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LABORATORY INDUSTRY REPORT®

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HIGHLIGHTS

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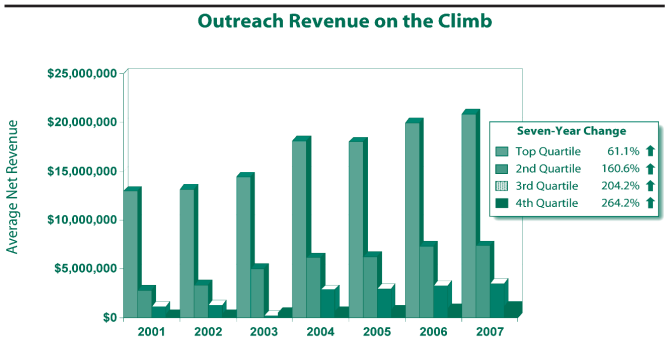
Survey Finds Outreach Labs Growing at 4 Times the Rate of National Labs

With revenue growth at 19 percent and volume growth at 13 percent in 2007, hospital outreach labs are currently growing at four times the rate of the national labs, according to a recent survey conducted by Chi Solutions and presented by company president Kathleen Murphy, Ph.D., at Washington G-2 Reports' 7th Annual Lab Outreach Conference. The revenue growth rate is particularly significant, given that the annual organic growth rate of Quest Diagnostics (Madison, N.J.) *Continued on p. 2*

Outreach Revenue on the Climb



Source: Chi Solutions.
Results and analysis of Chi Solutions' 7th Annual Comprehensive National Laboratory Outreach Survey are available online at www.chisolutionsinc.com (use password: lasvegas).

Valuations Close to All-Time High; Labs Continue to Attract Private Equity Interest

Valuations of labs—especially specialty labs—are currently at a record high, with the scarcity driving up value and continuing to fuel interest from private equity investors, observed Wachovia Securities' Doug Brown at May's Executive War College in Miami, Florida.

"When I think of where valuations are right now, if it's not at an all-time high, it is very close," he added. "Not a week goes by when I don't get a phone call from an interested private equity investor trying to play in the clinical lab and anatomic pathology space, and the reason for this is that most investors have done very well in this sector."

The high valuations are driven by the industry's consolidation, making the labs who are not owned by the nation's two industry leaders—Quest and LabCorp—that much more valuable. *Continued on p. 4*

Outreach Labs Growing, *from page 1*

and LabCorp (Burlington, N.C.), is currently ranges from 3 percent to 5 percent.

In line with this revenue and volume growth is the climb in average outreach net revenue per test in 2007, revealed the survey's 125 respondents. The average net revenue per test increased 11 percent from $18.79 in 2006 to $20.88 in 2007. Hospital labs are also contributing significantly to their facility's bottom line—an important financial metric that labs need to track and bring to the attention of hospital CFOs. Core laboratories reported an average 25.4 percent contribution margin, while full-service laboratories reported a 27.6 percent contribution margin. Overall, the average profit contribution was $9 million. "That's a lot of money to bring to these hospitals," said Murphy.

Ironically, however, the revenue and volume growth evident in these findings makes outreach labs acquisition targets by Quest and LabCorp. "These hospitals are effectively competing against the national labs," explained Murphy. "Hospital outreach labs are capturing revenue from national labs and becoming powerful revenue generators for their institutions."

With current acquisition prices averaging at over twice the revenue multiple, many hospital administrators might be tempted to monetize the labs for their facilities' needs. "If the hospital needs money, this is a perfect time to cash out, because the multiples are at 2.5," added Murphy.

Former Quest Execs Acquire New Jersey-Based Genatom and Launch Manhattan Lab

Two former Quest Diagnostics executives have signaled a launch of their new venture, Manhattan Physicians Laboratories (MPL), by acquiring the routine testing lab Genatom Inc. (Roseland, N.J.). They plan on opening a new 5,000 square foot laboratory on the east side of Manhattan this fall.

