UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended JUNE 30, 1996

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission file number 1-11353

LABORATORY CORPORATION OF AMERICA HOLDINGS
(Exact name of registrant as specified in its charter)

DELAWARE	13-3757370
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

358 SOUTH MAIN STREET, BURLINGTON, NORTH CAROLINA 27215
(Address of principal executive offices) (Zip code)

(910) 229-1127
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

The number of shares outstanding of the issuer's common stock is 122,921,605 shares as of August 13, 1996, of which 61,329,256 shares are held by indirect wholly owned subsidiaries of Roche Holding Ltd.

The number of warrants outstanding to purchase shares of the issuer's common stock is 22,151,308 as of August 13, 1996, of which 8,325,000 are held by an indirect wholly owned subsidiary of Roche Holding Ltd.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Millions, except per share data)

	June 30, 1996 (Unaudited)	December 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24.6	$ 16.4
Accounts receivable, net	470.3	425.6
Inventories	53.9	51.3
Prepaid expenses and other	20.0	21.4
Deferred income taxes	64.0	63.3
Income taxes receivable	--	21.9
Total current assets	632.8	599.9
Property, plant and equipment, net	297.3	304.8
Intangible assets, net	890.7	916.7
Other assets, net	15.6	15.8
	$1,836.4	$1,837.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 72.3	$ 106.2
Accrued expenses and other	163.2	173.5
Current portion of long-term debt	75.0	70.8
Revolving credit facility classified as current	323.0	--
Long-term debt classified as current	675.0	--
Total current liabilities	1,308.5	350.5
Revolving credit facility	--	218.0
Long-term debt, less current portion	--	712.5
Capital lease obligation	9.5	9.6
Other liabilities	115.1	135.0
Stockholders' equity:		
Preferred stock, $0.10 par value; 10,000,000 shares authorized; none issued and outstanding	--	--
Common stock, $0.01 par value; 220,000,000 shares authorized; 122,921,605 shares and 122,908,722 shares issued and outstanding at June 30, 1996 and December 31, 1995, respectively	1.2	1.2
Additional paid-in capital	411.0	411.0
Accumulated deficit	(8.9)	(0.6)
Total stockholders' equity	403.3	411.6
	$1,836.4	$1,837.2

See notes to unaudited consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Millions, except per share data)
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	1996	1995	1996	1995
Net sales	$ 813.9	$ 611.1	$ 410.0	$ 367.3
Cost of sales	603.8	422.7	300.5	258.4
Gross profit	210.1	188.4	109.5	108.9
Selling, general and administrative expenses	147.4	95.4	81.9	57.4
Amortization of intangibles and other assets	14.8	11.5	7.5	6.7
Restructuring and non-recurring charges	23.0	65.0	23.0	65.0
Provision for settlements	--	10.0	--	10.0
Operating income (loss)	24.9	6.5	(2.9)	(30.2)
Other income (expense):				
Investment income	0.9	0.7	0.2	0.3
Interest expense	(33.7)	(31.1)	(17.0)	(17.4)
Loss before income taxes and extraordinary item	(7.9)	(23.9)	(19.7)	(47.3)
Provision for income taxes	0.4	(5.1)	(5.5)	(15.7)
Loss before extraordinary item	(8.3)	(18.8)	(14.2)	(31.6)
Extraordinary item - Loss on early extinguishment of debt, net of income tax benefit of $5.2	--	(8.3)	--	(8.3)
Net loss	$ (8.3)	$ (27.1)	$(14.2)	$(39.9)
Net loss per common share:				
Loss per common share before extra-ordinary loss	$ (0.07)	$(0.20)	$(0.12)	$(0.28)
Extraordinary loss per common share	$ --	$(0.08)	$ --	$(0.08)
Net loss per common share	$ (0.07)	$(0.28)	$(0.12)	$(0.36)
Dividends per common share	$ --	$ --	$ --	$ --

See notes to unaudited consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Millions)
(Unaudited)

	Six Months Ended June 30, 1996	Six Months Ended June 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (8.3)	$ (27.1)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Restructuring and non-recurring charges	23.0	65.0
Provision for settlements	--	10.0
Extraordinary loss, net of income tax benefits	--	8.3
Depreciation and amortization	42.4	32.7
Deferred income taxes,net	(6.0)	(22.8)
Provision for doubtful accounts, net	11.4	0.4
Change in assets and liabilities, net of effects of acquisitions:		
Increase in accounts receivable	(56.1)	(29.0)
Decrease (increase) in inventories	(1.5)	5.5
Decrease (increase)in prepaid expenses and other	(1.5)	1.2
Change in income taxes receivable/payable, net	22.5	3.7
Decrease in accounts payable and other	(33.7)	(11.4)
Payments for restructuring charges	(9.3)	(4.9)
Payments for settlement and related expenses	(0.3)	(27.3)
Other, net	(3.6)	(4.1)
Net cash provided by (used for)operating activities	(21.0)	0.2
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(33.9)	(27.1)
Acquisitions of businesses	(3.2)	(10.4)
Net cash used for investing activities	(37.1)	(37.5)

(continued)

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
(Dollars in Millions)
(Unaudited)

