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LABORATORY INDUSTRY REPORT®

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HIGHLIGHTS

WASHINGTON G-2 REPORTS

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Prices Dropping on Some DTC Genetic Tests as SACGHS Urges Tighter Regs

At least 30 direct-to-consumer (DTC) genetic testing companies have emerged over the past two years, many selling testing services for far below the thousands of dollars charged by genome sequencing services like 23andMe and Knome, explained Trish Brown, vice president of clinical affairs for DNA Direct (San Francisco), at the recent 2008 Executive War College, held May 13 and 14 in Miami, Florida. While these new companies are spurring more pricing competition among DTC genetic testing providers, it's also attracting the attention of regulators, including the Secretary's Advisory Committee on Genetics Health and Society (SACGHS), which recently called for increased regulatory oversight of all genetic tests, as well as laboratory tests. *Continued on p. 2*

G-2 Predicts Global Mol Dx Industry to Reach $5.5 Billion in 2008, $8 Billion by 2010

While most segments of the lab market continue to grow at 5 percent per year, the molecular diagnostics market continues to grow at approximately 20 percent to an approximate total of $5.5 billion in 2008, according to Washington G-2 Reports's estimates. This growth is expected to accelerate, with this area of lab testing estimated to value $8 billion by 2010, noted G-2's Stephanie Murg, editor of the *Diagnostic Testing & Technology Report*, at a conference, Business & Financial Strategies for Molecular Diagnostics, held April 30 to May 2 in Cambridge, Massachusetts.

One of the drivers in the molecular diagnostic market is profitability and higher reimbursement rates, making it attractive for all labs. For example, at Quest Diagnostics, profit margins on gene-based, esoteric, and anatomic pathology tests are typically 40 percent, compared to five percent on routine tests, explained another conference speaker, Keith Batchelder, M.D., CEO of the consulting company Genomic Healthcare Strategies (Charlestown, Mass.). The other industry leader, LabCorp (Burlington, NC), aims to have esoteric and anatomic pathology contribute 40 percent to its revenues within the next few years. For more on the molecular diagnostic market outlook, turn to *Inside the Lab Industry*, pp. 5-7.

SACGHS Urges Tighter Regs, *from page 1*

Some examples of newcomers offering lower-priced tests include DNA Traits, which sells a clotting disorders disease panel for $75 that tests for genetic mutations associated with increased risk for factor V Leiden, prothrombin thrombophilia, and related clotting disorders. There's also Genelex (Seattle, Wash.), which offers many pharmacogenomic tests for between $250 and $700, and CyGene Direct (Coral Gables, Fla.), which performs DNA risk assessments for $89 related to thrombosis and osteoporosis.

The sale of these tests is actually regulated by the states. Currently, 25 states permit consumers to order DTC labs tests, 12 permit for certain categories, and 13 prohibit entirely, according to Brown. But the emergence of these new companies, as well as increased media attention on these tests over the past year, has really "primed the regulatory environment," she added. Regulators are concerned about the questionable validity of some of these DTC genetic tests—both on the high and low end of the cost scale—bringing the entire lab industry under increased scrutiny. In addition, there is concern about the value of the information to the consumer and what consumers will do with this information. "It's the kinds of messages pushed to consumers by these tests that regulators are worried about," she explained.

DTC Gene Tests at Lower Prices

Some companies and examples of their tests

- **DNA Direct (www.dnadirect.com);** Cystic fibrosis genetic testing, $260
- **Genelex (www.genelex.com);** "General Interest Panel" for $99, includes tests for Fragile X Syndrome and spinal muscular dystrophy
- **Smart Genetics (www.smartgenetics.com);** "Alzheimer's Mirror" for $399, risk assessment for Alzheimer's with an ApoE test
- **Cygene Direct (www.cygenedirect.com);** Metabolic Health Assessment DNA Analysis for $159.95

In addition to the recent SACGHS recommendations, the American College of Medical Genetics (ACMG) has also voiced concerns about DTC genetic tests. "Many DTC genetic tests do not give a definitive answer as to whether an individual will develop a given condition, but provide only a risk or probability of developing disease," reads an ACMG statement, which also calls for a genetic counselor or certified medical geneticist to help a consumer decide if a test should be performed and how to interpret the results.

