UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☑ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal period ended December 31, 2004

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)

(Registrant's telephone number, including area code) **(336) 229-1127**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of exchange on which registered**
Common Stock, $0.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☑ No ☐

As of June 30, 2004, the aggregate market value of the voting and non-voting common equity held by

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non-affiliates of the registrant was approximately $5.5 billion, based on the closing price on such date of the registrant's common stock on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 135,045,777 shares as of February 21, 2005.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed with the Commission pursuant to Regulation 14A in connection with the registrant's 2005 Annual Meeting of Stockholders, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this Report. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the conclusion of the registrant's fiscal year ended December 31, 2004.

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PART I

Item 1. BUSINESS

Laboratory Corporation of America Holdings and its subsidiaries (the "Company"), headquartered in Burlington, North Carolina, is the second largest independent clinical laboratory company in the United States based on 2004 net revenues. Since its founding in 1971, the Company has grown into a national network of 32 primary laboratories and over 1,300 service sites, consisting of branches, patient service centers and STAT laboratories, which are laboratories that have the ability to perform certain routine tests quickly and report the results to the physician immediately. Through its national network of laboratories, the Company offers a broad range of clinical laboratory tests which are used by the medical profession in routine testing, patient diagnosis, and in the monitoring and treatment of disease. In addition, the Company has developed specialty and niche businesses based on certain types of specialized testing capabilities and client requirements, such as oncology testing, HIV genotyping and phenotyping, diagnostic genetics and clinical research trials. The Company has significantly expanded its routine and specialty testing businesses through the acquisitions of Dynacare Inc. ("Dynacare"), DIANON Systems, Inc. ("DIANON"), and US Pathology Labs, Inc. ("US LABS"). The acquisition of Dynacare, a provider of clinical laboratory testing services in 21 states in the United States and two provinces in Canada has enabled the Company to expand its national testing network. DIANON is a leading national provider of anatomic pathology and genetic testing services with a primary focus on advanced oncology testing. The acquisition of DIANON and the recently completed acquisition of US LABS, with an anatomic pathology offering tailored to hospital based pathologists, further enhances the Company's oncology testing capabilities and positions it to more effectively market and distribute the advanced testing technologies that the Company has developed internally or has licensed from its technology partners, such as EXACT Sciences Corporation, Celera Diagnostics and Correlogic Systems, Inc.

With approximately 23,500 employees, the Company processes tests on more than 355,000 patient specimens daily and provides clinical laboratory testing services to clients in all 50 states, the District of Columbia, Puerto Rico, and three provinces in Canada. Its clients include physicians, hospitals, HMOs and other managed care organizations, governmental agencies, large employers, and other independent clinical laboratories that do not have the breadth of its testing capabilities. Several hundred of the Company's tests are frequently used in general patient care by physicians to establish or support a diagnosis, to monitor treatment or to search for an otherwise undiagnosed condition. The most frequently-requested of these routine tests include blood chemistry analyses, urinalyses, blood cell counts, Pap tests, HIV tests, microbiology cultures and procedures, and alcohol and other substance-abuse tests. The Company performs this core group of routine tests in each of its major laboratories using sophisticated and computerized instruments, with most results reported within 24 hours.

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports are made available free of charge through the Media and Investor Relations section of the Company's internet website at www.labcorp.com as soon as practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission.

The Company is committed to providing the highest quality laboratory services to its clients in full compliance with all federal, state and local laws and regulations. The Company's Code of Business Conduct and Ethics outlines ethics and compliance policies adopted by the Company to meet this commitment. These policies apply to all employees of the Company and its subsidiaries as well as the Company's Board of Directors. The Code of Business Conduct and Ethics, as well as the Charters for the Audit, Compensation, Ethics and Quality Assurance, and Nominating and Corporate Governance Committees, and the Company's Corporate Governance Guidelines, are posted on the Company's website www.labcorp.com. The Company has established a Compliance Action hotline (1-800-801-1005), which provides a confidential and anonymous method to report a possible violation of a LabCorp compliance policy or procedure, or a federal or state law or regulation; a HIPAA Privacy hotline (1-877-234-4722), which provides a confidential and anonymous method for an employee to report a possible violation of a

HIPAA privacy, security or billing policy or procedure; and an Accounting hotline (1-866-469-6893), which provides a confidential and anonymous method for an employee to report a possible violation of internal accounting controls or auditing matters.

The Clinical Laboratory Testing Industry

Laboratory tests and procedures are used generally by hospitals, physicians and other health care providers and commercial clients to assist in the diagnosis, evaluation, detection, monitoring and treatment of diseases and other medical conditions through the examination of substances in the blood, tissues and other specimens. Clinical laboratory testing is generally categorized as either clinical pathology testing, which is performed on body fluids including blood, or anatomical pathology testing, which is performed on cytologic samples, tissue and other samples, including human cells. Clinical and anatomical pathology procedures are frequently ordered as part of regular physician office visits and hospital admissions in connection with the diagnosis and treatment of illnesses. Certain of these tests and procedures are used as tools in the diagnosis and management of a wide variety of medical conditions such as cancer, AIDS, endocrine disorders, cardiac disorders and genetic disease.

The clinical laboratory industry consists primarily of three types of providers: hospital-based laboratories, physician-office laboratories and independent clinical laboratories, such as those owned by the Company. The Company believes that in 2003 the entire United States clinical laboratory testing industry had estimated revenues of approximately $40 billion; approximately 53% of such revenues were attributable to hospital-affiliated laboratories, approximately 40% were attributable to independent clinical laboratories and others, and approximately 7% were attributable to physicians in their offices and laboratories. The Centers for Medicare and Medicaid Services (“CMS”) of the Department of Health and Human Services (“HHS”) has estimated that in 2003 there were approximately 5,000 independent clinical laboratories in the United States.

The clinical laboratory business is intensely competitive. There are presently two national independent clinical laboratories: the Company and Quest Diagnostics Incorporated (“Quest”), which had approximately $5.1 billion in revenues from clinical laboratory testing in 2004. In addition to the other national clinical laboratory, the Company competes with many smaller regional independent clinical laboratories as well as laboratories owned by hospitals and physicians. The Company believes that the following factors, among others, are often used by health care providers in selecting a laboratory: i) pricing of the laboratory’s test services; ii) accuracy, timeliness and consistency in reporting test results; iii) number and type of tests performed; iv) service capability and convenience offered by the laboratory; and v) its reputation in the medical community. The Company believes that it competes favorably with its principal competitors in each of these areas and is currently implementing strategies to improve its competitive position.

The Company believes that consolidation will continue in the clinical laboratory testing business. In addition, the Company believes that it and the other large independent clinical laboratory testing companies will be able to increase their share of the overall clinical laboratory testing market due to a number of external factors including cost efficiencies afforded by large-scale automated testing, Medicare reimbursement reductions and the growth of managed health care entities which require low-cost testing services and large service networks. In addition, legal restrictions on physician referrals and their ownership of laboratories as well as increased regulation of laboratories are expected to contribute to the continuing consolidation of the industry.

Effect of Market Changes on the Clinical Laboratory Business

Many market-based changes in the clinical laboratory business have occurred over the past ten years, primarily as a result of the shift away from traditional, fee-for-service medicine to managed-cost health care. The growth of the managed care sector presents various challenges to the Company and other independent clinical laboratories. Managed care organizations typically contract with a limited number of

clinical laboratories and negotiate discounts to the fees charged by such laboratories in an effort to control costs. In addition, managed care organizations have used capitated payment contracts in an attempt to fix the cost of laboratory testing services for their enrollees. Under a capitated payment contract, the clinical laboratory and the managed care organization agree to a per member, per month payment to cover all laboratory tests during the month, regardless of the number or cost of the tests actually performed. The Company makes significant efforts to ensure that esoteric tests (which are more sophisticated tests used to obtain information not provided by routine tests and generally involve a higher level of complexity and more substantial human involvement than routine tests) are excluded from capitated arrangements and therefore paid for separately by the managed care organization. Capitated payment contracts shift the risks of additional testing beyond that covered by the capitated payment to the clinical laboratory. For the year ended December 31, 2004, such capitated contracts accounted for approximately $132.7 million or 4.3% of the Company's net sales.

In addition, Medicare (which principally services patients 65 and older), Medicaid (which principally serves low-income patients) and insurers have increased their efforts to control the cost, utilization and delivery of health care services. Measures to regulate health care delivery in general and clinical laboratories in particular have resulted in reduced prices, added costs and decreased test utilization for the clinical laboratory industry by increasing complexity and adding new regulatory and administrative requirements. From time to time, Congress has also considered changes to the Medicare fee schedules in conjunction with certain budgetary bills. The Company believes that reductions in reimbursement for Medicare services will continue to be implemented from time to time. Reductions in the reimbursement rates of other third-party payers are likely to occur as well.

Despite the potential market changes discussed above, the Company believes that the volume of clinical laboratory testing will be positively influenced by several factors, including the expanded base of genomics knowledge, which has led to an enhanced appreciation of the value of gene-based diagnostic assays for current patient care as well as for the development of new therapeutics. Additionally, these novel gene-based tests have led to an increased awareness by physicians that clinical laboratory testing is a cost-effective means of prevention and early detection of disease and monitoring of treatment. In an effort to better offer new technology as medical needs and standards of care develop, the Company has entered into a number of licensing and technology distribution agreements with such leading-edge diagnostic testing technology providers as: Atherotech (cardiovascular disease risk assessment), EXACT Sciences (colorectal cancer detection), BioPredictive (determination of liver fibrosis), Celera (development of new gene-based assays in a variety of disease areas) and Correlogic Systems (ovarian cancer detection).

Additional factors which may lead to future volume growth include an increase in the number and types of tests which are readily available (due to advances in technology and increased cost efficiencies) for testing of cancer and infectious diseases and the general aging of the population in the United States. The impact of these factors is expected to be partially offset by declines in volume as a result of increased controls over the utilization of laboratory services by Medicare and other third-party payers, particularly managed care organizations. In addition, movement by patients into consumer driven health plans may have an impact on the utilization of laboratory testing.

Laboratory Testing Operations and Services

The Company has 32 primary laboratories, and over 1,300 service sites, consisting of branches, patient service centers and STAT laboratories. A branch is a central facility which collects specimens in a region for shipment to one of the Company's laboratories for testing. A branch also is used as a base for sales staff. Generally, a patient service center is a facility maintained by the Company to serve the patients of physicians in a medical professional building or other strategic location. The patient service center collects the specimens as requested by the physician. The specimens are sent, principally through the Company's in-house courier system (and, to a lesser extent, through independent couriers), to one of the Company's primary testing facilities for testing. Some of the Company's patient service centers also function as STAT labs, which are laboratories that have the ability to perform certain routine tests quickly and report results to

the physician immediately. Patient specimens are delivered to the Company accompanied by a test request form. These forms, which are completed by the client or the Company Patient Service Technician, indicate the tests to be performed and provide the necessary billing information.

Each specimen and related request form is checked for completeness and then given a unique identification number. The unique identification number assigned to each specimen helps to ensure that the results are attributed to the correct patient. The test request forms are sent to a data entry operator who ensures that a file is established for each patient and the necessary testing and billing information is entered. Once this information is entered into the computer system, the tests are performed and the results are entered through computer interface or manually, depending upon the tests and the type of equipment involved. Most of the Company's computerized testing equipment is connected to the Company's information systems. Most routine testing is completed by early the next morning and test results are in most cases electronically delivered to clients via smart printers, personal computer-based products or computer interfaces. It is Company policy to notify the client immediately if a life-threatening result is found at any point during the course of the testing process.

Company Strategy

The Company's strategic plan focuses on expanding national coverage, setting exceptional service standards, expanding its leading position in genomic testing and meeting the evolving needs of managed care payers, physicians and patients.

Expand and Leverage National Infrastructure

The Company's growing national presence provides a number of significant benefits and it intends to maintain and continue to build this presence. The Company's national network of 32 primary laboratories and over 1,300 service sites, consisting of branches, patient service centers and STAT laboratories, enables it to provide high-quality services to physicians, hospitals, managed care organizations and other customers across the United States. The Company's managed care contracts with United Healthcare, Aetna, Cigna, and Wellpoint demonstrate the importance of being able to deliver services on a nationwide basis. Furthermore, the Company's scale provides it with significant cost structure advantages, particularly related to supply and other operating costs.

Customer Retention

Providing exceptional customer service is one of the Company's highest priorities. Customer retention requires understanding the unique needs and challenges that face each of our customer segments and providing solutions that address them. The Company continually seeks to improve its offerings in physician education tools, integrated information management solutions, improved customer care initiatives and innovative patient information guides. These customer retention activities are designed to further our success in all aspects of our business.

Scientific Differentiation

The Company believes that it has differentiated itself from its competition and positioned itself for continued strong growth by building a leadership position in genomic and other advanced testing technologies. This leadership position enables the Company to provide a broad menu of testing services for the genetics and cancer markets, which it believes represent two of the most significant areas of future growth in the clinical laboratory industry. The Company's strategic objective in scientific differentiation is to expand its leadership position in genomic and other advanced testing technologies in order to deliver outstanding and innovative clinical testing services to patients and physicians nationwide.

Develop and Be First to Market with New Tests

Advances in medicine have begun to fundamentally change diagnostic testing, and new tests are allowing clinical laboratories to provide unprecedented amounts of health-related information to physicians and patients. Significant new tests introduced over the past several years include a gene-based test for human papilloma virus as well as tests for HIV phenotyping and cystic fibrosis. As science continues to advance, the Company expects new testing technologies to emerge; therefore, it intends to continue to invest in advanced testing capabilities so that it can remain on the cutting edge of clinical laboratory testing. The Company has added, and expects to continue to add, new testing technologies and capabilities through a combination of internal development initiatives, technology licensing and partnership transactions and selected business acquisitions. Through its national sales force, the Company rapidly introduces new testing technologies to physician customers. This differentiation is important in the retention and growth of business.

Capitalize on Unique Opportunities with New Testing Technologies

The Company has announced a number of significant licensing and technology distribution agreements which provide it with access to exciting new testing technologies that it expects will have an increasing impact on diagnostic testing. For example, in June 2002, the Company announced the creation of an exclusive, long-term strategic agreement with EXACT Sciences to commercialize PreGen-Plus, EXACT Sciences' proprietary, non-invasive technology to aid in the early detection of colorectal cancer. The Company commercially launched this gene-based test, which represents a significant new tool for the early detection of colorectal cancer, in August of 2003. The Company is collaborating with Celera Diagnostics to determine the clinical utility of laboratory tests based on novel diagnostic markers for breast cancer and prostate cancer and will have exclusive access to any related markers found to have clinical utility. In addition, the Company has signed a co-exclusive licensing agreement with Correlogic Systems to commercialize its ovarian cancer protein pattern blood test, which offers the prospect of accurate and early detection of ovarian cancer.

In July 2003, the Company announced a marketing and distribution relationship with Atherotech, a leading cardiodiagnostic company and specialty reference laboratory, to offer its proprietary Vertical Auto Profile (VAP™) Cholesterol Test. This multi-year agreement includes a provision for the transfer of patented testing technology to the Company, after which, if certain conditions are met, the Company would become the first clinical laboratory licensed to perform the VAP cardiovascular disease risk assessment assay within its own national laboratory system.

In August of 2003, the Company formed a new, majority-owned subsidiary for the purpose of developing new ideas, inventions, products, processes and services for diagnostic testing and monitoring in the medical, pharmaceutical, and/or therapeutic markets. The initial areas of interest include West Nile Virus, Alpha-1 Antitrypsin Deficiency, Oxidative Markers of DNA stress and Cancer Markers.

During the fourth quarter of 2003, the Company and BioPredictive, a French diagnostics firm, announced an exclusive agreement that combines the Company's expertise in infectious disease testing with BioPredictive's noninvasive, predictive testing technology to quantitatively estimate liver fibrosis and necroinflammatory activity in hepatitis C "HCV" patients. HCV FIBROSURE™ was made available in the U.S., only through the Company, beginning in the first quarter of 2004.

During the fourth quarter of 2004, the Company entered into a multi-year agreement with Cytyc for their ThinPrep Imaging System. The ThinPrep Imaging System is the first fully integrated, interactive computer system that assists cytotechnologists and pathologists in the primary screening and diagnosis of ThinPrep Pap Test slides. The company intends to complete its nationwide implementation of this state-of-the-art cervical cancer screening instrument by mid-2005.

The Company's investment in new testing technologies has been significant. While the Company

continues to believe its strategy of entering into licensing and technology distribution agreements with the developers of leading-edge technologies will provide future growth in revenues, there are certain risks associated with these investments. These risks include, but are not limited to, the risk that the licensed technology will not gain broad acceptance in the marketplace; or that insurance companies, managed care organizations, or Medicare and Medicaid will not approve reimbursement for these tests at a level commensurate with the costs of running the tests. Any or all of these circumstances could result in impairment in the value of certain capitalized licensing costs.

Enhance the Company's Oncology Testing Business by Leveraging the Unique Capabilities of DIANON and US LABS

DIANON and US LABS are national providers of oncology testing services and significantly enhance the Company's oncology testing capabilities. These companies are recognized by physicians, managed care companies and other customers as leading providers of a wide range of anatomic pathology testing services, with particular strength in uropathology, dermatopathology, GI pathology and hematopathology. DIANON and US LABS' strengths in anatomic pathology complement the Company's strengths in other areas of cancer testing, particularly cytology. The Company expects that the specialized sales force, scientific expertise, efficient operating model and proprietary clinical and pathology reporting systems of DIANON and US LABS will allow it to enhance its cancer testing business. The Company began extending DIANON's standardized anatomic pathology processes to other Company pathology sites in early 2004 and has implemented these best practices in four major Company sites.

Become the Laboratory of Choice for Managed Care

Strong managed care partnerships are key to the Company, both to secure appropriate payment for our services and as distribution channels for the Company's new and existing products. As such, they also contribute to the establishment and implementation of our scientific leadership priorities. The Company has devoted substantial business and scientific resources to our managed care customers to ensure that it is providing this growing segment with the creative solutions and quality services that they expect. LabCorp's external Managed Care Advisory Panel and internal Managed Care Economic and Scientific Advisory Review Process are critical to understanding the evolution of this business segment and communicating the economic and social benefits of advanced laboratory testing.

Testing Services

Routine Testing

The Company currently offers a broad range of clinical laboratory tests and procedures. Several hundred of these are frequently used in general patient care by physicians to establish or support a diagnosis, to monitor treatment or medication, or to search for an otherwise undiagnosed condition. The most frequently requested tests include blood chemistry analyses, urinalyses, blood cell counts, Pap tests, HIV tests, microbiology cultures and procedures and alcohol and other substance-abuse tests. These routine procedures are most often used by physicians in their outpatient office practices. Physicians may elect to send such procedures to an independent laboratory or they may choose to establish an in-house laboratory to perform some of the tests.

The Company performs this core group of routine tests in each of its primary laboratories, which constitutes a majority of the testing performed by the Company. The Company generally performs and reports most routine procedures within 24 hours, utilizing a variety of sophisticated and computerized laboratory testing instruments.

Specialty and Niche Testing

While the information provided by many routine tests may be used by nearly all physicians, regardless

of specialty, many other procedures are more specialized in nature. One of the growth strategies of the Company is the continued expansion of its specialty and niche businesses, which involve certain types of unique testing capabilities and/or client requirements. In general, the specialty and niche businesses are designed to serve two market segments: (i) markets which are not typically served by the clinical testing laboratory; and (ii) markets which are served by the clinical testing laboratory and offer the possibility of adding related services (such as clinical trials or occupational drug testing) from the same supplier. The Company's research and development group continually seeks new and improved technologies for early diagnosis. For example, the Company's Center for Molecular Biology and Pathology ("CMBP") is a leader in molecular diagnostics and polymerase chain reaction ("PCR") technologies, which are often able to provide earlier and more reliable information regarding HIV, genetic diseases, cancer and many other viral and bacterial diseases. In August 2000, the Company acquired Los Angeles-based National Genetics Institute, Inc. (NGI), a leader in the development of PCR assays for Hepatitis C (HCV). In June 2001, the Company acquired Minneapolis-based Viro-Med Laboratories, Inc., which offers molecular microbial testing using real time PCR platforms. Management believes these technologies may represent a significant savings to the healthcare system by increasing the detection of early stage (treatable) diseases. The following are specialty and niche businesses in which the Company offers testing and related services:

Allergy Testing. The Company offers an extensive range of allergen testing services as well as computerized analysis and a treatment program that enables primary care physicians to diagnose and treat many kinds of allergic disorders.

Clinical Trials Testing. The Company regularly performs clinical laboratory testing for pharmaceutical companies conducting clinical research trials on new drugs. This testing often involves periodic testing of patients participating in the trial over several years.