MPL's President Thomas Golubic told *LIR* that buying Genatom gave his company "the critical mass desired and a foot in the door" to the lucrative New York

Breaking Legislative Update: House Passes Medicare Bill Repeal Competitive Bidding, Physician Fee Fix

On June 24, the House passed its version of the Medicare bill (H.R.) 6331, which repeals the competitive bidding project, extends the "technical component" grandfather clause for 18 months, as well as averts a 10.1 percent cut in the Medicare physician fee schedule that begins July 1.

In the Senate, Democrats and Republicans were negotiating their version of the Medicare bill, which is similar to the House bill in terms of its lab-related components. In mid-June, Sen. Max Baucus (D-Mont.), chair of the Senate Finance Committee, introduced the Democrats' bill (S. 3101), followed by ranking minority member Charles Grassley 's (R-Iowa) introduction of the Republican version of the legislation. Both bills would cancel the payment cut and give physicians a 1.1 percent pay hike in 2009, repeal lab competitive bidding, and extend the TC grandfather clause by 18 months, but Baucus's legislation would reduce Medicare managed care funding more than the Grassley bill would. The White House opposes those reductions. Stay tuned to www.g2reports.com for breaking news on these bills.

metro lab market. Genatom has 70 full-time employees and is expected to bring in $10 million in revenue this year, he added. MPL is backed by at least $20 million in financing from the New York-based venture capital firm Trevi Health Ventures. William Nouri is MPL's vice president and lab operations director. Both Nouri and Golubic worked at Quest together for almost 20 years beginning in 1988.

The current plan is to launch MPL using this New Jersey facility, which processes approximately 600 specimens at night while the Manhattan lab is being built. MPL's new facility will initially offer routine and anatomic pathology testing and has plans to bring esoteric testing in-house. "We plan on keeping the New Jersey facility open, with our ultimate goal to bring same-day testing to Manhattan physicians," said Golubic, adding that service is their primary focus. "We think the big labs have really taken their eyes off the ball in terms of providing good service to the physicians in Manhattan."

Spectrum Labs Implements Phlebotomist Payment Collection Program

In anticipation of a potential increase in bad debt associated with nonpayment during the current economic slump, Spectrum Laboratory Network's (Greensboro, N.C.) 430 phlebotomists have started taking payment for uninsured patients, a move that could result in a $1 million positive impact for the testing provider in 2008.

A similar move to collect payment at time of service was also implemented at LabCorp over the past year. Currently, the testing leader's phlebotomists are able to collect past-due balances at approximately 80 percent of the company's 1,600 patient service centers (PSCs). Beginning in July, almost all of LabCorp's PSCs will be able to process credit card payments of up to $50.

Phlebotomists account for nearly 40 percent of the daily accessions at Spectrum. The payment collection plan, which started about three months ago, has been successful about 70 percent of the time when the phlebotomist has actually seen the patient, said Spectrum's president and CEO Nate Headley. The phlebotomists process the credit card or check payments using the laboratory's online service. Prior to the implementation, each phlebotomist went through about three weeks of training. The phlebotomist managers also get daily reports on collections. If problems become apparent in these reports, managers retrain phlebotomists or address any problems in an appropriate manner.

"This is the beginning of protecting ourselves against increased bad debt expense," said Headley, adding that Spectrum's bad debt expense is typically between 3 percent and 5 percent, but he expects this to increase as a result of the current economic conditions. "We have not seen any upward movement that is notable in terms of bad debt, but this is in anticipation of what we are likely to see in this economy."

