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LABORATORY INDUSTRY REPORT®

Stephanie Murg, Managing Editor, smurg@ioma.com

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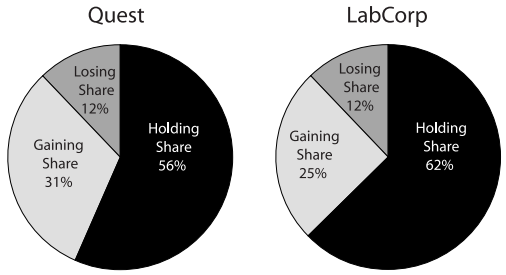
Hospital Outreach Programs Hold Their Own Against Key Competitors

Over half of hospital outreach programs are holding market share against the big commercial labs and key local competitors, according to an ongoing survey conducted by Washington G-2 Reports.

When asked to evaluate their market share competitive experience in terms of their hospital outreach program, more than 50% of respondents reported that they were holding market share against Quest, LabCorp, and key local competitors, while a quarter to a third of those surveyed reported that they were gaining share. Meanwhile, 12% of outreach programs surveyed reported that they are losing market share to the commercial labs or competing hospitals, but only 7% are losing out to local lab competition.

Hospital Outreach Market Share



Source: Washington G-2 Reports survey, September 2006, n=83

Despite these somewhat encouraging results, a G-2 survey from earlier this year found that 38% of 175 hospital outreach programs surveyed ranked competition from Quest and LabCorp as the biggest challenge that they faced in growing their outreach business. For an in-depth look at these two lab giants, see *Inside the Laboratory Industry*, pp. 3-8.

Acquisition Is Path To Market Share In Southeast

The top-heavy independent lab sector continues to consolidate. Two recent deals, CPL's purchase of Cognoscenti and AEL's new Texas acquisition, focused on big players in the southeastern United States. "More acquisition is likely on the way, especially given the deep pockets behind some recent purchases" says one industry insider, "although the number of sizable independent labs up for grabs is dwindling fast."

Sonic-Owned CPL Acquires Cognoscenti

Regional laboratory and pathology services provider Clinical Pathology Laboratories (CPL; Austin, TX), which was snapped up by Australian lab giant Sonic Healthcare (New South Wales, Australia) ➥ *p. 2*

■ **ACQUISITION,** *from page 1*
last October as an entry point to the U.S. clinical laboratory market, has completed the acquisition of Cognoscenti Health Institute (Orlando, FL). The purchase is reportedly the first in an aggressive expansion phase for CPL and one that should spur Cognoscenti to triple-digit growth.

Founded in 2002 by Philip Chen, M.D., Cognoscenti has annual revenues of $7 million and processes about 4,000 tests daily. The lab has also pioneered innovative outreach programs, including successful regional wellness programs focusing on management of such diseases as diabetes. Through a recently signed agreement, the University of Florida's pathology department will provide anatomical pathology services to Cognoscenti.

Under the ownership of CPL, Cognoscenti is expected to retain its current staff of 72 employees and add about 30 new hires over the next year. William Day, currently CPL's vice president of sales, has replaced Chen as president. Chen now serves as Cognoscenti's medical director and the chief medical informatics officer of CPL.

CPL's largest lab and headquarters are located in Austin, Texas, and its primary markets are Austin, Dallas/Ft. Worth, Houston, and San Antonio.

The acquisition of Cognoscenti gives CPL a foothold in the Southeast, rounding out its current operations in the Southwest, mid-Atlantic, and Midwest. Within the next five years, CPL plans to add satellite locations throughout Florida. Additional acquisitions in the Southeast, including Georgia and Alabama, are also under consideration. Washington G-2 Reports estimates CPL's current revenues at just under $200 million. The company has about 1,400 employees.

Large Texas Reference Lab Added to AEL Network

Clinical reference lab American Esoteric Laboratories (AEL; Nashville, TN) has acquired DRL Labs (DRL; Tyler, TX), an affiliate of East Texas Medical Center (ETMC) Regional Healthcare System. DRL is believed to be the largest remaining Texas-based independent reference laboratory. Separately, AEL, ETMC and its affiliates have entered into a long-term relationship for reference laboratory testing services.

This acquisition, the terms of which were not disclosed, brings AEL's annual revenues to about $100 million and comes just six months after the company's purchase of Physicians Medical Laboratory (PAL; Morristown, TN), a full-service lab serving 20 counties in East Tennessee.

