's Technical Incentive Compensation Program (TICP) or other Company-approved bonus/incentive programs, including sales commission plans, are specifically excluded from participation in the EICP.

The Company's Chairman, President and Chief Executive Officer has the right to exclude otherwise eligible employees from the Program if they are eligible for alternate forms of incentive compensation (e.g., participation in a post-acquisition earn-out).

Participants who move from one eligible salary grade to another during the Program Year will participate on a full-year basis at the Target Percentage or Target Percentage Ranges, as applicable, corresponding to their new salary grade. Target Percentages and Target Percentage Ranges may be modified at the discretion of the Compensation Committee for individual Participants or salary grades.

**PERFORMANCE MEASURES**

Early in each Program Year, Participants are assigned financial and/or operational objectives which are established annually by the Company's Chairman, President and Chief Executive Officer and, in the case of Corporate Officers of the Company, are reviewed and approved by the Compensation Committee of the Board of Directors.

Each Participant's performance during the Program Year is measured against financial or other approved goals established for the Company, function and/or business unit(s) overseen or supported by the Participant. Company, function and/or business unit objectives are weighted to reflect their priority and to ensure that incentives are appropriately aligned with business objectives. Financial performance measures underlying Program targets for each Program Year are reviewed and approved annually in conjunction with the annual budget review process by the Company's Chairman, President and Chief Executive Officer; the Company's Corporate Executive Vice President, Human Resources, General Counsel and Chief Administrative Officer; the Board of Directors; and, as required, by the Compensation Committee.

Participants who are promoted and/or transferred during the Program Year and whose responsibilities are significantly modified may have their performance objectives modified, subject to the review and approval by the Company's Chairman, President and Chief Executive Officer and, as required, by the Compensation Committee.

**AWARD CALCULATIONS**

A Participant's Award Percentage is determined by evaluating actual performance against targeted objectives. Performance which falls below targeted objectives by a specified percentage, total dollar amount or other approved performance measures results in a zero performance rating, while performance which exceeds targeted objectives by a specified percentage, total dollar amount or other approved performance measures equates to a 250% performance rating (i.e., an EICP Award Percentage that is two and one half times the Participant's targeted percentage). These specified performance parameters establish the slope along which pay for performance is determined. Annual payouts for performance which exceed targeted objectives are subject to a cap equal to a maximum of 250% of target. However, if total Company performance for a given Program Year exceeds the maximum of the performance range established by the Board of Directors for that Program Year, 30% of the excess amount is made available for the Chairman, President and Chief Executive Officer to make upward modifications to the Award Percentages of certain Participants, at his discretion, subject to the limitation that any total Award Amount is capped at a payment level equal to 300% of target.

At the discretion of the Company's Chairman, President and Chief Executive Officer and with the concurrence of the Compensation Committee, a Participant's calculated Award Amount may be modified, upward or downward, if it is determined that the calculated amount does not accurately reflect actual performance.

**AWARD PAYMENTS**

Award Amount payments will be made to each Participant no later than 2 ½ months after the end of each Program Year.

**TERMINATION OF EMPLOYMENT**

In the event a Participant resigns or if the Participant's employment with the Company terminates for any voluntary or involuntary reason other than retirement, death, or disability at any time prior to the actual distribution of EICP Award Amounts for a Program Year, such employee is no longer considered to be a Participant in the Program as of the date of employment termination and is not eligible to receive any Award Amount for such Program Year.

If a Participant's employment with the Company terminates due to his or her death, disability or retirement prior to the end of a Program Year and the Participant had at least six months of service to the Company during such Program Year, the Participant (or the Participant's beneficiary or estate in the event of death) may receive a pro rated Award Amount for such Program Year at the discretion of the Company's Chairman, President and Chief Executive Officer and the Corporate Executive Vice President of the Participant's department and/or business unit. Pro-rated Award Amounts will be determined based upon the Participant's actual period of active employment during the Program year. Severance periods and periods of leaves of absence will not count toward satisfaction of such 6-month service requirement or, if applicable, the computing of any pro-rated payment.

If a Participant's employment with the Company terminates due to his or her death, disability or retirement after the close of a Program Year but prior to the actual distribution of Award Amounts, the Participant (or the Participant's beneficiary or estate in the event of death) will be awarded his or her full Award Amount for the Program Year.

In the event a Participant's employment with the Company is terminated because of a facilities shut-down, full or partial business unit divestiture, or similar action resulting in the termination of a Participant's employment, the Company shall not be obligated to pay any Award Amounts to an affected Participant as a consequence of such employment termination.

**AWARD APPROVAL**

Final Award Amounts for all Participants are submitted to the Company's Chairman, President and Chief Executive Officer for review. The Chairman, President and Chief Executive Officer then reviews and approves submissions relating to non-officer Participants, and submits to the Compensation Committee his final Award Amount recommendations for Company Corporate Officers, as well as any proposed Award Amount modifications. The Chairman, President and Chief Executive Officer may, at his discretion, modify any proposed final Award Amounts prior to submitting them to the Compensation Committee. The payment of Award Amounts to Company Officers and all award modifications are subject to the review and approval of the Compensation Committee.

**RECOUPMENT**

Award Amounts paid to Participants under the Program are subject to recoupment in accordance with the Company's Corporate Governance Guidelines, as may be revised from time to time, and/or any other recoupment, clawback or similar policy that may be approved by the Board of Directors of the Company or any committee thereof.

**PROGRAM ADMINISTRATION**

The Compensation Committee of the Board of Directors is responsible for the overall administration of the Program. The Committee reviews and approves the standards and financial objectives underlying the Program prior to its implementation for each Program Year. The Committee may delegate the ongoing oversight and handling of routine administrative matters under the Program to the Company's Corporate Executive Vice President, Human Resources, General Counsel & Chief Administrative Officer. The Compensation Committee has the authority to alter or terminate the Program at any time, and no Participant has any rights with respect to an incentive award payable under the Program until it has actually been paid to the Participant.

Any questions pertaining to the Program design, eligibility, calculation of Award Amounts, or other procedures should be directed to the Company's Corporate Executive Vice President, Human Resources, General Counsel & Chief Administrative Officer.

**APPROVED:**

/s/ James C. Foster _____ Date: 11/30/2015_____
James C. Foster
Chairman, President & CEO

/s/ David P. Johst _____ Date: 11/19/2015_____
David P. Johst
Corporate Exec. V.P., Human Resources
General Counsel & Chief Administrative Officer

**Exhibit 10.8**

**CONFORMED COPY**

**FIRST AMENDMENT TO THE SIXTH AMENDED AND RESTATED CREDIT AGREEMENT**

FIRST AMENDMENT (this "**Amendment**") dated as of July 29, 2015 relating to the Sixth Amended and Restated Credit Agreement dated as of April 22, 2015 (as heretofore amended or modified, the "**Credit Agreement**") among Charles River Laboratories International, Inc. (the "**Parent Borrower**"), the Subsidiary Borrowers party thereto, the Lenders party thereto from time to time, JPMorgan Chase Bank, N.A., as Administrative Agent (in such capacity, the "**Administrative Agent**") and the other agents party thereto.

**RECITALS:**

WHEREAS, the Borrowers wish to amend the definition of "Change in Control" in the Credit Agreement with the consent of the Required Lenders to delete the existing clause (b) of such definition in the manner set forth below.

The parties hereto therefore agree as follows:

**SECTION 21** *Defined Terms.* Unless otherwise specifically defined herein, each term used herein that is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement.

**SECTION 2** *Amendments to Section 1.01 (Defined Terms)*. The Borrowers and the Required Lenders party hereto hereby agree to amend Section 1.01 of the Credit Agreement as follows:

(a) by deleting clause (b) in the definition of "Change in Control" in its entirety and inserting in lieu thereof the following new clause (b):

"(b) the board of directors of Parent Borrower shall cease to consist of a majority of Continuing Directors"; and

(b) by inserting the following new defined term:

""Continuing Directors" means the directors of the Parent Borrower on the Sixth Amendment and Restatement Effective Date and each other director, if, in each case, such other director's nomination for election to the board of directors of the Parent Borrower is approved by at least a majority of the then Continuing Directors.""

**SECTION 3** *Representations of the Borrowers.* The Borrowers represent and warrant that:

(a) each of the representations and warranties made by any Loan Party contained in the Credit Agreement or in the other Loan Documents is true and correct in all material respects (if not qualified as to materiality or Material Adverse Effect) or in any respect (if so qualified) on and as of the Effective Date (as defined below) after giving effect hereto;

(b) no Default or Event of Default has occurred and is continuing on and as of the Effective Date after giving effect hereto

(c) each Loan Party has the corporate power and authority, and the legal right, to make, deliver and perform this Amendment. Each Loan Party has taken all necessary corporate or other action to authorize the execution, delivery and performance of this Amendment. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the execution, delivery, performance, validity or enforceability of this Amendment, except for such as have been obtained or made and are in full force and effect or to the extent failure to obtain such authorization or consent or to take such action could not reasonably be expected to result in a Material Adverse Effect. This Amendment has been duly executed and delivered on behalf of each Loan Party. This Amendment constitutes, and each other Loan Document as modified hereby constitutes, a legal, valid and binding obligation of each Loan Party that is a party hereto or thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law); and

(d) the execution, delivery and performance of this Amendment (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect or those which the failure to obtain or make could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of any Consolidated Entity or any order or decree of any Governmental Authority binding on or affecting any Consolidated Entity where such violation of such order or decree, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon any Consolidated Entity or any of its assets, or give rise to a right thereunder to require any payment to be made by any Consolidated Entity, where such violation or result, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, and (d) will not result in the creation or imposition of any Lien on any asset of any Consolidated Entity, except pursuant to the terms of any Loan Document.

**SECTION 4** *Conditions.* This Amendment shall become effective as of the first date (the "**Effective Date**") when each of the following conditions shall have been satisfied:

(a) the Administrative Agent shall have received from the Required Lenders an executed counterpart hereof or other written confirmation (in form satisfactory to the Administrative Agent) that such party has signed a counterpart hereof;.