Nevertheless, consumer interest in genetic testing is growing. Results from a 2007 survey of over 1,100 adults by the Genetics & Public Policy in Washington, D.C., found that 93 percent supported genetic testing for reactions to medicine and 86 percent supported this kind of testing to determine risk of serious disease in offspring. "Consumers are now seeing genetic [testing] as out there and accessible," said Brown. *For analysis and industry reaction on the SACGHS report, turn to p. 7.*

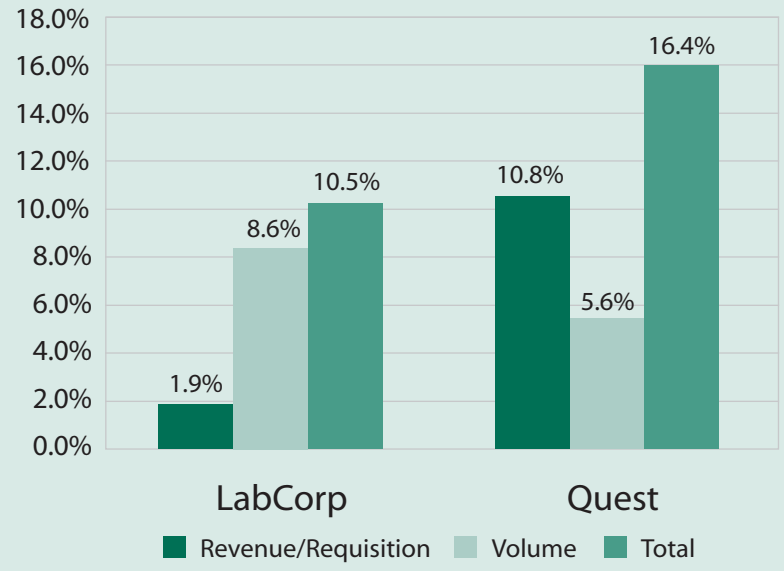
Quest, LabCorp Revenue/Requisition Metrics Strengthen in Q1

Despite confronting sluggish organic growth, the nation's two largest lab testing providers posted strong revenue per requisition numbers in the first quarter of this year, indicating that the private payor environment is improving, according to analysts at Chicago-based William Blair & Company (WB&C).

Quest Diagnostic's (Madison, N.J.) revenue/requisition was up 10.8 percent in year-over-year comparisons, although 7.8 percent of this increase is due to its AmeriPath acquisition. "In our view, these results provide further evidence that private payor price reset is behind us and suggest that industry fundamentals are improving, which we believe bodes well for the clinical laboratory space overall, including LabCorp and Bio-Reference Labs," wrote WB&C analysts Amanda Murphy and John Kreger in a recent research note.

The other lab testing leader, LabCorp (Burlington, NC), grew its revenue/requisition by 1.9 percent, beating WB&C's estimate of 1.5 percent. "We view this growth as respectable given the carry-over of managed care contracts that went live in 2007 into 2008 and relative to the 1.8 percent, 0.8 percent, 0.1 percent, and 0.8 percent seen in the four quarters of 2007," said Murphy and Kreger. "In addition, while the company's organic volume growth came in below our expectations and although there is still noise in the numbers given the lingering impact of the UnitedHealthcare and Aetna contract changes, we note that LabCorp is still outperforming industry averages in this metric."

LabCorp and Quest's Q1 08 Estimated Growth Analysis



Source: William Blair & Company

LabCorp's Bad Debt a Concern

While optimistic about the revenue/requisition metrics, analysts from WB&C and Goldman Sachs expressed concerns about LabCorp's lighter than expected organic growth and increase in bad debt expense. The increase in bad debt expense—up 5 percent from 2007's rate of 4.8 percent—as well as days sales outstanding (DSO), was attributed to the current downturned economy, which impacts the company's ability to collect revenues attributable to patients and the growth of the workplace drugs-of-abuse testing business segment. DSO is up slightly to 58, compared to last year's average of 56.

