



Executive War College

Review of Lab and Pathology Deals
Closed in Past 12 Months

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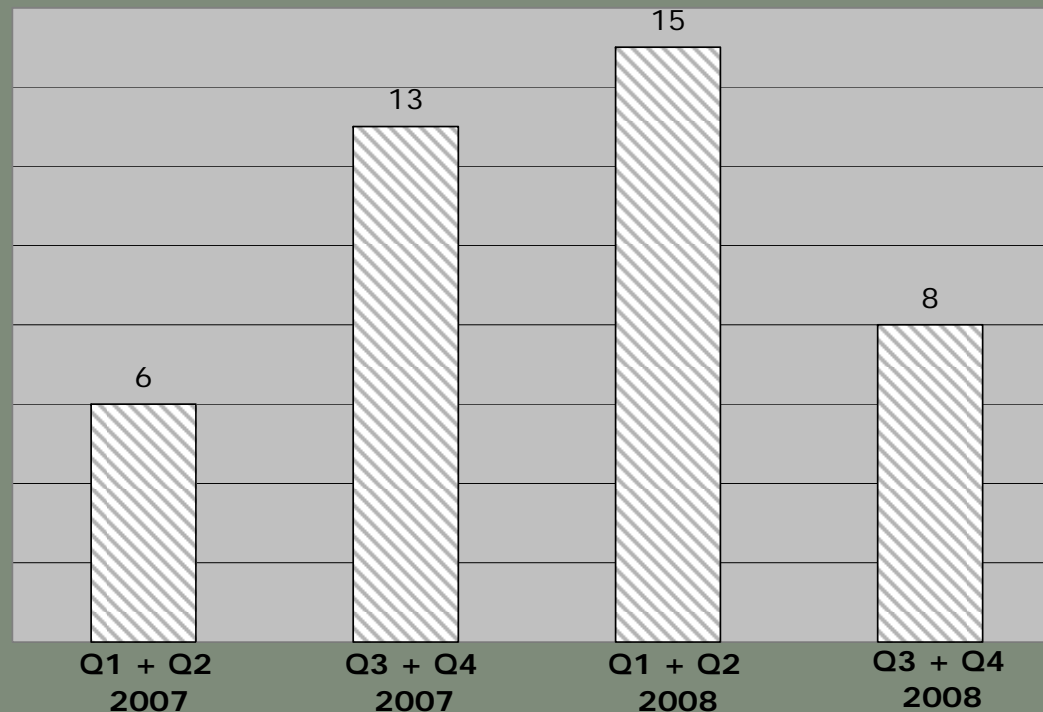
Haverford Healthcare Advisors

Lab Industry Deal Activity Declines in Second Half of 2008

- The combined effects of the global economic recession and the stressed credit markets took their toll on lab industry deal activity in the second half of 2008 and into 2009.

U.S. Lab Industry Deal Activity 2007-2008

of Closed Laboratory Transactions



Lab Industry Deal Activity Declines in Second Half of 2008 (continued)

- Beginning in mid-2008, the lack of credit availability, tightening credit terms, and the increasingly fragile economic climate caused lab transactions to be postponed or buyers to re-trade and lower proposed purchase prices.
- This resulted in a decline in both transaction volume and valuation multiples.
- In general, the difficult economic environment continues to pressure firms to focus on internal operations and maximize liquidity, leaving typically acquisitive companies on the sidelines.
- However, most lab companies are weathering the economic storm very well with moderate volume and price growth and stable operating expenses.

Lab Industry Deal Activity Declines in Second Half of 2008 (continued)

- Private equity groups continue to increase their percentage equity contributions to compensate for lower debt multiples, however deteriorating returns and performance difficulties within their existing portfolio companies is reducing current PEG deal activity in the lab industry.
- Considering that the cycle time for the completion of a transaction typically ranges from 4 to 8 months, it is not surprising that there have been very few closed lab industry transactions in the first quarter of 2009.

Plenty of Potential Lab Buyers – Plenty of Potential Lab Sellers

- There is no shortage of Private Equity Groups interested in the lab industry.
- The non-cyclical nature of the lab industry is particularly attractive to Private Equity Groups in light of the current economic turmoil.
- There are more established acquisition-oriented lab industry players than have existed for many years.
- We believe that there exists a large supply of clinical lab and pathology practice Sellers that are waiting for the economy to recover to either enter, or return to the market.