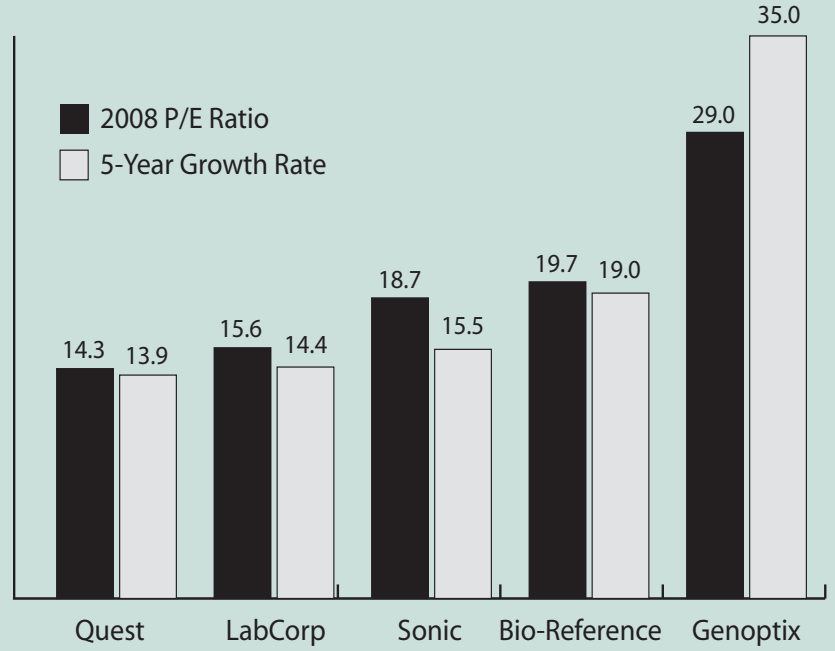
Looking ahead, Spectrum officials are not determining if it's possible for the phlebotomists to collect co-pays by insured patients at point of service. "If we can find a reasonable and accurate way to implement this, we will do it," said Headley.

Valuations Close to All-Time High, *from page 1*

"The reality is that there has been tremendous consolidation in the sector, so there's the scarcity value of labs," explained Brown, who is the managing director for Wachovia's Healthcare Investment Banking (Charlotte, N.C.). "There aren't that many ways to play in this sector, and in the meantime, we have a tremendous amount of private equity on the sidelines." Brown represented Berkeley Heart Lab (Burlingame, Calif.) when it was acquired by Celera (Alameda, Calif.) last year and is also currently working on Bostwick Laboratories' (Richmond, Va.) initial public offering (IPO).

Another Executive War College presenter, Eric Lev, a principal with Chicago-based Water Street Healthcare Partners, agrees with Brown and sees that valuations are at a high level for midsize specialty labs, such as Genoptix (San Diego), which went public late in 2007. "I think the valuations for the specialized labs are going to stay pretty stable, I don't see them going up that much, but they are an attractive niche," he said. "What we are starting to see is a differentiation in the marketplace between an anatomic pathology lab specializing in hematology and oncology like at Genoptix or Bostwick Labs, which practices in the urology side of the AP space. These are going to be higher value niches than just the standard laboratory." (A profile of Genoptix begins on p. 9.)

Current Multiples/Growth Rates at Publicly Traded Labs



Source: Brown, Wachovia Securities

The P/E ratios (price per earnings/earnings per share) and growth rate show that the older publicly traded labs need mergers and acquisitions to fuel growth, according to Doug Brown of Wachovia Securities. Labs new to the public market—like Genoptix—are still experiencing rapid growth. "The faster the growth rate, the higher the multiple," said Brown. "In 2002, Quest and LabCorp would have had much higher multiples because at that time they were projecting much faster growth rates, and those rates have slowed."

In contrast to the private equity valuations, the two largest publicly traded labs, considered the consolidators, have seen their valuations come down over time, according to Brown. "LabCorp and Quest's, while they've been very successful stocks and made investors quite a lot of money over the years, multiple of income over the last several years has come down significantly, and the primary driver for that is their growth rate has come down (see Figure)," he explained. "The implication is that to drive those growth rates and keep them sustainable, LabCorp and Quest have to continue to do M&A transactions, and we will see that in the years to come."

Have Rock Solid Business Infrastructure, Will Grow Pathology Business

In recent years, Professional Pathology Services (PPS, Columbia, S.C.) lost a key dermatopathology client that meant a 40,000 annual accession loss and a $2 million hit to the bottom line. The client loss had nothing to do with practice's quality of service, said PPS pathologist Edward Catalano, M.D., but rather the dermatologist practice decided to capture the testing revenue by taking the work in-house.

Nevertheless, the loss was significant, especially as PPS continues to invest capital to bolster the practice's infrastructure in order to grow and remain competitive, explained Catalano at the recent Pathology Business Conference, held June 4 to 5, 2008, in Charleston, South Carolina, and sponsored by Pathology Service Associates (PSA; Florence, S.C.), a company providing business services and support to independent pathology practices. "We're working harder and bringing less in," he explained. "Infrastructure is expensive, but it's necessary to commit appropriate resources to fund competitive tools."