	Six Months Ended June 30, 1996	Six Months Ended June 30, 1995
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	$ 185.0	$ 236.0
Payments on revolving credit facilities	(80.0)	(255.0)
Proceeds from long-term debt	--	800.0
Payments on long-term debt	(33.3)	(430.0)
Deferred payments on acquisitions	(5.4)	(7.1)
Proceeds from exercise of stock options	--	0.3
Dividends paid on common stock	--	(474.8)
Cash received for issuance of common stock	--	135.7
Cash received for warrants	--	51.0
Net cash provided by financing activities	66.3	56.1
Net increase in cash and cash equivalents	8.2	18.8
Cash and cash equivalents at beginning of year	16.4	26.8
Cash and cash equivalents at end of period	$ 24.6	$ 45.6
Supplemental schedule of cash flow information:		
Cash paid(received)during the period for:		
Interest	$ 35.7	$ 23.8
Income taxes	(16.2)	6.9
Disclosure of non-cash financing and investing activities:		
Common stock issued in connection with an acquisition	$ --	$ 539.6
Common stock issued in connection with the cancellation of employee stock options	$ --	$ 6.9
In connection with business acquisitions, liabilities were assumed as follows:		
Fair value of assets acquired	$ 7.9	$ 742.2
Cash paid	(3.2)	(10.4)
Stock issued	--	(539.6)
Liabilities assumed	$ 4.7	$ 192.2

See notes to unaudited consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Millions, except per share data)

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of Laboratory Corporation of America Holdings and its wholly owned subsidiaries (the "Company") after elimination of all material intercompany accounts and transactions.

The accompanying consolidated condensed financial statements of the Company and its subsidiaries are unaudited. In the opinion of management, all adjustments (which include only normal recurring accruals) necessary for a fair statement of the results of operations have been made.

2. EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of shares outstanding during the three and six months ended June 30, 1996 of 122,920,200 shares and 122,914,474 shares, respectively, and the weighted average number of shares outstanding during the three and six months ended June 30, 1995 of 111,177,517 and 98,045,102 shares respectively.

3. MERGER WITH ROCHE BIOMEDICAL LABORATORIES, INC.

On April 28, 1995, the Company completed its merger (the "Merger") with Roche Biomedical Laboratories, Inc ("RBL").

The following table provides unaudited pro forma operating results as if the Merger had been completed at the beginning of 1995. The pro forma information does not include the restructuring charges and extraordinary item related to the Merger. The pro forma information has been prepared for comparative purposes only and does not purport to be indicative of future operating results.

	Six Months Ended June 30, 1995
Net sales	$ 857.7
Net earnings	35.1
Net earnings per common share	0.29

4. LONG-TERM DEBT

As a result of the Company's second quarter performance and its higher than projected debt levels, the Company obtained waivers for the quarter ended June 30, 1996 of certain covenants contained in its existing credit agreement, as amended ("Credit Agreement"). Because of the limited period covered by the waivers, approximately $998 million of the Company's debt that otherwise

4. LONG-TERM DEBT - Continued

would have been classified as long-term has been classified as current in the June 30, 1996 consolidated balance sheet. Therefore, the Company has commenced a comprehensive analysis of its capital structure and is considering a range of alternatives for recapitalizing its balance sheet. Because of the time frame necessary to complete any recapitalization, additional waivers may be necessary although there can be no assurance that such waivers can be obtained.

As of June 30, 1996 the Company has available, under the Credit Agreement, a revolving credit facility of $450.0 (the "Revolving Credit Facility"). Borrowings under the Revolving Credit Facility were $323.0 as of June 30, 1996. The waivers discussed above do not preclude the Company from increasing its borrowings under the Revolving Credit Facility subject to the conditions of borrowing under the Credit Agreement.

5. RESTRUCTURING AND NON-RECURRING CHARGES

In the second quarter of 1996, the Company recorded certain charges of a non-recurring nature including additional charges related to the restructuring of operations. The Company recorded a restructuring charge totaling $13.0 for the shutdown of its La Jolla, California administrative facility and other workforce reductions. This amount includes approximately $8.1 for severance, $3.5 for the future lease obligation of the La Jolla facility and $1.4 for the write down of leasehold improvements and fixed assets that will be abandoned or disposed of. The La Jolla facility is expected to be substantially closed by the end of 1996. The remaining workforce reductions will take place in various other areas of the Company and are expected to be completed by the end of 1996.

In addition, the Company recorded certain non-recurring charges in the second quarter of 1996. The Company decided to abandon certain data processing systems and therefore wrote off approximately $6.7 in capitalized software costs. In addition, the Company relocated its principal drug testing facility to accommodate consolidation of the RBL and the Company operations and will incur approximately $1.3 in costs primarily related to the write off of leasehold improvements and building clean up. Finally, the Company recorded a charge of $2.0 for various other items including the write-off of certain supplies related to changes in testing methodologies to increase efficiency. As a result of these changes, some supplies were not compatible with the new testing methods and were disposed of.

(Dollars in Millions)

5. RESTRUCTURING AND NON-RECURRING CHARGES - Continued

Following the Merger in 1995, the Company determined that it would be beneficial to close Company laboratory facilities in certain geographic regions where duplicate Company and RBL facilities existed at the time of the Merger. As part of the Company's evaluation of its future obligations under these restructuring activities, certain changes in the estimates were made during the quarter ended June 30, 1996. These resulted in the reclassification of certain accruals in the categories listed below although the total liability did not change.