Plenty of Potential Lab Buyers – Plenty of Potential Lab Sellers (continued)

- Therefore, while we anticipate that lab industry deal activity will remain low throughout most of 2009 until signs of an economic recovery become clearer and the credit markets begin to ease, we expect deal activity to return to late-2007 and early-2008 levels by early 2010.

Recap of U.S. Lab Transactions for 2008 and Year-to-Date 2009

Deal #	Date	Acquirer	Target
2008-01	Jan-08	Laboratory Partners	Suburban Medical Lab
2008-02	Jan-08	Inverness Medical Innovations, Inc.	Redwood Toxicology
2008-03	Jan-08	Caris Diagnostics - Irving, TX	Molecular Profiling Institute
2008-04	Jan-08	Sonic Healthcare USA	American Clinical Services
2008-05	Jan-08	Sonic Healthcare USA	Woodbury Clinical Laboratories
2008-06	Jan-08	Carilion Laboratories	Innovative Pathology Services
2008-07	Jan-08	Laboratory Corporation of America	Tandem Labs, Inc.
2008-08	Jan-08	Laboratory Corporation of America	Gamma-Dynacare
2008-09	Feb-08	Aurora Diagnostics, LLC	Twin Cities Dermatopathology
2008-10	Mar-08	Laboratory Corporation of America	Acadiana Medical labs
2008-11	Apr-08	Laboratory Corporation of America	Albany Cytopath Labs
2008-12	May-08	Laboratory Corporation of America	IDX Pathology
2008-13	May-08	Manhattan Physicians Labs	Genatom, Inc.

Recap of U.S. Lab Transactions for 2008 and Year-to-Date 2009 (continued)

Deal #	Date	Acquirer	Target
2008-14	Jun-08	Rosetta Genomics	Parkway Clinical Laboratory
2008-15	Jun-08	Sonic Healthcare USA	Clinical Laboratories of Hawaii LLP
2008-16	Jul-08	HealthTronics	UroPath
2008-17	Aug-08	Laboratory Partners	BioTech Medical Labs
2008-18	Aug-08	Laboratory Corporation of America	Stanford Hospital Outreach Laboratory
2008-19	Sept-08	Laboratory Corporation of America	PathNet Esoteric Laboratory Institute
2008-20	Nov-08	Toxicology Holdings Corp.	DrugScan, Inc.
2008-21	Dec-08	MTS Health Investors	DNA Diagnostics Center
2008-22	Dec-08	Quest Diagnostics	Pathway Diagnostics
2008-23	Dec-08	CBLPath - Ocala, FL	Laboratory of Podiatric Pathology
2009-01	Jan-09	Gamma-Dynacare	Central Medical Laboratories
2009-02	Jan-09	American Pathology Partners	UniPath, LLC
2009-03	Mar-09	American Pathology Partners	Eastern Carolina Pathology

Recap of U.S. Lab Transactions for 2008 and Year-to-Date 2009 (continued)

About the Data ...

- Obtained from sources believed to be reliable.
- Includes some estimates made by Haverford Healthcare Advisors and other organizations.
- Dates are intended to represent the months that transactions were actually closed, as opposed to announcement dates.
- Each transaction represents a unique set of facts and circumstances; data is most relevant when viewed in the aggregate.

Lab and Pathology Transactions: 2008-2009

January, 2008

2008-01

Acquirer:

Laboratory Partners, Inc.
Cincinnati, OH

Target:

Suburban Medical Laboratory
Cuyahoga Falls, OH

Purchase Price: n/a

Target Revenue: <\$10 mil (est.)

Price / Revenue Multiple: n/a

Comments: This transaction represents Laboratory Partners' 5th acquisition since its founding in 2006 and since its first laboratory acquisition in April, 2007. LP has raised over \$70 mil from a group of VC firms since its inception and continues to pursue acquisitions.

Lab and Pathology Transactions: 2008-2009

January, 2008

2008-02

Acquirer:

Inverness Medical Innovations
Waltham, MA (AMEX: IMA)

Target:

Redwood Toxicology Laboratory
Santa Rosa, CA

Purchase Price: \$99 mil

Target Revenue: \$44 mil

Price / Revenue Multiple: 2.3x

Comments: Redwood primarily performs drugs of abuse testing and was the largest distributor of Inverness' drugs of abuse testing products. Redwood continues to operate under its name and management team. Redwood was acquired by American Capital Strategies in early 2006.

