



For Immediate Release

Media contact: Sally Benjamin Young, for Water Street Capital
847-835-3266

All other inquiries: Kip Kirkpatrick
312-506-2906

Eric Lev
312-506-2912

**WATER STREET CAPITAL PARTNERS MAKES CONTROL INVESTMENT
IN LAKEWOOD PATHOLOGY ASSOCIATES**

CHICAGO, Ill., May 22, 2006 – Water Street Capital Partners, a Chicago-based private equity firm focused exclusively on the healthcare industry, announced today that it has completed the acquisition of a majority ownership stake in New Jersey-based Lakewood Pathology Associates (LPA). LPA is a full-service national provider of multi-specialty anatomic pathology services to clinicians operating in outpatient surgical settings in more than 21 states.

Water Street Capital Partners has committed \$50 million in equity financing to help accelerate LPA's organic growth and to further build market leadership through acquisition of small and mid-size surgical pathology service providers nationwide. Water Street will become the company's majority shareholder while the current LPA management team will retain a significant ownership stake in the company as they continue to lead the day-to-day business.

"We are pleased to become a platform investment vehicle for Water Street Capital Partners," said Raza Bokhari, M.D., president and chief executive officer of Lakewood Pathology. "Our business will benefit immensely from the superior resources of Water Street Capital, including their extensive healthcare industry relationships, industry operating expertise, and access to

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capital. Partnering with Water Street Capital will significantly enhance our growth prospects and strengthen our ability to assist physicians in improving the standard of care for their patients.”

“LPA is another example of a successful middle-market company in an attractive healthcare niche partnering with the Water Street team,” said Kip Kirkpatrick, partner of Water Street Capital Partners and chairman of LPA. “Their value proposition is unique within the industry. We believe there is great opportunity for LPA to become a national market-leading pathology services company.” Noting that the diagnostic testing business is a highly fragmented \$40+ billion market in the United States, Kirkpatrick added, “There is considerable opportunity for LPA to grow its business by entering new geographies and expanding its breadth of specialty pathology services.”

Tim Dugan, partner of Water Street and board member of LPA, added, “We have spent several years evaluating the broader reference laboratory industry, with a particular focus on esoteric testing services. Given the great underlying trends of the rapidly growing anatomical pathology industry – galvanized by a number of factors, including expanding testing capabilities and an aging population – we believe we have picked the right platform and the right management team to invest behind.”

About Water Street Capital Partners

Water Street Capital Partners is a Chicago-based private equity firm focused exclusively on building market leadership companies in the healthcare industry. Applying its financial and operating expertise, deep industry knowledge, and extensive network of contacts, Water Street helps companies significantly accelerate growth and create value. The team, which has invested together since 1998, is currently investing its \$370 million fund, the firm’s first independent fund. Water Street typically leads investments in transactions from \$50 million to \$500 million in value. The Water Street team’s historical investments have included Medex, AbilityOne, and Kendro Laboratory Products. For more information about Water Street Capital Partners, visit www.waterstreetcapital.com.

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About Lakewood Pathology Associates

Headquartered in Lakewood, New Jersey, Lakewood Pathology Associates is a leading national pathology company that provides a full range of multi-specialty services, including extensive diagnostic procedures and specialist consultations. Accredited with distinction by the College of American Pathologists, Lakewood Pathology Associates has long been recognized for exceptional service and quality. Lakewood currently focuses on a broad base of specialty pathology services including urology, gastroenterology, and hematopathology. For two consecutive years, the company has been named by the Philadelphia Business Journal, in coordination with Rowan University's College of Business, as one of the top 25 fastest-growing companies in South New Jersey.

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