

LUMINEX CORP  
Form DEF 14A  
April 24, 2007

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

**SCHEDULE 14A**

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

Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

LUMINEX CORPORATION

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(Name of Registrant as Specified In Its Charter)

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- No fee required.
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**LUMINEX CORPORATION**  
**12212 Technology Boulevard**  
**Austin, Texas 78727**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held May 24, 2007**

Luminex Corporation (the Company) will hold its 2007 annual meeting of stockholders (the Meeting) on Thursday, May 24, 2007, at 10:00 a.m., local time, at the Hilton Austin Airport Hotel, 9515 New Airport Drive, Austin, Texas 78719. At the Meeting, stockholders will act on the following matters:

- (1) election of three members to the Board of Directors to serve for three-year terms as Class I Directors (designated as Proposal 1 in the accompanying proxy statement);
- (2) ratification of the appointment by the Company's Audit Committee of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2007 (designated as Proposal 2 in the accompanying proxy statement); and

- (3) such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on April 11, 2007 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Meeting or any adjournment or postponement thereof. A complete list of such stockholders will be available for examination at our offices in Austin, Texas, during normal business hours for a period of ten days prior to the Meeting.

Your attention is directed to the proxy statement accompanying this notice for a more complete statement regarding the matters to be acted upon at the Meeting. Our annual report to stockholders is being mailed with this notice and proxy statement, but it is not part of the proxy solicitation materials. All stockholders are cordially invited to attend the Meeting. **However, stockholders are urged, whether or not they plan to attend the Meeting, to either sign, date and mail the enclosed proxy in the postage-paid envelope provided, or to vote by telephone or electronically pursuant to the instructions included with the proxy.**

By Order of the Board of Directors,

David S. Reiter

*Vice President, General*

*Counsel and Corporate Secretary*

Austin, Texas

April 23, 2007

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**LUMINEX CORPORATION**  
**12212 Technology Boulevard**  
**Austin, Texas 78727**  
**PROXY STATEMENT**  
**For Annual Meeting of Stockholders**  
**To Be Held May 24, 2007**

This proxy statement is being furnished to the stockholders of Luminex Corporation (the Company, Luminex, we or us) in connection with the solicitation by the Board of Directors of proxies for use at the 2007 annual meeting of stockholders (the Meeting) to be held at the time and place and for the purposes set forth in the accompanying notice, and at any and all adjournments or postponements thereof. The approximate date of the mailing of this proxy statement and the accompanying proxy card is April 23, 2007.

**Voting Procedures; General Information**

Proposals 1 and 2 will be presented by management at the Meeting. With regard to Proposal 1, the form of proxy permits votes for or withholding of votes as to all nominees for director or for withholding votes for any specific nominee, and permits votes for, against, or abstention with regard to Proposal 2. If the enclosed form of proxy is properly executed, returned, and not revoked, it will be voted in accordance with the specifications, if any, made by the stockholder and, if specifications are not made, will be voted **FOR** the nominees named in this proxy statement to the Company's Board of Directors and **FOR** the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2007.

If your shares are held by your broker or other nominee, often referred to as in street name, you will receive a form from your broker seeking instructions as to how your shares should be voted. If you are a registered stockholder, you may vote by telephone or electronically through the Internet by following the instructions included with your proxy card. If your shares are held in street name, you should contact your broker or nominee to determine whether you will be able to vote by telephone or electronically. If your shares are held in street name and you do not issue instructions to your broker, your broker, under the rules of The Nasdaq Stock Market LLC, may vote your shares in its discretion on routine matters, but may not vote your shares on non-routine matters. The election of directors and the ratification of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2007 (Proposals 1 and 2) are both deemed routine matters. Therefore, your broker has discretionary authority to vote your shares on such matters absent specific instructions from you.

It is not expected that any matter not referred to herein will be presented for action at the Meeting. If any other matters are properly brought before the Meeting, including, without limitation, a motion to adjourn the Meeting to another time and/or place for the purpose of, among other things, permitting dissemination of information regarding material developments relating to any of the Proposals, or soliciting additional proxies in favor of the approval of any of the Proposals, the persons named on the accompanying proxy card will vote the shares represented by such proxy upon such matters in their discretion. Should the Meeting be reconvened, all proxies will be voted in the same manner as such proxies would have been voted when the Meeting was originally convened, except for the proxies effectively revoked or withdrawn prior to the time proxies are voted at such reconvened meeting.

Any stockholder giving a proxy may revoke it at any time before it is voted by communicating such revocation in writing to our Corporate Secretary at the address indicated above, by executing and delivering a later-dated proxy or by voting in person at the Meeting.

**Quorum; Required Votes and Recommendations**

Our only outstanding voting security is our common stock. Holders of record of common stock at the close of business on April 11, 2007, the record date for the Meeting, are entitled to notice of and to vote at the Meeting. On the record date for the Meeting, there were 35,225,703 shares of common stock outstanding and entitled to vote at the Meeting. In deciding all matters, a holder of common stock on the record date shall be entitled to cast one vote for each share of common stock then registered in such holder's name or otherwise beneficially owned.

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The holders of a majority of the outstanding shares of the Company's common stock as of the record date must be present in person or be represented by proxy to constitute a quorum and act upon the proposed business. Failure of a quorum to be represented at the Meeting will necessitate an adjournment or postponement and will subject the Company to additional expense. Votes withheld from any nominee for director and abstentions are counted as present or represented for purposes of determining the presence or absence of a quorum.

Proposal 1 discussed in this Proxy Statement requires the affirmative vote of a plurality of the votes cast at the Meeting. Accordingly, the three nominees receiving the highest number of affirmative votes of the shares present or represented and entitled to vote at the Meeting shall be elected as Class 1 directors. Proposal 2 requires the affirmative vote of the holders of a majority of the outstanding shares represented at the Meeting and entitled to vote thereon. Votes will be counted by the Company's transfer agent. Under Delaware law, abstentions are not counted as voting for or against a particular matter. However, abstentions are included in the number of shares present or represented at the Meeting and entitled to vote, and therefore, abstentions will have the same effect as a vote cast against Proposal 2. Abstentions and withhold votes will have no effect on the outcome of Proposal 1. Additionally, if a broker turns in a proxy card expressly stating that the broker is not voting on a nonroutine matter, such action is referred to as a broker nonvote. Broker nonvotes are counted for the purpose of determining the presence or absence of a quorum, but are not counted for determining the number of votes cast, as a broker nonvote is not considered entitled to vote on a matter. However, because the Proposals are each routine matters, there will not likely be any broker nonvotes. Accordingly, broker nonvotes will not impact the matters scheduled to be considered at the Meeting.

### **The Board of Directors unanimously recommends that you vote:**

**FOR** the Class I Director nominees named in this proxy statement; and

**FOR** the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2007.

## **CORPORATE GOVERNANCE**

We believe that effective corporate governance is critical to our long-term health and ability to create value for our stockholders. Our Board of Directors believes that we have in place appropriate charters, policies (including a comprehensive Code of Compliance and corporate governance guidelines), procedures and controls that promote and enhance corporate governance, accountability and responsibility with respect to the Company and a culture of honesty and integrity. We will continue to monitor emerging developments and best practices in corporate governance and augment these charters, policies, procedures and controls when required or when our Board determines it would benefit the Company and our stockholders. Our corporate governance policies, including our various Board committee charters, can be viewed at the Investor Relations section of our website at [www.luminexcorp.com](http://www.luminexcorp.com). Information contained on our website is not incorporated into this proxy statement by this or any other reference to our website in this proxy statement, and we do not intend the information on or linked to our website to constitute part of this proxy statement.

### **Director Independence**

Our Board of Directors consults with the Company's counsel to ensure that the Board's independence determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent director, including but not limited to those set forth in pertinent listing standards of the The Nasdaq Stock Market LLC as in effect from time to time. To assist in the Board's independence determinations, each director completed materials designed to identify any relationships that could affect the director's independence. In addition, through discussion among the directors a subjective analysis of independence was reviewed. The Board has determined that each of the following directors is an independent director consistent with the objective requirements of applicable laws and regulations, and that such persons do not otherwise have any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of such person's independent judgment in carrying out the responsibilities of a director: Robert J. Cresci; Jim D. Keever; Fred C. Goad, Jr.; Jay B. Johnston; Gerard Vaillant; Kevin M. McNamara and J. Stark Thompson. The Board has not established categorical standards

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or guidelines to make the subjective aspect of these determinations, but considers all relevant facts and circumstances known to the Board.

### **Director Qualifications**

The Nominating and Corporate Governance Committee may consider whatever factors it deems appropriate in its assessment of a candidate for board membership; however, candidates nominated to serve as directors will, at a minimum, in the committee's judgment:

be able to represent the interests of the Company and all of its stockholders and not be disposed by affiliation or interest to favor any individual, group or class of stockholders or other constituency; and

possess the background and demonstrated ability to contribute to the Board's performance of its collective responsibilities, through senior executive management experience, relevant professional or academic distinction, and/or a record of relevant civic and community leadership.

The consideration of a candidate for director will include the Nominating and Corporate Governance Committee's assessment of the individual's background, skills and abilities, and whether such characteristics fulfill the needs of the Board of Directors at that time. As part of the Nominating and Corporate Governance Committee's consideration of a candidate, the committee also believes that the candidate must:

be of high ethical character and share the core values of Luminex as reflected in our Code of Compliance;

have a reputation, both personal and professional, consistent with the image and reputation of Luminex;

be highly accomplished in the candidate's field;

be an active or former chief executive officer of a public company or a biotechnology company or an active or former leader of another complex organization;

otherwise have relevant expertise and experience, and be able to offer advice and guidance to the chief executive officer based on that expertise and experience; and/or

have the ability to exercise sound business judgment.

### **Process for Identifying Director Candidates**

The Nominating and Corporate Governance Committee may utilize a variety of methods for identifying nominees for director. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current Board members, professional search firms, stockholders or other persons. The Nominating and Corporate Governance Committee considers nominees proposed by the Company's stockholders in accordance with the provisions contained in our bylaws. Pursuant to our bylaws, any stockholder may nominate a person for election to our Board of Directors, provided that the nomination is received by the Secretary of the Company not less than 30 days nor more than 90 days prior to the first anniversary of the preceding year's Meeting. Each nomination submitted in this manner shall include the name and address of the nominee(s) and all other information with respect to the nominee as required to be disclosed in the proxy statement for the election of directors under applicable rules of the Securities and Exchange Commission (SEC), including the nominee's consent to being named as a nominee and to serving as a director, if elected. Additionally, the nominating stockholder must provide his or her name and address as it appears in the stock records of the Company and the number of shares of common stock beneficially owned by the stockholder.

### **Evaluation of Director Candidates**

The chair of the Nominating and Corporate Governance Committee will preliminarily assess a candidate's qualifications and suitability, working with management support and seeking board input, and report such assessment to the Nominating and Corporate Governance Committee members. When feasible, the chair of the Nominating and Corporate Governance Committee will interview candidates whom the chair believes are likely to meet the criteria for board membership as part of the preliminary assessment process. The report may be made to the Nominating and



Corporate Governance Committee at a meeting of the committee or informally to each committee member between meetings.

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If it is the consensus of the Nominating and Corporate Governance Committee that a candidate is likely to meet the criteria for board membership, the chair of the committee will advise the candidate of the committee's preliminary interest. If the candidate expresses sufficient interest, the committee will arrange interviews of the candidate with one or more members of the committee, and request such additional information from the candidate as the committee deems appropriate. The Nominating and Corporate Governance Committee will consider the candidate's qualifications, background, skills and abilities, and whether such characteristics fulfill the needs of the board at that time, and confer and reach a collective assessment as to the qualifications and suitability of the candidate for board membership.

If the Nominating and Corporate Governance Committee determines that the candidate is suitable and meets the criteria for board membership, the candidate will be invited to meet with the senior management of the Company and other members of the Board of Directors, both to allow the candidate to obtain further information about the Company and to give management and the other directors a basis for input to the Nominating and Corporate Governance Committee regarding the candidate. On the basis of its assessment, and taking into consideration input from other Board members and senior management, the Nominating and Corporate Governance Committee will formally consider whether to recommend the candidate's nomination for election to the Board of Directors.

### **Code of Compliance**

We have a Code of Compliance that applies to all of the employees, officers and directors of the Company and its subsidiaries. The purpose of our Code of Compliance is to provide written standards that are reasonably designed to deter wrongdoing and to promote honest and ethical conduct; full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with the SEC and other public communications by the Company; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of violations of the Code of Compliance; and accountability for adherence to the Code of Compliance. In 2007, we also amended our Code of Compliance to include a formal policy regarding the approval of related party transactions, which is to be administered by our Audit Committee. This policy is described more fully below under "Certain Relationships and Related Transactions." Each director, officer and employee is required to read and certify that he or she has read, understands and will comply with the Code of Compliance.

Under the Sarbanes-Oxley Act of 2002 and the SEC's related rules, the Company is required to disclose whether it has adopted a code of ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Nasdaq Stock Market LLC rules also require the Company to adopt a code of conduct applicable to the Company's directors, officers and employees that meets the SEC's definition of code of ethics. Our Code of Compliance meets the SEC's definition of code of ethics. The Company's employees, including our Chief Executive Officer and senior financial officers, are bound by our Code of Compliance.

A copy of our Code of Compliance can be obtained from the Investor Relations section of our website at [www.luminexcorp.com](http://www.luminexcorp.com). We intend to disclose amendments to, or waivers from, the Code of Compliance (to the extent applicable to our directors, Chief Executive Officer, principal financial officer, principal accounting officer or persons performing similar functions) on our website.

### **Communications with Members of the Board**

Our Board of Directors has established procedures for the Company's stockholders to communicate with members of the Board of Directors. Stockholders may communicate with any of the Company's directors, including the chairperson of any of the committees of the Board of Directors or the presiding director, if any, by writing to a director, care of Corporate Secretary, Luminex Corporation, 12212 Technology Boulevard, Austin, Texas 78727. Appropriate communications will be forwarded to such director(s) by the Corporate Secretary.

Communications expressing concerns or complaints relating to accounting matters, internal disclosure controls or controls over financial reporting, or auditing matters are handled in accordance with procedures established by the Audit Committee, including, without limitation, a dedicated hot line and email address. Under those procedures, concerns having to do with accounting matters, internal disclosure controls or controls over financial reporting, or auditing matters are presented by the Company's compliance officer to the Audit Committee

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for consideration and, if appropriate, corrective action. The Company's compliance officer maintains a log of correspondence addressed to directors and provides periodic summary reports thereof for the Audit Committee.

**Board Member Attendance at Annual Meeting of Stockholders**

The Company strongly encourages each member of the Board of Directors to attend each annual meeting of stockholders. Accordingly, we expect most, if not all, of the Company's directors to be in attendance at the Meeting. All of our directors attended the 2006 annual meeting of stockholders.

**Meetings and Committees of the Board of Directors**

The Board of Directors and its committees meet periodically during the year as deemed appropriate. During 2006, the Board of Directors met six times. No director attended fewer than 75% of all the 2006 meetings of the Board of Directors and its committees on which he served.

