SPECIALTY LABORATORIES INC
Form DEFM14A
December 23, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

SPECIALTY LABORATORIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14(a)-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:
Specialty Laboratories, Inc. common stock, no par value.

(2) Aggregate number of securities to which transaction applies:
Common stock: 14,913,316
Unvested shares of common stock and options to purchase common stock: 2,256,734

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
Pursuant to the Agreement and Plan of Merger, dated as of September 29, 2005, among AmeriPath Holdings, Inc., AmeriPath, Inc., Specialty

Laboratories, Inc. and Silver Acquisition Corp., each issued and outstanding share of Specialty Laboratories, Inc. common stock, other than shares held by AmeriPath Holdings, Inc., any direct or indirect wholly-owned subsidiary of AmeriPath Holdings, Inc. or Specialty Laboratories, Inc., treasury stock and shares owned by stockholders who validly exercise and perfect their dissent rights, will be converted into the right to receive $13.25 in cash. In addition, pursuant to the terms of such Agreement and Plan of Merger, each issued and outstanding option, unless otherwise provided in an applicable agreement with the optionee, will be canceled in exchange for (1) the excess of $13.25 over the per share exercise price of the option multiplied by (2) the number of shares of common stock subject to the option at the time of the merger, whether or not then exercisable, less applicable taxes required to be withheld with respect to such payment. All unvested shares of common stock will become fully vested at the time of the merger. The filing fee was calculated based on the sum of (a) an aggregate cash payment of $197,601,437.00 for the proposed per share cash payment of $13.25 for 14,913,316 outstanding shares of common stock and (b) an aggregate cash payment of $9,535,025.00 to holders of unvested shares of common stock and outstanding options to purchase common stock with an exercise price less than $13.25 per share. The filing fee, calculated in accordance with Fee Rate Advisory #3 for Fiscal Year 2006, equals $117.70 per $1.0 million of the aggregate merger consideration calculated pursuant to the preceding sentence.

(4) Proposed maximum aggregate value of transaction:
$207,136,462.00

(5) Total fee paid:
$24,379.96

ý Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

SPECIALTY LABORATORIES, INC.

27027 Tourney Road
Valencia, CA 91355

PROPOSED CASH MERGER YOUR VOTE IS VERY IMPORTANT

To Our Stockholders:

You are cordially invited to attend a special meeting of stockholders of Specialty Laboratories, Inc., which we refer to as Specialty, to be held on January 30, 2006 at 8:00 a.m., Pacific Time, in the first floor auditorium at Specialty Laboratories, Inc., 27027 Tourney Road, Valencia, California 91355. At the special meeting, you will be asked to consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of September 29, 2005, among Specialty, AmeriPath Holdings, Inc. (which is referred to as Holdings in this letter), AmeriPath, Inc. (which is referred to as AmeriPath in this letter) and Silver Acquisition Corp., and the merger contemplated by the merger agreement. Under the merger agreement, Silver Acquisition Corp., a wholly-owned subsidiary of AmeriPath, will be merged with and into Specialty, with Specialty being the surviving corporation. This merger is referred to as the merger in this letter. Silver Acquisition Corp. is a California corporation that was formed by AmeriPath for the purpose of completing the merger and related transactions. A copy of the merger agreement is included as Appendix A to these materials.

Simultaneously with the execution of the merger agreement, Holdings, AmeriPath Group Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of Holdings (which is referred to as Group Holdings in this letter), Aqua Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Group Holdings, certain stockholders of Holdings and certain stockholders of Specialty who hold a majority of the outstanding Specialty common stock entered into a subscription, merger and exchange agreement (which is referred to as the SME agreement in this letter). The stockholders of Specialty who are parties to the SME agreement are Specialty Family Limited Partnership, the majority stockholder of Specialty, and certain other affiliates and family members of James B. Peter, M.D., Ph.D., Specialty's founder and a member of the Specialty board of directors, and Deborah A. Estes, Dr. Peter's daughter and a member of the Specialty board of directors. They are referred to as the continuing investors in this letter. Pursuant to the SME agreement, among other things, (a) Group Holdings will issue equity securities to certain of the stockholders of Holdings in exchange for cash and shares of Holdings, (b) Group Holdings will issue equity securities to the continuing investors in exchange for a portion of the shares of Specialty common stock held by the continuing investors and (c) Aqua Acquisition Corp. will be merged with and into Holdings, with Holdings being the surviving corporation. A copy of the SME agreement is included as Appendix E to these materials. While the various transactions described in the SME agreement are a condition to closing the merger, you are not being asked to vote on those transactions.

When the merger and the transactions contemplated by the SME agreement are completed, Welsh, Carson, Anderson & Stowe IX, L.P., its co-investors, the continuing investors and certain other current stockholders of Holdings will indirectly own all the capital stock of Specialty.

Dr. Peter is expected to join the board of directors of Group Holdings and will execute a services agreement with AmeriPath upon consummation of the transactions contemplated by the SME

agreement. Accordingly, he and the continuing investors have interests in the merger that are different from, or in addition to, the interests of Specialty stockholders generally.

If the merger is completed, each issued and outstanding share of Specialty common stock owned by you will be converted into the right to receive $13.25 in cash, without interest, unless you choose to exercise and perfect your dissent rights under California law. Each outstanding option for Specialty common stock, except as provided in an applicable agreement with the optionee, will be canceled in exchange for (1) the excess of $13.25 over the per share exercise price of the option multiplied by (2) the number of shares of common stock subject to the option, less applicable withholding taxes.

If the merger is completed, all unvested shares of Specialty common stock issued and outstanding immediately prior to the effective time of the merger will become fully vested as of the effective time of the merger.

If the merger is completed, Specialty will no longer be a publicly-traded company. After the merger, you will no longer have an equity interest in Specialty and will not participate in any potential future earnings and growth of Specialty.

The board of directors of Specialty formed a special committee, composed of all the directors except for Dr. Peter and Deborah A. Estes, who is also Specialty's Secretary. The members of the special committee are independent of and have no economic interest or expectancy of an economic interest in the continuing investors, Welsh, Carson, Anderson & Stowe IX, L.P., Group Holdings, Holdings, AmeriPath or the surviving corporation (except that David C. Weavil is the Chief Executive Officer of Specialty and may continue as an employee of Specialty, AmeriPath or their affiliates following the closing of the merger). As described in the accompanying proxy statement, the special committee was formed to, among other things, evaluate, negotiate and make a recommendation to the board of directors regarding the merger proposal and related transactions, including the terms of the merger agreement. As described in the accompanying proxy statement, the members of the special committee have interests in the merger that are different from, or in addition to, interests of Specialty stockholders generally.

The board of directors, acting on the unanimous (with one member absent) recommendation of the special committee, has unanimously (with one director absent) approved the merger agreement and the merger. The special committee and the board of directors each has determined that the terms of the merger agreement and the proposed merger are advisable and procedurally and substantively fair to, and in the best interest of, the stockholders of Specialty (other than the continuing investors and their affiliates, for whom no determination of fairness or advisability was made by the special committee or the board of directors). The board of directors recommends that you vote FOR the approval of the merger agreement and the merger. The board of directors also recommends that you vote FOR the grant to the proxyholders of the authority to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval of the merger agreement and the merger if there are not sufficient votes for approval of the merger agreement and the merger at the special meeting.

In arriving at their recommendation of the merger agreement and the merger, the Specialty board of directors carefully considered a number of factors which are described in the accompanying proxy statement. The proxy statement provides information about the merger agreement, the merger and the related transactions, and the special meeting. You may obtain additional information about Specialty from documents filed with the Securities and Exchange Commission. We urge you to read the entire proxy statement carefully, including the appendices and materials incorporated by reference, as it sets forth the details of the merger agreement and other important information related to the merger, including the factors considered by the Specialty board of directors.

Your vote is very important. The merger cannot be completed unless the merger agreement and the merger are approved by the affirmative vote of (1) the holders of a majority of the outstanding shares of Specialty common stock entitled to vote and (2) the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors or their

affiliates. In connection with the proposed settlement of certain litigation, as described in the accompanying proxy statement, the second vote described in the previous sentence may be changed to instead require the approval of the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors or their affiliates or by any of the directors of Specialty. The continuing investors and certain of their affiliates have entered into a voting agreement that will ensure that the first vote is passed, but that will have no effect on the outcome of the second vote. A copy of the voting agreement is included as Appendix D to these materials. **Regardless of whether you plan to attend the special meeting, it is important that your shares are represented at the special meeting. To ensure that your shares will be represented, please complete, sign, date and mail the enclosed proxy card at your first opportunity.**

This solicitation for your proxy is being made by Specialty on behalf of its board of directors. If you fail to vote on the merger, the effect will be the same as a vote against the approval of the merger agreement and the merger for purposes of the vote referred to above. You may vote by completing and mailing a proxy card in the postage-paid envelope provided. If you complete, sign and submit your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of approval of the merger agreement, the merger and any postponement or adjournment of the special meeting referred to above. Returning the proxy card will not deprive you of your right to attend the special meeting and vote your shares in person.

On behalf of your board of directors, thank you for your continued support.

Sincerely,

Richard K. Whitney
Chairman of the Board of Directors

December 23, 2005

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated December 23, 2005 and is first being mailed to stockholders of Specialty on or about December 27, 2005.

SPECIALTY LABORATORIES, INC.

27027 Tourney Road
Valencia, CA 91355

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On January 30, 2006

To Our Stockholders:

You are invited to attend a special meeting of stockholders of Specialty Laboratories, Inc., which we refer to as Specialty.

Date: January 30, 2006

Time: 8:00 a.m., Pacific Time

Place: Specialty Laboratories, Inc.,
27027 Tourney Road,
Valencia, California 91355
First Floor Auditorium

Only stockholders who owned Specialty common stock of record at the close of business on December 16, 2005 can vote at this meeting or any postponements or adjournments that may take place.

The purposes of the special meeting are:

to consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of September 29, 2005, among Specialty, AmeriPath Holdings, Inc., AmeriPath, Inc. and Silver Acquisition Corp., and the merger contemplated by the merger agreement;

to grant to the proxyholders the authority to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval of the merger agreement and the merger if there are not sufficient votes for approval of the merger agreement and the merger at the special meeting; and

to consider and vote upon such other matters as may properly come before the special meeting or any adjournment or postponement of the special meeting.

The board of directors, acting on the unanimous (with one member absent) recommendation of the special committee, has unanimously (with one director absent) approved the merger agreement and the merger. The special committee and the board of directors have determined that the merger agreement and the merger are advisable and procedurally and substantively fair to, and in the best interest of, Specialty's stockholders (other than the continuing investors and their affiliates, for whom no determination of fairness or advisability was made by the special committee or the board of directors). These continuing investors are Specialty Family Limited Partnership, the majority

stockholder of Specialty, and certain other affiliates and family members of James B. Peter, M.D., Ph.D., Specialty's founder and a member of the Specialty board of directors, and Deborah A. Estes, Dr. Peter's daughter and a member of the Specialty board of directors. The board of directors recommends that you vote FOR the approval of the merger agreement and the merger. The board of directors also recommends that you vote FOR the grant to the proxyholders of the authority to vote in their discretion with respect to the approval of any postponement or adjournment of the special meeting referred to above.

Stockholders of Specialty who do not vote in favor of approval of the merger agreement and the merger will have the right to seek payment of the fair value of their shares if the merger is completed, but only if they submit a written demand for payment to Specialty before the vote is taken on the merger agreement and the merger and they comply with California law as explained in the accompanying proxy statement.

Your vote is very important, regardless of the number of shares you own. The merger cannot be completed unless the merger agreement and the merger are approved by the affirmative vote of (1) the holders of a majority of the outstanding shares of Specialty common stock entitled to vote and (2) the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors or their affiliates. In connection with the proposed settlement of certain litigation, as described in the accompanying proxy statement, the second vote described in the previous sentence may be changed to instead require the approval of the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors or their affiliates or by any of the directors of Specialty. The continuing investors and certain of their affiliates have entered into a voting agreement that will ensure that the first vote is passed, but that will have no effect on the outcome of the second vote. Failure to vote on the merger has the same effect as a vote against the merger proposal. Even if you plan to attend the special meeting in person, it is important that your shares are represented at the special meeting. To ensure that your shares will be represented at the special meeting, please complete, date, sign and mail the enclosed proxy card. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for submissions by mail.

This solicitation for your proxy is being made by Specialty on behalf of its board of directors. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person. However, if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain from the record holder a proxy issued in your name.

If you have any questions or need assistance in voting your shares, please call Innisfree M&A Incorporated, which is assisting Specialty, at 1-888-750-5834.

The merger agreement and the merger are described in the accompanying proxy statement, which we urge you to read carefully. A copy of the merger agreement is included as Appendix A to the accompanying proxy statement.

By Order of the Board of Directors

Deborah A. Estes
Secretary

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SUMMARY TERM SHEET

This summary provides a brief description of the material terms of the merger agreement, the merger and certain related agreements. This summary highlights selected information contained in this proxy statement and may not contain all of the information that is important to you. You are urged to read this entire proxy statement carefully, including the information incorporated by reference and the information in the appendices. We incorporate by reference important business and financial information about us into this proxy statement. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions in the section entitled "Where Stockholders Can Find More Information" beginning on page 110.

The Parties to the Merger

Specialty Specialty Laboratories, Inc. is a California corporation that is headquartered in Valencia, California. Specialty performs highly advanced clinical tests used by physicians to diagnose, monitor and treat disease. *See* "The Participants" beginning on page 19.

Holdings AmeriPath Holdings, Inc. is a Delaware corporation and is a portfolio company of Welsh Carson Anderson & Stowe IX, L.P., referred to in this proxy as Welsh Carson. Welsh Carson is a Delaware limited partnership organized by Welsh, Carson, Anderson & Stowe, a New York-based private equity firm. *See* "The Participants" beginning on page 19.

AmeriPath AmeriPath, Inc. is a Delaware corporation and a wholly-owned subsidiary of Holdings that is headquartered in Palm Beach Gardens, Florida. AmeriPath is a leading national provider of physician-based anatomic pathology, dermapathology and molecular diagnostic services to physicians, hospitals, national clinical laboratories and surgery centers. *See* "The Participants" beginning on page 19.

Acquisition Corp. Silver Acquisition Corp. is a California corporation that is a wholly-owned subsidiary of AmeriPath. AmeriPath formed Acquisition Corp. for the purpose of completing the merger and related transactions. *See* "The Participants" beginning on page 19.

The Merger and Related Transactions

In the merger, Acquisition Corp. will merge with and into Specialty. Upon completion of the merger, Acquisition Corp. will cease to exist and Specialty will continue as the surviving corporation and as a wholly-owned subsidiary of AmeriPath. Following the merger, Specialty will no longer be a publicly traded company. We have attached a copy of the merger agreement as Appendix A to this proxy statement. We encourage you to read the merger agreement in its entirety because it is the legal document that governs the merger. *See* "Special Factors" beginning on page 21 and "The Merger Agreement" beginning on page 67.