In the quarterly earnings conference call, LabCorp Executive Vice President and Chief Financial Officer Brad Hayes said that DSO is typically higher at the begin-

ning of the year when deductibles reset, but conceded that the economy is also partly to blame for a drop in patient payments. To improve these benchmarks, he said that the company is initiating efforts to collect payment information at time of service, such as at patient service centers. Patient payments contribute approximately 15 percent to total revenues.

	Current DSO			Current Bad-Debt Expense (%)		
	2006 (avg)	2007 (avg)	2008Q1	2006 (avg)	2007 (avg)	2008Q1
Quest	48	48	48	3.8	4.5	4.8
LabCorp	54	56	58	4.8	4.8	5.03
Bio-Reference	117	115	120	13	13.9	13.8

Quest appeared to weather the economic downturn better in terms of DSO, although the company's DSO was also up to 4.8 percent from 2007's average of 4.5 percent. In comparing the two companies, the WB&C analysts noted that LabCorp might be more vulnerable because it has slightly higher revenues attributable to patients—9 percent compared to Quest's 6 percent excluding co-pays and deductibles. Ultimately, however, both companies will likely continue to feel the impact of the economy throughout 2008.

Current Stock Ratings

- ***LabCorp***
  William Blair & Company: Outperform
  Goldman Sachs: Neutral
- ***Quest Diagnostics***
  William Blair & Company: Market Perform
  Goldman Sachs: Sell

"In our view, ultimately the labs do face some economic sensitivity, particularly as more and more health care spending is driven to the consumer," wrote Murphy and Kreger. "Although we do not believe the economic impact will have a significant impact to earnings (roughly $0.04 for LabCorp in 2008, assuming bad-debt levels remain at 5 percent for the year, according to our analysis), in our view, the increase in bad debt and lighter volumes were the primary reason that LabCorp did not raise guidance for the year despite the incremental share repurchase in the first quarter."

LabCorp's Partners With Siemens, Acquires Louisiana Lab

LabCorp (Burlington, NC) and leading in vitro diagnostic manufacturer Siemens Healthcare (Deerfield, Ill.) have entered into a nonexclusive agreement to pursue co-development of diagnostics tests relating to companion diagnostics, metabolic syndrome, oncology, and diabetes, both companies recently announced.

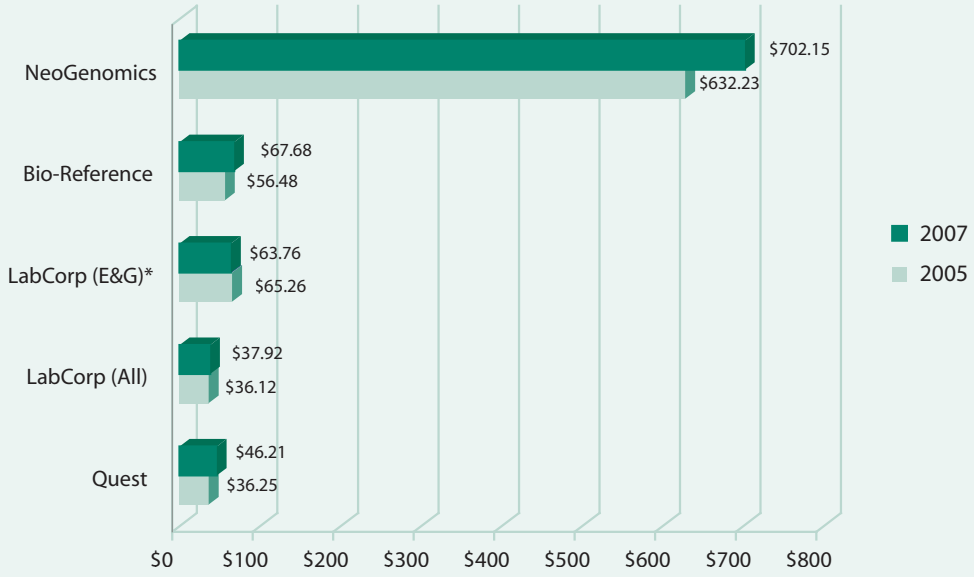
LabCorp spokesman Eric Lindblom said that the partnership is still in the discussion phase, but developing companion diagnostics is increasingly becoming a strategic focus for the company. "We think companion diagnostics is going to be a big market for LabCorp going further, particularly in the mental health arena," he added.