Lab and Pathology Transactions: 2008-2009

January, 2008

2008-03

Acquirer:

Caris Diagnostics, Inc.
Irving, TX

Target:

Molecular Profiling Institute
Phoenix, AZ

Purchase Price: n/a

Target Revenue: \$40.0 mil (est.)

Price / Revenue Multiple: n/a

Comments: MPI focuses on developing and commercializing molecular diagnostic tests based on genomic profiling. MPI's management team was retained. Retained separate facilities for MPI to focus on development of diagnostics and targeted therapeutics.

Lab and Pathology Transactions: 2008-2009

January, 2008

2008-04

Acquirer:

Sonic Healthcare USA
Austin, TX

Target:

American Clinical Services
Lyndhurst, New Jersey

Purchase Price: \$26 mil (est.) **Target Revenue:** \$13 mil (est.)

Price / Revenue Multiple: 2.0x (est.)

Comments: ACS became part of Sonic's Sunrise Medical Labs business, with transfer of some tests and rationalization of courier and other services. ACS team remained in senior management roles at the combined Sunrise/ACS.

Lab and Pathology Transactions: 2008-2009

January, 2008

2008-05

Acquirer:

Sonic Healthcare USA
Austin, TX

Target:

Woodbury Clinical Laboratory
Lebanon, TN

Purchase Price: \$7 mil (est.)

Target Revenue: \$4 mil (est.)

Price / Revenue Multiple: 1.75x (est.)

Comments: Rolled into Sonic Healthcare USA's American Esoteric Laboratory division. Woodbury's client base consists primarily of nursing homes.

Lab and Pathology Transactions: 2008-2009

January, 2008

2008-06

Acquirer:

Carilion Labs
Roanoke, VA

Target:

Innovative Pathology Services
Knoxville, TN

Purchase Price: n/a

Target Revenue: n/a

Price / Revenue Multiple: n/a

Comments: Acquired IPS' technical lab and contracted with IPS' pathologist owners to provide professional services. Addition of IPS increased Carilion's anatomic path revenue to \$18 mil per year and cytology volume to 165,000 per year. IPS serves nine hospitals and four surgery centers. This acquisition increases Carilion's presence in the AP market.

Lab and Pathology Transactions: 2008-2009

January, 2008

2008-07

Acquirer:

LabCorp (NYSE: LH)
Burlington, NC

Target:

Tandem Labs
Salt Lake City, UT

Purchase Price: n/a

Target Revenue: n/a

Price / Revenue Multiple: n/a

Comments: Tandem is a contract research organization supporting pharmaceutical and biotechnology companies with their discovery, preclinical, and clinical drug development programs. Was a stock transaction, with LH acquiring Tandem from DW Healthcare Partners. Tandem kept name, management, and operating structure, but became part of LCA's Esoterix clinical trials group. Tandem has locations in Utah, New Jersey, and Massachusetts.

Lab and Pathology Transactions: 2008-2009

January, 2008

2008-08

Acquirer:

LabCorp (NYSE: LH)
Burlington, NC

Target:

Gamma-Dynacare
Ontario, Canada

Purchase Price: \$140.9 mil

Target Revenue: \$249 mil

Price / Revenue Multiple: n/a

Comments: LH acquired additional interests in its Canadian joint venture, bringing its total ownership to 85.6%. GD was formed in the mid-1990s by the merger of three prominent Ontario laboratories. GD is one of Canada's largest medical laboratories and employs approximately 1,900 people. It has 130 PSCs, and 10 laboratories located across Canada.

Lab and Pathology Transactions: 2008-2009

February, 2008

2008-09

Acquirer:

Aurora Diagnostics, LLC
Palm Beach Gardens, FL

Target:

Twin Cities Dermatopathology
Minneapolis, MN

Purchase Price: n/a

Target Revenue: n/a

Price / Revenue Multiple: n/a

Comments: Twin Cities was owned by a dermatopathologist and had been independently operated since 1990. This deal was Aurora's 13th acquisition since its founding in mid-2006. With annual net revenue in excess of \$150 mil, Aurora employs 75 pathologists and over 750 non-pathologist employees.

Lab and Pathology Transactions: 2008-2009

March, 2008

2008-10

Acquirer:

LabCorp (NYSE: LH)
Burlington, NC

Target:

Acadiana Medical Laboratories
Lafayette, LA

Purchase Price: n/a

Target Revenue: \$10 mil (est.)

Price / Revenue Multiple: n/a

Comments: Acadiana is a routine testing laboratory with 80 FTEs, and prior to acquisition, was the largest independent lab in Louisiana.