(b) the Administrative Agent shall have received from the Borrowers an executed counterpart hereof or other written confirmation (in form satisfactory to the Administrative Agent) that such party has signed a counterpart hereof; and

(c) the Administrative Agent shall have received all fees and other amounts due and payable by the Borrowers on the Effective Date, including, to the extent invoiced, reimbursement or payment of all reasonable out-of-pocket expenses required to be reimbursed or paid by the Borrowers (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent) under the Credit Agreement.

**SECTION 5** *Governing Law.* This Amendment shall be governed by and construed and interpreted in accordance with the laws of the State of New York.

**SECTION 6** *Counterparts.* This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

**SECTION 7** *Miscellaneous.* This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. The Borrowers shall pay all reasonable out-of-pocket costs a

nd expenses of the Administrative Agent incurred in connection with the negotiation, preparation and execution of this Amendment and the transactions contemplated hereby (including reasonable fees and expenses of Simpson Thacher & Bartlett LLP).

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

CHARLES RIVER LABORATORIES
INTERNATIONAL, INC.

By: /s/ Thomas F. Ackerman
Name: Thomas F. Ackerman
Title: Corporate Executive Vice President and CFO

CHARLES RIVER NEDERLAND B.V.

By: /s/ Thomas F. Ackerman
Name: Thomas F. Ackerman
Title: Attorney-in-fact

CHARLES RIVER UK LIMITED

By: /s/ Thomas F. Ackerman
Name: Thomas F. Ackerman
Title: Director

CHARLES RIVER LABORATORIES
JAPAN, INC.

By: /s/ Thomas F. Ackerman
Name: Thomas F. Ackerman
Title: Director

CHARLES RIVER LABORATORIES
LUXEMBOURG S.A.R.L.

By: /s/ Thomas F. Ackerman
Name: Thomas F. Ackerman
Title: A Manager

JPMORGAN CHASE BANK, N.A.,
as a Lender, Issuing Bank, Swingline Lender and as Administrative Agent

By: /s/ D. Scott Farquhar
Name: D. Scott Farquhar
Title: Executive Director

J.P. MORGAN EUROPE LIMITED,
as Administrative Agent

By: /s/ Atlan Kayaalp
Name: Atlan Kayaalp
Title: Executive Director

JPMORGAN CHASE BANK, N.A., TOKYO BRANCH,
as Administrative Agent

By: /s/ Satushi Yamamoto
Name: Satushi Yamamoto
Title: Executive Director

BANK OF AMERICA, N.A.,
as a Lender, Issuing Bank and Co-Syndication Agent

By: /s/ Linda Alto
Name: Linda Alto
Title: Senior Vice President

[CRL First Amendment Signature Page]

TD BANK, N.A.,
as a Lender, Issuing Bank and Co-Syndication Agent

By: /s/ Elizabeth Sullivan
Name: Elizabeth Sullivan
Title: Senior Vice President

[CRL First Amendment Signature Page]

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Lender, Issuing Bank and Co-Syndication Agent

By: /s/ Christopher M. Johnson
Name: Christopher M. Johnson
Title: Assistant Vice President

U.S. Bank National Association, as a Lender

By: /s/ Jennifer Hwang
Name: Jennifer Hwang
Title: Senior Vice President

The Bank of Tokyo-Mitsubishi UFJ, Ltd, as a Lender

By: /s/ Teuta Ghilaga
Name: Teuta Ghilaga
Title: Director

[CRL First Amendment Signature Page]

Sumitomo Mitsui Banking Corporation, as a Lender

By: /s/ David Kee
Name: David Kee
Title: Managing Director

charles river

**Exhibit 10.16**

March 3, 2015

**CONFIDENTIAL**

Mr. David Smith
Church Lane House
Church Lane
Westley Waterless CB8 0RL
UK

Dear David:

Congratulations on your pending promotion to Corporate Executive Vice President & Chief Financial Officer. In this position, you will be reporting directly to Jim Foster, Chairman, President & CEO.

As previously discussed, effective March 1, 2015, your salary will be increased to £277,300 (or approximately USD $425,000 at current exchange rates). At the time you fully assume your new position responsibilities, your base salary will be increased once more to £305,000 (or approximately USD $470,000 at current exchange rates) unless, in either case, your employment should cease for any reason. Future annual salary increases will accrue to you, dependent upon your performance, beginning in 2016 and will be consistent with the parameters of Charles River's salary administration program at that time.

Your new position is classified as Officer Level 5, which entitles you to continue to participate in the Charles River Executive Incentive Bonus Program (EICP). Your targeted bonus under this program will initially be adjusted to equate to 60% of your base salary and will be increased to 70% upon you fully assuming your new position responsibilities. Your annualized base salary and target bonus percentage, as of December 31, 2015, will be used in computing bonus calculations for the 2015 Plan year. You will have an opportunity to earn up to 250% of your target bonus, subject to the terms and conditions of the EICP program.

You will continue to be eligible to receive an annual stock option grant when Charles River’s Board of Directors authorizes such grants to other members of senior management, consistent with an Executive Vice President salary grade at Officer Level 5. We anticipate making two separate stock awards to you in 2015. The first will be made in February, 2015 at an elevated level in anticipation of your pending promotion with an award value of USD $700,000. A second award with an award value of USD $300,000 will be made to you at the time you fully assume your new position responsibilities.

To assist in your future relocation to the Wilmington, Massachusetts area, Charles River will share in your relocation costs by providing relocation benefits at a level appropriate for your senior executive position. When you are prepared to explore relocation to Massachusetts, we will contract Coldwell Banker Residential Brokerage and Moving Services (CBRB) who will be your single point of coordination for all relocation related services. In order to receive reimbursement for any relocation related items, you must work through our managed relocation program with CBRB. It is expected that your relocation to the Wilmington, Massachusetts area will be completed sometime in 2015 and Mike Mikson is available to facilitate all aspects of your move. If, at the time you are prepared to physically relocate to Massachusetts, your personal circumstances require an interim step, the company will ensure that your relocation package is appropriately adjusted to take into account any temporary housing costs that may be associated with your move.

Additionally, the company agrees to cover the normal and customary costs associated with the sale of your property through the Buyer Value Option (BVO) home sale program (or UK equivalent), managed through our relocation provider (CBRB), or through an equivalent UK program.

The Company will also pay for all reasonable costs associated with the preparation of your personal tax filings, both in the US and the UK, using our selected tax preparation provider, Ernst & Young. This benefit will be provided so long as you are filing in two separate tax jurisdictions. We will also provide all required assistance and pay all

reasonable costs associated with obtaining any required visas and/or other documentation required in connection with your family's emigration to the United States.

So that you and your family can familiarize yourselves with the Massachusetts/New Hampshire areas and conduct a home search, Charles River will reimburse you for reasonable airfare and related travel expenses for you and your family (up to three visits this calendar year) until your relocation is completed.

Should you choose to leave the company or be terminated for cause within two (2) years of relocating to the area, you will be required to repay the Company the total relocation costs reimbursed to you. Should such circumstances occur, by signature of this letter you hereby authorize payroll to withhold monies from any compensation payments due you as partial or completed repayment of such relocation expenses. Please note, some relocation expenses are taxable, and will be your responsibility.

If you are in agreement with the terms of employment set forth in this letter, please sign and return one copy of the letter; the second copy is for your personal files. This letter does not constitute an employment contract and you are, at all times, an employee at will.

If I can answer any questions you might have, please feel free to call me at 781-222-6293.

David, again, congratulations on your well-deserved promotion.

Sincerely,

ACKNOWLEDGED:

/s/ David P. Johst
David P. Johst
Corporate Executive Vice President,
HR, General Counsel & CAO

/s/ David R. Smith
David Smith

03/03/2015
Date

**Exhibit 10.17**

**EXECUTION VERSION**

**AGREEMENT AND WRITTEN CONSENT OF STOCKHOLDERS OF WRH, INC. PURSUANT TO SECTION 228(a) OF THE GENERAL CORPORATION LAW OF THE STATE OF DELAWARE (THIS "STOCKHOLDER CONSENT AND AGREEMENT")**

January 6, 2016

WHEREAS, WRH, Inc., a Delaware corporation (the "**Corporation**") has entered into the Agreement and Plan of Merger (the "**Merger Agreement**") on the date of this Stockholder Consent and Agreement by and among Charles River Laboratories International, Inc., a Delaware corporation ("**Buyer**"), Pretzel Acquisition Corporation, a Delaware corporation ("**Merger Sub**") and, solely in its capacity as the Stockholders' Representative in accordance with the terms of the Merger Agreement, American Capital Equity III, LP, a Delaware limited partnership;

WHEREAS, the Board of Directors of the Corporation has unanimously (i) determined that the Merger (as defined below) is advisable and fair to, and in the best interests of, the Corporation and the Stockholders, (ii) approved the transactions contemplated by the Merger Agreement, including the Merger, and (iii) recommended that the Stockholders adopt and approve the Merger Agreement and approve the transactions contemplated thereby, including the Merger; and

WHEREAS, in order to induce Buyer to enter into the Merger Agreement, each Person that is a party to this Stockholder Consent and Agreement (each, a "**Supporting Party**") has agreed to, execute and deliver this Stockholder Consent and Agreement with respect to any and all shares of Company Stock beneficially owned by that Supporting Party.

NOW, THEREFORE, in consideration of the foregoing and of the mutual agreements and covenants set forth in this Stockholder Consent and Agreement and in the Merger Agreement, and intending to be legally bound hereby, each Supporting Party hereby agrees as follows:

1. *Definitions*. Each capitalized term that is used, but not defined, in this Stockholder Consent and Agreement shall have the meaning assigned to such term in the Merger Agreement.