The critical infrastructure components that PPS's 19 pathologists are focusing on include courier service, accounting and financial management, legal management, sales and marketing, information technology, as well as client services. But what's critical for one pathology practice might not hold true for others, cautioned Catalano. "Pathologists need to evaluate their marketplace and decide which components of infrastructure will be important and prioritize," he added. Below are some details on these components and why they are so important to PPS's competitive strategy.

Courier service. The courier staff is a lab and pathology practice's major interface with clients. "You need to make sure these people are friendly, knowledgeable, and professional," said Catalano, who added that the courier is also a key conduit of bidirectional information between the client and the lab. Couriers are often the first to hear about service problems and can relay those directly and quickly to the pathologists.

PPS's Courier Network

- 15 total couriers; 1 manager, 5 full-time couriers, 9 part-time couriers
- Monthly Averages:
  - 3,600 stops
  - 31,000 miles
  - 12,000 specimens

The courier staff is also an often overlooked competitive tool because clients are often loyal to couriers with whom they have established a relationship over the years. Catalano said he's talked to prospective clients who will not move their testing business anywhere until the courier with their current provider either switches jobs or retires.

Accounting and Financial Management. Catalano admits that PPS is not as sophisticated as they should be in terms of its budget. The importance of a refined budgeting process is becoming increasingly clear as pressure increases on the bottom line. "It's really important to have an in-house CPA [certified public accountant], depending on your size," he added, explaining a CPA is key not only in preparing and monitoring budgets, but also in handling financial issues relating to employee benefits, like health insurance and retirement plans. An accountant is also needed to make decisions related to money allocutions among shareholders in a practice.

Budget analysis, including revenue reports—specifically from managed care payors—are also something that every pathology and laboratory practice needs to generate, explained another conference speaker, Al Sirmon, CPA, PSA's president. By comparing a managed care providers' gross charges with any discounts, along with net collections and bad debt for that payor, you will understand how that payor is contributing or detracting from your bottom line. "You really need this information in front of you when you are negotiating your next contract with a managed care provider," said Sirmon, adding that understanding the payor's behavior is important when assessing how much a contract is truly going to impact your budget.

Legal counsel. Similar to the financial counsel from a CPA, labs and pathology practices also need to have an attorney either in-house or on retainer, advised Catalano. An attorney is important to write employment contracts and resolve human resource issues, as well as address compliance issues.

Another key role for a lab and pathology practice attorney is the negotiation and understanding of managed care contracts. This is especially important for pathologists, because traditional managed care contracts often only pay pathologists for the professional—not the technical component of testing, according to another speaker, Jane Pine Wood, an attorney with McDonald Hopkins LLC (Dennis, Mass.), who represents many clinical laboratories and pathology practices, including PPS. "Many payors do not distinguish between clinical lab and AP [anatomic pathology] work, and AP should be getting more," she explained. For more on Wood's observations on current developments in managed care contract, see p. 7.

Sales and marketing. One way that PPS has tried to market themselves as unique from other pathology practices is in highlighting the practice's eight areas of sub-specialization—from cytopathology to dermatopathology and neuropathology. "We call these our 'centers of excellence,' and it's been a good marketing tool for us," said Catalano.

Another important element in marketing is to develop a brand. PPS hired an outside consultant to design its logo and then put it on courier vehicles, as well as traditional promotional items such as pens and mugs. "In your geographical area, when anyone thinks of pathology, you want them to think of your practice," said Catalano. "We use our brand and logo to help people identify with our practice."

On the sales side, it's important for the potential and existing clients to be organized using a data management tool, also known as a customer relationship management (CRM) program. All contact information details on potential and existing clients can be stored in one software program, accessed by all members of the sales team. It's also important to monitor the sales team, said Catalano. "As practices get more sophisticated, these programs can produce management reports and you can get a better idea

of what client service reps and salespeople are doing," he added. "Using a single tool for data management has optimized practice efficiency in this area."

Client services to counter competition. Initially, PPS brought on a client service representative (CSR) part time, but it soon became clear this was inadequate. Now, the practice has four CSRs. "You absolutely need someone out there on the street representing your practice," said Catalano, adding that it's safe to assume that your clients are routinely visited by your competitors, so it's vital that you make regular visits also."

