

CHARLES RIVER LABORATORIES INTERNATIONAL INC  
Form DEF 14A  
March 30, 2012

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**

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(Name of Registrant as Specified In Its Charter)

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

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- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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    - (2) Form, Schedule or Registration Statement No.:
    - (3) Filing Party:
    - (4) Date Filed:
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March 30, 2012

Dear Shareholder,

You are cordially invited to attend the 2012 Annual Meeting of Shareholders of Charles River Laboratories International, Inc. to be held at 8:30 a.m. on Tuesday, May 8, 2012, at Wyndham Boston Andover, 123 River Road, Andover, MA 01810.

At the Annual Meeting, ten persons will be elected to our Board of Directors. We will also hold a vote on an advisory resolution on our executive compensation and ask shareholders to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2012. Finally, a shareholder has proposed a resolution as described in this Proxy Statement. Our Board of Directors recommends the approval of the proposals to elect the ten directors, the advisory vote on our executive compensation, and to ratify the selection of PricewaterhouseCoopers LLP. Our Board of Directors recommends that you vote against the shareholder proposal. Such other business will be transacted as may properly come before the Annual Meeting.

Whether you plan to attend the Annual Meeting or not, it is important that your shares are represented. Therefore, we urge you to complete, sign, date and return the enclosed proxy card promptly in accordance with the instructions set forth on the card. This will ensure your proper representation at the Annual Meeting.

Sincerely,

James C. Foster

*Chairman, President and Chief  
Executive Officer*

**YOUR VOTE IS IMPORTANT.  
PLEASE RETURN YOUR PROXY PROMPTLY.**

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 8, 2012.**

**This Proxy Statement and our Annual Report to Shareholders are available at**  
*www.criver.com/annual2012.*

**In addition, our Annual Report on Form 10-K for fiscal year 2011 can be found on the same website.**

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**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**To be Held on May 8, 2012**

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

NOTICE IS HEREBY GIVEN that the Annual Meeting of Charles River Laboratories International, Inc., a Delaware corporation, will be held on Tuesday, May 8, 2012, at Wyndham Boston Andover, 123 River Road, Andover, MA 01810, at 8:30 a.m., for the following purposes:

1. To elect the ten persons named in this proxy statement as members to our Board of Directors to hold office until the next Annual Meeting of Shareholders.
2. To approve an advisory resolution on our executive compensation.
3. To consider and act upon a proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2012.
4. To vote on a shareholder proposal described in this proxy statement if properly presented at this meeting.
5. To transact such other business as may be properly brought before the Annual Meeting and any adjournments thereof.

The Board of Directors has fixed the close of business on March 16, 2012 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and at any adjournments thereof.

All shareholders are cordially invited to attend the Annual Meeting. Attendance at the Annual Meeting will be limited to shareholders and those holding proxies from shareholders.

An admission ticket and government-issued picture identification will be required to enter the meeting. Any individual arriving without an admission ticket will not be admitted to the meeting unless it can be verified that the individual is a Charles River stockholder as of the record date for the meeting. Shareholders may obtain an Annual Meeting ticket by writing to Corporate Secretary, Charles River Laboratories International, Inc., 251 Ballardvale Street, Wilmington, Massachusetts 01887. If you are a registered holder, please indicate that in your request. If your shares are held by a bank, broker or nominee, you must enclose evidence of your ownership of shares with your ticket request, which you can obtain from your broker, bank or nominee. Please submit your ticket request and proof of ownership as promptly as possible in order to ensure you receive your ticket in time for the meeting. Admission to the Annual Meeting will be on a first-come, first-served basis.

By Order of the Board of Directors

David P. Johst  
Corporate Secretary

March 30, 2012

Whether you plan to attend the Annual Meeting or not, you are requested to complete, sign, date and return the enclosed proxy card as soon as possible in accordance with the instructions on the proxy card. A pre-addressed, postage prepaid return envelope is enclosed for your convenience.

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**CHARLES RIVER LABORATORIES INTERNATIONAL, INC.**

**251 Ballardvale Street  
Wilmington, MA 01887  
(781) 222-6000**

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**PROXY STATEMENT  
For Annual Meeting of Shareholders  
To be Held May 8, 2012**

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**GENERAL INFORMATION**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Charles River Laboratories International, Inc., a Delaware corporation, of proxies, in the accompanying form, to be used at the Annual Meeting of Shareholders to be held at Wyndham Boston Andover, 123 River Road, Andover, MA 01810 on Tuesday, May 8, 2012, at 8:30 a.m., and any adjournments thereof (the Meeting). The Notice of Meeting, this Proxy Statement, the enclosed proxy card and our Annual Report to Shareholders for the year ended December 31, 2011 are being mailed to shareholders on or about March 30, 2012. Copies of these documents may also be obtained free of charge through our website at [www.criver.com/annual2012](http://www.criver.com/annual2012).

When proxies in the accompanying form are properly executed and received, the shares represented thereby will be voted at the Meeting in accordance with the directions noted thereon. If no direction is indicated on the proxy, the shares represented thereby will be voted "**FOR**" the election of the Board's nominees as directors, the advisory vote on executive compensation, and the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2012, and "**AGAINST**" the shareholder proposal, as described in this Proxy Statement.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to us a written notice of revocation or a duly executed proxy bearing a later date. Any shareholder who has executed a proxy but is present at the Meeting, and who wishes to vote in person, may do so by revoking his or her proxy as described in the preceding sentence. Shares represented by valid proxies in the form enclosed, received in time for use at the Meeting and not revoked at or prior to the Meeting, will be voted at the Meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock is necessary to constitute a quorum at the Meeting. Votes of shareholders of record who are present at the Meeting in person or by proxy, abstentions, and broker non-votes are counted as present or represented at the Meeting for purposes of determining whether a quorum exists.

If you hold your shares of common stock through a broker, bank or other representative, generally the broker or your representative may only vote the common stock that it holds for you in accordance with your instructions. However, if it has not timely received your instructions, the broker or your representative may vote on certain matters for which it has discretionary voting authority. Brokers may not vote without specified instruction in the election of directors (Proposal 1), the advisory vote on executive compensation (Proposal 2), and the shareholder proposal, as described in this proxy statement (Proposal 4), but may cast discretionary votes in the ratification of the independent registered public accounting firm (Proposal 3). If a broker or your representative cannot vote on a particular matter because it does not have discretionary voting authority, this is considered to be a "broker non-vote" on that matter.

The close of business on March 16, 2012 has been fixed as the record date for determining the shareholders entitled to notice of and to vote at the Meeting. As of the close of business on March 16, 2012, we had 49,086,079 shares of common stock outstanding and entitled to vote. Holders of common stock at the close of business on the record date are entitled to one vote per share on all matters to be voted on by shareholders.

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An admission ticket and government-issued picture identification will be required to enter the meeting. Any individual arriving without an admission ticket will not be admitted to the meeting unless it can be verified that the individual is a Charles River stockholder as of the record date for the meeting. You may obtain the Annual Meeting ticket by writing to Corporate Secretary, Charles River Laboratories International, Inc., 251 Ballardvale Street, Wilmington, Massachusetts 01887. If you are a registered holder, please indicate that in your request. If your shares are held by a bank, broker or nominee, you must enclose with your request evidence of your ownership of shares with your ticket request, which you can obtain from your broker, bank or nominee. Please submit your ticket request and proof of ownership as promptly as possible in order to ensure you receive your ticket in time for the meeting. Admission to the Annual Meeting will be on a first-come, first-served basis, and an admission ticket and government issued picture identification will be required to enter the meeting.

The cost of soliciting proxies, including expenses in connection with preparing and mailing this Proxy Statement, will be borne by us. In addition, we will reimburse brokerage firms and other persons representing beneficial owners of our common stock for their expenses in forwarding proxy material to such beneficial owners. Solicitation of proxies by mail may be supplemented by telephone, facsimile and personal solicitation by our directors, officers or employees. No additional compensation will be paid for such solicitation. We have retained Geogeson Inc. to assist in the solicitation of proxies at a cost of approximately \$8,500 plus reimbursement of expenses.

#### **Votes Required**

Nominees for election as directors at the Meeting will be elected by a plurality of the votes of the shares present in person or represented by proxy at the Meeting. Withholding authority to vote for a nominee for director will have no effect on the outcome of the vote. The affirmative vote of the holders of a majority of the votes cast is required to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2012, will also constitute the shareholders' non-binding approval with respect to our executive compensation program and will constitute approval of the shareholder proposal as described in this Proxy Statement.

Shares which abstain from voting as to a particular matter and broker non-votes will not be voted in favor of such matter, and will also not be counted as shares voting on such matter. Accordingly, broker non-votes and abstentions will generally have no effect on the voting on any matter that requires the affirmative vote of a plurality or a majority of the shares cast on the matter.

#### **PROPOSAL ONE ELECTION OF DIRECTORS**

Under our By-laws, the number of members of our Board of Directors is fixed from time to time by the Board of Directors, but may be increased or decreased either by the shareholders or by the majority of directors then in office. Directors serve in office until the next annual meeting of shareholders and until their successors have been elected and qualified, or until their earlier death, resignation or removal.

The Board of Directors has voted to nominate Mr. James C. Foster, Mr. Robert J. Bertolini, Mr. Stephen D. Chubb, Dr. Deborah T. Kochevar, Mr. George E. Massaro, Dr. George M. Milne, Jr., Mr. C. Richard Reese, Dr. Samuel O. Thier, Mr. Richard F. Wallman and Mr. William H. Waltrip for election at the Meeting. There are no family relationships between any of our directors or executive officers.

Unless authority to vote for any of the nominees named above is withheld, the shares represented by the enclosed proxy will be voted FOR the election as directors of such nominees. In the event that any nominee shall become unable or unwilling to serve, the shares represented by the enclosed proxy will be voted for the election of such other person as the Board of Directors may recommend in that nominee's place. Our Board of Directors has no reason to believe that any nominee will be unable or unwilling to serve.

**The Board unanimously recommends a vote "FOR" the election of each of these nominees for directors.**



**NOMINEES FOR DIRECTORS**

The following table provides information as of the date of this Proxy Statement about each nominee. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusion that he or she should serve as a director, we also believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business or scientific acumen and an ability to exercise sound judgment, as well as a commitment of service to Charles River and our Board.