Diagnostic Genetics. The Company offers cytogenetic, molecular cytogenetic, biochemical and molecular genetic tests.

Identity Testing. The Company provides forensic identity testing used in connection with criminal proceedings and parentage evaluation services which are used to assist in the resolution of disputed parentage in child support litigation. Parentage testing involves the evaluation of immunological and genetic markers in specimens obtained from the child, the mother and the alleged father. Management believes it is now the largest provider of identity testing services in the United States.

Infectious Disease. The Company provides complete viral load testing as well as HIV genotyping and phenotyping. In 2000, the Company added HIV GenoSure™ to its portfolio of HIV resistance testing services. The Company's use of this leading-edge technology puts it in the forefront of HIV drug resistance testing one of the most important issues surrounding the treatment of HIV. Additionally, the Company provides comprehensive testing for HCV including both PCR testing and genotyping at CMBP, NGI and Viro-Med.

Oncology Testing. The Company offers an extensive series of testing technologies that aid in diagnosing and monitoring certain cancers and predicting the outcome of certain treatments. The Company's scientists have novel assays for detecting melanoma and breast cancer in clinical development. In August of 2003, the Company began offering PreGen-Plus, a non-invasive technology to aid in the early detection of colorectal cancer in a broader population. PreGen-Plus utilizes EXACT Sciences' proprietary genomics-based technology. In January 2003, the Company acquired DIANON, a national provider of oncology testing services. DIANON is recognized by physicians, managed care companies and other customers as a leading provider of a wide range of anatomic pathology testing services, with particular strength in uropathology, dermatopathology, GI pathology and hematopathology. In February 2005, the Company acquired US LABS, a national provider of cancer testing.

Occupational Testing Services. The Company provides urine and blood testing services for the detection of drug and alcohol abuse for private and government customers. These testing services are designed to produce "forensic" quality test results that satisfy the rigorous requirements for admissibility as evidence in legal proceedings. The Company also provides other analytical testing and a variety of management support services.

The specialized or niche testing services noted above, as well as other complex procedures, are sent to designated facilities where the Company has concentrated the people, instruments and related resources for performing such procedures so that quality and efficiency can be most effectively monitored. CMBP, NGI and Viro-Med also specialize in new test development and related education and training.

Clients

The Company provides testing services to a broad range of health care providers. During the year ended December 31, 2004, no client or group of clients under the same contract accounted for more than four percent of the Company's net sales. The primary client groups serviced by the Company include:

Independent Physicians and Physician Groups

Physicians requiring testing for their patients are one of the Company's primary sources of testing services. Fees for clinical laboratory testing services rendered for these physicians are billed either to the physician, to the patient or the patient's third party payer such as an insurance company, Medicare or Medicaid. Billings are typically on a fee-for-service basis. If the billings are to the physician, they are based on a customer fee schedule and subject to negotiation. Otherwise, the patient or third party payer is billed at the laboratory's patient fee schedule, subject to third party payer limitations and negotiation by physicians on behalf of their patients. Revenues received from Medicare and Medicaid billings are based on government-set fee schedules and reimbursement rules.

Hospitals

The Company provides hospitals with services ranging from routine and specialty testing to contract management services. Hospitals generally maintain an on-site laboratory to perform immediately needed testing on patients receiving care. However, they also refer less time sensitive procedures, less frequently needed procedures and highly specialized procedures to outside facilities, including independent clinical laboratories and larger medical centers. The Company typically charges hospitals for any such tests on a fee-for-service basis which is derived from the Company's customer fee schedule. Fees for management services are billed monthly at contractually agreed-upon rates.

HMOs and Other Managed Care Groups

The Company serves HMOs and other managed care organizations. These medical service providers typically contract with a limited number of clinical laboratories and then designate the laboratory or laboratories to be used for tests ordered by participating physicians. The majority of the Company's managed care testing is negotiated on a fee-for-service basis. Testing is sometimes reimbursed on a capitated basis for managed care organizations. Under a capitated payment contract, the Company agrees to perform certain laboratory tests during a given month for which the managed care organization agrees to pay a flat monthly fee for each covered member. The tests covered under agreements of this type are negotiated for each contract, but usually include routine tests and exclude highly specialized tests. Many of the national and large regional managed care organizations prefer to use large independent clinical labs such as the Company because they can monitor service and performance on a national basis.

Other Institutions

The Company serves other institutions, including governmental agencies, large employers and other

independent clinical laboratories that do not have the breadth of the Company's testing capabilities. The institutions typically pay on a negotiated fee-for-service basis.

Payers

Most testing services are billed to a party other than the physician or other authorized person who ordered the test. In addition, tests performed by a single physician may be billed to different payers depending on the medical insurance benefits of a particular patient. Payers other than the direct patient include, among others, insurance companies, managed care organizations, Medicare and Medicaid. For the year ended December 31, 2004, accessions (based on the total volume of accessions) and average revenue per accession by payer are as follows:

	Accession Volume as a % of Total	Revenue per Accession
Private Patients	2.8%	$123.59
Medicare, Medicaid and Other	20.7%	$ 34.84
Commercial Clients	35.9%	$ 26.61
Managed Care	40.6%	$ 33.67

Investments in Joint Venture Partnerships

In conjunction with the acquisition of Dynacare in 2002, the Company holds investments in three joint venture partnerships, located in Milwaukee, Wisconsin; Ontario, Canada; and Alberta, Canada. These businesses represent partnership agreements between Dynacare and other independent diagnostic laboratory investors. Under these agreements, all partners share in the profits and losses of the businesses in proportion to their respective ownership percentages. All partners are actively involved in the major business decisions made by each joint venture.

Each of the Canadian partnerships own licenses to conduct diagnostic testing services in their respective provinces. Substantially all of their revenues are received as reimbursement from the provincial governments' health care programs. While the Canadian licenses guarantee the joint ventures the ability to conduct diagnostic testing in their respective provinces, they do not guarantee that the provincial governments will continue to reimburse diagnostic laboratory testing at current levels. If the provincial governments decide to limit or reduce their reimbursement of laboratory diagnostic services, it could have a negative impact on the profits and cash flows the Company derives from these investments as well as possibly impair the value assigned by the Company to the Canadian joint ventures.

Sales and Marketing and Client Service

The Company offers its services through a combination of direct sales generalists and specialists. Sales generalists market the mainstream or traditional routine laboratory services primarily to physicians, while specialists concentrate on individual market segments, such as hospitals or managed care organizations, or on testing niches, such as identity testing or genetic testing. Specialist positions are established when an in-depth level of expertise is necessary to effectively offer the specialized services. When the need arises, specialists and generalists work cooperatively to address specific opportunities. The Company's sales generalists and specialists are compensated through a combination of salaries, commissions and bonuses, at levels commensurate with each individual's qualifications and responsibilities. Commissions are primarily based upon the individual's productivity in generating new business for the Company.

The Company also employs regional service managers and account managers ("AMs") to interact with clients on an ongoing basis. AMs monitor the status of the services being provided to clients, act as

problem-solvers, provide information on new testing developments and serve as the client's regular point of contact with the Company. AMs are compensated through a combination of salaries and bonuses commensurate with each individual's qualifications and responsibilities.

The Company believes that the clinical laboratory service business is shifting away from the traditional direct sales structure to one in which the purchasing decisions for laboratory services are increasingly being made by managed care organizations, insurance plans, employers and even by patients themselves. In view of these changes, the Company has adapted its sales and marketing structure to more appropriately address the opportunities presented by this shift.

The Company competes primarily on the basis of the quality of its testing, reporting and information systems, its reputation in the medical community, client service, test menu, the pricing of its services and its ability to employ qualified personnel.

Information Systems

The Company has developed and implemented management information systems to monitor operations and control costs. All financial functions are centralized in Burlington, North Carolina including purchasing, accounting, payroll and billing. Management believes this provides greater control over spending as well as increased supervision and monitoring of results of operations.

The Company believes that the health care provider's need for data will continue to place high demands on the Company's information systems staff. The Company operates several systems to handle laboratory, billing and financial data and transactions. The Company believes that the efficient handling of information involving clients, patients, payers and other parties will be a critical factor in the Company's future success. The Company's Corporate Information Systems Division manages its information resources and programs on a consolidated basis in order to achieve greater efficiency and economies of scale. The Company employs a Chief Information Officer, whose responsibility is to integrate, manage and develop the Company's information systems.

Billing

Billing for laboratory services is a complex process. Laboratories must bill many different payers such as doctors, patients, hundreds of different insurance companies, Medicare, Medicaid and employer groups, all of which have different billing requirements. The Company believes that a majority of its bad debt expense is the result of non-credit related issues which slow the billing process. A primary cause of bad debt expense is missing or incorrect billing information on requisitions. The Company believes that this experience is similar to that of its primary competitors. The Company generally performs the requested tests and returns the test results regardless of whether billing information is incorrect or incomplete. The Company subsequently attempts to obtain any missing information or rectify any incorrect billing information received from the health care provider. Among the many other factors complicating the billing process are more intricate billing arrangements due to contracts with third-party administrators, disputes between payers as to the party responsible for payment of the bill and auditing for specific compliance issues.

During 2004, the Company substantially completed its consolidation of lab and billing systems onto the centralized system. The Company's days sales outstanding (DSO) were reduced 1 day from December 31, 2003 levels to 52 days as a result of Company-wide efforts to increase cash collections from all payers, as well as on-going improvements to the claim submission processes. The Company is continuing to take the steps necessary to improve DSO and cash collections. Although there can be no assurance of success, the Company has developed a number of initiatives to address the complexity of the billing process and to improve collection rates by:

1) continuing to reduce the number of requisitions received that are missing certain billing information.

This initiative involves counting the number of clinical requisitions received with missing information by ordering client, as well as determining what specific information was not provided. The Company then identifies root causes of why the information was missing and takes steps to ensure that information is provided in the future. These steps include re-educating clients as to what information is needed in order for the Company to bill and collect for the test;

2) implementing numerous initiatives related to self-pay accounts receivable. These include: i) collecting payment at the time of service; ii) increased training for billing personnel related to improving collections during phone calls and iii) review of bill design and frequency;

3) installing personal computer based products in client offices and Company locations to help with the accuracy and completeness of billing information captured on the front-end;

4) developing and implementing enhanced eligibility checking to compare information to payer records before billing.

Quality Assurance

The Company considers the quality of its tests to be of critical importance, and it has established a comprehensive quality assurance program for all of its laboratories and other facilities designed to help assure accurate and timely test results. In addition to the compulsory external inspections and proficiency programs required by CMS and other regulatory agencies, Company-wide systems and procedures are in place to emphasize and monitor quality assurance. All of the Company's regional laboratories are subject to on-site evaluations, the College of American Pathologists ("CAP") proficiency testing program, state surveys and the Company's own internal quality control programs.

External Proficiency/Accreditations. The Company participates in numerous externally-administered, blind quality surveillance programs, including the CAP program. The blind programs supplement all other quality assurance procedures and give Company management the opportunity to review its technical and service performance from the client's perspective.

Internal Quality Control. The Company regularly performs internal quality control testing by running quality control samples with known values at the same time as patient samples submitted for testing. All quality control sample test results are entered into the Company's national laboratory computer, which connects the Company's facilities nationwide to a common on-line quality control database. This system helps technologists and technicians check quality control values and requires further prompt verification if any quality control value is out of range. The Company has an extensive, internally administered program of blind sample proficiency testing (i.e. the testing laboratory does not know the sample being tested is a quality control sample). As part of this program the Company's locations receive specimens from the Company's Quality Assurance and Corporate Technical Services departments for analysis.

The CAP accreditation program involves both on-site inspections of the laboratory and participation in CAP's proficiency testing program for all categories in which the laboratory is accredited by CAP. CAP is an independent non-governmental organization of board-certified pathologists which offers an accreditation program to which laboratories can voluntarily subscribe. CAP has been accredited by CMS to inspect clinical laboratories to determine adherence to the Clinical Laboratory Improvement Act of 1967, and the Clinical Laboratory Improvement Amendments of 1988 standards. A laboratory's receipt of accreditation by CAP satisfies the Medicare requirement for participation in proficiency testing programs administered by an external source. All of the Company's major laboratories are accredited by CAP.

The Company's forensic crime laboratory, located at Research Triangle Park, NC, is accredited by the

American Society of Crime Laboratory Directors, Laboratory Accreditation Board (“ASCLD/LAB”) in the category of DNA testing. Under the Crime Laboratory Accreditation Program managed by the ASCLD/LAB, a crime laboratory undergoes a comprehensive and in-depth inspection to demonstrate that its management, operations, employees, procedures and instruments, physical plant, and security and personnel safety procedures meet stringent quality standards. The Company is one of 279 ASCLD accredited crime laboratories worldwide and is one of only twelve private crime laboratories holding the accreditation. Accreditation is granted for a period of five years provided that a laboratory continues to meet the standards during that period.

Employees

As of January 31, 2005, the Company had approximately 23,500 full-time equivalent employees. Subsidiaries of the Company have four collective bargaining agreements which cover approximately 650 employees. One of the collective bargaining agreements covering approximately 530 employees in Seattle will expire on May 31, 2005. Negotiations over a successor agreement are expected to commence in March 2005. The Company believes its overall relations with its employees are good.

Regulation and Reimbursement

General

The clinical laboratory industry is subject to significant governmental regulation at the federal, state and local levels. As described below, these regulations concern licensure and operation of clinical laboratories, payment for laboratory services, health care fraud and abuse, security and confidentiality of health information, quality, environmental and occupational safety.

Regulation of Clinical Laboratories

The Clinical Laboratory Improvement Amendments of 1988 (“CLIA”) extend federal oversight to virtually all clinical laboratories by requiring that they be certified by the federal government or by a federally-approved accreditation agency. CLIA requires that all clinical laboratories must meet quality assurance, quality control and personnel standards. Laboratories also must undergo proficiency testing and are subject to inspections.

Standards for testing under CLIA are based on the complexity of the tests performed by the laboratory, with tests classified as either “high complexity”, “moderate complexity”, or “waived. ” Laboratories performing high complexity testing are required to meet more stringent requirements than moderate complexity laboratories. Labs performing only waived tests, which are tests determined by the Food and Drug Administration to have a low potential for error and requiring little or no oversight, may apply for a certificate of waiver exempting them from most of the requirements of CLIA. All major and many smaller Company facilities hold CLIA certificates to perform high complexity testing. The Company’s remaining smaller testing sites hold CLIA certificates to perform moderate complexity testing or a certificate of waiver.

The sanctions for failure to comply with CLIA requirements include suspension, revocation or limitation of a laboratory’s CLIA certificate, which is necessary to conduct business, cancellation or suspension of the laboratory’s approval to receive Medicare and/or Medicaid reimbursement, as well as significant fines and/or criminal penalties. The loss or suspension of a license, imposition of a fine or other penalties, or future changes in the CLIA law or regulations (or interpretation of the law or regulations) could have a material adverse effect on the Company.

The Company is also subject to state and local laboratory regulation. CLIA provides that a state may adopt laboratory regulations different from or more stringent than those under federal law, and a number of states have implemented their own laboratory regulatory schemes. State laws may require that laboratory

personnel meet certain qualifications, specify certain quality controls, or require maintenance of certain records. For example, some of the Company's laboratories are subject to the State of New York's clinical laboratory regulations, which contain provisions that are more stringent than those under federal law.

The Company believes that it is in compliance with all applicable laboratory requirements, and the Company's laboratories have continuing programs to ensure that their operations meet all such regulatory requirements, but no assurances can be given that the Company's laboratories will pass all future licensure or certification inspections.

Payment for Clinical Laboratory Services

In 2004 and 2003, the Company derived approximately 20% and 19%, respectively of its net sales from tests performed for beneficiaries of the Medicare and Medicaid programs. In addition, the Company's other business depends significantly on continued participation in these programs, and other government healthcare programs, because clients often want a single laboratory to perform all of their testing services. In recent years, both governmental and private sector payers have made efforts to contain or reduce health care costs, including reducing reimbursement for clinical laboratory services.

Reimbursement under the Medicare program for clinical diagnostic laboratory services is subject to a clinical laboratory fee schedule which sets the maximum amount payable in each Medicare carrier's jurisdiction. This clinical laboratory fee schedule is updated annually. Laboratories bill the program directly and must accept the scheduled amount as payment in full for covered tests performed on behalf of Medicare beneficiaries. State Medicaid programs are prohibited from paying more than the Medicare fee schedule limit for clinical laboratory services furnished to Medicaid recipients.

Payment under the fee schedule has been limited from year to year by Congressional action, including imposition of national limitation amounts and freezes on the otherwise applicable annual Consumer Price Index "CPI" updates. For most diagnostic lab tests, the national limitation is now 74% of the national median of all local fee schedules established for each test. Under a provision of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 ("BIPA"), the cap is set at 100% of the median for tests performed after January 1, 2001 that the Secretary determines are new tests for which no limitation amount has previously been established.

Following a 5 year freeze on CPI updates to the clinical lab fee schedule, there was a 1.19% increase in the fee schedule in 2003. However, in late 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("MMA") again imposed a freeze in the Consumer Price Index update of the clinical lab fee schedule for 2004 through 2008.

Separate from clinical diagnostic laboratory services, which generally are reimbursed under the Medicare laboratory fee schedule, many pathology services are reimbursed under the Medicare physician fee schedule. The physician fee schedule assigns relative value units to each procedure or service, and a conversion factor is applied to calculate the reimbursement. The physician fee schedule also is subject to adjustment on an annual basis. The formula used to calculate the fee schedule resulted in significant decreases in payment for most physician services in 2003. However, Congress intervened and the conversion factor was increased for the period March 1, 2003 through December 31, 2003. The conversion factor was again expected to decrease significantly in 2004 and 2005, but the MMA included a provision requiring increases in each of these years of not less than 1.5%. Accordingly, the conversion factor was, in fact, increased 1.5% in each of these years. Unless Congress acts to change the basis on which the fee schedule is calculated, or mandates another increase, the conversion factor is likely to decrease in 2006.

The MMA also included a provision requiring CMS to conduct a demonstration program on using competitive acquisition for clinical lab tests that are furnished without a face-to-face encounter between the individual and the hospital personnel or physician performing the test. The Secretary of the Department of Health and Human Services ("HHS") is required to make an initial report to Congress on this

demonstration program no later than December 31, 2005. Details of CMS' plans regarding this demonstration program have not yet been released, but widespread use of competitive acquisition, if implemented for clinical lab services, could have a significant effect on the clinical laboratory industry and the Company. In addition, some States have initiated efforts to establish competitive bidding processes for the provision of laboratory services under the State Medicaid program.

Because a significant portion of the Company's costs are relatively fixed, Medicare, Medicaid and other government program payment reductions have a direct adverse affect on the Company's net earnings and cash flows, but the Company cannot predict whether changes that will result in such reductions will be implemented.

Congressional action in 1997 required HHS to adopt uniform coverage, administration and payment policies for lab tests using a negotiated rulemaking process. Consensus was reached by the negotiated rulemaking committee which, among other things, established uniform policies limiting Medicare coverage for certain tests to patients with specified medical conditions or diagnoses, replacing local Medicare coverage policies, which varied around the country. Since the final rules generally became effective in 2002, the use of uniform policies has improved the Company's ability to obtain necessary billing information in some cases, but Medicare, Medicaid and private payer diagnosis code requirements continue to negatively impact the Company's ability to be paid for some of these tests it performs. Due to the range of payers and policies, the extent of this impact continues to be difficult to quantify.

Future changes in federal, state and local laws and regulations (or in the interpretation of current regulations) affecting government payment for clinical laboratory testing could have a material adverse effect on the Company. Based on currently available information, the Company is unable to predict what type of changes in legislation or regulations, if any, will occur.

Standard Electronic Transactions, Security and Confidentiality of Health Information

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") was designed to address issues related to the portability of health insurance. In an effort to improve the efficiency and effectiveness of the health care system by facilitating the electronic exchange of information in certain financial and administrative transactions, new regulations were promulgated to protect the privacy and security of certain information. These regulations apply to health plans, health care providers that conduct standard transactions electronically and health care clearinghouses ("covered entities"). Five such regulations have been finalized: (i) the Transactions and Code Sets Rule; (ii) the Privacy Rule; (iii) the Security Rule; (iv) the National Standard Employer Identifier Rule, which requires the use of a unique employer identifier in connection with certain electronic transactions; and (v) the National Provider Identifier Rule, which requires the use of a unique health care provider identifier in connection with certain electronic transactions.

The Company's HIPAA project plans have two phases: (i) assessment of current systems, applications, processes and procedure testing and validation for HIPAA compliance and (ii) remediation of affected systems, applications, processes and procedure testing and validation for HIPAA compliance.