Another CSR who spoke at the conference echoed this priority. "You have to have someone out there in those offices, because your competitors have people in your clients' offices disseminating information that might not be quite accurate," explained John Boggan, a marketing representative with Pathology Associates of St. Thomas (Nashville, Tenn.). To maintain his client relationships, he visits all major clients at least once a month and all clients at least once every other month.

IT and Web reporting. It goes without saying that IT is a critical component of a competitive lab's infrastructure. Catalano said that a lab and pathology practice's system must be flexible and boast many offerings—including quality assurance reports, courier tracking, and management data, as well as customized order and report forms. "Commercial labs are using their IT systems as a significant marketing tool, so we need to step up and compete," said Catalano.

Beware of Current Long-Term Contracting Pitfalls

Many managed care companies, especially United Healthcare, are requiring pathology practices and laboratories to sign three-year, rather than one-year contracts, which give the payor the ability to change prices and procedures for services at any time, warned attorney Jane Pine Wood at the Pathology Business Conference. "Labs should make sure that the fee schedule is labeled as a specific exhibit to the contract," said Wood, who is with McDonald Hopkins in Massachusetts. United Healthcare, for example, is allowing labs and pathologists to pursue dispute resolution if a contract has been materially changed, and it's often easier for the provider to get changes made to the exhibit than to change the contract.

These longer-term contracts appear to give payors more "weasel room" in terms of pricing changes, Wood observed. Because of this, she recommended that labs include language in the contract giving them the option to terminate the agreement within 30 days to 60 days, if a dispute arises that will significantly impact business.

Wood estimates that in current managed care contracts, in patient hospital-based pricing for testing services is about 125 percent to 160 percent of Medicare, while outreach testing is about 70 percent of Medicare. She did observe, however, that United Healthcare appears to be softening up on compensating for the professional component of pathology testing, which they stopped paying for in July 2004. "United Healthcare seems to be getting more desperate and accommodating to compensate for the professional component because they are losing lots of pathologists due to the slow reimbursement rates," said Wood.

CDC Report Assesses Lab Market, Calls for Medicare Changes

A new report commissioned by the Centers for Disease Control and Prevention (CDC) profiles the U.S. lab market, as well as calls for changes to the Medicare payment system, concluding that the system needs to be redesigned in line with growing scientific, economic, and business challenges. The report, *Laboratory Medicine: A National Status Report*, also calls the current fee schedule method out-of-date, bearing no relationship to current production costs, particularly relating to molecular diagnostics and other genetic-testing methodologies.

In addition, the report is also skeptical that the CMS competitive bidding demonstration project will produce substantial Medicare savings. The current demo model, blocked from a San Diego launch earlier this year after local labs filed suit, is "highly exclusive and could cause significant detriment to labs that lose in the bidding process since many depend on Medicare for a sizable portion of their revenues," according to the report.

Released in May, the report was prepared by the Lewin Group (Falls Church, Va.) under subcontract to Battelle Memorial Institute (Columbus, Ohio) for CDC's Division of Laboratory Systems (Atlanta) as part of its Improving Quality in Lab Medicine initiative. It is available online at *www.futurelab.medicine.org*. Data from Washington G-2 Reports's *Lab Industry Strategic Outlook 2007* is cited throughout the report.

Assessing the National Lab Market

- Spending for lab services accounts for 2.3 percent of U.S. health care expenditures and 2 percent of Medicare expenditures.
- Approximately 6.8 billion lab tests are performed annually.
- Lab testing revenues projected for 2007 total $52 billion.
- Clinical pathology comprises 66 percent of all lab tests and $32 billion in revenue.
- Anatomic pathology and cytology account for 23 percent of lab tests and $11 billion in revenue.
- Molecular and esoteric tests account for 8 percent of lab tests and $4 billion in revenue.