<b>Name and Age as of the 2012 Annual Meeting</b>	<b>Position, Principal Occupation, Business Experience and Directorships</b>
James C. Foster	<p>61 Joined us in 1976 as General Counsel. Over the past 35 years, Mr. Foster has held various staff and managerial positions. Mr. Foster was named President in 1991, Chief Executive Officer in 1992 and Chairman in 2000. Mr. Foster has been a director since 1989.</p> <p>Mr. Foster was selected to serve as a director on our Board due to his role as our Chief Executive Officer, his depth of knowledge of us and our operations, his acute business judgment, extensive familiarity with the research model and contract research preclinical services businesses in which we compete, and his lengthy tenure with us.</p>
Robert J. Bertolini	<p>50 Retired from Schering-Plough Corp. following its merger with Merck &amp; Co. in November 2009. From November 2003 until November 2009, Mr. Bertolini served as Executive Vice President and Chief Financial Officer at Schering-Plough, with responsibility for tax, accounting and financial asset management. Prior to joining Schering-Plough, Mr. Bertolini spent 20 years at PricewaterhouseCoopers LLP, ultimately leading its global pharmaceutical industry practice. Mr. Bertolini also serves as a director of ElectroCore LLC and Actelion Pharmaceuticals Ltd. He served as a director of Genzyme Corporation until its merger with Sanofi-Aventis in 2011. Mr. Bertolini has been a director since January 2011.</p> <p>Mr. Bertolini's qualifications to serve as a director include his industry and financial expertise. He has extensive experience in building world-class finance and information technology functions and in leading business development and strategy. Having joined Schering-Plough at a time when it was facing challenges across several areas, Mr. Bertolini was part of the team that turned Schering-Plough around and drove strategic decisions. He has had responsibility for key financial areas including tax, accounting and financial asset management, and extensive experience in audit, financial controls and corporate governance. He has expertise in working with small and large health care companies on initial public offerings, licensing and other strategic issues. As a result of his extensive background in public accounting and prior experience as a public company Chief Financial Officer, Mr. Bertolini qualifies as an "audit committee financial expert" under SEC guidelines.</p>

Name and Age as of the  
2012 Annual Meeting

Position, Principal Occupation, Business Experience and Directorships

Stephen D. Chubb

- 68 Former President and Chief Executive Officer of Allegro Diagnostics, Inc., a molecular diagnostics company focused on the development and future sale of innovative genomic tests for the diagnosis, staging and guided treatment of lung cancer and lung diseases. Mr. Chubb was Chairman and Chief Executive Officer of Matritech, Inc., a leading developer of proteomics-based diagnostic products for the early detection of cancer, from its inception in 1987 until December 2007. Mr. Chubb served as President and Chief Executive Officer of T Cell Sciences, Inc. and as President and Chief Executive Officer of Cytogen Corp. Mr. Chubb presently serves as a Special Limited Partner of Catalyst Healthcare Ventures, a venture investment firm specializing in medical devices and diagnostic products. Mr. Chubb served as Chairman of the Board of Trustees of Mount Auburn Hospital in Cambridge, Massachusetts from 2006 to 2010 and was a director of Caregroup Healthcare System. He is currently a director of Allegro Diagnostics Corp., Immunetics, Inc. and Codevax Inc. Mr. Chubb has been a director since 1994.

Mr. Chubb brings to the Board a wealth of industry and business expertise, drawing upon his 30-year history as a CEO/president and board member at a variety of public and private life sciences companies. The Board benefits particularly from Mr. Chubb's strong biotechnology industry expertise, and he also brings a valued perspective given his service to hospitals and healthcare providers. In addition, as a result of his background as a certified public accountant and prior service as a public company CFO, Mr. Chubb qualifies as an "audit committee financial expert" under SEC guidelines.

Deborah T. Kochevar,  
Ph.D, D.V.M.

- 55 Dean of the Cummings School of Veterinary Medicine at Tufts University since 2006. Previously, Dr. Kochevar was a long-time faculty member and administrator at the College of Veterinary Medicine and Biomedical Sciences, Texas A&M University, where she held the Wiley Chair of Veterinary Medical Education. Dr. Kochevar is a past-president of the American College of Veterinary Clinical Pharmacology and is active in the American Veterinary Medical Association, having chaired its Council on Education and the Educational Commission for Foreign Veterinary Graduates. Dr. Kochevar has been a director since October 2008.

Dr. Kochevar was selected to the Board in recognition of her distinct perspective as a highly distinguished academic and educator in the life sciences. As a boarded diplomate of the American College of Veterinary Clinical Pharmacology, with a Ph.D. in cell and molecular biology combined with a D.V.M. degree, and a deep knowledge base of comparative medicine and complex animal models, Dr. Kochevar's training and experience is particularly suited to understanding and providing insights into the veterinary medical, contract research and drug development support activities we conduct. Dr. Kochevar also provides the Board with current industry and scientific insights through her on-going involvement in a broad array of biomedical professional and trade organizations.

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Name and Age as of the  
2012 Annual Meeting

Position, Principal Occupation, Business Experience and Directorships

George E. Massaro

64 Director and Vice Chairman of Huron Consulting Group, Inc., a management consulting company, since May 2010. Mr. Massaro was non-Executive Chairman of the Board of Huron Consulting Group from July 2009 to May 2010, Director and Vice Chairman of Huron Consulting Group since June 2004 (Vice Chairman since March 2005), Chief Operating Officer of Huron Consulting Group, Inc. and Huron Consulting Services LLC from June 2003 until March 2005, and Managing Director of Huron Consulting Services LLC from August 2002 to May 2003. He was the Managing Partner of Arthur Andersen's New England practice from 1998 to 2002. Mr. Massaro also serves as a director of Eastern Bank Corporation, an independent mutual bank holding company in New England. Mr. Massaro has been a director since 2003.

Mr. Massaro has more than 35 years of accounting and auditing experience with expertise in a broad range of areas. As a former managing partner of a major accounting firm, Mr. Massaro brings a deep knowledge of financial reporting, auditing and tax matters applicable to a variety of industries. Mr. Massaro also provides business acumen from his numerous senior positions at Huron Consulting, as well as his service on boards of other companies. As a result of his extensive background in public accounting and prior experience at Arthur Andersen, Mr. Massaro qualifies as an "audit committee financial expert" under SEC guidelines.

George M. Milne, Jr., Ph.D.

68 Venture partner of Radius Ventures LLC since 2003. Dr. Milne retired from Pfizer Inc. in 2002 after working there since 1970 in management positions, including as Executive Vice President, Pfizer Global Research and Development, President, Worldwide Strategic Sales and Operations Management, President of Central Research with global responsibility for Pfizer's Human and Veterinary Medicine Research and Development, and member of the Pfizer Management Council. Dr. Milne is a director of Mettler-Toledo International, Inc. and Athersys, Inc. and also serves on the boards of several private companies and charitable organizations. He was previously a director of MedImmune, Inc. from 2005-2007, Aspreva Pharmaceutical Corporation from 2004-2007, and Conor Medsystems, Inc. from 2003-2006. Dr. Milne has been a director since 2002.

With his strong scientific background (including a Ph.D. in Organic Chemistry), his long tenure at Pfizer Inc., his work as a venture partner with Radius Ventures and through his service on multiple life science boards, Dr. Milne has a deep understanding of R&D processes and the services, tools and technologies used in the life sciences industry, and supplies particular insights into industry drivers as well as the concerns and perspectives of the consumers of our products and services. In addition, he has had exposure to strategic and operational issues relevant to board leadership through his prior role at Pfizer and at other public and private company boards. Dr. Milne also brings unique industry perspective from his biomedical venture capital activities through Radius Ventures.

Name and Age as of the  
2012 Annual Meeting

Position, Principal Occupation, Business Experience and Directorships

C. Richard Reese

- 66 Chairman and Chief Executive Officer of Iron Mountain Incorporated, a global public information protection and storage company. Mr. Reese originally served as the Chief Executive Officer of Iron Mountain since from 1981-2008, and served as its Chairman from 1995-2008 and as Executive Chairman between June 2008 and April 2011. Mr. Reese has been a director since 2007.

Mr. Reese is a proven global business leader who, from the time he joined Iron Mountain as its president in 1981 with only \$3 million in annual revenue, developed it into a global company with over \$3.0 billion in revenue and more than 100,000 corporate customers. As a member of our Board, Mr. Reese provides us with invaluable guidance and advice, particularly in the areas of strategic execution, customer service and innovation, drawing upon his extensive experience, entrepreneurial spirit and proven track record.

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Samuel O. Thier, M.D.

- 74 Professor of Medicine and Health Care Policy, Emeritus at Harvard Medical School, Massachusetts General Hospital. In December 2002, Dr. Thier retired from the position of Chief Executive Officer of Partners HealthCare System, Inc., which he had held since July 1996. He served as President of Partners HealthCare System, Inc. from 1994 to 1996, Chief Executive Officer of MGH Corporation from 1994 to 1997, President of Massachusetts General Hospital from 1994 through 1996, and as President of Brandeis University from 1991 to 1994. He served as President of the Institute of Medicine, National Academy of Sciences, and is a Fellow of the American Academy of Arts and Sciences. Dr. Thier has served as a director of Merck & Co., Inc. (1994-2010), the Federal Reserve Bank of Boston and a trustee of The Commonwealth Fund. Dr. Thier is a director of the Foundation for the National Institutes of Health, and a member of the Boards of Overseers of TIAA-CREF, Cornell University Weill Medical College and the Heller School for Social Policy and Management at Brandeis University. Dr. Thier also serves as a member of the Board of Dean's Advisors of the Harvard School of Public Health. Dr. Thier has been a director since 2000.

Dr. Thier brings extensive leadership skills to the Board. In addition to his life sciences expertise, which has included senior positions in commercial, academic and healthcare environments, Dr. Thier has served in leadership roles at entities as diverse as Brandeis University and the Federal Reserve Bank of Boston. Dr. Thier also provides the Board with substantive guidance as he is a recognized authority in the areas of national health policy, medical education and biomedical research.

Name and Age as of the  
2012 Annual Meeting

Position, Principal Occupation, Business Experience and Directorships

Richard F. Wallman

60 From 1995 through 2003, Mr. Wallman served as the Senior Vice President and Chief Financial Officer of Honeywell International, Inc., a diversified technology company, and AlliedSignal, Inc. (prior to its merger with Honeywell). He is also a member of the boards of directors of Ariba, Inc., Convergys Corporation, Roper Industries Inc., Tornier B.V., and Dana Holding Corporation and in the past five years has served as a member of the boards of Avaya, Inc., Lear Corporation, Hayes-Lemmerz International, Inc. and ExpressJet Holdings, Inc. Mr. Wallman has been a director since January 2011.

Mr. Wallman's leadership experience, including CFO, financial and outside board experience provide him with an informed understanding of the financial issues and risks that affect us.

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William H. Waltrip

74 Retired Chairman and Chief Executive Officer of Bausch & Lomb, Incorporated. Mr. Waltrip was Chairman of the Board of Directors of Technology Solutions Company from 1993 to 2003. Mr. Waltrip served as Chief Executive Officer of Technology Solutions Company, as Chairman and Chief Executive Officer of Biggers Brothers, Inc., and as President and Chief Operating Officer of IU International Corporation. He was President, Chief Executive Officer and a director of Purolator Courier Corporation and was a director of Bausch & Lomb and Thomas & Betts Corporation. He is a director of Theravance, Inc. Mr. Waltrip has been a director since 1996.