2. *Written Consent of Each Supporting Stockholder***.** a. Each Supporting Party that is a Stockholder (each, a "**Supporting Stockholder**"), acting by written consent pursuant to Section 228(a) of the General Corporation Law of the State of Delaware (the "**DGCL**") in lieu of a meeting of the members of the Corporation, hereby irrevocably consents in writing to:

(i) the approval and adoption of the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement (collectively, the "**Contemplated Transactions**"); and

(ii) the grant of authority to each executive officer of the Corporation, in the name and on behalf of the Corporation, to take any and all actions, to execute and deliver any and all documents, agreements and instruments and to take any and all steps deemed by any such officer, on the advice of counsel to the Corporation, to be necessary or appropriate to carry out the purpose and intent of the foregoing resolution, and the ratification and confirmation of all actions heretofore taken by any of them in furtherance thereof in all respects.

(b) The actions pursuant to this Section 2 of this Stockholder Consent and Agreement shall have the same force and effect as if taken at a meeting of Stockholders of the Corporation, duly called and constituted pursuant to the Corporation's certificate of incorporation and bylaws, and the DGCL.

3. *Representations and Warranties of the Supporting Party*. Each Supporting Party, severally, but not jointly, as to such Supporting Party, hereby represents and warrants to Buyer and Merger Sub as of the date hereof and as of the Closing Date as follows:

(a) *Existence and Power.* If such Supporting Party is not a natural person, such Supporting Party is an entity duly organized of the type set forth on its signature page hereto, validly existing and in good standing (to the extent such concept is applicable) under the laws of its jurisdiction of organization, which is set forth on its signature page hereto.

(b) *Authority*.

(i) If such Supporting Party is a natural person, (A) such Supporting Party has the legal capacity and has all requisite power and authority to execute and deliver this Stockholder Consent and Agreement and to perform his or her obligations hereunder, (B) this Stockholder Consent and Agreement has been duly executed and delivered by such Supporting Party, and, assuming the due execution and delivery of this Stockholder Consent and Agreement by the other parties hereto, this Stockholder Consent and Agreement constitutes a valid and binding obligation of such Supporting Party, enforceable against such Supporting Party in accordance with its terms, except as the enforceability hereof or thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditor's rights generally and as limited by the availability of specific performance and other equitable remedies or applicable equitable principles (whether considered in a proceeding at law or in equity); and (C) if such Supporting Party is married and such Supporting Party's shares of Company Stock constitute community property under applicable Laws, such Supporting Party's spouse (the "**Spouse**") has the legal capacity and has all requisite power and authority to execute and deliver this Stockholder Consent and Agreement and to perform his or her obligations hereunder, this Stockholder Consent and Agreement has been duly executed and delivered by such Spouse, and, assuming the due execution and delivery of this Stockholder Consent and Agreement by the other parties hereto, this Stockholder Consent and Agreement constitutes a valid and binding obligation of such Spouse, enforceable against such Spouse in accordance with its terms, except as the enforceability hereof or thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditor's rights generally and as limited by the availability of specific performance and other equitable remedies or applicable equitable principles (whether considered in a proceeding at law or in equity). If this Stockholder Consent and Agreement is being executed in a representative or fiduciary capacity, the person signing this Stockholder Consent and Agreement has full power and authority to enter into and perform this Stockholder Consent and Agreement on behalf of such Supporting Party or Spouse.

(ii) If such Supporting Party is not a natural person, (A) such Supporting Party has all requisite power and authority to execute and deliver this Stockholder Consent and Agreement and to perform its obligations hereunder, and the execution, delivery and performance by such Supporting Party of this Stockholder Consent and Agreement and each of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of such Supporting Party and no other act or proceeding on the part of such Supporting Party, such Supporting Party's board of directors or other similar governing body or such Supporting Party's owners is necessary to authorize the execution, delivery or performance by such Supporting Party of this Stockholder Consent and Agreement or the consummation of any of the transactions contemplated hereby; and (B) this Stockholder Consent and Agreement has been duly executed and delivered by such Supporting Party, and, assuming the due execution and delivery of this Stockholder Consent and Agreement by the other parties hereto, this Stockholder Consent and Agreement constitutes a valid and binding obligation of such Supporting Party, enforceable against such Supporting Party in accordance with its terms, except as the enforceability hereof or thereof may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforcement of creditor's rights generally and as limited by the availability of specific performance and other equitable remedies or applicable equitable principles (whether considered in a proceeding at law or in equity).

(c) *Non-Contravention*. Except as set forth on Schedule 3.5 to the Merger Agreement, assuming the truth and accuracy of the representations and warranties of Buyer set forth in Section 4.3 of the Merger Agreement, no notices to, filings with, or authorizations, consents or approvals of any Governmental Entity are necessary in connection with the execution, delivery or performance by such Supporting Party of this Stockholder Consent and Agreement or the consummation by such Supporting Party of the transactions contemplated hereby. Neither the

execution, delivery or performance by such Supporting Party of this Stockholder Consent and Agreement nor the consummation by such Supporting Party of the transactions contemplated hereby will (with the lapse of time, the giving of notice or both) (a) conflict with, violate or result in any breach of or default under any provision of such Supporting Party's Organizational Documents (if applicable), (b) except as set forth on Schedule 3.5 to the Merger Agreement, require any filing with, notice to or the obtaining of any permit, authorization, consent or approval of, any Person, (c) result in a default under, or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any material Contract to which such Supporting Party is a party, (d) violate in any respect any Law, order, injunction or decree applicable to such Supporting Party or (e) result in the imposition of any Lien (other than a Permitted Lien) on any asset or property of a Group Company, excluding from the foregoing clauses (b), (c) and (d) such conflicts, violations, filings, notices, approvals, defaults, rights or Liens which would not be reasonably likely to materially and adversely affect such Supporting Party's ability to consummate the transactions contemplated by this Stockholder Consent and Agreement.

(d) *Ownership of Company Stock.* Such Supporting Stockholder is the record and beneficial owner of the number of shares of each class or series of Company Stock that is set forth opposite that Supporting Stockholder's name on Exhibit A, free and clear of all Liens and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such shares of Company Stock) except as provided hereunder or under the Stockholders' Agreement, and such shares of Company Stock are the only shares of Company Stock owned of record or beneficially by such Supporting Stockholder as of the date hereof. None of such Supporting Stockholder's shares of Company Stock are subject to any proxy, voting trust or other agreement or arrangement with respect to the voting of such shares of Company Stock, except as provided hereunder or under the Stockholders' Agreement.

(e) *Informed Consent*. Such Supporting Party has received and reviewed a copy of this Stockholder Consent and Agreement and the Merger Agreement, has had an opportunity to obtain the advice of counsel prior to executing this Stockholder Consent and Agreement and fully understands and accepts all of the provisions hereof and of the Merger Agreement, including that the consummation of the Merger is subject to the conditions set forth in the Merger Agreement, and so there can be no assurance that the Merger will be consummated.

(f) *Brokerage*. There are no claims for brokerage commissions, finder's fees or similar compensation in connection with the transactions contemplated by this Stockholder Consent and Agreement or the Merger Agreement based on any arrangement or agreement made by or, to the knowledge of such Supporting Party, on behalf of such Supporting Party, other than (i) any arrangements entered into directly by the Corporation or another Group Company, or (ii) any arrangements that would not subject any Group Company to any obligations or liability.

4. *Certain Covenants*.

(a) *Waiver of Pre-Existing Claims*. Effective as of the Closing, each Supporting Party hereby waives and releases on behalf of itself and each of its controlled Affiliates (other than the Group Companies) any and all other rights and claims (whether absolute or contingent, liquidated or unliquidated, known or unknown, determined, determinable or otherwise) that such Person or any such controlled Affiliate may now or hereafter have relating to or arising from facts, occurrences or circumstances existing at or prior to the Closing against the Buyer, any Group Company or any of their respective Subsidiaries or Affiliates, whether in law or in equity, in contract, in tort or otherwise, in each case, related to or arising out of such Supporting Party's investment in the Corporation or ownership of the Company Stock or any other equity interest held or claimed to be held by such Supporting Party; provided, however, that notwithstanding the foregoing, nothing in this Section 4(a) shall be deemed a waiver or release of (i) any compensation or benefits in connection with a Supporting Party's employment by the Group Companies prior to the Closing Date in the ordinary course, (ii) any right to indemnification of any current or former director or officer by any Group Company pursuant to such Group Company's Organizational Documents or (iii) any rights of such Supporting Party under this Stockholder Consent and Agreement, the Merger Agreement or any other agreement or document contemplated hereby or thereby, or executed or delivered in connection with the transactions contemplated hereby or thereby. Each Supporting Party on behalf of itself and its controlled Affiliates agrees not to bring any Action against Buyer or its Affiliates (including any Group Company) asserting any claim waived or released by this Section 4(a).

(b) *Allocation of Merger Consideration*. Each Supporting Party hereby (i). acknowledges that the Merger Consideration (including any adjustment thereto pursuant to the Merger Agreement) shall be allocated in a manner that is consistent with the terms of the Merger Agreement, and that none of Buyer, Merger Sub, the Corporation, any Group Company or any of their respective Affiliates has any responsibility for such allocation and (ii) irrevocably waives and releases and discharges any and all claims and causes of action (whether at law or in equity) that such Supporting Party may have at any time against Buyer, Merger Sub, the Corporation, any Group Company or any of their respective Affiliates, or any directors, officers, employees, agents, members, managers, agents, representatives, successors and assignees with respect to the allocation of the Merger Consideration as among the Equity Holders (including any adjustment thereto pursuant to the terms of the Merger Agreement). This Section 4(b) shall not be construed as a release or waiver of any payment obligation on the part of Buyer, Merger Sub, the Corporation, any Group Company or any of their respective Affiliates arising out of the Merger Agreement or the transactions contemplated thereby.

(c) *No Revocation*. Each Supporting Stockholder hereby agrees not to revoke or otherwise withdraw its approval and adoption of the actions described in this Stockholder Consent and Agreement.

(d) *Dissenters' Rights*. Each Supporting Stockholder hereby waives, and agrees not to exercise, any right to dissent or appraisal or any similar provision under applicable Laws (including pursuant to Section 262 of the DGCL) in connection with the Contemplated Transactions.