The Board of Directors is generally responsible for establishing our broad corporate policies and reviewing and assessing our corporate objectives and strategies, and other major transactions and capital commitments. The Board of Directors currently has four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Executive Committee. Each of our committees, other than the executive committee, operates under a charter adopted by our Board of Directors. It is the policy of the Board and each committee to periodically review its performance and the effectiveness of its charter and policies, as applicable.

*Audit Committee*

The Audit Committee, which met nine times in 2006, currently consists of Mr. McNamara, who serves as Chairman, Mr. Cresci and Mr. Thompson. The Board of Directors has determined that each member of the Audit Committee meets the heightened independence requirements of the applicable rules of the The Nasdaq Stock Market LLC and the SEC and has a basic understanding of finance and accounting and is able to read and understand fundamental financial statements. The Board of Directors has further determined that Mr. McNamara is an audit committee financial expert as such term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated by the SEC. The Audit Committee's primary duties and responsibilities are to oversee the Company's accounting and financial reporting processes and audits of the Company's financial statements; oversee the integrity of the Company's systems of internal controls regarding finance, accounting and legal compliance, including the oversight of the Company's internal audit function; oversee the independence and performance of the Company's independent registered public accounting firm; pre-approve all audit and permitted non-audit services to be performed by such firm; provide an avenue of free and open communication among the independent registered public accountants, management and the Board of Directors; and to approve related party transactions. It is the function of the Audit Committee to help ensure the Company's financial statements accurately reflect the Company's financial position and results of operations. In addition, the Audit Committee, following its review of the audited financial statements, is charged with recommending the audited financial statements to the Board of Directors for inclusion in the Company's annual reports. Additional information regarding the purpose and functions of the Audit Committee is set forth in the Report of the Audit Committee provided below.

*Compensation Committee*

The Compensation Committee, which met eight times in 2006, currently consists of Jay B. Johnston, who serves as Chairman, Mr. Goad, Mr. Kever, and Mr. Vaillant. The Board of Directors has determined that each member of the Compensation Committee is a non-employee director as defined in Rule 16b-3 of the rules promulgated under the Securities Exchange Act of 1934, an outside director for the purposes of the Internal Revenue Code of 1986, as amended (the Code), and an independent director as defined by the applicable rules of The Nasdaq Stock Market LLC. The Compensation Committee's function is to establish and apply our compensation policies and philosophies to assure that the executive officers, directors and other officers and key employees are compensated in a manner consistent with the compensation policies and objectives adopted by the Compensation Committee, competitive practice and the requirements of the appropriate regulatory bodies. The Compensation Committee also administers our equity incentive plans. Additionally, the Compensation Committee is charged with recommending the Compensation Discussion and Analysis to the Board of Directors for inclusion

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in the Company's Annual Report on Form 10-K. Additional information regarding the functions performed by the Compensation Committee and the process undertaken by the Compensation Committee in the determination of executive compensation is included under Executive and Director Compensation Compensation Discussion and Analysis.

### *Nominating and Corporate Governance Committee*

The Nominating and Corporate Governance Committee, which met two times in 2006, currently consists of Mr. Cresci, who serves as Chairman, Mr. Thompson and Mr. Vaillant. The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent as defined by the applicable rules of the The Nasdaq Stock Market LLC. The Nominating and Corporate Governance Committee provides assistance to the Board of Directors in identifying and recommending individuals qualified to serve as directors of the Company, reviews the composition of the Board of Directors, periodically evaluates the performance of the Board of Directors and its committees, and reviews and recommends corporate governance policies for the Company. In addition, the Nominating and Corporate Governance Committee recommends our various committee memberships based upon, among other considerations, a director's available time commitment, background and/or skill set it deems appropriate to adequately perform the responsibilities of the applicable committee.

### *Executive Committee*

The Executive Committee, which met four times in 2006, currently consists of Mr. Erickson, who serves as Chairman, Mr. Balthrop and Mr. Loewenbaum. The Executive Committee's function is to act on behalf of the Board of Directors as a whole, to the extent delegated to the committee and otherwise permitted by law.

### *Executive Sessions of Non-employee Directors*

Generally, an executive session of non-employee directors is held in conjunction with each regularly scheduled Board meeting and other times as deemed appropriate. The executive sessions are generally led by Mr. Loewenbaum or the presiding director. At least two meetings per year are also held by solely our independent directors, led by the presiding director. The presiding director is the then chair of the Nominating and Corporate Governance Committee (currently Mr. Cresci), as further described in our corporate governance guidelines.

## **Scientific Advisory Board**

The Scientific Advisory Board (the Advisory Board), which met three times in 2006, was created in 2005 to, among other responsibilities, provide strategic advice regarding the Company's research and development efforts and to evaluate and provide new scientific and technological perspectives relating to the current and future application of the Company's technologies. Our former director, Dr. C. Thomas Caskey, was the initial member of the Advisory Board, which now also includes Dr. Ronald Bowsher, Dr. Andrea Ferreira-Gonzalez, Dr. Thomas Joos and Dr. Gary Procop. Dr. James Jacobson, Dr. John C. Carrano and Richard Janeczko also serve on the Advisory Board as management representatives. It is expected that each member of our Advisory Board will be qualified and experienced in the markets and/or industries in which our products are or may be utilized and, with the exception of Dr. Jacobson and Dr. Carrano, are neither employees nor directors of our Company. Additionally, the Company may invite members of our Board of Directors to serve on the Advisory Board in their capacity as members of our Board of Directors in order to help oversee and direct the Advisory Board and help communicate the Advisory Board's conclusions and recommendations to our Board of Directors. The Advisory Board operates at the discretion of the Board of Directors.

## **Compensation Committee Interlocks and Insider Participation**

During 2006, the Compensation Committee of the Board of Directors consisted of Mr. Goad, who served as Chairman, Mr. Keever and Mr. Vaillant, none of whom has ever been an officer or employee of the Company or its subsidiaries. No interlocking relationship existed during 2006 between any officer, member of our Board of Directors or the Compensation Committee and any officer, member of the Board of Directors or compensation committee of any other company.

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**PROPOSAL 1 ELECTION OF CLASS I DIRECTORS**

The number of directors on our Board of Directors is currently fixed at ten. Our certificate of incorporation divides our Board of Directors into three classes which serve staggered three-year terms. The terms of the Class I, Class II and Class III directors will expire upon the election and qualification of directors at the annual meeting of stockholders to be held in 2007, 2008 and 2009, respectively.

Currently, our Board of Directors is composed of three Class I directors (consisting of Robert J. Cresci, Thomas W. Erickson and Gerard Vaillant), three Class II directors (consisting of Fred C. Goad, Jr., Jim D. Kever and Jay B. Johnston) and four Class III directors (consisting of Patrick J. Balthrop, Sr., G. Walter Loewenbaum II, J. Stark Thompson, and Kevin M. McNamara).

At the Meeting, the stockholders will elect three Class I directors. Each of these directors is to serve a three-year term until the 2010 annual meeting of stockholders and until a successor is elected and qualified or until the director's earlier resignation or removal. The Board of Directors and its Nominating and Corporate Governance Committee, pursuant to and consistent with the nomination procedures described above under Corporate Governance, have nominated Messrs. Cresci, Erickson and Vaillant for re-election as Class I directors. It is the intention of the persons named in the proxy to vote the proxies for the election of the aforementioned nominees. Proxies may not be voted for persons other than those, or for more persons than, named in the proxy. If any nominee should be unwilling or become unavailable to serve as a director for any reason, the persons named as proxies reserve full discretion to vote for such other person or persons as may be properly nominated. The Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve as a director if elected.

Certain information about the Class I nominees for the Board of Directors, and those directors whose terms do not expire at the Meeting, is furnished below.

**Class I Director Nominees**

*Robert J. Cresci, age 63.* Mr. Cresci has served as a member of the Board of Directors since December 1996. He has been a Managing Director of Pecks Management Partners Ltd., an investment management firm, since September 1990. Mr. Cresci currently serves on the Boards of Directors of Sepracor Inc., j2 Global Communications, Inc., ContinuCare Corporation, SeraCare Life Sciences, Inc. and several private companies. Mr. Cresci received his undergraduate degree from the United States Military Academy at West Point and received his M.B.A. in Finance from the Columbia University Graduate School of Business.

*Thomas W. Erickson, age 56.* Mr. Erickson has served as a member of the Board of Directors since May 2004. Mr. Erickson served as the company's Interim President and Chief Executive Officer from September 2002 until our hiring of Mr. Balthrop in May 2004. He is currently Chairman of the Board of National Medical Health Card Systems, Inc. and PATHCare, Inc., and is a Senior Advisor to New Mountain Capital, LLC, a private equity firm. Previously, he served as Chairman of the Board of TransHealthcare, Inc., Chairman and Interim President and CEO of LifeCare Holdings, Inc., an operator of long-term acute care hospitals, and Interim President and CEO of Omega Healthcare Investors, Inc., a healthcare focused real estate investment trust. Mr. Erickson was also co-founder, President and CEO of CareSelect Group, Inc., a physician practice management company. Earlier in his career, he held several management positions at American Hospital Supply Corporation. Mr. Erickson holds a Bachelors degree from University of Iowa and an M.B.A. from Southern Methodist University.

*Gerard Vaillant, age 65.* Mr. Vaillant has served as a member of the Board of Directors since February 2005. Mr. Vaillant held a number of positions within Johnson & Johnson from 1981 through 2004. Most recently, Mr. Vaillant served as Company Group Chairman until he retired. He also served as Chairman for Ortho-Clinical Diagnostics, Inc., Veridex LLC and Therakos, Inc., and as a member of several other operating committees within Johnson & Johnson during that period. In addition, from 1992-1995, he was the Worldwide President of LifeScan, a company dedicated to improving the quality of life for people with diabetes by developing, manufacturing and marketing a wide range of blood glucose monitoring systems and software. He currently serves on the Board of Directors of Sensors for Medicine and Science, Inc. and Tecan AG. He holds a Masters Degree & Superior Certificate in Biochemistry & Industrial Chemistry from Paris University of Sciences and a Degree in Marketing from Ecole Supérieure de Commerce de Paris.



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*Fred C. Goad, Jr., age 66.* Mr. Goad has served as a member of the Board of Directors since September 1997. Since August 2001, he has been a member in Voyent Partners, L.L.C., a private investment company. Mr. Goad served as Co-Chief Executive Officer of the transaction services division of WebMD Corporation ( WebMD ), a provider of healthcare transaction, information and technology services, from June 2000 through March 2001. From March 1999 through May 2000, Mr. Goad served as Senior Advisor to the Office of the President of the transaction services division of Quintiles Transnational Corporation ( Quintiles ). Mr. Goad served as Co-Chief Executive Officer and Chairman of Envoy Corporation ( Envoy ), a provider of electronic transaction processing services for the healthcare industry, from June 1996 until Envoy was acquired by Quintiles in March 1999. From 1985 to June 1996, Mr. Goad served as President and Chief Executive Officer of Envoy. Mr. Goad also serves on the Boards of Directors of Performance Food Group Company, Emageon Inc. and several private companies.

*Jim D. Keever, age 54.* Mr. Keever has served as a member of the Board of Directors since December 1996. He has been a member in Voyent Partners, L.L.C. since August 2001. Mr. Keever served as Co-Chief Executive Officer of the transaction services division of WebMD from June 2000 to March 2001. From March 1999 through May 2000, Mr. Keever served as Chief Executive Officer of the transaction services division of Quintiles. From August 1995 through March 1999, Mr. Keever was the President and Co-Chief Executive Officer of Envoy. Mr. Keever joined Envoy as Treasurer and General Counsel in October 1981. Mr. Keever serves on the Boards of Directors of 3D Systems Corporation, Transaction Systems Architects, Inc. and Tyson Foods, Inc. Mr. Keever received a B.S. in business and administration from the University of Arkansas in 1974 and a J.D. from the Vanderbilt University School of Law in 1977.

*Jay B. Johnston, age 64.* Mr. Johnston has served as a member of the Board of Directors since February 2005. Mr. Johnston currently serves as Chairman of QuesTek Innovations, LLC, a privately-held company that designs and markets high tech materials. From 1975-1999, he held numerous positions at Abbott Laboratories, most recently Corporate Vice President for Diagnostic Assays and Systems. He held numerous other positions with Abbott Laboratories, including President of Dainabot Co. Ltd. and Vice President Asia Pacific. Mr. Johnston has experience in general management, product development, technology management, strategic marketing and business development. He holds an M.B.A. in General Management from the Amos Tuck School of Business Administration and a B.A. degree in Public Administration from Dartmouth College.

**Class III Directors (Terms expire in 2009)**

*Patrick J. Balthrop, Sr., age 50.* Mr. Balthrop has served as our President and Chief Executive Officer since May 2004 and has served as a member of the Board of Directors and the Executive Committee since September 2004. Prior to joining us, he was employed by Fisher Scientific International Inc. where, since 2002, he served as President of Fisher Healthcare, a Fisher Scientific company that focuses on diagnostic testing needs in the healthcare industry. Prior to Fisher Scientific International, Mr. Balthrop served in a number of leadership positions for over 20 years with Abbott Laboratories, primarily in Abbott's Diagnostics Division. Mr. Balthrop's most recent positions at Abbott were as head of worldwide commercial diagnostics operations and as head of Abbott Vascular. His experience at Abbott and Fischer included sales, marketing, manufacturing operations, international experience, research and development and senior management. Mr. Balthrop holds an M.B.A. from the Kellogg Graduate School of Management of Northwestern University, and a B.S. in Biology from Spring Hill College.

*G. Walter Loewenbaum II, age 62.* Mr. Loewenbaum has served as a member of the Board of Directors since May 1995 and as Chairman of the Board of Directors since September 2002. He served as Vice Chairman of the Board of Directors from April 1998 until January 2000. Mr. Loewenbaum currently serves as Chairman and Chief Executive Officer of Finetooth Corp, a provider of contract management solutions. Additionally, from July 1999 through 2003, he served as a Member of LeCorgne Loewenbaum & Co., LLC, an investment banking firm. From April 1990 until June 1999, he served as the President, Chairman and Chief Executive Officer of Loewenbaum & Company, Inc. (f/k/a Southcoast Capital), an investment banking company. Mr. Loewenbaum also has served as Chairman of the Board of Directors of 3D Systems Corporation since September 1999, and was previously Chairman of the Board of Directors of Envoy. He received a B.A. from the University of North Carolina.