Mr. Waltrip is an experienced business leader with the skills necessary to be our Lead Director. Aside from his lengthy tenure as one of our directors, during which he has been instrumental in overseeing our growth and expansion, Mr. Waltrip has served as chairman and/or CEO of a number of public companies in a variety of industries. Specific to his strong capabilities to serve as Lead Director, Mr. Waltrip has served on audit, compensation and governance committees, providing a deep understanding of all of the elements of public company director service.

## Corporate Governance

We are committed to operating our business with integrity and accountability. We aim to meet or exceed all of the corporate governance standards established by the New York Stock Exchange (NYSE), the Securities and Exchange Commission (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. Each of our Board members, other than Mr. Foster who is also our Chief Executive Officer and President, is independent and has no significant financial, business or personal ties to us or management, and all of our required Board committees are composed of independent directors. Our Board adheres to our Corporate Governance Guidelines and our Code of Business Conduct and Ethics, which have 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 in order to promote the timely identification of transactions with related persons (as defined by the SEC) and to ensure we give appropriate consideration to any real or perceived conflicts in our commercial arrangements. We have established global processes 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 to help ensure that our public disclosures, including our periodic reports filed with the SEC, earnings releases and other written information that we disclose to the investment community, are accurate and timely. We will continue to monitor developments in the law and stock exchange regulations and will adopt new procedures consistent with new legislation or regulations. Copies of our Corporate Governance Guidelines, Code of Business Conduct and Ethics and our Related Person Transactions Policy are available on our website at [www.criver.com](http://www.criver.com) under the "Investor Relations Corporate Governance" caption.

### *Contacting the Board of Directors*

In order to provide shareholders and other interested parties with a direct and open line of communication to the Board of Directors, we adopted the following procedures for communications to directors. Shareholders and other interested parties may contact the independent members of the Board of Directors through its Lead Director, William H. Waltrip, by writing to Mr. Waltrip, c/o Corporate Secretary, Charles River Laboratories International, Inc., 251 Ballardvale Street, Wilmington, MA 01887, or by email at [CRLLeadDirector@crl.com](mailto:CRLLeadDirector@crl.com). All communications received in this manner will be kept confidential and relevant information will be forwarded by the Corporate Secretary to the Lead Director or to other directors if the communication is so directed. Items that are unrelated to a director's duties and responsibilities as a Board member may be excluded by the Corporate Secretary including, without limitation, solicitations and advertisements; junk mail; product-related communications; job referral materials such as resumes; surveys; and material that is determined to be illegal or otherwise inappropriate. Any communication so excluded will be made available to any independent director upon request.

### *Director Qualification Standards; Director Independence*

Our Board has adopted a formal set of Director Qualification Standards (Standards) with respect to the determination of director independence. The Standards specify the criteria by which the independence of our directors will be determined, including strict guidelines for directors and their immediate families with respect to past employment or affiliation with us or our independent registered public accounting firm. In accordance with these Standards, we must determine that the director has no material relationship with us other than as a director. The Standards also prohibit Audit Committee members from any direct or indirect financial relationship with us, and restrict commercial relationships

of all directors with us. Directors may not be given personal loans or extensions of credit by us, and all directors are required to deal at arm's length with us and our subsidiaries and to disclose any circumstance that might be perceived as a conflict of interest. The Board has determined that nine of the ten directors standing for re-election to the Board are independent under these Standards. The Board has determined that Mr. Foster does not qualify as an independent director due to his employment as our Chief Executive Officer and President. As a result, Mr. Foster is not a member of any committee of the Board, except the Strategic Planning and Capital Allocation Committee and the Executive Committee, although he is often invited to attend the meetings of the other committees.

In the course of the Board's determining the independence of each director other than Mr. Foster, it considered any transactions, relationships and arrangements as required by the Standards. In particular, with respect to each of the most recent three completed fiscal years, the Board evaluated for:

each of our non-employee directors, the annual amount of sales to and/or purchases from any organization where he or she serves as an executive officer; and

Dr. Kochevar, the annual amount of sales (net of any charitable contributions made by us) to and/or purchases from the academic institution where she serves as dean of the School of Veterinary Medicine.

In all such evaluations, we determined that the applicable amounts were below the greater of (1) \$1 million or (2) two percent (2%) of the consolidated gross annual revenues of each of those organizations.

In addition, with respect to all of our non-employee directors, the Board considered the amount of our discretionary charitable contributions to organizations where he or she serves as an officer, director or trustee, and determined that our contributions constituted less than the greater of \$1 million or two percent (2%) of such organization's total annual gross revenues during the organization's last three completed fiscal years.

In conducting this analysis, the Board considered all relevant facts and circumstances, utilizing information derived from our books and records and responses to questionnaires completed by the directors in connection with the preparation of this Proxy Statement. For information about the entities our non-employee directors serve or have served as either (1) an executive officer or (2) an officer, director or trustee of a charitable institution, you are directed to see their biographies adjacent to their pictures above in this Proxy Statement.

The independent members of the Board of Directors typically meet in executive sessions following each regularly scheduled meeting of the full Board of Directors. Mr. Waltrip, the Lead Director, has been chosen by the Board to preside at the executive sessions of the non-management directors. Mr. Foster does not attend such executive sessions of the Board. The full text of our Director Qualification Standards is available on our website at [www.criver.com](http://www.criver.com) under the "Investor Relations Corporate Governance" caption, within our Corporate Governance Guidelines.

## **The Board of Directors and its Committees**

### *Board Leadership Structure and the Role of the Board of Directors in Risk Oversight*

We are led by Mr. James C. Foster, who has served as Chief Executive Officer since 1992 and Chairman of the Board of Directors since 2000. Our Board of Directors is currently comprised of Mr. Foster and nine independent directors.

It is our current practice that the positions of Chairman of the Board and CEO be held by the same person, except in unusual circumstances. We believe that this leadership structure has been effective for us. Our Corporate Governance Guidelines require the election, by the independent

directors, of a Lead Director who is designated by the Board, based on the recommendation of the Corporate Governance and Nominating Committee. The Lead Director helps to provide independent oversight and is responsible in ensuring that the Board is acting in conformity with good corporate governance practices and in our long-term best interests. In furtherance of these responsibilities, the Lead Director (1) advises the Chairman of the Board in the logistics of scheduling and setting agendas for Board and committee meetings, (2) develops agendas for and presides over executive sessions of the Board's non-management directors, and (3) assists the Board and the Corporate Governance and Nominating Committee in monitoring and implementing our Corporate Governance Guidelines.

We believe that having a combined chairman/CEO, independent chairs for each of our Board committees and an independent Lead Director provides the right form of leadership for us. Combining the chairman and CEO roles fosters clear accountability, effective decision-making, and alignment on corporate strategy. At the same time, we have the benefit of oversight of our operations by experienced independent directors who have appointed a Lead Director and independent committee chairs. This combination has served us well for many years and we have found it to be an efficient and effective leadership model for us. The Board selects our CEO and Chairman in the manner that it determines to be in the best interests of our shareholders. From time to time, and at least annually, the Corporate Governance and Nominating Committee conducts an assessment of this leadership structure.

The Board oversees our risk oversight process and performs this oversight role using several different levels of review. In connection with its reviews of the operations of our business units and corporate functions, particularly during the annual strategic planning sessions, the Board is informed of the primary risks associated with those units and functions. Principally, the Board satisfies its responsibility through regular reports by each committee chair regarding such committee's consideration and actions, as well as through receiving regular reports directly from officers responsible for oversight of our particular risks, including operational, financial, legal, regulatory, strategic and reputational risks. Such reporting enables the Board to understand our risk identification, risk management and risk mitigation strategies.

Areas of risk oversight which generally remain at the Board level and are not delegated to any Committee include risks related to our operational regulatory matters (such as quality control and humane care) and significant business decisions. The Board satisfies this oversight responsibility through regular reports from our officers responsible for each of these risk areas as well as through periodic progress reports from officers on our critical on-going initiatives. The Board also consults periodically with outside financial advisors.

Each of the Board's committees oversees the management of our risks that fall within the committee's areas of responsibility. A description of each committee's risk oversight focus is below. In performing this function, each committee has full access to management, as well as the ability to engage advisors. When a committee receives a report or update regarding an area of potential risk to us, the Chairman of the relevant committee determines whether it is materially significant enough to report on the discussion to the full Board during the committee reports portion of the next Board meeting. This enables the Board and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships.

#### *Audit Committee and Financial Experts*

The Audit Committee met seven times in 2011. During 2011, the members of the Audit Committee included Messrs. Bertolini, Chubb, Massaro, and Waltrip. Mr. Waltrip rotated off of the Audit Committee after the 2011 annual meeting of shareholders, and Mr. Bertolini rotated onto the Audit Committee at that time. The Board of Directors has unanimously determined that Messrs. Bertolini, Chubb, and Massaro qualify as "audit committee financial experts" under Item 401(h) of Regulation S-K promulgated under the Securities Exchange Act of 1934 and the NYSE



regulations. In addition, the Board of Directors has determined that each of the members of the Audit Committee is "independent" under the rules of the NYSE and the SEC. The Audit Committee is responsible for the engagement of our independent registered public accounting firm; reviewing the plans and results of the audit engagement with our independent registered public accounting firm; approving services performed by and the independence of our independent registered public accounting firm; considering the range of audit and non-audit fees; discussing with our independent registered public accounting firm regarding the adequacy of our internal controls over financial reporting; and reviewing annual and quarterly financial statements. The Audit Committee is also responsible for administering our Related Persons Transaction Policy. A copy of the Audit Committee Charter is available on our website at [www.criver.com](http://www.criver.com) under the "Investor Relations Corporate Governance" caption.

As part of its charter and as required by the NYSE, the Audit Committee discusses our policies with respect to risk assessment and risk management, including our major financial risk exposures and the steps that have been taken to monitor and control these exposures. The Audit Committee assumes primary oversight responsibility for our risk management framework as it applies to our financial reporting and operations, including the identification of the primary risks to our business and interim updates of those risks, and periodically monitors and evaluates the primary risks associated with particular business units and functions through participation and monitoring of the development of the annual external and internal audit plans. The Audit Committee is particularly responsible for oversight of our risks relating to accounting matters, financial reporting (including tax, legal and related regulatory compliance), financial policies and cash management. The head of our internal audit department, who functionally reports to the Audit Committee, assists us in identifying and evaluating risk management controls and methodologies to address identified risks. At each of its regularly scheduled meetings, the Audit Committee meets in executive session with representatives from our independent registered public accounting firm. The Audit Committee also has direct interaction with our Chief Financial Officer (who is also our chief accounting officer), General Counsel, and other members of management. In addition to the items mentioned above, the Committee also receives regular reports regarding issues such as the status of material litigation, allegations of accounting and auditing concerns or fraud, and related party transactions.