The Transactions and Code Sets Rule standardizes the format and data content to be used in the most common electronic health care transactions, including health care claims, eligibility, and health care claim status. Its purpose is to encourage the use of electronic exchanges while reducing the administrative burden associated with using different formats. The compliance date for this rule was October 16, 2002; however, covered entities (except small health plans) were permitted to file an extension plan with HHS to extend the compliance date to October 16, 2003. The extension plan described how the entity will come into compliance with the Transactions and Code Sets Rule requirements by the compliance date. The Company and its subsidiaries filed such extension plans. HHS announced contingency plans permitting entities unable to meet the compliance date to continue to accept legacy claims after October 16, 2003. Continuation of the contingency period will be determined by CMS based upon a regular assessment of the readiness of its electronic "trading partners." Although the Company is compliant, the Company is

operating under its own contingency plan, pursuant to which it continues to work with payers who are not prepared to meet the compliance date.

The Privacy Rule regulates the use and disclosure of protected health information ("PHI") by covered entities. It also sets forth certain rights that an individual has with respect to his or her PHI maintained by a covered entity, such as the right to access or amend certain records containing PHI or to request restrictions on the use or disclosure of PHI. Additionally, it requires covered entities to implement certain administrative requirements, such as designating a privacy officer, drafting and implementing privacy policies and procedures, and training workforce members. Health care providers governed by the Privacy Rule were required to come into compliance by April 14, 2003.

In light of the CMS Guidance and on-going contingency period, the Company believes that it is in compliance in all material respects with the Transactions and Code Sets Rule. The Company also believes that it is in compliance with all material provisions of the Privacy Rule. In this regard, the Company has set up a hotline for the reporting of possible violations. The total cost associated with the requirements of HIPAA is not expected to be material to the Company's operations or cash flows. There are, however, many unresolved issues in both of these areas and future interpretations of HIPAA could impose significant costs on the Company.

The Company is in the assessment phase of the Security Rule. The Company expects to meet the April 21, 2005 compliance date for the Security Rule.

In addition to the federal HIPAA regulations described above, there are a number of state laws regarding the confidentiality of medical information, some of which apply to clinical laboratories. These laws vary widely, and new laws in this area are pending, but they most commonly restrict the use and disclosure of medical information. Penalties for violation of these laws include sanctions against a laboratory's state licensure, as well as civil and/or criminal penalties. Violations of the HIPAA provisions after the applicable compliance dates could result in civil and/or criminal penalties, including significant fines and up to 10 years in prison.

Fraud and Abuse Laws and Regulations

Existing federal laws governing federal health care programs, including Medicare and Medicaid, as well as similar state laws, impose a variety of broadly described fraud and abuse prohibitions on healthcare providers, including clinical laboratories. These laws are interpreted liberally and enforced aggressively by multiple government agencies, including the U.S. Department of Justice, HHS' Office of the Inspector General ("OIG"), and various state agencies. Over the last several years, the clinical laboratory industry has been the focus of major governmental enforcement initiatives. The federal government's enforcement efforts have been increasing, in part as a result of the enactment of HIPAA, which included several provisions related to fraud and abuse enforcement, including the establishment of: a program to coordinate federal, state and local law enforcement programs; a program to conduct greater numbers of investigations, audits and inspections relating to payment for health care items and services; and a federal anti-fraud and abuse account for enforcement efforts, funded through collection of penalties and fines for violations of the health care anti-fraud and abuse laws.

The federal health care programs antikickback law (the "antikickback law") prohibits knowingly providing anything of value in return for, or to induce, the referral of Medicare or Medicaid (or other federal healthcare program) business. Violations can result in imprisonment, fines, penalties, and/or exclusion from participation in federal health care programs. HHS has published "safe harbor" regulations which specify certain arrangements that are protected from prosecution under the antikickback law if all conditions of the relevant safe harbor are met. Failure to fit within a safe harbor does not necessarily constitute a violation of the antikickback law; rather, the arrangement would be subject to scrutiny by regulators and prosecutors and would be evaluated on a case by case basis. Many states have their own Medicaid antikickback laws and several states also have antikickback laws that apply to all payers (*i.e.*, not

just federal or state healthcare programs).

From time to time, the OIG issues alerts and other guidance on certain practices in the health care industry. Several examples of such guidance documents are described below. In October 1994, the OIG issued a Special Fraud Alert on arrangements for the provision of clinical laboratory services. The Fraud Alert set forth a number of practices allegedly engaged in by some clinical laboratories and health care providers that raise issues under the "fraud and abuse" laws, including the antikickback law. These practices include: (i) laboratories providing employees to furnish valuable services for physicians (other than collecting patient specimens for testing) that are typically the responsibility of the physicians' staff; (ii) offering certain laboratory services to renal dialysis centers at prices below fair market value in return for referrals of other tests which are billed to Medicare at higher rates; (iii) providing free testing to a physician's managed care patients in situations where the referring physicians benefit from such reduced laboratory utilization; (iv) providing free pick-up and disposal of bio-hazardous waste for physicians for items unrelated to a laboratory's testing services; (v) providing general-use facsimile machines or computers to physicians that are not exclusively used in connection with the laboratory services; and (vi) providing free testing for health care providers, their families and their employees (professional courtesy testing). The OIG emphasized in the Special Fraud Alert that when one purpose of an arrangement is to induce referrals of program-reimbursed laboratory testing, both the clinical laboratory and the health care provider (e.g., physician) may be liable under the antikickback laws, and may be subject to criminal prosecution and exclusion from participation in the Medicare and Medicaid programs.

Another issue the OIG is concerned about involves the provision of discounts on laboratory services billed to customers in return for the referral of more lucrative federal health care program business. In a 1999 Advisory Opinion, the OIG concluded that a proposed arrangement whereby a laboratory would offer physicians significant discounts on non-federal health care program laboratory tests might violate the antikickback act. The OIG reasoned that the laboratory could be viewed as providing such discounts to the physician in exchange for referrals by the physician of business to be billed by the laboratory to Medicare at non-discounted rates. The OIG indicated that the arrangement would not qualify for protection under the discount safe harbor because Medicare and Medicaid would not get the benefit of the discount. Similarly, in 1999 correspondence, the OIG stated that if any direct or indirect link exists between a discount that a laboratory offers to a skilled nursing facility ("SNF") for tests covered under the Medicare Prospective Payment System ("PPS") and referrals to the laboratory of tests covered under Medicare Part B (i.e., not covered under a fixed PPS system), then the antikickback statute would be implicated.

The OIG also has issued two separate guidance documents regarding joint venture arrangements that may be viewed as suspect under the antikickback law. These documents have relevance to clinical laboratories that are part of (or are considering establishing) joint ventures with potential referral sources. The first guidance document, which focused on investor referrals to such ventures, was issued in 1989, and the more recent one, concerning contractual joint ventures, was issued in April 2003. Some of the elements of joint ventures that the OIG identified as "suspect" include: arrangements in which the capital invested by the physicians is disproportionately small and the return on investment is disproportionately large when compared to typical investment; specific selection of investors who are in a position to make referrals to the venture; and arrangements in which one of the parties to the joint venture expands into a line of business that is dependent on referrals from the other party (sometimes called "shell" joint ventures). In a recent advisory opinion, the OIG expressed concern about a proposed joint venture in which a laboratory company would assist physician groups in establishing off-site pathology laboratories. The OIG indicated that the physicians' financial and business risk in the venture was minimal and that the physicians' would contract out substantially all laboratory operations, committing very little in the way of financial, capital, or human resources. The OIG was unable to exclude the possibility that the arrangement was designed to permit the laboratory to pay the physician groups for their referrals, and therefore was unwilling to find that the arrangement fell within the safe harbor.

Violations of other fraud and abuse laws also can result in exclusion from participation in federal health care programs, including Medicare and Medicaid. One basis for such exclusion is an individual or entity's

submission of claims to Medicare or Medicaid for items or services that are substantially in excess of that individual or entity's usual charges. In September 2003, the OIG issued a notice of proposed rulemaking to amend the pertinent federal regulations. In this notice OIG proposed to define, for the first time, the terms "substantially in excess" and "usual charges," and to clarify the meaning of "good cause" as an exception to this exclusion authority. Under the proposed regulation, the Government would determine a provider's "usual charges" by looking at the provider's charges to all customers (with a few limited exceptions). This could result in the Company (and other laboratory companies) needing to increase charges to managed care plans and other customers so that its charges to Medicare are not "substantially in excess" of its "usual charges." This notice, which solicited comments, is only a proposal, but if the regulation were to be amended as proposed, it could have an adverse effect on the Company. At this time it is impossible to predict whether this proposed change in regulations might be finalized and how any such final regulations might differ from the notice of proposed rulemaking.

Under another federal statute, known as the "Stark" law or "self-referral" prohibition, physicians who have an investment or compensation relationship with a clinical laboratory may not, unless a statutory exception applies, refer Medicare or Medicaid patients for testing to the laboratory, regardless of the intent of the parties, unless an exception applies. Similarly, laboratories may not bill Medicare or Medicaid or any other party for services furnished pursuant to a prohibited referral. There are several Stark law exceptions that are relevant to arrangements involving clinical laboratories, including: 1) fair market value compensation for the provision of items or services; 2) payments by physicians to a laboratory for clinical laboratory services; 3) an exception for certain ancillary services (including laboratory services) provided within the referring physician's own office, if various criteria are met; 4) physician investment in a company so long as the company's stock is traded on a public exchange and the company has stockholder equity exceeding $75.0 million; and 5) certain space and equipment rental arrangements that are set at a fair market value rate and meet other requirements. All of the requirements of a Stark Law exception must be met in order to take advantage of the exception. Many states have their own self-referral laws as well, which in some cases apply to all patient referrals, not just Medicare and Medicaid.

There are a variety of other types of federal and state anti-fraud and abuse laws, including laws prohibiting submission of false or fraudulent claims. The Company seeks to conduct its business in compliance with all federal and state anti-fraud and abuse laws. However, the Company is unable to predict how these laws will be applied in the future, and no assurances can be given that its arrangements will not be subject to scrutiny under such laws. Sanctions for violations of these laws may include exclusion from participation in Medicare, Medicaid and other federal healthcare programs, significant criminal and civil fines and penalties, and loss of licensure. Any exclusion from participation in a federal healthcare program, or any loss of licensure, arising from any action by any federal or state regulatory or enforcement authority, would have a material adverse effect on the Company's business. In addition, any significant criminal or civil penalty resulting from such proceedings could have a material adverse effect on the Company's business.

Environmental, Health and Safety

The Company is subject to licensing and regulation under federal, state and local laws and regulations relating to the protection of the environment and human health and safety of laboratory employees and laws and regulations relating to the handling, transportation and disposal of medical specimens, infectious and hazardous waste and radioactive materials. All Company laboratories are subject to applicable federal and state laws and regulations relating to biohazard disposal of all laboratory specimens and the Company generally utilizes outside vendors for disposal of such specimens. In addition, the federal Occupational Safety and Health Administration ("OSHA") has established extensive requirements relating to workplace safety for health care employers, including clinical laboratories, whose workers may be exposed to blood-borne pathogens such as HIV and the hepatitis B virus. These regulations, among other things, require work practice controls, protective clothing and equipment, training, medical follow-up, vaccinations and other measures designed to minimize exposure to, and transmission of, blood-borne pathogens.

On November 6, 2000, Congress passed the Needlestick Safety and Prevention Act which required, among other things, that companies include in their safety programs the evaluation and use of engineering controls such as safety needles if found to be effective at reducing the risk of needlestick injuries in the workplace. During 2001, the Company voluntarily implemented the use of safety needles at all of its service locations at a cost of approximately $6.0 million.

Although the Company is not aware of any current material non-compliance with such federal, state and local laws and regulations, failure to comply could subject the Company to denial of the right to conduct business, fines, criminal penalties and/or other enforcement actions.

Drug Testing

Drug testing for public sector employees is regulated by the Substance Abuse and Mental Health Services Administration ("SAMHSA") (formerly the National Institute on Drug Abuse), which has established detailed performance and quality standards that laboratories must meet to be approved to perform drug testing on employees of federal government contractors and certain other entities. To the extent that the Company's laboratories perform such testing, each must be certified as meeting SAMHSA standards. The Company's Research Triangle Park, North Carolina; Raritan, New Jersey; Houston, Texas; San Diego, California; Seattle, Washington and Southaven, Mississippi laboratories are SAMHSA certified.

Controlled Substances

The use of controlled substances in testing for drugs of abuse is regulated by the federal Drug Enforcement Administration.

Compliance Program

Because of evolving interpretations of regulations and the national debate over health care fraud and abuse, compliance with all Medicare, Medicaid and other government-established rules and regulations has become a significant issue throughout the clinical laboratory industry. The Company has implemented a comprehensive company-wide compliance program. The objective of the Company's compliance program is to develop, implement, and update compliance safeguards as necessary. Emphasis is placed on developing compliance policies and guidelines, personnel training programs and various monitoring and audit procedures to attempt to achieve implementation of all applicable rules and regulations.

In 2001, DIANON settled a U.S. Department of Justice investigation into several of DIANON's billing practices. As part of the settlement, DIANON entered into a voluntary corporate integrity program. As part of DIANON's acquisition of UroCor Inc., DIANON assumed responsibility and liability for compliance with the UroCor corporate integrity agreement.

The Company seeks to conduct its business in compliance with all statutes, regulations, and other requirements applicable to its clinical laboratory operations. The clinical laboratory testing industry is, however, subject to extensive regulation, and many of these statutes and regulations have not been interpreted by the courts. There can be no assurance that applicable statutes and regulations will not be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that would adversely effect the Company. Potential sanctions for violation of these statutes and regulations include significant fines and the loss of various licenses, certificates, and authorizations, which could have a material adverse effect on the Company's business.

Item 2. PROPERTIES

The following table summarizes certain information as to the Company's principal operating and administrative facilities as of December 31, 2004.

Location	Approximate Area (in square feet)	Nature of Occupancy
Primary Laboratories:		
Birmingham, Alabama	90,000	Leased
Phoenix, Arizona	55,000	Leased
Los Angeles, California	54,000	Leased
San Diego, California	48,000	Leased
San Leandro, California	22,000	Leased
Denver, Colorado	20,000	Leased
Stratford, Connecticut	57,000	Leased
Tampa, Florida	113,000	Leased
Louisville, Kentucky	60,000	Leased
Eden Prairie, Minnesota	48,000	Leased
Kansas City, Missouri	78,000	Owned
Reno, Nevada	16,000	Owned
Raritan, New Jersey	187,000	Owned
Portsmouth, New Hampshire	47,000	Leased
Uniondale, New York	108,000	Leased
Burlington, North Carolina	275,000	Owned
Research Triangle Park, North Carolina	182,000	Leased
Dublin, Ohio	81,000	Owned
Oklahoma City, Oklahoma	90,000	Leased
Throop, Pennsylvania	19,000	Leased
Knoxville, Tennessee	8,000	Leased
Dallas, Texas	60,000	Leased
Houston, Texas	80,000	Leased
Midland, Texas	10,000	Leased
Salt Lake City, Utah	20,000	Leased
Herndon, Virginia	80,000	Leased
Kent, Washington	42,000	Leased
Mt. Vernon, Washington	8,500	Leased
Fairmont, West Virginia	25,000	Leased
Corporate Headquarters Facilities:		
Burlington, North Carolina	293,000	Owned
Burlington, North Carolina	273,000	Leased

All of the Company's primary laboratory facilities have been built or improved for the single purpose of providing clinical laboratory testing services. The Company believes that these facilities are suitable and adequate and have sufficient production capacity for its currently foreseeable level of operations. The Company believes that if it were unable to renew a lease or if a lease were to be terminated on any of the facilities it presently leases, it could find alternate space at competitive market rates and readily relocate its operations to such new locations without material disruption to its operations.

Item 3. LEGAL PROCEEDINGS

On June 24, 2003, the Company and certain of its executive officers were sued in the United States District Court for the Middle District of North Carolina in the first of a series of putative shareholder class actions alleging securities fraud. Since that date, at least five other complaints containing substantially identical allegations have been filed against the Company and certain of the Company's executive officers. Each of the complaints alleges that the defendants violated the federal securities laws by making material misstatements and/or omissions that caused the price of the Company's stock to be artificially inflated between February 13 and October 3, 2002. The plaintiffs seek certification of a class of substantially all persons who purchased shares of the Company's stock during that time period and unspecified monetary damages. These six cases have been consolidated and will proceed as a single case. On July 16, 2004, the defendants filed a motion to dismiss the consolidated amended complaint. The defendants deny any liability and continue to defend the case vigorously. At this time, it is premature to make any assessment of the potential outcome of the cases or whether they could have a material adverse effect on the Company's financial condition.

The Company is the appellant in a patent case originally filed by Competitive Technologies, Inc. and Metabolite Laboratories, Inc. in the United States District Court for the District of Colorado. After a jury trial, the district court entered judgment against the Company for patent infringement, with total damages and attorney's fees payable by the Company of approximately $7.8 million. The Company vigorously contested the judgment and appealed the case to the United States Court of Appeals for the Federal Circuit. On June 8, 2004, that court affirmed the judgment against the Company and, on August 5, 2004, the Company's request for rehearing was denied. On November 3, 2004, the Company filed a petition for a writ of certiorari with the United States Supreme Court. The underlying judgment has been paid and, on January 25, 2005, the United States Court of Appeal for the Federal Circuit confirmed the attorneys' fees portion of the judgment. The Company has filed a request to stay the award of attorneys' fees pending the resolution of the Company's appeal to the United States Supreme Court. On February 28, 2005, the United States Supreme Court requested the Solicitor General to file a brief expressing the views of the United States on the issue of whether the laws of nature, natural phenomena and abstract ideas can be patented. The Company plans to continue to vigorously contest the judgment until it exhausts all reasonable appellate rights.

The Company is also involved in various claims and legal actions arising in the ordinary course of business. These matters include, but are not limited to, intellectual property disputes, professional liability, employee related matters, and inquiries from governmental agencies and Medicare or Medicaid payers and managed care payers requesting comment on allegations of billing irregularities that are brought to their attention through billing audits or third parties. In the opinion of management, based upon the advice of counsel and consideration of all facts available at this time, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial position, results of operations or liquidity of the Company. The Company is also named from time to time in suits brought under the *qui tam* provisions of the False Claims Act. These suits typically allege that the Company has made false statements and/or certifications in connection with claims for payment from federal health care programs. They may remain under seal (hence, unknown to the Company) for some time while the government decides whether to intervene on behalf of the *qui tam* plaintiff. Such claims are an inevitable part of doing business in the health care field today and, in the opinion of management, based upon the advice of counsel and consideration of all facts available at this time, the ultimate disposition of those *qui tam* matters presently known to the Company is not expected to have a material adverse effect on the financial position, results of operations or liquidity of the Company.

The Company believes that it is in compliance in all material respects with all statutes, regulations and other requirements applicable to its clinical laboratory operations. The clinical laboratory testing industry is, however, subject to extensive regulation, and the courts have not interpreted many of these statutes and regulations. There can be no assurance therefore that those applicable statutes and regulations might not be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that would adversely

affect the Company. Potential sanctions for violation of these statutes and regulations include significant fines and the loss of various licenses, certificates and authorizations.

Under the Company's present insurance programs, coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or contract. The Company is responsible for the uninsured portion of losses related primarily to general, professional and vehicle liability, certain medical costs and workers' compensation. The self-insured retentions are on a per occurrence basis without any aggregate annual limit. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregated liability of claims incurred. At December 31, 2004 and 2003, the Company had provided letters of credit aggregating approximately $63.5 and $57.1 respectively, primarily in connection with certain insurance programs.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Market Information

The Common Stock trades on the New York Stock Exchange ("NYSE") under the symbol "LH". The following table sets forth for the calendar periods indicated the high and low sales prices for the Common Stock reported on the NYSE Composite Tape.

	High	Low
Year Ended December 31, 2003		
First Quarter	30.040	22.210
Second Quarter	32.630	25.940
Third Quarter	32.660	28.200
Fourth Quarter	37.720	28.210

	High	Low
Year Ended December 31, 2004		
First Quarter	44.200	36.950
Second Quarter	42.470	38.570
Third Quarter	43.750	36.800
Fourth Quarter	50.000	41.100

(b) Holders

On February 21**,** 2005 there were 567 holders of record of the Common Stock.

(c) Dividends

The Company has not historically paid dividends on its common stock. In addition, the Company's senior credit facilities place certain limits on the payment of dividends.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

The information required regarding "Securities Authorized for Issuance Under Equity Compensation Plans" is incorporated by reference to our Definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Stockholders to be held in 2005 (the "2005 Proxy Statement") under the caption "Equity Compensation Plan Information."