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*Kevin M. McNamara, age 51.* Mr. McNamara has served as a member of the Board of Directors since May 2003. In addition, he provided financial and strategic consulting services to the Company from October 2001 through December 2002. Mr. McNamara has served as Executive Vice President and Chief Financial Officer of HealthSpring, Inc., a managed care company focused on Medicare Advantage, since April 2005. Mr. McNamara also served as non-executive chairman from April 2005 through January 2006 of MedAvant Healthcare Solutions (f/k/a ProxyMed, Inc.), a provider of automated healthcare business and cost containment solutions for financial, administrative and clinical transactions in the healthcare payments marketplace, and served as Interim Chief Executive Officer of ProxyMed, Inc. from December 2004 through June 2005. Mr. McNamara previously served as Chief Financial Officer of HCCA International, Inc., a healthcare management and recruitment company from October 2002 to April 2005. From November 1999 until February 2001, Mr. McNamara served as Chief Executive Officer and a director of Private Business, Inc., a provider of electronic commerce solutions that help community banks provide accounts receivable financing to their small business customers. From 1996 to 1999, Mr. McNamara served as Senior Vice President and Chief Financial Officer of Envoy. Mr. McNamara is a Certified Public Accountant (inactive) and holds a B.S. in Accounting from Virginia Commonwealth University and a M.B.A. from the University of Richmond.

*J. Stark Thompson, age 65.* Mr. Thompson has served as a member of the Board of Directors since June 2005. Mr. Thompson has served as Non-Executive Chairman of the Board of Directors of Gene Logic, Inc. since November 2004 and as a director since February 2002. Mr. Thompson is the sole proprietor of Black Horse Yachts, LLC, a manufacturer of semi-custom yachts. Mr. Thompson most recently served as President, Chief Executive Officer and Director of Life Technologies, Inc., a developer, manufacturer and supplier of products and services for life science researchers and biotechnology companies, from 1988 until his retirement in 2000. He previously held a number of research, sales, product development, operations and other positions over a 21 year career with the E. I. Du Pont deNemours and Company. He also serves on the board of various private and civic organizations. Mr. Thompson has a Bachelor of Science degree from Muskingum College and a Masters of Science and Ph.D. in Physiological Chemistry from the Ohio State University.

**Required Vote; Recommendation of the Board**

Election of Class I directors will be determined by a plurality of the votes cast at the Meeting.

The Board of Directors unanimously recommends that stockholders vote **FOR** the election of its nominees for Class I directors.

**PROPOSAL 2 RATIFICATION OF APPOINTMENT  
OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Ernst & Young LLP as the Company's independent registered public accounting firm to audit the financial statements of the Company and to perform other accounting services, if appropriate, for the year ending December 31, 2007. Such appointment will be presented to the stockholders for ratification at the Meeting. A representative of Ernst & Young LLP is expected to be present at the Meeting to respond to questions from stockholders and will be given the opportunity to make a statement if so desired.

Stockholder ratification of the selection of Ernst & Young LLP as the Company's independent registered public accountants is not required by the Company's bylaws or otherwise. However, the Audit Committee is submitting the selection of Ernst & Young LLP to the stockholders for ratification. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

Fees paid to Ernst & Young LLP for services provided during the years ended December 31, 2006 and 2005 are presented below.

*Audit Fees.* The aggregate audit fees billed to us by Ernst & Young LLP for professional services rendered for the audit of our annual consolidated financial statements, for the reviews of the consolidated financial statements

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included in our quarterly reports on Form 10-Q, for the audit of management's report on the effectiveness of our internal control over financial reporting, as required under Section 404 of the Sarbanes-Oxley Act of 2002, and other services that are normally provided by the independent auditor in connection with statutory and regulatory filings totaled \$323,500 for 2006 and \$280,000 for 2005.

*Audit-Related Fees.* There were no other fees billed to us by Ernst & Young LLP for assurance and related services with regard to the performance of the audit or review of the Company's consolidated financial statements, and for the review of the Company's internal controls over financial reporting and not described above under Audit Fees, for 2006 and 2005.

*Tax Fees.* The aggregate fees billed by Ernst & Young LLP for professional services rendered for tax return preparation were \$10,000 in 2006 and \$42,000 for 2005.

*All Other Fees.* There were no fees billed by Ernst & Young LLP for products or services other than those described above for 2006 and 2005.

The Restated Audit Committee Charter, among other things, requires the Audit Committee to pre-approve all audit and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor. The Audit Committee has adopted a pre-approval policy in order to ensure that the performance of audit and non-audit services by the independent auditor does not impair the auditor's independence. The policy provides for the general pre-approval of specific types of services, gives guidance to management as to the specific type of services that are eligible for pre-approval and provides cost limits for each such service on an annual basis. The policy requires specific pre-approval of all other permitted services. Requests or applications to provide services that require separate approval by the Audit Committee are submitted by the Company's Chief Financial Officer to the Audit Committee and must include a statement as to whether, in the Chief Financial Officer's view, the request or application is consistent with the SEC's rules on auditor independence. The Audit Committee may delegate pre-approval authority to one or more of its members who shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

All audit related services, tax services and other services provided in 2006 and 2005 were pre-approved by the Audit Committee. The Audit Committee concluded that the provision of such services by Ernst & Young LLP was compatible with the maintenance of the firm's independence in the conduct of its auditing functions.

**Required Vote; Recommendation of the Board**

Approval of this proposal requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote on the matter.

The Board of Directors unanimously recommends that stockholders vote **FOR** Proposal 2.

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**REPORT OF THE AUDIT COMMITTEE**

*The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.*  
To the Stockholders of Luminex Corporation:

The Board of Directors maintains an Audit Committee comprised of three independent directors. The Board of Directors and the Audit Committee believe that the Audit Committee's current member composition satisfies the rules of The Nasdaq Stock Market LLC that govern audit committee composition, including the requirement that audit committee members meet the heightened independence requirements as contemplated by the applicable rules of the The Nasdaq Stock Market LLC. The Audit Committee operates under a written charter, which was adopted by the Board of Directors (as amended to date, the Restated Audit Committee Charter). A copy of the Restated Audit Committee Charter may be viewed on the Investor Relations section of our website at [www.luminexcorp.com](http://www.luminexcorp.com).

Pursuant to the Restated Audit Committee Charter, the Audit Committee oversees the financial reporting process on behalf of the entire Board of Directors. The Audit Committee is responsible for the appointment, compensation and oversight of the work of the Company's independent registered public accountants. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. Our independent registered public accountants are responsible for performing an independent audit of the Company's financial statements in accordance with standards established by the Public Company Accounting Oversight Board, expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles and auditing management's assessment of the effectiveness of internal control over financial reporting and issuing a report thereon. In fulfilling its oversight responsibilities, the Audit Committee reviews and discusses with management and the independent registered public accountants the audited and interim financial statements included in our reports filed with the SEC in advance of the filings of such reports.

The Audit Committee has reviewed and discussed the audited financial statements with management and the independent registered public accountants. Furthermore, the Audit Committee has reviewed and discussed with the independent registered public accountants all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended by Statement on Auditing Standards No. 90 (Audit Committee Communications). The Audit Committee has also received from the independent registered public accountants the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with them their independence from the Company and its management.

The Audit Committee discussed with the independent registered public accountants the overall scope and plans for their audit. The Audit Committee met with the independent registered public accountants, with and without management present, to discuss the results of their examination, their evaluation of the Company's internal controls requirements under Section 404 of the Sarbanes-Oxley Act of 2002, and the overall quality of the Company's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board of Directors approved) that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC.

SUBMITTED BY THE AUDIT COMMITTEE OF

THE BOARD OF DIRECTORS

Kevin M. McNamara (Chairman)

Robert J. Cresci

J. Stark Thompson

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**EXECUTIVE AND DIRECTOR COMPENSATION**

**Compensation Discussion And Analysis**

*Overview of Compensation Process.* The Compensation Committee of the Board of Directors (the Committee) is responsible for establishing the compensation programs for the Company's Chief Executive Officer (the CEO) and other executive officers. In addition, the Committee reviews and makes recommendations to the full board regarding non-employee director compensation. The Committee administers the Company's 2006 Equity Incentive Plan (the Equity Plan) under which option and restricted share grants, restricted share units and other awards may be made to key employees, directors and consultants, together with the Luminex Corporation 2006 Management Stock Purchase Plan (the MSPP) and certain historical equity plans under which awards remain outstanding but no further grants may be made. Additional information regarding the functions performed by the Committee is included above under Corporate Governance Meetings and Committees of the Board of Directors Compensation Committee.

The Committee annually reviews executive compensation and the Company's compensation policies in an attempt to ensure that the CEO and the other executive officers are rewarded appropriately for their contributions to the Company and that the overall compensation strategy supports the objectives of our organization, as well as stockholder interests. The Committee will review tally sheets quantifying every aspect, current or contingent, of executive compensation as part of its annual compensation review. The Committee intends to seek the advice and analyses of compensation consultants as and when it deems appropriate in reviewing our compensation strategies and policies. Input from senior executives may also, and generally will, be requested to assist our compensation consultants in understanding our organization and business objectives and challenges, as well as customizing any competitive market surveys we may request. In addition, given the CEO's insight into internal pay equity and positioning issues as well as executive performance, skill sets, potential and past and projected responsibilities, the views and recommendations of the CEO are solicited by the Committee with respect to executive compensation as part of the annual review process. These recommendations are considered by the Committee as an additional factor in the final compensation decisions and are generally given significant weight provided such recommendations are otherwise consistent with the Committee's compensation objectives and strategies. The Committee on occasion will also solicit the views of other board members with particular insight into relevant matters, who may, upon request, attend Committee meetings in an observer capacity. However, the Committee makes all final decisions regarding named executive compensation in meetings without management present. Moreover, the Committee retains exclusive authority over the hiring of its compensation consultants and executive compensation decisions. The Committee does not delegate the authority to make equity or other compensatory awards to any officer or other employee.

*Compensation Objectives.* The Committee has established the following primary objectives in designing and reviewing compensation for our CEO and other executive officers:

Attract, reward and retain skilled employees in a competitive recruiting environment;

Provide annual incentives for executives to achieve designated quantitative and qualitative measures of performance;

Reward corporate growth and encourage measured risk-taking in support of our corporate objectives; and

Align the interests of our executives with those of our stockholders by creating long-term incentives that deliver value based on long-term performance and stock price appreciation.

*Compensation Philosophy.* The Committee anticipates the Company will have significant future growth, in terms of both revenue and the expansion and complexity of our operations. Therefore, our compensation policies must primarily be designed to attract and retain the required talent to support our anticipated growth. Simultaneously, our policies should foster the growth and development of our executive team. The Committee also intends that each element of our compensation program be designed to simultaneously fulfill one or more of our compensation objectives described above. With respect to our objective of aligning executive behavior with stockholder interests, the Committee is committed to a strong, positive link between our financial and strategic performance and our compensation and benefits practices. The Committee believes the primary way to solidify this link is to have a

substantial portion of each officer's compensation contingent upon performance as a company, as well as upon his or her individual performance. Accordingly, in addition to the Company's strategic and financial

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performance, the Committee's compensation philosophy for an executive officer allows for flexibility in assessing an overall analysis of the executive's performance for the prior year, projected role and responsibilities, required impact on execution of Company strategy, external pay practices and competitive market conditions, total cash compensation and relative equity positioning internally, recommendations from our CEO and any compensation consultants it may engage, and other factors the Committee deems appropriate. Our philosophy also considers an officer's prior experience and professional status, employee retention, vulnerability to recruitment by other companies and the difficulty and costs associated with replacing executive talent. Accordingly, we do not believe in a one size fits all compensation policy and the Committee strives to make individual compensation decisions that reward performance while appropriately reflecting the unique attributes of our Company, particularly our stage of development, evolving business plan and diverse operational focus (including research, medical device, diagnostic and administrative focuses), and each employee. However, for our most senior executives, including our CEO, our philosophy strongly favors performance-based incentives that are consistent with stockholder interests.

*Program Design.*

Primary Elements and Compensation Mix. Based on the aforementioned objectives and philosophies, the Committee has designed our executives' compensation packages around three primary elements:

base salary;

annual variable performance awards payable in cash; and

long-term stock-based incentive awards.

While we do not support rigid adherence to compensatory formulas, there are general pay positioning policies, or benchmarks, we refer to which have been derived consistent with our general compensation objectives and philosophies. Our benchmark for base salary is to be competitive with median (50<sup>th</sup> percentile) salary levels in an appropriate peer group based, to the extent possible, upon comparable positions. Recognizing that we compete with larger companies for executive talent, the Committee's desire is to provide total short-term cash opportunities near the peer group median (50<sup>th</sup> percentile) for meeting targeted annual goals, but allow for upside for meeting or exceeding performance goals established by the Committee. The Committee's ultimate goal is to position total potential compensation opportunities with a target upside at the 75<sup>th</sup> percentile of our peer group, provided the Company delivers superior performance.

To ensure executives are being compensated fairly, and otherwise generally consistent with our pay positioning policies, the Committee collects compensation data from our peer group. However, these survey results will be used by the Committee solely as a baseline reference for consideration in the context of our compensation objectives and philosophies described above. Therefore, certain executives may be compensated below or above the Committee's benchmarks (including target mix as described below) based on subjective factors consistent with our flexible compensation philosophy and otherwise as deemed necessary to accomplish our compensation objectives.

With respect to compensation mix, we generally believe 55% to 75%, typically increasing with level of responsibility, of an executive's total compensation opportunity should be performance and equity based, with the equity component approximating 50% of target total compensation opportunities at the CEO level, and ranging from approximately 30% to 45% for the other named executive officers. We believe emphasis on equity focuses our executives on long-term performance. Additionally, we generally believe 15% to 30% of an executive's total compensation opportunities, typically increasing with level of responsibility, should be allocated to short-term performance bonus opportunities. This reflects our desire to reward and encourage the achievement of short-term business objectives and performance which should also inure to the benefit of our stockholders.

The following provides additional detail regarding the Company's three primary compensation elements:

*Base Salary.* Base compensation for our executive officers has historically been established by the terms of employment agreements between the Company and the executives or, with respect to promotions, is established by the Committee in conjunction with the CEO. The Committee's goal is to generally maintain base salaries near the 50<sup>th</sup> percentile of our peer group. We believe our benchmark with respect to base salary is necessary to be competitive in our recruitment and retention efforts. Notwithstanding our use of benchmarks, the



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Committee will subjectively determine appropriate levels of base compensation for executive officers based upon various factors consistent with our compensation objectives and philosophies.

*Short-Term Performance Bonus Opportunity.* The Committee believes that a significant portion of compensation should be linked to Company operating performance and individual contributions. To achieve this link with regard to short-term performance, the Committee will primarily rely on cash-based bonuses awarded to executive officers that are targeted as a percentage of base salary based on specific performance goals, including financial and personal, determined near the beginning of each fiscal year. Our CEO typically recommends performance goals to the Committee, which are then reviewed and approved or modified in the Committee's discretion. The minimum bonus opportunities are generally as set forth in the executive's employment agreement, subject to increase at the Committee's discretion. We do not intend to publicly disclose the specific Company performance targets to the extent they reflect competitive, sensitive information. However, we intend to approve target performance goals that are both attainable and practical based on a realistic estimate of our financial performance for the coming year, with maximum payouts tied to superior performance goals and no payouts for performance below a minimum threshold level. In our view, this bonus program provides a bonus incentive firmly aligned with stockholder interests. It is also our general goal to maintain consistency from year to year in the level of difficulty in achieving the various financial performance thresholds. However, as the many variables that ultimately determine our performance outcomes are subject to numerous risks and uncertainties, our actual performance, and corresponding payouts under our bonus plans, may be subject to a wide range of outcomes.