Continued on p. 9

Cost and Profit Analysis Is Key to Capturing Revenue Potential of Mol Dx Lab

Higher reimbursement rates and a demand for multiplex testing and workflow improvements are driving the global molecular diagnostic testing market to an estimated $5.5 billion dollars this year and a projected $10 billion in 2010. Analysis of revenue per requisition at commercial labs in 2007 reveals the higher reimbursement levels of these tests are leading many of these labs to put more focus on this business area in the future (see graph). For example, while molecular diagnostic testing was only comprising 3 percent of LabCorp's (Burlington, N.C.) volumes in 2002, it was contributing 17 percent to its revenues. Currently, the company is said to derive 22 percent of its revenue from genomic and esoteric testing and is hoping this will increase to 40 percent in the next few years.

Revenue Per Requisition at Four Commercial Labs



*Esoteric and genetic testing business segments

Source: Washington G-2 Reports from company reports

"Molecular testing has a disproportionally high contribution to the revenue line compared to the number of tests performed, and this ratio holds true even if your volumes are lower [than commercial lab]," said Bryan Moore, marketing manager for Roche Diagnostics's (Basel, Switzerland) molecular diagnostics product line, at Washington G-2 Reports's recent conference, Business & Financial Strategies for Molecular Diagnostics, held April 30 to May 2 in Cambridge, Massachusetts.

Analyzing Costs

But while many hospital and independent laboratories want to tap into this potential revenue stream, many labs struggle to convince their controllers or CFOs to make the capital investment needed to start up or expand a molecular diagnostic lab. "In the case of molecular diagnostics, the revenue per requisition and per accessions gets complicated," explained another conference speaker, Stephanie Murg, editor of G-2's *Diagnostic Testing & Technology Report*. "One sample has the potential to be used for many tests, and some-

times the accounting and financial measures in a laboratory aren't set up to show this in an efficient way."

Nevertheless, it's vital that lab directors build a budget that measures cost savings and profitability—both actual and potential—to get the attention of those who make investment decisions. "When speaking to your CFO or controller about investing in the lab, you have to be able to speak their language to sell your case, because many people are walking in their door and asking for the same amount of money, for different purposes," said Roche's Moore. "You have a compelling clinical, operational, and economic case for adopting molecular testing and bringing it in-house, but you really need to collect your data and present it in a palatable fashion."

Losing Less Money

Hepatitis C Quantification Model

Volume	635
Send out expenditure	$65,037
In-house cost	$62,528
Average reimbursement	$28,543
Send out model loss	$36,494
In-house model loss	$33,985

Source: *Business Strategies for Molecular Diagnostics in the Lab*, 2007, Washington G-2 Reports

To confront this challenge, Roche's Moore offered several metrics and components necessary to assess profitability and costs, as well as how to finance the equipment and reagents needed for a molecular diagnostic lab. Below are some details on three areas that need to be part of every molecular diagnostic lab's budget.

Cost/reportable metric. One of the keys to every accurate cost model is analyzing costs per reportable tests. Costs include labor, reagents, consumables, instruments, and service. However, Moore pointed out that it's important not to put too much burden on any one test, which makes it necessary to scrutinize batch sizes. "For a quantitative molecular diagnostic test, you have to run three controls at a minimum," he added. "If you are running 10 patient samples in a batch, this means that the cost of the reagents and the instrument surcharge for those three samples gets burned onto just 10 reportables and 10 reimbursement events. If you increased your batch size to 20, suddenly the cost of the three controls is spread out over 20 and you are actually paying less per reportable for those calibrators and controls." However, the lab might only be able to run some tests once a week to maximize batch size, which then makes turnaround time an issue. The key is to analyze when samples come in, and try to plan work flow accordingly to optimize batch size, advised Moore.

Labor costs. As mentioned above, labor needs to be included in the cost per reportable metric in order to get a lab's full picture of profitability. This rate—for med techs and others in the lab—is typically available from a facility's accounting or financing office. With that rate in hand, calculate the total labor cost using "practical hands-on time," as well as hands-off time. "A good rule of thumb is that unless the hands-off time is not greater than 30 minutes, allocate that time to that particular test," said Moore, adding that many vendors can provide this information.