(e) *Transfer Restrictions*. Without the prior written consent of Buyer, each Supporting Stockholder agrees not to take any action to, directly or indirectly, i) offer to sell, sell, assign, transfer (including by operation of law), pledge, encumber or otherwise dispose of any of its shares of Company Stock, ii) deposit any of its shares of Company Stock into a voting trust or enter into a voting agreement or arrangement with respect to any shares of Company Stock or grant any proxy or power of attorney with respect thereto or iii) enter into any Contract, option or other arrangement or undertaking with respect to the direct or indirect sale, assignment, transfer (including by operation of law) or other disposition of or transfer of any interest in or the voting of any of its shares of Company Stock or any other securities of the Corporation (any transaction of any type described in clause (i), (ii) or (iii) above, a "**Transfer**") unless each Person to whom any of the shares of Company Stock are or may be deemed to be Transferred shall have executed a counterpart of, or otherwise be bound by, this Stockholder Consent and Agreement in such form as Buyer may reasonably require.

(f) *Public Announcements*. Unless required by Law, the Supporting Party shall not make or issue any public announcement or press release to the general public with respect to the Merger Agreement or the transactions contemplated there by without the consent of Buyer, which consent shall not be unreasonably withheld, delayed or conditioned; provided that no such consent or prior notice shall be required in connection with any public announcement or press release the content of which is consistent with that of any prior or contemporaneous public announcement or press release by any Party to the Merger Agreement in compliance with Section 5.3 of the Merger Agreement.

(g) *Confidentiality*. The Supporting Party agrees to keep the terms of the Merger Agreement and the Contemplated Transactions confidential, except to the extent required by applicable Law or for financial reporting purposes and except that the Supporting Party may disclose such terms to its investors, employees, accountants, advisors and other representatives as necessary in connection with the ordinary conduct of its business (so long as such Persons agree to or are bound by contract to keep the terms of the Contemplated Transactions confidential). The Supporting Party further agrees to keep, and shall cause its Affiliates and its and their respective directors, officers, employees, agents, advisors and other representatives (collectively, "**Representatives**") to keep all confidential information concerning the Corporation and its business confidential, regardless of the form of such information, except to the extent such information (i) is or becomes generally available to the public other than as a result of a disclosure by a Supporting Party or any of its Representatives in violation of this Section 4(g), (ii) becomes available after the Closing to the Supporting Party or its Representatives on a non-confidential basis from a Person who, to the knowledge of the Supporting Party or its Representatives, is not otherwise bound by or subject to a duty of confidentiality to the Corporation, or is not otherwise prohibited from transmitting the information to the Supporting Party, or (iii) which is required to be disclosed by applicable Law.

(h) *No-Solicitation of Alternative Transactions*. During the period from the date hereof through the earlier to occur of the Closing Date or the termination of the Merger Agreement pursuant to Section 8.1 thereof, the Supporting Party will not, and, if such Supporting Party is not a natural person, will not permit its controlled Affiliates or any of its or their officers, directors, employees, advisors or representatives to, directly or indirectly, (i) solicit, initiate or encourage the submission of any proposal or offer from any Person relating to any business combination transaction involving the Corporation or any of its Subsidiaries, including the sale of any Company Stock or assets or (ii) enter into, maintain or continue any discussions or negotiations regarding, furnish or disclose to any Person any information or otherwise cooperate with, or knowingly assist, participate in or facilitate or encourage any effort by any third party, or enter into any agreement, letter of intent, memorandum of understanding or term sheet (whether or not binding), in connection with any such transaction.

(i) *No-Solicitation of Employees*. During the period from the date hereof through the two-year anniversary of the Closing Date, each of American Capital Equity II, LP, American Capital Equity III, LP and the Management Parties (defined below) (the "**Covered Stockholders**") shall not, directly or indirectly, hire, employ or engage, or recruit, solicit or otherwise attempt to hire, employ or engage, any Covered Employee to terminate any employment or consulting relationship he or she may have with Buyer, the Corporation or any of their respective Subsidiaries; provided that (i) the foregoing shall not prohibit any Covered Stockholder from making any general solicitation (including through executive search firms) not targeted at any Covered Employee, (ii) each Covered Stockholder may hire, employ or engage, or recruit, solicit or otherwise attempt to hire, employ or engage, any Covered Employee after at least three months has elapsed since such Covered Employee's employment or engagement has been terminated by Buyer, the Corporation or their Subsidiaries, and (iii) each Covered Stockholder may hire, employ or engage, or recruit, solicit or otherwise attempt to hire, employ or engage, any Covered Employee after at least three months has elapsed since such Covered Employee has terminated his or her employment or engagement by Buyer, the Corporation or their Subsidiaries and such Covered Employee has not been solicited in violation of this Section 4(i) by the applicable Covered Stockholder.

(j) *Non-Compete*. In connection with their sale of shares Company Stock pursuant to the Merger, each of David Spaight, John Maxwell, Steve Barkyoumb, JP Briffaux, Stephane Bulle, Nutan Gangrade, Alan Findlater, Wilbert Frieling, Howard Moody, Jos Mertens, Andrew Nathanson, George Parker, Don Stump and Andy Vick (the "**Management Parties**") hereby agrees that, effective at the Closing, until the expiration of the Restricted Period applicable to such Management Party, such Management Party shall not and shall cause each of his controlled Affiliates not to, directly or indirectly, without the prior written consent of Buyer, (i) own, operate or otherwise engage in the Business in the Restricted Territory, whether individually or as a director, officer, employee, member, manager, partner, principal, consultant, contractor, agent, representative, equityholder or lender of or to another Person that owns, operates or is otherwise engaged in the Business in the Restricted Territory, or in any other individual, corporate or representative capacity or (ii) render any services or provide any advice to any Person that owns, operates or is otherwise engaged in the Business in the Restricted Territory; provided that, notwithstanding the foregoing, a Management Party may own, directly or indirectly, as a passive investor, up to 3% of any class of securities of any Person that owns, operates or is otherwise engaged in the Business, or any private debt or equity investment fund that has or makes an investment in any such Person; and provided, further, that nothing herein shall be deemed to limit, preclude or prevent any Management Party from being employed by or otherwise providing services to any Person engaged in the Business in the Restricted Territory so long as (x) the annual revenues to any such Person from the Business do not exceed 10% of such Person's total annual revenues, and (y) such Management Party does not provide any services to such Person constituting the Business; and provided, further, that nothing herein shall be deemed to limit, preclude or prevent any Management Party (other than the individual identified on Schedule I hereto) from providing services to any Person that is exclusively a clinical contract research organization (CRO) (i.e., having no pre-clinical business) so long as not more than 20% of such Person's total annual revenues are derived from bioanalytical services. For the avoidance of doubt, nothing herein shall affect the obligations of any Management Party under Section 4(g), which obligations are acknowledged to be separate and independent from the obligations of the Management Parties under this Section 4(j). Each Management Party (on his own behalf and on behalf of his Affiliates) acknowledges and agrees that the restrictions contained in this Section 4(j) are reasonable and necessary to protect the legitimate interests of Buyer and Merger Sub and constitute a material inducement to Buyer and Merger Sub to enter into the Merger Agreement and consummate the transactions contemplated thereby, and it is the intention of the parties that if any of the restrictions or covenants contained in this Section 4(j) is held to cover a geographic area or to be for a length of time that is not permitted by

applicable Laws, or in any way construed to be too broad or to any extent invalid, such provision shall (to the maximum extent permitted by applicable Laws) not be construed to be null, void and of no effect, but instead shall be construed and interpreted or reformed to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under applicable Laws. For purposes hereof:

(i) "**Business**" means (A) contract research services in connection with preclinical or nonclinical development activities, and (B) contract development and manufacturing services for organizations engaged in compound formulation for clinical trial or commercial uses. For the avoidance of doubt, bioanalytical services in support of clinical trials or pre-clinical services shall be included in the definition of Business.

(ii) "**Restricted Period**" means (A) for each of David Spaight and John Maxwell, the period beginning on the Closing Date and ending on the third anniversary thereof, and (B) for each of the other Management Parties, the period beginning on the Closing Date and ending on the first anniversary thereof.

(iii) "**Restricted Territory**" means the United States of America, Netherlands, France, the U.K., Japan and any other country in which the Corporation or any of its Subsidiaries conducts business as of the Closing Date.

(k) *Application to Employment Agreements*. To the extent any Supporting Party is party to an employment agreement with any Group Company entered into prior to the Closing Date that contains provisions similar in nature to those set forth in Sections 4(i) or 4(j), the provisos in Sections 4(i) and 4(j) shall be deemed to apply to such provisions.

5. *Merger Agreement Provisions*.

(a) By virtue of its approval of the Merger, each Stockholder hereby irrevocably and unconditionally designates and appoints American Capital Equity III, LP as the Stockholders' Representative pursuant to the terms of Section 10.15 of the Merger Agreement~~, and agrees to abide by and be bound by the terms of such Section, which terms are incorporated herein by this reference, and which permits the Stockholders' Representative, among other things,~~ (i) negotiate and execute the Escrow Agreement on behalf of each Equity Holder, (ii) act for each Equity Holder with respect to any determination of the amount of, or resolution of disputes with Buyer with respect to the Merger Consideration Adjustment, (iii) give and receive notices and communications to or from Buyer and/or the Escrow Agent relating to this Agreement, the Escrow Agreement or any of the transactions and other matters contemplated hereby or thereby (except to the extent that this Agreement or the Escrow Agreement expressly contemplates that any such notice or communication shall be given or received by such Equity Holders individually), and (iv) take all actions necessary or appropriate in the judgment of the Stockholders' Representative for the accomplishment of the foregoing.