We believe it is important to incorporate individual goals into our performance incentive program because financial performance on the Company level is not necessarily indicative of the total value an executive may contribute to the Company. While certain individual goals can be measured objectively, others, such as leadership and teamwork, involve subjective assessment that will ultimately be left to the Committee, based primarily on recommendations of our CEO. Additionally, where an executive's primary responsibility may be in a particular business unit or function (for example, marketing or the Luminex Bioscience Group), the performance goals may be more heavily weighted towards specific financial or other achievements in that unit or function.

*Long-Term Stock-Based Incentive Compensation.* We believe that stock options and restricted share awards, the primary components of our long-term stock-based incentive program, have been effective in aligning the interests of our executive team with those of our stockholders. The availability of stock ownership has allowed us to attract and retain talented executives that are interested in building and growing our Company. We also believe that stock ownership has helped to create a culture that encourages our executives to think and act as stockholders. To further this alignment of interests with our stockholders, we have adopted stock ownership and retention guidelines that are further described below.

Historically, the Committee utilized stock options as long-term incentives; however, in 2005 and 2006, all long-term equity awards were in the form of restricted shares, primarily to allow us to use fewer shares than pursuant to traditional option grants. In 2007, the Committee, with the assistance of its consultant, analyzed our utilization of restricted shares as the sole equity award vehicle and has determined to utilize a combination of restricted shares (subject to five year vesting) and stock options (subject to three year vesting). This modification was made primarily to remain competitive with the practices of our peer group who generally rely on stock options as a significant component of equity compensation. We believe our use of restricted shares, in addition to limiting dilution, serves our compensation objectives of retention and alignment interests with our stockholders given the five year vesting. At the same time, the use of stock options, in addition to contributing to the competitiveness of our compensation packages, further motivates the executives to improve stockholder value over an extended time horizon. The Committee believes its policy to utilize a combination of restricted shares and options provides it the flexibility to set what it believe to be optimal combinations of retention- and performance-focused equity incentives.

In conjunction with 2007 equity awards, the Committee determined the desired value to be delivered to an executive pursuant to the equity component of his or her total compensation opportunity, and allocated 75% of that value to restricted shares and 25% to stock options. The number of restricted shares granted are generally determined by dividing the dollar amount allocated to the restricted share component by the fair market value of the shares on the date of grant. The Committee did not apply a discount to the value of these shares to reflect the forfeiture restrictions



associated with service-based vesting. The number of shares subject to options granted are generally determined by dividing the dollar amount allocated to the option component by the value of an option share with reference to the fair market value of the shares on the date of grant calculated pursuant to a modified

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Black-Scholes model specific to the Company. For 2007, this calculation resulted in a option share value of approximately 50% of the fair market value of our common stock on the grant date. The Committee may also utilize restricted share units, settled in stock upon vesting, in lieu of restricted shares where deemed appropriate in certain circumstances, such as the personal tax impact of granting restricted shares to our Canadian employees acquired in connection with the Company's acquisition of Tm Bioscience in March 2007.

Except with respect to new hires or promotions, we generally make annual equity compensation awards each year no earlier than the meeting in which we approve the prior year's annual performance bonuses. This allows us to assess the prior year's total compensation when considering current year grants. The Committee's meeting schedule is typically determined several weeks or months in advance, and the historical proximity of any awards to earnings announcements or other market events was coincidental. Based on a review of the Company's historical equity grants at the request of the Audit Committee, the Company's internal auditors reported that they did not find any material accounting or timing issues associated with such grants. While it is our goal to grant equity incentives during trading windows under our insider trading policy and while senior management is not in possession of material non-public information or in close proximity to a pending financial earnings release, there are occasions where this is not practicable. In these cases, the Committee will consider whether to adjust the number of shares and/or shares subject to an option grant in the event we believe the subsequent announcement of such material non-public information or financial earnings would positively impact our stock price to avoid the appearance of spring-loading or a windfall at the Company's expense.

The restricted shares are generally subject to time vesting over five years in equal annual increments on the anniversary date of such grants, while 2007 stock option grants will vest over three years in equal annual increments. Except with respect to Mr. Balthrop (as described below), we have not utilized performance-based vesting restrictions with respect to equity awards. While we have considered the merits of performance-based vesting, we believe time-based equity awards appropriately align the interests of our executives with those of our stockholders. Time-based vesting of restricted shares and stock options provide economic benefit only to the extent the employee maintains a long-term business relationship with and commitment to the Company. Stock price appreciation is required in order to realize value from stock options, and is required to create significant additional value with respect to restricted shares. Setting appropriate performance goals with respect to equity vesting has also been challenging with a company with a limited history of profitability and consistency with respect to key financial metrics. However, the Committee believes that performance-based vesting criteria may become viable as the Company matures and forecasting of performance parameters over a several year time horizon becomes more predictable.

Our employment agreements with our named executive officers provide for acceleration of vesting, or lapse of restrictions, in connection with a change in control. We believed such single-trigger acceleration provisions to be consistent with market practice for executives at the time each executive's employment agreement was negotiated. We felt that no accelerated vesting provision may put us at a competitive disadvantage in our recruiting and retention efforts, as employees often consider equity upside opportunities in a change in control transaction a critical element of compensation. Additionally, the absence of an accelerated vesting provision provides no security that equity related consideration will be earned in the event the Company is sold or the subject of a hostile takeover and could impact and an employee's willingness to work through a merger transaction which could be beneficial to our stockholders. The outstanding restricted shares and stock options of our named executive officers also vest in full upon their death or disability.

*Executive Compensation for 2006.* For 2006, the Committee caused the Company to engage Compensation Resources, Inc. ( CRI ) to assist it in reviewing the existing executive compensation strategies and policies and, in particular, performing detailed peer and market analyses as well as internal pay equity and positioning analyses. CRI was selected, in part, because of its national recognition as a compensation consulting firm. The focus was a market study of total overall executive compensation for the executive officers with an emphasis on base salary, performance-based cash incentives and long-term equity compensation. The Committee also advised CRI of its compensation objectives and philosophies in order to specifically tailor the survey. Peer companies were selected, with the concurrence of the Committee, from within the biotechnology (including research, medical device and diagnostic) industries and a group of larger companies targeted by the Committee that were believed to be relevant

peers. The biotechnology company peers were selected primarily based on market capitalization and/or revenue (within a range of approximately one-half to double the Company's market capitalization and/or revenue), as well as similar organizational and operational complexity and stage of development. The study focused primarily on public

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companies due to the lack of reliable data with respect to potentially similar private companies. The following peer companies were included in the analysis:

Accelrys, Inc.	Enzo Biochem Inc.	New Brunswick Scientific Co., Inc.
Anesiva, Inc.	Infinity Pharmaceuticals, Inc.	Third Wave Technologies, Inc.
(f/k/a Corgentech Inc.)	(f/k/a Discovery Partners International)	Transgenomic, Inc.
ArQule Inc.	Illumina Inc	Tripos, Inc.
Biosite, Inc.	Immunogen Inc.	Viacell, Inc.
Caliper Life Sciences, Inc.	Lifecell Corp.	Xenogen Corporation
Cepheid Inc.	Maxygen, Inc.	Zymogenetics, Inc
Digene Corporation	Monogram Biosciences, Inc.	

The analysis reviewed the competitive pay practices, using publicly available 2005 proxy statement data, of the peer companies. Published executive compensation surveys were also utilized, though more weight was given to the proxy data. Specific executive position matches within the peer group were based on the degree of compatibility of the positions' roles and responsibilities. Certain executive officers were consulted in order to establish appropriate position comparables and to help CRI understand our business strategy and objectives.

The 2006 compensation of Patrick J. Balthrop, our CEO and President, Harriss T. Currie, our Vice President, Finance and Chief Financial Officer and Treasurer, Randel S. Marfin, our Vice President, Luminex Bioscience Group, James W. Jacobson, our Vice President, Research and Development and David S. Reiter, our Vice President, General Counsel and Corporate Secretary (together, the named executive officers) is listed below under the Summary Compensation Table.

**Base Salary.** The results of the market analysis performed by CRI revealed base salaries of our named executive officers (overall) were slightly above the peer group marketplace. As a result of the Committee's evaluation, named executive officer base salaries did not increase in 2006.

**Performance-based Cash Awards.** With respect to annual cash performance awards for the named executive officers, the Committee approved 2006 performance award opportunities based upon achievement of Company performance goals (Company Goals) as well as personal business objectives (Individual Goals).

For 2006, for named executive officers other than the CEO, the total target awards under the performance-based cash bonus plan were weighted 50% for the achievement of Company Goals and 50% for the achievement of Individual Goals, and were based on a target bonus established by the Committee for each participant. The weighting of specific components of the Company Goals and Individual Goals varied for each executive taking into account, among other factors, responsibilities, seniority and other strategic initiatives in which an executive may be involved. The target bonuses ranged from 40% to 50% of each executive's base salary (excluding the CEO) depending on responsibility levels and the provisions in applicable employment contracts, and were not increased for our named executive officers for 2006 as the market study performed by CRI indicated these targets were general at or above the targeted ranges within our peer group. The Company Goals were subject to an over/underachievement scale with possible payouts of 0% to 200% of the potential bonus for Company Goals based on financial results in relation to the applicable performance targets. Accordingly, significant underachievement is not rewarded in the design of our plan. Individual Goals were not subject to an over/underachievement scale. Accordingly, total awards could range from zero to a maximum of 150% of the target bonus.

The Company Goals were based on a number of specific financial metrics, including total revenue, combined consumables and royalty revenue, and adjusted operating profits targets, as well as achieving absolute profitability. The target performance goals were primarily determined by reference to our business plan (including, in some cases, targets in excess of budget), thus requiring aggregate overachievement in order to receive payouts in excess of 100% of the target portion of the bonus related to Company Goals. The Individual Goals varied by executive and were based on specified management initiatives and projects for 2006 and leadership and team contributions, with each objective given a specified weight (typically 30-35% (out of the total target award opportunity) for projects, and 15-20% for leadership and team contributions). The project goals were graded 100% for on time completion, 75% for completed

late, 50% for partially complete and 0% for failure to produce even partial completion, in each case in the subjective judgment of the Committee based, in part, upon the recommendation of the CEO.

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In general, the Company Goals were achieved and/or exceeded in 2006 and Individual Goals were modestly underachieved. Accordingly, total bonus payouts for our named executive officers (other than the CEO) ranged from 95% to 125% (out of a maximum opportunity of 150%) of their target award opportunities.

For 2006, the CEO performance-based cash bonus plan was based upon achievement of certain financial targets, including operating performance targets and combined consumable and royalty revenue on a Company level, as well as business objectives, in each case as determined by the Committee. The business objectives were based on specified management initiatives, with each objective given a specific weight. The total target awards under the CEO plan were weighted approximately 50% for the achievement of the Company performance goals and approximately 50% for the achievement of Mr. Balthrop's business objectives. These target performance goals and objectives were primarily determined with reference to our business plan (including, in some cases, targets in excess of budget) and strategic goals and initiatives, thus requiring overachievement in order to receive payouts equal to 100% of the target bonus. The individual objectives were subject to the grading system described above with respect to the other executive officers. The target bonus established by the Committee was 100% of Mr. Balthrop's base salary, as set forth in his employment agreement. Mr. Balthrop's total award under the CEO bonus plan ranged from zero to a maximum of 100% of the target bonus, with no payouts permitted for performance below the respective target thresholds. Accordingly, Mr. Balthrop's potential bonus was not subject to an over/underachievement scale. The Committee determined Mr. Balthrop had achieved each of the personal objectives required under his plan but that certain of the Company performance-based goals were not achieved resulting in a bonus equal to 84% of his target bonus. Notwithstanding, the Committee authorized an additional subjective bonus of \$100,000 after consideration of factors it deemed relevant, including its view that certain financial performance targets were based on overly aggressive assumptions and the achievement of significant strategic objectives in 2006, including the execution of the acquisition agreement for Tm Bioscience. Accordingly, Mr. Balthrop received an aggregate cash performance bonus for 2006 of 109% of his target bonus.

By way of historical context, in 2004 and 2005 our executives achieved payouts under the bonus plan at about 100% of target overall, with Company Goals generally overachieved, offset by failure to fully achieve 100% of the Individual Goals.

**Long-Term Stock-Based Incentive Compensation.** The CRI market analysis revealed that while the Company was generally paying the respective executive officers aggregate cash compensation greater than the target 50<sup>th</sup> percentile, the Company was generally underpaying with respect to total compensation opportunities targeted at the 75<sup>th</sup> percentile, primarily as a result of under-compensating with respect to the equity component. However, in light of the fact that the total cash compensation was slightly above the peer group marketplace, target equity awards were not increased to the levels inherent in the component mix suggested by the survey in certain cases to avoid exceeding the overall total target compensation goals for such executives. Based on the foregoing, recommendations of the CEO, and other factors deemed relevant, the Committee authorized the issuance of restricted share awards in 2006 to each of the Company's executive officers (other than the CEO) ranging from 8,855 to 14,772 shares, as further detailed in the Grant of Plan-Based Awards in 2006 table.

The benchmarking data reflected that Mr. Balthrop was significantly under compensated with respect to equity incentive compensation. The Committee deemed it appropriate to grant Mr. Balthrop 32,000 restricted shares in 2006. This grant was designed to reflect the importance of the CEO position and to increase Mr. Balthrop's total compensation as compared with 2005.

The restricted shares granted in 2006 are generally subject to time vesting over five years in equal annual increments on the anniversary date of such grants. See above under Program Design Long-Term Stock-Based Incentive Compensation.

*Executive Compensation for 2007.* The Committee engaged Hewitt Associates LLC, or Hewitt, to serve as the Committee's compensation consultant for 2007. Hewitt was engaged to review our existing executive compensation strategies and policies and to perform a detailed peer group compensation analyses. Hewitt has also been requested to review, over the remainder of 2007, our outside director compensation policies and to make recommendations regarding compensation policies for our top 30 officers and eventually across our employee-base, including the development of sustainable and appropriate future job development and market pricing strategies.



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As a result of the Committee's process for 2007, it was determined that our cash-based compensation programs, including performance bonus opportunities, for our named executive officers were generally appropriate and reasonable in light of our compensation philosophy, objectives and benchmarks. Accordingly, these programs will be substantially the same in 2007 for our named executive officers (other than our CEO), subject to modest increases in base salary (ranging from 2.5% to 5.5%, primarily to account for inflation adjustments and overall 2006 performance ratings as recommended by our CEO). The Committee also made modifications to applicable performance objectives and corresponding weighting under our cash-based bonus plans to reflect updates to responsibilities and our business plan and strategic and other initiatives for 2007. However, target bonus amounts, expressed as a percentage of base salary, for our named executive officers did not change for 2007. Mr. Balthrop's salary was increased 8%, reflecting the Committee's view of his superior performance in 2006 and his overall value to the Company. In addition, primarily to more closely align his bonus structure with those of the other named executive officers, Mr. Balthrop's bonus plan was modified to include an overachievement feature allowing Mr. Balthrop to earn up to 126.25% of his target bonus amount (100% of base salary) for overachievement of certain of his plan objectives.