Financing options. There are a number of ways to finance the instruments and reagents in a molecular diagnostic lab. There are options to purchase instruments, rent reagents, as well as rent or lease instruments. Labs can also sign buyout lease agreements, where the vendor owns the instrument during the lease term and then the lab buys the instrument for a discounted or fair market value price. Moore said when deciding whether to buy an instrument, labs should always scrutinize whether the technology is stable for the next five years. "Be wary, because this is an evolving industry. However, real time PCR is here to stay for at least the next 10 years for most testing," he added.

When looking at these budget components, it's also important for labs to examine profitability from a new angle, one that is focused on lowering costs. For example, doing molecular tests in-house captures that higher reimbursement value, while saving the costs of sending out the tests to be performed by another lab. "If you spend less to get that single reportable, your institution is more profitable," said Moore. "While actual profitability is…a wonderful goal to have, your initial step should be to have costs that are lower than what you are currently spending today. I think that's very feasible with the reimbursement rates and volumes that most hospital laboratories have today."

SACGHS Calls for Increased Oversight for Genetic and Laboratory Developed Tests

The Department of Health and Human Services (HHS) Secretary's Advisory Committee on Genetics, Health, and Society (SACGHS) recent report is recommending that the FDA regulate the validity of all laboratory develop tests, not just genetic tests. The recommendations also call for CMS to increase proficiency testing for nonwaived tests.

The recommendations for the FDA to oversee all laboratory-developed tests caught many in the industry by surprise, as there were no details given about how to increase the agency's already strained resources. "The issue there is really a resource issue for FDA," said David Mongillio, vice president for Policy & Medical Affairs at the American Clinical Laboratory Association. "There has to be some priorities given."

Another recommendation, the call for a leader to move this forward, said Barry Portugal, president of Health Care Development Services Inc. (Highland Park, Ill.), a consulting firm specializing in regulatory and strategic planning for laboratory services in hospitals and health systems. "They need to appoint a lead agency, which would be the glue that holds the basic foundation together."

The following are the Report's critical action steps for CMS, FDA, and HHS:

Clinical Laboratory Quality

- Require proficiency testing (PT) for all nonwaived laboratory tests for which PT products are available (CMS)
- Ensure funding for development of platform validation, quality control, and standardization methods (HHS)

Oversight of Clinical Validity of Genetic Tests

- Oversee *all* laboratory tests, regardless of whether they are produced as commercial tests kits or laboratory-developed tests (FDA)

Transparency of Genetic Testing

- Support development of mandatory, publicly available online registry for laboratory tests (HHS)

Knowledge of Clinical Usefulness of Genetic Tests

- Create and fund a public-private partnership to evaluate the clinical utility of genetic tests (HHS)

Educational Needs for Test Use and Interpretation

- Support efforts to identify education and training deficiencies relevant to such groups as health professionals, public health workers, and patients (HHS)
- Support development of clinical decision support systems (HHS)
- Prepare guidance document articulating the scope of its regulation of clinical decision support systems (FDA)

Source: *U.S. System of Oversight of Genetic Testing: A Response to the Charge of the Secretary of Health and Human Services*, SACGHS, April 2008.

Q1 08 Lab Benchmark Data Reveal Psychemedics Still a Leader, Enzo Posts Gains

After analyzing financial data of nine publicly traded labs from the first quarter of 2008, Washington G-2 Reports finds that Psychemedics (Acton, Mass.), had the highest revenue per full-time employee (FTE) with $60,638, which is essentially the same as the Q1 2007 value, as the company's revenue over that time period has remained flat. With 97 FTEs, Psychemedics performs drug-of-abuse testing through corporate and school programs. Psychemedics also led in both benchmarks in G-2's analysis of 2007 data (*LIR*, May 2008).

Salt Lake City, Utah-based Myriad Genetics was not far behind Psychemedics, with a revenue/FTE value of $58,193, up from 44 percent of Q1 2007's value of $40,361. Following Myriad, MedTox Scientific (St. Paul, Minn.) also posted a high revenue/FTE value of $44,231, up 9 percent from $40,598 in Q1 2007. MedTox is a full-service laboratory with 468 FTEs and specializes in drug testing services.