(b) Each Supporting Party hereby acknowledges and agrees to be bound by the provisions with respect to the payment and allocation of the Merger Consideration (including the adjustments thereto), as set forth in Article II of the Merger Agreement, including (i) the provisions regarding the deposit of a portion of the Merger Consideration in the Adjustment Escrow Account and the Indemnity Escrow Account in accordance with the terms and conditions of the Merger Agreement and the Escrow Agreement and (ii) Sections 2.2(d) and 2.8(i) of the Merger Agreement, which are incorporated by reference herein, *mutatis mutandis*.

6. *Miscellaneous*.

(a) *Further Assurances*. Each Supporting Party agrees to execute and deliver, or cause to be executed and delivered, all further documents and instruments and to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary under applicable Laws, to consummate and make effective the transactions contemplated by this Stockholder Consent and Agreement.

(b) *Termination*. This Stockholder Consent and Agreement will automatically terminate, without any notice or other action by any Person, if the Merger Agreement is terminated prior to the Closing. Upon termination of this Stockholder Consent and Agreement, no party shall have any obligations or liabilities hereunder; *provided* that nothing set forth in this Section 6(b) shall relieve any party from liability for any intentional breach of this Stockholder Consent and Agreement by such party prior to the termination hereof.

(c) *Amendment and Waiver*. This Stockholder Consent and Agreement may not be amended, waived, altered or modified except by a written instrument executed by the applicable Supporting Party(ies) and Buyer. No course of dealing between or among any Persons having any interest in this Stockholder Consent and Agreement will be deemed effective to modify, amend, waive or discharge any part of this Stockholder Consent and Agreement or any rights or obligations of any Person under or by reason of this Stockholder Consent and Agreement. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege, and no waiver of any of the provisions of this Stockholder Consent and Agreement shall be deemed or shall constitute, a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver.

(d) *Notices*. Each Supporting Party agrees that all notices to the Supporting Parties shall be sent to the Stockholders' Representative in accordance with Section 10.2 of the Merger Agreement.

(e) *Assignment*. This Stockholder Consent and Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and permitted assigns. Neither this Stockholder Consent and Agreement nor any rights, benefits or obligations set forth herein may be assigned, delegated or otherwise transferred by any of the parties hereto without the prior written consent of the other parties hereof, except that Buyer or Merger Sub may delegate, transfer or assign its rights and obligations under this Stockholder Consent and Agreement, in whole or from time to time in part, to one or more of its Affiliates at any time and, after the Closing Date, to any Person, it being understood that any such assignment shall not relieve Buyer or Merger Sub (as applicable) of its obligations hereunder.

(f) *Severability*. Whenever possible, each provision of this Stockholder Consent and Agreement will be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Stockholder Consent and Agreement is held to be prohibited by or invalid under applicable Law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Stockholder Consent and Agreement.

(g) *No Strict Construction*. The language used in this Stockholder Consent and Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be applied against any Person. The use of the word "including" in this Stockholder Consent and Agreement or in any of the agreements contemplated hereby shall be by way of example rather than by limitation. All words used in this Agreement should be construed to be of such gender or number as the circumstances require. The terms "herein," "hereof," "hereby," "hereunder" and other similar terms refer to this Agreement as a whole and not only to the particular Article, Section or other subdivision in which any such terms may be employed.

(h) *No Third-Party Beneficiaries*. Nothing herein expressed or implied is intended or shall be construed to confer upon or give to any Person, other than the parties hereto and their respective permitted successors and assigns, any rights or remedies under or by reason of this Agreement.

(i) *Complete Agreement*. This Stockholder Consent and Agreement contains the complete agreement between the parties and supersede any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way.

(j) *Counterparts*. This Stockholder Consent and Agreement may be executed in one or more counterparts, any one of which may be by facsimile, and all of which taken together shall constitute one and the same instrument. Any such counterpart, to the extent delivered by means of Electronic Delivery shall be treated in all manner

and respects as an original executed counterpart and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No party hereto shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

(k) *Governing Law* This Stockholder Consent and Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof) as to all matters, including matters of validity, construction, effect, performance and remedies.

(l) *Jurisdiction*. Each party hereto hereby irrevocably agrees that any Legal Dispute shall be brought only to the exclusive jurisdiction of the courts of the State of Delaware or the federal courts located in the State of Delaware, and each party hereto hereby consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by Law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding that is brought in any such court has been brought in an inconvenient forum. During the period that a Legal Dispute that is filed in accordance with this Section 6(l) is pending before a court, all actions, suits or proceedings with respect to such Legal Dispute or any other Legal Dispute, including any counterclaim, cross-claim or interpleader, shall be subject to the exclusive jurisdiction of such court. Each party hereto hereby waives, and shall not assert as a defense in any Legal Dispute, that (a) such Person is not subject to the personal jurisdiction thereof, (b) such action, suit or proceeding may not be brought or is not maintainable in such court, (c) such action, suit or proceeding is brought in an inconvenient forum, or (d) the venue of such action, suit or proceeding is improper. A final judgment in any action, suit or proceeding described in this Section 6(l) following the expiration of any period permitted for appeal and subject to any stay during appeal shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Laws.

(m) *Specific Performance, Injunctive Relief*. In addition to and not in derogation of any other remedy available at law (or in equity) for such breach, the parties hereto will be entitled to seek specific performance, injunctive or other equitable relief in order to enforce their rights under or prevent any violations (whether anticipatory, continuing or future) of the terms hereof with respect to the transactions contemplated hereby in the event of breach by any other party. The foregoing sentence will not be construed as a waiver by any party hereto of any right such Person may now have or hereafter acquire to monetary damages from the other parties. Each party hereby waives any requirements for the securing or posting of any bond with such equitable remedy and the defense that a remedy at law would be adequate and agree not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of this Stockholder Consent and Agreement on the basis that monetary damages would be sufficient.

(n) *Waiver of Jury Trial*. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO TRIAL BY JURY ON ANY CLAIMS OR COUNTERCLAIMS ASSERTED IN ANY LEGAL DISPUTE RELATING TO THIS STOCKHOLDER CONSENT AND AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY AND FOR ANY COUNTERCLAIM RELATING THERETO. IF THE SUBJECT MATTER OF ANY SUCH LEGAL DISPUTE IS ONE IN WHICH THE WAIVER OF JURY TRIAL IS PROHIBITED, NO PARTY HERETO SHALL ASSERT IN SUCH LEGAL DISPUTE A COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS STOCKHOLDER CONSENT AND AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, UNLESS FAILURE TO BRING SUCH COUNTERCLAIM WOULD RESULT IN A WAIVER OR ESTOPPEL THEREOF, OR OTHERWISE PREJUDICE SUCH PARTY'S RIGHTS IN ANY RESPECT. FURTHERMORE, NO PARTY HERETO SHALL SEEK TO CONSOLIDATE ANY SUCH LEGAL DISPUTE WITH A SEPARATE ACTION OR OTHER LEGAL PROCEEDING IN WHICH A JURY TRIAL CANNOT BE WAIVED.

(o) *Expenses*. Each of the parties hereto shall be solely responsible for and shall bear all of its own costs and expenses incident to its obligations under and in respect of this Stockholder Consent and Agreement and the transactions contemplated hereby.

*[Remainder of this page intentionally left blank]*

This Stockholder Consent and Agreement shall be inserted by the Secretary of the Corporation in the minute books of the Corporation.

**SUPPORTING PARTY:**

**AMERICAN CAPITAL EQUITY II, LP**

By: /s/ Jon Isaacson

Name: Jon Isaacson
Title: Senior Vice President and Managing Director

**AMERICAN CAPITAL EQUITY III, LP**

By: /s/ Sean Eagle

Name: Sean Eagle
Title: Senior Vice President and Partner

By: /s/ Steve Barkyoumb

Name: Steve Barkyoumb

[Signature Page to Stockholder Consent and Agreement]

By: /s/ JP Briffaux Jan 6, 2016

Name: JP Briffaux

[Signature Page to Stockholder Consent and Agreement]

By: /s/ Stephane Bulle

Name: Stephane Bulle

[Signature Page to Stockholder Consent and Agreement]

By: /s/ Alan Findlater

Name: Alan Findlater

[Signature Page to Stockholder Consent and Agreement]

By: /s/ Wilbert Freiling

Name: Wilbert Freiling

[Signature Page to Stockholder Consent and Agreement]

By: /s/ Nutan Gangrade

Name: Nutan Gangrade

[Signature Page to Stockholder Consent and Agreement]

By: /s/ John Maxwell

Name: John Maxwell

[Signature Page to Stockholder Consent and Agreement]

By: /s/ Jos Mertens

Name: Jos Mertens

[Signature Page to Stockholder Consent and Agreement]

By: /s/ Howard Moody

Name: Howard Moody

[Signature Page to Stockholder Consent and Agreement]

By: /s/ Andrew Nathanson

Name: Andrew Nathanson

[Signature Page to Stockholder Consent and Agreement]

By: /s/ George Parker

Name: George Parker

[Signature Page to Stockholder Consent and Agreement]

By: /s/ David Spaight

Name: David Spaight

[Signature Page to Stockholder Consent and Agreement]

By: /s/ Don Stump

Name: Don Stump

[Signature Page to Stockholder Consent and Agreement]

By: /s/ Andy Vick

Name: Andy Vick

[Signature Pate to Stockholder Consent and Agreement]

Accepted and agreed to as of

the date first written above:

**WRH, INC.**

By: /s/ David Spaight

Name: David Spaight

Title: Chairman, CEO and President

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**

By: /s/ Joseph LaPlume

Name: Joseph LaPlume

Title: Corporate Senior Vice President

**PRETZEL ACQUISITION CORPORATION**

By: /s/ David Johst

Name: David Johst

Title: Secretary and Treasurer

**EXHIBIT A**

**OWNERSHIP**

[See attached.]