Based in a 25,000-square-foot facility that operates 24/7, DRL has more than 1,800 physicians and hospital clients in various states, and offers the most extensive menu of tests in the region on about 30 automated platforms. Under the terms of the agreement, DRL's management and employee base of 180 will stay in place.

In addition to recently acquired PAL and DRL, AEL's lab network includes a 35,000-square-foot Memphis lab (Memphis Pathology Laboratories, acquired in September of 2004) and their 27,500-square-foot national esoteric lab, which opened last January in Irving, Texas. AEL performs 25,000 tests per day on more than 8,600 patients.

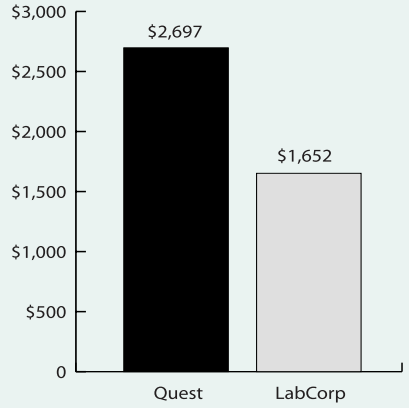
Measuring Up Against Quest And LabCorp: Inside The Duopoly

The independent laboratory sector—all of the laboratory sectors, for that matter—are dominated by Quest Diagnostics and LabCorp. These two major players have also continued to buy up other laboratory companies. In 2005, Quest Diagnostics acquired LabOne, which in the *Washington G-2 Reports 2005 Laboratory Industry Strategic Outlook* was ranked as the number-three independent laboratory after Quest and LabCorp. In July of this year, Quest closed on the acquisition of Focus Diagnostics.

Growth in Independent Laboratory Sector, 2005

Category	Revenue ($BB)	% Growth	% Growth Acquisitions
Quest Diagnostics	$5,504	7.4%	5.2%
LabCorp	$1,390.3	7.9	3.6

Revenue ($BB) *(adjusted for acquisitions)*



Source: Quest Diagnostics and LabCorp Annual Reports, *LIR*

In 2005, LabCorp reported $1.39 billion in gross profits and $386.2 million in net earnings. After adjusting for the acquisitions of MDS Labs, Redding Pathologists Labs, Clinical Labs of the Black Hills, US Labs, and Esoterix, their growth was 3.6% with revenues of $1.65 billion.

Quest Diagnostics reported $5.5 billion in net revenues and $546 million in net income. Adjusting for acquisitions, Quest grew 5.2% to $2.7 billion (adjusting solely for the acquisition of Omega Medical Laboratories, not LabOne).

In 2004, Quest Diagnostics increased its average revenue per employee by 4% to $132,813. Quest raised its average annual revenue per major lab facility by 9% to $147.8 million per year. Its patient service centers averaged $851,000 in annual revenue, up 15%.

LabCorp, in 2004, increased its average revenue per employee by 3% to $134,268. It generated $96.4 million per major lab facility, up 2%, and its patient service centers averaged $878,000, up 14% from 2003's average of $767,000.

Although critics argue that the growth on the part of the two major players results in poor service as well as lost specimens and test results, by the most common financial benchmarks, the larger commercial labs are becoming more productive and efficient. Based entirely on those numbers, LabCorp slightly edges out Quest Diagnostics on the basis of efficiency.

A Closer Look at Quest's Growth, 2000-2006

Between 2000 and 2006, Quest grew its reported income an average of 17%. However, 2000 was the year they acquired SmithKline Beecham Clinical Labs, when they reported 55.1% growth. Excluding acquisitions, Quest's revenue grew by an average of 5.8%, slightly below the national average

growth of 6.8% (or a four-year CAGR of slightly less than 5%). From 2001 to 2003, Quest showed a small or even negative growth rate in test volumes. However, this has increased significantly in 2004, 2005, and 2006, with a median growth rate of 5.0% and an average since 2000 of 3.1%. Although their price per requisition dropped in 2002, 2004, and 2005, it appears to be increasing in 2006 to 4.0%.

Although Quest shows a positive growth rate in test volumes, they still are strongly focused on acquisitions, in particular the acquisition of LabOne in 2005 and the acquisition of Focus Diagnostics in July 2006 for an estimated $185 million in cash. Focus Diagnostics generates around $65 million in annual revenue and has over 1,200 infectious disease tests in their test menu.