Following the merger, current Specialty stockholders (except for the continuing investors described in the next sentence) will cease to have ownership interests in Specialty or rights as Specialty stockholders. The continuing investors are the stockholders of Specialty which are parties to the SME agreement described in the next paragraph, which are Specialty Family Limited Partnership, the majority stockholder of Specialty, and certain other affiliates and family members of James B. Peter, M.D., Ph.D., Specialty's founder and a member of the Specialty board of directors, and Deborah A. Estes, Dr. Peter's daughter and a member of the Specialty board of directors.

Simultaneously with the execution of the merger agreement, Holdings, AmeriPath Group Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of Holdings (which is referred to as Group Holdings in this proxy statement), Aqua Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Group Holdings, certain stockholders of

Holdings

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and the continuing investors entered into a subscription, merger and exchange agreement (which is referred to as the SME agreement in this proxy statement). Pursuant to the SME agreement, among other things, (a) Group Holdings will issue equity securities to certain of the stockholders of Holdings in exchange for cash and shares of Holdings, (b) Group Holdings will issue equity securities to the continuing investors in exchange for a portion of the shares of Specialty common stock held by the continuing investors and (c) Aqua Acquisition Corp. will be merged with and into Holdings, with Holdings being the surviving corporation. We have attached a copy of the SME agreement as Appendix E to this proxy statement. While the various transactions described in the SME agreement are a condition to closing the merger, you are not being asked to vote upon those transactions.

Stockholder Vote Required to Approve the Merger

You are being asked to consider and vote upon a proposal to approve the merger agreement and the merger contemplated by the merger agreement. Approval of the merger agreement and the merger require the affirmative vote of (1) the holders of a majority of the outstanding shares of common stock of Specialty entitled to vote and (2) the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors or their affiliates. In connection with the proposed settlement of certain litigation, the second vote described in the previous sentence may be changed to instead require the approval of the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors or their affiliates or by any of the directors of Specialty. *See* "Special Factors Litigation Challenging the Merger" beginning on page 62. The continuing investors and certain of their affiliates have entered into a voting agreement that will ensure that the first vote is passed, but that will have no effect on the outcome of the second vote. We have attached a copy of the voting agreement as Appendix D to this proxy statement.

Abstentions and broker non-votes will have the effect of a vote against the merger. On the record date, there were 23,947,815 shares of common stock outstanding and entitled to be voted at the special meeting. The continuing investors and their affiliates control approximately 60.3% of the outstanding shares of common stock of Specialty. The directors of Specialty other than Dr. Peter and Ms. Estes control approximately 0.4% of the outstanding shares of common stock of Specialty. Accordingly, if unaffiliated stockholders holding in excess of approximately 19.8% of the

outstanding common stock (or holding in excess of approximately 19.6% of the outstanding common stock if the shares held by all directors of Specialty are disregarded for purposes of the second vote in connection with the proposed settlement of certain litigation) abstain from voting or vote against the merger, the merger will not receive the required approval of stockholders. *See* "The Special Meeting" beginning on page 16 and "Special Factors Litigation Challenging the Merger" beginning on page 62.

Voting Information

Before voting your shares of Specialty common stock, we encourage you to read this proxy statement in its entirety, including its appendices and materials incorporated by reference, and carefully consider how the merger will affect you. Then, to ensure that your shares can be voted at the special meeting, please complete, sign, date and mail the enclosed proxy card, which requires no postage if mailed in the United States, as soon as possible. If a broker holds your shares in "street name," your broker should provide you with instructions on how to vote. For more information about how to vote your shares, *see* "The Special Meeting Record Date, Quorum and Voting Information" beginning on page 17.

Recommendations of the Special Committee and the Board of Directors

The special committee is composed of six directors who are not officers or employees of Specialty (other than David C. Weavil, who is the Chief Executive Officer of Specialty) and who are independent of and have no economic interest or expectancy of an economic interest in the continuing investors, Welsh Carson, Group Holdings, Holdings, AmeriPath, or the surviving corporation (except that Mr. Weavil may continue as an employee of Specialty, AmeriPath or their affiliates following the closing of the merger). The members of the special committee are Richard K. Whitney, Michael T. DeFreece, Hubbard C. Howe, William J. Nydam, David R. Schreiber and David C. Weavil. If the merger is completed, the members of the special committee will, like all other stockholders, receive cash payments for their shares. The members of the special committee will receive a total amount of

approximately $1.4 million in the aggregate for these shares. In addition, the members of the special committee will receive cash payments totaling approximately $2.5 million in the aggregate for their stock options and unvested stock in the merger. The cash payments for these stock options represent consideration for the cancellation of the stock options on the same terms as provided to other holders of stock options in the merger agreement. The members of the special committee control 102,095 or 0.43% of the outstanding shares of common stock of Specialty. Whether the merger is completed or not, certain members of the special committee will be paid up to a total amount of $300,000 in the aggregate for their service on the special committee, in addition to Specialty's standard committee fees, and will be reimbursed for any out-of-pocket expenses incurred in connection with service on the special committee. The $300,000 in fees were awarded to members of the special committee as follows: Mr. Whitney, $87,500; Mr. Schreiber, $87,500; Mr. DeFreece, $62,500; and Mr. Nydam, $62,500. In addition to the foregoing payments to be made, Mr. Whitney was awarded the amount of $100,000, which has already been paid, for his services as a member of the special committee and as Chairman of the board of directors. Furthermore, pursuant to the terms of Mr. Schreiber's consulting agreement, Mr. Schreiber is entitled to a payment equal to six times his monthly consulting fee, or a total amount of approximately $163,000, upon a change of control of Specialty, which would include the completion of the merger. As members of the board of directors, the special committee members will also benefit from the indemnification, insurance and related provisions contained in the merger agreement with respect to their acts or omissions as directors. Because of these interests and the other interests described under "Special Factors Interests of Certain Persons in the Merger", the interests of the special committee and the stockholders of Specialty may not be aligned. *See* "Special Factors Interests of Certain Persons in the Merger Interests of Specialty Directors and Executive Officers in the Merger" beginning on page 50.

The special committee and the board of directors have determined that the terms of the merger agreement and the proposed merger are advisable and procedurally and substantively fair to, and in the best interest of, the Specialty stockholders (other than the continuing investors and their affiliates, for whom no determination of fairness or advisability was made by the special committee or the board of directors). For information as to the reasons for the special committee and the board of directors reaching their respective determinations, *see* "Special Factors Recommendation of the Special Committee and the Board of Directors and Reasons for the Merger" beginning on page 29. The board of directors, acting on the unanimous (with one member absent) recommendation of the special committee, has unanimously (with one director absent) approved the merger agreement and the merger and recommends that you vote FOR the approval of the merger agreement and the merger and FOR the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval of the merger agreement and the merger if there are not sufficient votes for approval of the merger agreement and the merger at the special meeting.

Opinion of the Financial Advisor to the Board of Directors

In connection with the merger, Specialty retained J.P. Morgan Securities Inc. (referred to as JPMorgan in this proxy statement), as its financial advisor. JPMorgan rendered a written opinion to Specialty's board of directors on September 29, 2005 that, as of the date of the opinion and based upon and subject to the considerations described in its opinion and other matters as JPMorgan considered relevant, the consideration to be received by the holders of Specialty common stock other than the continuing investors and their affiliates (for purposes of such opinion, the Founder Parties) in the proposed merger was fair, from a financial point of view, to such holders. In deciding to recommend approval of the merger to Specialty's board of directors, the special committee considered the opinion of JPMorgan and, in deciding to approve the merger, Specialty's board of directors considered the opinion of JPMorgan. *See* "Special Factors Opinion of the Financial Advisor to the Board" beginning on page 34.

The full text of the written opinion of JPMorgan, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by JPMorgan in connection with the opinion, is attached as Appendix B to this proxy statement. JPMorgan provided its opinion to Specialty's board of directors (and, at the board of directors' instruction, to the special committee) in connection with and for the purposes of their respective evaluations of the merger. The JPMorgan opinion is not a recommendation as to how any holder of common stock should vote with respect to the merger or any other matter. The Specialty stockholders are urged to read such opinion in its entirety. Pursuant to the terms of its engagement letter with JPMorgan, Specialty agreed to pay the fees described below under "Special Factors Opinion of the Financial Advisor to the Board" beginning on page 34, part of which was paid to JPMorgan upon delivery of JPMorgan's opinion and a substantial portion of which, the balance, will become payable only if the proposed merger is consummated.

Position of the AmeriPath Group as to the Fairness of the Merger

Each of Group Holdings, Holdings, AmeriPath, Welsh Carson and WCAS IX Associates LLC, the general partner of Welsh Carson (which are referred to collectively as the AmeriPath group in this proxy statement) believes that the merger is both procedurally and substantively fair to Specialty's unaffiliated stockholders. For information as to the reasons for the

AmeriPath group reaching this conclusion, *see* "Special Factors Position of the AmeriPath Group as to the Fairness of the Merger" beginning on page 42.

Position of the SFLP Group as to the Fairness of the Merger

Each of Dr. Peter, Deborah A. Estes and Specialty Family Limited Partnership (which are referred to collectively as the SFLP group in this proxy statement) believes that the merger is both procedurally and substantively fair to Specialty's unaffiliated stockholders. For information as to the reasons for the SFLP group reaching this conclusion, *see* "Special Factors Position of the SFLP Group as to the Fairness of the Merger" beginning on page 44.

Purpose of the Merger

The principal purpose of the merger is to provide you with an opportunity to receive an immediate cash payment for your Specialty shares at a price that constitutes a premium over recent stock market prices and to enable AmeriPath to acquire Specialty. The merger consideration of $13.25 per share represents approximately a 27% premium over the average trading price of $10.44 per share for the three months preceding the public announcement of the execution of the merger agreement.

See "Special Factors Purpose and Structure of the Merger" beginning on page 46.

Consideration; Effect of the Merger on Specialty Stockholders

In the merger, each share of Specialty common stock will be converted automatically into the right to receive $13.25 in cash, without interest, except for:

- treasury shares of Specialty common stock, all of which will be canceled without any payment;
- shares of Specialty common stock owned by Holdings or Acquisition Corp. or any direct or indirect wholly-owned subsidiary of Holdings or Specialty, all of which will be canceled without any payment; and
- shares of Specialty common stock held by stockholders who properly exercise and perfect their dissent rights in accordance with Chapter 13 of the California General Corporation Law, which is referred to as the CGCL in this proxy statement. *See* "Special Factors Dissent Rights of Dissenting Specialty Stockholders" beginning on page 63.

At the effective time of the merger, each outstanding option under the Specialty stock option plans, except as provided in an applicable agreement with the optionee, will be canceled in exchange for an amount in cash determined by multiplying (1) the excess of $13.25 over the per share exercise price of the option by (2) the number of shares of Specialty common stock subject to the option, less applicable withholding taxes. *See* "The Merger Agreement Treatment of Options and Unvested Stock" beginning on page 68.

At the effective time of the merger, all unvested shares of Specialty common stock issued and outstanding immediately prior to the effective time of the merger will become fully vested as of the effective time of the merger. *See* "The Merger Agreement Treatment of Options and Unvested Stock" beginning on page 68.

Upon completion of the merger, current Specialty stockholders, other than the continuing investors, will cease to have ownership interests in Specialty or rights as Specialty stockholders. Therefore, current stockholders of Specialty, other than the continuing investors, will not participate in any future earnings or growth of Specialty and will not benefit from any appreciation in value of Specialty. *See* "Special Factors Effects of the Merger" beginning on page 46.

As a result of the merger, Specialty will be a privately-held corporation, and there will be no public market for its common stock. After the merger, Specialty common stock will no longer be listed on the New York Stock Exchange, and its registration under the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act in this proxy statement, will be terminated. *See* "Special Factors Effects of the Merger" beginning on page 46.

Interests of Certain Persons in the Merger

In considering the recommendations of the special committee and the board of directors, Specialty stockholders should be aware that some of Specialty's executive officers and directors have interests in the merger that are different from, or in addition to, the interests of Specialty stockholders generally. These interests include the following:

- Pursuant to the merger agreement, the executive officers and directors of Specialty (other than Dr. Peter and Ms. Estes) will receive an aggregate of approximately $7.84 million for their shares of Specialty common stock and for the cancellation of their options to purchase Specialty common stock and unvested stock (in each case on the same basis as the unaffiliated stockholders generally);

The following executive officers and directors of Specialty may be entitled to receive approximately the following severance payments upon the consummation of the merger: (1) Vicki DiFrancesco, $249,000; (2) Michael C. Dugan, M.D., $202,000; (3) Cheryl G. Gallarda, $138,000; (4) Robert M. Harman, $164,000; (5) Maryam Sadri, $153,000; (6) Nicholas R. Simmons, $164,000; and (7) Mr. Weavil, $414,000;

Certain members of the special committee will receive fees up to a total amount of $300,000 in the aggregate for their service on the special committee (which were awarded as follows: Mr. Whitney, $87,500; Mr. Schreiber, $87,500; Mr. DeFreece, $62,500; and Mr. Nydam, $62,500) and, in addition, Mr. Whitney was awarded the amount of $100,000, which has already been paid, for his services as a member of the special committee and as Chairman of the board of directors;

Pursuant to the terms of Mr. Schreiber's consulting agreement, Mr. Schreiber is entitled to a payment equal to six times his monthly consulting fee, or a total amount of approximately $163,000, upon the completion of the merger;

The vesting of options held by certain executive officers and directors will be accelerated as of the effective time of the merger, and unvested stock held by certain executive officers and directors will become fully vested as of the effective time of the merger;

The continuing investors will contribute shares of Specialty common stock held by them to Group Holdings in exchange for equity securities of Group Holdings under the SME agreement. The aggregate investment in Group Holdings by the continuing investors following that exchange and the other transactions contemplated by the SME agreement (including taking into account the additional current stockholders of Holdings that are expected to become parties to the SME agreement prior to closing and to roll over their Holdings investment into Group Holdings), is expected to be approximately 20% of the full equity capitalization of Group Holdings at closing;

Pursuant to the merger agreement, the continuing investors and certain affiliated entities will receive an aggregate of approximately $72.2 million for their shares of Specialty common stock which are not contributed to Group Holdings pursuant to the SME agreement and for the cancellation of their options to purchase Specialty common stock and unvested stock (in each case on the same basis as the unaffiliated stockholders generally); and

Dr. Peter is expected to join the board of directors of Group Holdings and will execute a services agreement with AmeriPath upon consummation of the transactions contemplated by the SME agreement.

The merger agreement also provides that all rights of indemnification and exculpation from liability for acts and omissions occurring prior to the effective time of the merger (including the advancement of funds for expenses) of the current and former directors and officers of Specialty, as provided in its charters, bylaws, indemnification agreements or applicable law, will survive the merger and continue for six years after the effective time of the merger. The special committee members will also benefit from the indemnification, insurance and related provisions contained in the merger agreement with respect to their acts or omissions as directors.