**SCHEDULE I**

Andy Vick

**Exhibit 10.18**

J.P. MORGAN SECURITIES LLC
JPMORGAN CHASE BANK, N.A.
383 Madison Avenue
New York, New York 10179

January 6, 2016

$350,000,000
Incremental Term Facility
Commitment Letter

Charles River Laboratories International, Inc.**251 Ballardvale Street**
**Wilmington, Massachusetts 01887**

Attention: David R. Smith Corporate Executive Vice President & Chief Financial Officer

Ladies and Gentlemen:

Charles River Laboratories International, Inc., a Delaware corporation (the "Borrower" or "you"), has advised J.P. Morgan Securities LLC ("JPMorgan") and JPMorgan Chase Bank, N.A. ("JPMorgan Chase Bank" or the "Lead Bank", and together with JPMorgan, the "Committing Parties", "we" or "us") that it intends to consummate the transactions (collectively, the "Transaction") described in the introductory paragraph of the Summary of Terms and Conditions attached hereto as Exhibit A (the "Term Sheet"). Capitalized terms used but not defined herein are used with the meanings assigned to them in the Term Sheet.

In connection with the foregoing, you have requested that JPMorgan agree to structure, arrange and syndicate an incremental term loan facility under the Borrower's Sixth Amended and Restated Credit Agreement, dated as of April 22, 2015 in an aggregate amount of up to $350,000,000 (the "Incremental Term Facility"). You have also requested that JPMorgan Chase Bank commit to provide the Incremental Term Facility.

JPMorgan is pleased to advise you that it is willing to act as a joint lead arranger and joint bookrunner for the Incremental Term Facility. Furthermore, JPMorgan Chase Bank is pleased to advise you of its commitment to provide 100% of the Incremental Term Facility, upon the terms and subject to the conditions set forth or referred to in this commitment letter (the "Commitment Letter") and in the Term Sheet. This Commitment Letter and the Term Sheet set forth the principal terms and conditions on and subject to which JPMorgan Chase Bank is willing to make available the Incremental Term Facility.

It is agreed that JPMorgan (the "Arranger") and up to two other financial institutions selected by the Borrower and reasonably acceptable to us will act as the joint lead arrangers and joint bookrunners with respect to the Incremental Term Facility and that JPMorgan Chase Bank will continue to act as the sole administrative agent under the Existing Credit Agreement (the "Administrative Agent"). JPMorgan will have "left" placement on and will appear on the top left of any Information Materials (as defined below) and all other offering or marketing materials in respect of the Incremental Term Facility, and JPMorgan will perform the roles and responsibilities conventionally understood to be associated with such "left" placement. You agree that no other agents, co-agents or arrangers will be appointed, no other titles will be awarded and no compensation (other than that expressly contemplated by the Term Sheet and the Fee Letter referred to below) will be paid in connection with the Incremental Term Facility unless you and we shall so agree and except as provided for in the Term Sheet.

We may syndicate the Incremental Term Facility to a group of financial institutions which shall include lenders under the Existing Credit Agreement (together with the Lead Bank, the "Lenders") identified by us in consultation with you. The Arranger may commence syndication efforts promptly, and you agree actively to

assist the Arranger in completing a syndication satisfactory to it. Such assistance shall include (a) your using commercially reasonable efforts to ensure that the syndication efforts benefit materially from your existing lending relationships, (b) direct contact between senior management and advisors of the Borrower and the proposed Lenders, (c) assistance in the preparation of a confidential information memorandum (the "Confidential Information Memorandum") and other marketing materials to be used in connection with the syndication (the "Information Materials") and (d) the hosting, with the Arranger, of one or more meetings of prospective Lenders.

The Arranger will manage all aspects of the syndication, including decisions as to the selection of institutions to be approached and when they will be approached, when their commitments will be accepted, which institutions will participate, the allocation of the commitments among the Lenders and the amount and distribution of fees among the Lenders, in each case in consultation with you. To assist the Arranger in its syndication efforts, you agree promptly to prepare and provide to the Committing Parties all information with respect to the Borrower and the Transactions, including all financial information and projections (the "Projections"), as we may reasonably request in connection with the arrangement and syndication of the Incremental Term Facility. At the request of the Arranger, the Borrower agrees to assist in the preparation of a version of the Information Materials (the "Public-Side Version") to be used by prospective Lenders' public-side employees and representatives ("Public-Siders") who do not wish to receive material non-public information (within the meaning of the United States federal securities laws) with respect to you, your affiliates or any of your or their respective securities ("MNPI") and who may be engaged in investment and other market-related activities with respect to you, your affiliates or your or their securities or loans. Before distribution of any Information Materials, you agree to execute and deliver to us (a) a letter in which you authorize distribution of the Information Materials to a prospective Lender's employees willing to receive MNPI ("Private-Siders") and (b) a separate letter in which you authorize distribution of the Public-Side Version to Public-Siders and represent that no MNPI is contained therein. You agree that the following documents may be distributed to both Private-Siders and Public-Siders, unless you advise the Arranger in writing (including by e-mail) within a reasonable time prior to their intended distribution that such materials should only be distributed to Private-Siders: (w) the Term Sheet, (x) administrative materials prepared by the Arranger for prospective Lenders (such as lender meeting invitations, lender allocations and funding and closing memoranda), (y) notification of changes in the Incremental Term Facility's terms and (z) other materials intended for prospective Lenders after the initial distribution of the Information Materials. If you advise us that any of the foregoing should be distributed only to Private-Siders, then Public-Siders will not receive such materials without further discussions with you. You hereby authorize us to distribute drafts of the Credit Documentation to Private-Siders and Public-Siders. The parties hereto agree that information and materials may be distributed or sent through electronic means (including IntraLinks, SyndTrak or another electronic workspace) and that the use of such means is expressly authorized hereby.

You hereby represent and covenant that (a) all information other than the Projections (the "Information") that has been or will be made available to any Committing Party by you or any of your representatives is or will be, when furnished and taken as a whole, complete and correct in all material respects and does not or will not, when furnished and taken as a whole, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made and (b) the Projections that have been or will be made available to any Committing Party by you or any of your representatives have been or will be prepared in good faith based upon reasonable assumptions at the time of delivery thereof. You agree that if, at any time prior to the Closing Date, you become aware that any of the representations contained in the preceding sentence is incorrect, then, subject to the Committing Parties' continuing undertaking to maintain the confidentiality of such Information and/or Projections as set forth below, you will promptly supplement the Information or the Projections, as applicable, so that such representation would be correct in all material respects as of the date such Information, as supplemented and taken as a whole, was furnished, or such Projections were made available. You understand that in arranging and syndicating the Incremental Term Facility we may use and rely on the Information and Projections without independent verification thereof.

As consideration for the commitments and agreements of the Committing Parties hereunder, you have agreed to pay the nonrefundable fees described in the fee letter dated the date hereof and delivered together herewith (the "Fee Letter").

The commitments and agreements of the Committing Parties hereunder are subject to (a) such Committing Party's satisfaction that prior to and during the syndication of the Incremental Term Facility there shall be no competing offering, placement or arrangement of any debt securities or bank financing by or on behalf of the Borrower or its subsidiaries that could reasonably be expected to materially and adversely affect the successful syndication of the Incremental Term Facility (other than the refinancing of the Existing Credit Agreement on terms reasonably acceptable to the Arranger) , (b) the negotiation, execution and delivery on or before the Expiration Date (as defined below) of definitive documentation with respect to the Incremental Term Facility satisfactory to such Committing Party and (c) the other conditions set forth or referred to in the Term Sheet.

You agree (a) to indemnify and hold harmless each Committing Party, its affiliates and their respective officers, directors, employees, advisors, and agents (each, an "indemnified person") from and against any and all losses, claims, damages and liabilities to which any such indemnified person may become subject arising out of or in connection with this Commitment Letter, the Term Sheet, the syndication contemplated hereby, the Fee Letter, the Incremental Term Facility, the use or intended use of the proceeds thereof, the Transaction or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any indemnified person is a party thereto, and to reimburse each indemnified person upon demand for any legal or other expenses incurred in connection with investigating or defending any of the foregoing, provided that the foregoing indemnity will not, as to any indemnified person, apply to losses, claims, damages, liabilities or related expenses to the extent (x) they are found by a final, non-appealable judgment of a court of competent jurisdiction to arise from the willful misconduct or gross negligence of such indemnified person or (y) they are found by a final, non-appealable judgment of a court of competent jurisdiction to result from breach by a Committing Party of any of its obligations hereunder, and (b) to reimburse each Committing Party and its affiliates on demand for all out-of-pocket expenses (including due diligence expenses, syndication expenses, consultant's fees and expenses, travel expenses, and reasonable fees, charges and disbursements of counsel) incurred in connection with the Incremental Term Facility and any related documentation (including this Commitment Letter, the Term Sheet, the Fee Letter and the definitive financing documentation) or the administration, amendment, modification or waiver thereof. No indemnified person shall be liable for any damages arising from the use by unauthorized persons of Information or other materials sent through electronic, telecommunications or other information transmission systems (including, without limitation, Intralinks and email) that are intercepted by such persons or for any special, indirect, consequential or punitive damages in connection with its activities related to this Commitment Letter, the Incremental Term Facility or the other transactions contemplated hereby.

You acknowledge that each Committing Party and its affiliates (the term "Committing Party" as used below in this paragraph being understood to include such affiliates) may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which you may have conflicting interests regarding the transactions described herein and otherwise. You acknowledge that the Committing Parties and their respective affiliates may from time to time effect transactions, for their own account or the account of customers, and may hold positions in loans or options on loans of the Borrower and other companies that may be the subject of the transactions described herein. In addition, the Committing Parties and their respective affiliates are full service securities firms and as such may from time to time effect transactions, for their own account or the account of customers, and may hold positions in securities or options on securities of the Borrower and other companies that may be the subject of the transactions described herein. No Committing Party will use confidential information obtained from you by virtue of the transactions described herein or its other relationships with you in connection with the performance by such Committing Party of services for other companies, and such Committing Party will not furnish any such information to other companies. You also acknowledge that a Committing Party has no obligation to use in connection with the transactions described herein, or to furnish to you, confidential information obtained from other companies. You agree that each of the Committing Parties will act under this Commitment Letter as an independent contractor to you with respect to the arrangement of the Incremental Term Facility (including in connection with determining the terms of the Incremental Term Facility) and not as a financial advisor or a fiduciary to, or an agent of, you or any other person. You agree that you will not assert any claim against any Committing Party based on an alleged breach of fiduciary duty by any Committing Party in connection with this Commitment Letter and the transactions contemplated hereby. Additionally, the Borrower acknowledges and agrees that, as Arranger, no Arranger is advising the Borrower as to any legal, tax, investment, accounting,

regulatory or any other matters in any jurisdiction. The Borrower shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Arranger shall have no responsibility or liability to the Borrower with respect thereto.