Quest shows increased organic growth in 2004, 2005 and 2006. A possible explanation for this is an intentional focus on growing esoteric testing, helped along significantly by the acquisition of LabOne and Focus Diagnostics. In addition, Quest launched a colorectal cancer test ("InSure") in August 2003, a Circulating Tumor Cell Kit in August 2003, and in March 28, 2006, the first of its Leumeta cancer test assays, which may be an alternative to bone marrow assays. This emphasis on molecular-based esoteric testing kits, Washington G2 Reports believes, in addition to acquisitions of LabOne and Focus Technologies, which have expertise in esoteric testing, is driving their internal, organic growth that may continue in the future. One estimate suggests the troika of Insure, the Circulating Tumor Cell Kit, and Leumeta may generate $325 million of revenue for Quest in the future.

In addition, Quest launched its Care 360 Connectivity Solution in February 2005. This Web-based physician connectivity initiative promises to streamline patient ordering, results, and billing, as well as pay-for-performance program requirements and accountability. Quest currently receives 45% of test orders via Care360, and transmits 75% of their test results using this system. In addition, they have increased its focus on training and investing in its sales force and increasing sales efforts in high-growth areas like esoteric testing.

Revenue Growth at Quest Diagnostics

	Reported Revenue	*Reported Growth*	*Excl. Acquisitions Growth*	*Test Volume*	*Price Per Requisition*
2000	$3,421	55.1%	8.6%	5.9%	2.7%
2001	3,628	6.0	7.3	0.7	6.6
2002	4,108	13.2	4.7	1.5	3.2
2003	4,738	15.3	4.1	-1.0	5.1
2004	5,127	8.2	6.7	5	2.6
2005	5,504	7.4	5.2	4.4	2.3
2006P	6,272			5.0	4.0

A Closer Look at LabCorp's Growth, 2000-2006

From 2000 to 2006, LabCorp grew its reported income an average of 12.4%. However, excluding acquisitions, LabCorp's annual revenue

growth averaged 6.8%, identical to the average growth of the national lab industry revenue growth. LabCorp has been inconsistent in its test volume growth with a high in 2000 of 7.6% and a negative drop of -2.4% from 2002 to 2003. This was followed by an increase of 1.1% from 2003 to 2004. 2005 showed a mild 1.1% increase in test volumes with a stronger projected increase in 2006 of 3.2%. Price per requisition, despite a modest 1.3% increase from 2003 to 2004, remains strong in 2005 (6.8%) and 2006 with a projected increase of 4.7%.

LabCorp also has a large focus on growth via acquisitions, notably U.S. Pathology Labs (Feb 3, 2006) and Esoterix (May 11, 2005). LabCorp has acquired 15 major businesses in the last 10 years. In January 2003 LabCorp acquired Dianon Systems, which they are using as a model to restructure their corporate structure, indicating they believe the Dianon model provides higher quality customer service and increased efficiency. LabCorp hopes to increase their business with a focus on genomic and esoteric testing and increased reimbursements, especially with managed care organizations. They have brought on the PreGen Plus test for colorectal cancer and OvaCheck for HPV and ovarian cancer. In 2002, 23% of revenues came from genomic, esoteric, and cancer testing, which has increased to 32% with the acquisition of U.S. Labs and Esoterix.

LabCorp has also brought out the Thin Prep Pap test imaging system from Cytec and the HCV FibroSURE test for hepatitis C liver fibrosis. Thin Prep accounts for 38% of LabCorp's liquid-based Pap tests. HPV testing is showing significant growth, growing 80% in the Q1 2006. LabCorp reports they now perform 1.1 million HPV tests annually.

Revenue Growth at LabCorp

	Reported Revenue ($MM)	Reported Growth	Excl. Acquisitions Growth	Test Volume	Price Per Requisition
2000	$1,919	13.0%	11.6%	7.6%	4.0%
2001	2,200	14.6	10.6	4.7	5.9
2002	2,508	14.0	9.1	5.8	3.3
2003	2,939	17.2	3.0	-2.4	5.4
2004	3,084.8	4.9	2.5	3.6	1.3
2005	3,327.6	7.9	3.6	1.1	6.8
2006P	3,564.4			3.2	4.7

LabCorp is consolidating its customer call centers in hopes of improving customer communication and response. The plan calls for reducing 30 to 40 centers to only two or three. They are also focusing on automated specimen tracking and web-based connectivity, in this case, eLabCorp, which was launched in September 2005. In addition, LabCorp is expanding its sales force.