#### *Compensation Committee*

The Compensation Committee met three times during 2011 and was comprised of the following members: Dr. Kochevar, and Messrs. Reese and Waltrip and Mr. Douglas Rogers. Mr. Rogers' term as director concluded on May 10, 2011. Our Board of Directors has determined that each of the members of the Compensation Committee is "independent" under the rules of the NYSE and the SEC. The primary objective of the Compensation Committee is to develop and implement compensation policies and plans that are appropriate for us in light of all relevant circumstances and which provide incentives that further our long-term strategic plan and are consistent with our culture and the overall goal of enhancing shareholder value. The Compensation Committee reviews compensation structure, policies, and programs to ensure (1) that legal and fiduciary responsibilities of the Board of Directors are carried out and (2) that such structure, policies and programs contribute to our success. In addition, the Compensation Committee reviews, approves and makes recommendations on our compensation and benefit plans to ensure that they meet corporate objectives. The Compensation Committee determines and approves the compensation of the CEO and reviews the CEO's recommendations on compensation for all of our executive officers, and approves such compensation when determined. As discussed below under "Compensation Discussion and Analysis Compensation Elements Compensation Setting Process," other than Mr. Foster and Mr. David P. Johst, our Corporate Executive Vice President, Human Resources, General Counsel and Chief Administrative Officer, none of our executive officers play a significant, ongoing role in assisting the Compensation Committee in setting executive compensation (or, with respect to the Corporate Governance and Nominating Committee, director

compensation). The Compensation Committee also administers our equity incentive plans. A copy of the Compensation Committee Charter is available on our website at [www.criver.com](http://www.criver.com) under the "Investor Relations Corporate Governance" caption.

The Compensation Committee is responsible for risks relating to employment policies and our general compensation and benefits systems. The Compensation Committee considers the impact of our executive compensation program, and the incentives created by the compensation awards that it administers, on our risk profile. To assist it in satisfying these oversight responsibilities, from time to time the Committee has retained its own outside compensation consultants and it meets regularly with management to understand the financial, human resources and shareholder implications of compensation decisions being made. Between formal Committee meetings, the Committee chair also meets regularly with management and the Committee's outside consultants. In addition, at the direction of the Compensation Committee, Mr. Johst and his staff annually conduct a review of our overall compensation programs.

The Compensation Committee engaged both Pearl Meyer & Partners (PM&P) and Pay Governance, LLC (Pay Governance) as independent compensation consultants to advise the Compensation Committee on matters related to our senior executives' total cash compensation and long-term incentive compensation during 2011. Our Human Resources department assisted in coordinating the selection process that resulted in the engagement of both PM&P and Pay Governance. Accordingly, Mr. Johst, as the executive officer responsible for our Human Resources department, as well as Mr. Foster, each provided input during the selection process.

For fiscal year 2011 compensation determinations, PM&P assisted the Compensation Committee with the following:

preliminary assessment of our peer competitor group;

input on our competitive market data for our executives and observations on program design, including pay philosophy, pay levels, and incentive pay mix; and

development of target long-term incentive award values for all levels of employees eligible for such awards, including our senior executives.

For fiscal year 2012 compensation determinations, Pay Governance assisted the Compensation Committee in the fall of 2011 with the following:

development and validation of our new peer competitor group; and

development and validation of a regression technique to assess executive pay against the new peer group market benchmarks.

Except as described above, we did not receive any other services from the outside consultants, nor have we utilized the services of any other compensation consultant in matters affecting senior executive or director compensation. All PM&P and Pay Governance fees are approved for payment by the Chairman of the Compensation Committee.

#### *Corporate Governance and Nominating Committee*

The Corporate Governance and Nominating Committee met two times during 2011. The members of the committee included Drs. Kochevar, Milne and Thier, and Messrs. Chubb, Reese and Waltrip. Mr. Reese rotated off the Corporate Governance and Nominating Committee after the 2011 annual meeting of shareholders. The Board of Directors has determined that each of the members of the Corporate Governance and Nominating Committee is "independent" under the rules of the NYSE and the SEC. The Corporate Governance and Nominating Committee makes recommendations to the Board on all matters relating to the Board, including development and implementation of policies on

composition, participation and size of the Board, changes in the organization and procedures of the Board, the processes used by the Board in its self-assessment, and compensation (including equity compensation) of non-employee directors. The Corporate Governance and Nominating Committee oversees matters of corporate governance, including Board performance and director education, and considers and selects director nominees, including those submitted by shareholders in accordance with the by-laws for recommendation to the Board. The Corporate Governance and Nominating Committee also recommends directors for appointment to committees of the Board. Typically, committee rotations are determined in February, made effective immediately following the annual meeting of shareholders, and are reevaluated on a yearly basis. The Corporate Governance and Nominating Committee oversees our Corporate Governance Guidelines and Code of Business Conduct and Ethics. A copy of the Corporate Governance and Nominating Committee Charter is available on our website at [www.criver.com](http://www.criver.com) under the "Investor Relations Corporate Governance" caption.

The Corporate Governance and Nominating Committee is responsible for oversight of risks relating to Board succession planning, ethics practices, matters addressed in our Corporate Governance Guidelines, and other corporate governance issues, particularly to the extent any of these could affect our operations and strategic decisions. To satisfy these oversight responsibilities, the Committee receives assistance and reports from our senior management from time to time.

The Corporate Governance and Nominating Committee uses a variety of methods to identify and evaluate nominees for director. The Corporate Governance and Nominating Committee regularly assesses the appropriate size of the Board and whether any vacancies on the Board are expected due to pending retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Corporate Governance and Nominating Committee considers various potential candidates for director. Candidates may come to the attention of the Corporate Governance and Nominating Committee through current Board members, executive officers, professional search firms, shareholders or other persons. All candidates complete a nominee questionnaire that solicits information regarding the nominee's background, board experience, industry experience, independence, financial expertise, and other relevant information and are interviewed by at least one member of the Corporate Governance and Nominating Committee. These candidates are discussed at regular or special meetings of the Committee, and may be considered at any point during the year. As described below, the Corporate Governance and Nominating Committee considers properly submitted shareholder nominations for candidates for the Board. If any materials are provided by a shareholder in connection with the nomination of a director candidate, such materials are forwarded to the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee also reviews materials provided by professional search firms or other parties. The Corporate Governance and Nominating Committee evaluates the candidates based on the minimum qualifications described below as well as the criteria set forth in our Corporate Governance Guidelines. In evaluating such nominations, the Corporate Governance and Nominating Committee seeks to recommend to shareholders a group that can best oversee our success and represent shareholder interests through the exercise of sound judgment using its diversity of experience in various areas.

#### *Strategic Planning and Capital Allocation Committee*

In February 2011, our Board established the Strategic Planning and Capital Allocation Committee. The Committee is responsible for reviewing our capital structure, financial strategies, major acquisitions and investment policies to support prudent and effective capital allocation. Members of the committee in 2011 were Mr. Bertolini, Mr. Wallman, Mr. Foster and Mr. Reese. The Strategic Planning and Capital Allocation Committee is responsible for oversight of risks relating to material financial decisions, credit policies and ratings, investment strategies, and our debt and equity structure. To satisfy these oversight responsibilities, the Committee receives assistance and reports from our senior management from time to time.

*Board Nomination Process*

The Corporate Governance and Nominating Committee adopted criteria regarding the qualifications required for Board nominees, which can be found in our Corporate Governance Guidelines. These criteria are designed to assure that the Board of Directors is composed of successful individuals who demonstrate integrity, reliability, knowledge of corporate affairs, and an ability to work well together. The primary consideration in the selection and retention of Directors is their respective ability to fairly represent the interests of our stakeholders. Diversity in business background, area of expertise, skills, educational background, gender, national origin and ethnicity are also considered, as well as other factors that can provide the Board with a range of informative viewpoints and perspectives. The criteria for director nominees include: the candidate's professional experience and personal accomplishments; the candidate's independence from us and management; the ability of the candidate to attend Board and committee meetings regularly and devote an appropriate amount of effort in preparation for those meetings; the candidate's ability to function as a member of a diverse group; and the candidate's understanding of the Board's governance role. In addition, the Board evaluates each individual in the context of the Board as a whole, with the objective of recommending to shareholders a group that can best oversee the success of the business and represent shareholder interests through the exercise of sound judgment using its diversity of experience in various areas. In determining whether to recommend a director for re-election, the director's past attendance at meetings and participation in and contributions to the activities of the Board is also taken into consideration.

The Corporate Governance and Nominating Committee will consider director candidates recommended by shareholders. Shareholders may submit director recommendations to the Corporate Secretary, Charles River Laboratories International, Inc., 251 Ballardvale Street, Wilmington, MA 01887. Pursuant to our bylaws, recommendations for consideration of nominees at the annual meeting of shareholders must be received not less than 120 days before the first anniversary of the date of our Proxy Statement released to shareholders in conjunction with the previous year's meeting. For information about submitting shareholder proposals, including director nomination proposals, please see the section of this Proxy Statement entitled "Shareholder Proposals for 2013 Proxy Statement."

*Meeting Attendance*

All Board members are expected to attend our Annual Meetings of Shareholders, unless an emergency prevents them from doing so. All members of the Board serving at that time attended the 2011 Annual Meeting of Shareholders. During 2011 there were six meetings of the Board of Directors. Each director attended 75% or more of the aggregate number of Board meetings and the committee meetings of the Board on which he or she served during 2011.

**2011 Director Compensation**

We use a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on our Board of Directors while aligning the interests of directors with the interests of shareholders by linking a portion of their compensation to stock. In setting director compensation, we consider the significant amount of time that directors expend in fulfilling their duties to us as well as the skill level required by us of members of the Board.

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The following table sets forth all of the compensation awarded to, earned by, or paid to our directors for the year ended December 31, 2011.

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Option Awards \$(3)	All Other Compensation \$(4)	Total (\$)
<b>Robert Bertolini(5)</b>	69,750	229,444	228,003		527,197
<b>Richard Wallman(5)</b>	56,000	229,444	228,003		513,447
<b>William H. Waltrip</b>	90,000	91,816	91,796		273,612
<b>George E. Massaro</b>	80,000	91,816	91,796		263,612
<b>George M. Milne, Jr.</b>	70,000	91,816	91,796		253,612
<b>Stephen D. Chubb</b>	65,000	91,816	91,796		248,612
<b>Samuel O. Thier</b>	60,000	91,816	91,796		243,612
<b>C. Richard Reese</b>	60,000	91,816	91,796		243,612
<b>Deborah T. Kochevar</b>	60,000	91,816	91,796		243,612
<b>Douglas E. Rogers(6)</b>	21,667				21,667
<b>Nancy T. Chang(6)</b>	15,000				15,000

- (1) Reflects aggregate dollar amount of all fees earned for services as a director, including annual retainer fees, committee and/or committee chair fees. A description of the applicable fees can be found below.
- (2) Amounts reflect the full grant date fair value of the restricted stock awards granted to directors in fiscal year 2011, computed in accordance with FASB ASC Topic 718. As of December 31, 2011, each current director held the aggregate number of unvested restricted stock awards as follows: Bertolini 5,920, Chubb 2,280, Kochevar 2,280, Massaro 2,280, Milne 2,280, Reese 2,280, Thier 2,280, Wallman 5,920, and Waltrip 2,280.
- (3) Amount reflects the grant date fair value of directors' stock options granted in fiscal year 2011, computed in accordance with FASB ASC Topic 718, calculated using the Black-Scholes valuation model utilizing our assumptions. See note 9 to our Notes to Consolidated Financial Statements in our Form 10-K for the fiscal year ended December 31, 2011 for a discussion of the assumptions used by us in the Black-Scholes valuation model. As of December 31, 2011, each current director held the aggregate number of option awards as follows: Bertolini 19,730, Chubb 40,890, Kochevar 7,740, Massaro 40,890, Milne 40,890, Reese 43,390, Thier 19,740, Wallman 19,730, and Waltrip 40,890.
- (4) None of our directors received perquisites or other personal benefits equal to or exceeding \$10,000 in the aggregate.
- (5) Mr. Bertolini and Mr. Wallman were elected to the Board on January 24, 2011. Mr. Bertolini's and Mr. Wallman's director compensation amounts reflect the value of stock awards and option awards they each received upon joining our Board in January and our annual grants issued in May.
- (6) Dr. Chang resigned from the Board effective January 24, 2011. Mr. Roger's term concluded on May 10, 2011.