Source: *Laboratory Medicine: A National Status Report* (May 2008)

Rosetta Genomics Buys Parkway Clinical Labs for $3 Million+

To amplify the marketing and development of its micro-RNA-based tests, Rosetta Genomics (Jersey City, N.J.) has acquired Parkway Clinical Laboratories (PCL, Bensalem, Pa.) in a deal potentially worth $3.1 million. PCL's revenues in 2008 are expected to be close to $3 million, putting the acquisition price at a 1.1x revenue multiple.

PCL operates a 5,000 square foot CLIA-certified lab and has 33 full-time employees. PCL's CEO, Raza Bokhari, M.D., will be joining Rosetta as chief development officer. Bokhari acquired PCL in April 2003 after selling Lakewood Pathology Associates (Lakewood, N.J.) to Water Street Healthcare Partners (Chicago), who has reportedly invested close to $50 million in the pathology practice.

Rosetta currently has an agreement with two CLIA-certified labs, in New York, at Columbia University Medical Center's high complexity molecular pathology laboratory and at the University of California Irvine School of Medicine. Both labs are involved in developing and validating tests based on Rosetta's microRNA technology.

Post IPO, Genoptix's Focus Is on Growing Volume and Expanding Sales Operations

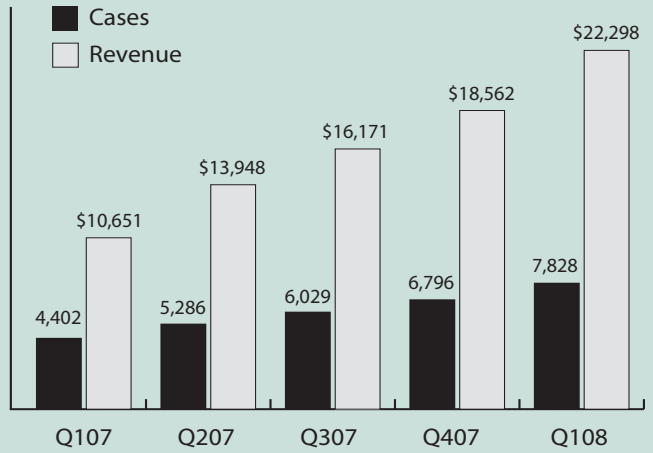
Genoptix's growth has not stopped since the testing provider announced its initial public offering (IPO) in October 2007 at a price of $17 a share, and saw that price jump to $25.35 per share on October 30, its first day of trading on the Nasdaq. The growth has continued in both revenue and volume—recently released Q108 results showed a 78 percent growth in volume and 109 percent growth in revenue compared to Q107.

The company believes its business model is unique because it consolidates testing and results from bone marrow specimens and related blood work for the diagnosis of hematomalignancies, such as leukemia, lymphoma, and multiple myeloma. "In a typical scenario, the sample is drawn and divided up and then sent to numerous labs," explained president, founder, and CEO, Tina Nova Bennett, Ph.D., at a recent presentation at the Bank of America Securities Health Care Conference on May 13, 2008, in Las Vegas. "One lab will perform flow cytometry, another part of the sample will go to another lab, which will perform FISH analysis, and then another part of the sample will go to a lab that will perform PCR testing."

But when the ordering physician gets these results back from the various labs, it's up to the doctor to analyze the results. "Typically, there's no correlation of test results done by the testing lab. It's all sent back to the ordering physician who has to do that on their own," explained Nova Bennett. "Many times, that doctor will have to go back and order additional tests to really figure out what's wrong with the patient after they've looked at this first set of data."

In contrast, Genoptix performs all of this testing at its facility. The sample is assigned to one of the provider's 17 hematopatholgists when it arrives at the facility in San Diego, and then it is tracked from arrival through the testing process and as the data is correlated. The results are then analyzed by the Genoptix hematopathologist in consultation with the ordering physician.

Genoptix: Growth Drive by Volume



Source: Corporate Report

Focus on Growing Market Share

Genoptix's target customers are the community-based hematologists-oncologists (hem/oncs). There are approximately 11,000 hem/oncs in the United States, and 79 percent practice in a community-based setting, said Nova Bennett. She estimates that Genoptix currently has 4 percent of this testing market. "There are 350,000 bone marrows drawn a year in the United States," she told *LIR*. "Based on that figure, we estimate that there is potentially $1 billion in revenue annually for this testing market. That doesn't include any periph-

eral blood testing, and we estimate there are about 200,000 blood samples drawn a year that are associated with these diseases."

