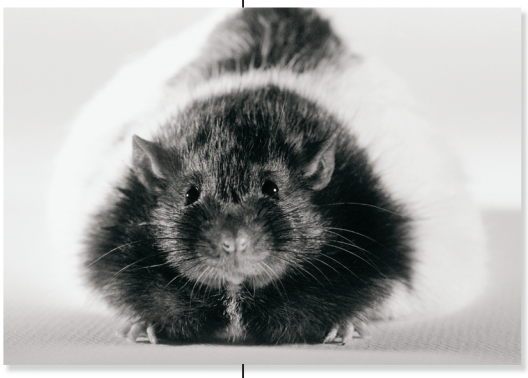
update

Charles River Laboratories

Fall 2001

Introduction

For more than 50 years, Charles River Laboratories has been the global market leader in the commercial production and supply of animal models for use in discovery research and the development and testing of new pharmaceuticals. In conjunction with integral strategic partnerships, our recent acquisition of Genetic Models, Inc. (Gmi) evidences the fact that we are currently focusing our external technology development and commercialization initiatives on the use of rats as a potential alternative to mouse models. In certain research applications rats may offer practical advantages over mice, principally due to their physiology and their larger size. New and more targeted rat models may also allow for further "miniaturization" of research typically done in larger animal species.



Genetic Models, Inc.

Recent achievements in mapping the human genome have led researchers to need disease-specific research models. With the acquisition of Genetic Models, Inc. (Gmi), Charles River is now able to offer proprietary disease-specific rat models for use in biomedical research.

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Gmi, located in Indianapolis, operated as an acquirer, developer, and breeder of unique rat models for the biomedical research community. Gmi engaged in characterizing and identifying disease mechanisms in rat models that mimic human disease syndromes such as diabetes, heart failure, obesity, and their related complications. Gmi's lead research model, the ZDF (Zucker Diabetic Fatty), is a novel rat model that, through strict genetic management and controlled diet, closely parallels human adult onset diabetes.

Gmi's rat models are a strong strategic fit with Charles River's core research model segment. This acquisition symbolizes an ongoing commitment to building a unique portfolio of proprietary animal models that target specific disease conditions. While the development of unique mouse models has been ongoing for some time, we believe that disease-specific rat models may offer advantages over mice for particular research applications, such as drug safety assessment. Using our international distribution leverage, we plan to increase the availability of these models in the US, as well as in Japan and Europe.

Technology Partnership

On July 11, 2001, we entered a technology partnership agreement with Sangamo BioSciences to utilize their novel gene regulation technologies in the creation of transgenic rat research models. Sangamo's unique gene regulation technology, which utilizes zinc finger DNA-binding protein (ZFP) transcription factors to recognize genes and control their expression, is expected to lead to a novel and proprietary method for creating a wide variety of gene altered rat models specifically constructed to mirror a particular human disease condition. ⇒

The collaboration will initially involve the application of this technology to the creation of a novel rat model for use in developing new drugs and therapies for cancer.

Cloning Partnerships

Cloned rat and mouse models are expected to offer biomedical researchers a more targeted and predictable research tool for use in the discovery and development of new drugs to treat human disease. In July 2001, Charles River entered into a technology partnership agreement with Advanced Cell Technology, Inc. (ACT) to implement their novel transgenic technologies in the creation of cloned rat research models for use in diabetes and cardiovascular disease research. In exchange for sponsoring a research commercialization program, Charles River will license ACT's technology for the purpose of breeding and selling or licensing cloned rat models for research. The cloning of high value research models through ACT's proprietary techniques is expected to increase the utility of these models to researchers, as well as improve the efficiency with which they are produced at Charles River. In many areas of drug discovery, a cloned research model is expected to improve upon existing models by eliminating variability and thereby enhancing the quality and consistency of research results.

In December 2000, Charles River entered into a complementary technology partnership with Tufts University School of Veterinary Medicine to apply a novel cloning technology to an immunodeficient mouse model used in cancer and infectious disease research. The joint agreement provides for sponsored research at Tufts University to advance the somatic cell cloning technique in a spontaneous mutation mouse model to support efficient large scale commercial breeding. We have obtained an exclusive license to this cloning technology for use in rat and other rodent research models as well. Coupled with our recent expansion of nude isolators at our Hollister facility, the development of this cloning technology with Tufts University will dramatically increase our capabilities to produce these valuable research models.

Strategic Acquisitions

Building upon a solid foundation of excellence and leadership in the laboratory animal industry, Charles River has evolved into a major provider of integrated biomedical products and services. We have fortified our capabilities in this business segment through two strategic acquisitions.

Pathology Associates International

In January, Charles River acquired Pathology Associates International (PAI) from Science Applications International Corporation. PAI, headquartered in Frederick, Maryland, is the largest provider of contract toxicologic pathology research services in the world. Besides significantly enhancing our current portfolio of GLP and non-GLP procedures supporting diagnostic and toxicological pathology, PAI offers additional specialty services such as cell kinetics, molecular and immunopathology, electron microscopy, neuropathology, and archive/ repository services. "We're particularly enthusiastic about the opportunities in the transgenic services area, where the requirements for our services among the research community continues to grow dynamically," added James C. Foster, Charles River President and CEO.