For the pretax income/FTE, Psychemedics also leads at $15,957, which is actually down 12 percent from Q1 2007's value of $18,085. The two national laboratory testing providers followed Psychemedics in this benchmark, with LabCorp's pretax income/FTE value totaling $8,535, up 6 percent from Q1 2007's figure of $8,035. Quest Diagnostic followed, making a significant improvement over its 2007 value. This company's pretax income/FTE value was $5,407, up 31 percent compared to Q1 2007's value of $4,119.

Also of note is the significant gain made by Enzo Clinical Labs in the pretax income/FTE benchmark. Due to the expansion of insurance agreement that went into effect January 2007, Enzo Clinical Labs revenue increased by 40 percent,

Q1 2008 Financial Benchmarks

	Revenue (in millions)	Full-Time Employees	Revenue/ Employee	Comparison to Q1 07	Pre-Tax Income (millions)	Pre-Tax Income/ Employee	Comparison to Q1 07
Quest	$1,800.0	43,000	$41,860	18%	$232.5	$5,407	31%
LabCorp	1,103.0	26,000	42,423	10	221.9	8,535	6
Bio-Reference	66.9	1700	39,341	24	3.7	2,200	21
Enzo Clinical Labs*	11.3	300	37,667	40	1.4	4,667	250
Genzyme Genetics	74.3	1700	43,706	12	n/a	n/a	
MedTox Scientific	20.7	468	44,231	9	2.50	5,342	14
Myriad Genetics	48.3	830	58,193	44	(7.9)	(9,518)	36
Psychemedics	5.7	94	60,638	0	1.5	15,957	-12
Orchid Cellmark	14.5	410	35,366	4	(2.5)	(6,098)	-79

Source: Washington G-2 Reports from company reports and 10-Q filings.

*Enzo's Q1 2008 was positively impacted by a 40% increase in revenue due to the expansion of an insurance provider agreement effective January 2007, which increased gross profit by $1.6 million.

Enzo's fiscal year runs August to July, with Q1 2008 running August. 1, 2007 to October 31, 2007.

causing the company's gross profit to increase by $1.6 million. Subsequently, pretax income/FTE jumped 250 percent to $4,667 in Q1 2008 from $1,333 in Q1 2007. This also helped boost revenue/FTE 40 percent from $27,000 in Q1 2007 to $37,667 in the first quarter of this year.

JVHL Teams With Clarient to Expand Cancer AP Menu

The 120 hospital-affiliated labs comprising the Michigan-based Joint Venture Hospital Laboratories (JVHL; Allen Park) are expanding their anatomic pathology (AP) and molecular diagnostic cancer testing offerings through a recently formed partnership with Clarient, a molecular diagnostic and AP specialty lab based in Aliso Viejo, California. Under the current one-year agreement, Clarient will do the technical work at its facility and send the results to JVHL pathologists through its Web-based application, PathSite. The pathologists will then perform the professional interpretation and manage those results with local clinicians.

> ***"We're empowering the community pathologists to do what they do best and compete against the larger entities that tend to have a stranglehold on the marketplace."***
>
> ***— David Daly, Senior V.P. Commercial Operations, Clarient Inc.***

This partnership will allow JVHL access to expanded AP and molecular diagnostic technology, without the investment of purchasing the equipment and related infrastructure. "JVHL's desire is to expand their hospital outreach business, and we are giving them the ability to do that without having to go through the additional cost and all that goes with expanding the operations," said David Daly, Clarient's senior vice president of commercial operations. "We're empowering the community pathologists to do what they do best and compete against the larger entities that tend to have a stranglehold on the marketplace." While the partnership is now underway with JVHL's Michigan labs, Daly hopes to expand the arrangement to the system's other labs in Ohio and Indiana.

LabCorp's Partners With Siemens, *from page 4*

Earlier this year, the company bought Tandem Labs Inc. (Salt Lake City), a bioanalytical contract research organization working with pharmaceutical and biotechnology companies on discovery, preclinical, and clinical drug development programs. At the time, Lindblom indicated that the acquisition was more of a strategic move to develop and bring companion diagnostics to market rather than expanding the clinical trials business.