Competitive Advantages at Quest and LabCorp

Quest Diagnostics and LabCorp have similar advantages in the marketplace to any large corporation over smaller independent businesses—deeper pockets and economies of scale. That is to say, they can invest in technology, whether for new tests, automation, or Web-based connectivity in a way that a smaller independent or hospital-based laboratory may not

be able to afford. In terms of economies of scale, Quest Diagnostics and LabCorp have the size, depth, and reach to handle national managed care contracts and buy reagents and supplies in numbers large enough to bring the individual costs down. They continue to have contracts with the three largest managed care organizations: United, Cigna, and Aetna.

Washington G-2 Reports believes Quest and LabCorp's competitive advantages fall into five categories. These are 1) national managed care contracts; 2) superior billing and collection management; 3) lower reagent and supply costs; 4) esoteric testing capabilities; and 5) ability to invest in Web-based connectivity solutions.

National Managed Care Contracts

In terms of competition for national managed care contracts, Quest and LabCorp are each their biggest competitors. In October 2005, LabCorp began an exclusive laboratory agreement with WellPoint for its Georgia PPO and Nevada HMO/PPO. This comes as an addition to of an agreement with the WellPoint Georgia HMO that was signed in December 2004. Also, effective March 1, 2006, LabCorp will take on WellPoint's PPO and HMO in Colorado. Quest continues a relationship with WellPoint among many markets, but will not be the preferred provider in Nevada and Georgia due to LabCorp's new contracts.

LabCorp Revenue from Managed Care Contracts, 2004-2006

	2004	*2005*	*2006P*
Capitated	$132.7	136.5	$141.4
Fee for Service	$1,114.5	$1,200.4	$1350.6
Total Managed Care	$1,247.2	$1,336.9	$1492
Percentage of Total Annual Revenue	40.43%	40.18%	41.86%

Quest Diagnostics Revenue from Managed Care Contracts, 2004-2006

	2004	*2005*	*2006P*
Capitated	$384.5	$405.38	$470.4
Fee for Service	$2178.98	$2297.12	$2665.6
Total Managed Care	$2563.5	$2702.5	$3136.0
Percentage of Total Revenue (estimated)	50%	50%	50%

In contrast, LabCorp lost Blue Cross/Blue Shield of Florida, a capitated customer, in the third quarter of 2004, and also lost Premier and Novation GPO contracts in the same quarter. LabCorp has shown an increase in revenue from managed care since 2004, when total managed care revenue was $1,247.2 million to 2006, with a projected annual revenue from managed care of $1,492 million.

Both LabCorp and Quest make substantial amounts of their income from managed care contracts. LabCorp's has shown a slight increase to 41.86% of total revenue, and Quest Diagnostics estimates 50% of their revenue is from managed care contracts. Capitated contracts place a great deal of price pressure on both companies (and the laboratory industry as a whole).

Superior Billing and Collection Management

Compared to hospital outreach programs, Quest and LabCorp have far better billing and collection systems. In 2005, Quest reported the average days in accounts receivable (DAR) of 46 days with bad debt, while LabCorp reported a DAR of 52 days with a bad-debt expense. This compares to a hospital outreach average of 69 days or median of 60 days, based on Washington G-2 Reports' *Third Annual Outreach Survey.*

63.3% of hospital outreach billing is handled by the individual hospital's inpatient billing system, compared to 30.2% by administrative staff within the laboratory or 6.5% that turn billings over to an outside billing firm. Because most laboratory tests are relatively small, in the $30 to $40 range versus surgical and hospital stay bills that can range upward of $10,000 per procedure or $2000 per day, hospitals tend to focus on following-up on larger claims. Because Quest and LabCorp and other independent labs aren't in patient care, per se, they can focus collection energies on their core business.

Lower Reagent and Supply Costs

Quest and LabCorp perform a staggering number of tests per year. Quest handles over 20 million patient samples per year; LabCorp handles over 13 million patient samples per year. Their billable tests run well over 300 million annually (Quest) and 200 million (LabCorp). As a result, they have an advantage when negotiating vendor contracts for reagents and supplies. Washington G-2 estimates this purchase power, or "economies of scale," allows them to purchase reagents for 30% to 50% less than is paid by hospitals and independent labs.