The application of PAI's pathology-based technologies in animal research models will enable researchers to identify drug targets, confirm mechanism of action, and determine the efficacy and safety of potential new drug candidates, medical devices, and other biomedical products.

Primedica

In February, Charles River completed the acquisition of Primedica Corporation from Genzyme Transgenics Corporation. Primedica, headquartered in Worcester, MA, is a leading provider of preclinical drug discovery and development services to the biopharmaceutical industry.

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Primedica's services not only strengthen an already comprehensive portfolio of drug efficacy and safety testing services, but also add biopharmaceutical production, drug formulation, and analytical chemistry capabilities, areas in which at the time Charles River did not have significant offerings. The addition of Primedica's diverse preclinical capabilities also strongly complements our past acquisitions, including Pathology Associates International.

PAI and Primedica were integrated with earlier acquisitions (Sierra Biomedical and Tektagen) to formulate the Discovery and Development Services segment.

Charles River is dedicated to providing our customers with the highest quality tools and services available for innovative and efficient drug discovery and product development. Taking advantage of opportunities through internal development, technology partnerships, and additional targeted acquisitions, Charles River will continue to build upon our preclinical products and services franchise consistent with our commitments to our biomedical research customers.

Home Improvement

Expansion of Transgenic Genetic Testing Facility

We were pleased to announce the expansion of the Charles River Genetic Testing Services facility in New York earlier this year. Charles River Genetic Testing Services offers DNA testing capabilities to genetically monitor and characterize laboratory animals. Through the development of RFLP multi-locus probes (OPT™-series) for the detection of highly variable DNA sequence information, we have been successful in genetically testing samples from a variety of different transgenic and knockout strains.

The recent expansion increased the working area of our facility from 5000 square ft. to 6750 square ft. The new space was apportioned for the development of a radiation room, a PCR room, and additional office space for laboratory personnel. As a result, sample throughput has increased and two new employees have been brought aboard.

As specialized and more genetically complex rodent models continue to play a larger role in biomedical research, Charles River Genetic Testing Services will carry through with its commitment to provide researchers reliable and accurate genetic monitoring. With the expansion of our facility, Charles River Genetic Testing Services will be able to further deliver the quality service customers have come to expect from an industry leader.

Opening of New Transgenic Facility in San Diego, CA

Besides expanding operations at our New York location, we opened a new, state-of-the-art transgenic animal facility in San Diego, CA. The facility opened on November 5, 2000, adding 475 flexible film and semi rigid isolators and approximately 20,000 total square feet. Available services include colony maintenance, large and small scale production breeding, development of homozygous colonies, conventional as well as accelerated backcrossing onto specific inbred strains, and intercrossing different transgenic lines to combine multiple constructs in a single model. Customized work plans are prepared in consultation with each customer to address specific project requirements.

For further information on any of the transgenic services Charles River Laboratories provides please call 1-877-CRIVER-1.

Opening of Surgery Facility in Hollister, CA

Charles River opened a surgery facility in Hollister. The new 2000 square foot barrier surgical suite operates in a fashion similar to that of our Raleigh and Portage surgery units, which both utilize laminar flow workstations.

Initially, the surgical capabilities offered at the Hollister facility will include Ovariectomy, Castration, Vasectomy, Splenectomy, and Adrenalectomy in rats and mice, plus Jugular Vein, Femoral Vein and Carotid Artery catheters ⇒

UPDATE
is a publication of
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Inquires may be
addressed to
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Editor

in rats. In addition to accepting new orders from West Coast customers, Charles River is beginning to transfer selected orders from Raleigh and Portage out to Hollister.

During the course of a scale-up scheduled over the next year, the surgical services offered at the Hollister facility will be significantly expanded. When fully staffed, Hollister will have 12 surgical technicians plus ample support personnel.

Ongoing Expansion of Gnotobiotic Facility in Hollister, CA

As specialized and more genetically complex rodent models play an increasingly important role in biomedical research, Charles River continues to seek new ways to deliver these models in the quantities necessary to meet our customers' growing needs. Making good on this commitment, our Hollister gnotobiotic facility has been undergoing a series of expansions to accommodate increased production of immunodeficient models. Phase II, completed earlier this year, added 57 isolators that are now fully stocked with NU/NU and C.B-17 SCID mice.

The ongoing Phase III expansion houses 60 isolators, bringing the grand total at Hollister to 176. In addition to producing NU/NU and C.B-17 SCID immunodeficient models like the isolators from Phase I & II expansions, these isolators will also produce CD-1 Nude, Balb/c Nude, FVB, 129, and SCID Beige mice.

The Phase III expansion will be in full production by the end of the year. We will keep you updated as further developments take place!