We pay each non-employee director an annual fee of \$60,000 for service as our director, except for members of the Audit Committee, who are paid an annual fee of \$65,000. Additional fees are paid to the combined Lead Director/Chair of the Compensation Committee (\$25,000), the Chair of the Audit Committee (\$15,000), the Chair of the Corporate Governance and Nominating Committee (\$10,000) and the Chair of the Strategic Planning and Capital Allocation Committee (\$10,000) for their additional responsibilities. No additional fees are paid for attending meetings of the Board or any

Committee of the Board. We reimburse expenses incurred in attending Board of Directors meetings and committee meetings.

The policy established by the Corporate Governance and Nominating Committee is to award each unaffiliated non-employee director (1) stock options and restricted stock having an intended value of approximately \$275,000 on the first day of the month following his or her initial election or appointment to the Board and (2) stock options and restricted stock having an intended value of approximately \$185,000 on an annual basis following our annual meeting of shareholders. Consistent with the long-term incentive equity awards to our management, traditionally one-half of the targeted award value will be issued in the form of stock options, and one half in the form of restricted stock, utilizing Black-Scholes pricing models. At the time this policy was established, effective in 2009, the Corporate Governance and Nominating Committee consulted with Pearl Meyer & Partners in determining these values, which were based upon a general comparative review of director compensation and competitive market practices for similarly sized companies operating in the area of life sciences, with a target value based upon the 50<sup>th</sup> percentile. Options granted to members of the Board of Directors vest in full one year from the date of grant and expire seven years from the date of grant, and restricted stock vests in full, one year from the date of grant.

In order to further align the interests of directors and shareholders, the Board of Directors has mandated that, to the extent permissible, directors have a significant financial stake in the Company. Accordingly, as set forth in our Corporate Governance Guidelines, each director who has served on the Board for at least three years is required to own a minimum of 5,000 shares of our stock (excluding stock options, stock subject to future vesting requirement, or other similar unvested and inchoate equity holdings). Board members who are subject to third-party restrictions on their stock holdings (e.g., certain academic institutions) shall be permitted to own stock in an amount that is appropriate for them in light of such other restrictions. As of the date of this Proxy Statement, all of our directors are in compliance with this holding requirement.

## **PROPOSAL TWO ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION**

Pursuant to Section 14A of the Securities Exchange Act, we are asking our shareholders to approve an advisory resolution on our executive compensation as reported in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal and required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), provides our shareholders with the opportunity to express their views, on an advisory (non-binding) basis, on our executive compensation for our named executives for fiscal year 2011 as described in the "Compensation Discussion and Analysis" (CD&A) section beginning on page 20 of this Proxy Statement, as well as the Summary Compensation Table and other related compensation tables and narratives found on pages 38 through 52 of this Proxy Statement. The advisory vote is not a vote on our general compensation policies, the compensation of our Board of Directors, or our compensation policies as they relate to risk management.

We urge shareholders to read the CD&A, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and other related compensation tables and narratives. Furthermore, for a detailed discussion of our 2011 financial performance and the actions we have taken during the past three years, please also see the sections entitled "Our Strategy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the SEC on February 27, 2012.

**Advisory Vote and Board Recommendation**

We request shareholder approval of the 2011 compensation of our named executives as disclosed in this Proxy Statement pursuant to the SEC's compensation disclosure rules (which disclosure includes the CD&A, the compensation tables and narrative disclosures that accompany the compensation tables within the Executive Compensation section of this Proxy Statement). This vote is not intended to address any specific element of compensation, but rather the overall compensation of our named executives and the compensation philosophy, policies and practices described in this Proxy Statement.

Accordingly, we ask our shareholders to vote on the following resolution at the Annual Meeting:

"RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executives, as disclosed in the Company's Proxy Statement for the 2012 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2011 Summary Compensation Table and the other related tables and disclosure within the Executive Compensation section of this Proxy Statement."

This advisory resolution is non-binding on the Board of Directors. Although non-binding, our Board of Directors and the Committee values the opinions of our shareholders, and will carefully review and consider the voting results when making future decisions regarding our executive compensation program.

The affirmative vote of the majority of the votes cast will constitute the shareholders' non-binding approval with respect to our executive compensation programs. Abstentions and broker non-votes will have no effect on the outcome of this Proposal.

**The Board of Directors recommends a vote "FOR" the approval of the advisory resolution on executive compensation.**

**BENEFICIAL OWNERSHIP OF SECURITIES**

The following table sets forth certain information as of March 1, 2012, with respect to the beneficial ownership of shares of our common stock by (1) each person known to us to own beneficially more than 5% of the outstanding shares of common stock, (2) each of our current directors and nominees for director, (3) each of the executive officers listed in the Summary Compensation Table set forth below under the caption "Compensation of Executive Officers" (the named executives), and (4) our current directors and executive officers as a group. As of March 1, 2012, there were 49,244,127 shares of common stock outstanding.

Name of Beneficial Owner	Number of Shares Beneficially Owned as of March 1, 2012	Percentage of Shares Outstanding
<b>5% Shareholders</b>		
Janus Capital Management LLC	4,418,332(1)	9.0%
Ariel Investments, LLC	2,905,745(2)	5.9%
BlackRock, Inc.	2,824,868(3)	5.7%
The Vanguard Group, Inc.	2,695,837(4)	5.5%
Fairpointe Capital LLC	2,685,759(5)	5.5%
<b>Named Executive Officers</b>		
James C. Foster	1,475,916(6)	2.9%
Thomas F. Ackerman	406,723(7)	*
Nancy A. Gillett	163,950(8)	*
David P. Johst	406,591(9)	*
Davide A. Molho	98,423(10)	*
<b>Outside Directors</b>		
Robert J. Bertolini	17,910(11)	*
Stephen D. Chubb	63,713(12)	*
Deborah T. Kochevar	8,890(13)	*
George E. Massaro	52,398(14)	*
George M. Milne, Jr.	54,940(15)	*
C. Richard Reese	48,440(16)	*
Samuel O. Thier	26,190(17)	*
Richard F. Wallman	22,910(18)	*
William H. Waltrip	65,713(19)	*
<b>All executive officers and directors as a group (15 persons)</b>	<b>2,961,851(20)</b>	<b>5.8%</b>

\*

Less than 1%.

- (1) The information reported is based on a Schedule 13G/A filed with the SEC on February 14, 2012 by Janus Capital Management LLC. Janus Capital has shared voting and dispositive power with respect to all of the shares reported in the table. The address of Janus Capital is 151 Detroit Street, Denver, Colorado 80206.
- (2) The information reported is based on a Schedule 13G filed with the SEC on February 14, 2012 by Ariel Investments, LLC. Ariel reported sole voting power with respect to 2,814,920 shares and sole dispositive power with respect to 2,902,095 shares reported in the table. The address of Ariel is 200 E. Randolph Drive, Suite 2900, Chicago, Illinois 60601.
- (3) The information reported is based on a Schedule 13G/A filed with the SEC on February 13, 2012 by BlackRock, Inc. BlackRock has sole voting and dispositive power with respect to all of the



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shares reported in the table. The address of BlackRock is 40 East 52<sup>nd</sup> Street, New York, New York 10022.

- (4) The information reported in based on a Schedule 13G filed with the SEC on February 10, 2012 by The Vanguard Group, Inc. Vanguard has sole voting power with respect to 36,707 shares and sole dispositive power with respect to 2,659,130 of the shares reported in the table. The address of Vanguard is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.
- (5) The information reported is based on a Schedule 13G filed with the SEC on February 17, 2012 by Fairpointe Capital LLC. Fairpointe Capital has sole voting power with respect to 2,642,293 shares and sole dispositive power with respect to all the shares reported in the table. The address of Fairpointe Capital is 1 N. Franklin Street, Suite 3300, Chicago, Illinois 60606.
- (6) Includes 1,084,681 shares of common stock subject to options held by Mr. Foster that are exercisable within 60 days of March 1, 2012.
- (7) Includes 284,836 shares of common stock subject to options held by Mr. Ackerman that are exercisable within 60 days of March 1, 2012.
- (8) Includes 89,450 shares of common stock subject to options held by Dr. Gillett that are exercisable within 60 days of March 1, 2012.
- (9) Includes 268,499 shares of common stock subject to options held by Mr. Johst that are exercisable within 60 days of March 1, 2012.
- (10) Includes 53,408 shares of common stock subject to options held by Dr. Molho that are exercisable within 60 days of March 1, 2012.
- (11) Includes 11,990 shares of common stock subject to options held by Mr. Bertolini that are exercisable within 60 days of March 1, 2012.
- (12) Includes 33,150 shares of common stock subject to options held by Mr. Chubb that are exercisable within 60 days of March 1, 2012.
- (13) Includes 0 shares of common stock subject to options held by Dr. Kochevar that are exercisable within 60 days of March 1, 2012.
- (14) Includes 33,150 shares of common stock subject to options held by Mr. Massaro that are exercisable within 60 days of March 1, 2012.
- (15) Includes 33,150 shares of common stock subject to options held by Dr. Milne that are exercisable within 60 days of March 1, 2012.
- (16) Includes 35,650 shares of common stock subject to options held by Mr. Reese that are exercisable within 60 days of March 1, 2012.
- (17) Includes 12,000 shares of common stock subject to options held by Dr. Thier that are exercisable within 60 days of March 1, 2012.
- (18) Includes 11,990 shares of common stock subject to options held by Mr. Wallman that are exercisable within 60 days of March 1, 2012.
- (19) Includes 33,150 shares of common stock subject to options held by Mr. Waltrip that are exercisable within 60 days of March 1, 2012.
- (20) Includes 2,020,278 shares of common stock subject to options exercisable within 60 days of March 1, 2012. None of the 2,976,663 shares reflected have been pledged as security.



## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and officers, and persons who own more than 10% of our common stock, to file with the SEC initial reports of beneficial ownership and reports of changes in beneficial ownership of our common stock and other equity securities. Officers, directors and such beneficial owners are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2011 all Section 16(a) filing requirements applicable to its officers, directors and such beneficial owners were complied with.

## COMPENSATION DISCUSSION AND ANALYSIS

The purpose of our compensation program is to recruit and retain the strongest possible management team, while simultaneously aligning management's interest with those of our shareholders. With these considerations in mind, the Compensation Committee (referred to in this section of the Proxy Statement as the Committee) has overseen the development, implementation and administration of our Executive Compensation Program (the Compensation Program or Program), described below, for members of senior management (including the Chief Executive Officer and the other four executives who are identified in the Summary Compensation Table below (our named executives)).

### Executive Summary

Charles River is a leading global provider of solutions that accelerate the drug discovery and development process including research models and associated services, and outsourced preclinical services. We have been in the business of providing the research models required in research and development of new drugs, devices and therapies for 65 years. Over this time, we have built upon our core competency of *in vivo* biology to develop a diverse and growing portfolio of products and services. Our products and services, supported by our global infrastructure and deep scientific expertise, enable our clients to meet many of the challenges of early-stage life sciences research. In 2011, our net sales from continuing operations were \$1.1 billion and our operating income from continuing operations was \$174.3 million.

We have two reporting segments: Research Models and Services (RMS) and Preclinical Services (PCS). Through our RMS segment, we are 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. Services provided by our PCS business segment enables our clients to outsource their critical, regulatory-required safety assessment and related drug development activities to us. The demand for these services has historically been driven by preclinical development programs of biotechnology companies, which traditionally have been outsourced, and also by the selective outsourcing strategy of larger global pharmaceutical companies. The basis for global pharmaceutical and biotechnology companies choosing to outsource their development activities is traced to the significant investments in personnel, facilities and other capital resources required in order to efficiently and effectively conduct these activities. Outsourcing allows them to focus on their core competencies of innovation and early drug discovery and, particularly for pharmaceutical companies, promotion and market distribution.

We believe that the design of our 2011 Compensation Program is best understood by evaluating it in the context of the business environment in which we have been operating since 2009. From 2009 and continuing into 2011, sales of our products and services, and resulting financial performance, were impacted by accelerating changes taking place in the global biopharmaceutical industry. The combination of reduced client demand, cost containment initiatives pursued by our clients, and excess

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capacity within both the contract research organization and pharmaceutical industries, all resulted in significant pricing pressure which began in late 2008 and, to some degree, persists today. In response, starting in 2009, we began to take decisive, and sometimes difficult, action targeted at:

appropriately aligning our infrastructure to meet current demand;

better supporting our clients in today's challenging environment;

identifying new strategies to enhance client satisfaction; and

improving operating efficiencies and generally strengthening our business model.

All of these actions were implemented with the ultimate goal of providing future value to our shareholders. Core to these objectives, in 2011 we focused upon four key initiatives, and in each area we made significant progress:

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<b>Initiative</b>	<b>2011 Achievements</b>
Improve our consolidated operating margin	Improved non-GAAP consolidated operating margin from continuing operations achieved due to:  increased RMS margin;  stable Corporate costs;  November 2011 cost-savings actions; and  six-sigma and other process improvement initiatives
Improve our free cash flow generation	Free cash flow increased in 2011 to a per-share yield we believe was the highest among public CROs.

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Divested non-strategic/underperforming PCS assets (U.S. Phase I clinical and China preclinical facility).

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Disciplined investment in growth business

Capital projects invested in growth business:

Diagnostic laboratories opening in 2012;

In Vitro production facility in China; and

Capacity expansion in Finland Discovery Services business.

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Return value to shareholders

Repurchased 8.4 million shares of common stock for a total purchase price of approximately \$300 million.

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We believe these factors contributed to a 29% increase in non-GAAP earnings per shares from continuing operations in 2011. For a detailed discussion of our 2011 financial performance, the factors that we believe are influencing demand from our clients, and the actions we have taken during the past three years, please see the sections entitled "Our Strategy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the SEC on February 27, 2012.

In recognition of the impact of challenging market and economic conditions on our performance over the past few years, our compensation practices have been appropriately tailored to ensure

alignment between executive compensation and company performance. In particular, steps were made to moderate or eliminate elements in the following areas, starting in 2009:

***Compensation Strategy:***

We reduced our targeted total Long-Term Equity Incentive awards to the 50<sup>th</sup> percentile (previously, at the 75<sup>th</sup> percentile); and

We adjusted our targeted Total Direct Compensation percentile range to the 50<sup>th</sup>-55<sup>th</sup> percentile (previously, at the 65<sup>th</sup>-75<sup>th</sup> percentile).

***Base Salaries:*** We have kept base salaries increases very modest over the past four years. In 2009 we implemented a salary freeze for most of our workforce, including our named executives, and while that has since been lifted, overall for the period from 2008-2012 the average annualized merit increase was 2.1% per year for our named executives, which is consistent with the average merit increase allotted to our North American workforce during that time.

***Annual Cash Incentive Awards:*** With business plans having been scaled to levels below earlier high-growth years, we have reduced targeted bonus payouts for each goal under our Executive Incentive Compensation Plan (EICP) since 2009 and continuing into 2012. These modified payout targets reflect our desire to more tightly control payouts for goals that are based on reduced performance levels. Reductions in targeted award opportunities for at-plan performance ranged from 33% to 75% of traditional payout opportunity levels. We also adjusted the performance and payout scale for this plan by implementing higher performance thresholds and lower maximum award opportunities.

***Perquisites:*** We eliminated the majority of individual perquisites/benefits, and associated tax gross-ups, available to our officers (including the named executives), replacing them in 2010 with our Corporate Officer Discretionary Allowance (CODA) program.

***Retirement Plan Contributions:*** We reduced our 401(k) matching contribution by approximately 33.3%.

***Severance:*** We reduced the severance plan benefits for involuntary termination situations available to corporate officers under our Officer Separation Plan.

We believe that the adjustments to our Program during this period were appropriate in light of, and consistent with, the current economic and market environments, our financial performance, the corporate actions taken, and recent executive compensation trends. Furthermore, the increased focus on near-term financial and operational objectives properly aligned management's incentives with the interests of our shareholders.

A review of some of our executive compensation metrics demonstrates how the Program, as adjusted, has resulted in a direct alignment of our pay and performance:

From 2008 to 2011, base salaries for our named executives, including our CEO, increased by only a total of approximately 6% for the entire period (absent material promotions/increases in responsibilities), consistent with salary increases for our overall North American employee base (0% in 2009, 2% in 2010 and 3% in 2011);

For the first three of the last four years, most named executives received below-target EICP payouts, and for the middle two years, the EICP payouts were generally \$0 (including for our CEO) or, in the rare instances of a payout, it was below 25% of target;

The total value of compensation, as calculated in accordance with the Summary Compensation Table (SCT), has been relatively flat from 2009 to 2011 for the four named executives who have

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been continuously included in the SCT during that period (inclusive of an increase of 4.2% for our CEO during this period); and

Our pay mix has maintained a continued focus on variable compensation. On average, approximately 67% of 2011 intended annual compensation for our named executives was based on Company performance (76% for our CEO). Furthermore, annual base salary for our named executives remains a relatively small portion (29.5%) of our named executives' core intended compensation (20% for our CEO).

As seen in the graphs below, the alignment between executive pay and our performance is demonstrated by the close correlation from 2008 - 2011 between (1) the average total compensation paid (consistent with the SCT) to our four named executives who have been continuously included in the SCT in those years and (2) our non-GAAP earnings per share from continuing operations during that period. A very similar alignment can be seen between our CEO pay and our performance during the same four-year period.

For purposes of these graphs, "Other" refers to the total average amounts set forth in the following columns in the Summary Compensation Table on page 38. (1) Change In Pension Value and Non-qualified Deferred Compensation Earnings and (2) All Other Compensation. Information with respect to 2008 compensation is set forth in our 2011 Proxy Statement.

Please see *Appendix A* to this Proxy Statement for reconciliation of our non-GAAP EPS to GAAP EPS for 2008-2011.

In addition to the changes summarized above and the quantified alignment between executive pay and our performance, we maintain existing compensation practices that represent strong corporate governance, including the following:

a cap on annual EICP bonus opportunity, even for exceptional performance;

limited executive perquisites which have no associated tax gross-ups (other than relocation expenses);

stock ownership guidelines that align executives' interests with those of shareholders and which increase with the level of the executive's responsibility;

rules prohibiting executives from trading derivative securities and from hedging the economic risk of ownership of our stock;



an annual risk assessment of our pay practices;

an annual shareholder advisory vote on executive compensation;

our Compensation Committee is comprised entirely of independent directors; and

engagement of independent compensation consultant(s).

The changes to the Program made during the past few years reflect our flexibility in responding to changing market conditions, our business strategy and financial performance, and executive compensation standards. In addition, the Company is committed to ongoing engagement with our investors on various corporate governance topics that are of interest to them (through meetings and telephone calls throughout the year with our senior management and providing shareholders with the opportunity to cast an annual advisory vote on executive compensation (a "say-on-pay proposal")). We have determined that our shareholders should vote on a say-on-pay proposal each year, consistent with the preference expressed by our shareholders at the 2011 Annual Meeting. At our annual meeting of shareholders held in May 2011, a significant majority of the votes cast on the say-on-pay proposal were voted in favor of the proposal. The Committee believes that this indicated that shareholders were largely supportive of the Company's approach toward executive compensation, particularly taking into account the revisions made during the previous years, and is evidence that our pay-for-performance policies are effective. Consequently, the Committee did not believe that significant changes to the Program were warranted based upon the vote results. However, the Committee will always consider the input of our shareholders in making future compensation decisions for the named executives. At the same time, we believe it is important to maintain consistency in our compensation philosophy and approach. While the Committee and our management team understand the impact that immediate economic conditions and our operating performance may have on our stock price, it is important to us that the elements of the Program continue to incentivize management toward the proper short- and long-term operating goals, which are intended to translate ultimately into stock price appreciation for our shareholders.

In furtherance of our objective to continually refine and improve the Program, we have made two changes which will take effect in 2012, and which are described in more detail within this section of the Proxy Statement:

EICP Plan award opportunities for most performance goals in the 2012 plan will be set at 60% of the target award opportunity for at-plan performance; and

To counteract undesired year-to-year variability due to peer group attrition, our peer group methodology has been substantially revised and expanded to provide for more consistency within the peer group year-over-year.