On the acquisition front, LabCorp recently quietly purchased Acadiana Medical Laboratories, a routine testing laboratory based in Lafayette, Louisiana, with 80 full-time employees. On the West Coast, the company is also rumored to be bidding on the outreach division of the Stanford Hospitals & Clinics' (Stanford, Calif.) laboratory system.

Orchid Cellmark Wins $30 Million Forensic Testing Contract in U.K.

DNA testing service provider Orchid Cellmark (Princeton, N.J.) has won a regional tender in the United Kingdom to provide forensic testing services to multiple police forces in the western areas of the country and Wales. The three-year contract has a potential annual revenue value of $10 million, with two optional extension years, making the entire contract potentially worth between $30 million and $50 million.

The annual estimate for the United Kingdom's outsourced forensic science testing market is approximately $350 million, and Orchid's CEO Thomas Bologna estimates that this contact will give the company about a 25 percent market share. A majority of the market share is held by the government-owned Forensic Science Service (FSS, Birmingham, U.K.), followed by London-based LGC. "This will definitely increase our market share, but more importantly, it will broaden our capabilities in the U.K.," he explained. "FSS really has a large share of this business; therefore, we think we did really well by landing this tender." The contract will allow Orchid to expand their testing services beyond just DNA-based identity testing and into testing of crime scene samples and forensic casework.

Bologna believes that the key to landing this tender was Orchid's strategy of pursuing direct contracts with the police forces, rather than as a subcontractor. Prior to this tender, Orchid had primarily been performing just DNA-based identity work under contract with Forensic Alliance Limited, which was acquired by LGC in 2005. "In the beginning of 2006, we began implementing a strategy of taking our services directly to the clients in Kent, Sussex, and the city of London police forces," said Bologna. "It was at that time, which was when FAL was acquired by LGC, that the market started transitioning accordingly." He also hopes that this tender will position the company to win the national procurement contract tender to provide forensic testing services to 29 police forces in the United Kingdom, estimated to be the remaining 75 percent of this market that is not currently under contract. This tender is expected to be announced later this year and begin in the first quarter of 2009.

Hitting the Bottom Line

Not surprisingly, the costs associated with ramping up capacity for this U.K. tender ahead of implementing the contract took a toll on Orchid's first-quarter revenues. While total revenues for the first quarter totaled $14.5 million, this was an increase of only 4 percent of Q1 2007's revenue totals of $14 million. The Q1 EBITDA margin loss of 11.5 percent, versus last year's EBIDTA margin loss of 3.5 percent, is attributed to the ramp up, as well as legal costs associated with a disputed paternity testing contract with the state of Florida. Orchid won the contract from LabCorp, which is disputing the award.

Nevertheless, this contract should help the company achieve profitability in the third quarter of this year, estimated Bank of America analyst Robert M. Willoughby in a research note. This positive outlook on earnings is driven by increased demand for DNA-based forensics testing, both in the United States and the United Kingdom. Specifically in the United States, many states have initiated or passed legislation requiring that all arrestees be subject to DNA testing.

Lab Stocks Continue to Post Gains in May, up 8% Over 5 Weeks

The G-2 Laboratory Index continues to show strength, with the 14 publicly traded laboratory stocks up 8 percent over the past five weeks for the week ended May 16, 2008. For the entire year, however, the Lab Index is down 6 percent, while the Nasdaq and S&P 500 continue to feel the impact of the sluggish economy. The Nasdaq is down 5.44 percent and the S&P 500 is down 3.59 percent so far in 2008.

Several labs posted significant gains over the past four weeks. (*Note*: Market cap values are from May 20, 2008). **Clarient** (Aliso Viejo, Calif.), a laboratory focusing on cancer testing, is up 33 percent to $2.03 per share for a market cap of $146.2 million for the week ended May 16. After posting a loss in April, **Orchid Cellmark** (Princeton, N.J.), is up 29 percent to $3.26 a share for a market cap of $100.4 million. Also posting gains are **Enzo Clinical Laboratories** (New York City) and a newcomer to the G-2 Laboratory Index, **Genoptix** (San Diego). Enzo is up 13 percent to $9.38 a share for a market cap of $348.2 million. Genoptix, a specialty lab focusing on servicing community-based hematologists and oncologists, is up 13 percent to $31.10 a share for a market cap of $495.3 million. Genoptix has been trading on the Nasdaq Global Market since Oct. 31, 2007.

