



Q4-2009 LABORATORY SERVICES INDUSTRY UPDATE

MARKET OVERVIEW

With a heavily debated Health Bill still being disputed by policymakers, Capitol Hill seems to remain unsure as to how to handle our Nation's healthcare reform. With the New Year upon us and new implementations expected, more concerns are being raised by laboratory professionals regarding the proposed increase in governmental involvement in the industry. One of the major issues is the possibility that increased government regulation could restrict growth and reduce profit margins in the private sector through the implementation of regulatory standards and reimbursement adjustments. This anxiety is substantiated by the proposed increase in the amount of individuals that will be covered for routine testing without addressing reimbursement issues accordingly, leaving facilities under-compensated. Regardless, an Obama-backed national movement toward preventative health will inevitably lead to an increase in overall demand for both routine and more specialized esoteric testing services, helping augment organic industry growth. Based on this inflow of need-based testing, valuation metrics and mergers and acquisitions interest among strategic and private equity players will continue to remain strong.

Moving into 2010, we are confident that with credit markets loosening, private equity investment activity will significantly increase as these groups reassess their investment strategies and look to deploy funds that have remained relatively unused for the past few quarters. Strategic players are likely to become more active after the New Year as well. Based on the inherent increased profitability and steadily increasing importance of esoteric testing services, strategic groups understand both the short and long-term benefit of "buy versus build", and using well established niche-based companies as platform acquisitions to move into, or expand a current foothold within a certain testing category.

RECENT TRANSACTIONS

Month	Acquirer	Company Acquired	Details
December 2009	NexMed, Inc.	Bio-Quant, Inc.	NexMed, Inc., has announced that it has entered into a definitive agreement to acquire San Diego, California-based Bio-Quant, Inc., a leading research organization for in vitro and in vivo contract drug discovery and pre-clinical development services. NexMed will benefit significantly from the acquisition, gaining additional preclinical capabilities and valuable licensing expertise. NexMed will also be able to leverage Bio-Quant's existing relationships with key pharmaceutical companies. The deal requires NexMed to issue 4,000,000 unregistered shares of its common stock to the Bio-Quant shareholders, and a promissory note in the estimated amount of \$12.1 million.
November 2009	Welsh, Carson, Anderson & Stowe	Spectrum Holding Company, Inc.	Welsh, Carson, Anderson & Stowe has agreed to buy Spectrum Holding Company, Inc. a Greensboro, North Carolina-based provider of clinical laboratory and disease screening services. WCAS will purchase the company from Apax Partners for an estimated purchase price of \$230 million. Spectrum was originally acquired by funds advised by Apax Partners in 2005, and is well positioned to continue a steady growth trajectory moving forward. The Company is one of the largest reference laboratories in the U.S., and will significantly expand WCAS's foothold in the clinical laboratory market with its strong operational management, regional focus, integrated Internet-based ordering, and overall scalability.
November 2009	Becton, Dickinson and Company	HandyLab, Inc.	Becton, Dickinson has announced that it signed a definitive agreement to acquire HandyLab, Inc., an Ann Arbor, Michigan-based Company that develops and manufactures molecular diagnostic assays and automation platforms. The financial terms of the deal were undisclosed. This transaction is indicative of BD's commitment to improving its instrumentation technology platform to support its molecular diagnostics strategy. The acquisition is expected to close in the first quarter of 2010.
November 2009	Czura Thornton	MDS Pharma Services, Central Labs operations	Czura Thornton completed its acquisition of the Central Labs operations from MDS Pharma Services for \$12 million at closing, plus up to a \$4 million earnout based upon the achievements of specific performance thresholds. Czura Thornton will also acquire certain transition services of MDS. Following the acquisition, the central lab operation has been rebranded as Clearstone Central Laboratories.
October 2009	Gen-Probe, Inc.	Prodesse, Inc.	Gen-Probe, Inc. completed its previously announced acquisition of Prodesse, Inc. for \$85 million. The purchase price consisted of \$60 million cash at closing, plus an additional \$25 million in earnout payments to be made based upon the achievement of certain financial and regulatory milestones through 2010 and 2011. Prodesse focuses on the development of molecular diagnostic reagents for a variety of infectious disease applications and offers a broad range of clinical and contract testing services as well.
October 2009	Alpha Analytical	Boston Analytical, Inc.	Alpha Analytical, based in Westborough, Massachusetts, has completed the acquisition of Boston Analytical, Inc. for an undisclosed purchase price. Boston Analytical provides testing services to the pharmaceutical, biotech, device, and nutritional products industries, and will significantly expand Alpha's existing portfolio of testing and analytical services.
October 2009	JO Hambro Capital Management	Celsis International	JO Hambro Capital Management has acquired Celsis International, a Chicago, Illinois-based contract research firm for the global life sciences market. The deal was valued at roughly £55 million, or approximately \$87 million USD, and will result in Celsis de-listing from the London Stock Exchange. The acquisition of Celsis and subsequent delisting allows the Company to take a private direction to re-focus on long term growth initiatives.