

PSYCHEMEDICS CORPORATION RECEIVES NEW, ADDITIONAL FDA CLEARANCES FOR HAIR ANALYSIS DRUG TESTING

**World's largest hair analysis drug testing company establishes another first:
FDA approval of immunoassays that are equivalent to radioimmunoassays.**

June 12, 2012 - Psychemedics Corporation (NASDAQ:PMD), hair testing pioneer and global leader for twenty-five years, announced that after a rigorous and thorough review, the Food and Drug Administration (FDA) granted the company 510(k) clearances for five new, additional assays to test for the detection of cocaine, opiates, PCP, methamphetamine and marijuana using enzyme immunoassay (EIA) analysis of head and body hair.

Psychemedics established its technological and market leadership position using FDA cleared radioimmunoassays (RIA) for the detection of drugs of abuse, and was the first laboratory to receive FDA clearances ten years ago for screening assays used in hair testing for drugs of abuse. Radioimmunoassay, which the company now uses as its screening test, has been the standard for its sensitivity, robustness and consistency. The newly developed immunoassays produced by the R&D team at Psychemedics were uniquely designed specifically to meet and even exceed the standards of radioimmunoassay, and represent a significant technological breakthrough. Because Psychemedics is the only hair testing laboratory that manufactures its own screening assays, it has full control over all aspects of its technology, and that powerful advantage facilitated the company's creation of the new assays with equivalence to its own previously FDA cleared radioimmunoassays. In addition, Psychemedics remains the only laboratory to have FDA clearances for all five drug classes for both head and body hair.

Raymond C. Kubacki, Chairman and CEO stated, "Superior detection is the key to providing the greatest return on investment for our customers from their drug screening programs. This development from our R&D team was no small feat, and will go a long way to ensure our customers continue to have the most effective means of identifying and deterring drug users from entering their workplaces, schools, law enforcement agencies, etc. The innovative design of the new assays will also allow Psychemedics greater flexibility in responding to customer demands resulting from changes in the profile of drugs of abuse. We will be discussing this process and schedule in greater detail with our clients over the next few months."

Advancing technology to accurately identify more drug users

On January 24th, 2012, Psychemedics Corporation announced that the United States Patent and Trademark Office issued the company its seventh patent, which covers a soft digestion process that releases drugs trapped in the hair without destroying the drugs. The new patented method can be used with a broad range of immunoassay screen techniques, mass spectrometry methods and chromatographic procedures.

Kubacki commented, "We are pleased to have received this patent, which is fundamental to all hair analysis drug testing and enhances our ability to identify more drug users. Continued investment in the development of the science is critical to Psychemedics and we remain the only company to obtain patents for getting the drugs out of the hair --- a very critical first step in the detection process. This new patent covers the breakdown of the hair structure to release the drugs without destroying them --- removing virtually 100% of the drugs from the hair. This patent is fundamental to hair analysis drug testing because if you cannot get all the drugs out of the hair, you cannot accurately measure them; and if you cannot accurately measure the drugs, you cannot identify all the drug users. This is now our second fundamental patent focused on removing drugs from the hair, following our initial patent issued in 1994."

Kubacki continued, "Our company has, for twenty five years, offered the most effective hair testing technology based upon scientifically validated drug testing methods. By combining our new FDA-cleared immunoassays, which are equivalent in effectiveness and sensitivity to radioimmunoassay, with our new patented method of releasing the drugs from the hair, we continue to offer truly proprietary technology that provides superior detection of drugs of abuse. This is what sets us apart."



This is a “Special Edition” of our regular newsletter. We typically keep the focus of our newsletters on general industry information and news, however this is an exciting time for Psychemedics, and we have several announcements to share with you through this Special Psychemedics Edition.

MEMORANDUM

From: Ray Kubacki
Date: June 14, 2012
Re: Misinformation from Omega Laboratories



*Raymond Kubacki,
Chairman & CEO,*

I. There They Go Again

You may have recently seen or received a press release from Omega Laboratories that contains many misleading statements. I am writing to you today to set the record straight.

Recently, we received new and additional FDA clearances for hair analysis drug testing – a major initiative for Psychemedics and the result of literally years of work and a rigorous and thorough review by FDA officials. Following our public notice of this development, Omega issued its own press release giving the misleading and deceptive impression that its hair testing process is of an equal and credentialed caliber.

