



Q1-2011 LABORATORY SERVICES INDUSTRY UPDATE

MARKET OVERVIEW

Throughout the first quarter of 2011 the broad-based investment and consolidation interest seen at the end of 2010 has continued. With laboratory services at the foundation of cost conscious health reform and a key factor to more efficient means of diagnosis and treatment, coupled with the explosive organic growth of a number of testing areas within the industry, Provident anticipates this industry to be at the center of mergers and acquisitions activity for quite some time. Although a number of deals have closed within a variety of testing areas including pain management, drug testing, molecular diagnostics and anatomic pathology niches, these sectors still remain highly fragmented and prime for consolidation. With a limited supply of sizeable, middle-market Companies, private equity groups have been forced to get more creative in deal making, most specifically in regard to valuation levels. As the industry continues to grow as well as adapt to reform on Capitol Hill, Provident is confident that deal-making will remain strong from both PE and strategic players alike.

Physician Fee Schedule - Update

On February 11, 2011 the Centers for Medicare & Medicaid Services (CMS) informed various laboratory organizations and trade associations including the National Independent Laboratory Association (NILA), that it would withdraw its rule requiring a physician's signature on all laboratory requisitions. According to the Health Law Sidebar, after implementation had been delayed to take effect from January 1, 2011 to April 1, 2011, the rule continued to receive bipartisan opposition with CMS receiving letters from members of both the House and Senate, including 89 signatures from House representatives and 34 Senators supporting the withdrawal. Such steadfast concern over the rule resulted from a number of reasons, the most prevalent being that the rule was found to be unworkable and would cause disruption within the industry. According to CMS, the organization fully intends to work closely with the laboratory industry on this issue moving forward.

RECENT TRANSACTIONS

Month	Acquirer	Company Acquired	Details
February 2011	Carilion Labs	Doctors Laboratory, Inc.	Carilion Labs has acquired Doctors Laboratory, a clinical and anatomic pathology laboratory with 27 locations. Financial terms of the transaction were not released. Doctors Laboratory, Inc. is licensed by the Georgia Department of Human Resources and the Florida Agency for Healthcare Administration. By merging with Doctors Laboratory Inc., Carilion-Spectrum will extend its geographic reach into southern Georgia, northern Florida and portions of Alabama while also expanding its annual revenues to over \$350 million with over 3,200 employees.
February 2011	VWR International, LLC	AMRESCO, Inc.	VWR International, LLC, a global leader in laboratory services and supply distribution has acquired AMRESCO, Inc. The financial terms of transaction were not released. AMRESCO, Inc. is a manufacturer and supplier of high quality biochemicals and reagents for Molecular Biology, Life Sciences, Proteomics, Clinical and Histology areas of research and production. Through this acquisition, VWR International is able to expand its product portfolio and services footprint in the fast-growing life science arena.
January 2011	The Riverside Company	DISA, Inc.	The Riverside Company has acquired DISA, Inc. for an undisclosed price. The Riverside Company is a global PE firm focused on acquiring growing enterprises valued at up to \$200MM. Based in Houston, DISA was founded in 1987 as a regional third-party administrator for drug and alcohol screening. DISA has since added background screening, occupational health, occupational medical records tracking and OSHA training to its service portfolio. DISA feels there is significant opportunity to expand its operations internationally as there are a minimal amount of collection sites that exist outside the U.S. at this time, and will be able to do so through this partnership with The Riverside Company. Fifth Street Finance Corp provided senior financing for the transaction.

Announced Transactions

February 2011	Sanofi-Aventis	Genzyme Corporation	Sanofi-Aventis announced that it has agreed to buy Genzyme for \$20.1 billion, plus an additional earnout component pegged to future performance. The deal amounts to a \$74 per share purchase price. Since 1981, Genzyme has grown from a small start-up to a diversified enterprise with approximately 10,000 employees in locations spanning the globe and 2009 revenues of \$4.5 billion. The transaction aims to assure Sanofi's long-term growth if certain drugs - Lemtrada, sold under the name Campath as a treatment for blood cancer, and Cerezyme and Fabrazyme, which are for rare diseases - hit sales and production targets. Additionally, under a contingent value right, Genzyme shareholders may get extra payouts for these drugs' future success.
February 2011	Forest Laboratories, Inc.	Clinical Data, Inc.	Forest Laboratories, Inc. will acquire Clinical Data Inc (CLDA.O) for \$1.2 billion to add to its portfolio of drugs to treat depression. The acquisition will dilute its earnings per share for the next three fiscal years. The transaction is not expected to affect the company's 2011 financial forecast. For the fiscal year ending in March, Forest has said it expects earnings of \$4.20 to \$4.30 a share, excluding one-time items. Forest, like many pharmaceutical companies, needs new products to make up for those that are scheduled to lose patent protection. Lexapro, the company's biggest-selling product, is set to lose patent protection in early 2012, while Namenda is expected to lose protection by 2015. Forest is uniquely positioned to bring Viibryd to market in light of their long and successful experience of clinical development and expertise in the antidepressant market.
January 2011	Novartis	Genoptix Medical Laboratory	Genoptix, Inc. has entered into a definitive merger agreement to be acquired by Novartis. Novartis will commence an all cash tender offer for all outstanding shares of common stock of Genoptix at \$25.00 per share. This translates into a total equity value of \$470 million and an enterprise value of \$330 million. Genoptix is a specialized laboratory service provider focused on delivering personalized and comprehensive diagnostic services to community-based hematologists and oncologists. The \$25.00 per share cash offer price represents a premium of 39% over Genoptix' unaffected closing share price of \$17.98 on December 13, 2010 and a 27% premium over the closing price of \$19.76 on January 21, 2011.