(e) Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

On October 20, 2004, the Company's Board of Directors authorized and announced a new stock repurchase program under which the Company may purchase up to an aggregate of $250.0 of its common stock from time-to-time, beginning in the fourth quarter of 2004.(Shares in millions)

	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares (Cumulative) Repurchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Repurchased Under the Program
October 1-October 31	0.2	$44.622	0.2	$ 240.1
November 1-November 30	0.9	47.244	1.1	199.3
December 1-December 31	1.6	48.944	2.7	122.0
Total	2.7	$48.032		

Item 6. SELECTED FINANCIAL DATA

The selected financial data presented below under the captions "Statement of Operations Data" and "Balance Sheet Data" as of and for the five-year period ended December 31, 2004 are derived from consolidated financial statements of the Company, which have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. This data should be read in conjunction with the accompanying notes, the Company's consolidated financial statements and the related notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all included elsewhere herein.

	Year Ended December 31,				
	2004	2003(a)	2002(b)(c)	2001(d)	2000(e)
	(In millions, except per share amounts)				
Statement of Operations Data:					
Net Sales	$ 3,084.8	$ 2,939.4	$ 2,507.7	$ 2,199.8	$ 1,919.3
Gross profit	1,289.3	1,224.6	1,061.8	925.6	766.6
Operating income	598.4	533.7	435.0	367.6	245.6
Net earnings	363.0	321.0	254.6	179.5	112.1
Basic earnings per common share	$ 2.60	$ 2.23	$ 1.78	$ 1.29	$ 0.82
Diluted earnings per common share(f)	$ 2.45	$ 2.11	$ 1.69	$ 1.26	$ 0.80
Basic weighted average common shares outstanding	139.4	144.0	142.8	138.8	94.2
Diluted weighted average common shares outstanding	150.7	154.7	154.2	144.1	96.3
Balance Sheet Data:					
Cash and cash equivalents, and short-term investments	$ 206.8	$ 123.0	$ 56.4	$ 149.2	$ 48.8
Goodwill and Intangible assets, net	1,857.4	1,857.3	1,217.5	968.5	865.7
Total assets	3,537.2	3,414.9	2,580.4	1,929.6	1,666.9
Long-term obligations and redeemable preferred stock(g)	892.3	883.9	521.5	509.2	355.8
Total shareholders' equity	1,999.3	1,895.9	1,611.7	1,085.4	877.4

(a) On January 17, 2003, the Company completed the acquisition of all of the outstanding shares of DIANON Systems, Inc. for $47.50 per share in cash, or approximately $595.6 million including transaction fees and expenses. See "Note 2 to the Consolidated Financial Statements" for further discussion of this acquisition. The Company recorded net restructuring and other special charges of $1.5 million for 2003 in connection with the integrations of its recent acquisitions.

(b) On July 25, 2002, the Company completed the acquisition of all of the outstanding stock of Dynacare Inc. in a combination cash and stock transaction with a combined value of approximately $496.4 million, including transaction costs. See "Note 3 to the Consolidated Financial Statements" for further discussion of this acquisition. During the third quarter of 2002, the Company recorded restructuring and other special charges totaling $17.5 million. These charges included a special bad debt provision of approximately $15.0 million related to the acquired Dynacare accounts receivable balance and restructuring expense of

approximately $2.5 million relating to Dynacare integration costs of actions that impact the Company's existing employees and operations.

(c) Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets". This Standard requires that goodwill and other intangibles that are acquired in business combinations and that have indefinite useful lives are not to be amortized.

(d) During the third quarter of 2001, the Company recorded a loss of $5.5 million relating to the write-off of unamortized bank fees associated with the Company's term debt, which was repaid in September of 2001. The Company also recorded a charge of $8.9 million as a result of a payment made to a bank to terminate an interest rate swap agreement tied to the Company's term loan.

(e) In the fourth quarter of 2000, the Company recorded a $4.5 million restructuring charge relating to the closing of its Memphis drug testing facility.

(f) In September 2004, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board reached consensus on EITF Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." Under the EITF's conclusion, contingently convertible shares attached to a debt instrument are to be included in the calculation of diluted earnings per share regardless of whether or not the contingency has been met. Historically the Company followed the guidance of paragraph 30 of SFAS No. 128, "Earnings Per Share", and excluded contingently convertible shares relating to its zero coupon – subordinated notes from its calculations of diluted earnings per share. The EITF consensus supersedes the accounting under SFAS No. 128 and, accordingly, the Company has adopted the provisions of EITF No 04-8 for its zero coupon-subordinated notes — including the retroactive restatement of all diluted earnings per share calculations for all periods presented. See "Note 1 to Consolidated Financial Statements" for information regarding calculation of Earnings per Share. Diluted earnings per share as previously stated were $2.22, $1.77, $1.27, and $0.80 for the years ended 2003, 2002, 2001 and 2000 respectively. Diluted weighted average shares outstanding were 144.8, 144.2, 141.1,and 96.3 for 2003, 2002, 2001, and 2000, respectively.

(g) Long-term obligations primarily include capital lease obligations of $2.9 million, $4.4 million, $5.5 million, $6.1 million and $7.2 million at December 31, 2004, 2003, 2002, 2001 and 2000, respectively. Long-term obligations exclude amounts due to affiliates. On June 6, 2000, the Company called for redemption all of its outstanding redeemable preferred stock, resulting in the conversion of substantially all of the preferred stock into common stock. During 2001, the Company sold $744.0 million aggregate principal amount at maturity of its zero coupon convertible subordinated notes due 2021 in a private placement. The Company received approximately $488.6 million in net proceeds from the offering. The Company used a portion of the proceeds to repay $412.5 million of its term loan outstanding under its credit agreement.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

During 2004, the Company continued to strengthen its financial performance through the implementation of the Company's strategic plan and the expansion of its national platform in routine testing. This plan continues to provide growth opportunities for the Company by building a leadership position in genomic and other advanced testing technologies primarily through internal development efforts, acquisitions and technology licensing activities.

The Company's Center for Molecular Biology and Pathology, located in Research Triangle Park, NC is a leader in the development and application of molecular diagnostics and polymerase chain reaction, or PCR, technologies in the areas of diagnostic genetics, oncology and infectious disease. The Company believes that these technologies may represent a significant savings to the healthcare system by increasing the detection of early stage (treatable) diseases. The Company's National Genetics Institute in Los Angeles, CA, develops novel, highly-sensitive PCR methods used to test for hepatitis C and other infectious agents and is the only laboratory in the U.S. that is FDA-approved to screen plasma for infectious diseases. Viro-Med Laboratories, Inc., based in Minneapolis, MN, offers molecular microbial testing using real-time PCR platforms and provides significant additional capacity to support the continued expansion of the Company's advanced testing business. These Centers of Excellence enable the Company to provide a broad menu of testing services for the infectious disease and cancer markets, which the Company believes represent two of the most significant areas of future growth in the clinical laboratory industry.

The Dynacare integration has been completed and is performing as expected, including the achievement of the planned total synergy savings of approximately $45 million. Dynacare continues to strengthen the Company's national network of routine testing. The DIANON integration has been completed and is performing as expected, including the achievement of the planned total synergy savings of approximately $32 million. The Company began applying DIANON's standardized anatomic pathology processes in early 2004. To date, four major sites have been "DIANIZED". By the end of 2006, the Company expects to have nearly 80 percent of all our anatomic pathology work "DIANIZED".

Effective February 3, 2005, the Company completed its purchase of US LABS, a well respected provider of anatomic pathology and oncology testing located in Irvine, California. US LABS' sales were approximately $70 million in 2004. This acquisition increases the Company's capabilities in the cancer testing market and provides additional lab capacity on the West Coast.

During the fourth quarter of 2004, the Company entered into a multi-year agreement with Cytyc for their ThinPrep Imaging System. The ThinPrep Imaging System is the first fully integrated, interactive computer system that assists cytotechnologists and pathologists in the primary screening and diagnosis of ThinPrep Pap Test slides. The company intends to implement this state-of-the-art cervical cancer screening instrument by mid-2005.

The Company believes future performance will be positively affected by several factors: 1) The expansion of higher-value genomic tests such as Cystic Fibrosis, HCV and HIV genotyping, along with the continued growth of HIV viral load and HPV testing; 2) Transition to Cytyc's ThinPrep Imaging System; 3) Continued progress with existing licensing and business relationships (such as EXACT Sciences, Correlogic and BioPredictive); 4) The Company's ongoing business acquisition strategy; and 5) Growing demand for genomic testing creating a positive shift in test mix toward higher value testing.

On October 20, 2004, the Company's Board of Directors authorized and announced a stock repurchase program under which the Company may purchase up to an aggregate of $250.0 million of its common stock from time-to-time. It is the Company's intention to fund future purchases of its common stock with cash flow from operations.

Seasonality

Volume of testing generally declines during the year-end holiday periods and other major holidays. In addition, volume declines due to inclement weather may reduce net revenues and cash flows. Therefore, comparison of the results of successive quarters may not accurately reflect trends or results for the full year.

Results of Operations

Year ended December 31, 2004 compared with Year ended December 31, 2003.

Net sales for 2004 were $3,084.8 million, an increase of 4.9% from $2,939.4 million reported in the comparable 2003 period. Testing volume growth, measured by accessions, increased approximately 3.6% (primarily volume growth in genomic and esoteric testing of approximately 9.8% as well as volume growth of approximately 2.5% in the core business). Price per accession increased approximately 1.3% compared to 2003.

Cost of sales, which includes primarily laboratory and distribution costs, was $1,795.5 million for 2004 compared to $1,714.8 million in 2003, an increase of 4.7%. The increase in cost of sales is primarily the result of increases in volume discussed above. Cost of sales as a percentage of net sales was 58.2% for 2004 and 58.3% in 2003.

Selling, general and administrative expenses decreased to $649.1 million in 2004 from $651.8 million in 2003 representing a decrease of $2.7 million or 0.4%. As a percentage of net sales, selling, general and administrative expenses were 21.0% and 22.1% for the year ended 2004 and 2003, respectively. This decrease in selling, general and administrative expenses as a percentage of net sales is a result of the Company's cost control initiatives, as well as a reduced effective bad debt expense rate resulting from improved billing and collection performance.

The amortization of intangibles and other assets was $42.7 million and $37.6 million for 2004 and 2003, respectively. The increase in amortization expense is a result of licensed technology and other small business acquisitions.

During the fourth quarter of 2004, the Company recorded certain adjustments to previously recorded restructuring charges due to changes in estimates, resulting in a credit of approximately of $0.9 million. During the third quarter of 2003, the Company recorded a pre-tax restructuring charge of $3.3 million in connection with the integration of DIANON. During the fourth quarter of 2003, the Company recorded a charge of $3.1 million, relating to the continuing integration of its recent acquisitions. The Company also recorded certain adjustments in the fourth quarter of 2003 to previously recorded restructuring charges due to changes in estimates, resulting in a credit of approximately $4.9 million.

Interest expense was $36.1 million in 2004 compared to $40.9 million in 2003. This decrease was a direct result of debt reductions following the Company's financing of the DIANON acquisition in 2003.

Income from investments in joint venture partnerships was $51.3 million for the year ended December 31, 2004 compared to $43.7 million for the year end December 31, 2003. This income represents the Company's ownership share in joint venture partnerships acquired as part of the Dynacare acquisition on July 25, 2002. A significant portion of this income is derived from investments in Ontario and Alberta, Canada, and is earned in Canadian dollars. The strengthening of the Canadian dollar versus the U.S. dollar during the year ended December 31, 2004 has had a positive impact on this income as well as the cash generated from the Canadian investments.

The provision for income taxes as a percentage of earnings before taxes was 41.0% in 2004 compared to

40.6% in 2003. The increase in the effective tax rate for 2004 is due to a $2.1 million state tax recovery during the third quarter of 2003.

Year ended December 31, 2003 compared with Year ended December 31, 2002.

Net sales for 2003 were $2,939.4 million, an increase of 17.2% from $2,507.7 million reported in the comparable 2002 period. Testing volume growth, measured by accessions, increased approximately 11.7% and was affected by the acquisitions of Dynacare and DIANON as well as growth in the Company's esoteric test volumes (including HPV and cystic fibrosis). Price per accession increased approximately 5.5% compared to 2002. The growth in price was affected by this same shift in test mix and from shifts in histology testing which is primarily DIANON-related. These improvements were partially offset by the impact of severe winter weather during the first quarter of 2003 and physician strikes to protest rising malpractice insurance rates during the second quarter.

Cost of sales, which includes primarily laboratory and distribution costs, was $1,714.8 million for 2003 compared to $1,445.9 million in 2002, an increase of 18.6%. The increase in cost of sales is primarily the result of increases in volume and supplies due to recent acquisitions, growth in the base business and growth in esoteric and genomic testing (with significant increases in cystic fibrosis and HPV testing). Cost of sales as a percentage of net sales was 58.3% for 2003 and 57.7% in 2002, reflecting the additional infrastructure costs (facilities and personnel) of Dynacare and DIANON acquisitions.

Selling, general and administrative expenses increased to $651.8 million in 2003 from $585.5 million in 2002 representing an increase of $66.3 million or 11.3%. This increase resulted primarily from personnel and other costs as a result of the recent acquisitions. As a percentage of net sales, selling, general and administrative expenses were 22.1% and 23.3% for the year ended 2003 and 2002, respectively, reflecting the realization of synergies from the Dynacare and DIANON acquisitions, as well as the Company's reduction of its bad debt expense rate by approximately 130 basis points during 2003 as compared to 2002.

The amortization of intangibles and other assets was $37.6 million and $23.8 million for 2003 and 2002, respectively. The increase in amortization expense is a result of the acquisitions of Dynacare and DIANON.

The Company recorded pre-tax restructuring charges of $3.3 million and $17.5 million during the third quarters of 2003 and 2002, respectively, in connection with the integrations of DIANON and Dynacare, Inc. During the fourth quarter of 2003, the Company recorded a charge of $3.1 million, relating to the continuing integration of its recent acquisitions. The Company also recorded certain adjustments in the fourth quarter of 2003 to previously recorded restructuring charges due to changes in estimates, resulting in a credit of approximately $4.8 million.

Interest expense was $40.9 million in 2003 compared to $19.2 million in 2002. This increase was a direct result of the Company's financing of the DIANON acquisition.

Income from joint venture partnerships was $43.7 million for the year ended December 31, 2003 compared to $13.4 million for the year end December 31, 2002. This income represents the Company's ownership share in joint venture partnerships acquired as part of the Dynacare acquisition on July 25, 2002. A significant portion of this income is derived from investments in Ontario and Alberta, Canada, and is earned in Canadian dollars. The strengthening of the Canadian dollar versus the U.S. dollar during the year ended December 31, 2003 has had a positive impact on this income as well as the cash generated from the Canadian investments.

The provision for income taxes as a percentage of earnings before taxes was 40.6% in 2003 compared to 41.1% in 2002. The decrease in the effective tax rate for 2003 is due to a $2.1 million state tax recovery during the third quarter of 2003.

Liquidity and Capital Resources

Net cash provided by operating activities was $538.1 million, $564.3 million and $444.9 million, in 2004, 2003 and 2002, respectively. Cash flow from operations in 2004 was less than 2003 due to approximately $50 million of one-time tax credits that were realized in 2003. Improvements in cash flow from operations primarily resulted from improved earnings, the expansion of the business through acquisitions, and the improvement of the Company's accounts receivable days' sales outstanding ("DSO") to 52 days at the end of 2004 from 53 days at the end of 2003. This improvement was due to Company-wide efforts to increase cash collections from all payers, as well as on-going improvements to the claim submission processes. In addition, the Company continued to take steps necessary to improve DSO and cash collections by:

1) conversion of decentralized billing locations, including former Dynacare locations, to a centralized billing system. During 2003, billing activity in numerous Dynacare sites was converted to the centralized billing system. In 2004, the Company substantially completed its conversion activities on the remaining Dynacare locations as well as its Salt Lake City, Reno, San Diego and Viro-Med facilities.

2) continuing an initiative to reduce the number of requisitions received that are missing certain billing information. This initiative involves counting the number of clinical requisitions received from an ordering client, as well as determining what specific information was not provided. The Company then identifies root causes of why the information was missing and takes steps to ensure that information is provided in the future. These steps include re-educating clients as to what information is needed in order for the Company to bill and collect for the test.

3) implementation of numerous initiatives related to self-pay accounts receivable. These include: i) collecting payment at the time of service; ii) increased training for billing personnel related to improving collections during phone calls and iii) review of bill design and frequency.

The Company utilizes a centralized billing system in the collection of substantially all of its accounts receivable. This system generates bills to customers based on the payer type. Client billing is typically generated monthly, whereas patient and third party billing are typically generated on a daily basis. Agings of accounts receivable are then monitored by billing personnel and re-bills and follow-up activities are conducted as necessary. Bad debt expense is recorded within selling, general and administrative expenses as a percentage of sales considered necessary to maintain the allowance for doubtful accounts at an appropriate level, based on the Company's experience with its accounts receivable. The Company writes off accounts against the allowance for doubtful accounts when they are deemed to be uncollectible. For client billing, accounts are written off when all reasonable collection efforts prove to be unsuccessful. Patient accounts are written off after the normal dunning cycle has occurred and the account has been transferred to a third party collection agency. Third party and managed care accounts are written off when they exceed the payer's timely filing limits.

Capital expenditures were $95.0 million, $83.6 million and $74.3 million for 2004, 2003 and 2002, respectively. During 2004, the Company accelerated capital projects relating to its new financial system, and projects supporting its strategic initiatives centered around customer retention, scientific differentiation and managed care. The Company expects capital expenditures of approximately $110.0 to $125.0 million in 2005. The Company will continue to make important investments in information technology connectivity with its customers and financial systems. Such expenditures are expected to be funded by cash flow from operations as well as borrowings under the Company's revolving credit facilities.

In conjunction with the acquisition of DIANON, the Company's planned financing of the acquisition, and announced share repurchase plan, Standard and Poor's lowered its overall rating on the Company to BBB from BBB+ and Moody's issued a Baa3 rating to the Company's Senior Notes.

On January 13, 2005, the Company entered into a $350.0 senior credit facility with Credit Suisse First Boston and UBS Securities LLC, acting as Co-Lead Arrangers, and a group of financial institutions. This

new five year credit facility replaced the existing $150.0 364-day revolving credit facility and the $200.0 three-year revolving credit facility which was amended on January 14, 2003 and was scheduled to expire on February 18, 2005. This credit facility bears interest at varying rates based upon the Company's credit rating with Standard & Poor's Ratings Services. The new facility also provides for an accordion feature to increase the facility up to an additional $150 million, with the consent of the lenders, if needed to support the Company's growth. There were no balances outstanding on the Company's senior credit facilities at December 31, 2004 and 2003.

On January 17, 2003, in conjunction with the acquisition of DIANON, the Company borrowed $350.0 million under the DIANON Bridge Loan Agreement with Credit Suisse First Boston, acting as Administrative Agent. On January 31, 2003, the Company sold $350.0 million aggregate principal amount of its 5 ½% Senior Notes due February 1, 2013. Proceeds from the issuance of these Notes ($345.1 million), together with cash on hand was used to repay the $350.0 million principal amount of the Company's bridge loan facility, and as a result, the loan was terminated. During the first quarter of 2003, the Company entered into an interest rate swap agreement with a major financial institution, solely to manage its interest rate exposure on $175.0 million of its 5 ½% Senior Notes. This swap agreement was terminated during June 2003 and resulted in net proceeds to the Company of $5.3 million.

On September 11, 2004, no holders of its zero coupon-subordinated notes elected to exercise their option to redeem their notes.

On February 3, 2005, the Company completed its acquisition of US LABS for approximately $155 million in cash on hand.

Pension Funding

During 2004, 2003 and 2002, the Company made contributions to its defined pension plan in the amounts of $60.0 million, $18.3 million and $18.3 million, respectively. The Company expects to contribute $24.0 million to its defined pension plan during 2005. See "Note 21 to the Consolidated Financial Statements" for a further discussion of the Company's pension and postretirement plans.

New Accounting Pronouncements

In December 2004 the Financial Standards Accounting Board (FASB) issued FAS 123(R), *Share-Based Payment (revised 2004)*. This Statement is a revision of FASB Statement No. 123, *Accounting for Stock-Based* Compensation. This Statement supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related implementation guidance. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The Company has not finalized what, if any, changes may be made to its equity compensation plans in light of the accounting change, and therefore is not yet in a position to quantify its impact. The Company expects to announce the impact in connection with reporting its second quarter 2005 financial results. The impact on cash from operations of adopting the new accounting standard cannot be estimated at this time. See "Note 1 to Consolidated Financial Statements" for proforma impact of expensing all equity-based compensation, which the Company believes would approximate the annual effect of adopting the new accounting standard. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in Statement 123 as originally issued and EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." This Statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, *Employers' Accounting for Employee Stock Ownership Plans.*

In December 2004, the FASB issued FAS 153, *Exchanges of Nonmonetary Assets*. This Statement amends the guidance in APB Opinion No. 29, *Accounting for Nonmonetary Transactions.* That statement is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29 to eliminate the exception to for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The Company has not historically entered into a significant level of nonmonetary transactions and therefore does not expect that this standard will impact is financial position or results unless nonmonetary transactions are utilized in the future. This statement is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.