The targeted value of equity awards for our named executive officers was generally increased, with the specific increase based on various factors reflecting the Committee's application of our flexible compensation philosophy. However, the most significant increase was with respect to Mr. Balthrop, primarily in recognition of the Committee's view as to his performance since his hiring in May 2004, anticipated future contributions, and the Committee's desire to be competitive within our peer group for CEO's with comparable experience. The Committee believes the increased performance based compensation opportunities will further motivate Mr. Balthrop to increase the long-term value of the Company. Additionally, as described above, the Committee determined in 2007 to utilize a mix of restricted shares and stock options as the long-term equity compensation vehicles.

The Committee also determined to amend Mr. Balthrop's performance-vesting 200,000 restricted share agreement to provide for cliff vesting of any unvested restricted shares at the end of the five-year performance period under the initial grant to the extent any or all of the performance measures have not been previously achieved. The initial terms of the restricted share award are described further under footnote (4) to the Outstanding Equity Awards at 2006 Fiscal Year-End Table. This determination was made following a comprehensive review of Mr. Balthrop's compensation since his arrival in May 2004. While it is currently unclear whether any or all of the performance targets will be met within the five-year performance period, it was the Committee's desire for Mr. Balthrop to retain these shares at the end of the performance period regardless, primarily in view of his total compensation since his arrival, the strength of his performance during his tenure as observed by the Committee and Mr. Balthrop's continuing role, and anticipated contributions, as our CEO. The Committee also considered the accounting impact of this amendment, as well as the difficulty in forecasting long-term performance goals for the Company at the time the restricted shares were issued and the impact of the Tm Bioscience acquisition upon the Company's financial performance, in deciding to approve the amendment.

*Change in Control; Termination Benefits.* We believe that reasonable and appropriate severance and change in control benefits are necessary in order to be competitive in our executive recruiting and retention efforts. These benefits are also the product of a generally competitive recruiting environment within our industry and as a result of our location in Austin, Texas, which often requires new executives to relocate from other states. We also believe that a change in control arrangement will provide an executive security that will likely reduce the reluctance of an executive to pursue a change in control transaction that could be in the best interests of our stockholders. Finally, while we have not conducted a study to confirm this, we believe formalized severance and change in control arrangements are common benefits offered by employers competing for similar executive talent. While the Committee will receive this information as part of its review of annual tallies of total executive compensation (including contingent compensation), we do not typically consider the value of potential severance and change in control payments when assessing annual compensation as these payouts are contingent and have a primary purpose unrelated to ordinary compensation matters and objectives. The Committee generally assesses these potential payouts only in view of their reasonableness during negotiations with a new hire, and periodically in light of competitive market conditions.

In light of the foregoing, upon their joining the Company, we entered into employment agreements with our named executive officers. These agreements generally provide for severance payments (including premiums for



certain continuing health and insurance benefits) where the executive is terminated without cause (including the  
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Company's failure to renew the employment agreement) or, except with respect to Messrs. Marfin and Jacobson, as a result of incapacity or death, or if the executive resigns for good reason. Additionally, certain enhanced severance for Messrs. Marfin and Jacobson may apply in the event the termination or resignation is in connection with or following a change in control. Although the definitions may vary slightly across these agreements, good reason generally means certain demotions in responsibilities or title, decreases in compensation and/or relocation requirements, while cause typically means conviction of a felony or a criminal act involving moral turpitude or failure to follow lawful and proper instructions of the Board or CEO.

Severance generally consists of amount equal to the executive's then current base salary (or, for Mr. Balthrop the amount of base salary that would have been paid over the remainder of the then-current term if greater) and the prior year's bonus amount, less any payment or payments received during the 12 month period from the time of termination under any long-term disability plan. In addition, health or other employee benefits (other than bonus and incentive compensation benefits) for the executive (and including Mr. Balthrop's family) generally continue for a period of twelve months following an executive's termination to the extent permitted by the applicable plans and law. If the termination occurs in connection with or following a change in control, Mr. Balthrop is entitled to additional severance in an amount equal to the pro rated portion of the current-year bonus to the extent the performance measures are achieved and Dr. Jacobson and Mr. Marfin will instead receive 2.99 times their average annual base salary plus bonus for the most recent five calendar years prior to the occurrence of the change of control. The employment agreements for Dr. Jacobson and Mr. Marfin also provide for an additional payment to compensate them for any tax liability imposed on change of control payments to the extent these payments constitute parachute payments under Section 280G of the Code.

The severance payments are generally made upfront at the time of termination (or within six months as described below) in a lump payment in order to make a clean separation from, and avoid continued entanglement with, the employee. Additionally, certain of the employment agreements, including Mr. Balthrop's, were amended in 2006 to provide that in the event the payment of any severance amounts payable pursuant to the employment agreements within six months of the date of the applicable executive's termination of employment would cause such executive to incur any additional tax under Section 409A of the Code, then payment of such amounts shall be delayed until the date that is six months following such executive's termination date.

In addition, as described above, upon a change of control or a termination as a result of death or disability, all unvested options or other restricted shares held by the executive will immediately become vested and exercisable, as applicable, pursuant to these agreements.

Tables showing the potential payments and benefits under these employment agreements upon the termination of our named executive officers are provided under Potential Payments Upon Termination or Change in Control.

Each named executive officer has agreed to limitations on his ability to disclose confidential information relating to us and acknowledges that all discoveries, inventions and other work product relating to his employment belong to us. Also, during the one year period following an executive's termination of employment, each executive has agreed not to compete, directly or indirectly, with the core business of the Company. Furthermore, during the non-compete period, each executive has agreed not to solicit our employees or consultants.

The foregoing summaries are qualified in their entireties by reference to the complete texts of the employment agreements previously filed by the Company with the SEC.

Historically, while each agreement has been the result of an arms-length negotiation, we have tried to utilize a similar form of agreement where possible (apart from minimum salary and cash bonus targets). Accordingly, Messrs. Marfin and Jacobson have substantially similar employment agreements, as do Messrs. Currie and Reiter and our other executives (each hired more recently than Messrs. Marfin and Jacobson), excluding Mr. Balthrop. Mr. Balthrop's agreement varies to some extent from the forms above and again reflects an arms-length negotiation following a lengthy CEO search, and we believe the terms are appropriate in light of Mr. Balthrop's background, skill set, the difficulty in replacing Mr. Balthrop and the competitive nature of his recruitment process.

*Retirement Plans.* We match contributions by our named executive officers to our 401(k) plan up to the maximum amount permitted under the Code.



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*MSPP.* In 2006, the Committee approved, and the stockholders adopted, the MSPP to encourage stock ownership and further align the interests of our senior officers and our stockholders. Another goal of the MSPP is to enable us to utilize the cash saved in lieu of paying a portion of annual performance bonuses for research and development and other productive corporate purposes. The MSPP allows select executives to elect to receive, in lieu of a specified portion of his or her annual performance bonus, a number of restricted shares equal to the amount of such specified portion of the annual bonus divided by a dollar amount equal to 80% of the fair market value of a share on the date on which such restricted shares are granted. Any participant who makes such an election will be entitled to a grant of restricted shares generally by March 15 of each calendar year following the year for which the election is in effect.

The restricted period for restricted shares granted under the MSPP is generally three years from the date of grant. With respect to restricted shares granted under the MSPP, if a participant's employment is terminated during the restricted period, then, except as provided below, the participant's rights to such restricted shares will be entirely forfeited and the participant will instead have the right to receive a cash payment equal to the lesser of (i) the then-current fair market value of the restricted shares or (ii) the bonus amounts foregone by the participant as a condition of receiving such restricted shares. If, during the restricted period, termination of employment of a participant resulted from death or total and permanent disability, the restrictions on the restricted shares will immediately lapse. If, during the restricted period, a participant is terminated by the Company without cause, the participant's right to the restricted shares will be forfeited entirely and the participant will instead have the right to receive a cash payment equal to either (i) the then-current fair market value of the restricted shares or (ii) the bonus amounts foregone by the participant as a condition of receiving such restricted shares. The Committee will decide, in its sole discretion, which of these amounts will be payable. In addition, the Committee may, in its discretion, accelerate the lapse of such restrictions upon a participant's retirement.

No shares have been purchased to date under the MSPP.

*Perquisites and Other Benefits.* The Company does not generally provide perquisites that are not, in the Committee's view, integrally and directly related to the named executive officers' duties. Nor does the Company otherwise maintain retirement or deferred compensation programs for executives other than participation in the Company's 401(k) plan and the MSPP as described above. While we have no formal relocation policy for new hires, we will on occasion agree to reimbursement of certain relocation and related costs as part of a negotiation for an executive based on the particular facts and circumstances of the negotiation. Senior management also participates in our other broad-based benefit programs available to our salaried employees including health, dental and life insurance programs. Except as otherwise discussed herein, other welfare and employee-benefit programs are generally the same for all eligible Company employees, including our executive officers, with some variation as required by law with respect to our international employees.

*Stock Ownership/Retention Guidelines.* The Board believes that it is a responsibility of all officers and directors of the Company to help achieve long-term stockholder value creation. In furtherance of this goal and the Board's objective of adopting relevant corporate governance best practices, the Company expects each officer and director to demonstrate a long-term commitment to the Company and to the Company's stockholders by acquiring and holding a meaningful investment in the Company's common stock. Therefore, the Board has established specific ownership and retention guidelines for the Company's officers and directors, summarized below.

Over time each officer and director is expected to build his or her ownership of the Company's common stock. The targeted ownership levels are expected to be achieved over five years from the effective date of the program or from the time they are named an officer or a director, as applicable, and maintained thereafter. The targeted ownership levels are as follows: CEO: five (5) times annual salary; executive officers: two and one half (2½) times annual salary; non-employee directors: \$100,000 market value. Each officer and director who has not yet achieved the targeted ownership levels is expected to retain certain shares of common stock acquired upon exercise of stock options or from restricted share grants pursuant to the Company's equity plans as follows: (1) in the case of stock options exercised in 2006, directors and officers were expected to hold the net number of shares acquired upon exercise of stock options for at least one year after the exercise and retain at least 50% of those shares thereafter. Commencing in 2007, directors and officers who have not achieved the targeted ownership requirements are expected to hold a

minimum of one-half the net number of shares acquired upon option exercises; and (2) in the case of restricted shares, officers and directors are expected to hold, after each vesting date of the award, at least one half of the net vested shares.

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The ownership guidelines may be achieved in any combination of the following manners: purchases on the open market; shares owned jointly with or separately by spouse and/or children, or held in trust for one of the foregoing persons; shares held through current or future employee stock purchase or other retirement, profit sharing or pension plans adopted by the Company; shares obtained through stock option exercises; and vested restricted shares.

The Board of Directors is authorized to make temporary exemptions to the foregoing ownership guidelines in its discretion where compliance would impose a severe economic hardship or otherwise prevent the officer or director from complying with a court order.

*Accounting and Tax Matters.* In part because of our lack of supplemental or top hat retirement or deferred compensation plans (apart from the MSPP) typical of larger companies, we do not presently consider the tax or accounting consequences to be a material factor in the design of our executive compensation packages, except as to the applicability of Section 162(m) of the Code. The compensation paid to our officers for 2006 did not exceed the \$1 million limit per officer for qualifying executive compensation for deductibility under Section 162(m), and it is not expected to in 2007. Our Equity Plan is structured so that any compensation deemed paid to an officer when he or she exercises an outstanding option under the Equity Plan with an exercise price equal to the fair market value of the option shares on the grant date will qualify as performance-based compensation which will not be subject to the \$1 million limitation. Restricted share grants, for which the vesting restrictions are solely time-based (including our CEO's performance-based restricted share grant in light of the recent modification to include a cliff vesting feature at the end of the five year performance period as described above), may not qualify as performance-based compensation and could be subject to the \$1 million limitation. The Balthrop Option (see Narrative to Summary Compensation Table and Grants of Plan-Based Awards in 2006 Table below) was not issued pursuant to a stockholder approved plan and, if exercised while Mr. Balthrop is a covered employee, will not qualify as performance-based compensation and will therefore be subject to the \$1 million limitation. Although it will consider the tax implications of its compensation decisions, the Committee believes its primary focus should be to attract, retain, and motivate executives and to align the executives' interests with those of the Company's stakeholders. Accordingly, because the amount and mix of individual compensation are based on competitive considerations as well as Company and individual performance, executive officer compensation that is not performance-based may exceed \$1.0 million in a given year.

The Committee operates its compensation programs with the good faith intention of complying with Section 409A of the Code. Effective January 1, 2006, the Company began accounting for stock-based payments with respect to its long-term equity incentive award programs in accordance with the requirements of SFAS 123R.

*Conclusion.* The Committee takes its mandate and responsibilities very seriously and spends considerable time assessing the overall executive compensation structure of the Company, reviewing and approving corporate goals and objectives relating to the compensation of executive officers, evaluating the performance of the executive officers and, where appropriate, making recommendations for improving performance. In connection therewith, the Committee directly engaged independent compensation consultants to assist the Committee in executing its responsibilities for 2006 and 2007. The Committee's compensation philosophy for an executive officer is intended to reward performance, while reflecting the unique attributes of the Company and each employee individually. Our executive compensation program is also structured to be competitive within our peer group and is specifically designed around various components of compensation intended to promote our compensation objectives.

Our approach to executive compensation emphasizes significant time and performance-based elements intended to promote long-term stockholder value and, in our view, appropriately aligns the interests of the Company's executive officers with those of the Company's stockholders. Additionally, we have adopted stock ownership guidelines to ensure our executives maintain a significant stake in our long-term performance. At the same time, we recognize that a proper executive compensation program should also be designed to attract, motivate, reward and retain the talent required to execute the Company's business strategy. We believe our executive compensation programs create an effective balance between these various objectives and promote the long-term value and health of the Company.

**Table of Contents****Compensation Committee Report On Executive Compensation**

The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed it with management and, based on such review and discussion, recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K.

Submitted by the Compensation Committee of the Board of Directors,

Jay B. Johnston (Chairman)

Fred C. Goad, Jr.

Jim D. Kever

Gerard Vaillant

**Summary Compensation Table**

The following table sets forth certain summary information for the year ending December 31, 2006, with respect to the compensation awarded to, earned by, or paid to our named executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Non-Equity Incentive			All Other Compensation (\$)	Total (\$)
				Stock Awards (\$)	Option Awards (\$)	Plan Compensation (\$)		
			(1)	(2)	(3)	(4)	(5)	
Patrick J. Balthrop, Sr. President & Chief Executive Officer	2006	400,000	192,496	569,586	893,472	337,000	7,292	2,399,846
Harriss T. Currie Vice President, Finance, Chief Financial Officer and Treasurer	2006	228,800		71,029	253,634	141,376	5,000	699,839
Randel S. Marfin Vice President, Luminex Bioscience Group	2006	225,500		59,364	174,578	108,217	3,333	570,992
James W. Jacobson, Ph.D. Vice President, Research and Development	2006	226,150		59,364	123,737	140,915	3,385	553,551
David S. Reiter Vice President, General Counsel and Corporate Secretary	2006	214,200		48,092	274,091	133,854	7,500	677,737

(1) Reflects a  
subjective,

discretionary bonus  
of \$100,000 awarded  
to Mr. Balthrop in  
2007 relating to  
2006 performance as  
further described  
above under

Compensation  
Discussion and  
Analysis Executive  
Compensation for  
2006. This amount  
also includes the  
2006 installments of  
the payments to  
Mr. Balthrop in  
connection with the  
repricing of his  
sign-on option grant  
in 2005 as described  
below under  
Narrative to  
Summary  
Compensation Table  
and Grants of  
Plan-Based Awards  
in 2006 Table.