Since the company doesn't price its testing outside of the Medicare fee schedule, it relies on volume to drive revenue. This means that the growth strategy needs to focus on expanding the sales force to drive up sample volumes. Currently, the company gets samples from 45 states, but has sales reps residing in 21 states. "We have certain sales reps who cover four states, for example, so we are looking for that to change," said Nova Bennett. "But we are not going to just add more sales reps without making sure we have the appropriate infrastructure in place, because we need to maintain the quality of service that we provide. In order to grow, we have to grow all areas of the company, not just our sales team or we will be compromising what makes the company so successful." In particular, she added that the company is eyeing expanding its sales presence in the Pacific Northwest and the Northwestern and Northeastern regions of the United States.

Genoptix at a Glance

- Based in North County San Diego in two facilities totaling 74,000 square feet
- Founder, president, CEO, Tina Nova Bennett, Ph.D.
- 186 total FTEs, 17 hematopathologists, 42 sales and marketing staff
- Primary offering is comprehensive testing for hematomalignancies, also offers circulating tumor cell testing for breast, colon, and prostate cancer.
- Current market share: 4 percent

The company's recent success is giving them the confidence to boost guidance for the remainder of the year. It now expects full-year revenues to come in between $90 million and $95 million, rather than at $90 million as originally projected. "But we need to be cautious of that as well, because there are still issues outstanding, like the Medicare pricing and changes to the physician fee schedule," Nova Bennett explained. "Once we know what's going on with the Medicare pricing, it will give us even more clarity with respect to projected revenues."

Q1 2008 Financial Benchmarks

	Revenue (in millions)	*Full-Time Employees*	*Revenue/ Employee*	*Pre-Tax Income (millions)*	*Pre-Tax Income/ Employee*
Quest	$1,800.0	43,000	$41,860	$232.5	$5,407
LabCorp	1,103.0	26,000	42,423	221.9	8,535
Bio-Reference	66.9	1700	39,341	3.7	2,200
Enzo Clinical Labs	11.3	300	37,667	1.4	4,667
Genzyme Genetics	74.3	1700	43,706	n/a	n/a
Genoptix	22.3	186	119,892	4.50	24,194

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

G-2 Reports' analysis of key benchmarking data—revenue per FTE, pre-tax income per FTE, and days sales outstanding (DSO)—reveals that Genoptix performs well compared to publicly traded lab leaders.

Lab Stocks Inch Upward in June, but Down 4% So Far in 2008

The 14 publicly traded stocks tracked by the G-2 Laboratory Index are down 4 percent for the first six months in 2008, but are up 2 percent over the past five weeks for the week ended June 20, 2008. And these lab stocks are showing better strength than the Nasdaq and S&P 500, which continue to reflect the downturned economy. The Nasdaq is down 10.03 percent and the S&P 500 is down 10.86 percent so far in 2008.

Several labs posted significant gains over the past four weeks. **Enzo Clinical Laboratories** (New York City) continues to improve up 28 percent to $11.70 a share for a market cap of $435.30 million for the week ended June 20. Specialty labs also are posting gains, with **Neogenomics**, a Ft. Myers, Florida-based company specializing in molecular diagnostics for cancer, up 19 percent to $1.25 a share for a market cap of $39.21 million. Another specialty lab, **Genoptix** (San Diego), is up 11 percent to $31.85 a share for a market cap of $520.52 million. Also up 11 percent is **Genomic Health** (Redwood City, Calif.) to $20.26 a share for a market cap of $520.52 million.

Labs posting losses over the past four weeks for the week ended June 20 were led by **Medtox Scientific** (St. Paul, Minn.), which is down 16 percent to $13.12 a share for a market cap of $110.94 million. Medtox is a drugs-of-abuse testing company that has reported a negative impact on its employment screening business, as hiring rates have slowed. Two of the country's biggest labs were also among the top losers in June. **Bio-Reference Laboratories** (Elmwood Park, N.J.) was down 9 percent to $22.70 a share for a market cap of $312.90 million. **LabCorp** (Burlington, N.C.) was down 7 percent to $69.92 a share for a market cap of $7.78 billion.