Contractual Cash Obligations

	Payments Due by Period			
	<1 Yr	**1-3 Yrs**	**3-5 Yrs**	**>5 Yrs**
Capital lease obligations	$ 3.4	$ 4.3	$ --	$ --
Operating leases	61.4	82.2	42.9	40.4
Contingent future licensing payments (a)	22.7	32.9	0.3	0.4
Minimum royalty payments	5.8	12.0	11.0	3.7
Minimum purchase obligations	10.3	20.0	10.0	--
Scheduled principal on 5 1/2% Senior Notes	--	--	--	350.0
Scheduled interest payments on 5 1/2% Senior Notes	19.3	38.5	38.5	67.4
Zero coupon-subordinated notes (b)	--	552.0	--	--
Total contractual cash obligations	$ 122.9	$ 741.9	$ 102.4	$ 461.9

(a) Contingent future licensing payments will be made if certain events take place, such as the launch of a specific test, the transfer of certain technology, and when specified revenue milestones are met.

(b) Holders of the zero coupon-subordinated notes may require the Company to purchase in cash all or a portion of their notes on September 11, 2006 and 2011 at prices ranging from $741.92 to $819.54 per note. Should the holders put the notes to the Company on any of the dates above, the Company believes that it will be able to satisfy this contingent obligation with cash on hand, borrowings on the revolving credit facility, and additional financing if necessary.

(c) The table does not include obligations under the Company's pension and postretirement benefit plans which are included in "Note 21 to Consolidated Financial Statements." The Company expects to contribute approximately $24 million to its defined pension plan during 2005, although it is not legally required to do so. Benefits under the Company's postretirement medical plan are made when claims are submitted for payment, the timing of which are not practicable to estimate.

Off-Balance Sheet Arrangements

The Company does not have transactions or relationships with "special purpose" entities, and the Company does not have any off balance sheet financing other than normal operating leases.

Other Commercial Commitments

At December 31, 2004, the Company provided letters of credit aggregating approximately $63.5 million, primarily in connection with certain insurance programs. These letters of credit are secured by the Company's senior credit facilities and are renewed annually, around mid-year.

Based on current and projected levels of operations, coupled with availability under its new senior credit facilities, the Company believes it has sufficient liquidity to meet both its short-term and long-term cash needs. For a discussion of the Company's zero coupon-subordinated notes, see "Note 12 to Consolidated Financial Statements." For a discussion of the Company's new senior credit facilities, see "Note 13 to Consolidated Financial Statements."

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant estimates include the allowances for doubtful accounts, pension expense, amortization lives for intangible assets, accruals for self-insurance reserves, income taxes and reserves for professional liability claims.

Allowances for doubtful accounts

Revenue is recognized for services rendered when test results are reported to the ordering physician and the testing process is complete. The Company's sales are generally billed to three types of payers – clients, patients and third parties, such as managed care companies, Medicare and Medicaid. For clients, sales are recorded on a fee-for-service basis at the Company's client list price, less any negotiated discount. Patient sales are recorded at the Company's patient fee schedule, net of any discounts negotiated with physicians on behalf of their patients. The Company bills third party payers in two ways – fee-for-service and capitated agreements. Fee-for-service third party payers are billed at the Company's patient fee schedule amount, and third party revenue is recorded net of contractual discounts. These discounts are recorded at the transaction level at the time of sale based on a fee schedule that is maintained for each third party payer. The majority of the Company's third party sales are recorded using an actual or contracted fee schedule at the time of sale. For the remaining third party sales, estimated fee schedules are maintained for each payer. Adjustments to the estimated payment amounts are recorded at the time of final collection and settlement of each transaction as an adjustment to revenue. These adjustments are not material to the Company's results of operations in any period presented. The Company periodically adjusts these estimated fee schedules based upon historical payment trends. Under capitated agreements with managed care companies, the Company recognizes revenue based on a negotiated monthly contractual rate for each member of the managed care plan regardless of the number or costs of services performed.

The Company has a formal process to estimate and review the collectibility of its receivables based on the period of time they have been outstanding. Bad debt expense is recorded within selling, general and administrative expenses as a percentage of sales considered necessary to maintain the allowance for doubtful accounts at an appropriate level. The Company's process for determining the appropriate level of the allowance for doubtful accounts involves judgment, and considers such factors as the age of the underlying receivables, historical and projected collection experience, and other external factors that could affect the collectibility of its receivables. Accounts are written off against the allowance for doubtful accounts based on the Company's write off policy (e.g. when they are deemed to be uncollectible). In the determination of the appropriate level of the allowance, accounts are progressively reserved based on the historical timing of cash collections relative to their respective aging categories within the Company's receivables. These collection and reserve processes, along with the close monitoring of the billing process, help reduce the risks of material revisions to reserve estimates resulting from adverse changes in collection or reimbursement experience.

The following table presents the percentage of the Company's net accounts receivable outstanding by aging category at December 31, 2004 and 2003:

Days Outstanding	2004	2003
0 - 30	47.3%	43.7%
31 - 61	19.2%	21.3%
61 - 91	10.1%	12.5%
91 - 120	6.7%	7.7%
121 - 150	5.1%	4.2%
151 - 180	3.9%	3.4%
181 - 270	6.0%	5.5%
271 - 360	1.4%	1.4%
Over 360	0.3%	0.3%

"

Pension Expense.

The Company's net pension cost is developed from actuarial valuations. Inherent in these valuations are key assumptions, including discount rates and expected return on plan assets, which are updated on an annual basis at the beginning of each year. The Company is required to consider current market conditions, including changes in interest rates, in making these assumptions. Changes in pension costs may occur in the future due to changes in these assumptions. The key assumptions used in accounting for the defined benefit plans were a 6.0% discount rate and an 8.5% expected return on plan assets as of December 31, 2004.

In establishing its expected return on plan assets assumption, the Company reviews asset allocation considering plan maturity and develops return assumptions based on different asset classes adjusting for plan operating expenses. Actual asset over/under performance compared to expected returns will respectively decrease/increase unrecognized loss. The change in the unrecognized loss will change amortization cost in upcoming periods. A one percentage point change in the expected return assumption in the current year would have resulted in a change in pension expense of approximately $1.7 million.

Current year net pension cost was $11.3 million, a decrease of $4.9 million from 2003. Our actuaries have estimated that 2005 net pension cost should be comparable to or slightly less than fiscal 2004 net pension cost. Favorable asset performance in 2004 and contributions to plan assets will cause a reduction in net pension cost for fiscal 2005. However, the decrease in the discount rate assumption during fiscal 2004 will cause an offsetting increase in net pension cost for 2005.

Accruals for Self-insurance Reserves.

Accruals for self-insurance reserves (including workers' compensation, auto and employee medical) are determined based on historical payment trends and claims history, along with current and estimated future economic conditions.

The Company is self-insured for professional liability claims arising in the normal course of business, generally related to the testing and reporting of laboratory test results. The Company records an accrual for such claims payable and claims incurred but not reported based on an actuarial assessment of the accrual driven by frequency and amounts of claims, which is performed at least annually.

While management believes these estimates are reasonable and consistent, they are by their very nature, estimates of amounts that will depend on future events. Accordingly, actual results could differ from these estimates. The Company's Audit Committee periodically reviews the Company's significant accounting policies. See "Note 1 to the Consolidated Financial Statements" for further discussion of significant accounting policies.

Income Taxes.

The Company accounts for income taxes utilizing the asset and liability method. Under this method deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of such benefits is more likely than not.

FORWARD-LOOKING STATEMENTS

The Company has made in this report, and from time to time may otherwise make in its public filings, press releases and discussions by Company management, forward-looking statements concerning the Company's operations, performance and financial condition, as well as its strategic objectives. Some of these forward-looking statements can be identified by the use of forward-looking words such as "believes", "expects", "may", "will", "should", "seeks", "approximately", "intends", "plans", "estimates", or "anticipates" or the negative of those words or other comparable terminology. Such forward-looking statements are subject to various risks and uncertainties and the Company claims the protection afforded by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those currently anticipated due to a number of factors in addition to those discussed elsewhere herein and in the Company's other public filings, press releases and discussions with Company management, including:

1. changes in federal, state, local and third party payer regulations or policies (or in the interpretation of current regulations) affecting governmental and third-party reimbursement for clinical laboratory testing;

2. adverse results from investigations of clinical laboratories by the government, which may include significant monetary damages and/or exclusion from the Medicare and Medicaid programs;

3. loss or suspension of a license or imposition of a fine or penalties under, or future changes in, the law or regulations of the Clinical Laboratory Improvement Act of 1967, and the Clinical Laboratory Improvement Amendments of 1988, or those of Medicare, Medicaid or other federal, state or local agencies;

4. failure to comply with the Federal Occupational Safety and Health Administration requirements and the Needlestick Safety and Prevention Act which may result in penalties and loss of licensure;

5. failure to comply with HIPAA, which could result in significant fines;

6. failure of third party payers to complete testing with the Company, or accept or remit transactions in HIPAA-required standard transaction and code set format, could result in an interruption in the Company's cash flow;

7. increased competition, including price competition;

8. changes in payer mix, including an increase in capitated managed-cost health care or the impact of a shift to consumer driven health plans;

9. failure to obtain and retain new customers and alliance partners, or a reduction in tests ordered or specimens submitted by existing customers;

10. failure to integrate newly acquired businesses and the cost related to such integration;

11. adverse results in litigation matters;

12. inability to attract and retain experienced and qualified personnel;

13. failure to maintain the Company's days sales outstanding levels;

14. decrease in credit ratings by Standard & Poor's and/or Moody's;

15. failure to develop or acquire licenses for new or improved technologies, or if customers use new technologies to perform their own tests;

16. inability to commercialize newly licensed tests or technologies or to obtain appropriate reimbursement for such tests, which could result in impairment in the value of certain capitalized licensing costs;

17. inability to obtain and maintain adequate patent and other proprietary rights protection of the Company's products and services and successfully enforce the Company's proprietary rights;

18. the scope, validity and enforceability of patents and other proprietary rights held by third parties which might have an impact on the Company's ability to develop, perform, or market the Company's tests or operate its business;

19. failure in the Company's information technology systems resulting in an increase in testing turnaround time or billing processes or the failure to meet future regulatory or customer information technology and connectivity requirements;

20. liabilities that result from the inability to comply with new Corporate governance requirements; and

21. failure by the Company to comply with the Sarbanes-Oxley Act of 2002, including Section 404 of that Act which requires management to report on, and our independent registered public accounting firm to attest to and report on, our internal controls.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company addresses its exposure to market risks, principally the market risk associated with changes in interest rates, through a controlled program of risk management that has included in the past, the use of derivative financial instruments such as interest rate swap agreements. The Company had an interest rate swap agreement with a major financial institution, solely to manage its interest rate exposure on $175.0 million of its 5 ½% senior notes. This swap agreement was terminated during June 2003 and the Company received net proceeds of $5.3 million. Although, as set forth below, the Company's zero coupon-subordinated notes contain features that are considered to be embedded derivative instruments, the Company does not hold or issue derivative financial instruments for trading purposes. The Company does not believe that its exposure to market risk is material to the Company's financial position or results of operations.

The Company's zero coupon-subordinated notes contain the following two features that are considered to be embedded derivative instruments under SFAS No. 133:

1) The Company will pay contingent cash interest on the zero coupon-subordinated notes after September 11, 2006, if the average market price of the notes equals 120% or more of the sum of the issue price, accrued original issue discount and contingent additional principal, if any, for a specified measurement period.

2) Holders may surrender zero coupon-subordinated notes for conversion during any period in which the rating assigned to the zero coupon-subordinated notes by Standard & Poor's Ratings Services is BB- or lower.

Based upon independent appraisals, these embedded derivatives had no fair market value at December 31, 2004.

Borrowings under the Company's revolving credit facility are subject to variable interest rates, unless fixed through interest rate swap or other agreements.

Two of the Company's joint venture partnerships operate in Canada and remit the Company's share of partnership income in Canadian Dollars. Accordingly, the cash flow received from these affiliates is subject to a certain amount of foreign currency exchange risk.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index on Page F-1 of the Financial Report included herein.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

Item 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the Company's disclosure controls and procedures. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the Company's evaluation under the framework in Internal Control — Integrated Framework issued by the COSO, the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2004.

The Company management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein with its report immediately preceding our audited financial statements.

Item 9B. Other Information

Not Applicable.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by the item regarding directors is incorporated by reference to our Definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Stockholders to be held in 2005 (the "2005 Proxy Statement") under the caption "Election of Directors." Information regarding executive officers is set forth in Item 1 of the 2005 Proxy Statement under the caption "Executive Officers."

Code of Ethics, Experts on Audit Committee

In October 2002, the Board of Directors adopted an updated set of Corporate Governance Guidelines (the "Guidelines). The Guidelines address a number of topics, including director independence, Board and Committee self-assessment, retirement, evaluation of the Chief Executive Officer, composition of the Board and succession planning. The Nominating and Corporate Governance Committee reviews the Guidelines on a regular basis and any proposed additions or amendments to the Guidelines are submitted to the Board for its consideration.

In December 2003, the Board adopted the Company's updated Code of Business Conduct and Ethics (the "Code"). The Code is a code of business conduct and ethics applicable to all directors, officers and employees of the Company, including its Chief Executive Officer and its Chief Financial Officer, Controller and other senior financial officers. The Code sets forth Company policies and expectations on a number of topics, including but not limited to, conflicts of interest, confidentiality, compliance with laws (including insider trading laws), preservation and use of Company assets, and business ethics. The Code also sets forth procedures for communicating and handling any potential conflict of interest (or the appearance of any conflict of interest) involving directors or executive officers, and for the confidential communication and handling of issues regarding accounting, internal controls and auditing matters. The Company regularly reviews the Code and proposed additions or amendments to the Code are considered and subject to approval by the Board.

In order to provide stockholders with greater knowledge regarding the Board's processes, the Guidelines and the Code adopted by the Board of Directors are posted on the Company's website at www.labcorp.com. In addition, any waivers or amendments to the Code will be posted on the Company's website.

The Company has carefully reviewed its Guidelines and Code and believes that they comply with the provisions of the Sarbanes-Oxley Act of 2002, the rules of the Commission, and the NYSE's new corporate governance listing standards regarding corporate governance policies and processes.

The Audit Committee of the Board of Directors further concluded that Wendy E. Lane has been identified as an "audit committee financial expert" as defined by Commission rules and each has the "accounting or related financial management expertise" required by the Listing Standards.

Item 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the 2005 Proxy Statement under the caption "Executive Compensation."

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See “Note 18 to the Consolidated Financial Statements” for a discussion of the Company’s Stock Compensation Plans. Except for the above referenced footnote, the information called for by this Item is incorporated by reference in the information under the caption “Security Ownership of Certain Beneficial Owners and Management” appearing in the 2005 Proxy Statement.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not Applicable

Item 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the 2005 Proxy Statement under the caption “Principal Accountant Fees and Services.”

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) List of documents filed as part of this Report:

(1) Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm included herein:

See Index on page F-1

(2) Financial Statement Schedules:

See Index on page F-1

All other schedules are omitted as they are inapplicable or the required information is furnished in the Consolidated Financial Statements or notes thereto.

(3) Index to and List of Exhibits

Exhibits:

Exhibits 10.2 through 10.4 and 10.9 through 10.19 are management contracts or compensatory plans or arrangements.

3.1 - Amended and Restated Certificate of Incorporation of the Company dated May 24, 2001 (incorporated herein by reference to the Company's Registration Statement on Form S-3, filed with the Commission on October 19, 2001, File No. 333-71896).

3.2 - Amended and Restated By-Laws of the Company dated April 28, 1995 (incorporated herein by reference to the Company's report on Form 8-K, filed with the Commission on May 12, 1995).

4.1 - Specimen of the Company's Common Stock Certificate (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001).

4.2 - Indenture dated September 11, 2001 between the Company and Bank of New York, as trustee (incorporated herein by reference to the Company's Registration Statement on Form S-3, filed with the Commission on October 19, 2001, File No. 333-71896).

4.3 - Registration Rights Agreement dated September 11, 2001 between the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated herein by reference to the Company's Registration Statement on Form S-3, filed with the Commission on October 19, 2001, File No. 333-71896).

4.4 - Rights Agreement dated December 13, 2001 between the Company and American Stock Transfer & Trust Company, as rights Agent (incorporated herein by reference to the Company's Registration Statement on Form 8-A, filed with the Commission on December 21, 2001, File No. 001-11353).

4.5 - Indenture dated as of January 31, 2003 between the Company and Wachovia Bank, National Association, as trustee (incorporated herein by reference to the January 31, 2003 Form 8-K, filed with the Commission on February 3, 2003).

4.6 -	Registration Rights Agreement, dated as of January 28, 2003 between the Company and the Initial Purchasers (incorporated herein by reference to the January 31, 2003 Form 8-K, filed with the Commission on February 3, 2003).
10.1 -	National Health Laboratories Incorporated Pension Equalization Plan (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992).
10.2 -	Laboratory Corporation of America Holdings amended and restated new Pension Equalization Plan (incorporated herein by reference to the Company's Quarterly Report for the period ended September 30, 2004).
10.3 -	First Amendment to the Laboratory Corporation of America Holdings amended and restated new Pension Equalization Plan (incorporated herein by reference to the Company's Quarterly Report for the period ended September 30, 2004).
10.4* -	Second Amendment to the Laboratory Corporation of America Holdings amended and restated new Pension Equalization Plan .
10.5 -	National Health Laboratories 1988 Stock Option Plan, as amended (incorporated herein by reference to the Company's Registration Statement on Form S-1, filed with the Commission on July 9, 1990, File No. 33-35782).
10.6 -	National Health Laboratories 1994 Stock Option Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, filed with the Commission on August 12, 1994, File No. 33-55065).
10.7 -	Laboratory Corporation of America Holdings Master Senior Executive Severance Plan (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002).
10.8 -	Laboratory Corporation of America Holdings Senior Executive Transition Policy (incorporated herein by reference to the Company's Quarterly Report for the period ended June 30, 2004).
10.9 -	Exchange Agent Agreement dated as of April 28, 1995 between the Company and American Stock Transfer & Trust Company (incorporated herein by reference to the May 12, 1995 Form 8-K).
10.10* -	$350 Million Credit Agreement dated January 13, 2005 among the Company, the lenders named therein and Credit Suisse First Boston and UBS Securities LLC, as Co-Lead Arrangers.
10.11 -	Laboratory Corporation of America Holdings 1995 Stock Plan for Non-Employee Directors dated September 26, 1995 (incorporated herein by reference to the Company's Registration Statement on Form S-8, filed with the Commission on September 26, 1995, File No. 33-62913).
10.12 -	Amendment to the 1995 Stock Plan for Non-Employee Directors (incorporated herein by reference to the Company's 1997 Annual Proxy Statement, filed with the Commission on June 6, 1997).
10.13 -	Amendment to the 1995 Stock Plan for Non-Employee Directors (incorporated herein by reference to Annex I of the Company's 2001 Annual Proxy Statement, filed with the Commission on April 25, 2001).
10.14 -	Laboratory Corporation of America Holdings 1997 Employee Stock Purchase Plan (incorporated herein by reference to Annex I of the Company's Registration Statement on Form S-8 filed with the Commission on December 13, 1996, File No. 333-17793).
10.15 -	Amendments to the Laboratory Corporation of America Holdings 1997 Employee Stock Purchase Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, filed with the Commission on January 10, 2000, File No. 333-94331).