The following represents the Company's restructuring activities for the period indicated:

	Severance Costs	Asset revaluations and	Lease and other facility write-offs obligations	Total
Balance at December 31, 1995	$ 12.8	$ 18.6	$ 18.9	$ 50.3
Additional restructuring charges	8.1	1.4	3.5	13.0
Reclassifications	1.6	0.7	(2.3)	--
Non cash items	--	(5.5)	--	(5.5)
Cash payments	(8.4)	--	(0.9)	(9.3)
Balance at June 30, 1996	$ 14.1	$ 15.2	$ 19.2	$ 48.5
Current				$ 34.4
Non-current				14.1
				$ 48.5

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

RESULTS OF OPERATIONS

Six Months Ended June 30, 1996 compared with Six Months Ended June 30, 1995.

Net sales for the six months ended June 30, 1996 were $813.9, an increase of 33.2% from $611.1 reported in the comparable 1995 period. Net sales from the inclusion of RBL increased net sales by approximately $243.5 or 39.8%. Acquisitions of small clinical laboratory companies increased net sales by approximately 3.1%. Severe weather in January and February of 1996 decreased net sales by approximately $11.5 or 1.9%. A reduction in Medicare fee schedules from 80% to 76% of the national limitation amounts on January 1, 1996, reduced net sales by approximately 1.5%. Price erosion in the industry as a whole, lower utilization of laboratory testing and lost accounts, net of growth in new accounts and price increases in selective markets, comprised the remaining reduction in net sales. Lower utilization of laboratory testing and price erosion primarily resulted from continued changes in payor mix brought on by the increase in managed care.

Cost of sales, which includes primarily laboratory and distribution costs, was $603.8 for the six months ended June 30, 1996 compared to $422.7 in the corresponding 1995 period, an increase of $181.1. Cost of sales increased approximately $181.9 due to the inclusion of the cost of sales of RBL, approximately $5.0 due to an increase in overtime and temporary employee expenses related to acceleration of the Company's synergy plan and other operational factors and approximately $9.1 in several other expense categories. These increases were partially offset by decreases in volume related expenses, primarily related to weather in the first quarter of 1996 of $1.9, and decreases in salaries of $6.3, supplies of $3.9 and insurance of $2.8 primarily as a result of the Company's synergy and cost reduction programs. Cost of sales as a percentage of net sales was 74.2% for the six months ended June 30, 1996 and 69.2% in the corresponding 1995 period. The increase in the cost of sales percentage of net sales primarily resulted from a reduction in net sales due to severe weather in January and February of 1996, a reduction in Medicare fee schedules, price erosion and utilization declines, each of which provided little corresponding reduction in costs.

Selling, general and administrative expenses increased to $147.4 for the six months ended June 30, 1996 from $95.4 in the same period in 1995. The inclusion of the selling, general and administrative expenses of RBL since April 28, 1995 increased expenses by approximately $36.5. Increases in other expenses, primarily salaries, overtime and temporary employee expenses related to billing issues and related telephone and

RESULTS OF OPERATIONS - Continued

Six Months Ended June 30, 1996 compared with Six Months Ended June 30, 1995.

data processing costs, aggregated $10.3. These increases were partially offset by decreases in several expense categories, including selling expenses, as a result of the Company's on-going synergy and cost-reduction programs. The Company recorded $10.0 of additional provision for doubtful accounts in the second quarter of 1996 which primarily relates to increased medical necessity and related diagnosis code requirements of third-party payors placed on the Company at the beginning of 1996 and reflects the lower collection rates experienced in the second quarter as a result of the more stringent requirements. As a result of these lower collection rates, the Company has also increased the monthly provision for doubtful accounts. Before the increase to the provision for doubtful accounts, selling, general and administrative expenses were 16.9% and 15.6% of net sales for the six months ended June 30, 1996 and 1995, respectively. The increase in the selling, general and administrative percentage primarily resulted from the factors noted above and in the preceding paragraph.

Management expects that price erosion and utilization declines will continue to negatively impact net sales and the results of operations for the foreseeable future. It is the objective of management to partially offset the increases in cost of sales as a percentage of net sales and selling, general and administrative expenses as a percentage of net sales through the synergy program, as discussed below, and through comprehensive cost reduction programs including, but not limited to, a six month defferal on increasing wages and adding new positions implemented on July 1, 1996. In addition, the Company has targeted price increases and business development efforts in an attempt to become more judicious in pricing new business and is selectively repricing or removing existing business not meeting Company requirements. There can be no assurance, however, of the timing or success of such measures. Congress is also considering changes to the Medicare fee schedules in conjunction with certain budgetary bills pending in Congress. The ultimate outcome of these deliberations on pending legislation cannot be predicted at this time and management, therefore, cannot predict the impact, if any, such proposals, if enacted, would have on the results of operations of the Company.

The increase in amortization of intangibles and other assets to $14.8 for the six months ended June 30, 1996 from $11.5 in the corresponding period in 1995 primarily resulted from the Merger in April 1995.

RESULTS OF OPERATIONS - Continued

Interest expense was $33.7 for the six months ended June 30, 1996 compared with $31.1 for the same period in 1995. The change resulted primarily from increased borrowings used to finance the Merger partially offset by a lower effective borrowing rate.