While disappointing, it’s not a surprise that Omega has engaged in another attempt to confuse the marketplace.

II. Look Past The Press Release

Without going deeply into the science, I believe it is important to point out major misleading statements and set the record straight:

- Our press release (on page 1) stands on its own: Psychemedics is and remains the industry’s scientific and technology leader. We have seven U.S. and international patents – including a second patent recently issued on the process of removing virtually all of the drug from the hair, which is critical and fundamental to hair analysis drug testing. We have FDA-cleared radioimmunoassays for the five drug panel (which includes marijuana), and now also have newly designed and FDA-cleared enzyme immunoassays (EIAs) for that panel. No other lab comes close to our track record.
- Omega does NOT have FDA clearance on all its screening assays.
- Even though Omega states that (EIA) has helped it secure “prestigious international accreditations and Food and Drug Administration (FDA) clearances for the company’s screening assays”, the fact is Omega does NOT have FDA clearance on the major drug of abuse: MARIJUANA.
- Any clearances Omega has are for head hair only and, in one case, specifically only hair taken from the crown of the head. This is a critically important factor in any drug testing program.

III. Choose Integrity

As much as anything else, drug testing is about honesty, accuracy and credibility. It is important to remember that the drug test results can have a significant impact on peoples’ lives. Without any or all of these virtues, a company cannot go forward in an honorable way. These are the stakes: Can you trust a laboratory that chooses to make misleading and deceptive statements? And continues to sell a test for all five drugs when they do not have FDA clearance for marijuana?

We believe you select laboratories and technologies for your very important drug testing programs based on their merit, not on clever but misleading press releases and public relations gimmicks.

Third Largest US Refinery Pioneers Innovative Safety Program *Progressive Thinking at BP Texas City Spreads Throughout Industry*

In an industry where safety is paramount, one Texas oil refinery is leading the charge with an innovative drug testing program. BP Texas City, the third largest refinery in the US, pioneered a hair drug testing program in 2007 that required contractors working in the refinery to pass a drug test before they were approved to enter the plant. The refinery had already seen the impact that the hair drug testing program had on their employees, and wanted to extend the added safety measure to the thousands of contractors allowed access to the site.

The need for the more rigorous testing was confirmed when the positive rate for the BP Texas City contractors jumped from under 4% with urine, to an 8.9% positive rate with hair testing in the first month of the program. Perhaps the biggest eye opener was the fact that 74% of the positive tests were for cocaine use.

As the program continued and it became widely known that they required a hair

test, the number of contractors testing positive for drugs steadily declined. In 2011, BP Texas City reported their lowest drug positive rates ever and one of their best incident rates ever.

Recognizing the impact that this program could have on the entire industry, James Bergeron, HSSE Contractor Safety Coordinator for BP Texas City, partnered with Psychemedics Corporation and championed the creation of the VECTOR program.

VECTOR (Vendor Employer Compliance Testing Organization) is a tool that ensures contractor compliance with the testing requirements, and meets the comprehensive needs of all refinery owners involved in this program. By providing a centralized resource of the site status of the individuals who require a drug test within the industry, VECTOR reduces costs and eliminates unnecessary testing



among all of the refineries.

What started as an innovative program designed to improve the safety and costs at the BP Texas City refinery is now transitioning into an industry wide program. The progressive thinking of one refinery leader has spiraled and caused additional refineries to look toward how they too can improve the safety of their plant by enhancing their drug testing program with VECTOR.

<http://www.psychemedics.com/blog/2012/05/third-largest-us-refinery-pioneers-innovative-safety-program/>



Did You Know ??

This Year Marks Our 25 Year Anniversary Milestone

Psychemedics made history by developing the first hair test for drugs of abuse, and has now been successfully serving clients for 25 years. To our customers, associates, partners, and everyone who has contributed to our success, THANK YOU!!

*Superior Detection
of Drug Abuse*

**PSYCHEMEDICS
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About Psychemedics

Psychemedics was established in 1987 to provide testing for drugs of abuse using hair analysis, and has been successfully operating for over 25 years. Thousands of corporations currently rely on Psychemedics' proprietary hair analysis technology for their pre-employment and employee drug screening. Psychemedics is headquartered in Boston and has offices in Dallas, Chicago, Los Angeles and Las Vegas. Our Laboratory is located in Culver City, CA. Psychemedics is a publicly-held corporation listed on NASDAQ under the ticker symbol PMD.