10.16 -	Amendments to the Laboratory Corporation of America Holdings 1997 Employee Stock Purchase Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, filed with the Commission on May 26, 2004, File No. 333-115905).
10.17 -	Laboratory Corporation of America Holdings Amended and Restated 1999 Stock Incentive Plan (incorporated herein by reference to Annex I of the Company's 1999 Annual Proxy Statement filed with the Commission of May 3, 1999).
10.18 -	Laboratory Corporation of America Holdings 2000 Stock Incentive Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, filed with the Commission on June 5, 2000, File No. 333-38608).
10.19 -	Amendments to the 2000 Stock Incentive Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, filed with the Commission on June 19, 2002, File No. 333-90764).
10.20 -	Dynacare Inc., Amended and Restated Employee Stock Option Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, filed with the Commission on August 7, 2002, File No. 333-97745).
10.21 -	DIANON Systems, Inc. 1996 Stock Incentive Plan, DIANON Systems, Inc. 1999 Stock Incentive Plan, DIANON Systems, Inc. 2000 Stock Incentive Plan, DIANON Systems, Inc. 2001 Stock Incentive Plan, and UroCor, Inc. Second Amended and Restated 1992 Stock Option Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8, filed with the Commission on January 21, 2003, File No. 333-102602.
10.22* -	Laboratory Corporation of America Holdings Deferred Compensation Plan.
10.23* -	First Amendment to the Laboratory Corporation of America Holdings Deferred Compensation Plan.
21* -	List of Subsidiaries of the Company
23.1* -	Consent of PricewaterhouseCoopers LLP
24.1* -	Power of Attorney of Jean-Luc Belingard
24.2* -	Power of Attorney of Wendy E. Lane
24.3* -	Power of Attorney of Robert E. Mittelstaedt, Jr.
24.4* -	Power of Attorney of Arthur H. Rubenstein
24.5* -	Power of Attorney of Andrew G. Wallace, M.D.
24.6* -	Power of Attorney of Craig M. Watson
24.7* -	Power of Attorney of M. Keith Weikel
31.1* -	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a)
31.2* -	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a)
32* -	Written Statement of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

* Filed herewith.

S I G N A T U R E S

LABORATORY CORPORATIONOF AMERICA HOLDINGS
Registrant

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/THOMAS P. MAC MAHON
Thomas P. Mac Mahon
Chairman of the Board, President
and Chief Executive Officer

Dated: March 1, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant on March 1, 2005 in the capacities indicated.

Signature	Title
/s/THOMAS P. MAC MAHON Thomas P. Mac Mahon	Chairman of the Board President and Chief Executive Officer (Principle Executive Officer)
/s/ WESLEY R. ELINGBURG Wesley R. Elingburg	Executive Vice President, Chief Financial Officer Executive Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ JEAN-LUC BELINGARD* Jean-Luc Belingard	Director
/s/ WENDY E. LANE* Wendy E. Lane	Director
/s/ ROBERT E. MITTELSTAEDT, JR.* Robert E. Mittelstaedt, Jr.	Director
/s/ ARTHUR H. RUBENSTEIN* Arthur H. Rubenstein	Director
/s/ ANDREW G. WALLACE, M.D.* Andrew G. Wallace, M.D.	Director
/s/ CRAIG M. WATSON* Craig M. Watson	Director
/s/ M. KEITH WEIKEL* M. Keith Weikel	Director

* Bradford T. Smith, by his signing his name hereto, does hereby sign this report on behalf of the directors of the Registrant after whose typed names asterisks appear, pursuant to powers of attorney duly executed by such directors and filed with the Securities and Exchange Commission.

By:/s/ BRADFORD T. SMITH Bradford T. Smith Attorney-in-fact	Director

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SCHEDULE

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Laboratory Corporation of America Holdings:

We have completed an integrated audit of Laboratory Corporation of America Holdings' 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Laboratory Corporation of America Holdings and its subsidiaries (the Company) at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that

receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Greensboro, North Carolina
March 1, 2005

Item 1. Financial Information

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Millions, Except Per Share Data)

	December 31, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 186.8	$ 103.0
Short-term investments	20.0	20.0
Accounts receivable, net	441.4	432.5
Supplies inventories	61.5	47.0
Prepaid expenses and other	29.2	36.3
Deferred income taxes	1.1	19.1
Total current assets	740.0	657.9
Property, plant and equipment, net	360.0	361.3
Goodwill	1,300.4	1,285.9
Intangible assets, net	557.0	571.4
Investments in joint venture partnerships	548.5	505.3
Other assets, net	95.0	33.1
Total assets	$ 3,600.9	$ 3,414.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 85.3	$ 73.0
Accrued expenses and other	215.4	176.1
Zero coupon-subordinated notes	--	523.2
Current portion of long-term debt	0.1	0.3
Total current liabilities	300.8	772.6
Zero coupon-subordinated notes	533.7	--
5 1/2% senior notes	353.4	353.8
Long-term debt, less current portion	2.2	2.5
Capital lease obligations	2.9	4.4
Deferred income taxes	321.0	273.4
Other liabilities	87.6	112.3
Total liabilities	1,601.6	1,519.0
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.10 par value; 30.0 shares authorized; shares issued: none	--	--
Common stock, $0.10 par value; 265.0 shares authorized; 150.7 and 148.9 shares issued and outstanding at December 31, 2004 and December 31, 2003, respectively	15.1	14.9
Additional paid-in capital	1,504.1	1,440.9
Retained earnings	950.1	587.1
Treasury stock, at cost; 14.5 and 5.5 shares at December 31, 2004 and December 31, 2003, respectively	(544.2)	(159.3)
Unearned restricted stock compensation	(7.5)	(22.4)
Accumulated other comprehensive earnings	81.7	34.7
Total shareholders' equity	1,999.3	1,895.9
Total liabilities and shareholders' equity	$ 3,600.9	$ 3,414.9

The accompanying notes are an integral part of these consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Millions, Except Per Share Data)

	Years Ended December 31,		
	2004	**2003**	**2002**
Net sales	$ 3,084.8	$ 2.939.4	$ 2,507.7
Cost of sales	1,795.5	1,714.8	1,445.9
Gross profit	1,289.3	1,224.6	1,061.8
Selling, general and administrative expenses	649.1	651.8	585.5
Amortization of intangibles and other assets	42.7	37.6	23.8
Restructuring and other special charges	(0.9)	1.5	17.5
Operating income	598.4	533.7	435.0
Other income (expenses):			
Interest expense	(36.1)	(40.9)	(19.2)
Income from joint venture partnerships, net	51.3	43.7	13.4
Investment income	3.5	5.1	3.7
Other, net	(1.8)	(1.2)	(0.6)
Earnings before income taxes	615.3	540.4	432.3
Provision for income taxes	252.3	219.4	177.7
Net earnings	$ 363.0	$ 321.0	$ 254.6
Basic earnings per common share	$ 2.60	$ 2.23	$ 1.78
Diluted earnings per common share	$ 2.45	$ 2.11	$ 1.69

The accompanying notes are an integral part of these consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In Millions)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings
BALANCE AT DECEMBER 31, 2001	141.1	$ 14.2	$ 1,081.7	$ 11.5
Comprehensive earnings:				
Net earnings	--	--	--	254.6
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	--	--
Minimum pension liability adjustment	--	--	--	--
Tax effect of other comprehensive loss adjustments	--	--	--	--
Comprehensive earnings				
Issuance of common stock	1.7	0.1	18.2	--
Issuance of restricted stock awards	--	--	40.9	--
Surrender of restricted stock awards	--	--	--	--
Issuance of common stock and assumption of stock options in connection with acquisition, (net of forfeitures)	5.0	0.5	249.7	--
Amortization of unearned restricted stock compensation	--	--	--	--
Income tax benefit from stock options exercised	--	--	16.0	--
BALANCE AT DECEMBER 31, 2002	147.8	14.8	1,406.5	266.1
Comprehensive earnings:				
Net earnings	--	--	--	321.0
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	--	--
Minimum pension liability adjustment	--	--	--	--
Tax effect of other comprehensive loss adjustments	--	--	--	--
Comprehensive earnings				
Issuance of common stock	1.1	0.1	21.3	--
Issuance of restricted stock awards	--	--	0.2	--
Cancellation of restricted stock awards	--	--	(1.1)	--
Amortization of unearned restricted stock compensation	--	--	--	--
Income tax benefit from stock options exercised	--	--	5.5	--
Assumption of vested stock options in connection with acquisition	--	--	8.5	--
Purchase of common stock	--	--	--	--
BALANCE AT DECEMBER 31, 2003	148.9	14.9	1,440.9	587.1
Comprehensive earnings:				
Net earnings	--	--	--	363.0
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	--	--
Minimum pension liability adjustment	--	--	--	--
Tax effect of other comprehensive loss adjustments	--	--	--	--
Comprehensive earnings				
Issuance of common stock	1.8	0.2	51.5	--
Issuance of restricted stock awards	--	--	0.7	--
Cancellation of restricted stock awards	--	--	(0.1)	--
Amortization of unearned restricted stock compensation	--	--	--	--
Income tax benefit from stock options exercised	--	--	11.1	--
Purchase of common stock	--	--	--	--
BALANCE AT DECEMBER 31, 2004	150.7	$ 15.1	$ 1,504.1	$ 950.1

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In Millions)

	Treasury Stock	Unearned Restricted Stock Compensation	Accumulated Other Comprehensive Earnings(loss)	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2001	$ --	$ (13.2)	$ (8.8)	$ 1,085.4
Comprehensive earnings:				
Net earnings	--	--	--	254.6
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	2.3	2.3
Minimum pension liability adjustment	--	--	(43.2)	(43.2)
Tax effect of other comprehensive loss adjustments	--	--	19.8	19.8
Comprehensive earnings				233.5
Issuance of common stock	--	--	--	18.3
Issuance of restricted stock awards	--	(40.9)	--	--
Surrender of restricted stock awards	(4.4)	--	--	(4.4)
Issuance of common stock and assumption of stock options in connection with acquisition, (net of forfeitures)	--	(1.6)	--	248.6
Amortization of unearned restricted stock compensation	--	14.3	--	14.3
Income tax benefit from stock options exercised	--	--	--	16.0
BALANCE AT DECEMBER 31, 2002	(4.4)	(41.4)	(29.9)	1,611.7
Comprehensive earnings:				
Net earnings	--	--	--	321.0
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	87.8	87.8
Minimum pension liability adjustment	--	--	19.6	19.6
Tax effect of other comprehensive loss adjustments	--	--	(42.8)	(42.8)
Comprehensive earnings				385.6
Issuance of common stock	--	--	--	21.4
Issuance of restricted stock awards	--	(0.2)	--	--
Cancellation of restricted stock awards	--	1.1	--	--
Amortization of unearned restricted stock compensation	--	18.1	--	18.1
Income tax benefit from stock options exercised	--	--	--	5.5
Assumption of vested stock options in connection with acquisition	--	--	--	8.5
Purchase of common stock	(154.9)	--	--	(154.9)
BALANCE AT DECEMBER 31, 2003	(159.3)	(22.4)	34.7	1,895.9
Comprehensive earnings:				
Net earnings	--	--	--	363.0
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	40.3	40.3
Minimum pension liability adjustment	--	--	35.6	35.6
Tax effect of other comprehensive loss adjustments	--	--	(28.9)	(28.9)
Comprehensive earnings				410.0
Issuance of common stock	--	--	--	51.7
Issuance of restricted stock awards	--	(0.7)	--	--
Surrender of restricted stock awards	(6.8)	--	--	(6.8)
Cancellation of restricted stock awards	--	0.1	--	--
Amortization of unearned restricted stock compensation	--	15.5	--	15.5
Income tax benefit from stock options exercised	--	--	--	11.1
Purchase of common stock	(378.1)	--	--	(378.1)
BALANCE AT DECEMBER 31, 2004	(544.2)	$ (7.5)	$ 81.7	$ 1,999.3

The accompanying notes are an integral part of these consolidated financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	Years Ended December 31,		
	2004	**2003**	**2002**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 363.0	$ 321.0	$ 254.6
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	138.8	135.6	101.8
Stock compensation	15.5	18.1	14.3
Loss on sale of assets	1.0	0.2	0.6
Accreted interest on zero coupon-subordinated notes	10.5	10.3	10.1
Cumulative earnings in excess of distribution from joint venture partnerships	(3.5)	(5.7)	--
Deferred income taxes	38.9	86.3	28.9
Change in assets and liabilities (net of effects of acquisitions):			
(Increase)decrease in accounts receivable, net	(8.9)	(6.0)	11.1
Increase in inventories	(13.7)	(0.1)	(1.5)
Decrease(increase) in prepaid expenses and other	7.0	(8.5)	(12.5)
Increase(decrease) in accounts payable	12.3	(15.6)	(7.8)
Increase(decrease) in accrued expenses and other	(22.8)	28.7	45.3
Net cash provided by operating activities	538.1	564.3	444.9
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(95.0)	(83.6)	(74.3)
Proceeds from sale of assets	1.8	1.0	1.8
Deferred payments on acquisitions	(6.7)	(17.7)	(21.0)
Proceeds from sale of marketable securities	--	50.4	--
Distributions from joint venture partnerships in excess of cumulative earnings	--	1.9	1.5
Purchases of short-term investments	(35.0)	(20.0)	--
Proceeds from sale of short-term investments	35.0	--	--
Acquisition of licensing technology	(7.9)	(15.0)	(15.0)
Acquisition of business, net of cash acquired	(32.1)	(647.5)	(261.9)
Net cash used for investing activities	(139.9)	(730.5)	(368.9)

(continued)

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	Years Ended December 31,		
	2004	**2003**	**2002**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from bridge loan	$ --	$ 350.0	$ --
Payments on bridge loan	--	(350.0)	--
Proceeds from credit facilities	--	275.0	330.0
Payments on credit facilities	--	(275.0)	(330.0)
Proceeds from senior note offering	--	350.0	--
Payments on other long-term debt	(0.4)	(0.7)	(204.6)
Payment of debt issuance costs	--	(7.3)	(3.2)
Termination of interest rate swap agreements	--	5.3	19.6
Payments on long-term lease obligations	(1.5)	(1.1)	(1.1)
Purchase of common stock	(368.1)	(154.9)	--
Net proceeds from issuance of stock to employees	56.3	21.0	18.2
Net cash provided by(used for) financing activities	(313.7)	212.3	(171.1)
Effect of exchange rate changes on cash and cash equivalents	(0.7)	0.5	2.3
Net increase(decrease) in cash and cash equivalents	83.8	46.6	(92.8)
Cash and cash equivalents at beginning of period	103.0	56.4	149.2
Cash and cash equivalents at end of year	$ 186.8	$ 103.0	$ 56.4
Supplemental schedule of cash flow information:			
Cash paid during the period for:			
Interest	$ 19.3	$ 12.1	$ 1.5
Income taxes, net of refunds	170.7	107.9	135.0
Disclosure of non-cash financing and investing activities:			
Issuance of restricted stock awards	0.7	0.2	40.9
Assumption of vested stock options in connection with acquisitions	--	8.5	5.0
Surrender of restricted stock awards	6.8	--	4.4
Issuance of common stock in acquisitions	--	--	245.6
Accrued repurchases of common stock	10.0	--	--

The accompanying notes are an integral part of these consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation:

Laboratory Corporation of America Holdings with its subsidiaries (the "Company") is the second largest independent clinical laboratory company in the United States based on 2004 net revenues. Through a national network of laboratories, the Company offers a broad range of testing services used by the medical profession in routine testing, patient diagnosis, and in the monitoring and treatment of disease. In addition, the Company has developed specialty and niche businesses based on certain types of specialized testing capabilities and client requirements, such as oncology testing, HIV genotyping and phenotyping, diagnostic genetics and clinical research trials.

Since its founding in 1971, the Company has grown into a network of 32 primary laboratories and over 1,300 service sites consisting of branches, patient service centers and STAT laboratories. With approximately 23,500 employees, the Company processes tests on more than 355,000 patient specimens daily and provides clinical laboratory testing services in all 50 states, the District of Columbia, Puerto Rico and two provinces in Canada. The Company operates in one business segment.

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries for which it exercises control. Long-term investments in affiliated companies in which the Company owns greater than 20%, and therefore exercises significant influence, but which it does not control, are accounted for using the equity method. Investments in which the Company does not exercise significant influence (generally, when the Company has an investment of less than 20% and no representation on the Company's Board of Directors) are accounted for using the cost method. All significant inter-company transactions and accounts have been eliminated. The Company does not have any variable interest entities or special purpose entities whose financial results are not included in the consolidated financial statements.

On January 17, 2003, the Company completed the acquisition of Dianon, a leading provider of anatomic pathology and oncology testing services. On July 25, 2002, the Company completed the acquisition of Dynacare, a provider of clinical laboratory testing services. Disclosure of certain business combination transactions is included in Notes 2 and 3 – Business Acquisitions.

The financial statements of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities are translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average monthly exchange rates prevailing during the year. Resulting translation adjustments are included in "Accumulated other comprehensive earnings".

Cash Equivalents:

Cash equivalents (primarily investments in money market funds, time deposits, commercial paper and Eurodollars which have original maturities of three months or less at the date of purchase) are carried at cost which approximates market.

Short-Term Investments:

Short-term investments (U.S. Government Agency securities with original maturities between six and twelve months) are carried at cost which approximates market. It is the intent of the Company to hold these investments until they mature or are called by the issuer.

Inventories:

Inventories, consisting primarily of purchased laboratory supplies, are stated at the lower of cost (first-in, first-out) or market.

(Dollars in millions, except per share data)

Derivative Financial Instruments:

Interest rate swap agreements, which have been used by the Company from time to time in the management of interest rate exposure, are accounted for at fair value. Amounts to be paid or received under such agreements are recognized as interest income or expense in the periods in which they accrue.

The Company's zero coupon-subordinated notes contain the following two features that are considered to be embedded derivative instruments under Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities":

1) The Company will pay contingent cash interest on the zero coupon subordinated notes after September 11, 2006, if the average market price of the notes equals 120% or more of the sum of the issue price, accrued original issue discount and contingent additional principal, if any, for a specified measurement period.

2) Holders may surrender zero coupon-subordinated notes for conversion during any period in which the rating assigned to the zero coupon-subordinated notes by Standard & Poor's Ratings Services is BB- or lower.

Based upon independent appraisals, these embedded derivatives had no fair market value at December 31, 2004 and 2003.

Property, Plant and Equipment:

Property, plant and equipment are recorded at cost. The cost of properties held under capital leases is equal to the lower of the net present value of the minimum lease payments or the fair value of the leased property at the inception of the lease. Depreciation and amortization expense is computed on all classes of assets based on their estimated useful lives, as indicated below, using principally the straight-line method.

	Years
Buildings and building improvements	35
Machinery and equipment	3-10
Furniture and fixtures	5-10

Leasehold improvements and assets held under capital leases are amortized over the shorter of their estimated lives or the term of the related leases. Expenditures for repairs and maintenance are charged to operations as incurred. Retirements, sales and other disposals of assets are recorded by removing the cost and accumulated depreciation from the related accounts with any resulting gain or loss reflected in operations.

Capitalized Software Costs:

The Company capitalizes purchased software which is ready for service and capitalizes software development costs incurred on significant projects starting from the time that the preliminary project stage is completed and management commits to funding a project until the project is substantially complete and the software is ready for its intended use. Capitalized costs include direct material and service costs and payroll and payroll-related costs. Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. Capitalized software costs are amortized using the straight-line method over the estimated useful life of the underlying system, generally five years.

Debt Issuance Costs:

The costs related to the issuance of debt are capitalized and amortized to interest expense using the effective interest method over the terms of the related debt.

Professional Liability:

The Company is self-insured for professional liability claims arising in the normal course of business, generally related to the testing and reporting of laboratory test results. The Company records a reserve for such asserted and estimated unasserted claims based on actuarial assessments of future settlement and legal defense costs.

Fair Value of Financial Instruments:

The carrying amounts of cash and cash equivalents, accounts receivable, income taxes receivable and accounts payable are considered to be representative of their respective fair values due to their short-term nature. The fair market value of the zero coupon-subordinated notes, based on market pricing, was approximately $501.3 and $465.6 as of December 31, 2004 and 2003, respectively.

Concentration of Credit Risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable.

The Company maintains cash and cash equivalents with various major financial institutions. The total cash balances on deposit that exceeded the balances insured by the F.D.I.C., were approximately $170.7 at December 31, 2004. Cash equivalents at December 31, 2004, totaled $157.0, which includes amounts invested in treasury bills and short-term bonds.

Substantially all of the Company’s accounts receivable are with companies and individuals in the health care industry. However, concentrations of credit risk are limited due to the number of the Company’s clients as well as their dispersion across many different geographic regions.

Accounts receivable balances (gross) from Medicare and Medicaid were $107.9 and $100.4 at December 31, 2004 and 2003, respectively.

Revenue Recognition:

Sales are recognized on the accrual basis at the time test results are reported, which approximates when services are provided. Services are provided to certain patients covered by various third-party payer programs including the Managed Care, and Medicare and Medicaid programs. Billings for services under third-party payer programs are included in sales net of allowances for contractual discounts and allowances for differences between the amounts billed and estimated program payment amounts. Adjustments to the estimated payment amounts based on final settlement with the programs are recorded upon settlement as an adjustment to revenue. In 2004, 2003 and 2002, approximately 20%, 19%, and 16%, respectively of the Company’s revenues were derived from tests performed for the beneficiaries of the Medicare and Medicaid programs. The Company has capitated agreements with certain managed care customers and recognizes related revenue based on a predetermined monthly contractual rate for each member of the managed care plan regardless of the number or cost of services provided by the Company. In 2004, 2003 and 2002, approximately 4%, 4%, and 5%, respectively of the Company’s revenues were derived from these capitated agreements.