The provision for income taxes as a percentage of earnings before taxes was 4.7% for the six months ended June 30, 1996 compared to a benefit of 21.2% for the six months ended June 30, 1995 due to the charges taken in the second quarter of 1995. The increased effective rate primarily resulted from an increase in non-deductible amortization resulting from the Merger and from lower earnings before income taxes.

Three Months Ended June 30, 1996 compared with Three Months Ended June 30, 1995.

Net sales for the three months ended June 30, 1996 were $410.0, an increase of 11.6% from $367.3 reported in the comparable 1995 period. Net sales from the inclusion of RBL increased net sales by approximately $63.6 or 17.3%. Acquisitions of small clinical laboratory companies increased net sales by approximately 2.8%. A reduction in Medicare fee schedules from 80% to 76% of the national limitation amounts on January 1, 1996, reduced net sales by approximately 1.2%. Price erosion in the industry as a whole, lower utilization of laboratory testing and lost accounts, net of growth in new accounts and price increases in selective markets, comprised the remaining reduction in net sales. Lower utilization of laboratory testing and price erosion primarily resulted from continued changes in payor mix brought on by the increase in managed care.

Cost of sales, which includes primarily laboratory and distribution costs, was $300.5 for the three months ended June 30, 1996 compared to $258.4 in the corresponding 1995 period, an increase of $42.1. Cost of sales increased approximately $43.0 due to the inclusion of the cost of sales of RBL, approximately $2.5 due to an increase in overtime and temporary employee expenses related to acceleration of the Company's synergy plan and other operational factors and approximately $4.1 in several other expense categories. These increases were partially offset by decreases in salaries of approximately $3.3, supplies of $0.3 and insurance of $1.3 and a decrease of $2.4 in several other expense categories primarily as a result of the Company's synergy and cost-reduction programs. Cost of sales as a percentage of net sales was 73.3% for the three months ended June 30, 1996 and 70.4% in the corresponding 1995 period. The increase in the cost of sales percentage of net sales primarily resulted from a reduction in Medicare fee schedules and price erosion and utilization declines,

RESULTS OF OPERATIONS - Continued

Three Months Ended June 30, 1996 compared with Three Months Ended June 30, 1995.

each of which provided little corresponding reduction in costs.

Selling, general and administrative expenses increased to $81.9 for the three months ended June 30, 1996 from $57.4 in the same period in 1995. The inclusion of the selling, general and administrativeexpenses of RBL since April 28, 1995 increased expenses by approximately $9.5 Increases in other expenses, primarily overtime and temporary employee expenses related to billing issues and related telephone and data processing costs, aggregated $6.5. These increases were partially offset by decreases in several expense categories, including selling expenses, as a result of the Company's on-going synergy and cost-reduction programs. The Company recorded $10.0 of additional provision for doubtful accounts in the second quarter of 1996 which primarily relates to increased medical necessity and related diagnosis code requirements of third-party payors placed on the Company at the beginning of 1996 and reflects the lower collection rates experienced in the second quarter as a result of the more stringent requirements. As a result of these lower collection rates, the Company has also increased the monthly provision for doubtful accounts. Before the increase to the provision for doubtful accounts, selling, general and administrative expenses were 17.5% and 15.6% of net sales for the three months ended June 30, 1996 and 1995, respectively. The increase in the selling, general and administrative percentage primarily resulted from the factors noted above and in the preceding paragraph.

Management expects that price erosion and utilization declines will continue to negatively impact net sales and the results of operations for the foreseeable future. It is the objective of management to partially offset the increases in cost of sales as a percentage of net sales and selling, general and administrative expenses as a percentage of net sales through the synergy program, as discussed below, and through comprehensive cost reduction programs including, but not limited to, a six month defferal on increasing wages and adding new positions implemented on July 1, 1996. In addition, the Company has targeted price increases and business development efforts in an attempt to become more judicious in pricing new business and is selectively repricing or removing existing business not meeting Company requirements. There can be no assurance, however, of the timing or success of such measures. Congress is also considering changes to the Medicare fee schedules in conjunction with certain budgetary bills pending in Congress. The ultimate outcome of these

RESULTS OF OPERATIONS - Continued

Three Months Ended June 30, 1996 compared with Three Months Ended June 30, 1995.

deliberations on pending legislation cannot be predicted at this time and management, therefore, cannot predict the impact, if any, such proposals, if enacted, would have on the results of operations of the Company.

The increase in amortization of intangibles and other assets to $7.5 for the three months ended June 30, 1996 from $6.7 in the corresponding period in 1995 primarily resulted from the Merger in April 1995.

Interest expense was $17.0 for the three months ended June 30, 1996 compared with $17.4 for the same period in 1995. The change resulted primarily from a lower effective borrowing rate partially offset by increased borrowings used to finance the Merger.