Prior to the effective time of the merger, AmeriPath will purchase a six year extended reporting provision under a directors' and officers' liability policy with respect to liability obligations of the individuals that are officers and directors of Specialty on the date of the merger agreement in respect of indemnification from liabilities for acts or omissions occurring at or prior to the closing of the merger agreement, which policy shall be no less favorable to the beneficiaries than the directors' and officers' liability policies maintained by Specialty on the date of the merger

agreement and will be provided by carriers with comparable ratings. However, Holdings and AmeriPath will not be required to pay a premium in connection with such policy in excess of $2.6 million.

These interests are more fully described under "Special Factors Interests of Certain Persons in the Merger Interests of Specialty Directors and Executive Officers in the Merger" beginning on page 50.

In considering the recommendations of the special committee and board of directors, Specialty stockholders should also be aware that JPMorgan has certain interests relating to Specialty. *See* "Special Factors Opinion of the Financial Advisor to the Board" beginning on page 34. These interests include the following:

- Specialty agreed to pay JPMorgan a fee in connection with the merger, a substantial portion of which is payable upon consummation of the merger (*see* "Special Factors Opinion of the Financial Advisor to the Board" beginning on page 34).

- Specialty has established, prior to JPMorgan's engagement in connection with the merger, an irrevocable letter of credit with JPMorgan's affiliate, JPMorgan Chase Bank, that names Lexington Corporate Properties Trust as the beneficiary. In addition, JPMorgan has provided financial advisory services to Specialty in the past and JPMorgan and its affiliates have provided financial advisory, financing and other investment banking and commercial banking services to Welsh Carson and its affiliates in the past, in each case for customary compensation.

- In the ordinary course of its businesses, JPMorgan and its affiliates may actively trade the equity securities of Specialty, the debt securities of AmeriPath, and certain public debt and equity securities of other affiliates of Welsh Carson for JPMorgan's own account or for the accounts of customers and, accordingly, JPMorgan may at any time hold long or short positions in such securities.

The special committee and the board were aware of these interests and considered them, among other factors, when recommending approval of the merger agreement and the merger.

Merger Financing

The total amount of funds necessary to complete the merger and the related transactions is anticipated to be approximately $354.9 million, consisting of:

- approximately $207.2 million to pay Specialty's stockholders and option holders the amounts due to them under the merger agreement, assuming that no Specialty stockholder exercises and perfects his, her or its dissent rights;

- approximately $129.0 million to refinance AmeriPath's existing credit facility;

- approximately $3.0 million to pay executive severance payments; and

- approximately $15.7 million to pay related fees and expenses.

See "Special Factors Merger Financing" beginning on page 54.

Holdings and AmeriPath expect that the total amount necessary to complete the merger and the related transactions will be funded with (1) an equity investment by Welsh Carson and its co-investors pursuant to the SME agreement, (2) certain amounts remaining under AmeriPath's contingent note reserve, (3) the debt financing under the commitment letter referred to below, and (4) all available excess Specialty cash. *See* "Special Factors Merger Financing" beginning on page 54.

AmeriPath has received a commitment letter pursuant to which Wachovia Bank, National Association, Citigroup Global Markets Inc., Deutsche Bank Trust Company Americas and UBS Loan Finance LLC have committed, subject to the terms and conditions set forth in the commitment letter, to provide AmeriPath with up to $298.5 million in senior secured credit facilities, consisting of a $203.5 million term loan and a $95.0 million revolving credit facility. Up to $203.5 million of the term loan and up to $52.0 million of the revolving credit facility may be used to fund a portion of the merger consideration, to pay certain transaction costs, to refinance existing indebtedness of AmeriPath, to pay related expenses and to provide ongoing working capital. *See* "Special Factors Merger Financing Senior Secured Credit Facilities" beginning on page 55.

Regulatory Approvals

On October 20 and 21, 2005, the parties filed for approval pursuant to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which is referred to as the HSR Act in this proxy statement. The continuing investors also filed for approval pursuant to the HSR Act with respect to their equity investment in Group Holdings pursuant to the SME agreement. The HSR waiting periods expired on November 21, 2005. The parties did not receive any request for additional information from the Federal Trade Commission or the Antitrust Division of the U.S. Department of Justice prior to the expiration date. *See* "Special Factors Federal Regulatory Matters" beginning on page 56.

Material U.S. Federal Income Tax Consequences

The receipt of cash by a United States holder in exchange for Specialty common stock will be a taxable transaction for U.S. federal income tax purposes. In general, United States holders of Specialty common stock who receive cash in exchange for their shares pursuant to the merger should recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between their adjusted tax basis in their shares and the amount of cash received. If a stockholder holds Specialty shares as a capital asset, such gain or loss should generally be a capital gain or loss. If the stockholder has held the shares for more than one year, the gain or loss should generally be a long-term gain or loss. The deductibility of capital losses is subject to limitations. Tax matters are very complex, and the tax consequences of the merger to you will depend on the facts of your own situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you, including the federal, state, local and foreign tax consequences of the merger. *See* "Special Factors Material U.S. Federal Income Tax Consequences" beginning on page 57.

Fees and Expenses of the Merger

The merger agreement provides that Specialty, Holdings and Acquisition Corp. each will pay all costs and expenses incurred by it in connection with the merger agreement and the merger, subject to certain instances in which Specialty will be required to reimburse expenses incurred by Holdings and Acquisition Corp. A financing fee of approximately $0.5 million is expected to be paid at the closing of the merger to an affiliate of Welsh Carson. In addition, Holdings will reimburse the out-of-pocket expenses of Welsh Carson and its affiliates. Currently, we anticipate that Specialty or the surviving corporation will pay an aggregate $15.7 million in costs and expenses in connection with the merger. *See* "Special Factors Fees and Expenses of the Merger" beginning on page 58.

Solicitation of Transactions

Subject to certain provisions in the merger agreement, until the effective time of the merger or the termination of the merger agreement, Specialty may not, and may not direct, authorize or permit its subsidiaries or representatives to, directly or indirectly: (1) solicit, initiate or knowingly encourage any prospective purchaser or the submission of any acquisition proposal, take any action designed to facilitate inquiries, proposals or offers or any other efforts constituting an acquisition proposal or engage in any discussions or negotiations in connection with or otherwise cooperate with or make any other efforts or attempts that constitute, or may reasonably be expected to lead to an acquisition proposal, or assist, participate in or facilitate any such inquiries, proposals, discussions or negotiations; or (2) accept an acquisition proposal or enter into any agreement or agreement in principle with respect to any such acquisition proposal or requiring Specialty to abandon, terminate or fail to consummate the merger or breach its obligations under the merger agreement; or (3) furnish to any person any information with respect to any such acquisition proposal.

Specialty may furnish information to, and participate in discussions or negotiations in respect of an acquisition proposal with, any potential buyers only if, at any time prior to the approval of the merger agreement by its stockholders, Specialty receives a written acquisition proposal, and: (1) Specialty otherwise complies with its non-solicitation obligations and Specialty receives an acquisition proposal from a person that the board of directors of Specialty determines in good faith to be bona fide; (2) the board of directors of Specialty determines in good faith, after consultation with its independent financial advisors, that such acquisition proposal constitutes or could reasonably be expected to constitute a superior proposal; and (3) the board of directors, after consultation with its outside counsel, determines in good faith that taking such action is necessary to comply with its fiduciary duties. As of the date of this proxy statement, Specialty has not received any acquisition proposals.

If an acquisition proposal is accepted, Specialty will be required to pay to Holdings or its designee a $13.0 million termination fee, inclusive of out-of-pocket fees and expenses reasonably incurred by Holdings, AmeriPath, Group Holdings and Acquisition Corp in connection with the merger agreement and the merger. The amount of this termination fee may be reduced to $10.7 million in connection with the proposed settlement of certain litigation. *See* "Special Factors Litigation Challenging the Merger" beginning on page 62. The obligation to pay the termination fee could have the effect of deterring third parties from making acquisition proposals. See "The Merger Agreement Fees and Expenses; Termination Fee" beginning on page 82.

See "The Merger Agreement Solicitation of Transactions" beginning on page 75.

Conditions of the Merger

The completion of the merger is subject to approval by (1) the holders of a majority of the outstanding shares of Specialty common stock entitled to vote and (2) the holders of a majority of outstanding shares of Specialty common stock entitled to vote not held by the continuing investors and their affiliates. In connection with the proposed settlement of certain litigation, the second vote described in the previous sentence may be changed to instead require the approval of the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors or their affiliates or by any of the directors of Specialty. The completion of the merger is also subject to the satisfaction or waiver (where permitted by law) of other conditions, including obtaining the proceeds of the necessary financing to complete the merger, consummation of the transactions contemplated by the SME agreement, the absence of any governmental order or law that prevents or restricts the merger, the exercise of dissent

rights with respect to fewer than 10% of outstanding shares of Specialty common stock (which may be changed to a threshold of 15% of the outstanding shares of Specialty common stock in connection with the proposed settlement of certain litigation), and the absence of a material adverse effect on Specialty.

Any or all of the conditions to closing of the merger that are not satisfied may be waived by the parties, other than conditions that are required by law. We do not anticipate waiving any condition to closing that we are permitted to waive; however, we would do so if we believed it to be in the best interests of Specialty and its stockholders. Holdings has informed us that although it does not anticipate waiving any condition to the closing, it reserves the right to do so.

Specialty is unable to determine on the date of this proxy statement whether it would regard it as legally necessary or advisable to resolicit proxies because of any waiver of a condition. It is possible that Specialty would deem it advisable to resolicit proxies, based on the particular condition that is waived and the circumstances under which the condition was waived. However, in a cash-only transaction, such as the merger, it is difficult at present to identify a circumstance in which proxies would be required to be resolicited absent any proposed reduction of the merger price of $13.25 per share or some other material adverse proposed change in the terms of the merger. Specialty will determine whether resolicitation is necessary based upon its assessment of the facts and circumstances present at the time. This assessment would include an analysis of whether there is a substantial likelihood that a reasonable stockholder would consider the facts and circumstances under which the condition would be waived material in making a decision with respect to the merger.

See "The Merger Agreement Conditions to Completing the Merger" beginning on page 79, "Special Factors Merger Financing" beginning on page 54 and "Special Factors Litigation Challenging the Merger" beginning on page 62.

Termination of the Merger Agreement

The merger agreement may be terminated prior to the closing of the merger under several circumstances, including:

by either Specialty or Holdings if the merger is not completed on or before March 31, 2006 (or June 30, 2006 if the only condition required to be fulfilled on March 31, 2006 is the condition relating to the HSR Act waiting period) (so long as such party's breach of the merger agreement has not caused or resulted in such failure to complete the merger);

by either Specialty or Holdings if the stockholders of Specialty do not approve the merger agreement and the merger by the affirmative vote of (1) the holders of a majority of the outstanding shares of Specialty common stock entitled to vote and (2) the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors and their affiliates (except that in connection with the proposed settlement of certain litigation, the second vote may be changed to instead require the approval of the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors or their affiliates or by any of the directors of Specialty);

by either Specialty or Holdings if the SME agreement is terminated in accordance with its terms;

by Holdings if the board of directors of Specialty withdraws or modifies, or proposes publicly to withdraw or modify, in any manner adverse to Holdings, its approval or recommendation of the merger agreement, the merger and the other transactions contemplated by the merger agreement, approves any letter of intent, memorandum of

understanding, agreement in principle, merger agreement, acquisition agreement or other similar agreement constituting or relating to, or that is intended to or could reasonably be expected to lead to, any acquisition proposal, or approves, recommends or proposes publicly to approve or recommend any acquisition proposal; or

by either Specialty or Holdings if the board of directors, prior to the stockholder approval of the merger agreement and the merger as described above, resolves to enter into a definitive agreement in connection with a superior proposal.

See "The Merger Agreement Termination" beginning on page 81 and "Special Factors Litigation Challenging the Merger" beginning on page 62.

Termination Fees

If the merger agreement is terminated under certain circumstances, including acceptance of a superior proposal or a willful and knowing breach of the merger agreement by Specialty, Specialty will be required to pay to Holdings a $13.0 million termination fee, inclusive of out-of-pocket fees and expenses reasonably incurred by Holdings, AmeriPath, Group Holdings and Acquisition Corp. The amount of this termination fee may be reduced to $10.7 million in connection with the proposed settlement of certain litigation. If the merger agreement is terminated because the unaffiliated stockholders fail to approve the merger at a meeting of the Specialty stockholders held to consider the merger, Specialty will reimburse Holdings for expenses reasonably incurred by Holdings, AmeriPath, Group Holdings and Acquisition Corp., up to a maximum amount of $1.0 million. *See* "The Merger Agreement Fees and Expenses; Termination Fee" beginning on page 82 and "Special Factors Litigation Challenging the Merger" beginning on page 62.

Dissent Rights

Any holder of Specialty common stock who does not wish to accept the per share merger consideration in cash for such holder's shares may exercise dissent rights under the CGCL and elect to have the fair value of the holder's shares on the date of the merger (exclusive of any element of value arising from the accomplishment or expectation of the merger) judicially determined and paid to the holder in cash, together with the legal rate of interest, if any, provided that the holder complies with the provisions of Chapter 13 of the CGCL. To perfect his, her or its dissent rights under Chapter 13 of the CGCL, a Specialty stockholder (1) must deliver to Specialty, before the special meeting, a demand for payment of fair market value and (2) must not vote in favor of the merger agreement or the merger. Dissent rights will only be available under Chapter 13 of the CGCL if such rights are exercised with respect to at least 5% of the outstanding Specialty common stock. In connection with the proposed settlement of certain litigation, Specialty may afford dissent rights, notwithstanding the provisions of Chapter 13 of the CGCL, if such rights are exercised with respect to at least 3.5% of the outstanding Specialty common stock, provided that all other conditions under Chapter 13 of the CGCL are satisfied. A stockholder's vote against the merger agreement or the merger does not constitute a demand for dissent rights or a waiver of his, her or its dissent rights. *See* "Special Factors Dissent Rights of Dissenting Specialty Stockholders" beginning on page 63, "Special Factors Litigation Challenging the Merger" beginning on page 62 and Appendix C to this proxy statement.

Voting Agreement

Simultaneously with the execution of the merger agreement, Holdings, the continuing investors and certain affiliates of the continuing investors entered into a voting agreement (referred to as

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the voting agreement in this proxy statement) pursuant to which, among other things, the continuing investors and such affiliates agreed to vote in favor of the merger and to vote against competing transactions unless the merger agreement is terminated. If the merger agreement is terminated under certain circumstances, and Specialty subsequently consummates an alternative transaction, then the continuing investors and such affiliates will be required to pay to Holdings 50% of (a) the consideration paid to the continuing investors and such affiliates in respect of their shares of Specialty common stock, minus (b) the amounts that would otherwise be payable to such persons pursuant to the merger agreement. The continuing investors also granted an irrevocable proxy to representatives of Holdings to vote on the merger and other matters governed by the voting agreement. The provisions of the voting agreement apply to all shares of Specialty common stock held by the continuing investors and their affiliates that are parties to the voting agreement. *See* "The Voting Agreement" beginning on page 85.