Esoteric Testing Capabilities

Quest and LabCorp each have test menus with more than 4,000 tests. These menus include many esoteric tests. Both LabCorp and Quest have acquired companies with significant expertise and market share in the esoteric test arena, particularly Quest's acquisition of LabOne and Focus Technologies. In addition, Quest is placing its own esoteric test kits on the market, notably Insure, the Circulating Tumor Cell Kit, and Leumeta. LabCorp has also placed emphasis on esoteric and genomic testing with the acquisition of U.S. Labs and Esoterix. In addition, they have also brought several cancer-based tests on the market, including PreGen Plus test for colorectal cancer and OvaCheck for HPV and ovarian cancer.

Ability to Invest in Web-Based Connectivity Solutions

Both LabCorp and Quest have invested significantly in major Web-based connectivity technology in recent years. As noted earlier, Quest launched its Care 360 Connectivity Solution in February 2005. This Web-based physician connectivity initiative promises to streamline patient ordering, results, and billing, as well as pay-for-performance program requirements and accountability. Quest currently receives 45% of test orders via Care360, and transmits 75% of their test results using this system. LabCorp

has invested in eLabCorp, and focused on automated specimen tracking and Web-based connectivity, which was launched in September 2005.

Although Web-based connectivity, especially on the scale needed for companies the size of Quest and LabCorp are expensive, they should increase efficiency in terms of ordering, billing and test results, which should pay for itself in time. It should also help with customer-service issues by streamlining interactions between physicians and the laboratories.

With the increased use of Electronic Health Records (EHR) and Electronic Medical Records (EMR) by physicians offices and hospitals, as well as government-led programs for universal Web-based EHR, Washington G-2 Reports believes it's only a matter of time before all laboratories, whether independent, physician, or hospital-based, have some form of Web-based connectivity. Any laboratory that doesn't is likely to find itself at a debilitating competitive disadvantage.

Competitive Disadvantages of Quest and LabCorp

Big is not always better. The size and centralized management infrastructure at Quest and LabCorp can create some disadvantages in competition with smaller local labs. The issues often center around 1) turnaround times and stat testing due to specimen transport; 2) physician-laboratory communication; and 3) specimen pickup scheduling inflexibility.

Difficulties with Turnaround Times and Stat Services

Typically hospital outreach programs and even smaller independent laboratories focus on providing services within a relatively limited geographical range, say 100 miles, or even less. LabCorp and Quest, with national and even international clients, require that specimen samples often be transported via plane, car or even shipping companies to the laboratories that actually perform the tests. This adds time to the turnaround and stat services and can be a definite competitive disadvantage. The need for elaborate courier services also adds a significant cost to doing business.

Physician-Laboratory Communication

Both Quest and LabCorp have made efforts to provide accessibility for physicians who have questions, including making sure they have pathologists and genetic counselors available on staff. However, it's a numbers issue, where smaller labs and hospital outreach programs not only can have more personal and physically closer relationships, but by handling a smaller number of physician-clients, can provide more interaction.

Specimen Pickup Scheduling Inflexibility

Generally speaking, Quest and LabCorp specimens are picked up at the same time every day from their clients and service centers. This may or may not be the case with hospital outreach systems. Smaller systems sometimes rely on outside courier systems, taxi cabs, and Federal Express or UPS for shipping and transportation, which provides more flexibility than is possible for larger corporate-style laboratories.

Quest Pays $43m For InSure Test Maker

Quest Diagnostics (Lyndhurst, NJ) has acquired Australia-based Enterix, maker of the FDA-cleared InSure colorectal cancer screening test, for about $43 million in cash. Founded in 1997 by a trio of laboratory and IVD industry veterans, Enterix also has a genomic and proteomic markers program for specific early detection of pre-cancers.

The acquisition gives Quest ownership of the intellectual property for the FDA-cleared InSure fecal immunochemical test (FIT) as well as future generations of the test, including InSure II, which recently received 510(k) clearance from the FDA and can be performed in doctors' offices. Quest has had exclusive rights to sell the InSure test in the United States since May of 2003.

Colorectal cancer is the third most common form of cancer in the U.S. and is often curable when detected early. Unlike traditional fecal occult blood tests, the InSure FIT eliminates false positive test results due to potentially confounding dietary or drug factors such as red meat and aspirin. Medicare reimbursement for the immunochemical test is $22.22, compared with $4.54 for the traditional guiac-based test.