- (2) The amounts shown  
in this column  
represent the dollar  
amounts recognized  
for financial  
statement reporting  
in 2006 and thus  
include amounts  
from awards granted  
in and prior to 2006.  
Assumptions used in  
the calculation of  
these amounts are  
described in Note 12  
to the Company's  
audited financial  
statements for the  
fiscal year ended  
December 31, 2006,  
included in the  
Company's Annual  
Report on Form  
10-K that was filed



with the SEC on March 16, 2007. All grants of restricted stock were made under the Company's 2000 Long-Term Incentive Plan (the "2000 Plan") and are subject to individual award agreements, the forms of which were previously filed with the SEC.

During 2006, there were no forfeitures of restricted stock awards related to service-based vesting conditions for the named executive officers.

Mr. Balthrop's 200,000 share restricted stock award, as amended, has market/service or performance/service criteria for vesting of all shares. We have assumed that vesting will occur at the end of the five years based on achievement of the market and/or

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performance  
criteria so all  
expense is being  
amortized  
straight-line  
over the  
five-year period  
ending May 17,  
2004 through  
2009. Pursuant  
to the  
amendment to  
this award  
described below  
under

Outstanding  
Equity Awards  
At 2006 Fiscal  
Year-End, any  
unvested shares  
shall cliff vest  
immediately  
prior to the fifth  
anniversary of  
the original  
grant date.

- (3) The amounts  
shown in this  
column  
represent the  
dollar amounts  
recognized for  
financial  
statement  
reporting  
purposes for the  
fiscal year  
ended  
December 31,  
2006 in  
accordance with  
SFAS 123R  
(calculated, per  
the SEC rules,  
without  
consideration of  
the impact of  
estimated

forfeitures related to service-based vesting conditions) and thus include amounts from awards granted in and prior to 2006. Assumptions used in the calculation of these amounts are described in Note 12 to the Company's audited financial statements for the fiscal year ended December 31, 2006, included in the Company's Annual Report on Form 10-K. All grants of options to purchase the Company's common stock were made under the 2000 Plan or predecessor plans and are subject to individual award agreements, the forms of which were previously filed with the SEC, except that the Balthrop Option (see below under Narrative to Summary Compensation

Table and Grants of Plan-Based Awards in 2006 Table ) was not issued pursuant to a stockholder approved plan. During 2006, there were no forfeitures of option awards related to service-based vesting conditions for the named executive officers.

- (4) The amounts shown in this column reflect 2006 annual cash-based incentive bonuses earned by each of the named executive officers pursuant to the Company's 2006 management incentive plans, which are discussed in further detail under Compensation Discussion and Analysis Executive Compensation for 2006. The potential payouts under these plans at the time the plans were established in

2006 are provided below under Grants of Plan-Based Awards in 2006.

- (5) This column includes matching payments under our 401(k) Plan.

### Grants Of Plan-Based Awards in 2006

The following table summarizes grants of plan-based awards made to our named executive officers in 2006.

Name	Grant Date	Estimated Possible Payouts			All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	Grant
		Threshold (\$)	Target (\$)	Maximum (\$)		Date
		Under Non-Equity Incentive Plan Awards (1)			Fair Value of Stock Awards (\$)	(3)
		Threshold (\$)	Target (\$)	Maximum (\$)		
Patrick J. Balthrop, Sr.	04/05/2006				32,000	463,360
	N/A		400,000			
Harriss T. Currie	04/05/2006				14,772	213,899
	N/A	57,200	114,400	171,600		
Randel S. Marfin	04/05/2006				9,324	135,012
	N/A	56,375	112,750	169,125		
James W. Jacobson, Ph.D.	04/05/2006				9,324	135,012
	N/A	56,538	113,075	169,613		
David S. Reiter	04/05/2006				8,855	128,220
	N/A	53,550	107,100	160,650		

- (1) The amounts shown in these columns reflect the threshold (25% of base salary), target (50% of base salary) and maximum (75% of base salary) amounts (assuming threshold, target and maximum performance across all performance objectives were achieved) that each of the named executive officers (other than our CEO) could have earned for the fiscal year ended

December 31, 2006 pursuant to the Company's 2006 management incentive plans. Mr. Balthrop's bonus plan for 2006 did not provide for an over/underachievement scale providing for payments above or below the target bonus amount provided in this table under the Target column. The terms of our named executive officer bonus plans, including Mr. Balthrop's subjective, discretionary bonus for 2006 are discussed in further detail in Compensation Discussion and Analysis Executive Compensation for 2006. The amounts actually awarded to each of the named executive officers are reflected in the Summary Compensation Table above.

- (2) The amounts in this column represent restricted stock grants made to each of the named executive officers during the fiscal year ended December 31, 2006 pursuant to the 2000 Plan. The restrictions applicable to

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these awards  
lapse with  
respect to 1/5<sup>th</sup>  
of the total  
shares subject to  
the grant each  
year, beginning  
on the  
anniversary of  
the grant date.

- (3) Determined by  
reference to the  
closing market  
price of our  
common stock  
on the  
NASDAQ  
Global Market  
on the date of  
grant (\$14.48).

**Narrative to Summary Compensation Table and Grants of Plan-Based Awards in 2006 Table**

The following discussion is intended to be read as a supplement to the Summary Compensation Table and the Grants of Plan-Based Awards in 2006 table (including the notes to such tables), and to the disclosure under Compensation Discussion and Analysis, and the following discussion should be read in conjunction with such other disclosures.

*Compensation Mix*

As reflected in the Summary Compensation Table and Grants of Plan-Based Awards in 2006 table, the primary components of the Company's 2006 compensation program for our named executive officers were cash compensation, consisting of a mix of base salary and cash incentive plan compensation, and equity incentive compensation, consisting of restricted stock with time-based vesting. Generally, and excluding the Company's CEO, bonus compensation for 2006 was 23% to 28% of the total of these elements, while the value of equity awards, valued at fair market value on the date of grant, for 2006 represented 27% to 36% of the total compensation opportunities for 2006. As for the CEO, Mr. Balthrop's bonus compensation for 2006 was 38% of the total of these elements and his equity award, valued at fair market value on the date of grant, for 2006 was 33% of the total compensation elements. For a detailed discussion of each of these components and explanation of how the level of each of these elements of compensation is generally determined in relation to an executive's total compensation, see Compensation Discussion and Analysis Program Design Primary Elements and Compensation Mix.

*Option Repricing*

Mr. Balthrop was hired as the Company's chief executive officer and president on May 15, 2004. In connection therewith, Mr. Balthrop was granted a non-qualified stock option to purchase 500,000 shares of common of the Company (the Balthrop Option). The Balthrop Option is subject to time-based vesting, provided Mr. Balthrop continues in the employment of the Company, with 125,000 shares vested as of May 15, 2005, and the remaining shares vesting in equal increments over the following 36 months. The Balthrop Option was initially granted at an exercise price of \$9.36 per share. As previously reported, at a meeting of the Committee on February 10, 2005, the Committee approved resolutions to increase the exercise price of the Balthrop Option from \$9.36 per share to \$10.10 per share (the closing market price on the date immediately preceding the original grant date). This modification was made in order to eliminate the potential application of certain adverse tax implications in light of tax law changes created as a result of the American Jobs Creation Act of 2004. In connection therewith, the Compensation

Committee of our Board of Directors approved a cash bonus payable to Mr. Balthrop to be paid consistent with the vesting period of the Balthrop Option, subject to Mr. Balthrop's continued employment, equal to \$370,000. According to the vesting schedule and assuming no acceleration event contemplated by the Balthrop Option, one quarter of the cash bonus was paid as of May 15, 2005 (the first vesting date and under the Balthrop Option) and the balance of such payments are being made in equal monthly installments over the 36 months thereafter and are reflected in the Bonus column of the Summary Compensation Table.

*Employment Agreements*

We have entered into employment agreements with each of our named executive officers, each previously filed with the SEC. The employment agreements provide for certain salary, annual bonus opportunities and other benefits, including potential severance entitlements. The employment agreements with Messrs. Balthrop, Currie and Reiter are generally automatically renewable on an annual basis unless either party provides the other written notice of its intent not to renew the agreement at least 60 (in the case of Messrs. Currie and Reiter), or 180 (for Mr. Balthrop), days prior to the end of the then-current term of their agreements. The agreements with Messrs. Marfin and Jacobsen also automatically renew annually and do not provide a non-renewal notice/option, but they may be terminated by us at any time, subject to our severance payment obligations. These agreements are described in more detail under

Compensation Discussion and Analysis - Change in Control; Termination Benefits. The potential



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payouts under these agreements in connection with the termination of these executives is provided under Potential Payments Upon Termination or Change in Control.

**Outstanding Equity Awards At 2006 Fiscal Year-End**

The following table summarizes the number of outstanding equity awards held by each of our named executive officers as of December 31, 2006. The market value of shares was calculated using the year-end closing price of \$12.70 as reported on the NASDAQ Global Market.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Exercisable Options (#)	Exercise Price (\$)	Grant Date	Option Expiration Date (1)	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares That Have Not Vested (#)	Equity Incentive Plan Awards: Market Value of Shares That Have Not Vested (\$)
Patrick J. Balthrop, Sr.	312,506	187,494	10.10	05/15/2004	05/15/2014 (3)	32,000	406,400	200,000 (4)	2,540,000
Harriss T. Currie	10,000		17.00	03/15/2000	03/15/2010				
	4,000		13.05	04/25/2001	04/25/2011				
	20,000		6.52	05/23/2002	05/23/2012				
	56,250	18,750	4.68	03/17/2003	03/17/2013				
	67,298	17,702	8.41	10/13/2003	10/13/2013				
	10,312	4,688	8.22	03/25/2004	03/25/2014				
						2,500	31,750		
						15,484	196,647		
						14,772	187,604		
Randel S. Marfin	40,000		17.00	03/15/2000	03/15/2010				
	50,000		25.06	12/05/2000	12/05/2010				
	25,000		24.81	01/19/2001	01/19/2011				
	75,000	37,500	4.68	03/17/2003	03/17/2013				
	10,312	4,688	8.22	03/25/2004	03/25/2014				
						2,500	31,750		
						15,484	196,647		
						9,324	118,415		
	12,500		17.00	03/15/2000	03/15/2010				

James W.  
Jacobson,  
Ph.D.

6,220		13.05	04/25/2001	04/25/2011		
20,000		6.52	05/23/2002	05/23/2012		
75,000	25,000	4.68	03/17/2003	03/17/2013		
10,312	4,688	8.22	03/25/2004	03/25/2014		
					2,500	31,750
					15,484	196,647
					9,324	118,415

David S.

Reiter	7,500	2,500	6.79	08/29/2003	08/29/2013		
	11,562	3,438	6.67	09/30/2003	09/30/2013		
	2,787	1,268	8.41	10/13/2003	10/13/2013		
						15,484	196,647
						8,855	112,459

(1) Except as provided in footnote (3) with respect to the Balthrop Option, all options vest in equal 1/4<sup>th</sup> increments on each anniversary of the grant date over the first four years of the option term.

(2) The restrictions applicable to these awards lapse with respect to 1/5<sup>th</sup> of the total shares subject to the grant each year on each anniversary of the grant date, beginning on the anniversary of the grant date.

(3)

The Balthrop Option is subject to time-based vesting, with an initial 125,000 shares vested as of May 15, 2005, and the remaining shares vesting in equal monthly increments over the following 36 months.

- (4) Mr. Balthrop was granted a restricted stock award for 200,000 shares of the Company's common stock under the 2000 Plan in connection with his hiring in 2004. The restricted stock is subject to various performance related vesting criteria over a period of five years as follows: (i) 1/3<sup>rd</sup> of the grant vests based upon the Company's common stock trading price, (ii) 1/3<sup>rd</sup> of the grant vests based upon the achievement of certain revenue targets, and (iii) 1/3<sup>rd</sup> of the

grant vests based upon the achievement of certain earnings before interest, taxes, depreciation, and amortization measures. As previously discussed, the Compensation Committee determined at a meeting in March 2007 that it would be in the best interests of the Company to amend the restricted stock agreement to provide for the automatic vesting of all unvested restricted shares

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immediately  
prior to the fifth  
anniversary of  
the date of the  
restricted stock  
agreement, to  
the extent any or  
all of the  
performance  
measures have  
not been  
previously  
achieved.

**Option Exercises And Stock Vested in 2006**

The following table sets forth information regarding the exercise of stock options and the vesting of restricted stock awards during the fiscal year ended December 31, 2006 for each of the named executive officers.

<b>Name</b>	<b>Option Awards</b>		<b>Stock Awards</b>	
	<b>Number of Shares Acquired on Exercise (#)</b>	<b>Value Realized on Exercise (\$) (1)</b>	<b>Number of Shares Acquired on Vesting (#)</b>	<b>Value Realized on Vesting (\$) (1)</b>
Patrick J. Balthrop (2)				
Harriss T. Currie (3)			5,121	75,423
Randal S. Marfin (4)	62,500	786,500	5,121	75,423
James W. Jacobson, Ph.D. (5)			5,121	75,423
David S. Reiter (6)	10,000	142,020	3,871	57,523

(1) The value realized on exercise, or upon the vesting of restricted shares, shown in the table is calculated based upon the closing price of our common stock on the NASDAQ Global Market on the exercise or vesting date, as applicable.

(2) Mr. Balthrop exercised no

options in 2006.  
None of  
Mr. Balthrop's  
restricted shares  
vested during  
2006.

(3) Mr. Currie  
exercised no  
options in 2006.  
Additionally,  
5,121 of  
Mr. Currie's  
restricted shares  
vested during  
2006.

(4) Mr. Marfin  
exercised  
62,500 options  
with a weighted  
average exercise  
price of \$5.42  
per share in  
2006.  
Additionally,  
5,121 of  
Mr. Marfin's  
restricted shares  
vested during  
2006.

(5) Dr. Jacobson  
exercised no  
options in 2006.  
Additionally,  
5,121 of  
Dr. Jacobson's  
restricted shares  
vested during  
2006.

(6) Mr. Reiter  
exercised  
10,000 options  
with a weighted  
average exercise  
price of \$5.30  
per share in  
2006.  
Additionally,

3,871 of  
Mr. Reiter's  
restricted shares  
vested during  
2006.