Litigation Challenging the Merger

Five purported class action lawsuits were filed in October and November 2005 naming Specialty and each of its directors as defendants. One of the lawsuits also names Specialty Family Limited Partnership as a party. An amended complaint in one of the five lawsuits also names AmeriPath as a defendant. All five suits were filed in Los Angeles Superior Court by purported stockholders of Specialty on behalf of all similarly situated stockholders. The complaints allege, among other things, that the defendants have breached their fiduciary duties to the stockholders of Specialty by entering into the merger agreement; that the consideration offered in the merger is inadequate and is the result of unfair dealing; that in negotiating the transaction the defendants failed to disclose information that would have increased the valuation of Specialty; that the transaction is the result of a conflict of interest, because Dr. Peter and his affiliates will receive an equity share in the surviving corporation; and that the preliminary proxy statement was false, misleading and omitted material facts about the merger. In the amended complaint adding AmeriPath as a defendant, AmeriPath is alleged to have aided and abetted the alleged actions of the other defendants. The complaints seek an injunction against the proposed merger or, if it is consummated, rescission of the merger, as well as money damages, attorneys' fees, expenses and other relief. Additional lawsuits could be filed in the future. Specialty believes that these lawsuits and the allegations contained in them lack merit; however, Specialty notified the applicable insurance carriers of the lawsuits. On November 7 and 22, 2005, the court entered orders consolidating the complaints in the five actions under the title *In re Specialty Laboratories, Inc. Shareholders Litigation*. The court scheduled a preliminary injunction hearing for January 19, 2006. On December 20, 2005, plaintiffs and defendants agreed in principle to resolve these consolidated actions, which we refer to as the proposed settlement. *See* "Special Factors Litigation Challenging the Merger" beginning on page 62.

QUESTIONS AND ANSWERS ABOUT THE MERGER

The following section provides brief answers to some of the questions that may be raised by the merger agreement and the merger. This section is not intended to contain all of the information that is important to you. You are urged to read the entire proxy statement carefully, including the information incorporated by reference and the information in the appendices.

Q: What am I being asked to vote on?

A: You are being asked to approve the merger agreement and the merger, which provides for the acquisition of Specialty by AmeriPath, and to approve the adjournment of the special meeting to a later date to solicit additional proxies in favor of the approval of the merger agreement and the merger if there are not sufficient votes for approval of the merger agreement and the merger at the special meeting. After the merger, Specialty will become a privately-held company and a wholly-owned subsidiary of AmeriPath, which will be indirectly owned by Welsh Carson, its co-investors, the continuing investors and certain other current stockholders of Holdings.

The board of directors, acting upon the unanimous (with one member absent) recommendation of the special committee, unanimously (with one director absent) approved the merger agreement and the merger. The special committee and the board of directors believe that the terms of the merger agreement and the merger are advisable and procedurally and substantively fair to, and in the best interest of, the unaffiliated stockholders. The board of directors recommends that you vote FOR the approval of the merger agreement and the merger and FOR the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval of the merger agreement and the merger if there are not sufficient votes for approval of the merger agreement and the merger at the special meeting.

Q: What vote is required to approve the merger agreement and the merger?

A: The merger cannot be completed unless the merger agreement and the merger are approved by the affirmative vote of (1) the holders of a majority of the outstanding shares of Specialty common stock entitled to vote and (2) the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors or their affiliates. In connection with the proposed settlement of certain litigation, the second vote described in the previous sentence may be changed to instead require the approval of the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors or their affiliates or by any of the directors of Specialty. *See* "Special Factors Litigation Challenging the Merger" beginning on page 62. The continuing investors and certain of their affiliates have entered into a voting agreement that will ensure that the first vote is passed, but that will have no effect on the outcome of the second vote. On the record date, there were 23,947,815 shares of common stock outstanding and entitled to be voted at the special meeting. The continuing investors and their affiliates control approximately 60.3% of the outstanding shares of common stock of Specialty. The directors of Specialty other than Dr. Peter and Ms. Estes control approximately 0.4% of the outstanding shares of common stock of Specialty. Accordingly, if unaffiliated stockholders holding in excess of approximately 19.8% of the outstanding common stock (or holding in excess of approximately 19.6% of the outstanding common stock if the shares held by all directors of Specialty are disregarded for purposes of the second vote in connection with the proposed settlement of certain litigation) abstain from voting or vote against the merger, the merger will not receive the required approval of stockholders.

Q: What will I receive in the merger?

A: You will receive $13.25 in cash for each share of Specialty common stock held by you.

Q: What function did the special committee serve with respect to the merger and who are its members?

A: The principal function of the special committee with respect to the merger was to examine and evaluate the merits of any potential sale, merger or other similar business combination with AmeriPath and to make a recommendation to the board with respect to the proposed transaction. The special committee is composed of Richard K. Whitney, Michael T. DeFreece, Hubbard C. Howe, William J. Nydam, David R. Schreiber and David C. Weavil, who are independent of and have no economic interest or expectancy of an economic interest in the continuing investors, Welsh Carson, Group Holdings, Holdings, AmeriPath or the surviving corporation (except that Mr. Weavil is the Chief Executive Officer of Specialty and may continue as an employee of Specialty, AmeriPath or their affiliates following the closing of the merger). The members of the special committee have certain interests that are in addition to or different from the interests of the other Specialty stockholders. *See* "Special Factors Interests of Certain Persons in the Merger Interests of Specialty Directors and Executive Officers in the Merger" at page 50.

Q: When and where is the special meeting?

A: The special meeting of Specialty stockholders will be held at 8:00 a.m., Pacific Time, on January 30, 2006 in the first floor auditorium at Specialty Laboratories, Inc., 27027 Tourney Road, Valencia, California 91355.

Q: Who can vote on the merger agreement?

A: Stockholders as of the close of business on December 16, 2005, the record date for the special meeting, are entitled to vote on the merger agreement and the merger in person or by proxy at the special meeting. On the record date, 23,947,815 shares of common stock were outstanding and eligible to vote, and there were 23 record holders. A list of stockholders eligible to vote will be available at the offices of Specialty, 27027 Tourney Road, Valencia, California beginning on January 20, 2006. Stockholders may examine this list during normal business hours for any proper purpose relating to the special meeting.

Q: How many votes do I have?

A: You have one vote for each share of Specialty common stock that you owned at the close of business on December 16, 2005, the record date for the special meeting.

Q: What happens if I do not respond?

A: The failure to respond by returning your proxy card will have the same effect as voting against the merger agreement and the merger unless you vote for the merger agreement and the merger in person at the special meeting.

Q: May I vote in person?

A: Yes. You may attend the special meeting and vote your shares in person, regardless of whether you sign and return your proxy card prior to the special meeting. If your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy from the record holder.

Q: May I change my vote after I have mailed my signed proxy card or otherwise submitted my vote?

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways. First, you can send a written notice revoking your proxy or voting instructions. Second, you can complete and submit a new proxy card or voting instructions bearing a

later date. Third, you can attend the special meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedures provided to you by your broker.

Q: When do you expect the merger to be completed?

A: The parties to the merger agreement are working toward completing the merger as quickly as possible. If the merger agreement and the merger are approved by the requisite stockholder votes and the other conditions to the merger are satisfied or waived, the merger is expected to be completed promptly after the special meeting.

Q: Should I send in my stock certificates now?

A: No. Assuming the merger is completed, the paying agent for the merger will send you a letter of transmittal and written instructions for exchanging your shares of Specialty common stock for the merger consideration, without interest. You should not send in your Specialty stock certificates until you receive the letter of transmittal. *See* "The Merger Agreement Payment for Shares" beginning on page 68.

Q: What is "householding?"

A: If you and other residents at your mailing address own shares of common stock in "street name," your broker or bank may have notified you that your household will receive only one proxy statement for each company in which you hold stock through that broker or bank. This practice is known as "householding." Unless you responded that you did not want to participate in "householding," you were deemed to have consented to the process. Each stockholder will continue to receive a separate proxy card or voting instruction card. If you did not receive an individual copy of this proxy statement, we will promptly send a separate copy upon your oral or written request to Specialty Laboratories, Inc., 27027 Tourney Road, Valencia, California 91355, Attn: Investor Relations, or call (888) 676-5441. *See* "Other Matters" beginning on page 110.

Q: Who can help answer my questions?

A: The information provided above in the question-and-answer format is for your convenience only and is merely a summary of some of the information contained in this proxy statement. You should carefully read the entire proxy statement, including the information incorporated by reference and the information in the appendices. *See* "Where Stockholders Can Find More Information" beginning on page 108. If you would like additional copies of this proxy statement, without charge, or if you have questions about the merger, including the procedures for voting your shares, you should contact: Specialty Laboratories, Inc., 27027 Tourney Road, Valencia, California 91355, Attn: Investor Relations or call (888) 676-5441. If you have questions, or need assistance in voting your shares, you may also contact the firm assisting Specialty in the solicitation of proxies: Innisfree M&A Incorporated, 501 Madison Avenue, 20th Floor, New York, New York 10022, shareholders call toll-free at (888) 750-5834, banks and brokers call collect at (212) 750-5833.

You may also wish to consult your own legal, tax and/or financial advisors with respect to the merger agreement, the merger or the other matters described in this proxy statement.

THE SPECIAL MEETING

General

The enclosed proxy is solicited by Specialty on behalf of the board of directors of Specialty for use at a special meeting of stockholders to be held on January 30, at 8:00 a.m., Pacific Time, in the first floor auditorium at Specialty Laboratories, Inc., 27027 Tourney Road, Valencia, California 91355, or at any adjournments or postponements thereof, for the purposes set forth in this proxy statement and in the accompanying notice of special meeting. Specialty intends to mail this proxy statement and accompanying proxy card on or about December 27, 2005 to all stockholders entitled to vote at the special meeting.

At the special meeting, the stockholders of Specialty will be asked to consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of September 29, 2005, among Holdings, AmeriPath, Acquisition Corp. and Specialty, and the merger contemplated by the merger agreement. You also will be asked to vote on any proposal to approve the adjournment or postponement of the special meeting to a later date to solicit additional proxies in favor of the approval of the merger agreement and the merger if there are not sufficient votes for approval of the merger agreement and the merger at the special meeting. Under the merger agreement, Acquisition Corp. will be merged with and into Specialty, and each issued and outstanding share of Specialty common stock will be converted into the right to receive $13.25 in cash, without interest, except for:

- treasury shares of Specialty common stock, all of which will be canceled without any payment;
- shares of Specialty common stock owned by Holdings or Acquisition Corp. or any direct or indirect wholly-owned subsidiary of Holdings or Specialty, all of which will be canceled without any payment; and
- shares of Specialty common stock held by stockholders who properly exercise and perfect their dissent rights in accordance with Chapter 13 of the CGCL.

At the effective time of the merger, each outstanding stock option, except as provided in an applicable agreement with the optionee, will be canceled in exchange for an amount in cash determined by multiplying (1) the excess of $13.25 over the per share exercise price of the option by (2) the number of shares of Specialty common stock subject to the option, less applicable withholding taxes.

At the effective time of the merger, all unvested shares of Specialty common stock issued pursuant to Specialty's executive incentive compensation plan and outstanding immediately prior to the effective time of the merger will become fully vested.

Immediately prior to the effective time of the merger, pursuant to the terms of the SME agreement, among other things, (a) Group Holdings will issue equity securities to certain of the stockholders of Holdings in exchange for cash and shares of Holdings, (b) Group Holdings will issue equity securities to the continuing investors in exchange for a portion of the shares of Specialty common stock held by the continuing investors and (c) Aqua Acquisition Corp. will be merged with and into Holdings, with Holdings being the surviving corporation. While the various transactions described in the SME agreement are a condition to closing the merger, you are not being asked to vote upon those transactions.

After consummation of the transactions contemplated by the SME agreement and the merger agreement, Specialty will be owned by AmeriPath; AmeriPath will be owned by Holdings; Holdings will be owned by Group Holdings; and Group Holdings will be owned by Welsh Carson, its co-investors, the continuing investors and certain other current stockholders of Holdings.

The board of directors, following the unanimous (with one member absent) recommendation of the special committee, unanimously (with one director absent) approved the merger agreement and the

merger. The board of directors recommends that you vote FOR the approval of the merger agreement and the merger.

Record Date, Quorum and Voting Information

Only holders of record of Specialty common stock at the close of business on December 16, 2005, the record date for the special meeting, will be entitled to notice of and to vote at the special meeting. At the close of business on the record date, 23,947,815 shares of Specialty common stock were outstanding and entitled to vote. Of those shares, 9,512,152 shares were held by stockholders other than the continuing investors and their affiliates. A list of the Specialty stockholders entitled to vote at the special meeting will be available for review, for any proper purpose relating to the special meeting, at Specialty's executive offices during regular business hours for a period of not less than 10 days prior to the special meeting. Each holder of record of Specialty common stock on the record date will be entitled to one vote for each share held. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote at the special meeting is necessary to constitute a quorum for the transaction of business at the special meeting.

All votes will be tabulated by the inspector of elections appointed for the special meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Brokers who hold shares in street name for clients typically have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, absent specific instructions from the beneficial owner of the shares, brokers are not allowed to exercise their voting discretion with respect to the approval of non-routine matters, such as the merger agreement and the merger. Proxies submitted without a vote by the brokers on these matters are referred to as broker non-votes. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the special meeting.

The affirmative vote of (1) the holders of a majority of the outstanding shares of common stock entitled to vote and (2) the holders of a majority of the outstanding shares of common stock entitled to vote that are not held by the continuing investors and their affiliates is required to approve the merger agreement and the merger. In connection with the proposed settlement of certain litigation, the second vote described in the previous sentence may be changed to instead require the approval of the holders of a majority of the outstanding shares of Specialty common stock entitled to vote not held by the continuing investors or their affiliates or by any of the directors of Specialty. *See* "Special Factors Litigation Challenging the Merger" beginning on page 62. The continuing investors and certain of their affiliates have entered into a voting agreement that will ensure that the first vote is passed, but that will have no effect on the outcome of the second vote. Accordingly, proxies that reflect abstentions and broker non-votes, as well as proxies that are not returned, will have the same effect as a vote against approval of the merger agreement and the merger. The special committee and the board of directors urge the stockholders to complete, sign, date and return the enclosed proxy card in the accompanying self-addressed postage prepaid envelope as soon as possible.

Stockholders who do not vote in favor of approval of the merger agreement and the merger, and who otherwise comply with the applicable statutory procedures and requirements of the CGCL summarized elsewhere in this proxy statement, will be entitled to seek payment of the fair market value of their shares as set forth in Chapter 13 of the CGCL. *See* "Special Factors Dissent Rights of Dissenting Specialty Stockholders" beginning on page 63 and Appendix C to this proxy statement.