#### **Objectives of the Compensation Program**

The Committee reviews and monitors the Compensation Program and compensation policies by reference to specific objectives which are established in accordance with its charter. The Committee recognizes the importance of establishing clear objectives for our Compensation Program and the value of comparatively evaluating current and proposed compensation policies and practices in terms of their relative effectiveness in advancing those objectives. In keeping with our philosophy that the Compensation Program should appropriately align executive compensation with both the short- and long-term performance of the Company, the Committee has determined that the Compensation Program should achieve the following objectives:

attract and retain superior talent;

support the achievement of desired levels of Company performance;

align the interests of executives with the long-term interests of shareholders;

differentially and meritoriously reward individual performance; and

promote accountability.

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To achieve these broader objectives, the current design of the Compensation Program has also been crafted to accomplish the following:

effectively balance fixed and variable compensation through a continuum of compensation elements;

differentially reward individuals based on performance through the incorporation of both short-term and long-term elements;

differentially reward individuals who contribute to the success of high-performing business units; and

promote the achievement of desired levels of Company performance through the utilization of both short-term bonus and long-term equity elements.

### Compensation Elements

Our Compensation Program for fiscal year 2011 consisted of the following core and supplemental elements:

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Core Elements	Supplemental Elements
Base Salary	Deferred Compensation Plan
Annual Cash Incentive Awards (EICP Plan)	Termination and Change of Control Agreements
Long-Term Equity Incentive Awards	Retirement Plans
Corporate Officer Discretionary Allowance (CODA)	

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The core elements of compensation are typically those which the Committee evaluates on an annual basis, while the supplemental elements are programs or arrangements that we have installed for strategic reasons which may potentially provide additional compensation to an executive.

Annual base salary represents a small portion (on average approximately 30%) of our named executives' intended core compensation. Approximately 67% of 2011 intended annual compensation for our named executives was based on Company performance (short- and long-term incentives), reflecting the Committee's focus on ensuring that senior management is appropriately rewarded for actual performance achievements. The following table shows the 2011 total core compensation mix, based on intended (not actual) compensation.

## 2011 Intended Compensation Mix for Named Executive Officers

<b>Core Compensation Element</b>	<b>Foster</b>	<b>Ackerman</b>	<b>Gillett</b>	<b>Johst</b>	<b>Molho</b>	<b>Average</b>
<b>Base Salary(1)</b>	20.0%	29.7%	38.2%	29.7%	29.9%	29.5%
<b>Annual Cash Incentive Awards</b>	12.0%	12.5%	10.3%	12.5%	12.6%	12.0%
<b>Long-Term Equity Incentive Awards</b>	64.3%	54.1%	46.6%	54.5%	53.3%	54.6%
<b>Discretionary Allowance (CODA)</b>	3.6%	3.7%	4.9%	3.4%	4.3%	4.0%

(1)

For purposes of this table, base salary is determined by the base salary effective as of April 1, 2011, assuming such salary was in effect for all of 2011.

*Compensation Setting Process*

As described above on page 12 of this Proxy Statement, the Compensation Committee engaged both Pearl Meyer & Partners (PM&P) and Pay Governance, LLC (Pay Governance) as independent compensation consultants to advise the Compensation Committee on matters related to our senior executives' compensation. For fiscal year 2011 compensation determinations, PM&P assisted the Compensation Committee with the following:

preliminary assessment of our peer competitor group;

input on our competitive market data for our executives and observations on program design, including pay philosophy, pay levels, and incentive pay mix; and

development of target long-term incentive award values for all levels of employees eligible for such awards, including our senior executives.

Pay Governance assisted the Compensation Committee in the fall of 2011 with changes that will be effective for 2012, including development and validation of our new peer competitor group, and development and validation of a regression technique to assess executive pay against the new peer group market benchmarks.

Only two of the named executives of the Company are regularly involved in assisting the Committee in setting compensation parameters. In his role as our Corporate Executive Vice President, Human Resources, General Counsel and Chief Administrative Officer, Mr. Johst assists the Committee by providing data to the outside consultants, developing or modifying compensation plans and programs based on the Committee's input, and otherwise supporting the Committee's efforts to obtain the information and data required to make well-reasoned decisions regarding the compensation elements which comprise the Program. In his capacity as Chairman, President and Chief Executive Officer of the Company, Mr. Foster regularly participates in strategic discussions with the Committee regarding the design and scope of the Program to help ensure that the compensation elements, policies and practices underlying the Program are properly aligned with the Company's short-term financial and long-term strategic objectives. Mr. Foster also provides recommendations to the Committee regarding modifications to the Program which allow it to function more effectively in the context of our evolving business organization, and assists the Committee in evaluating the individual performance of each executive officer (other than himself) to ensure that their respective levels of compensation take such performance into account. As a matter of process, Mr. Foster and Mr. Johst frequently work collaboratively to analyze internal and externally-provided compensation data and information, and provide preliminary recommendations to the Compensation Committee during the course of the Committee's determination of annual compensation levels. Other than Messrs. Foster and Johst, no executive officers of the Company play a significant, ongoing role in assisting the Committee to set compensation parameters.

*Total Compensation Strategy and Peer Group*

The Committee attempts to adhere to a methodology that provides total core compensation to our named executives that is targeted to an appropriate market and refers to an applicable peer group of companies which are similar in size, industry and stage of development to the Company (the peer group). The peer group has been primarily comprised of similarly sized companies operating in the area of life sciences and drug discovery and development, with a particular focus on ensuring that the peer group takes into account the presence of companies both in the greater Boston area and globally who compete directly with the Company for scientific and management talent. We draw upon data for comparable companies from public disclosures for the companies in the peer group and from reputable ongoing compensation surveys of similarly sized companies in the industries listed above. Each year the

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Committee reviews and approves the peer group as well as a Target Total Compensation Strategy which determines the targeted market percentile for each element of compensation.

### *Fiscal Year 2011*

For the fiscal year 2011, the companies in the peer group included the following: Beckman Coulter, Inc., Biogen Idec, Inc., Cephalon, Inc., Covance Inc., Genzyme Corporation, Icon Plc, IDEXX Labs, Inc., Life Technologies Corp., Parexel International Corporation, PerkinElmer Inc., Pharmaceutical Product Development, Inc., and Waters Corporation. As compared to 2010, the peer group was unchanged with the exception of the removal of MDS Inc. and Millipore Corporation, which were eliminated due to divestiture of comparable businesses and acquisition, respectively. This Peer Group was used in determining 2011 compensation for the named executives including base salaries, EICP target incentive award opportunities, and the long-term equity grants.

The Committee endeavored to target core compensation elements in 2011 at the 50<sup>th</sup>-60<sup>th</sup> percentiles of the competitive market data. While the determination of the amount of each core element was subject to critical independent evaluation by our Committee and senior management, our objective was to provide total core compensation that fell within these parameters. These target percentiles were established in early 2009, following a review of competitive market data for our executive pay packages. Concurrently, the Committee also decided that, in light of the economic and market conditions and the near-term challenges facing the Company in 2009, it would be more beneficial to the Company for senior management to focus on meeting these near-term challenges, and accordingly it reduced targeted total Long-Term Equity Incentives to the 50<sup>th</sup> percentile (as compared to the 75<sup>th</sup> percentile previously) and reduced the targeted Total Direct Compensation percentile range to the 50<sup>th</sup>-55<sup>th</sup> percentile (as compared to the 65<sup>th</sup>-70<sup>th</sup> percentile previously).

The 2011 Target Total Compensation Strategy for each of the core compensation elements shown was set by the Committee as follows:

<b>Core Compensation Element</b>	<b>2011 Target Total Compensation Strategy</b>
Short-Term Cash Compensation Components	
<i>Base Salary</i>	<i>50<sup>th</sup> percentile</i>
<i>Annual Cash Incentive Awards</i>	<i>60<sup>th</sup> percentile</i>
Total Short-Term Cash Compensation	55 <sup>th</sup> -60 <sup>th</sup> percentile
Long-Term Equity Incentive Awards	50 <sup>th</sup> percentile
Total Direct Compensation	50 <sup>th</sup> -55 <sup>th</sup> percentile

For fiscal year 2011, the Committee determined that the Target Total Compensation Strategy for each compensation element would be unchanged from 2010. However, the Committee significantly modified the short-term incentive component of the strategy by incorporating a four-tiered payout structure into our annual cash incentive plan, including the EICP Plan. This change resulted in a significant reduction of targeted bonus payouts for the named executives in 2011.

### *Fiscal Year 2012*

For fiscal year 2012, the Committee has substantially revised its strategy for developing a peer group. In the fall of 2011, with the assistance of Pearl Meyer & Partners, the Committee reviewed the composition of the peer group, and it became apparent that continued attrition of this group due to industry consolidation was contributing to undesired year-to-year variability in the peer group. The Committee decided that it preferred to develop a peer group methodology that would allow for more consistency within the peer group year over year. To assist with this review, the Committee engaged a

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second independent compensation consultant, Pay Governance LLC (Pay Governance), who was charged with developing and testing a methodology that would include a significantly larger, but more stable, peer group. The objectives of the new peer group approach are to:

Reduce the possibility for radical swings in market compensation levels due to minor changes in the composition of the Peer Group;

Include larger companies with whom we frequently compete for talent;

Simplify the process for setting executive compensation levels; and

Provide a more consistent approach to developing a peer group.

Accordingly, Pay Governance identified a new, broader peer group consisting of companies both larger and smaller in revenue size than Charles River and developed a method of adjusting proxy compensation data for this new peer group using common statistical methods to result in a better correlation between the proxy data and Charles River's corporate revenue, such that the regressed proxy median revenue is commensurate to Charles River's revenue. This size-adjusted peer group proxy data is then blended with size-appropriate, custom compensation survey data (with proxy data weighted 75% and survey data weighted 25% for most named executive benchmarks) to derive a "market composite benchmark" for evaluating our executive compensation. The Committee has adopted this "market composite benchmark" methodology for evaluating and setting 2012 executive pay levels. For 2012, the proxy peer group consists of the following 38 companies:

Abbott Laboratories	Bruker Corporation	IDEXX Laboratories Inc.	PerkinElmer Inc.
Allergan, Inc.	C.R. Bard, Inc.	Illumina, Inc.	Pfizer Inc.
Amgen Inc.	Celgene Corporation	Johnson & Johnson	Quest Diagnostics
Baxter International Inc.	Covance Inc.	Laboratory Corporation	Incorporated
Beckman Coulter, Inc.	Cubist Pharmaceuticals, Inc.	of America Holdings	Sigma-Aldrich Co. LLC
Becton, Dickinson and Company	Eli Lilly and Company	Life Technologies	Thermo Fisher Scientific Inc.
Bio-Rad Laboratories, Inc.	Endo Pharmaceuticals	Corporation	Vertex Pharmaceuticals
Biogen Idec, Inc.	Holdings, Inc.	Medtronic, Inc.	Incorporated
Boston Scientific	Forest Laboratories, Inc.	Merck & Co., Inc.	Waters Corporation
Corporation	Gilead Sciences, Inc.	Nordion, Inc.	Watson Pharmaceuticals, Inc.
Bristol-Myers Squibb Company	Hologic Inc.	Pall Corporation	
		PAREXEL International Corporation	

For fiscal year 2012, in conjunction with the changes to the peer group described above, the Committee (with the assistance of Pay Governance) utilized a regression model to analyze current executive compensation. Accordingly, commencing in fiscal 2012, our target Total Compensation Strategy was revised from the prior system where each separate compensation element had been targeted to a specified percentile (or percentile range) to a methodology whereby target Total Core Direct Compensation is evaluated against the market benchmark established for each position by reference to the new peer group. This methodology change is necessitated by the regression model, since such model does not yield specific percentiles, but rather establishes a market benchmark for each position. Total direct compensation in 2012 for our named executives generally approximates the executive's associated market benchmark.

