

Lab firm gets \$50M infusion

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WEST CONSHOHOCKEN -- When Dr. Raza Bokhari bought [Lakewood Pathology Associates](#) in 2001, the New Jersey company serviced primarily outpatient medical centers in its own back yard of Ocean and Monmouth counties in central New Jersey.

Since that time the company -- which just moved its headquarters to Montgomery County -- has expanded to 21 states.

Now, Bokhari wants to go national.

Lakewood Pathology completed a deal with a Chicago-based venture capital firm that has acquired a majority stake in the business and agreed to commit \$50 million toward its expansion.

The company has increased revenue from just under \$2 million when Bokhari bought it to an estimated \$20 million this year. Its staff, 18 people in 2001, is now at 80 and is expected to swell by 200 additional hires over the next three years.

"A lot of our growth will be organic, but we're also going to identify smaller laboratory companies across the United States that we can acquire," said Bokhari, 39, a physician turned entrepreneur.

The company competes with major lab powerhouses like Quest Diagnostics Inc. and LabCorp, as well as with thousands of smaller companies and hospital-based pathology departments.

Lakewood Pathology has sought to distinguish itself by customizing its work to fit the specific needs of individual customers.

"We don't have a cookie-cutter, one-size-fits-all philosophy," Bokhari said. "We view ourselves as an information company. We are in the business of providing information to our clients in the manner they like to receive it."

Bokhari's first introduction to the laboratory services business was in the mid-1990s when he was hired to help a Princeton lab company rebound from bankruptcy.

The knowledge he gained from the experience led to his purchase of Lakewood Pathology.

Lakewood specializes in surgical pathology services, which is the study of disease at a cellular level and involves examining body tissues. The company does not perform clinical pathology services, which is the largely automated process of examining bodily fluids such as blood.

Bokhari's company further specializes in dealing predominantly with physicians in outpatient and ambulatory-surgery centers. Inpatient pathology services are handled by hospital-based labs, which also service outpatient centers and are among Lakewood Pathology's competitors.

At hospital-based pathology labs, tests for patients admitted to the medical center always get first priority.

"That creates a gap or void for someone who can provide fast and efficient services to the outpatient centers, which is where we come in," Bokhari said.

Bokhari expects his company's niche to grow as more healthy people seek preventive care; asking doctors for diagnostic tests that provide early detection of diseases -- particularly those for which patients might have a genetic predisposition.

Lakewood Pathology's new owner is Water Street Capital Partners, a private equity firm in Chicago that focuses exclusively on health care.

While terms of its deal with Water Street were not disclosed, Lakewood Pathology's management team retained what is being described as a "significant ownership stake" in the company and is continuing to lead the day-to-day business.

Kip Kirkpatrick of Water Street is the new chairman of Lakewood Pathology. He described the company as a "successful middle-market company in an attractive health-care niche."

"We believe there is great opportunity for [Lakewood Pathology] to become a national market-leading pathology services company," Kirkpatrick said. "There is considerable opportunity for the company to grow its business by entering new geographies and expanding its breadth of specialty pathology services."

Tim Dugan, another Water Street partner, said his firm spent years evaluating the pathology laboratory industry. The firm determined the business offered a strong investment opportunity given expanding testing laboratory capabilities companies can perform and the growing demand for such services given the country's aging population.

Bokhari sought an equity partner after his company became a potential acquisition target of a few large public companies.

He recruited Dr. Michael Pellini, whom he met at an Eastern Technology Council event, to serve as the company's chief operating officer.

Pellini, former CEO of a Boston-based biotechnology company, served as the first "entrepreneur-in-residence" of [BioAdvance](#), the Philadelphia-based operator of the Biotechnology Greenhouse of Southeastern Pennsylvania. His job was to help develop the early-stage life sciences companies in which BioAdvance invested.

Bokhari put Pellini in charge of recruiting potential venture capital investors.

He said about 15 venture firms were brought in, and all were interested. The field was narrowed to three or four firms.

"Water Street emerged as the clear choice based on how they viewed us as leaders, and how they viewed the company," Pellini said.

While Lakewood Pathology's management team will work out of its new headquarters at the Four Falls Corporate Center in West Conshohocken, all of the lab work will continue to be handled at the company's processing facility in Lakewood, Ocean County.