Your shares can be voted at the special meeting only if you are present or represented by proxy. Whether or not you plan to attend the special meeting, you are encouraged to vote by proxy to ensure that your shares will be represented. You may vote by completing and mailing a proxy card in the postage-paid envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to determine which options are available to you.

Proxies; Revocation

Any person giving a proxy pursuant to this solicitation has the power to revoke the proxy at any time before it is voted at the special meeting. A proxy may be revoked by filing, with the Secretary of Specialty at Specialty's executive offices located at 27027 Tourney Road, Valencia, California 91355, a written notice of revocation or a duly executed proxy bearing a later date, or by attending the special meeting and voting in person. Attendance at the special meeting will not, by itself, revoke a proxy. Furthermore, if a stockholder's shares are held of record by a broker, bank or other nominee and the stockholder wishes to vote at the meeting, the stockholder must obtain from the record holder a proxy issued in the stockholder's name. If a stockholder has instructed a broker to vote the stockholder's shares, the stockholder must follow such broker's directions to change such instructions.

Expenses of Proxy Solicitation

Specialty will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders in connection with their proxy. Specialty has retained Innisfree M&A Incorporated to assist in the solicitation of proxies for a fee of $15,000, plus reimbursement of out-of-pocket expenses. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of Specialty common stock beneficially owned by others to forward to the beneficial owners. Specialty will reimburse persons representing beneficial owners of its common stock for their costs of forwarding solicitation materials to the beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or other electronic means, or by personal solicitation by directors, officers or other regular employees of Specialty or by representatives of Innisfree M&A Incorporated. No additional compensation will be paid to directors, officers or other regular employees of Specialty for their services in connection with the solicitation of proxies.

Adjournments

If the requisite stockholder vote approving the merger has not been received at the time of the special meeting, holders of Specialty common stock may be asked to vote on a proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies in favor of the merger proposal. The board of directors recommends that you vote FOR the approval of any such adjournment or postponement of the meeting, if necessary.

Stock Certificates

Please do not surrender stock certificates at this time. If the merger is completed, the paying agent for the merger will distribute instructions regarding the procedures for exchanging Specialty stock certificates for the merger consideration. *See* "The Merger Agreement Payment for Shares" beginning on page 68.

THE PARTICIPANTS

Specialty Laboratories, Inc.
27027 Tourney Road
Valencia, California 91355
(661) 799-6543

Specialty is a California corporation headquartered in Valencia, California, and is listed for trading on the New York Stock Exchange under the symbol "SP." Specialty performs highly advanced clinical tests used by physicians to diagnose, monitor and treat disease. Offering an extensive menu of specialized testing options, Specialty provides hospitals, laboratories and specialist physicians a single-source solution to their non-routine testing needs. By focusing on complex and technologically advanced testing, Specialty does not generally directly compete with clients for routine testing work and offers clinical testing services that generally complement the laboratory capabilities of its clients. If the merger agreement and the merger are approved by the Specialty stockholders at the special meeting and the merger is completed as contemplated, Specialty will continue its operations following the merger as a private company and a subsidiary of AmeriPath.

AmeriPath Holdings, Inc.
c/o AmeriPath, Inc.
7111 Fairway Drive, Suite 400
Palm Beach Gardens, Florida 33418
(561) 712-6200

Holdings is a Delaware corporation and the sole shareholder of AmeriPath. Holdings is owned by Welsh Carson, its co-investors and certain other stockholders.

Welsh Carson is an investment partnership organized by Welsh, Carson, Anderson & Stowe, one of the largest private equity firms in the United States and the largest in the world focused exclusively on investments in the healthcare services, information and business services and communications services industries. Since its founding in 1979, Welsh, Carson, Anderson & Stowe has organized 14 private investment partnerships with total capital of more than $12.5 billion and has completed over 200 management buyouts and initial investments.

AmeriPath, Inc.
7111 Fairway Drive, Suite 400
Palm Beach Gardens, Florida 33418
(561) 712-6200

AmeriPath is a Delaware corporation headquartered in Palm Beach Gardens, Florida. AmeriPath is a leading national provider of physician-based anatomic pathology, dermatopathology and molecular diagnostic services to physicians, hospitals, national clinical laboratories and surgery centers. AmeriPath's elite team of more than 400 highly trained, board-certified pathologists provides medical diagnostics services in outpatient laboratories owned, operated and managed by AmeriPath, as well as in hospitals and ambulatory surgical centers.

Silver Acquisition Corp.
c/o AmeriPath, Inc.
7111 Fairway Drive, Suite 400
Palm Beach Gardens, Florida 33418
(561) 712-6200

Acquisition Corp. is a Delaware corporation organized by AmeriPath for the purpose of engaging in the merger and the related transactions. Acquisition Corp. has not participated in any activities to

date other than those incident to its formation and the transactions contemplated by the merger agreement. Acquisition Corp. is a wholly-owned subsidiary of AmeriPath.

AmeriPath Group Holdings, Inc.
c/o AmeriPath, Inc.
7111 Fairway Drive, Suite 400
Palm Beach Gardens, Florida 33418
(561) 712-6200

Group Holdings is a Delaware corporation organized by Holdings for the purpose of engaging in the transactions contemplated by the SME agreement. After the effective time of such transactions and the merger, Holdings, AmeriPath and Specialty will be the direct or indirect wholly-owned subsidiaries of Group Holdings and Group Holdings will be owned by Welsh Carson, its co-investors, the continuing investors and certain other current stockholders of Holdings.

Aqua Acquisition Corp.
c/o AmeriPath, Inc.
7111 Fairway Drive, Suite 400
Palm Beach Gardens, Florida 33418
(561) 712-6200

Aqua Acquisition Corp. is a Delaware corporation organized by Group Holdings for the purpose of engaging in the merger contemplated by the SME agreement. Aqua Acquisition Corp. has not participated in any activities to date other than those incident to its formation and the transactions contemplated by the SME agreement. Aqua Acquisition Corp. is a wholly-owned subsidiary of Group Holdings.

SPECIAL FACTORS

General

At the special meeting, Specialty will ask its stockholders to vote on a proposal to approve the merger agreement and the merger of Acquisition Corp. with and into Specialty. We have attached a copy of the merger agreement as Appendix A to this proxy statement. We urge you to read the merger agreement in its entirety because it is the legal document governing the merger.

Background of the Merger

Prior to April 2005, the board of directors of Specialty considered, from time to time, various strategic alternatives to maximize stockholder value, including, but not limited to, mergers, acquisitions, joint ventures and the potential sale of Specialty. In early 2004, Specialty engaged in substantive discussions and diligence activities with another clinical reference laboratory regarding a possible acquisition of Specialty. Specialty's board of directors had previously established a committee to oversee such transaction negotiations, and to make a recommendation to the full board regarding whether or not to proceed with the transaction. The proposed purchase price from the other party was $13 for each share of common stock of Specialty. After negotiations between the parties stalled over significant closing conditions, including the requirement to settle certain ongoing litigation prior to closing, the discussions were ended in March 2004 without a definitive agreement or understanding being reached.

Also in March 2004, Specialty began initial discussions and diligence activities with a small specialized laboratory in California that Specialty was considering to acquire. After determining that the acquisition would create a significant distraction for management, and would provide uncertain benefits to Specialty, discussions regarding the potential acquisition were terminated by Specialty.

In July 2004, Specialty was approached again about a possible acquisition by the same clinical reference laboratory with which it had held discussions in early 2004. The board of directors formed a committee to review the new acquisition proposal, as well as other possible business combination transactions. After additional diligence activities and extensive discussions between Specialty and the potential acquirer, the potential acquirer ended discussions in August 2004 based on questions regarding the potential for the combined company to achieve certain necessary synergies.

Beginning in October 2004, Specialty evaluated, on a preliminary basis, potential merger and acquisition opportunities for Specialty, including the possibility of selling all or a majority stake in Specialty to a strategic or financial buyer, or possibly taking Specialty private. At the request of the board of directors, Specialty's management explored certain merger and acquisition opportunities, and engaged in discussions with several possible merger or acquisition partners. However, these discussions were preliminary in nature, and were terminated by Specialty and the other parties due to questions regarding the potential of the combined companies to achieve certain synergies and due to concerns about changes in Specialty's senior management in early 2005, including the announced departure of Specialty's then chief executive officer. As a result, the discussions with these possible merger or acquisition partners did not result in any definitive agreement or understandings.

The board of directors of Specialty did not seek out or instruct its advisors to seek out proposals from other possible buyers (other than AmeriPath) with respect to a possible acquisition of Specialty after April 2005, since it believed that such actions were not necessary in light of Specialty's extensive recent discussions with several third parties regarding possible strategic transactions, as described above.

During April and May 2005, Mr. Whitney of Specialty had several discussions separately with Scott Mackesy of Welsh Carson and Keith Laughman of AmeriPath in which they informally discussed possible mutual business interests between the two companies, including a possible acquisition by Specialty of AmeriPath's esoteric testing business or the creation of a joint venture comprising the esoteric testing businesses of the two companies.

During the same time period, and continuing thereafter, Dr. Peter and Mr. Laughman periodically discussed possible mutual business interests between the two companies and business transactions the companies might consider.

On May 25, 2005, Donald Steen and Mr. Laughman of AmeriPath met with Dr. Peter and Mr. Whitney of Specialty in Los Angeles to discuss possible strategic transactions involving the two companies. Discussions at this meeting focused on the strategic and business rationale of combining the esoteric testing capabilities of the two companies, as well as a possible joint venture involving the esoteric testing businesses of the two companies, or the possible acquisition by Specialty of AmeriPath's esoteric testing business.

During the month of June 2005, representatives of Specialty and AmeriPath held additional discussions regarding potential transactions. During the course of these discussions, representatives of AmeriPath indicated their preference for a business combination between AmeriPath and Specialty as opposed to an esoteric testing business joint venture or an acquisition by Specialty of AmeriPath's esoteric testing business. Also, during the month of June 2005, Mr. Whitney had various discussions with other members of Specialty's board in order to keep them updated as to the status of the discussions and to solicit feedback related to the potential transaction alternatives being discussed.

On June 15, 2005, Specialty and AmeriPath entered into a confidentiality agreement.

On June 21 and 22, Mr. Laughman, Dr. Jeffrey Mossler and other representatives of AmeriPath and Welsh Carson met Mr. Schreiber, Mr. Whitney and Dr. Peter at Specialty's facility in Valencia, California. During these meetings, representatives of Specialty provided preliminary due diligence materials and described the status of operating initiatives at Specialty and the parties discussed possible synergies from a business combination.

During late June 2005, representatives of Specialty and JPMorgan discussed, on a preliminary basis, the structure and terms of a potential transaction with AmeriPath.

On June 24, Mr. Steen contacted Mr. Whitney to propose on a preliminary basis to acquire all the Specialty common stock held by the public and a portion of the Specialty common stock held by Dr. Peter and his affiliates at a price of $12 in cash per share. As part of that preliminary proposal, the remaining Specialty common stock held by Dr. Peter and his affiliates would be required to be exchanged for stock of Holdings. This exchange of stock would be based on a value for Holdings common stock of $6 per share, which would be the same price as existing Holdings stockholders would invest the cash required for the proposed acquisition of Specialty (such price being the only price that was offered to Dr. Peter and his affiliates for any shares of Holdings stock), and a value for Specialty common stock equal to the per share cash consideration payable to other stockholders in the proposed transaction. Mr. Whitney indicated in this conversation that $12 per share was not likely to be a price that was acceptable to the Specialty board but that he believed there would be an interest in continuing the discussions regarding a potential business combination. Mr. Whitney subsequently updated members of the board regarding the price and other terms of AmeriPath's proposal.

On the following days, Mr. Whitney and Mr. Steen had several additional discussions regarding the proposed transaction. Mr. Whitney continued to indicate that the proposed price of $12 in cash per share of Specialty was not acceptable.

Effective June 28, 2005, Specialty engaged JPMorgan as its financial advisor in connection with the proposed transaction. Specialty had previously engaged JPMorgan to provide strategic advice on matters unrelated to the proposed transaction.

On June 30, 2005, Specialty engaged O'Melveny & Myers LLP as its legal advisor in connection with the proposed transaction.

On July 1, 2005, Mr. Whitney of Specialty spoke with Mr. Steen and Jarod Moss of AmeriPath. During that conversation, AmeriPath increased the price of their preliminary proposal to a range of $12

to $13 per share. On that date, trading in the Specialty common stock closed on the New York Stock Exchange at $8.38 per share.

On July 6, 2005, Dr. Peter and Mr. Whitney of Specialty met with Mr. Laughman and Dr. Mossler of AmeriPath in Phoenix to discuss the AmeriPath business plan and activities and to further the discussions regarding the possible strategic transaction. At this meeting, AmeriPath provided preliminary due diligence materials regarding its business.

On July 12, 2005, Specialty held a special board meeting to discuss on a preliminary basis a possible transaction with AmeriPath. Representatives of JPMorgan and O'Melveny & Myers LLP attended the meeting. JPMorgan discussed with the board its preliminary views of various financial analyses related to the preliminary proposal made by AmeriPath. O'Melveny & Myers LLP advised the board regarding its fiduciary duties in connection with a possible transaction, and described the possible advantages of including a condition to the transaction that it be supported by a majority of the stockholders not affiliated with the continuing investors (the majority of the minority condition), and the possibility of forming a special committee if and when discussions with AmeriPath had progressed further. The board discussed the formation of a special committee; however, it determined that the formation of a special committee at that time was not appropriate given the preliminary stage of the discussions with AmeriPath. Because the AmeriPath proposal contemplated a potential investment by Dr. Peter and his affiliates, and because Dr. Peter desired to make this investment on a tax-deferred basis, O'Melveny & Myers LLP also made a presentation to the board regarding possible structuring alternatives for the proposed transaction in order to obtain tax-deferred treatment for the potential investment by Dr. Peter and his affiliates in the combined company. Given that the AmeriPath proposal contemplated a potential investment by Dr. Peter and his affiliates, the board also considered a preliminary analysis of the potential value creation that could be generated by the combined company, including preliminary estimates of potential synergies and a preliminary pro forma analysis. In its review, the board noted that, assuming various operational and revenue synergies were realized over a period of several years following the proposed transaction and certain other assumptions proved correct, such preliminary analysis indicated that an equity interest in the combined company could have an implied value of approximately $26 per share of Specialty common stock contributed by the continuing investors. Following the foregoing discussions and review, the board instructed Mr. Whitney and Specialty's advisors to proceed with further discussions regarding the transaction proposed by AmeriPath.

During the following weeks, JPMorgan and Specialty, on the one hand, and AmeriPath and Welsh Carson, on the other hand, engaged in further discussions regarding valuations of both Specialty and AmeriPath, and AmeriPath provided additional confidential information regarding its business.