**Table of Contents****Potential Payments Upon Termination or Change in Control**

The following tables show for each of our named executive officers the estimated amount of potential payments, as well as estimated value of continuing benefits, assuming the executive's employment terminates effective December 31, 2006 and based on compensation and benefit levels in effect on December 31, 2006. Due to the numerous factors involved in estimating these amounts, the actual benefits and amounts payable can only be determined at the time of an executive's termination from the Company.

*Patrick J. Balthrop*

Executive Benefits and Payments Upon Separation	Voluntary Termination Retirement		Involuntary Termination Without Cause or Termination for Good Reason	For Cause Termination	Termination in Connection with a Change in Control	Disability	Death
	Cash Severance (1)			400,000		400,000	400,000
Non-equity Incentive Compensation (Bonus) (1)			400,000		400,000	400,000	400,000
Accelerated Vesting of Options (2)					1,265,547		
Accelerated Vesting of Restricted Stock (2)					1,352,852		
Continuation of Insurance Benefits (3)			74,686		74,686	42,951	20,000
Accrued Vacation Pay							
Excise Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) The cash severance entitlement is described under Compensation Discussion and Analysis Change in Control; Termination Benefits.

(2) Accelerated vesting of stock options and restricted stock is triggered upon a change of control (whether or not the executive's



employment is terminated) or the death or disability of the executive.

Accelerated vesting of stock option amounts are calculated as the difference between the closing market price of our common stock on December 29, 2006 (\$12.70 per share as reported on the NASDAQ Global Market) and the respective exercise prices of in-the-money unvested stock options. The closing market price on December 29, 2006 is also used to calculate accelerated vesting of restricted stock amounts.

- (3) Reflects the present value of the medical premiums the executive would be entitled to for a period of 12 months following the termination date, and the estimated lump sum present value of the

disability and life insurance payments the executive would be entitled to. Amounts are based upon the types of insurance coverage the Company carried for such executive as of December 31, 2006 and the premiums in effect on such date.

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Harriss T. Currie

Executive Benefits and Payments Upon Separation	Voluntary Termination		Involuntary Termination Without Cause or Termination for Good Reason	For Cause Termination	Termination in Connection with a Change in Control	Disability	Death
	Retirement						
Cash Severance (1)			228,800		228,800	228,800	228,800
Non-equity Incentive Compensation (Bonus) (1)			114,400		114,400	114,400	114,400
Accelerated Vesting of Options (2)					164,770		
Accelerated Vesting of Restricted Stock (2)					289,591		
Continuation of Insurance Benefits (3)			74,686		74,686	74,686	20,000
Accrued Vacation Pay							
Excise Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) The cash severance entitlement is described under Compensation Discussion and Analysis Change in Control; Termination Benefits.

(2) Accelerated vesting of stock options and restricted stock is triggered upon a change of control (whether or not the executive's employment is terminated) or the death or disability of the executive. Accelerated

vesting of stock option amounts are calculated as the difference between the closing market price of our common stock on December 29, 2006 (\$12.70 per share as reported on the NASDAQ Global Market) and the respective exercise prices of in-the-money unvested stock options. The closing market price on December 29, 2006 is also used to calculate accelerated vesting of restricted stock amounts.

- (3) Reflects the present value of the medical premiums the executive would be entitled to for a period of 12 months following the termination date, and the estimated lump sum present value of the disability and life insurance payments the executive would be entitled to. Amounts are

based upon the types of insurance coverage the Company carried for such executive as of December 31, 2006 and the premiums in effect on such date.

**Table of Contents***Randel S. Marfin*

Executive Benefits and Payments Upon Separation	Voluntary		Involuntary Termination		Termination in Connection with a		
	Termination	Retirement	Without Cause	For Cause Termination	Change in Control	Disability	Death
Cash Severance (1)			225,500		605,089		
Non-equity Incentive Compensation (Bonus) (1)			112,750		267,076		
Accelerated Vesting of Options (2)					58,948		
Accelerated Vesting of Restricted Stock (2)					222,368		
Continuation of Insurance Benefits (3)							20,000
Accrued Vacation Pay							
Excise Tax Gross-Up	N/A	N/A	N/A	N/A	0	N/A	N/A

(1) The cash severance entitlement is described under Compensation Discussion and Analysis Change in Control; Termination Benefits.

(2) Accelerated vesting of stock options and restricted stock is triggered upon a change of control (whether or not the executive's employment is terminated) or the death or disability of the executive. Accelerated vesting of stock

option amounts are calculated as the difference between the closing market price of our common stock on December 29, 2006 (\$12.70 per share as reported on the NASDAQ Global Market) and the respective exercise prices of in-the-money unvested stock options. The closing market price on December 29, 2006 is also used to calculate accelerated vesting of restricted stock amounts.

- (3) Reflects the present value of the medical premiums the executive would be entitled to for a period of 12 months following the termination date, and the estimated lump sum present value of the disability and life insurance payments the executive would be entitled to. Amounts are based upon the

types of  
insurance  
coverage the  
Company  
carried for such  
executive as of  
December 31,  
2006 and the  
premiums in  
effect on such  
date.



**Table of Contents***James W. Jacobson, Ph.D.*

Executive Benefits and Payments Upon Separation	Voluntary		Involuntary Termination		Termination in Connection with a		
	Termination	Retirement	Without Cause	For Cause Termination	Change in Control	Disability	Death
Cash Severance (1)			226,150		556,442		
Non-equity Incentive Compensation (Bonus) (1)			113,075		257,858		
Accelerated Vesting of Options (2)					48,362		
Accelerated Vesting of Restricted Stock (2)					222,368		
Continuation of Insurance Benefits (3)							20,000
Accrued Vacation Pay							
Excise Tax Gross-Up	N/A	N/A	N/A	N/A	0	N/A	N/A

(1) The cash severance entitlement is described under Compensation Discussion and Analysis Change in Control; Termination Benefits.

(2) Accelerated vesting of stock options and restricted stock is triggered upon a change of control (whether or not the executive's employment is terminated) or the death or disability of the executive. Accelerated vesting of stock

option amounts are calculated as the difference between the closing market price of our common stock on December 29, 2006 (\$12.70 per share as reported on the NASDAQ Global Market) and the respective exercise prices of in-the-money unvested stock options. The closing market price on December 29, 2006 is also used to calculate accelerated vesting of restricted stock amounts.

- (3) Reflects the present value of the medical premiums the executive would be entitled to for a period of 12 months following the termination date, and the estimated lump sum present value of the disability and life insurance payments the executive would be entitled to. Amounts are based upon the

types of  
insurance  
coverage the  
Company  
carried for such  
executive as of  
December 31,  
2006 and the  
premiums in  
effect on such  
date.

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David S. Reiter

Executive Benefits and Payments Upon Separation	Voluntary Termination		Involuntary Termination Without Cause or Termination for Good Reason	For Cause Termination	Termination in Connection with a Change in Control	Disability	Death
	Retirement						
Cash Severance (1)			214,200		214,200	214,200	214,200
Non-equity Incentive Compensation (Bonus) (1)			107,100		107,100	107,100	107,100
Accelerated Vesting of Options (2)					214,767		
Accelerated Vesting of Restricted Stock (2)					203,922		
Continuation of Insurance Benefits (3)			74,686		74,686	74,686	20,000
Accrued Vacation Pay							
Excise Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) The cash severance entitlement is described under Compensation Discussion and Analysis Change in Control; Termination Benefits.

(2) Accelerated vesting of stock options and restricted stock is triggered upon a change of control (whether or not the executive's employment is terminated) or the death or disability of the executive. Accelerated

vesting of stock option amounts are calculated as the difference between the closing market price of our common stock on December 29, 2006 (\$12.70 per share as reported on the NASDAQ Global Market) and the respective exercise prices of in-the-money unvested stock options. The closing market price on December 29, 2006 is also used to calculate accelerated vesting of restricted stock amounts.

- (3) Reflects the present value of the medical premiums the executive would be entitled to for a period of 12 months following the termination date, and the estimated lump sum present value of the disability and life insurance payments the executive would be entitled to. Amounts are

based upon the types of insurance coverage the Company carried for such executive as of December 31, 2006 and the premiums in effect on such date.

**Table of Contents****Director Compensation for 2006**

The following table summarizes the compensation paid with respect to the fiscal year ended December 31, 2006 to each of the Company's non-employee directors:

Name	Fees Earned or Paid in			All Other Compensation (\$)	Total (\$)
	Cash (\$)	Stock Awards (\$) (1)	Option Awards (\$) (2)		
G. Walter Loewenbaum II	136,000	238,333			374,333
Thomas W. Erickson	54,000	112,546			166,546
Robert J. Cresci	61,000	86,065			147,065
Fred C. Goad, Jr.	45,000	59,583			104,583
Gerard Vaillant	36,500	59,583	8,021		104,104
Jim D. Kever	48,000	74,959			122,959
Kevin M. McNamara	45,000	97,170			142,170
J. Stark Thompson	45,000	117,824			162,824
Jay B. Johnston	52,000	86,065	8,021		146,086

(1) The amounts shown in this column represent the dollar amounts recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006 and thus include amounts from awards granted in and prior to 2006. Assumptions used in the calculation of these amounts are described in Note 12 to the Company's audited financial statements for the fiscal year ended

December 31, 2006, included in the Company's Annual Report on Form 10-K. All grants of restricted shares were made under the 2000 Plan and are subject to individual award agreements, the forms of which were previously filed with the SEC. The grant date fair value of the aggregate restricted stock awards granted to our non-employee directors in 2006 was: Loewenbaum \$280,620, Erickson \$132,515, Cresci \$101,335, Goad \$70,155, Vaillant \$70,155, Kever \$70,155, McNamara \$132,515, Thompson \$158,080, and Johnston \$101,335. As of December 31, 2006, the aggregate number of unvested restricted shares outstanding for each of the



Company's non-employee directors was as follows:

Loewenbaum 18,000,  
Erickson 8,500,  
Cresci 6,500,  
Goad 4,500,  
Vaillant 4,500,  
Kever 4,500,  
McNamara 8,500,  
Thompson 6,500, and  
Johnston 6,500.

- (2) The amounts shown in this column represent the dollar amounts recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006 in accordance with SFAS 123R (calculated, per the SEC rules, without consideration of the impact of estimated forfeitures related to service-based vesting conditions) and thus include amounts from awards granted prior to 2006.
- o Assumptions used in the calculation of

these amounts are described in Note 12 to the Company's audited financial statements for the fiscal year ended December 31, 2006, included in the Company's Annual Report on Form 10-K. All grants of options to purchase the Company's common stock were made under the 2000 Plan or predecessor plans and are subject to individual award agreements, the forms of which were previously filed with the SEC. During 2006, no options were granted to our directors. As of December 31, 2006, the aggregate number of shares subject to option awards outstanding for each of the Company's non-employee directors was as follows:

Loewenbaum	100,000,
Erickson	262,500,
Cresci	

45,200, Goad  
10,000, Vaillant  
15,000, Kever  
45,200,  
McNamara  
95,000,  
Thompson 0,  
and Johnston  
15,000. The  
intrinsic value  
of these awards,  
as of  
December 31,  
2006, were  
\$478,240,  
\$1,572,925,  
\$216,564, \$0,  
\$78,300,  
\$216,564,  
\$401,750, \$0,  
and \$78,300,  
respectively,  
calculated based  
on the  
difference  
between the  
market value of  
our common  
stock at year  
end (as reported  
on the  
NASDAQ  
Global Market)  
and the  
applicable  
weighted  
average exercise  
price of these  
options.

**Table of Contents****Narrative to Director Compensation Table**

Following the completion of its review of the appropriateness of our non-employee director compensation policy in light of our objectives described below, the compensation policy for our non-employee directors for 2006 was recommended by our Compensation Committee and approved by our Board of Directors. This policy was designed to fairly pay our directors for work required for a company of our size, scope and complexity, be competitive within an appropriate peer group, and incorporate an equity component to help align our directors' interests with the long-term interests of our stockholders. We also have adopted stockownership guidelines for our directors to further promote this alignment of interests, which are summarized above under Compensation Discussion and Analysis Stock Ownership/Retention Guidelines, and can be found in our corporate governance guidelines. The Compensation Committee also utilized the assistance of the compensation consultant for 2006, CRI, in designing and reviewing our 2006 non-employee director compensation policy, in particular with respect to the collection of peer group director compensation data.

The compensation policy for our non-employee directors for 2006 was as follows:

Each non-employee board member (other than the Chairman of the Board) serving on the Board of Directors after the 2006 annual stockholder meeting was paid an annual retainer of \$18,000 (payable quarterly in arrears). Each member of the Audit Committee (other than the Chair) received an additional annual retainer of \$10,000 (payable quarterly in arrears). The Chairman of the Board of Directors was paid a monthly retainer of \$10,000. The Chairs of the Audit Committee and Executive Committee of the Board of Directors were paid an additional annual retainer of \$20,000 (payable quarterly in arrears). The Chairs of the Compensation and Nominating and Corporate Governance Committees of the Board of Directors were paid an additional annual retainer of \$10,000 (payable quarterly in arrears).

Each non-employee board member additionally received the following fees for attendance at Board and committee meetings, as applicable: (i) \$2,000 for each board meeting attended in person or via telephone; (ii) \$500 for each committee meeting (other than an Audit Committee or Executive Committee meeting) attended in person or via telephone, to the extent not held in conjunction with a full Board meeting; and (iii) \$1,000 for each Audit Committee meeting attended in person or via telephone, to the extent not held in conjunction with a full Board meeting.

Non-employee board members received annual restricted stock grants as follows. Each Board member (other than the Chairman of the Board, the Audit Committee members and the Chair of the Executive Committee) received an annual grant of 4,500 shares of restricted common stock. The Chairman of the Board received an annual grant of 18,000 shares of restricted common stock. Each Audit Committee member (other than the Chair) received an annual grant of 6,500 shares of restricted common stock. The Chair of the Audit Committee received an annual grant of 8,500 shares of restricted common stock. The Chair of the Executive Committee received an annual grant of 8,500 shares of restricted common stock. The restricted shares were issued pursuant and subject to the terms of the Company's 2000 Plan and the form of award agreement previously filed with the SEC and vest one year from the date of grant.

In addition, non-employee directors are reimbursed for reasonable expenses incurred to attend Board and committee meetings and other Company-related business meetings if a Board member's presence is requested, as well as director education programs.

Our director who is also an employee (Mr. Balthrop) received no additional compensation for his services as a director for 2006.

Subject to ratification by our full Board of Directors, the Compensation Committee has recommended that the cash compensation for our non-employee directors remain unchanged for 2007, except that the committee has recommended that the cash retainer for the Compensation Committee chair should be raised to \$15,000. In addition, the Compensation Committee has recommended, subject to Board ratification, that the equity award policy for 2007 be revised as follows.