Lab and Pathology Transactions: 2008-2009

April, 2008

2008-11

Acquirer:

LabCorp (NYSE: LH)
Burlington, NC

Target:

Albany Cytopath Labs, Inc.
Latham, NY

Purchase Price: n/a

Target Revenue: \$5 mil (est.)

Price / Revenue Multiple: n/a

Comments: As its name suggests, Albany Cytopath focused almost exclusively on providing cytopathology laboratory services. The Company was founded in 1992 and was privately owned.

Lab and Pathology Transactions: 2008-2009

May, 2008

2008-12

Acquirer:

LabCorp (NYSE: LH)
Burlington, NC

Target:

IDX Pathology
Boise, ID

Purchase Price: n/a

Target Revenue: \$10 mil (est.)

Price / Revenue Multiple: n/a

Comments: Founded in 1994, IDX Pathology employs four pathologists and 40 other employees. IDX provides clinical laboratory and anatomic pathology services.

Lab and Pathology Transactions: 2008-2009

May, 2008

2008-13

Acquirer:

Manhattan Physicians Laboratories
New York

Target:

Genatom, Inc.
Roseland, NJ

Purchase Price: n/a

Target Revenue: \$10 mil (est.)

Price / Revenue Multiple: n/a

Comments: MPL was founded by two former Quest Diagnostics executives and is backed by \$20 mil+ in financing from Trevi Health Ventures. Genatom is the foundation lab for MPL. Genatom had 70 employees at the time of the acquisition. Genatom is estimated to process 600 specimens per night.

Lab and Pathology Transactions: 2008-2009

June, 2008

2008-14

Acquirer:

Rosetta Genomics (NASDAQ:ROSG)
Jersey City, NJ

Target:

Parkway Clinical Laboratories
Bensalem, PA

Purchase Price: \$3.2 mil

Target Revenue: \$3.0 mil

Price / Revenue Multiple: 1.1

Comments: Parkway Clinical Labs operates a 5,000 square foot CLIA-certified lab and has 33 full time employees. Rosetta disclosed an \$850,000 goodwill impairment relating to Parkway in the 4th quarter of 2008.

Lab and Pathology Transactions: 2008-2009

June, 2008

2008-15

Acquirer:

Sonic Healthcare USA
Austin, TX

Target:

Clinical Laboratories of Hawaii, LLP
Honolulu, HI

Purchase Price: \$121 mil

Target Revenue: \$110 mil

Price / Revenue Multiple: 1.1

Comments: Approximately \$3 mil of the purchase price is subject to earn-out arrangements. No major changes are expected for the operations of the target as a result of the sale. The target was founded in 1971.

Lab and Pathology Transactions: 2008-2009

July, 2008

2008-16

Acquirer:

HealthTronics, Inc. (NASDAQ: HTRN)
Austin, TX

Target:

UroPath LLC
Arlington, TX

Purchase Price: \$7.5 mil

Target Revenue: \$3.7 mil (est.)

Price / Revenue Multiple: n/a

Comments: HealthTronics provides lithotripsy services and prostate therapy treatments to approximately 2,500 urologists. UroPath LLC was one of the country's largest "pod" labs.

Lab and Pathology Transactions: 2008-2009

August, 2008

2008-17

Acquirer:

Laboratory Partners, Inc.
Cincinnati, OH

Target:

Biological Technology Laboratory, Inc.
St. Louis, MO

Purchase Price: n/a

Target Revenue: \$10 mil - \$20 mil

Price / Revenue Multiple: n/a

Comments: Biotech Labs, an independent laboratory owned by Melvin Bishop, has operations in St. Louis and Illinois. Biotech Labs represents Laboratory Partners' 6th and latest transaction.

Lab and Pathology Transactions: 2008-2009

August, 2008

2008-18

Acquirer:

LabCorp (NYSE: LH)
Burlington, NC

Target:

Stanford Hospital Outreach Laboratory
Palo Alto, CA

Purchase Price: \$30 mil (est.) **Target Revenue:** \$30 mil (est.)

Price / Revenue Multiple: 1.0

Comments: The transaction excluded Stanford's specialty/pathology testing. Stanford's Outreach Laboratory had a substantial operating loss for its fiscal year ending August, 2008.

Lab and Pathology Transactions: 2008-2009

September, 2008

2008-19

Acquirer:

LabCorp (NYSE: LH)
Burlington, NC

Target:

PathNet Esoteric Lab Institute
Van Nuys, CA

Purchase Price: n/a

Target Revenue: \$15 mil (est.)