### *Annual Base Salary*

Our compensation philosophy embraces the premise that a reasonable level of base salaries helps to promote retention and acts as an appropriate balance to other forms of variable or "at-risk" compensation. We pay base salaries within a range designed to approximate the median base salaries (i.e., 50<sup>th</sup> percentile) of executives with similar responsibilities in the peer group and surveys. Actual

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base salaries are determined after considering the competitive data, overall competitive position as compared to our compensation philosophy, prior base salary and other compensation, the performance of the individual and internal equity considerations. None of these considerations are given specific weights.

In setting base salaries historically for our named executives, the Committee has taken into account that the lengthy tenure of executive officers, as well as their continued long-time superior performance, has resulted in base salaries generally gravitating towards the top of or above the targeted peer group range. Promotions and changes in responsibilities also impact the determination of salaries. For instance, Dr. Molho received an increase in base salary in 2009 when he was promoted to Corporate Senior Vice President, and Mr. Johst received an increase in base salary in February 2010 in recognition of the additional General Counsel responsibilities Mr. Johst assumed in early 2009.

In early 2009, the Committee and the Company decided to implement a salary freeze for a substantial percentage of our workforce, including all the named executives. In early 2010, after taking into account (1) the collective actions implemented in 2009 and early 2010 by the Company to address short-term economic and business challenges, and (2) retention risks and the negative impact on workforce morale if salaries remained unchanged for two consecutive years, we lifted the salary freeze and implemented a base salary increase for most of our employees. Overall for the period from 2008-2012 the average annualized merit increase has been the equivalent of 2.1% per year for our named executives, which is consistent with the average merit increase allotted to our North American workforce during that time (excluding increases in recognition of promotions and changes in responsibilities).

Based on the factors described above, on each of February 13, 2009, January 19, 2010, November 29, 2010 and February 2, 2012, the Committee set the annual base salaries of our named executives, effective as of the beginning of January 2009, January 2010, April 2011 and April 2012, respectively, as follows:

Name	2009		2010		2011		2012		
	2008	Adjustment %	2009	Adjustment %	2010	Adjustment %	2011	Adjustment %	
	Salary	Increase	Salary	Increase	Salary	Increase	Salary	Increase	
James C. Foster	\$ 948,500	0%	\$ 948,500	2%	\$ 967,500	3%	\$ 996,525	3.5%	\$ 1,031,404
Thomas F. Ackerman	\$ 454,480	0%	\$ 454,480	2%	\$ 463,570	3%	\$ 477,477	3.5%	\$ 494,188
Nancy A. Gillett	\$ 444,080	0%	\$ 444,080	2%	\$ 452,962	3%	\$ 466,550	3.5%	\$ 482,879
David P. Johst	\$ 454,480	0%	\$ 454,480	13%**	\$ 513,570	3%	\$ 528,977	3.5%	\$ 547,491
Davide A. Molho	\$ *	**%	\$ 400,010	2%	\$ 408,010	3%	\$ 420,252	3.5%	8



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## **PLAN OF DISTRIBUTION**

We may sell the offered securities in any of the ways described below or in any combination or any other way set forth in an applicable prospectus supplement from time to time:

to or through underwriters or dealers; through one or more agents; or directly to purchasers or to a single purchaser.

The distribution of the securities may be effected from time to time in one or more transactions:

at a fixed price, or prices, which may be changed from time to time; at market prices prevailing at the time of sale; at prices related to such prevailing market prices; or at negotiated prices.

Each prospectus supplement will describe the method of distribution of the securities and any applicable restrictions.

The prospectus supplement with respect to the securities of a particular series will describe the terms of the offering of the securities, including the following:

the name or names of any underwriters, dealers or agents and the amounts of securities underwritten or purchased by each of them; the public offering price of the securities and the proceeds to us and any discounts, commissions or concessions allowed or reallocated or paid to dealers; and any exchanges on which the securities may be listed.

Any offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

Only the agents or underwriters named in each prospectus supplement are agents or underwriters in connection with the securities being offered thereby.

We may authorize underwriters, dealers or other persons acting as our agents to solicit offers by certain institutions to purchase securities from us pursuant to delayed delivery contracts providing for payment and delivery on the date stated in each applicable prospectus supplement. Each contract will be for an amount not less than, and the aggregate amount of securities sold pursuant to such contracts shall not be less nor more than, the respective amounts stated in each applicable prospectus supplement. Institutions with whom the contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and other institutions, but shall in all cases be subject to our approval. Delayed delivery contracts will be subject only to those conditions set forth in each applicable prospectus supplement, and each prospectus supplement will set forth any commissions we pay for solicitation of these contracts.

Agents, underwriters and other third parties described above may be entitled to indemnification by us against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribution from us with respect to payments that the agents, underwriters or other third parties may be required to make in respect of these civil

liabilities. Agents, underwriters and such other third parties may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

One or more firms, referred to as remarketing firms, may also offer or sell the securities, if a prospectus supplement so indicates, in connection with a remarketing arrangement upon their purchase.

Remarketing firms will act as principals for their own accounts or as our agents. These remarketing firms will offer or sell the securities in accordance with the terms of the securities. Each prospectus supplement will identify and describe any remarketing firm and the terms of its agreement, if any, with us and will describe the remarketing firm's compensation. Remarketing firms may be deemed to be underwriters in connection with

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the securities they remarket. Remarketing firms may be entitled under agreements that may be entered into with us to indemnification by us against certain civil liabilities, including liabilities under the Securities Act of 1933, and may be customers of, engage in transactions with, or perform services for, us in the ordinary course of business.

Certain underwriters may use this prospectus and any accompanying prospectus supplement for offers and sales related to market-making transactions in the securities. These underwriters may act as principal or agent in these transactions, and the sales will be made at prices related to prevailing market prices at the time of sale.

The securities we offer may be new issues of securities and may have no established trading market. The securities may or may not be listed on a securities exchange. Underwriters may make a market in these securities, but will not be obligated to do so and may discontinue any market making at any time without notice. We can make no assurance as to the liquidity of, or the existence of trading markets for, any of the securities.

Certain persons participating in an offering may engage in overallotment, stabilizing transactions, short covering transactions and penalty bids in accordance with rules and regulations under the Securities Exchange Act of 1934. Overallotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Short covering

transactions involve purchases of the securities in the open market after the distribution is completed to cover short positions. Penalty bids permit the underwriters to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a short covering transaction to cover short positions. Those activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

We also may sell any of the securities through agents designated by us from time to time. We will name any agent involved in the offer or sale of these securities and will list commissions payable by us to these agents in the applicable prospectus supplement. These agents will be acting on a best efforts basis to solicit purchases for the period of its appointment, unless stated otherwise in the applicable prospectuses.

## **LEGAL MATTERS**

The validity of the securities offered by this prospectus will be passed upon by Silvestre Law Group, P.C., Westlake Village, California.

## **EXPERTS**

Stegman & Company, our independent registered public accounting firm, has audited our consolidated financial statements included in our Annual Report on Form 10-K for the years ended December 31, 2009 and 2008, as set forth in their report, which is incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements are, and audited financial

statements to be included in subsequently filed documents will be, incorporated by reference in reliance on Stegman & Company's report (to the extent covered by consents filed with the Securities and Exchange Commission), given on their authority as experts in accounting and auditing.

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## **WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement to register the securities offered by this prospectus under the Securities Act. This prospectus is part of that registration statement, but omits certain information contained in the registration statement, as permitted by SEC rules. For further information with respect to our Company and this offering, reference is made to the registration statement and the exhibits and any schedules filed with the registration statement. Statements contained in this prospectus as to the contents of any document referred to are not necessarily complete and in each instance, if the document is filed as an exhibit, reference is made to the copy of the document filed as an exhibit to the registration statement, each statement being qualified in all respects by that reference. You may obtain copies of the registration statement, including exhibits, as noted in the paragraph below or by writing or telephoning us at:

NEURALSTEM, INC  
9700 Great Seneca Highway,  
Rockville, Maryland 20850  
Attn: Chief Financial Officer  
Tel : (301) 366-4841

We file annual, quarterly and other reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. You may also read and copy any document we file

at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. You can also inspect reports, proxy statements and other information about us at the offices of the National Association of Securities Dealers, Reports Section, 1735 K Street, N.W., Washington, D.C. 20006.

## **INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

We incorporate information into this prospectus by reference, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any such information superseded by information contained in later-filed documents or directly in this prospectus. This prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC (excluding those portions of any Form 8-K that are not deemed filed pursuant to the General Instructions of Form 8-K). These documents contain important information about us and our financial condition.

We incorporate by reference into this prospectus supplement the information contained in the documents listed below, which is considered to be a part of this prospectus supplement:



Our Annual Report on Form 10-K and 10-K/A filed with the Commission on March 31, 2010, for the year ended December 31, 2009 and as amended on October 5 2010, respectively;

Our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010, filed on May 17, 2010;

Our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2010, filed on August 16, 2010;

Our Current Reports on Form 8-K filed on June 11, 2010, June 29, 2010, and July 14, 2010 (excluding any information furnished in such reports under Item 2.02, Item 7.01 or Item 9.01);

Our Definitive Proxy Statement on Form 14A for our 2010 Annual Meeting of Stockholders, filed with the SEC on March 26, 2010; and

The description of our common stock contained in our Registration Statement on Form SB-2 (Registration No. 333-142451), as amended (the `Registration Statement`), filed under the Securities Act of 1933, as amended, with the Commission on April 30, 2007 and declared effective May 4, 2007.

All reports and other documents we subsequently file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of this offering, including all such documents we may file with the SEC

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after the date of the initial registration statement and prior to the effectiveness of the registration statement, but excluding any information furnished to, rather than filed with, the SEC, will also be incorporated by reference into this prospectus and deemed to be part of this prospectus from the date of the filing of such reports and documents.

We will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, upon written or oral request, a copy of any or all documents that are incorporated by reference into this prospectus, but not delivered with the prospectus, other than exhibits to such documents unless such exhibits are specifically incorporated by reference into the documents that this prospectus incorporates. You should direct written requests to: NEURALSTEM, INC, 9700 Great Seneca Highway, Rockville, Maryland 20850 Attn: Chief Financial Officer Tel: (301) 366-4841

\$50,000,000

Common Stock

Preferred Stock

Warrants

Units

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PROSPECTUS

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October 14, 2010