The provision for income taxes as a percentage of earnings before taxes was a benefit of 27.9% for the three months ended June 30, 1996 compared to 33.1% for the three months ended June 30, 1995. The increased effective rate primarily resulted from an increase in non-deductible amortization resulting from the Merger and from lower earnings before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by (used for) operating activities (after payment of settlement and related expenses of $0.3 and $27.3 in 1996 and 1995, respectively) was $(21.0) and $0.2, respectively. The decrease in cash flow from operations primarily resulted from an increase in accounts receivable related to increased medical necessity and related diagnosis code requirements of third-party payors placed on the Company at the beginning of 1996 and reflects the lower collection rates experienced in the second quarter as a result of the more stringent requirements. In addition, increased difficulty in collecting amounts due from certain managed care plans has negatively impacted operating cash flow. The Company currently has plans in place to improve the collection of accounts receivable, however, additional changes in requirements of third-party payors could increase the difficulty in collections and there can be no assurance of the success of the Company's plans to improve collections. Such plans include additional billing personnel as well as the creation of a special task force to identify effective methods to address the more stringent requirements. Capital expenditures were $33.9 and $27.1 for 1996 and

LIQUIDITY AND CAPITAL RESOURCES - Continued

1995, respectively. The Company expects capital expenditures to be approximately $65.0 in 1996 to continue the Merger-related integration and to further automate laboratory processes and to improve efficiency. Such expenditures are expected to be funded by cash flow from operations as well as borrowings under the Company's revolving credit facility.

As a result of the Company's second quarter performance and its higher than projected debt levels, the Company obtained waivers for the quarter ended June 30, 1996 of certain covenants contained in its existing credit agreement, as amended ("Credit Agreement"). Because of the limited period covered by the waivers, approximately $998 million of the Company's debt that otherwise would have been classified as long-term has been classified as current in the June 30, 1996 consolidated balance sheet. Therefore, the Company has commenced a comprehensive analysis of its capital structure and is considering a range of alternatives for recapitalizing its balance sheet. Because of the time frame necessary to complete any recapitalization, additional waivers may be necessary although there can be no assurance that such waivers can be obtained.

As of June 30, 1996 the Company has available, under the Credit Agreement, a revolving credit facility of $450.0 (the "Revolving Credit Facility"). Borrowings under the Revolving Credit Facility were $323.0 as of June 30, 1996. The waivers discussed above do not preclude the Company from increasing its borrowings under the Revolving Credit Facility subject to the conditions of borrowing under the Credit Agreement.

The Company is a party to interest rate swap agreements with certain major financial institutions, rated A or better by Moody's Investor Service, solely to manage its interest rate exposure with respect to $600.0 million of its floating rate debt under the Term Loan Facility. The agreements effectively change the interest rate exposure on $600.0 of floating rate debt to a weighted average fixed interest rate of 6.01%, through requiring that the Company pay a fixed rate amount in exchange for the financial institutions paying a floating rate amount. Amounts paid by the Company in the six months ended June 30, 1996 were approximately $1.0. The notional amounts of the agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. These agreements mature in September 1998. The estimated unrealized gain on such agreements was approximately $4.4 at July 31, 1996.

LIQUIDITY AND CAPITAL RESOURCES - Continued

See Note 5 of the Notes to Unaudited Consolidated Financial Statements which sets forth the Company's restructuring activities for 1996. Future cash payments under the restructuring plan are expected to be $19.2 over the next twelve months and $14.1 thereafter.

As a result of the Merger, the Company has realized and is expected to continue to achieve substantial savings in operating costs through the consolidation of certain operations and the elimination of redundant expenses. Such savings are being realized over time as the consolidation process is completed. The Company expects to continue to realize incremental savings from the synergy program in 1996 and expects to achieve an annualized net savings run-rate of approximately $110.0 to $120.0 million within two years following the Merger. The synergies expected to be realized by the Company are being derived from several sources, including corporate, general and administrative expenses, including the consolidation of administrative staff. Other reductions in sales staff where duplicate territories exist, operational savings, including the closing of overlapping laboratories and other facilities, and savings to be realized from the additional buying power of the larger Company, are generating significant savings. In addition, savings have been realized from certain changes in employee benefits. These estimated savings are anticipated to be partially offset by a loss of existing business during the conversion process. In addition, the acceleration of certain portions of the Company's plans have resulted in increases in certain costs, primarily overtime and temporary employee expenses, as consolidation continues. Realization of improvements in profitability is dependent, in part, on the extent to which the revenues of the combined companies are maintained and will be influenced by many factors, including factors outside the control of the Company. There can be no assurance that the estimated cost savings described above will be realized or achieved in a timely manner or that improvements, if any, in profitability will be achieved or that such savings will not be offset by increases in other expenses.

See "Part II - Other Information" for a discussion of legal proceedings which could have a material adverse impact upon the Company's financial condition, results of operations or cash flow.

The Company expects that its cash needs for working capital, capital expenditures and the cash costs of the restructuring and operations of the Company will be met by its cash flow from operations and borrowings under a revolving credit facility of up to $450.0.