Price / Revenue Multiple: n/a

Comments: PathNet operates a large cytology testing business and was owned by its President, Mr. Alan Kaye.

Lab and Pathology Transactions: 2008-2009

November, 2008

2008-20

Acquirer:

Toxicology Holdings Corp.
Warminster, PA

Target:

DrugScan, Inc.
Warminster, PA

Purchase Price: n/a

Target Revenue: n/a

Price / Revenue Multiple: n/a

Comments: Toxicology Holdings Corp. ("ToxCo") was formed by Eureka Growth Capital ("Eureka") in partnership with a team of lab industry veterans, led by Jack Bergstrom, as a platform to build a premier toxicology laboratory with a national footprint through both organic growth and acquisitions.

DrugScan, Inc. was ToxCo's first acquisition. DrugScan, Inc. is a SAMHSA certified forensic toxicology laboratory.

Lab and Pathology Transactions: 2008-2009

December, 2008

2008-21

Acquirer:

MTS Health Investors
New York, NY

Target:

DNA Diagnostics Center
Fairfield, OH

Purchase Price: n/a

Target Revenue: n/a

Price / Revenue Multiple: n/a

Comments: The target is a leading genetic testing provider with approximately 70% of its revenue relating to paternity testing and 30% of revenue relating to forensic testing and veterinary genetic testing. MTS, which makes equity investments in healthcare service companies, currently owns interests in nine portfolio companies.

Lab and Pathology Transactions: 2008-2009

December, 2008

2008-22

Acquirer:

Quest Diagnostics Incorporated
Madison, NJ

Target:

Pathway Diagnostics
Malibu, CA

Purchase Price: n/a

Target Revenue: <\$10 mil (est.)

Price / Revenue Multiple: n/a

Comments: Pathway Diagnostics is engaged in the development of biomarker assays. Quest had previously been a licensee of Pathway's molecular diagnostic assays relating to the treatment of HIV patients.

Lab and Pathology Transactions: 2008-2009

December, 2008

2008-23

Acquirer:

CBLPath

Ocala, FL / Mamaroneck, NY

Target:

Laboratory of Podiatric Pathology

Philadelphia, PA

Purchase Price: n/a

Target Revenue: n/a

Price / Revenue Multiple: n/a

Comments: The target was owned by Dr. Harvey Lemont and had been involved in a co-marketing arrangement with CBLPath since 2007. Dr. Lemont will serve as CBLPath's director of podiatric pathology under a multi-year employment contract.

Lab and Pathology Transactions: 2008-2009

January, 2009

2009-01

Acquirer:

Gamma-Dynacare
Ontario, Canada

Target:

Central Medical Laboratories
Manitoba, Canada

Purchase Price: n/a

Target Revenue: n/a

Price / Revenue Multiple: n/a

Comments: Gamma Dynacare had net revenue of \$249 mil for the 12 months ending December 31, 2008. The combined company will have 19,000 full time employees and will operate from six laboratories, four in Ontario, one in Quebec, and Central Medical Laboratories' 8,000 square foot facility in Manitoba.

Lab and Pathology Transactions: 2008-2009

January, 2009

2009-02

Acquirer:

American Pathology Partners
Brentwood, TN

Target:

Unipath LLC
Denver, CO

Purchase Price: n/a

Target Revenue: \$25 mil (est.)

Price / Revenue Multiple: n/a

Comments: The buyer will keep the Unipath name and has signed a long-term agreement to purchase professional services from Unipath's pathologists.

Lab and Pathology Transactions: 2008-2009

March, 2009

2009-03

Acquirer:

American Pathology Partners
Brentwood, TN

Target:

Eastern Carolina Pathology
Wilson, NC

Purchase Price: n/a

Target Revenue: \$25 mil (est.)

Price / Revenue Multiple: n/a

Comments: ECP is a full-service anatomic pathology laboratory that serves eastern North Carolina and was founded in 1988. ECP employs four pathologists.

Haverford Healthcare Advisors

Haverford Healthcare Advisors specializes in providing valuation, merger and acquisition, and corporate finance advisory services to healthcare companies, with a specific focus on clinical laboratories and pathology practices. We represent and assist physicians and other healthcare company owners during the process of selling their laboratories, during the process of merging or partnering with other laboratories or companies, or during the process of growing through acquisition. We also provide lab valuation services, typically in connection with lab transition issues such as admitting new partners and retiring existing partners, and with the formation of joint ventures.

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