This Commitment Letter shall not be assignable by you without the prior written consent of each Committing Party (and any purported assignment without such consent shall be null and void), is intended to be solely for the benefit of the parties hereto, is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto and the indemnified persons and is not intended to create any fiduciary or other implied duties among the parties hereto. This Commitment Letter may not be amended or waived except by an instrument in writing signed by you and each Committing Party. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Commitment Letter by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart hereof. This Commitment Letter and the Fee Letter are the only agreements that have been entered into among us with respect to the Incremental Term Facility and set forth the entire understanding of the parties with respect thereto. This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York.

You and the Committing Parties irrevocably and unconditionally submit to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan in the City of New York over any suit, action or proceeding arising out of or relating to this Commitment Letter, the Term Sheet or the Fee Letter or the performance of services hereunder or thereunder. You irrevocably and unconditionally waive any objection to the laying of venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding has been brought in any inconvenient forum. You agree that a final, non-appealable judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon you and may be enforced in any other courts to whose jurisdiction you are or may be subject, by suit upon judgment. You and we irrevocably agree to waive trial by jury in any suit, action, proceeding, claim or counterclaim brought by or on behalf of any party related to or arising out of this Commitment Letter, the Term Sheet or the Fee Letter or the performance of services hereunder or thereunder.

This Commitment Letter is delivered to you on the understanding that neither this Commitment Letter, the Term Sheet or the Fee Letter nor any of their terms or substance shall be disclosed, directly or indirectly, to any other person except (a) to the officers, agents and advisors of the Borrower who are directly involved in the consideration of this matter or (b) as may be compelled in a judicial or administrative proceeding or as otherwise required by law (in which case you agree to inform us promptly thereof) including disclosures required by law, provided, that the foregoing restrictions shall cease to apply (except in respect of the Fee Letter and its terms and substance) after the Acquisition Agreement has been fully executed and this Commitment Letter has been accepted by you.

The reimbursement, indemnification, confidentiality, waiver of jury trial, jurisdiction, venue and governing law provisions contained herein and in the Fee Letter, as well as those of the fourth preceding paragraph above, shall remain in full force and effect regardless of whether definitive financing documentation shall be executed and delivered and notwithstanding the termination of this Commitment Letter or any commitment hereunder; provided, that your obligations under this Commitment Letter, other than those arising under the fourth, fifth, sixth and fourteenth paragraphs hereof, shall automatically terminate and be superseded by the provisions of the definitive documentation relating to the Incremental Term Facility upon the initial funding thereunder, and you shall automatically be released from all liability in connection therewith at such time.

The Committing Parties hereby notify you that pursuant to the requirements of the USA PATRIOT Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the "PATRIOT Act"), the Arranger and each Lender are required to obtain, verify and record information that identifies the Borrower and its affiliates, which information includes the name, address, tax identification number and other information regarding the Borrower and its affiliates that will allow such Arranger or such Lender to identify the Borrower and its affiliates in accordance

with the PATRIOT Act. This notice is given in accordance with the requirements of the PATRIOT Act and is effective as to the Arranger and each Lender.

If the foregoing correctly sets forth our agreement, please indicate your acceptance of the terms hereof and of the Term Sheet and the Fee Letter by returning to us executed counterparts hereof and of the Fee Letter not later than 5:00 p.m., New York City time, on January 7, 2016. The commitments and agreements of the Committing Parties hereunder will expire at such time in the event we have not received such executed counterparts in accordance with the preceding sentence. In the event that the initial borrowing under the Incremental Term Facility does not occur on or before the Expiration Date, then this Commitment Letter and the commitments hereunder shall automatically terminate. "Expiration Date" means the earliest of (i) September 2, 2016, (ii) the closing of the Acquisition (as defined in the Term Sheet) without the use of the Incremental Term Facility and (iii) the termination prior to closing of the Acquisition of the Acquisition Agreement; provided that to the extent set forth in the second preceding paragraph, the provisions contained herein shall survive any such termination. In addition, such commitments and agreements shall terminate upon receipt by us of written notice from you that you are electing to terminate such commitments, such termination to be effective as of the date specified in such notice; provided that to the extent set forth in the second preceding paragraph, the provisions contained herein shall survive any such termination.

We are pleased to have been given the opportunity to assist you in connection with this important financing.

Very truly yours,

J.P. MORGAN SECURITIES LLC

By:
/s/ Cornelius Droogan

Name: Cornelius J. Droogan
Title: Managing Director

JPMORGAN CHASE BANK, N.A.

By: /s/ Robert Arrieta

Name: Robert Arrieta
Title: Managing Director

Accepted and agreed to as of
the date first written above by:

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.

By: /s/David R. Smith
Name: David R. Smith
Title: Corporate Executive Vice President & Chief Financial Officer

Exhibit A

CHARLES RIVER LABORATORIES INTERNATIONAL, INC.
$350,000,000
Incremental Term Facility
Summary of Terms and Conditions

Capitalized terms used but not defined in this Exhibit A shall have the meanings set forth in the Commitment Letter to which this Exhibit A is attached.

The Borrower intends to acquire (the "Acquisition") WRH, Inc. and its subsidiaries (the "Target") pursuant to an Agreement and Plan of Merger (together with all exhibits, schedules and disclosure letters thereto, the "Acquisition Agreement") dated as of January 6, 2016 among the Borrower, WRH, Inc., Pretzel Acquisition Corporation and American Capital Equity III, LP.. In connection therewith, the Borrower intends to incur the Incremental Term Facility (as defined below) under the Sixth Amended and Restated Credit Agreement, dated as of April 22, 2015 among the Borrower, the Subsidiary Borrowers party thereto, JPMorgan Chase Bank, as administrative agent, and the other agents and lenders party thereto, as amended, supplemented or otherwise modified prior to the Closing Date, the "Existing Credit Agreement"). The proceeds of the Incremental Term Facility will be used (i) to pay a portion of the cash consideration for the Acquisition and (ii) to pay the fees and expenses incurred in connection with the Transaction. The transactions described above are collectively referred to herein as the "Transaction". For purposes of this Commitment Letter and the Fee Letter, "Closing Date" shall mean the date of the initial funding of the Incremental Term Facility.

Set forth below is a statement of the terms and conditions for the Incremental Term Facility:

I. PARTIES

| | |
|---|---|
| Borrower: | Charles River Laboratories International, Inc. (the "Borrower"). |
| Guarantors: | The guarantors under the Existing Credit Agreement (the "Subsidiary Guarantors" and together with the Borrower, the "Loan Parties"). The obligations of the Loan Parties shall not include any "excluded swap obligations" on terms consistent with the Existing Credit Agreement. |
| Joint Lead Arrangers and Joint Bookrunners: | JPMorgan (the "Arranger") and up to two other financial institutions selected by the Borrower and reasonably satisfactory to JPMorgan. |
| Administrative Agent: | JPMorgan Chase Bank (in such capacity, the "Administrative Agent"). |
| Co-Syndication Agents | Up to two other financial institutions selected by the Borrower and reasonably satisfactory to JPMorgan. |
| Lenders: | A syndicate of banks, financial institutions and other entities, including JPMorgan Chase Bank and the banking affiliates of the other joint lead arrangers, arranged by the Arranger in consultation with the Borrower (collectively, the "Lenders"). |

II. TYPES AND AMOUNTS OF CREDIT FACILITIES

Incremental Term Facility

| | |
|---|---|
| Type and Amount: | An incremental term loan facility in U.S. dollars (the "Incremental Term Facility) in an amount up to $350.0 million (the loans thereunder, the "Incremental Term Loans"). |
| Maturity and Amortization: | The Incremental Term Loans will mature on April 22, 2020.<br><br>The Incremental Term Loans shall be repayable in quarterly installments equal to the amortization percentage applicable to the existing term loans outstanding as of the date hereof under the Existing Credit Agreement (the "Original Term Loans"), commencing on the next amortization date for such Original Term Loans following the Closing Date; provided that for the avoidance of doubt, any outstanding Incremental Term Loans will be repayable in full on April 22, 2020. |
| Availability: | The Incremental Term Loans shall be made in a single drawing on the Closing Date. |
| Purpose: | The proceeds of the Incremental Term Loans shall be used to effect the Transactions. |

III. CERTAIN PAYMENT PROVISIONS

| | |
|---|---|
| Fees and Interest Rates: | As set forth on Annex I. |
| Optional Prepayments and Commitment Reductions: | Same as the Existing Credit Agreement with respect to Original Term Loans. |
| Mandatory Prepayments: | Same as the Existing Credit Agreement with respect to Original Term Loans. |

IV. COLLATERAL

Same as the Existing Credit Agreement.

V. CERTAIN CONDITIONS

Initial Conditions: The availability of the Incremental Term Facility shall be conditioned upon satisfaction of the conditions precedent explicitly set forth in the Commitment Letter and the following conditions precedent (the date upon which all such conditions shall be satisfied, the "Closing Date"):

- Each Loan Party shall have executed and delivered satisfactory definitive financing documentation with respect to the Incremental Term Facility (the "Credit Documentation").

(b) Customary closing certificates as to corporate existence and authority.

(c) The Borrower and its subsidiaries, on a consolidated basis after giving effect to the Transaction, shall be solvent, and the Committing Parties shall have received a certificate from the chief financial officer of the Borrower, in form reasonably acceptable to the Committing Parties, certifying to the effect thereof.