On July 28, 2005, representatives of Specialty and JPMorgan held a meeting to discuss possible responses to the offer from AmeriPath. They concluded that a counter-proposal of $14.50 in cash per share would constitute an appropriate subsequent negotiating position, and that Specialty should make a counter-proposal at that price.

Later on July 28, 2005, representatives of JPMorgan called Mr. Mackesy of Welsh Carson and indicated that Specialty expected a purchase price of $14.50 per share in the proposed transaction. On the same day, Mr. Whitney of Specialty called Mr. Steen of AmeriPath and delivered the same message.

Over the course of the next several days, representatives of Specialty and JPMorgan, on the one hand, and AmeriPath and Welsh Carson, on the other hand, held several discussions regarding the proposed cash purchase price for Specialty common stock in the proposed transaction.

On August 8, 2005, Welsh Carson sent a letter to JPMorgan indicating that AmeriPath would be willing to raise its offer for Specialty common stock from a range of $12 to $13 per share to $13 per share. Any such offer by AmeriPath remained subject to, among other things, Dr. Peter's agreement to cause his affiliates to exchange a substantial portion of their existing Specialty common stock for

Holdings common stock as part of the transaction and the completion of due diligence by AmeriPath. On that date, trading in the Specialty common stock closed on the New York Stock Exchange at $9.71 per share.

On August 10, 2005, the board of Specialty met. JPMorgan and Mr. Whitney updated the board regarding discussions with AmeriPath and the letter received from Welsh Carson on August 8, 2005. Following discussions regarding possible responses to Ameripath's offer, the board instructed JPMorgan to communicate to Ameripath that Specialty had price expectations of at least $14 per share.

On August 15, 2005, representatives of JPMorgan discussed valuation and other terms of the proposed transaction with Mr. Mackesy of Welsh Carson. As instructed by the board of Specialty, JPMorgan indicated that Specialty had price expectations of at least $14 per share.

On August 17, 2005, Mr. Mackesy of Welsh Carson contacted a representative of JPMorgan to propose a revised merger price of $13.25 per share and indicated that this constituted their best and final offer. On that date, trading in the Specialty common stock closed on the New York Stock Exchange at $9.62 per share.

On August 18, 2005, the board of Specialty met. The board discussed the revised merger price proposal of $13.25 made by AmeriPath and authorized representatives of Specialty to proceed with negotiations on that basis. The board determined that the discussions with AmeriPath had progressed to a point at which the formation of a special committee was appropriate, and the board then approved the formation of a special committee, consisting of all members of the board other than Dr. Peter and Ms. Estes. Mr. Whitney was named as the Chairman of the special committee. All members of the special committee were and are independent of and had and have no economic interest or expectancy of an economic interest in the continuing investors, Welsh Carson, Group Holdings, Holdings, AmeriPath, or the surviving corporation (except that Mr. Weavil may continue as an employee of Specialty, AmeriPath or their affiliates following the closing of the merger). The special committee was authorized to review the possible strategic transaction with AmeriPath and the terms and conditions of any such transaction, to determine if the proposed transaction was in the best interest of Specialty and its stockholders and, if so, to recommend the proposed transaction to the board and Specialty's stockholders or, if not, to recommend to the board that it reject the proposed transaction. Following the board meeting, the board instructed JPMorgan to, in addition to continuing to assist the board, render assistance to the special committee in connection with its evaluation of and deliberations regarding the merger.

The special committee met following the board meeting, with O'Melveny & Myers LLP and JPMorgan present, and discussed the possible structure of the transaction with AmeriPath, including the price proposed. JPMorgan discussed the provision of an opinion as to the fairness of the cash price offered to the stockholders other than the continuing investors and their affiliates. The special committee also discussed the possibility of including in the merger agreement a majority of the minority condition, as previously considered by the board, and agreed to discuss such matters further after review and discussion by outside and internal legal counsel. The special committee did not retain its own advisors separate from those retained by the board since the special committee consisted of all members of the board other than Dr. Peter and Ms. Estes. The special committee also determined that, since the opinion that would be provided by JPMorgan would address the fairness of the cash price offered to the stockholders other than the continuing investors and their affiliates, the special committee did not need to incur significant additional expense to obtain a separate opinion in addition to that which JPMorgan was to provide to the board.

During the following weeks, Specialty provided confidential information to AmeriPath and representatives of AmeriPath met with employees and representatives of Specialty to discuss Specialty's business.

Between August 30, 2005 and September 2, 2005, O'Melveny & Myers LLP and Guth Christopher LLP, counsel to Specialty Family Limited Partnership (in which capacity it negotiated certain matters with respect to certain of that entity's partners, which include Dr. Peter and Ms. Estes), exchanged preliminary drafts of the merger agreement and the SME agreement.

On September 7, 2005, O'Melveny & Myers LLP circulated initial drafts of the merger agreement and the SME agreement, as well as a term sheet prepared by Guth Christopher LLP for a shareholders' agreement and a registration rights agreement for the continuing investors, to Ropes & Gray LLP, counsel to AmeriPath. The draft merger agreement included a majority of the minority condition and a "fiduciary out" provision under which Specialty could terminate the agreement in order to enter into a superior transaction in return for the payment of a termination fee.

On September 13, 2005, Ropes & Gray LLP circulated comments on the merger agreement and on the term sheet for the shareholders' agreement and the registration rights agreement for the continuing investors.

On September 15, 2005, the special committee and the board held meetings. JPMorgan and O'Melveny & Myers LLP presented an update of the status of negotiations to both the special committee and the board.

Also on September 15, 2005, Ropes & Gray LLP circulated an initial draft of the voting agreement to be entered into by the continuing investors. The draft voting agreement, among other things, required the continuing investors to vote in favor of the merger, to vote against any competing transaction for a period of 18 months even if the merger agreement were terminated in accordance with its terms, and to pay to AmeriPath 50% of any increase in consideration paid to the continuing investors in respect of their Specialty stock over the amounts that would be otherwise payable pursuant to the merger agreement.

On September 19, 2005, Ropes & Gray LLP circulated comments on the SME agreement.

On September 20 and 21, 2005, representatives of AmeriPath, Welsh Carson, Specialty and JPMorgan met in Valencia. At these meetings, AmeriPath discussed the results of its due diligence investigation of Specialty and the parties discussed various open terms of the proposed transaction. Separately, Dr. Peter and Mr. Whitney met with representatives of AmeriPath and Welsh Carson to discuss open business points in the arrangements to be entered into between the continuing investors and AmeriPath and its affiliates.

On September 22, 2005, O'Melveny & Myers LLP, Ropes & Gray LLP and Guth Christopher LLP met to begin negotiating the merger agreement, the SME agreement, the voting agreement, the shareholders' agreement, the registration rights agreement and a services agreement to be entered into by Dr. Peter and AmeriPath.

Also on September 22, 2005, the board held a meeting to discuss the proposed transaction. Mr. Whitney summarized for the board the status of discussions and negotiations between Specialty and AmeriPath.

On September 23, 2005, Ropes & Gray LLP contacted O'Melveny & Myers LLP to propose revised transaction terms, which included eliminating the majority of the minority condition in exchange for AmeriPath removing the provision in the voting agreement that would have required the continuing investors to vote against a competing transaction even if Specialty terminated the merger agreement in accordance with its terms. As part of that proposal, Specialty would pay a termination fee to AmeriPath in the amount of $8.0 million plus up to $2.0 million in expenses upon termination of the merger agreement in certain circumstances. In addition, the proposal continued to include a condition to closing that dissent rights not be exercised with respect to more than 5% of the Specialty common stock.

On September 26, 2005, O'Melveny & Myers LLP responded to this proposal and, among other things, insisted that the transaction include a majority of the minority condition. Later on the same day, Ropes & Gray LLP contacted O'Melveny & Myers LLP to propose further revised transaction terms. The proposal included acceptance of the majority of the minority condition in exchange for an increase in the amount of the proposed termination fee to $20.0 million, inclusive of expenses. The proposal also included acceptance of a threshold of 10% with respect to the dissenting shares closing condition.

On September 27, 2005, the board of Specialty met, with JPMorgan, O'Melveny & Myers LLP and Guth Christopher LLP attending. Mr. Whitney and Specialty's advisors updated the board on the status of negotiations and the principal outstanding issues, including, among others, the majority of the minority vote, the amount of the termination fee, and certain closing conditions, including the requirement that dissent rights not be exercised with respect to more than 10% of the Specialty common stock. Following the board meeting, the special committee met and reviewed the issues discussed at the board meeting, and instructed representatives of Specialty to maintain the majority of the minority vote condition and to discuss with representatives of AmeriPath certain proposals regarding the termination fee and closing conditions.

Later on September 27, 2005, Ropes & Gray LLP contacted O'Melveny & Myers LLP to propose an amendment to the transaction terms proposed the previous day. The amended proposed transaction terms would provide that the fee to be paid by Specialty in the event that the merger was not approved by the minority shareholders would be $5.0 million, rather than the $20.0 million termination fee payable in certain other circumstances.

On September 28, 2005, AmeriPath circulated to Specialty a draft commitment letter that it had received from Wachovia Bank, NA and other banks to provide debt financing for the merger and the related transactions.

On the morning of September 28, 2005, the special committee met for several hours, with JPMorgan and O'Melveny & Myers LLP attending. At this meeting, JPMorgan presented its financial analysis of Specialty and the proposed consideration of $13.25 per share in cash to be received in the merger by the holders of Specialty common stock other than the continuing investors. JPMorgan discussed the status of its internal process and explained that, based upon and assuming no change in then available information, it expected to be able to give its opinion at a board meeting on September 29, 2005 that, as of such date, based upon and subject to the considerations described in its written opinion and other matters as JPMorgan considered relevant, the consideration of $13.25 per share in cash to be received in the merger by the holders of Specialty common stock other than the continuing investors and their affiliates would be fair, from a financial point of view, to such holders. Also at this meeting, the special committee reviewed in detail with O'Melveny & Myers LLP the current agreed terms of the transaction, including the terms that the special committee had previously insisted upon: the fact that the merger agreement included a "fiduciary out" provision under which Specialty could terminate the agreement in order to enter into a superior transaction, in return for the payment of a termination fee; the fact that the merger would be contingent on the approval of a majority of the unaffiliated stockholders; and the fact that the voting agreement would not include a provision requiring the continuing investors to vote against a competing transaction even if the merger agreement were terminated in accordance with its terms. The special committee also reviewed in detail with O'Melveny & Myers LLP the significant open issues in the transaction, including the terms of the financing commitment letter and the amount of the termination fees payable in certain circumstances. The special committee provided Specialty's management and advisors with parameters as to termination fee amounts that would be acceptable to Specialty, and instructed Specialty's advisors to continue negotiations with AmeriPath and its advisors. The special committee also considered whether to request that AmeriPath increase the cash consideration to be paid in the merger. Also at this meeting, the special committee was provided with certain preliminary draft presentation materials that were previously provided to the board on July 12, 2005 in connection with the board's preliminary analysis of

the potential value creation that could be generated by the combined Specialty and AmeriPath, and the resulting potential value creation that could be generated by the combined company. The preliminary draft presentation materials provided at this meeting have been filed as an exhibit to Specialty's Rule 13e-3 Transaction Statement filed with the Securities and Exchange Commission in connection with this proxy statement.

Following the special committee meeting, the board held a meeting, with JPMorgan, O'Melveny & Myers LLP and Guth Christopher LLP attending. At this meeting, JPMorgan presented its financial analysis of Specialty and the proposed $13.25 per share merger consideration to be received by the holders of Specialty common stock other than the continuing investors in the merger. JPMorgan confirmed that, based upon and assuming no change in then available information, it expected to be able to give its opinion at a board meeting on September 29, 2005 that, as of such date, based upon and subject to the considerations described in its written opinion and other matters as JPMorgan considered relevant, the consideration of $13.25 per share in cash to be received in the merger by the holders of Specialty common stock other than the continuing investors and their affiliates would be fair, from a financial point of view, to such holders. Also at this meeting, the board was provided with certain preliminary draft presentation materials that were previously provided to the board on July 12, 2005 in connection with the board's preliminary analysis of the potential value creation that could be generated by the combined Specialty and AmeriPath, and the resulting potential value creation that could be generated by the combined company. The preliminary draft presentation materials provided at this meeting have been filed as an exhibit to Specialty's Rule 13e-3 Transaction Statement filed with the Securities and Exchange Commission in connection with this proxy statement. Members of the special committee and Specialty's advisors advised Dr. Peter and Ms. Estes of the status of the negotiations with AmeriPath. Dr. Peter and Ms. Estes indicated their agreement with the instructions given by the special committee. Also at that meeting, the board agreed in principle to the payment of certain fees (in an aggregate amount of up to $300,000) to those members of the special committee who were most extensively involved in negotiating the merger with AmeriPath and overseeing the negotiations and sale process, which were all the members of the special committee other than Mr. Hubbard C. Howe and Mr. Weavil. Such fees were to be determined at a later date and approved by the full board. The board also authorized a separate payment in the amount of $100,000 to Mr. Whitney in connection with his services as Chairman of the Board since his appointment to that position on February 5, 2005, including his work on the proposed merger with AmeriPath. Mr. Whitney and Mr. Schreiber were present for portions of the meeting discussing such payments to the special committee and to Mr. Whitney, and then left the meeting prior to the final deliberations and decisions with respect to such payments.

On September 29, 2005, the special committee and the board each met twice to discuss further the merger agreement and the status of negotiations of the remaining open issues. All members of the special committee and the board, other than Mr. Howe, were present at each of these meetings. Representatives of JPMorgan and O'Melveny & Myers LLP attended each special committee and board meeting, and representatives of Guth Christopher LLP attended each board meeting.

At the first meeting of the special committee on September 29, 2005, after a thorough discussion of the remaining open issues, the special committee instructed JPMorgan to propose to AmeriPath a compromise position on the open issues, including a termination fee in the amount of $12.0 million plus up to $1.0 million in expenses, and a fee of $1.0 million payable to AmeriPath to cover its expenses in the event that the minority shareholders failed to approve the merger. Although the special committee considered that the purchase price of $13.25 in cash per share was fair, in the context of the resolution of the final outstanding issues, the special committee considered it advisable and appropriate to propose an increase in the purchase price. Accordingly, as part of this proposal, the special committee instructed JPMorgan to propose an increase in the purchase price to an amount of $13.75 per share.

Following this meeting of the special committee, the board held a meeting and members of the special committee and Specialty's advisors advised Dr. Peter and Ms. Estes of the status of the negotiations with AmeriPath. After a lengthy discussion, the board indicated its agreement with the proposed compromise position and the instructions given by the special committee to JPMorgan.

Subsequently, Dr. Peter called Mr. Whitney to inform him that the continuing investors would be willing to forgo a price increase above $13.25 for their shares, and that Mr. Whitney and Specialty's advisors could proceed to attempt to negotiate a higher price for the unaffiliated stockholders only. Mr. Whitney informed JPMorgan of the substance of this conversation and instructed JPMorgan to convey this message to AmeriPath.