Income Taxes:

The Company accounts for income taxes utilizing the asset and liability method. Under this method deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates

(Dollars in millions, except per share data)

expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of such benefits is more likely than not.

Stock Splits:

On May 10, 2002, the Company effected a two-for-one stock split through the issuance of a stock dividend of one new share of common stock for each share of common stock held by shareholders of record on May 3, 2002. All references to common stock, common shares outstanding, average number of common shares outstanding, stock options, restricted shares and per share amounts in the Consolidated Financial Statements and Notes to Consolidated Financial Statements have been restated to reflect common stock splits and the reverse split on a retroactive basis.

Stock Compensation Plans:

The Company accounts for its employee stock option plans using the intrinsic method under APB Opinion No. 25 and related Interpretations. Accordingly, compensation for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. The Company's employee stock purchase plan is also accounted for under APB Opinion No. 25 and is treated as non-compensatory.

The Company applies the provisions of APB Opinion No. 25 in accounting for its employee stock option and stock purchase plans and, accordingly, no compensation cost has been recognized for these plans in the financial statements. Had the Company determined compensation cost based on the fair value method as defined in SFAS No. 123, the impact on the Company's net earnings on a pro forma basis is indicated below:

		Years Ended December 31,		
		2004	2003	2002
Net earnings, as reported		$ 363.0	$ 321.0	$ 254.6
Add: Restricted stock-based compensation under APB 25, net of related tax effects		9.1	10.7	8.4
Deduct: Total stock-based compensation expense determined under fair value method for all awards, net of related tax effects		(29.9)	(35.9)	(29.1)
Pro-forma net income		$ 342.2	$ 295.8	$ 233.9
Basic earnings per common share	As reported	2.60	2.23	1.78
	Pro forma	2.45	2.05	1.64
Diluted earnings per common share	As reported	2.45	2.11	1.69
	Pro forma	2.27	1.91	1.52

The pro forma weighted average fair values at date of grant for options issued during 2004, 2003 and 2002 were $13.66, $13.43 and $23.50 respectively, and were estimated using the Black-Scholes option pricing model. Weighted average assumption for the expected life in years were 3 years, 7 years and 7

years for the years ended December 31, 2004, 2003 and 2002 respectively. Weighted average assumptions for the volatility and dividend yield were .5 and 0% for each of the three years ended December 31, 2004. Interest rate assumptions were 3.5%, 3.2% and 3.0% for the years ended December 31, 2004, 2003 and 2002, respectively. Compensation cost for restricted stock awards is recorded by allocating their aggregate grant date fair value over their vesting period.

Earnings per Share:

Basic earnings per share is computed by dividing net earnings, less preferred stock dividends and accretion, by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net earnings including the impact of dilutive adjustments by the weighted average number of common shares outstanding plus potentially dilutive shares, as if they had been issued at the beginning of the period presented. Potentially dilutive common shares result primarily from the Company's outstanding stock options, restricted stock awards, and shares issuable upon conversion of zero-coupon subordinated notes.

The following represents a reconciliation of basic earnings per share to diluted earnings per share: (shares in millions)

	2004			2003			2002		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic earnings per share:									
Net earnings	$363.0	139.4	$ 2.60	$321.0	144.0	$ 2.23	$254.6	142.8	$ 1.78
Stock options	--	0.9		--	0.4		--	0.6	
Restricted stock awards	--	0.4		--	0.3		--	0.8	
Interest on convertible debt, net of tax	6.2	10.0		6.0	10.0		6.0	10.0	
Diluted earnings per share:									
Net earnings including impact of dilutive adjustments	$369.2	150.7	$ 2.45	$327.0	154.7	$ 2.11	$260.6	154.2	$1.69

The following table summarizes the potential common shares not included in the computation of diluted earnings per share because their impact would have been antidilutive:

	Years Ended December 31,		
	2004	2003	2002
Stock options	1.5	3.9	2.0

In September 2004, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board reached consensus on EITF Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." Under the EITF's conclusion, contingently convertible shares attached to a debt instrument are to be included in the calculation of diluted earnings per share regardless of whether or not the contingency has been met. Historically the Company followed the guidance of paragraph 30 of SFAS No. 128, "Earnings Per Share", and excluded contingently convertible shares relating to its zero coupon – subordinated notes from its calculations of diluted earnings per share. The EITF consensus supersedes the accounting under SFAS No. 128 and, accordingly, the Company has adopted the provisions of EITF No 04-8 for its zero coupon-subordinated notes — including the retroactive restatement of all diluted earnings per share calculations for all periods presented. Diluted earnings per share as previously stated were $2.22, and $1.77 for the years ended 2003 and 2002, respectively. Diluted weighted average shares outstanding were 144.8 and 144.2 for 2003 and 2002, respectively.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant estimates include the

allowances for doubtful accounts and deferred tax assets, amortization lives for intangible assets and accruals for self-insurance reserves. The allowance for doubtful accounts is determined based on historical collection trends, the aging of accounts, current economic conditions and regulatory changes. Actual results could differ from those estimates.

Long-Lived Assets:

Goodwill is evaluated for impairment by applying a fair value based test on an annual basis and more frequently if events or changes in circumstances indicate that the asset might be impaired.

Long-lived assets, other than goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Recoverability of assets to be held and used is determined by the Company at the level for which there are identifiable cash flows by a comparison of the carrying amount of the assets to future undiscounted net cash flows before interest expense and income taxes expected to be generated by the assets. Impairment, if any, is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets (based on market prices in an active market or on discounted cash flows). Assets to be disposed of are reported at the lower of the carrying amount or fair value.

The Company completed an annual impairment analysis of its indefinite lived assets, including goodwill, and has found no instances of impairment as of December 31, 2004.

Intangible Assets:

Prior to July 1, 2001, the cost of acquired businesses in excess of the fair value of net assets acquired was recorded as goodwill and amortized on the straight-line basis ranging from 20 to 40 years. Effective January 1, 2002, the Company adopted SFAS No. 142 “Goodwill and Other Intangible Assets”. This standard requires that goodwill and other intangibles that are acquired in business combinations and that have indefinite useful lives are not to be amortized and are to be reviewed for impairment annually based on an assessment of fair value. Other intangibles (patents and technology, customer lists and non-compete agreements), are amortized on a straight-line basis over the expected periods to be benefited, such as legal life for patents and technology, 10 to 25 years for customer lists and contractual lives for non-compete agreements. With the adoption of SFAS No. 142, the Company reassessed the useful lives of these intangible assets and determined that no changes were necessary.

Research and Development:

In August 2003, the Company formed a new, majority-owned subsidiary with a former owner of the Company’s subsidiary, National Genetics Institute, Inc. In conjunction with the formation of this subsidiary, the principals entered into a two-year joint venture agreement whereby the Company will fund a total of $3.0 for research and development efforts to be conducted on behalf of the newly formed subsidiary. It is the Company’s policy to expense all research and development costs when incurred. As of December 31, 2004, the Company had incurred approximately $1.4 in costs associated with this venture.

Reclassifications:

Certain amounts in the prior year’s financial statements have been reclassified to conform with the current year presentation. In connection with the preparation of these financial statements, we concluded that it was appropriate to classify certain securities with original maturities exceeding three months as short- term investments. Previously, such investments had been classified as cash and cash equivalents. Accordingly, we have revised the classification to report these securities as short-term investments in a separate line item on our Consolidated Balance Sheet as of December 31, 2003. We have also made corresponding adjustments to our Consolidated Statement of Cash Flows for the period ended December 31, 2003, to reflect the gross purchases of these securities as investing activities rather than as a component of cash and cash equivalents. This change in classification does not affect previously reported cash flows from operations or from financing activities in our previously reported Consolidated Statements of Cash Flows, or our previously reported Consolidated Statements of Income for any period.

(Dollars in millions, except per share data)

2. BUSINESS ACQUISITION – DIANON SYSTEMS, INC.

On January 17, 2003, the Company completed the acquisition of all of the outstanding shares of DIANON Systems, Inc. (DIANON) for $47.50 per share in cash, or approximately $596.0 including transaction fees and expenses, and converted approximately 390,000 vested DIANON employee stock options into approximately 690,000 vested Company options valued at $8.5. The transaction total of approximately $604.5 was funded by a combination of cash on hand, borrowings under the Company's senior credit facilities and a bridge loan facility.

DIANON is a leading provider of anatomic pathology and oncology testing services in the U.S. and had 2001 revenues of approximately $125.7. DIANON had approximately 1,100 employees at the closing date of the acquisition and processed more than 8,000 samples per day in one main testing facility and four regional labs.

The acquisition of DIANON was accounted for under the purchase method of accounting. As such, the cost to acquire DIANON has been allocated to the assets and liabilities acquired based on estimated fair values as of the closing date. The consolidated financial statements include the results of operations of DIANON subsequent to the closing of the acquisition.

The following table summarizes the Company's purchase price allocation related to the acquisition of DIANON based on the fair value of the assets acquired and liabilities assumed on the acquisition date.

	Fair Values as of January 17, 2003
Current assets	$ 87.7
Property, plant and equipment	28.3
Goodwill	355.5
Identifiable intangible assets	271.5
Other assets	3.0
Total assets acquired	746.0
Current liabilities	$ 33.1
Other liabilities	108.4
Total liabilities assumed	141.5
Net assets acquired	604.5

As a result of this acquisition, the Company recorded an addition to non-deductible goodwill of approximately $355.5, an addition to customer lists of approximately $227.8 (expected period of benefit of 30 years, non-deductible for tax) and an addition to trade names of approximately $43.7 (expected period of benefit of 15 years, non-deductible for tax).

The Company believes that it is now in a position nationally to offer to both primary care physicians and specialists such as oncologists, urologists and gastroenterologists, the broadest range of leading-edge anatomic, genomic and clinical testing technology for the large and rapidly growing cancer diagnostic market.

3. BUSINESS ACQUISITION – DYNACARE INC.

On July 25, 2002, the Company completed the acquisition of all of the outstanding stock of Dynacare Inc. in a combination cash and stock transaction with a combined value of approximately $496.4 including transaction costs. The Company also converted approximately 553,958 unvested Dynacare stock options into 297,013 unvested Company options to acquire shares of the Company at terms comparable to those under the predecessor Dynacare plan. This conversion of outstanding unvested options increased the non-cash consideration of the transaction by approximately $5.0 and resulted in the recording of initial deferred

(Dollars in millions, except per share data)

compensation of approximately $2.5. In conjunction with this acquisition, the Company repaid Dynacare's existing $204.4 of senior subordinated unsecured notes, including a call premium of approximately $7.0. The transaction was financed by issuing approximately 4.9 million shares of the Company's common stock, valued at approximately $245.6, assuming unvested Dynacare options valued at $5.0, and using $245.8 in available cash and the proceeds of a $150.0 bridge loan and borrowings of $50.0 under the Company's $300.0 senior credit facilities.

The Company terminated a number of interest rate swap agreements related to Dynacare's existing senior subordinated unsecured notes. The $19.6 the Company received upon termination of these swap agreements was included in the estimated fair value of the net assets acquired as of July 25, 2002.

Dynacare had 2001 revenues of approximately $238.0 and had approximately 6,300 employees at the closing date of the acquisition. Dynacare operated in 21 states and two provinces in Canada with 24 primary laboratories, 2 esoteric laboratories, 115 rapid response labs and 302 patient service centers.

The acquisition of Dynacare was accounted for under the purchase method of accounting. As such, the cost to acquire Dynacare has been allocated to the assets and liabilities acquired based on fair values as of the closing date. The consolidated financial statements include the results of operations of Dynacare subsequent to the closing of the acquisition.

The following table summarizes the Company's purchase price allocation related to the acquisition of Dynacare based on the fair value of the assets acquired and liabilities assumed on the acquisition date.

	Fair Values as of July 25, 2002
Current assets	$ 100.2
Property, plant and equipment	48.0
Goodwill	173.3
Identifiable intangible assets	52.5
Investment in joint venture partnerships	402.1
Other assets	23.2
Deferred compensation	2.5
Total assets acquired	801.8
Current liabilities	$ 268.1
Long-term debt	12.9
Other liabilities	24.4
Total liabilities assumed	305.4
Net assets acquired	$ 496.4

As a result of this acquisition, the Company recorded an addition to non-deductible goodwill of approximately $173.3 and an addition to customer lists of approximately $52.5 (expected period of benefit of 15 years). The investments in equity affiliates include $341.7 of Canadian licenses (with an indefinite life and deductible for tax).

The Company believes that the acquisition of Dynacare enhances its ability to provide health coverage in the United States and Canada by expanding its customer base and service capabilities. The Company believes that the price paid for the outstanding shares of Dynacare was competitive with market conditions existing at the time.

(Dollars in millions, except per share data)

The following unaudited pro forma combined financial information for the years ended December 31, 2003 and 2002 assumes that the DIANON and Dynacare, Inc. acquisitions which were closed by the Company on January 17, 2003 and July 25, 2002, respectively, were acquired at the beginning of each period presented.

	Year Ended December 31,	
	2003	2002
Net sales	$ 2,947.4	$ 2,867.7
Net earnings	321.1	255.3
Diluted earnings per common share	$ 2.22	$ 1.73

4. INVESTMENTS IN JOINT VENTURE PARTNERSHIPS

At December 31, 2004 (as a result of the Dynacare acquisition) the Company had investments in the following joint venture partnerships:

Location	Net Investment	Percentage Interest Owned
Milwaukee, Wisconsin	$ 3.4	50.00%
Ontario, Canada	$ 493.0	72.99%
Alberta, Canada	$ 52.1	43.37%

Each of the joint venture agreements that govern the conduct of business of these partnerships mandates unanimous agreement between partners on all major business decisions as well as providing other participating rights to each partner. These partnerships, including the Ontario, Canada partnership, are accounted for under the equity method of accounting, as the Company does not have control of these three partnerships, due to the participating rights afforded to all partners in each agreement The Company has no material obligations or guarantees to, or in support of, these unconsolidated joint ventures and their operations.

Condensed financial information for the Ontario, Canada equity affiliate as of December 31, 2004 and 2003 and for years then ended are as follows:

	2004	2003
As of December 31:		
Current assets	$ 27.5	$ 20.8
Other assets	109.3	99.2
Total assets	$ 136.8	$ 120.0
Total liabilities	16.5	14.5
Shareholders' equity	120.3	105.5
Total liabilities and shareholders' equity	$ 136.8	$ 120.0
For the period January 1 - December 31:		
Net sales	$ 158.2	$ 133.9
Gross profit	$ 87.3	$ 74.0
Net earnings	$ 57.1	$ 48.5

5. INTEGRATION OF DYNACARE AND DIANON

During the third quarter of 2002, the Company finalized its plan related to the integration of Dynacare’s U.S. operations into the Company’s service delivery network. The plan focuses on reducing redundant facilities, while maintaining a focus on providing excellent customer service. A reduction in staffing will occur as the Company executes the integration plan and consolidates duplicate or overlapping functions and

(Dollars in millions, except per share data)

facilities. Employee groups being affected as a result of this plan include those involved in the collection and testing of specimens, as well as administrative and other support functions.

In connection with the Dynacare integration plan, the Company recorded $14.6 of costs associated with the execution of the plan. The majority of these integration costs related to employee severance and contractual obligations associated with leased facilities and equipment. Of the total costs indicated above, $12.1 related to actions that impact the employees and operations of Dynacare, and was accounted for as a cost of the Dynacare acquisition and included in goodwill. Of the $12.1, $6.0 related to employee severance benefits for approximately 722 employees, with the remainder primarily related to contractual obligations associated with leased facilities and equipment. In addition, the Company recorded restructuring expense of $2.5, relating to integration costs of actions that impact the Company's existing employees and operations. Of this amount $1.0 related to employee severance benefits for approximately 78 employees, with the remainder primarily related to contractual obligations associated with leased facilities and equipment.

The Company also recorded a special bad debt provision of approximately $15.0 related to the acquired Dynacare accounts receivable balance. This provision, based on Company experience, was made in anticipation of changes in staffing and collection procedures that will occur as the Company converts Dynacare customers to LabCorp's billing system and related customer service organization.

In connection with the DIANON integration plan, the Company recorded $20.8 of costs associated with the execution of the plan. The majority of these integration costs related to contractual obligations associated with leased facilities and equipment ($12.7) and employee severance ($8.1). These costs were accounted for as costs of the DIANON acquisition.

During the third and fourth quarters of 2003, the Company recorded a pre-tax restructuring charge totaling $6.4 in connection with the continuing integration of its recent acquisitions. Substantially all of this charge relates to the fair value of employee severance benefits for approximately 730 employees. The Company also recorded certain adjustments in the fourth quarter of 2003 to previously recorded restructuring charges due to changes in estimates, resulting in a net credit of approximately $4.9.

6. RESTRUCTURING AND NON-RECURRING CHARGES

The following represents the Company's restructuring activities for each of the years in the three years ended December 31, 2004

	Severance Costs	Lease and Other Facility Costs	Total
Balance at January 1, 2002	$ 0.2	$ 15.8	$ 16.0
Dynacare integration	7.0	7.6	14.6
Reclassification non-cash items	--	(1.2)	(1.2)
Cash payments	(1.4)	(1.9)	(3.3)
Balance at December 31, 2002	5.8	20.3	26.1
Dianon integration	8.1	12.7	20.8
Restructuring charges	4.6	1.8	6.4
Restructuring adjustments	(0.8)	(4.1)	(4.9)
Cash payments	(13.7)	(3.9)	(17.6)
Balance at December 31, 2003	4.0	26.8	30.8
Reclassification non-cash items	(1.8)	(4.8)	(6.6)
Restructuring adjustments	--	(0.9)	(0.9)
Acquisition integration	1.2	3.2	4.4
Cash payments	(2.8)	(2.9)	(5.7)
Balance at December 31, 2004	0.6	21.4	22.0
Current			$ 6.0
Non-current			16.0
			$ 22.0

(Dollars in millions, except per share data)

7. ACCOUNTS RECEIVABLE, NET

	December 31, 2004	December 31, 2003
Gross accounts receivable	$ 578.5	$ 565.6
Less allowance for doubtful accounts	(137.1)	(133.1)
	$ 441.4	$ 432.5

The provision for doubtful accounts was $192.7, $214.2 and $214.9 in 2004, 2003 and 2002 respectively.

8. PROPERTY, PLANT AND EQUIPMENT, NET

	December 31, 2004	December 31, 2003
Land	$ 14.2	$ 15.3
Buildings and building improvements	90.8	90.4
Machinery and equipment	353.2	322.2
Software	153.0	151.3
Leasehold improvements	82.0	81.1
Furniture and fixtures	19.3	17.5
Construction in progress	44.1	28.4
Buildings under capital leases	5.4	5.4
Equipment under capital leases	2.2	2.2
	764.2	713.8
Less accumulated depreciation and amortization of capital leases	(404.2)	(352.5)
	$ 360.0	$ 361.3

Depreciation expense and amortization of capital lease assets was $93.0, $91.6 and $73.0 for 2004, 2003 and 2002, respectively.

9. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill (net of accumulated amortization) for the years ended December 31, 2004 and 2003 are as follows:

	2004	2003
Balance as of January 1	$ 1,285.9	$ 910.1
Goodwill acquired during the year	17.1	388.7
Adjustments to goodwill	(2.6)	(12.9)
Goodwill, net	$ 1,300.4	$ 1,285.9

(Dollars in millions, except per share data)

The components of identifiable intangible assets are as follows:

	December 31, 2004		December 31, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer lists	$ 596.3	$ (148.0)	$ 582.5	$ (118.1)
Patents, licenses and technology	79.6	(18.3)	67.2	(11.1)
Non-compete agreements	25.2	(20.3)	23.0	(18.1)
Trade name	49.4	(6.9)	49.6	(3.6)
	$ 750.5	$ (193.5)	$ 722.3	$ (150.9)

Amortization of intangible assets was $42.6, $37.6 and $23.8 in 2004, 2003 and 2002, respectively. Amortization expense for the net carrying amount of intangible assets is estimated to be $43.6 in fiscal 2005, $42.2 in fiscal 2006, $40.6 in fiscal 2007, $38.4 in fiscal 2008, $37.5 in fiscal 2009, and $354.7 thereafter.

The Company paid approximately $7.9 in 2004 and $15.0 in 2003 for certain exclusive and non-exclusive licensing rights to diagnostic testing technology. These amounts are being amortized over the life of the licensing agreements.