LIQUIDITY AND CAPITAL RESOURCES - Continued

Each of the above forward-looking statements are subject to change based on various important factors, including without limitation, competitive actions in the marketplace and adverse actions of governmental and other third-party payors. Further information on potential factors which could affect the Company's financial results is included in the Company's Form 10-K for the year ended December 31, 1995.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

As previously discussed in the Company's December 31, 1995 10-K (the "1995 10-K"), the Office of Inspector General ("OIG") of Health and Human Services and the Department of Justice ("DOJ") is investigating certain past laboratory practices of NHL, RBL, and Allied Clinical Laboratories, Inc. ("Allied), a Company subsidiary. These investigations and related settlement discussions have become more active in recent months. If settlement is not reached, the government is likely to proceed to trial on civil and possibly criminal claims. If the OIG or DOJ were to successfully prove a violation of laws related to the Medicare and Medicaid programs, potential sanctions may include significant fines, recovery of treble amounts paid to the clinical laboratory for the tests involved, and in the case of a criminal conviction, mandatory exclusion from the Medicare and Medicaid programs for a period of at least five years. A successful prosecution of a civil fraud or false claims action could also result in the exercise of the OIG's authority to seek the permissive exclusion of the offending entity or entities from participation in the Medicare and Medicaid programs for a set period of years. Although neither the 1992 Government Settlement entered into by NHL (as more fully discussed in the 1995 10-K) nor, based on published reports, any settlement agreements with the OIG entered into by other major clinical laboratory companies, provided for the exclusion from participation in the Medicare and Medicaid programs, there can be no assurance that the Company will be able to negotiate settlement agreements with similar terms. Any such exclusion would likely have a material adverse effect on the Company, including on the Company's non-Medicare and non-Medicaid testing business. Due to the present nature of the Company's discussions with the OIG and DOJ, the Company is at this time unable to predict with certainty the likely results of any actions the OIG or DOJ may take. The Company has reserved amounts with respect to the preliminary estimate of the cost of settlement, but there can be no assurance that any eventual settlement or other resolution will not result in significantly larger costs than those reserved amounts or that the ultimate resolution of these matters will not have a material adverse effect upon the Company's financial condition, results of operations or cash flow.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10 Third Amendment and Second Waiver to Credit Agreement dated as of July 10, 1996 among the Company, the banks named therein and Credit Suisse (New York Branch) as Administrative Agent.(a)

20 Press release of the Registrant dated June 27, 1996. (b)

20.1 Press release of the Registrant dated August 1, 1996. (c)

27 Financial Data Schedule (electronically filed version only).

(b) Reports on Form 8-K

1) A report on Form 8-K dated June 27, 1996 was filed on June 28, 1996 in connection with the press release dated June 27, 1996 announcing that Haywood D. Cochrane, Jr., Executive Vice President, Chief Financial Officer and Treasurer would resign from the Company in the third quarter of 1996.

2) A report on Form 8-K dated August 1, 1996 was filed on August 2, 1996 in connection with the press release dated August 1, 1996 announcing operating results of the Registrant for the three and six month periods ended June 30, 1996 as well as certain other information.

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(a) Filed herewith

(b) Incorporated by reference herein to the report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on June 28, 1996.

(c) Incorporated by reference herein to the report on Form 8-K filed with the SEC on August 2, 1996.

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LABORATORY CORPORATION OF AMERICA HOLDINGS
Registrant

By:/s/ HAYWOOD D. COCHRANE, JR.

Haywood D. Cochrane, Jr.
Executive Vice President, Chief
Financial Officer and Treasurer

By:/s/ WESLEY R. ELINGBURG

Wesley R. Elingburg
Senior Vice President, Finance
(Principal Accounting Officer)

Date: August 14, 1996

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THIRD AMENDMENT AND SECOND WAIVER TO

CREDIT AGREEMENT

Dated as of July 10, 1996

Among

LABORATORY CORPORATION OF AMERICA HOLDINGS
(formerly known as NATIONAL HEALTH LABORATORIES HOLDINGS INC.),
as Borrower,

THE BANKS NAMED HEREIN,
as Banks, and

CREDIT SUISSE (NEW YORK BRANCH),
as Administrative Agent

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THIRD AMENDMENT AND SECOND WAIVER TO CREDIT AGREEMENT dated as of July 10, 1996 among LABORATORY CORPORATION OF AMERICA HOLDINGS (formerly known as NATIONAL HEALTH LABORATORIES HOLDINGS INC.), a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Banks") listed on the signature pages hereof, and CREDIT SUISSE (NEW YORK BRANCH) ("CS"), as administrative agent (the "Administrative Agent") for the Lenders hereunder.

PRELIMINARY STATEMENT

The parties hereto (i) have entered into a Credit Agreement dated as of April 28, 1995 (as amended, the "Credit Agreement") providing for, among other things, the Lenders to lend to the Borrower up to $1,250,000,000 on the terms and subject to the conditions set forth therein and (ii) desire to amend the Credit Agreement in the manner set forth herein. Each capitalized term used but not defined herein shall have the meaning ascribed thereto in the Credit Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

AMENDMENTS

SECTION 1.01. Amendment of Definitions. Section 1.01 of the Credit Agreement is hereby amended as follows:

(a) Definition of Adjusted EBITDA. By deleting the definition of "Adjusted EBITDA" set forth therein in its entirety and inserting the following definition in lieu thereof:

" 'Adjusted EBITDA' means, with respect to any specified period, EBITDA plus, to the extent deducted in determining Net Income, Restructuring Costs for such period in an amount that, together with Restructuring Costs for all prior periods, does not exceed the maximum amounts specified in the definition of "Restructuring Costs"; provided, that (x) the amount set forth in clause (a) of the definition of "Restructuring Costs" shall not be added to EBITDA for any period ending after September 30, 1996 and (y) the amounts set forth in clauses (b) through (e), inclusive, of the definition of "Restructuring Costs" shall not be added to EBITDA for any period ending after March 31, 1997, and (z) for purposes of determining compliance by the Borrower with the Interest Coverage Ratio and the Leverage Ratio, Restructuring Costs (in the amount thereof that may be added to EBITDA for the relevant period in accordance with clause (x) and (y) hereof) shall be added once to EBITDA for the relevant four fiscal quarter period, as a single item for that entire period, without duplication and without proration over any shorter period within such four fiscal quarter period."; and

(b) Definition of Interest Coverage Ratio. By deleting the definition of "Interest Coverage Ratio" set forth therein in its entirety and inserting the following definition in lieu thereof:

" 'Interest Coverage Ratio' means (a) with respect to the four fiscal quarter periods ending on June 30, 1996, September 30, 1996, December 31, 1996 and March 31, 1997, the ratio of (x) Consolidated Adjusted EBITDA of the Borrower and its Subsidiaries for such period to (y) Consolidated Interest Expense of the Borrower and its Subsidiaries for such period, and (b) with respect to each subsequent four fiscal quarter period, commencing with the four fiscal quarter period ending on June 30, 1997, the ratio of (x) Consolidated EBITDA of the Borrower and its Subsidiaries for such period to (y) Consolidated Interest Expense of the Borrower and its Subsidiaries for such period."; and

(c) Definition of Leverage Ratio. By deleting the definition of "Leverage Ratio" set forth therein in its entirety and inserting the following definition in lieu thereof:

" 'Leverage Ratio' means (a) with respect to each of the four fiscal quarter periods ending on June 30, 1996, September 30, 1996, December 31, 1996 and March 31, 1997, the ratio of (x) the total Consolidated Debt of the Borrower and its Subsidiaries as of the last day of such period to (y) Consolidated Adjusted EBITDA of the Borrower and its Subsidiaries for such period, and (b) with respect to each subsequent four fiscal quarter period, commencing with the four fiscal quarter period ending June 30, 1997, the ratio of (x) the total Consolidated Debt of the Borrower and its Subsidiaries as of the last day of such fiscal quarter to (y) Consolidated EBITDA of the Borrower and its Subsidiaries for the four fiscal quarter period ended at the end of such fiscal quarter."; and

(d) Definition of Restructuring Costs. By deleting the definition of "Restructuring Costs" set forth therein in its entirety and inserting the following definition in lieu thereof:

" 'Restructuring Costs' means a maximum of (a) up to $15,000,000 in the aggregate charged during the fiscal quarter ended December 31, 1995 for unrecoverable accounts receivable, plus (b) up to $10,000,000 in the aggregate charged during the fiscal quarter ended June 30, 1996 for unrecoverable accounts receivable, plus (c) up to $6,200,000 in the aggregate charged during the fiscal quarter ended June 30, 1996 for restructuring costs associated with the closure of the Borrower's La Jolla California office, plus (d) up to $6,600,000 in the aggregate charged during the fiscal quarter ended June 30, 1996 for restructuring costs associated with the write down of capitalized data processing software costs, plus (e) up to $10,200,000 in the aggregate charged during the fiscal quarter ended June 30, 1996 for severance costs and other non-recurring items ."; and

(e) Definition of Annualized Adjusted EBITDA. By deleting the defined term "Annualized Adjusted EBITDA"; and

(f) Definition of Settlement Costs. By deleting the defined term "Settlement Costs".

SECTION 1.02. Amendment of Affirmative Covenants. Section 5.01(m) of the Credit Agreement is hereby amended to read in its entirety as follows:

> (m) Monthly Summary Financial Reports. During the period from the Closing Date through June 30, 1997, furnish to the Administrative Agent (in a quantity sufficient for all Lenders and the Administrative Agent) as soon as available, and in any event within 50 days after the end of each calendar month, a summary financial report as to the Borrower and its Subsidiaries, in the form of Exhibit F, for the period commencing at the end of the previous month and ending with the end of such month, signed on behalf of the Borrower by its chief financial officer.

ARTICLE II

WAIVERS

SECTION 2.01. Waiver of Leverage Ratio. Compliance by the Borrower with the covenant set forth in Section 5.01(i) of the Credit Agreement is hereby waived solely in respect of the Borrower's four fiscal quarters ending in June 1996.

SECTION 2.02. Waiver of Interest Coverage Ratio. Compliance by the Borrower with the covenant set forth in Section 5.01(j) of the Credit Agreement is hereby waived solely in respect of the Borrower's four fiscal quarters ending in June 1996.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The execution, delivery and performance by the Borrower of this Amendment and Waiver are within its corporate powers, have been duly authorized by all necessary corporate action, and do not contravene the Borrower's charter or by-laws.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Amendment and Waiver.

(d) This Amendment and Waiver has been duly executed and delivered by the Borrower. This Amendment and Waiver is the legal, valid and binding obligation of the Borrower, enforceable against the Borrower, in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of creditors' rights generally and by general principles of equity.

(e) The representations and warranties contained in Section 4.01 of the Credit Agreement are correct in all material respects on and as of the date hereof, as though made on and as of the date hereof.