JPMorgan then contacted representatives of AmeriPath and discussed the proposal authorized by the special committee and the board, together with the continuing investors' willingness to forgo their share of any price increase above $13.25 that would otherwise be received by the continuing investors and their affiliates.

Later in the evening of September 29, 2005, at the second meeting of the special committee, JPMorgan reported that representatives of AmeriPath had agreed to a termination fee in the amount of $13.0 million, inclusive of expenses, and to a fee of $1.0 million payable in the event that the minority shareholders failed to approve the merger, but had not agreed to an increase in the purchase price. JPMorgan then (as instructed by the board) provided the special committee with JPMorgan's oral opinion that would be rendered at the next board meeting that as of that date, based upon and subject to the considerations described in its written opinion and other matters as JPMorgan considered relevant, the consideration of $13.25 per share in cash to be received in the merger by the holders of Specialty common stock other than the continuing investors and their affiliates would be fair, from a financial point of view, to such holders. All members of the special committee present at the meeting, after discussion, unanimously agreed that it was in the best interests of Specialty and the unaffiliated stockholders to proceed with the transaction, and agreed to recommend the transaction to the board.

The board then held a meeting. Members of the special committee and Specialty's advisors advised Dr. Peter and Ms. Estes of the terms of the proposed transaction with AmeriPath and the special committee's conclusion that the transaction was in the best interests of Specialty and the unaffiliated stockholders. JPMorgan then provided its oral opinion to the board that, as of that date, based upon and subject to the considerations described in its written opinion and other matters as JPMorgan considered relevant, the consideration of $13.25 per share in cash to be received in the merger by the holders of Specialty common stock other than the continuing investors and their affiliates was fair, from a financial point of view, to such holders. On September 29, 2005, JPMorgan subsequently delivered its written opinion to the board, dated September 29, 2005, to the same effect. After JPMorgan provided its oral opinion to the board, all members of the board present at the meeting, after discussion and based on the factors discussed above, unanimously adopted the recommendation of the special committee, declared that the terms of the merger and the merger agreement were advisable and procedurally and substantively fair to and in the best interests of Specialty and the unaffiliated stockholders, and approved the merger agreement and the merger. Dr. Peter and Ms. Estes did not recuse themselves from the decision of the board approving the merger agreement and the merger since the special committee, which consisted of all the members of the board other than Dr. Peter and Ms. Estes, had already extensively deliberated regarding and had approved the merger agreement and the merger; in addition, the votes of Dr. Peter and Ms. Estes were not needed to receive approval of a majority of the board members present and therefore they were not in a position to determine its decision.

Later on the night of September 29, 2005, Specialty, AmeriPath and the other parties to the merger agreement executed the merger agreement, and the parties to the voting agreement and the SME agreement executed those agreements.

On the morning of September 30, 2005, Specialty issued a press release announcing that it had entered into a definitive merger agreement with Holdings, AmeriPath and Acquisition Corp. In the same press release, Specialty also announced that the voting agreement and the SME agreement had been entered into by the parties to those agreements.

From the commencement of discussions between Specialty and AmeriPath, despite volatility in Specialty's stock price, Specialty was not contacted by any third party to discuss a potential strategic transaction.

Recommendation of the Special Committee and the Board of Directors and Reasons for the Merger

The special committee unanimously (with one member absent) determined that the terms of the merger agreement, including the merger consideration of $13.25 in cash per share of common stock, and the merger are advisable and procedurally and substantively fair to, and in the best interests of, the unaffiliated stockholders. As a result, the special committee unanimously (with one member absent) adopted resolutions supporting the merger and recommending that the board of directors approve and declare advisable the merger agreement and the merger. In making these determinations, the special committee considered a number of factors, as more fully described above under " Background of the Merger" and below under " Reasons for the Special Committee's Determination."

After receiving the special committee's recommendation, the board of directors unanimously (with one director absent) agreed that it was in the best interests of the unaffiliated stockholders to proceed with the merger. Thereafter, the board of directors adopted the recommendation of the special committee, found that the merger agreement and the merger were advisable and procedurally and substantively fair to, and in the best interests of, the unaffiliated stockholders and unanimously (with one director absent) approved the merger agreement and the merger. **The board of directors recommends that stockholders vote FOR the approval of the merger agreement and the merger.**

Reasons for the Special Committee's Determination. The members of the special committee are all the members of the board other than Dr. Peter and Ms. Estes. The special committee members, with the exception of Mr. Weavil, who is the Chief Executive Officer of Specialty, are not officers or employees of Specialty. The special committee members are independent of and have no economic interest or expectancy of an economic interest in the continuing investors, Welsh Carson, Group Holdings, Holdings, AmeriPath, or the surviving corporation (except that Mr. Weavil may continue as an employee of Specialty, AmeriPath or their affiliates following the closing of the merger). Whether the merger is completed or not, certain special committee members will be paid up to a total amount of $300,000 in the aggregate for their service on the special committee, in addition to Specialty's standard committee fees, and will be reimbursed for out-of-pocket expenses incurred in connection with that service. The $300,000 in fees were awarded to members of the special committee as follows: Mr. Whitney, $87,500; Mr. Schreiber, $87,500; Mr. DeFreece, $62,500; and Mr. Nydam, $62,500. In addition to the foregoing payments to be made, Mr. Whitney was awarded the amount of $100,000, which has already been paid, for his services as a member of the special committee and as Chairman of the board of directors. Furthermore, pursuant to the terms of Mr. Schreiber's consulting agreement, Mr. Schreiber is entitled to a payment equal to six times his monthly consulting fee, or a total amount of approximately $163,000, upon a change of control of Specialty, which would include the completion of the merger. The special committee members also have certain other interests that may be in addition to or different from the interests of the unaffiliated stockholders, as described under " Interests of Certain Persons in the Merger Interests of Specialty Directors and Executive Officers in the Merger". Because of these interests, the interests of the special committee and the unaffiliated stockholders of Specialty may not be aligned. *See* " Interests of Certain Persons in the Merger Interests of Specialty Directors and Executive Officers in the Merger" beginning on page 50.

In recommending the approval of the merger agreement and the merger to the board of directors, the special committee considered the following material factors that it believed supported its recommendation:

the merger consideration of $13.25 per share was payable in cash and represented a substantial premium over the market price of common stock of Specialty before the public announcement of the execution of the merger agreement, namely, approximately a 27% premium over the average trading price of $10.44 for the three months preceding the public announcement of the execution of the merger agreement;

JPMorgan's opinion rendered to Specialty's board of directors (and, as instructed by Specialty's board of directors, provided to the special committee), to the effect that as of September 29, 2005, based upon and subject to the considerations described in its opinion and other matters as JPMorgan considered relevant, the consideration to be received by holders of Specialty common stock other than the continuing investors and their affiliates in the merger was fair, from a financial point of view, to such holders of Specialty common stock, and the related financial presentation presented to the board and the special committee in connection therewith (as described under " Opinion of the Financial Advisor to the Board"), which opinion and related financial presentation were expressly adopted by the special committee as part of the special committee's fairness determination (The opinion of JPMorgan addressed the fairness, from a financial point of view, of the consideration to be received by all holders of Specialty common stock other than the continuing investors and their affiliates, rather than all holders of Specialty common stock not affiliated with Specialty. However, based on the additional factors discussed in this section, the special committee determined that the consideration was fair to all holders of Specialty common stock not affiliated with Specialty);

the ability of the unaffiliated stockholders to recognize a significant cash value through the cash proceeds of the merger versus continued risks and uncertainties of operating as a stand-alone company, and of holding an illiquid investment of undetermined value in Group Holdings, which risks and uncertainties will be borne solely by the stockholders of Group Holdings after the merger, and not by the public stockholders of Specialty;

the special committee's familiarity with Specialty's recent, current and anticipated future financial performance and the effects of such financial performance on the potential stock market performance of Specialty common stock;

the fact that the special committee understood that AmeriPath, Holdings and Group Holdings did not intend to publicly offer equity securities as part of any potential transaction and, as a result, the combination of stock of Group Holdings and cash to be received by the continuing investors in the transaction would not be available to the unaffiliated stockholders;

the terms of the merger agreement, including the cash price, the ability to consider unsolicited offers by other possible buyers, the requirement that the merger receive the approval of not only the holders of a majority of shares of Specialty common stock but also the holders of a majority of Specialty common stock excluding the continuing investors and their affiliates, and the amount of the termination fee (which the special committee believed should not unduly discourage other possible buyers from offering acquisition proposals that are more favorable than the transactions contemplated by the merger agreement);

the agreement of Holdings that any impact of changes in law (to the extent such changes exist or have been proposed prior to September 29, 2005) and changes in reimbursement practices of customers will not constitute a material adverse effect with respect to Specialty that would result in the failure of Specialty to satisfy a condition to closing of the merger;

the fact that, under certain circumstances described in the merger agreement, Specialty may provide information and participate in negotiations with respect to other possible buyers that have submitted acquisition proposals and may terminate the merger agreement to accept a superior proposal;

the fact that the voting agreement would not prohibit the continuing investors and their affiliates from approving a competing transaction in the event that the merger agreement is terminated;

its review of the alternatives to a sale of Specialty, including maintaining the status quo; and

the nature of the financing commitments received by AmeriPath and Holdings with respect to the merger, including the conditions to those financing commitments.

The special committee did not consider any firm acquisition proposals from other possible buyers with respect to a merger or consolidation, sale of assets or other change of control of Specialty because no such proposals were made during the past three years (although the special committee was aware that Specialty had at times during that period entered into negotiations that did not result in firm offers). Similarly, the special committee did not assign any significance to recent purchases of Specialty common stock by any of the affiliates of the continuing investors described under " Common Stock Purchase Information" beginning on page 59. In addition, the special committee did not consider a possible liquidation transaction as a viable alternative because the value of Specialty is tied to its existence as an integrated going concern. Specialty is essentially a service company, and its tangible assets are incidental to its service operations. As a result, the value of Specialty is tied to its existence as an integrated going concern. Moreover, a portion of Specialty's success is attributable to its position and reputation in the industry. As a result, the special committee concluded that any liquidation of Specialty's assets, or any break-up, spin-off and piecemeal sale of Specialty's business or assets, would not maximize stockholder value. Therefore, the special committee did not consider a possible liquidation value. Further, the special committee did not consider net book value, which is an accounting concept, as a factor because the merger consideration of $13.25 per share is significantly higher than $4.29, the net book value per share of Specialty common stock at June 30, 2005.

The special committee also determined that the merger is procedurally fair because, among other things:

the board of directors established a special committee of independent directors to consider and negotiate the merger agreement;

the special committee consists solely of directors who are not officers or employees of Specialty (other than Mr. Weavil, who is the Chief Executive Officer of Specialty), and who are independent of and have no economic interest or expectancy of an economic interest in the continuing investors, Welsh Carson, Group Holdings, Holdings, AmeriPath, or the surviving corporation (except that Mr. Weavil may continue as an employee of Specialty, AmeriPath or their affiliates following the closing of the merger);

the special committee was given authority, pursuant to resolutions adopted by the board of directors, to, among other things, evaluate, negotiate and recommend the terms of the proposed transaction or to recommend that the board reject the proposed transaction;

the cash merger consideration of $13.25 per share and other terms and conditions of the merger agreement resulted from arm's-length negotiations between the special committee and AmeriPath;

the continuing investors were represented by their own counsel, and counsel and the financial advisor to the board and the special committee did not represent the continuing investors;

the continuing investors did not participate in or have any influence on the deliberative process of, or the conclusions reached by, the special committee or the negotiating positions of the special committee;

the merger must be approved not only by the holders of a majority of shares of Specialty common stock but also by holders of a majority of the shares of Specialty common stock excluding the continuing investors and their affiliates;

subject to certain conditions, including the payment of a termination fee under certain circumstances, the merger agreement permits the board of directors to exercise its fiduciary duties to consider alternative transactions if it believes that an acquisition proposal received from another possible buyer after the date of the merger agreement could result in a superior proposal;

the special committee discussed the range of termination fees in other public company merger transactions, based on the experience of O'Melveny & Myers LLP, and concluded that the termination fee of $13.0 million (or approximately 4% of the equity value of Specialty), inclusive of expenses, was within this range, and that the obligation to pay this fee should not unduly discourage other possible buyers from offering acquisition proposals that are more favorable than the merger agreement proposed by AmeriPath;

the special committee believed that the expense reimbursement of up to $1.0 million to be paid in the event that the unaffiliated stockholders vote against the approval of the merger would not unduly discourage the unaffiliated stockholders from rejecting the merger if they do not wish to consummate the merger; and

under California law, the stockholders of Specialty have the right to demand payment of the fair market value of their shares, which rights are described below under " Dissent Rights of Dissenting Specialty Stockholders" beginning on page 63 and Appendix C to this proxy statement.

In light of the creation of the special committee and the fact that the use of a special committee of this type is a well-recognized mechanism to achieve fairness in transactions such as the merger, the non-employee directors of Specialty determined that the appointment of an additional representative unaffiliated with Specialty or the continuing investors to act solely on behalf of the stockholders of Specialty that are not affiliated with the continuing investors to further protect their interests in connection with the negotiation of the merger agreement or the evaluation of the fairness of the merger was not necessary.

In connection with its review of the merger agreement, the merger and the related transactions, the special committee also considered the following risks and other potentially material negative factors concerning the merger:

the fact that the obligation of AmeriPath to complete the merger is conditioned upon the receipt of financing by AmeriPath, as discussed below in " Merger Financing" beginning on page 54, and that AmeriPath may not secure any financing for a variety of reasons, including reasons beyond the control of Specialty or AmeriPath;

the specific wording of language in the merger agreement and in AmeriPath's financing commitment relating to the occurrence of a material adverse effect on Specialty's business that could cause the merger not to close, including the fact that the risk of a material adverse effect arising from changes or proposed changes in laws following the date of the merger agreement will be borne by Specialty and not by AmeriPath;

the fact that if the merger is not consummated under circumstances further discussed in "The Merger Agreement Termination" beginning on page 81 and "The Merger Agreement Fees

and Expenses; Termination Fee" beginning on page 81, Specialty may be required to pay a termination fee to AmeriPath;

the fact that, after the effective date of the merger, the unaffiliated stockholders would cease to participate in any future earnings growth of Specialty or benefit from any increase in the value of Specialty;

the fact that the continuing investors will receive equity of Group Holdings in exchange for a portion of their Specialty common stock and, as noted in " Background of the Merger" beginning on page 21, the value of that equity could potentially be significantly greater than the value of the cash consideration under the merger;

the fact that certain directors and officers of Specialty have interests in the merger that are different from, or in addition to, the interests of Specialty stockholders generally, as further discussed in " Interests of Certain Persons in the Merger Interests of Specialty Directors and Executive Officers in the Merger" beginning on page 50;

the fact that the unaffiliated stockholders, after the effective date of the merger, would be required to surrender their shares involuntarily in exchange for a cash price determined by the special committee and the board of directors and would not have the right to liquidate their shares at a time and for a price of their own choosing; and

the fact that the Specialty common stock contributed by the continuing investors for equity of Group Holdings will benefit from tax-deferred treatment, while the merger would be a taxable transaction and that the stockholders of Specialty may be subject to taxation on the proceeds of the merger.