Psychemedics, Orchid Land New Contracts

Psychemedics (Acton, MA) has won the competitively bid, five-year drug testing contract with MGM Mirage (Las Vegas, NV). The world's largest provider of hair testing for drugs of abuse will perform drug testing for prospective employees at MGM's 23 properties. Psychemedics's patented hair test can detect drug use over a period of months, an advance over urine or oral fluid-based tests.

Meanwhile, DNA testing company Orchid Cellmark (Princeton, NJ) is following through with its strategy of offering forensic services directly to police forces in the United Kingdom. The company was recently awarded new multi-year contracts with the Kent and Sussex police forces and with the City of London police force. The competitively bid contracts for DNA testing services are estimated to be worth about $3.5 million per year. Orchid is in the process of terminating its subcontracting relationship with Forensic Alliance, which has until now provided most of its forensic DNA services in the U.K.

AMGA Survey Finds Most Medical Groups Still Operating At A Loss

While the majority of medical specialties saw modest increases in compensation in 2005, most medical groups in the United States are still operating at a loss, according to the 2006 Medical Group Compensation and Financial Survey conducted by the American Medical Group Association (AMGA; Alexandria, VA). The section of the annual survey that examines financial operations found that medical groups were operating at an average loss of $1,264 per physician, based on median performance per physician.

The findings also reveal significant variation by region. Groups in the Northern U.S. continue to operate at a significant loss, $8,111 per physician, compared with

average losses of $3,477 in 2003 and $1,365 in 2004. Medical groups in the Eastern and Southern regions also continue operating at a loss ($3,494 and $1,539 per physician, respectively). Groups in the Western U.S. are faring better: operating at a profit of $7,970 per physician, a significant improvement over last year's profit of $479 per physician.

BD To Pay $350 Million For Pap Test Maker TriPath

Global medical technology company Becton, Dickinson, and Company (BD; Franklin Lakes, NJ) has agreed to pay $350 million for the approximately 93.5% of outstanding shares in TriPath Imaging (Burlington, NC), a leading player in the increasingly crowded market for cervical cancer screening. BD has held a 6.5% equity interest in TriPath since 2001, when the two companies began their ongoing collaboration to discover cancer biomarkers.

BD's bid of $9.25 in cash per share of TriPath represented an 81% premium to the company's closing share price on the day the bid was filed. The transaction is expected to close by the end of the year.

TriPath is best known for SurePath, its liquid-based Pap test. Every year, 110 million Pap tests are performed worldwide, about half of them in the United States. Washington G-2 Reports estimates that about 20% of U.S. Pap tests use SurePath. In addition to expanding its cervical cancer screening portfolio, TriPath is developing molecular diagnostics for breast, ovarian, and prostate cancers. The company was formed in September 1999 through the merger of AutoCyte and NeoPath as well as the acquisition of the technology and intellectual property of Neuromedical Systems.

Laposata Wins G-2 Laboratory Public Service National Leadership Award

Michael Laposata, M.D., Ph.D.

Michael Laposata, M.D., Ph.D. has been awarded Washington G-2 Reports's 2006 Laboratory Public Service National Leadership Award, an annual honor that recognizes an individual who has made a significant contribution to the public interest through accomplishments that directly enhance patient care and the lab profession. Laposata was to be presented with the award in a special presentation at G-2's Lab Institute on September 28 in Arlington, VA.

A board-certified clinical pathologist, Laposata serves as director and chief of the division of clinical laboratories at the Massachusetts General Hospital and a professor of pathology at Harvard Medical School. He also co-founded a company that offers laboratory medicine interpretation services.

"Mike has substantially upgraded the role of laboratory medicine in patient care," wrote one colleague in his nomination of Laposata. "He has championed the importance of outreach to our clinical colleagues, particularly through his results interpretations." In addition to his innovative interpretive rounds, which are attended by senior physicians, residents, and medical students, colleagues singled out his commitment to mentoring, research on fatty acids and alcoholism, and charisma. "His presentations are always phenomenal," wrote one colleague. "He is the most dynamic speaker I have ever heard."