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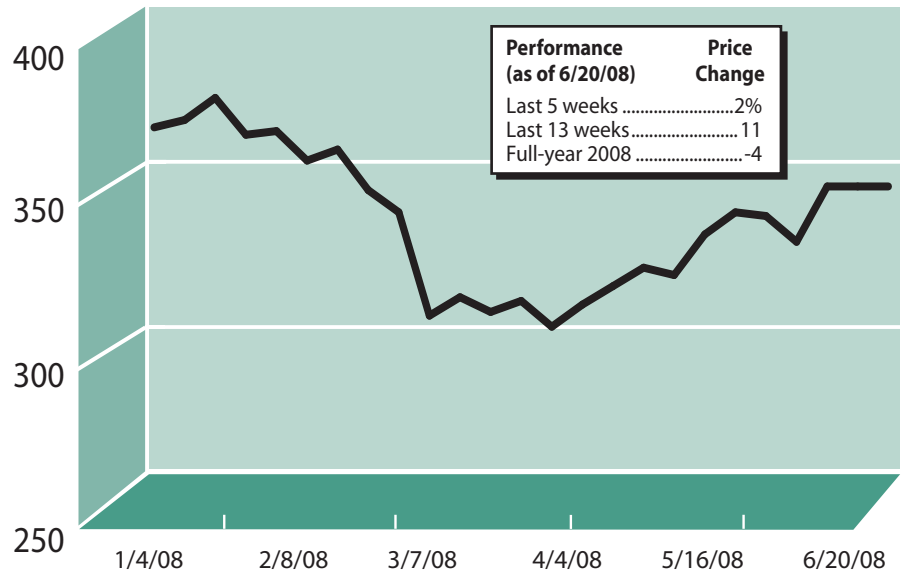
G-2 Laboratory Stock Index



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.

Top Gains and Losses over Past Four Weeks

Percent price change, week ended 6/20/08

UP	*Percent Change*	*Price*
Enzo Clinical Laboratories	28%	$11.70
Neogenomics	19	1.25
Genoptix	11	31.85
Genomic Health	11	20.26
DOWN		
Medtox Scientific	16%	$13.12
Bio-Reference Labs	9	22.70
LabCorp	7	69.92

INDUSTRY buzz

Sonic Healthcare to Acquire Two German Labs for over $130 million

Sydney, Australia-based Sonic Healthcare is expanding its German footprint with the recently announced acquisition of the Labor 28 Group, a laboratory serving the metropolitan population in Berlin for over $100 million and the GLP Medical Group in Hamburg for $30 million. Last year, Sonic acquired Bioscientia Healthcare and the Schottdorf Group, both located in Germany.

Statements from Sonic indicate that the Labor 28's acquisition price is based on a prospective EBITDA multiple of approximately 8.8. As Labor 28's EBIDTA in 2008 is expected to be over EU$8 million (US$12.5 million), the purchase price is estimated at EU$64.8 million (US$101 million). In keeping with Sonic's federated model, the senior management of Labor 28 will continue to lead the business.

The GLP Medical Group's acquisition price is based on a prospective EDITDA multiple of 8.6; given that the lab's 2008 estimated EBITDA is EU$3.5 million (US$5.4 million), the purchase price is estimated at EU$19million (US$30.1 million).

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Centers for Disease Control and Prevention 800-311-3435
Bio-Reference Laboratories 800-229-5227
Bostwick Laboratories 804-967-9225
Chi Solutions 800-860-5454
Enzo Biochem 631-755-5500
Genatom Inc. 800-557-6787
Genoptix 800-755-1605
Genzyme 617-252-7500
LabCorp 800-334-5161
McDonald Hopkins LLC 508-385-5227
Medtox Scientific 800-832-3244
Neogenomics 239-768-0600
Parkway Clinical Laboratories 800-327-2764
Pathology Associates of St. Thomas 615-222-6726
Pathology Service Associates 800-832-5270
Quest Diagnostics 800-222-0446
Rosetta Genomics 201-946-0561
Sonic Healthcare 61-2-9855-5444
Spectrum Laboratory Network 888-664-7601
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Water Street Healthcare Partners 312-506-2900

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