(d) All governmental and third party approvals necessary in connection with the Transaction and the Incremental Term Facility and the continuing operations of the Borrower and its subsidiaries shall have been obtained and be in full force and effect.

(e) The Lenders, the Administrative Agent and the Arranger shall have received all fees required to be paid, and all reasonable expenses for which invoices have been presented, on or before the Closing Date.

(f) All actions required under the Existing Credit Agreement to be taken on the Closing Date shall have been taken to establish that the Administrative Agent will have a perfected first priority security interest (subject to liens permitted under the Existing Credit Agreement) in the Collateral.

(g) The Administrative Agent shall have received such legal opinions (including opinions (i) from counsel to the Borrower and its subsidiaries and (ii) from such special and local counsel as may be required by the Administrative Agent), documents and other instruments as are customary for transactions of this type or as it may reasonably request.

(h) The Lenders shall have received, at least five business days prior to the Closing Date, satisfactory information required for compliance by Lenders with applicable “know your customer” and anti-money laundering requirements (including information required under the PATRIOT Act).

(i) The Borrower shall have delivered to the Administrative Agent a certificate demonstrating compliance with condition (k) below.

(j) Delivery of a borrowing notice.

(k) The satisfaction of the conditions to the Incremental Term Facility set forth in the Existing Credit Agreement, including Section 2.24 thereof, unless otherwise amended or waived in accordance with the terms thereof.

(l) The Existing Credit Agreement has not been amended, consented to or waived in any material respect adverse to the Arranger or Lenders without the prior written consent of JPMorgan.

VI. CERTAIN DOCUMENTATION MATTERS

| | |
|---|---|
| Representations and Warranties: | Same as the Existing Credit Agreement. |
| Affirmative Covenants: | Same as the Existing Credit Agreement. |
| Financial Covenants: | Same as the Existing Credit Agreement. |
| Negative Covenants: | Same as the Existing Credit Agreement. |
| Events of Default: | Same as the Existing Credit Agreement. |
| Voting: | Same as the Existing Credit Agreement. |
| Assignments and Participations: | Same as the Existing Credit Agreement. |
| Yield Protection: | Same as the Existing Credit Agreement. |
| Defaulting Lenders: | Same as the Existing Credit Agreement. |
| Expenses and Indemnification: | Same as the Existing Credit Agreement. |
| Governing Law and Forum: | State of New York. |
| Counsel to the Administrative Agent and the Arranger: | Simpson Thacher & Bartlett LLP. |

# INTEREST AND CERTAIN FEES

| | |
|---|---|
| Interest Rate Options: | Same as the Existing Credit Agreement. |
| | "ABR" shall be defined in a manner consistent with the Existing Credit Agreement. |
| | "ABR Loans" means Loans bearing interest based upon the ABR. |
| | "Applicable Margin" means a percentage to be determined in accordance with the pricing grid attached hereto as Annex I-A. |
| | "Eurodollar Loans" means Loans bearing interest based upon the Eurodollar Rate. |
| | "Eurodollar Rate" shall be defined in a manner consistent with the Existing Credit Agreement. |
| Interest Payment Dates: | Same as the Existing Credit Agreement. |
| Default Rate: | Same as the Existing Credit Agreement. |
| Rate and Fee Basis: | Same as the Existing Credit Agreement. |

PRICING GRID FOR
AND INCREMENTAL TERM LOANS

| | Leverage Ratio | Applicable Margin Eurodollar Loans | Applicable Margin ABR Loans |
|---|---|---|---|
| Level I | ≥ 3.00:1.00 | 1.50% | 0.50% |
| Level II | ≥ 2.50:1.00 but < 3.00:1.00 | 1.25% | 0.25% |
| Level III | ≥ 2.00:1.00 but < 2.50:1.00 | 1.125% | 0.125% |
| Level IV | < 2.00:1.00 | 1.00% | 0% |

**Exhibit 21.1**

## SUBSIDIARIES

| | Subsidiary | Jurisdiction of Organization |
|---|---|---|
| 1 | Charles River Laboratories, Inc. | Delaware |
| 2 | Charles River UK Limited | United Kingdom (England) |
| 3 | Charles River Laboratories Saint-Constant S.A. | Quebec, Canada |
| 4 | Charles River Holdings LLC | Delaware |
| 5 | Ballardvale CV | Netherlands |
| 6 | Charles River Nederland BV | Netherlands |
| 7 | Charles River Laboratories Holding SAS | France |
| 8 | Charles River Laboratories France—C.R.L.F. SAS | France |
| 9 | Charles River Laboratories Belgium SPRL | Belgium |
| 10 | Charles River Laboratories España SA | Spain |
| 11 | Charles River Laboratories Japan, Inc. | Japan |
| 12 | Charles River Germany Verwaltungs GmbH | Germany |
| 13 | Charles River Laboratories Italia Srl | Italy |
| 14 | Charles River Germany GmbH & Co. KG | Germany |
| 15 | Charles River Laboratories Poland Sp. Z.o.o. | Poland |
| 16 | Charles River Laboratories Ireland Limited | Ireland |
| 17 | Entomology Europe Limited | Ireland |
| 18 | Saothorlanna Bitheolaiocha Idirnaisiunta Teoranta | Ireland |
| 19 | Charles River Laboratories, Research Models and Services, Germany GmbH | Germany |
| 20 | Charles River Laboratories Luxembourg S.a.r.l. | Luxembourg |
| 21 | Charles River Laboratories Group | United Kingdom (Scotland) |
| 22 | Charles River Laboratories Holdings Scotland | United Kingdom (England) |
| 23 | Charles River Laboratories Edinburgh Ltd. | United Kingdom (Scotland) |
| 24 | Sunrise Farms, Inc. | New York |
| 25 | Charles River ULC | Nova Scotia, Canada |
| 26 | Charles River Laboratories Preclinical Services Montreal, ULC | Nova Scotia, Canada |
| 27 | Charles River Laboratories Australia Pty. Ltd. | Australia |
| 28 | Zhanjiang A&C Biological Ltd. | China |
| 29 | Charles River Laboratories Korea | Korea |
| 30 | Charles River Laboratories Asia Holdings Limited | Hong Kong |
| 31 | Charles River Laboratories Preclinical Services Hong Kong Limited | Hong Kong |
| 32 | Charles River Biopharmaceutical Services GmbH | Germany |
| 33 | Charles River Discovery Research Services International, Inc. | Michigan |
| 34 | Charles River Discovery Research Services, Inc. | Michigan |
| 35 | Charles River Laboratories India Private Limited | India |
| 36 | Charles River Discovery Research Services Finland | Finland |
| 37 | Systems Pathology Company, LLC | Delaware |
| 38 | Accugenix Inc. | Delaware |
| 39 | Beijing Vital River Laboratory Animal Technology Co. Ltd. | China |
| 40 | Charles River Detecção Microbiana e de Endotoxina Participações Ltda | Brazil |
| 41 | Charles River Endotoxin and Microbial Detection Singapore Pte. Ltd. | Singapore |
| 42 | Charles River Laboratories Bangladesh Ltd. | Bangladesh |
| 43 | Charles River Endotoxin Microbial Detection Europe SAS | France |

| | | |
|---|---|---|
| 44 | Charles River Laboratories Holdings Limited | United Kingdom (England) |
| 45 | BioFocus DPI (Holdings) Ltd. | United Kingdom (England) |
| 46 | BioFocus DPI Limited | United Kingdom (England) |
| 47 | Argenta Discovery 2009 Limited | United Kingdom (England) |
| 48 | Cangenix Limited | United Kingdom (England) |
| 49 | ChanTest Corporation | Delaware |
| 50 | Charles River Endotoxin and Microbial Detection Israel | Israel |
| 51 | Oncotest GmbH | Germany |
| 52 | CRL Holding Germany GmbH | Germany |
| 53 | Celsis Group Limited | United Kingdom (England) |
| 54 | Nastor Investments | United Kingdom (England) |
| 55 | Celsis International Limited | United Kingdom (England) |
| 56 | Celsis Limited | United Kingdom (England) |
| 57 | Celsis Sarl | France |
| 58 | Celsis Europe BV | Netherlands |
| 59 | Celsis International BV | Netherlands |
| 60 | Celsis BV | Netherlands |
| 61 | Celsis International GmbH | Germany |
| 62 | Pretzel Acquisition Corporation | Delaware |

**Exhibit 23.1**

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3ASR (No. 333-205954) and Forms S-8 (No. 333-190292, No. 333-174971, No. 333-161024, No. 333-144177, No. 333-124853, No. 333-105803, No. 333-61336 and No. 333-47768) of Charles River Laboratories International, Inc. of our report dated February 12, 2016 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
February 12, 2016

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**
**AND RULE 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934**

I, James C. Foster, Chief Executive Officer of Charles River Laboratories International, Inc. (the Company) certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 26, 2015 of the Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 12, 2016

/s/ JAMES C. FOSTER

James C. Foster
*Chairman, President and Chief Executive Officer*
Charles River Laboratories International, Inc.

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**
**AND RULE 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934**

I, David R. Smith, Corporate Executive Vice President and Chief Financial Officer of Charles River Laboratories International, Inc. (the Company) certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 26, 2015 of the Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 12, 2016

/s/ DAVID R. SMITH

David R. Smith
*Corporate Executive Vice President and Chief Financial Officer*
Charles River Laboratories International, Inc.

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K for the year ended December 26, 2015 of Charles River Laboratories International, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, James C. Foster, Chairman, Chief Executive Officer and President of the Company, and David R. Smith, Chief Financial Officer of the Company, each hereby certifies, to the best of his knowledge and pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 12, 2016

/s/ JAMES C. FOSTER

*Chairman, President and Chief Executive Officer*
Charles River Laboratories International, Inc.

Dated: February 12, 2016

/s/ DAVID R. SMITH

*Corporate Executive Vice President and Chief Financial Officer*
Charles River Laboratories International, Inc.

This certification shall not be deemed "filed" for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act.