The foregoing describes all of the material factors considered by the special committee in its consideration of the merger and alternatives to the merger. After considering these factors, the special committee concluded that the positive factors relating to the merger outweighed the negative factors and that the merger constituted a more attractive transaction for stockholders than the alternatives described above. Because of the variety of factors considered, the special committee did not find it practicable to quantify or otherwise assign relative weights to, and did not make specific assessments of, the specific factors considered in reaching its determination. In addition, each member of the special committee may have assigned different weights to various factors. The determination of the special committee was made after consideration of all factors taken as a whole.

Reasons for the Board of Directors' Determination. The board of directors of Specialty consists of eight directors, all of whom except for Dr. Peter and Ms. Estes serve on the special committee. In reporting to the Specialty board of directors regarding its determination and recommendation, the special committee, with the legal and financial advisors of the board participating, advised the other members of the board of directors of the course of negotiations with AmeriPath and its legal counsel, its review of the merger agreement and the related financing commitments and the factors that the special committee considered in reaching its determination that the terms of the merger agreement and the merger are advisable and fair to, and in the best interests of, the unaffiliated stockholders. On September 29, 2005, JPMorgan provided its written opinion, dated September 29, 2005, to the board of directors which stated that, as of that date, and based upon and subject to the assumptions made, matters considered, qualifications and limitations set forth in the written opinion, the consideration of $13.25 per share in cash to be received in the merger by the holders of Specialty common stock other than the continuing investors and their affiliates was fair from a financial point of view to such holders, and presented a related financial presentation to the board in connection therewith. After receiving the special committee's recommendation with respect to the approval of the merger agreement and the merger and listening to the presentation of JPMorgan, the board of directors unanimously (with one director absent) agreed that it was in the best interests of the unaffiliated stockholders to proceed with

the merger. Thereafter, the board of directors adopted the recommendation of the special committee, found that the merger agreement and the merger are advisable and procedurally and substantively fair to, and in the best interests of, the unaffiliated stockholders and unanimously (with one director absent) approved the merger agreement and the merger. As part of its determination with respect to the merger, the board of directors adopted the fairness analysis and conclusion of the special committee and the opinion of JPMorgan and the related financial presentation presented to the board and the special committee in connection therewith, and adopted and relied upon each of the factors, both positive and negative, considered by the special committee in respect of such fairness analysis and conclusion, based upon the board of directors' view as to the reasonableness of such fairness analysis and conclusion. The opinion of JPMorgan addressed the fairness, from a financial point of view, of the consideration to be received by all holders of Specialty common stock other than the continuing investors and their affiliates, rather than all holders of Specialty common stock not affiliated with Specialty. However, based on the additional factors discussed above, the board of directors determined that the consideration was fair to all holders of Specialty common stock not affiliated with Specialty. In light of the wide variety of factors considered in its evaluation of the merger, the board of directors did not find it practicable to quantify or otherwise assign relative weights to, and did not make specific assessments of, the specific factors considered in reaching its determination. Instead, the board of directors based its position on the totality of the information presented and considered.

Special Committee Fees. The board of directors determined that members of the special committee would be paid up to a total amount of $300,000 in the aggregate for their service on the special committee, in addition to Specialty's standard committee fees, regardless of whether any proposed transaction was entered into or completed. The $300,000 in fees were awarded to members of the special committee as follows: Mr. Whitney, $87,500; Mr. Schreiber, $87,500; Mr. DeFreece, $62,500; and Mr. Nydam, $62,500. In addition to the foregoing payments to be made, Mr. Whitney was awarded the amount of $100,000, which has already been paid, for his services as a member of the special committee and as Chairman of the board of directors. Furthermore, pursuant to the terms of Mr. Schreiber's consulting agreement, Mr. Schreiber is entitled to a payment equal to six times his monthly consulting fee, or a total amount of approximately $163,000, upon a change of control of Specialty, which would include the completion of the merger. The members of the special committee are entitled to reimbursement for their out-of-pocket expenses incurred in connection with their service on the special committee.

Opinion of the Financial Advisor to the Board

Pursuant to an engagement letter dated July 5, 2005, Specialty retained JPMorgan as its financial advisor in connection with the proposed transaction and to render an opinion to the board of directors of Specialty as to the fairness, from a financial point of view, of the consideration to be received by the holders of common stock in the proposed merger. JPMorgan was selected by the board of directors based on JPMorgan's qualifications, reputation and substantial experience with transactions similar to the merger, as well as JPMorgan's familiarity with Specialty. JPMorgan rendered (and, as instructed by the board of directors of Specialty, provided to the special committee) its opinion to the board of directors on September 29, 2005, that, as of such date, the consideration to be received by the holders of common stock other than the continuing investors and their affiliates (for purposes of such opinion, the Founder Parties) in the proposed merger was fair, from a financial point of view, to such holders.

The full text of the written opinion rendered by JPMorgan to the board of directors, dated September 29, 2005, which sets forth the assumptions made, general procedures followed, matters considered and limitations on the scope of the review undertaken by JPMorgan in rendering its opinion, is attached as Appendix B to this proxy statement and is incorporated herein by reference. In connection with the rendering of JPMorgan's opinion to the Specialty board of directors, JPMorgan presented a related financial presentation to the board of directors and the special committee on

September 28, 2005. Copies of JPMorgan's September 28, 2005 presentation are available for inspection and copying at Specialty's principal executive office during regular business hours by any Specialty stockholder or its representative who has been so designated in writing, and will be provided to any Specialty stockholder upon written request at the expense of the requesting party. The September 28, 2005 presentation is filed as an exhibit to the Schedule 13E-3 filed with the Securities and Exchange Commission, copies of which may be obtained from the Securities and Exchange Commission. For instructions on how to obtain materials from the Securities and Exchange Commission, see "Where Stockholders Can Find More Information" beginning on page 110. JPMorgan's opinion is directed to the board of directors of Specialty (and, as instructed by the board of directors of Specialty, provided to the special committee) and addresses the fairness, from a financial point of view, to the holders of Specialty common stock other than the continuing investors and their affiliates of the consideration to be received by such holders in the merger. JPMorgan's opinion does not constitute a recommendation to any stockholders as to how to vote with respect to the proposed transaction. The Specialty stockholders are urged to read such opinion in its entirety. JPMorgan's opinion did not address the merits of the underlying decision by Specialty to engage in the merger or the fairness of the transactions contemplated by the SME agreement to the continuing investors, the holders of Specialty common stock other than the continuing investors or any other person or entity. This summary is qualified in its entirety by reference to the full text of such opinion.

In arriving at its opinion, JPMorgan:

- reviewed a draft dated September 29, 2005 of the merger agreement;
- reviewed certain publicly available business and financial information concerning Specialty and the industries in which it operates;
- compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies JPMorgan deemed relevant and the consideration received for such companies;
- compared the financial and operating performance of Specialty with publicly available information concerning certain other companies JPMorgan deemed relevant and reviewed the current and historical market prices of the common stock and certain publicly traded securities of such other companies;
- reviewed certain internal financial analyses and forecasts prepared by the management of Specialty relating to its business; and
- performed such other financial studies and analyses and considered such other information as JPMorgan deemed appropriate for the purposes of the JPMorgan opinion.

JPMorgan also held discussions with certain members of the management of Specialty and Holdings and representatives of Welsh Carson with respect to certain aspects of the merger, and the past and current business operations of Specialty, the financial condition and future prospects and operations of Specialty, and other matters JPMorgan believed necessary or appropriate to JPMorgan's inquiry.

In giving its opinion, JPMorgan relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with JPMorgan by Specialty, Holdings and Welsh Carson or otherwise reviewed by or for JPMorgan. JPMorgan did not conduct any valuation or appraisal of any assets or liabilities, nor did JPMorgan evaluate the solvency of Specialty or Holdings under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to JPMorgan, JPMorgan assumed that such analyses and forecasts were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by

management as to the expected future results of operations and financial condition of Specialty to which the analyses or forecasts relate. JPMorgan expressed no view as to such analyses or forecasts or the assumptions on which they were based. JPMorgan also assumed that the merger and other transactions contemplated by the merger agreement would be consummated as described in the merger agreement, and that the definitive merger agreement would not differ in any material respect from the draft thereof furnished to JPMorgan. JPMorgan relied, as to all legal matters relevant to rendering its opinion, upon the advice of counsel. JPMorgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on Specialty.

JPMorgan's opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to JPMorgan as of, September 29, 2005. Subsequent developments may affect the JPMorgan opinion and JPMorgan does not have any obligation to update, revise, or reaffirm its opinion. JPMorgan's opinion is limited to the fairness, from a financial point of view, of the consideration to be received by the holders of Specialty common stock other than the continuing investors in the proposed merger and JPMorgan expressed no opinion as to the fairness of the transactions contemplated by the SME agreement or any consideration received by the continuing investors in connection therewith to the continuing investors, the holders of Specialty common stock other than the continuing investors, or any other person or entity. JPMorgan further expressed no opinion as to the fairness of the merger (or the consideration received therein) to the continuing investors or the holders of any other class of securities, creditors or other constituencies of Specialty or as to the underlying decision by Specialty to engage in the merger.

JPMorgan noted that it was not authorized to and did not solicit any expressions of interest from any other parties with respect to the sale of all or any part of Specialty or any other alternative transaction. Consequently, JPMorgan did not express any opinion as to whether any alternative transaction might produce consideration for holders of Specialty common stock other than the continuing investors in an amount in excess of that contemplated in the merger.

The following is a brief summary of the material financial analyses performed by JPMorgan in connection with rendering its opinion to the board of directors of Specialty on September 29, 2005 (and, as instructed by the Specialty board, providing the opinion to the special committee). Some of the summaries of the financial analyses include information presented in tabular format. To fully understand the financial analyses, the tables should be read together with the text of each summary. Considering the data set forth in the table without considering the narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses.

Historical Stock Price Analysis and Transaction Economics

JPMorgan reviewed the historical daily highest and lowest trading prices of Specialty common stock for the one year period ending September 26, 2005. The analysis indicated that the highest and the lowest trading prices of Specialty common stock for the one year period ending September 26, 2005 were $15.10 and $6.55, respectively. The price of Specialty common stock as of September 26, 2005 was $12.96. Ninety-five percent of trading of Specialty common stock in the one year period ending on September 26, 2005 was below the merger consideration of $13.25. The analysis indicated that the consideration to be received by the holders of common stock in the proposed merger represented:

a premium of 2.2% based on the closing price of Specialty common stock on September 26, 2005 of $12.96;

a premium of 6.5% based on the 1-month average closing price as of September 26, 2005 of $12.44;

a premium of 29.6% based on the 3-month average closing price as of September 26, 2005 of $10.23;

a premium of 41.2% based on the 6-month average closing price as of September 26, 2005 of $9.38; and

a premium of 34.9% based on the 1-year average closing price as of September 26, 2005 of $9.82.

In conducting its analysis, JPMorgan considered two projected financial cases for Specialty that were prepared by Specialty's management. Specialty's management instructed JPMorgan to weight the two cases equally. The first case, referred to as Case 1, assumed, among other things, flat pricing in 2006 through 2014 and termination of certain independent laboratory business that Specialty believes may be temporary in nature on January 1, 2008. The second case, referred to as Case 2, assumed, among other things, 1% pricing declines through 2014 and termination of certain independent laboratory business that Specialty believes may be temporary in nature on January 1, 2006. Each case assumed full implementation of current initiatives and continued strong specimen growth. For a further discussion of the two cases and the assumption underlying each case, see " Certain Projections" beginning on page 60.

The $13.25 per share merger consideration represents an enterprise value of Specialty of $284.5 million, based on a fully diluted market capitalization of $327.7 million (based on 24.7 million fully diluted shares of common stock outstanding (including 0.7 million dilutive effect of options calculated using the treasury method) and the price of $13.25 per share), plus zero total debt, less total cash and cash equivalents of $18.1 million, less long-term investments of $21.6 million, less receivable from sale of property of $3.5 million, as of August 31, 2005, in each case, as provided by Specialty management to JPMorgan. The following table presents the ratio of the enterprise value of Specialty based upon the $13.25 per share merger consideration to the estimated revenue and estimated earnings before interest, taxes, depreciation and amortization (excluding minority interests) (referred to as EBITDA in this proxy statement) for Specialty, as well as the EBITDA margin (a percentage calculated as estimated EBITDA divided by estimated revenue) for Specialty, for the 2005 and 2006 calendar years under Case 1 and Case 2 (in each case, using an estimated run rate of business at December 31, 2005 for the 2005 calendar year (i.e., estimated end of year financial performance based upon annualized August 2005 financial performance as adjusted for additional operational improvements expected by Specialty management, as provided by Specialty management) per Specialty management's projections and estimates):

	Enterprise Value/2005E Revenue	Enterprise Value/2006E Revenue	Enterprise Value/2005E EBITDA	Enterprise Value/2006E EBITDA	2005E EBITDA Margin	2006E EBITDA Margin
Case 1	1.8x	1.5x	21.6x	12.9x	8.2%	12.0%
Case 2	1.8x	1.6x	21.6x	19.9x	8.2%	8.2%

Comparison of Trading Multiples

Using Specialty management forecasts, selected published Wall Street equity research estimates, public filings with the Securities and Exchange Commission and other publicly available information, JPMorgan compared financial information, financial ratios and valuation multiples for Specialty to corresponding measures for three publicly traded clinical laboratory testing companies. The companies reviewed in connection with this analysis were Bio-Reference Laboratories Inc., Laboratory Corporation of America and Quest Diagnostics.

Although other companies have clinical laboratory testing business lines and none of the selected companies is directly comparable to Specialty, the companies were chosen because they are publicly

traded clinical laboratory testing companies with businesses and operations that for purposes of the analysis may be considered similar to certain operations of Specialty. The selection process gives weight to several factors, including lines of business, size, scale and market positioning. The financial ratios and valuation multiples of the selected companies were calculated using the closing prices of the common stock of the selected companies on September 26, 2005.

JPMorgan calculated the enterprise values of the selected companies as multiples of the estimated revenue and EBITDA for the 2005 and 2006 calendar years for the selected companies, as estimated and published by Wall Street equity research and brokerage firms. The enterprise value of each company was calculated by JPMorgan based on publicly available information as the market capitalization (calculated based upon fully diluted shares using the treasury method) of each company as of September 26, 2005 plus total debt less total cash and cash equivalents of each company as of the most recent relevant public filing date for each company. Based on such Wall Street estimates and other publicly available information, JPMorgan also calculated the ratio of the enterprise value of each selected company to the estimated revenue and estimated EBITDA for such company, as well as the EBITDA margin for each comp