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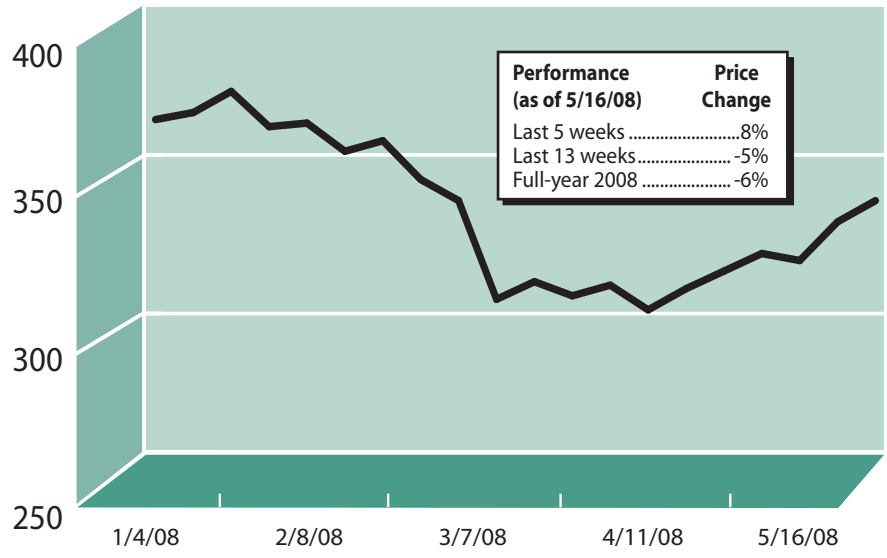
Labs posting losses over the past four weeks for the week ended May 16 include **Psychemedics** (Acton, Mass.), which is down 13 percent to $16.51 a share for a market cap of $85.9 million. Biotech leader **Genzyme** (Cambridge, Mass.) is down 8 percent to $69.08 a share for a market cap of $18.4 billion. Also down is **Monogram Biosciences** (South San Francisco, Calif.), which is down 4 percent to $1.10 a share for a market cap of $151.6 million.

G-2 Laboratory Stock Index



Source: The G-2 Laboratory Stock Index is tabulated weekly by *Laboratory Industry Report* from the average percentage change in the price of 14 laboratory testing service stocks.

Gains and Losses in May

Percent price change, past 4 weeks for week ended 5/16/08

	Percent Change	Price
UP		
Clarient	33%	$2.03
Orchid Cellmark	29	3.26
Enzo	13	9.38
Genoptix	13	31.10
DOWN		
Psychemedics	-13%	$16.51
Genzyme	-8	69.08
Monogram Biosciences	-4	1.10

INDUSTRY buzz

Economic Development Incentives Fuel Genzyme Genetics's Staff Expansion in Santa Fe

Tax breaks and other economic incentives from the state of New Mexico are behind Genzyme Genetics's (Cambridge, Mass.) plans to expand its Santa Fe operations by 45 full-time employees (FTEs) over the next three years. There are over 1,700 FTEs in the entire Genetics's division, with 300 currently located at the Santa Fe location.

Through the New Mexico's Job Training Incentive Program (JTIP), the company will benefit from tax breaks and other economic incentive programs by getting back some of the costs associated with training additional FTEs in lab tech and other support positions, explained Mike Sepata, Genzyme's director of laboratory operations in Santa Fe. Genzyme is accredited by the National Accrediting Agency for Clinical Laboratory Sciences (NAACLS) to train cytogenetic technologists. "The other thing we are leveraging is the state's high wage job credit," he added. "We get a percentage of salary back for every position that is considered high wage. In New Mexico, that cutoff is W-2 earnings of $40,000 or more."

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Genoptix 800-755-1605
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Joint Venture Hospital Laboratories 800-445-4979
LabCorp 800-334-5161
Monogram Biosciences 650-635-1100
Myriad Genetics 801-584-3600
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Orchid Cellmark 609-750-2200
Psychemedics 800-628-8073
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