(f) No event has occurred and is continuing which constitutes a Default.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. Governing Law. This Amendment and Waiver shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to the conflicts of law principles thereof.

SECTION 4.02. Execution in Counterparts. This Amendment and Waiver may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment and Waiver by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment and Waiver.

SECTION 4.03. Effect on the Credit Agreement. Upon execution and delivery of this Amendment and Waiver, each reference in the Credit agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Credit Agreement, as amended hereby and each reference to the Credit Agreement in any Loan Document (as defined in the Credit Agreement) shall mean and be a reference to the Credit Agreement, as amended hereby. Except as expressly modified hereby, all of the terms and conditions of the Credit Agreement shall remain unaltered and in full force and effect. This Amendment and Waiver shall become effective as of the date first above written when counterparts hereof shall have been executed by the Required Lenders. This Amendment and Waiver is subject to the provisions of Section 8.01 of the Credit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Waiver to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER: LABORATORY CORPORATION OF AMERICA HOLDINGS

By: /s/ HAYWOOD D. COCHRANE

Name: Haywood D. Cochrane
Title: Executive Vice President and Chief Financial Officer

ADMINISTRATIVE AGENT: CREDIT SUISSE (NEW YORK BRANCH), as Administrative Agent

By: /s/ HEATHER RIEKENBERG

Name: Heather Riekenburg
Title: Member of Senior Management

and

By: /s/ IRA LUBINSKY

Name: Ira Lubinsky
Title: Associate

CREDIT SUISSE (NEW YORK
BRANCH)

By: /s/ KARL M. STUDER

Name: Karl M. Studer
Title: Member of Senior Management

By: /s/ DANIELA E. HESS

Name: Daniela E. Hess
Title: Associate

BANK OF AMERICA ILLINOIS

By: /s/ WENDY L. LORING

Name: Wendy L. Loring
Title: Vice President

BANQUE NATIONALE DE PARIS

By: /s/ RICHARD L. STED

Name: Richard L. Sted
Title: Senior Vice President

By: /s/ BONNIE G. EISENSTAT

Name: Bonnie G. Eisenstat
Title: Vice President

BAYERISCHE LANDESBANK
GIROZENTRALE

By: /s/ WILFRIED FREUDENBERGER

Name: Wilfried Freudenberger
Title: Executive Vice President
and General Manager

By: /s/ PETER OBERMANN

Name: Peter Obermann
Title: Senior Vice President
Manager Lending Division

THE CHASE MANHATTAN BANK

By: Not Signed

Name:
Title:

CREDIT LYONNAIS
  CAYMAN ISLANDS BRANCH

By: /s/ FARBOUD TAVANGAR

     Name: Farboud Tavangar
     Title: Authorized Signature

DEUTSCHE BANK AG
NEW YORK BRANCH and/or
CAYMAN ISLANDS BRANCH

By: /s/ WOLF A. KLUGE

Name: Wolf A. Kluge
Title: Vice President

By: /s/ GEORG L. PETERS

Name: Georg L. Peters
Title: Vice President

FIRST FIDELITY BANK, N.A.

By: [Assigned to First Union]

Name:
Title:

THE FUJI BANK, LTD.
(NEW YORK BRANCH)

By: /s/ GINA KEARNS

Name: Gina Kearns
Title: Vice President and Manager

NATIONSBANK, N.A.

By: /s/ ASHLEY M. CRABTREE

Name: Ashley M. Crabtree
Title: Vice President

SOCIETE GENERALE

By: /s/ PHILIPPE DAUBE

Name: Philippe Daube
Title: First Vice President

THE SUMITOMO BANK, LIMITED,
NEW YORK BRANCH

By: /s/ YOSHINORI KAWAMURA

Name: Yoshinori Kawamura
Title: Joint General Manager

SWISS BANK CORPORATION

By: /s/ HANNO HUBER

Name: Hanno Huber
Title: Associate Director
Corporate Clients
Switzerland

By: /s/ PAOLO SEIFERLE

Name: Paolo Seiferle
Title: Associate Director
Corporate Clients
Switzerland

WACHOVIA BANK OF GEORGIA, N.A.

By: /s/ KURT A. SHREINER

Name: Kurt A. Shreiner
Title: Senior Vice President

WESTDEUTSCHE LANDESBANK

By: /s/ CATHERINE RUTHLAND

Name: Catherine Ruthland
Title: Vice President

By: /s/ CORDULA KRASKA-HORNEMANN

Name: Cordula Kraska-Hornemann
Title: Vice President

BANK BRUSSELS LAMBERT
(NEW YORK BRANCH)

By: /s/ JEAN-LOUIS RECOUSSINE

Name: Jean-Louis Recoussine
Title: General Manager

By: /s/ DOMINICK H.J. VANGAEVER

Name: Dominick H.J. Vangaever
Title: Vice President
Credit Department

COMMERZBANK AKTIENGESELLSCHAFT,
ATLANTA AGENCY

By: /s/ ANDREAS K. BREMER

Name: Andreas K. Bremer

Title: Senior Vice President

By: /s/ E. KAGERER

Name: E. Kagerer

Title: Vice President

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES CONSOLIDATED CONDENSED BALANCE SHEETS AND STATEMENT OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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LABORATORY CORPORATION OF AMERICA HOLDINGS
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JUN-30-1996
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