Each Board member (other than the Chairman of the Board, the Audit Committee members and the Chair of the Executive Committee) shall receive an annual grant of shares of restricted common stock with a fair market value of \$70,000 on the date of grant (based on the closing price of the Company's common stock as reported on the

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NASDAQ Global Market on the date of grant, without discount as a result of the restrictions on such shares). The Chairman of the Board shall receive an annual grant of shares of restricted common stock with a fair market value of \$200,000 on the date of grant. Each Audit Committee Member (other than the Chair) shall receive an annual grant of shares of restricted common stock with a fair market value of \$100,000 on the date of grant. The Chair of the Audit Committee shall receive an annual grant of shares of restricted common stock with a fair market value of \$110,000 on the date of grant. The Chair of the Executive Committee shall receive an annual grant of shares of restricted common stock with a fair market value of \$100,000 on the date of grant. The Chair of the Nominating and Corporate Governance Committee shall receive an annual grant of shares of restricted common stock with a fair market value of \$80,000 on the date of grant.

The foregoing equity grants are intended to be without duplication and it is intended that each Board member shall be entitled to the equity grant with the highest applicable value pursuant to the equity compensation policy listed above. The restricted shares shall be issued pursuant and subject to the terms of the Equity Plan and the form of award agreement previously approved by the Compensation Committee, and shall vest one year from the date of grant.

The Compensation Committee intends to reassess our non-employee director compensation policy over the course of 2007 with the assistance of its current compensation consultant, Hewitt.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information known to us regarding the ownership of the common stock of the Company as of the record date (except as otherwise indicated below) by (i) each director and director nominee, (ii) each named executive officer, (iii) all directors and executive officers as a group and (iv) each person known to us to own beneficially 5% or more of our outstanding common stock.

The information set forth below includes shares of common stock directly and indirectly owned and shares of common stock underlying currently exercisable options, as well as those options which will become exercisable within 60 days of April 11, 2007. Except as otherwise indicated, the named persons below have sole voting and dispositive power with respect to beneficially owned shares.

<b>Beneficial Owner</b>	<b>Common Stock Beneficially Owned</b>	
	<b>Number of Shares Owned (1)</b>	<b>Total as a Percentage of Shares Outstanding</b>
<i>Directors and Named Executive Officers (2)</i>		
G. Walter Loewenbaum II (3)	1,803,923	5.1%
Fred C. Goad, Jr. (4)	280,700	*
Jim D. Kever (5)	159,866	*
Robert J. Cresci	220,516	*
Kevin M. McNamara	109,666	*
Thomas W. Erickson	283,666	*
Jay Johnston (6)	77,000	*
Gerard Vaillant	39,000	*
J. Stark Thompson	11,000	*
Patrick J. Balthrop, Sr.	701,309	2.0%
Harriss T. Currie	258,589	*
Randel S. Marfin	277,675	*
James W. Jacobson, Ph.D.	86,292	*
David S. Reiter	176,371	*
All directors and executive officers as a group (17 persons)	4,778,831	13.5%
<i>Other 5% Stockholders</i>		
St. Denis J. Villere & Company, LLC (7) 210 Baronne Street, Suite 808 New Orleans, LA 70112	5,044,578	14.3%
Barclays Global Investors, N.A. (8) 45 Fremont Street San Francisco, CA 94105	1,973,372	5.6%

\* Less than 1%.

(1) Includes shares attributable to shares of common

stock not  
outstanding but  
subject to  
currently  
exercisable  
options (as well as  
those options  
which will  
become  
exercisable within  
60 days of  
April 11, 2007) as  
follows:

Mr. Loewenbaum  
100,000 shares;  
Mr. Goad 10,000  
shares; Mr. Kever  
45,200 shares;  
Mr. Cresci  
45,200 shares;  
Mr. McNamara  
95,000 shares;  
Mr. Erickson  
262,500 shares;  
Mr. Johnston  
15,000 shares;  
Mr. Vaillant  
15,000 shares; Mr.  
Thompson 0  
shares;  
Mr. Balthrop  
375,008 shares;  
Mr. Currie  
197,028 shares;  
Mr. Marfin  
239,375 shares;  
Dr. Jacobson  
48,437 shares;  
Mr. Reiter  
138,096 shares;  
and all directors  
and executive  
officers as a group  
1,764,658 shares.

- (2) The applicable  
address for all  
directors and  
named executive  
officers is c/o  
Luminex

Corporation,  
12212  
Technology  
Boulevard,  
Austin, Texas  
78727.



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- (3) Does not include 1,007,422 shares held by Mr. Loewenbaum's wife, Lillian Loewenbaum; 208,998 shares held by trusts for the benefit of Mr. Loewenbaum's descendants of which Lillian Loewenbaum is the trustee; and 127,472 shares held by a trust for the benefit of Mr. Loewenbaum which has an independent trustee and over which Mr. Loewenbaum neither has nor shares investment or voting power.
- (4) Includes 4,810 shares held by a trust of which Mr. Goad is the trustee. Mr. Goad disclaims beneficial ownership of the shares held by the trust.
- (5) Does not include 51,212 shares held by a trust for the benefit of Mr. Kever's children. Mr. Kever disclaims beneficial ownership of the shares held by the trust.

- (6) Includes 8,000 shares held by JK Investments II, a limited partnership managed by Mr. Johnston and his wife and of which a trust for the benefit of Mr. Johnston's children is the limited partner.
- (7) This information is as of December 31, 2006, and is based solely on a Schedule 13G/A filed by St. Denis J. Villere & Company on April 4, 2007. St. Denis J. Villere & Company is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940 and reports sole voting and dispositive power as to 799,073 shares and shared voting and dispositive power as to 4,245,505 shares.
- (8) This information is as of December 31, 2006, and is based solely on a Schedule 13G filed by Barclays Global Investors, N.A. on January 23, 2007. Barclays Global Investors, N.A. is a Bank as defined in

Section 3(a)(6) of  
the Securities  
Exchange Act of  
1934 and reports  
sole voting power  
as to 1,859,011  
shares and shared  
voting and  
dispositive power  
as to 114,361  
shares.

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**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Since the beginning of the last fiscal year, we are aware of no related party transactions between us and any of our directors, executive officers, 5% stockholders or their family members which require disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934.

We have adopted a related party transaction policy, administered by our Audit Committee, that requires the Audit Committee (or the chair of the Audit Committee in certain instances with respect to *de minimus* transactions) to review and either ratify, approve or disapprove all Interested Transactions, subject to certain exceptions for specified pre-approved transactions not believed to create a material interest with respect to Related Party. Interested Transactions are generally defined to include any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which:

the aggregate amount involved exceeded, or will or may be expected to exceed, \$100,000 in any calendar year;

the Company was, is or will be a participant; and

any Related Party had, has or will have a direct or indirect interest.

For purposes of the policy, a Related Party is any:

person who is or was (since the beginning of the last fiscal year for which the Company has filed a Form 10-K and proxy statement, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director;

greater than 5% beneficial owner of the Company's common stock;

immediate family member of any of the foregoing; or

firm, corporation or other entity in which any of the foregoing persons is employed or is a general partner, managing member or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

In determining whether to approve or ratify an Interested Transaction under the policy, the Audit Committee is to consider all relevant information and facts available to it regarding the Interested Transaction and take into account factors such as the Related Party's relationship to the Company and interest (direct or indirect) in the transaction, the terms of the transaction and the benefits to the Company of the transaction. No director is to participate in the approval of an Interested Transaction for which he or she is a Related Party or otherwise has a direct or indirect interest.

In addition, the Audit Committee is to review and assess ongoing Interested Transactions, if any, on at least an annual basis to determine whether any such transactions remain appropriate or should be modified or terminated.

Our related party transaction policy has been incorporated into our Code of Compliance, which can be viewed at the Investor Relations section of our website at [www.luminexcorp.com](http://www.luminexcorp.com).

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Under the securities laws of the United States, our directors, executive officers and any persons holding more than ten percent of our common stock are required to report their initial ownership of our common stock and any subsequent changes in their ownership to the SEC. Specific due dates have been established by the SEC, and we are required to disclose in this Proxy Statement any failure of such persons to file by those dates. Based solely upon the copies of Section 16(a) reports that we have received from such persons for their transactions in 2006 and written representations to the Company that we have received such persons that no other reports were required, we believe that there has been compliance with all Section 16(a) filing requirements applicable to such directors, executive officers and ten-percent beneficial owners for 2006.

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**EXPENSES AND SOLICITATION**

We will bear the cost of soliciting proxies. Proxies may be solicited in person or by telephone, facsimile, electronic mail or other electronic medium by certain of our directors, officers and regular employees, without additional compensation. The Company requests that brokerage houses and other custodians, nominees and fiduciaries forward solicitation materials to the beneficial owners of shares of the Company's common stock held of record by such persons, and the Company will reimburse such brokers and other fiduciaries for their reasonable out-of-pocket expenses incurred when the solicitation materials are forwarded.

**STOCKHOLDER PROPOSALS FOR 2008 ANNUAL MEETING**

It is contemplated that our 2008 annual meeting of stockholders will take place in May 2008. Stockholders proposals will be eligible for consideration for inclusion in the proxy statement for the 2008 annual meeting pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 if such proposals are received by us before the close of business on December 26, 2007. Notices of stockholders' proposals submitted outside the processes of Rule 14a-8 will be considered timely (but not considered for inclusion in our proxy statement), pursuant to the advance notice requirement set forth in our bylaws, if such notices are filed with our Secretary not less than 30 days nor more than 90 days prior to the first anniversary of the Meeting in the manner specified in the bylaws. For proposals that are not timely filed, we retain discretion to vote proxies that we receive. For proposals that are timely filed, we retain discretion to vote proxies that we receive provided (1) we include in our proxy statement advice on the nature of the proposal and how we intend to exercise our voting discretion and (2) the proponent does not issue a proxy statement. In order to curtail any controversy as to the date on which a proposal was received by us, we suggest that stockholders submit their proposals by certified mail, return receipt requested.

**TRANSACTION OF OTHER BUSINESS**

At the date of this Proxy Statement, the only business which the Board of Directors intends to present or knows that others will present at the Meeting is as set forth above. If any other matter or matters are properly brought before the Meeting, or an adjournment or postponement thereof, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their best judgment.

**UPON WRITTEN REQUEST OF ANY STOCKHOLDER TO DAVID REITER, CORPORATE SECRETARY, LUMINEX CORPORATION, 12212 TECHNOLOGY BOULEVARD, AUSTIN, TEXAS 78727, THE COMPANY WILL PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2006, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.**

Austin, Texas  
April 23, 2007

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**REVOCABLE PROXY  
LUMINEX CORPORATION**

**12212 Technology Blvd., Austin, Texas 78727**

**THIS PROXY IS BEING SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF LUMINEX CORPORATION FOR USE ONLY AT THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 24, 2007 AND AT ANY ADJOURNMENT OR POSTPONEMENT THEREOF.**

The undersigned hereby appoints Harriss T. Currie and David S. Reiter, or either of them, or any successors in their respective positions, as proxies with full powers of substitution, and hereby authorizes them to represent the undersigned and to vote, as designated on the reverse side, all the shares of common stock of Luminex Corporation (the Company) held of record by the undersigned as of April 11, 2007, at the Annual Meeting of Stockholders (the Annual Meeting) to be held at the Hilton Austin Airport Hotel, 9515 New Airport Drive, Austin, Texas 78719 on Thursday, May 24, 2007, at 12:00 p.m. local time, or at any adjournment or postponement thereof.

The Board of Directors recommends a vote **FOR** the Board's Class I Director nominees and **FOR** the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2007. **Shares of common stock of the Company will be voted as specified. If not otherwise specified, this proxy will be voted FOR the election of the Board of Directors Class I Director nominees to the Board of Directors, FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2007, and on other matters properly presented at the Annual Meeting or any postponement or adjournment thereof, at the discretion of the proxies. You may revoke this proxy at any time prior to the time it is voted at the Annual Meeting in the manner described in the Proxy Statement. This proxy may not be voted for any person who is not a nominee of the Board of Directors of the Company.**

The undersigned hereby acknowledges receipt of a Notice of Annual Meeting of Stockholders of Luminex Corporation to be held on May 24, 2007, a Proxy Statement for the Annual Meeting and the 2006 Annual Report, prior to the signing of this proxy. All of the proposals set forth on the reverse side hereof are more fully described in the Proxy Statement.

(Continued, and to be dated and signed, on reverse side)

**Address Change/Comments (Mark the corresponding box on the reverse side)**

**5 FOLD AND DETACH HERE 5**

***You can now access your Luminex Corporation account online.***

*Access your Luminex Corporation stockholder account online via Investor ServiceDirect® (ISD).*

Mellon Investor Services LLC, Transfer Agent for Luminex Corporation, now makes it easy and convenient to get current information on your stockholder account.

View account status

View certificate history

View book-entry information

View payment history for dividends

Make address changes

Obtain a duplicate 1099 tax form

Establish/change your PIN

*Visit us on the web at <http://www.melloninvestor.com>*

*For Technical Assistance Call 1-877-978-7778 between 9am-7pm*

*Monday-Friday Eastern Time*

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**1-800-370-1163**

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Please  
Mark Here  
for Address   
Change or  
Comments  
**SEE REVERSE  
SIDE**

1. Proposal to elect the following nominees as Class I directors for a three-year term:

- 01 Robert J. Cresci                      02 Thomas W. Erickson
- 03 Gerard Vaillant

**FOR ALL NOMINEES  
(except if written below)**

**WITHHOLD  
ALL**

(Instruction: to withhold authority to vote for an individual nominee, write that nominee's name in the space provided below.)

2. Proposal to ratify the appointment of Ernst & Young LLP **FOR AGAINST ABSTAIN**  
as the Company's independent registered public accounting     
firm for fiscal 2007.

3. In their discretion, the proxies are authorized to vote with respect to matters incident to the  
conduct of the Annual Meeting, or on any other matter that may properly come before the  
Annual Meeting or any postponement or adjournment thereof.

(Mark  in only one box)  
I plan to attend the  
meeting.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_, 2007

**Please sign exactly as your name(s) appear(s) on this proxy. When signing in a representative capacity, please give title. When shares are held jointly, each person should sign.**

**5 FOLD AND DETACH HERE 5**  
**WE ENCOURAGE YOU TO TAKE ADVANTAGE OF INTERNET OR TELEPHONE VOTING,  
BOTH ARE AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK.**

**Internet and telephone voting is available through 11:59 PM Eastern Time  
the day prior to annual meeting day.**

**Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner  
as if you marked, signed and returned your proxy card.**



**INTERNET**

**<http://www.proxyvoting.com/lmnx>**

Use the Internet to vote your proxy.  
Have your proxy card in hand when  
you access the web site.

**TELEPHONE**

**1-866-540-5760**

**OR** Use any touch-tone telephone to  
vote your proxy. Have your proxy  
card in hand when you call.

If you vote your proxy by Internet or by telephone, you do NOT  
need to mail back your proxy card.

To vote by mail, mark, sign and date your proxy card and return it  
in the enclosed postage-paid envelope.

Choose **MLink<sup>SM</sup>** for fast, easy and secure 24/7 online  
access to your future proxy materials, investment plan  
statements, tax documents and more. Simply log on to  
**Investor ServiceDirect<sup>®</sup>** at [www.melloninvestor.com/isd](http://www.melloninvestor.com/isd)  
where step-by-step instructions will prompt you through  
enrollment.