Lab Stocks Down 1%; Monogram Loses 13%

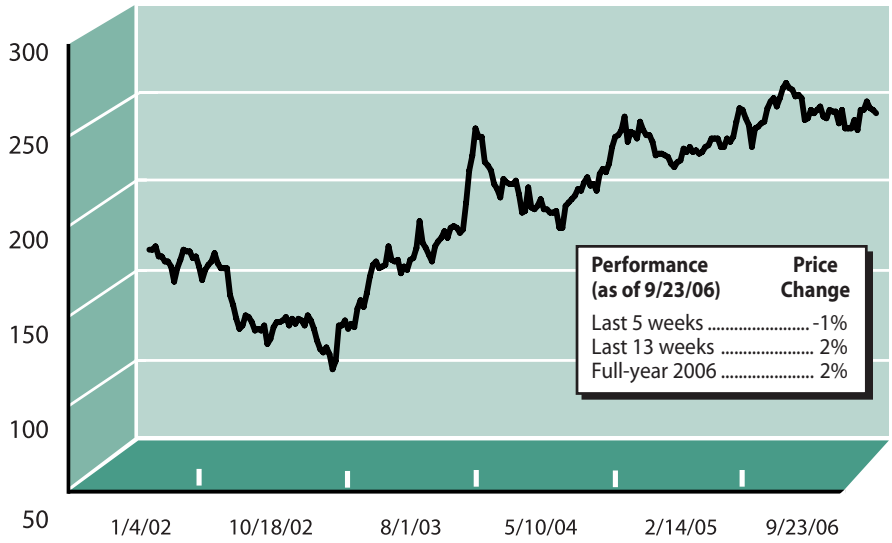
The G-2 Laboratory Stock Index dropped 1% in the five weeks ended September 23, 2006, with four stocks up in price and seven down. So far this year, the G-2 index is up 2%, while the S&P 500 Index has risen 5% and the Nasdaq is up 1%.

Monogram Biosciences (South San Francisco, CA) was down 13% to $1.46 per share for a market cap of $188.2 million. The molecular diagnostics company recently registered to sell 26 million common shares; it currently has 130.7 million shares outstanding. According to a statement filed with the Securities and Exchange Commission, Monogram will use any proceeds from the sale to market, test, and license its products.

Shares in **Clarient** (Aliso Viejo, CA), which specializes in cancer testing, fell 7% to $0.84 per share for a market capitalization of $55.6 million. The company has just completed its $3 million acquisition of the assets of Irvine-based Trestle, including all customer contracts, accounts receivable, inventory, manufacturing capabilities, high-speed scanning technology, and related intellectual property. The purchase should strengthen Clarient's position in the anatomical pathology market, giving the company the ability to handle almost all pathology samples requiring laboratory analysis.

Meanwhile, **Myriad Genetics** (Salt Lake City, UT) slipped 5% to $23.54 per share for a market cap of $942.5 million. Myriad has just reported positive clinical results for Azixa, an oncology drug candidate developed by Swedish pharma company EpiCept, and plans to initiate Phase II clinical trials. In a study of patients with cancer that has metastasized to the brain, the drug achieved its maximum tolerated dose in patients, and some patients showed a measured reduction in tumor size.

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 11 laboratory testing service stocks.

% price change, 5 weeks ended 9/23/06

UP	*Price*	*% Chg*
Bio-Reference	$23.21	2%
Enzo Biochem	12.65	2
Medtox	9.90	4
Orchid	2.34	7
DOWN		
Clarient	0.84	-7
Genomic Health	14.03	-2
LabCorp	66.84	-2
Monogram	1.46	-13
Myriad	23.54	-5
Quest	62.13	-2
Psychemedics	16.45	-1

INDUSTRY buzz

Announcing Washington G-2/IOMA's Inaugural LabCompete Conference: Strategies for 2007 and Beyond, December 6 through 8, 2006 at the Sheraton Wild Horse Pass Resort and Spa in Chandler, Arizona.

Some LabCompete Highlights:

- ❑ Keynote Address: Where Is Your Lab Going Now That It's Faced with a Duopoly? **David Nichols**, president of the Nichols Management Group
- ❑ **Michael Finnerty**, partner, Kaufman Hall discusses: Joint Ventures, Divestitures and Acquisitions—The Next Competitive Strategies for Hospitals and Labs
- ❑ **Gregory Clark**, Ph.D., DABCC, chief operating officer, Oregon Medical Laboratories builds the case for: Automation—Ready for a Radical Change?
- ❑ **JVHL, Navigant Consulting, and Novation** come together and deliver: The Competitive Advantage of Supply Chain Process, Networking, and GPO Contracting

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For complete program information and a brochure go to: www.g2reports.com

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