10. ACCRUED EXPENSES AND OTHER

	December 31, 2004	December 31, 2003
Employee compensation and benefits	$ 68.5	$ 75.6
Acquisition related accruals	5.6	7.1
Restructuring reserves	6.0	15.0
Accrued taxes payable(receivable)	27.4	(2.6)
Other tax accruals	31.7	28.8
Self-insurance reserves	42.0	34.1
Interest payable	8.0	8.4
Accrued repurchases of common stock	10.0	--
Royalty payable	12.9	5.0
Other	3.3	4.7
	$ 215.4	$ 176.1

11. OTHER LIABILITIES

	December 31, 2004	December 31, 2003
Acquisition related accruals	$ 1.1	$ 1.3
Restructuring reserves	16.0	15.8
Accrued pension liability	--	22.0
Post-retirement benefit obligation	46.0	44.7
Self-insurance reserves	13.2	17.9
Other	11.3	10.6
	$ 87.6	$ 112.3

12. ZERO COUPON-SUBORDINATED NOTES

In September 2001, the Company sold $650.0 aggregate principal amount at maturity of its zero coupon convertible subordinated notes (the “notes”) due 2021 in a private placement. The Company received

approximately $426.8 (net of underwriter's fees of approximately $9.8) in net proceeds from the offering. In October 2001, the underwriters exercised their rights to purchase an additional $94.0 aggregate principal amount pursuant to an overallotment option from which the Company received approximately $61.8 in net proceeds (net of underwriters fees of approximately $1.4). The notes, which are subordinate to the Company's bank debt, were sold at an issue price of $671.65 per $1,000 principal amount at maturity (representing a yield to maturity of 2.0% per year). Each one thousand dollar principal amount at maturity of the notes is convertible into 13.4108 shares of the Company's common stock, subject to adjustment in certain circumstances, if one of the following conditions occurs:

1) If the sales price of the Company's common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding quarter reaches specified thresholds (beginning at 120% and declining 0.1282% per quarter until it reaches approximately 110% for the quarter beginning July 1, 2021 of the accreted conversion price per share of common stock on the last day of the preceding quarter). The accreted conversion price per share will equal the issue price of a note plus the accrued original issue discount and any accrued contingent additional principal, divided by the number of shares of common stock issuable upon conversion of a note on that day. The conversion trigger price for the fourth quarter of 2004 was approximately $63.12.

2) If the credit rating assigned to the notes by Standard & Poor's Ratings Services is at or below BB-.

3) If the notes are called for redemption.

4) If specified corporate transactions have occurred (such as if the Company is party to a consolidation,

merger or binding share exchange or a transfer of all or substantially all of its assets).

Holders of the notes may require the Company to purchase in cash all or a portion of their notes on September 11, 2006 and 2011 at prices ranging from $741.92 to $819.54, plus any accrued contingent additional principal and any accrued contingent interest thereon.

The Company may redeem for cash all or a portion of the notes at any time on or after September 11, 2006 at specified redemption prices per one thousand dollar principal amount at maturity of the notes ranging from $741.92 at September 11, 2006 to $1,000.00 at September 11, 2021 (assuming no contingent additional principal accrues on the notes).

The Company used a portion of the proceeds to repay $412.5 of its term loan outstanding under its credit agreement and to pay $8.9 to terminate the interest rate swap agreement tied to the Company's term loan. The Company recorded a loss of $5.5 relating to the write-off of unamortized bank fees associated with the Company's term debt.

The Company has registered the notes and the shares of common stock issuable upon conversion of the notes with the Securities and Exchange Commission.

13. LONG-TERM DEBT

On January 13, 2005, the Company entered into a $350.0 senior credit facility with Credit Suisse First Boston and UBS Securities LLC, acting as Co-Lead Arrangers, and a group of financial institutions. This new five year credit facility replaced the existing $150.0 364-day revolving credit facility and the $200.0 three-year revolving credit facility which was amended on January 14, 2003 and was scheduled to expire on February 18, 2005. The new facility also provides for an accordion feature to increase the facility up to an additional $150 million, with the consent of the lenders, if needed to support the Company's growth. Based upon the Company's rating as of December 31, 2004, the effective rate under the $200.0 and $150.0 facilities was LIBOR plus 82.5 basis points and LIBOR plus 87.5 basis points, respectively. There were no balances outstanding on the Company's senior credit facilities at December 31, 2004 and 2003.

The senior credit facility is available for general corporate purposes, including working capital, capital expenditures, funding of share repurchases and other payments, and acquisitions. This credit facility bears interest at varying rates based upon the Company's credit rating with Standard & Poor's Ratings Services.

The agreement contains certain debt covenants that require the Company to maintain leverage and interest coverage ratios of 2.5 to 1.0 and 5.0 to 1.0, respectively. The Company is in compliance with all covenants.

On July 24, 2002, in conjunction with the acquisition of Dynacare, the Company borrowed $150.0 under the Dynacare Bridge Loan Agreement, which had an original maturity date of July 23, 2003. On November 29, 2002, the Company repaid all outstanding balances under the Dynacare Bridge Loan, and as a result, the loan was terminated.

On January 17, 2003, in conjunction with the acquisition of DIANON, the Company borrowed $350.0 under the DIANON Bridge Loan Agreement with Credit Suisse First Boston, acting as Administrative Agent. On January 31, 2003, the Company sold $350.0 aggregate principal amount of its 5 ½% Senior Notes due February 1, 2013. Proceeds from the issuance of these Notes ($345.1), together with cash on hand was used to repay the $350.0 principal amount of the Company's bridge loan facility, and as a result, the loan was terminated.

14. STOCK REPURCHASE PROGRAM

On October 22, 2002, the Company's Board of Directors authorized a stock repurchase program under which the Company may purchase up to an aggregate of $150.0 of its common stock from time-to-time. During the third quarter of 2003, the Company completed this program purchasing approximately 5.2 million shares of its common stock totaling approximately $150.0 with cash flow from operations.

On December 17, 2003, the Company's Board of Directors authorized a stock repurchase program under which the Company may purchase up to an aggregate of $250.0 of its common stock from time-to-time, beginning in the first quarter of 2004. During the first nine months of 2004, the Company completed this program, purchasing approximately 6.2 million shares of its common stock totaling $250.0 with cash flow from operations.

On October 20, 2004, the Company's Board of Directors authorized a stock repurchase program under which the Company may purchase up to an aggregate of $250.0 of its common stock. It is the Company's intention to fund future purchases of its common stock with cash flow from operations. During the fourth quarter of 2004, the Company purchased approximately 2.7 million shares of its common stock totaling $128 with cash flow from operations.

15. STOCKHOLDER RIGHTS PLAN

The Company adopted a stockholder rights plan effective as of December 13, 2001 that provides that each common stockholder of record on December 21, 2001 received a dividend of one right for each share of common stock held. Each right entitles the holder to purchase from the Company one-hundredth of a share of a new series of participating preferred stock at an initial purchase price of four hundred dollars. These rights will become exercisable and will detach from the Company's common stock if any person becomes the beneficial owner of 15% or more of the Company's common stock. In that event, each right will entitle the holder, other than the acquiring person, to purchase, for the initial purchase price, shares of the Company's common stock having a value of twice the initial purchase price. The rights will expire on December 13, 2011, unless earlier exchanged or redeemed.

16. INTEREST RATE SWAP AGREEMENTS

In the second quarter of 2003 the Company terminated its interest rate swap agreement with a major financial institution and received net proceeds of $5.3 of which $1.4 was credited to interest expense and a gain of $3.9 was deferred and is being amortized to interest expense through 2013.

(Dollars in millions, except per share data)

17. INCOME TAXES

The sources of income before taxes, classified between domestic and foreign entities are as follows:

Pre-tax income

	2004	2003	2002
Domestic	$ 618.8	$ 545.3	$ 440.6
Foreign	(3.5)	(4.9)	(8.3)
Total pre-tax income	$ 615.3	$ 540.4	$ 432.3

The provisions for income taxes in the accompanying consolidated statements of operations consist of the following:

	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002
Current:			
Federal	$ 170.3	$ 104.2	$ 118.0
State	40.5	29.2	28.4
Foreign	2.6	(0.3)	2.4
	$ 213.4	$ 133.1	$ 148.8
Deferred:			
Federal	$ 32.1	$ 70.0	$ 26.0
State	7.4	13.8	4.7
Foreign	(0.6)	2.5	(1.8)
	38.9	86.3	28.9
	$ 252.3	$ 219.4	$ 177.7

The tax benefit associated with option exercises from stock plans reduced taxes currently payable by approximately $11.1, $5.5 and $16.0 in 2004, 2003 and 2002, respectively. Such benefits are recorded as additional paid-in-capital.

The effective tax rates on earnings before income taxes is reconciled to statutory federal income tax rates as follows:

	Years Ended December 31,		
	2004	2003	2002
Statutory federal rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax effect	4.4	4.5	4.5
Change in valuation allowance	--	--	(0.4)
Other	1.6	1.1	2.0
Effective rate	41.0%	40.6%	41.1%

(Dollars in millions, except per share data)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31, 2004	December 31, 2003
Deferred tax assets		
Accounts receivable	$ 0.4	$ 12.5
Self-insurance reserves	17.0	17.3
Postretirement benefit obligation	18.2	17.8
Acquisition and restructuring reserves	15.8	22.7
Tax loss carryforwards	10.8	18.2
Employee benefits	--	13.1
Other	3.1	(1.1)
	65.3	100.5
Less valuation allowance	(2.7)	(2.7)
Net deferred tax assets	62.6	97.8
Deferred tax liabilities:		
Employee benefits	(1.5)	--
Deferred earnings	(13.4)	(12.1)
Intangible assets	(217.8)	(221.0)
Property, plant and equipment	(47.8)	(46.3)
Zero coupon-subordinated notes	(50.7)	(33.6)
Currency translation adjustment	(51.3)	(35.5)
Other	--	(3.6)
Total gross deferred tax liabilities	(382.5)	(352.1)
Net deferred tax liabilities	$ (319.9)	$ (254.3)

The Internal Revenue Service and the Company have reached an agreement for the appeals of tax years 1998, 1999, and 2000. The Company is awaiting a final examination report. The Internal Revenue Service has concluded its examination and closed the 2001 and 2002 tax years. Management believes adequate provisions have been recorded related to all open tax years.

The Company has state tax loss carryforwards of approximately $22.0 which expire 2005 through 2022. In addition, the Company has federal tax loss carryovers of approximately $26.8 expiring periodically through 2022.

The Company provided for taxes on undistributed earnings of foreign subsidiaries.

18. STOCK COMPENSATION PLANS

In May 2000, the shareholders approved the 2000 Stock Incentive Plan, authorizing 6.8 million shares for issuance under the plan plus the remaining shares available from the Amended and Restated 1999 Stock Incentive Plan and the 1994 Stock Option Plan (the “Prior Plans”). The effect was to increase to 11.68 million, the number of shares available under the 2000 Stock Incentive Plan and Prior Plans.

In May 2002, the shareholders approved an amendment to the 2000 Stock Incentive Plan authorizing an additional 8.0 million shares. The effect was to increase to an aggregate of 19.68 million shares for issuance under the 2000 Stock Incentive Plan.

During 2004, there were 1,757,260 options granted to officers, key employees, and non-employee directors of the Company. The exercise price for these options ranged from $38.80 to $40.50 per share.

During March 2004, the Company recorded aggregate awards of 11,329 shares of restricted stock at a weighted average price of $35.29 to one of the principals in the Company’s research and development joint venture and a non-employee director under its 2000 Stock Incentive Plan.

(Dollars in millions, except per share data)

The plan provides for accelerated vesting of outstanding restricted shares in percentages of 33.3%, 66.7% or 100%, if certain predefined two-year profitability targets are achieved as of December 31, 2003 or certain three-year profitability targets are achieved as of December 31, 2004. The unearned restricted stock compensation is being amortized to expense over the applicable vesting periods. For 2004, 2003 and 2002, total restricted stock compensation expense was $15.6, $18.1 and $14.3, respectively. At December 31, 2004, there were 5,304,751 additional shares available for grant under the Company's stock option plans.

The following table summarizes grants of non-qualified options made by the Company to officers, key employees, and non-employee directors under all plans. Stock options are generally granted at an exercise price equal to or greater than the fair market price per share on the date of grant. Also, for each grant, options vest ratably over a period of two to three years on the anniversaries of the grant date, subject to their earlier expiration or termination.

Changes in options outstanding under the plans for the periods indicated were as follows:

	Number of Options	Weighted-Average Exercise Price per Options
Outstanding at January 1, 2002 (729,504 exercisable)	3,905,934	$ 25.331
Options granted at market value	2,186,818	$ 42.524
Granted above market value	77,750	$ 28.910
Granted below market value	199,240	$ 18.626
Forfeited	(316,568)	$ 29.902
Exercised	(697,394)	$ 18.976
Outstanding at December 31, 2002 (1,326,120 exercisable)	5,355,780	$ 32.711
Options granted at market value	1,763,926	$ 24.967
Granted above market value	632,410	$ 30.343
Granted below market value	37,204	$ 13.120
Forfeited	(436,685)	$ 20.444
Exercised	(747,202)	$ 20.444
Outstanding at December 31, 2003 (2,811,938 exercisable)	6,605,433	$ 31.805
Options granted at market value	1,757,260	$ 39.003
Forfeited	(241,240)	$ 36.327
Exercised	(1,743,587)	$ 28.072
Outstanding at December 31, 2004	6,377,866	$ 34.637
Exercisable at December 31, 2004	2,866,794	$ 34.153

On January 17, 2003, the Company converted approximately 378,422 vested Dianon stock options into 669,614 vested Company options to acquire shares of the Company at terms comparable to those under the predecessor Dianon plan. The Company is not expecting to make further grants from this plan. Options issued above or below market value during 2003 and 2002 were issued in conjunction with the acquisitions of DIANON and Dynacare.

(Dollars in millions, except per share data)

The following table summarizes information concerning currently outstanding and exercisable options.

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 2.57 - 28.18	1,761,971	7.37	$23.521	655,827	$ 21.525
$ 28.91 - 38.80	1,129,788	6.08	$32.881	1,081,467	$ 32.903
$ 39.00 - 39.00	1,718,700	9.13	$39.000	--	$ --
$ 39.16 - 48.02	1,767,407	7.11	$42.601	1,129,500	$ 42.683
	6,377,866			2,866,794	

The weighted-average remaining life of options outstanding at December 31, 2004 is approximately 7.5 years.

The Company has an employee stock purchase plan, begun in 1997 and amended in 1999 and 2004, with 4,500,000 shares of common stock authorized for issuance. The plan permits substantially all employees to purchase a limited number of shares of Company stock at 85% of market value. The Company issues shares to participating employees semi-annually in January and July of each year. A summary of shares issued is as follows:

	2002	2003	2004	2005
January	73,514	149,020	133,431	117,955
July	75,446	140,524	113,707	

Pro forma compensation expense is calculated for the fair value of the employee's purchase right using the Black-Scholes model. Assumptions include a weighted average life of approximately one-half year, dividend yield of 0%, risk free interest rates for each six month period as follows: 2004 – 1.0% and 1.6%; 2003 – 1.3% and 0.9% and 2002 — 1.8% and 1.8% and volatility rates for each of the following six month periods: 2004 — .2 and .2; 2003 — .3 and .2; and 2002 — .2 and .8.

The per share weighted average grant date fair value of the benefits under the employee stock purchase plan for the first and second six-month periods is as follows:

	2004	2003	2002
First six months	$ 10.61	$ 6.98	$ 11.87
Second six months	$ 11.36	$ 8.67	$ 18.21

20. COMMITMENTS AND CONTINGENT LIABILITIES

On June 24, 2003, the Company and certain of its executive officers were sued in the United States District Court for the Middle District of North Carolina in the first of a series of putative shareholder class actions alleging securities fraud. Since that date, at least five other complaints containing substantially identical allegations have been filed against the Company and certain of the Company's executive officers. Each of the complaints alleges that the defendants violated the federal securities laws by making material misstatements and/or omissions that caused the price of the Company's stock to be artificially inflated between February 13 and October 3, 2002. The plaintiffs seek certification of a class of substantially all persons who purchased shares of the Company's stock during that time period and unspecified monetary damages. These six cases have been consolidated and will proceed as a single case. The defendants deny any liability and intend to defend the case vigorously. The plaintiffs have recently filed a consolidated amended complaint. On July 16, 2004, the defendants filed a motion to dismiss the consolidated complaint and continue to defend the case vigorously. At this time, it is premature to make any assessment of the potential outcome of the cases or whether they could have a material adverse effect on the Company's financial condition.

The Company is the appellant in a patent case originally filed by Competitive Technologies, Inc. and Metabolite Laboratories, Inc. in the United States District Court for the District of Colorado. After a jury trial, the district court entered judgment against the Company for patent infringement, with total damages and attorney's fees payable by the Company of approximately $7.8 million. The Company vigorously contested the judgment and appealed the case to the United States Court of Appeals for the Federal Circuit. On June 8, 2004, that court affirmed the judgment against the Company and, on August 5, 2004, the Company's request for rehearing was denied. On November 3, 2004, the Company filed a petition for a writ of certiorari with the United States Supreme Court. The underlying judgment has been paid and, on January 25, 2005, the United States Court of Appeal for the Federal Circuit confirmed the attorneys' fees portion of the judgment. The Company has filed a request to stay the award of attorneys' fees pending the resolution of the Company's appeal to the United States Supreme Court. The Company plans to continue to vigorously contest the Judgment until it exhausts all reasonable appellate rights.

The Company is also involved in various claims and legal actions arising in the ordinary course of business. These matters include, but are not limited to, intellectual property disputes, professional liability, employee related matters, and inquiries from governmental agencies and Medicare or Medicaid payers and managed care payers requesting comment on allegations of billing irregularities that are brought to their attention through billing audits or third parties. In the opinion of management, based upon the advice of counsel and consideration of all facts available at this time, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial position, results of operations or liquidity of the Company. The Company is also named from time to time in suits brought under the *qui tam* provisions of the False Claims Act. These suits typically allege that the Company has made false statements and/or certifications in connection with claims for payment from federal health care programs. They may remain under seal (hence, unknown to the Company) for some time while the government decides whether to intervene on behalf of the *qui tam* plaintiff. Such claims are an inevitable part of doing business in the health care field today and, in the opinion of management, based upon the advice of counsel and consideration of all facts available at this time, the ultimate disposition of those *qui tam* matters presently known to the Company is not expected to have a material adverse effect on the financial position, results of operations or liquidity of the Company.

The Company believes that it is in compliance in all material respects with all statutes, regulations and other requirements applicable to its clinical laboratory operations. The clinical laboratory testing industry is, however, subject to extensive regulation, and the courts have not interpreted many of these statutes and regulations. There can be no assurance therefore that those applicable statutes and regulations might not be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that would adversely affect the Company. Potential sanctions for violation of these statutes and regulations include significant fines and the loss of various licenses, certificates and authorizations.

Under the Company's present insurance programs, coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or contract. The Company is responsible for the uninsured portion of losses related primarily to general, professional and vehicle liability, certain medical costs and workers' compensation. The self-insured retentions are on a per occurrence basis without any aggregate annual limit. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregated liability of claims incurred. At December 31, 2004 and 2003, the Company had provided letters of credit aggregating approximately $63.5 and $57.1 respectively, primarily in connection with certain insurance programs.

(Dollars in millions, except per share data)

The Company leases various facilities and equipment under non-cancelable lease arrangements. Future minimum rental commitments for leases with noncancellable terms of one year or more at December 31, 2004 are as follows:

	Operating	Capital
2005	$ 61.4	$ 3.4
2006	47.7	2.9
2007	34.5	1.4
2008	25.7	--
2009	17.2	--
Thereafter	40.4	--
Total minimum lease payments	226.9	7.7
Less:		
Amounts included in restructuring accruals	(20.4)	(1.9)
Amounts representing interest	--	(1.1)
Non-cancellable sub-lease income	(5.7)	(0.3)
Total minimum operating lease payments and present value of minimum capital lease payments	$ 200.8	$ 4.4
Current		$ 1.5
Non-current		2.9
		$ 4.4

Rental expense, which includes rent for real estate, equipment and automobiles under operating leases, amounted to $106.6, $104.2 and $86.1 for the years ended December 31, 2004, 2003 and 2002, respectively.

21. PENSION AND POSTRETIREMENT PLANS

The Company maintains a defined contribution pension plan for all eligible employees. Eligible employees are defined as individuals who are age 21 or older, have been employed by the Company for at least six consecutive months and have completed 1,000 hours of service. Company contributions to the plan are based on a percentage of employee contributions. The cost of this plan was $11.0, $10.9 and $8.5 in 2004, 2003 and 2002, respectively.

In addition, substantially all employees of the Company are covered by a defined benefit retirement plan (the “Company Plan”). The benefits to be paid under the Company Plan are based on years of credited service and average final compensation. The Company’s policy is to fund the Company Plan with at least the minimum amount required by applicable regulations.

The Company has a second defined benefit plan which covers its senior management group that provides for the payment of the difference, if any, between the amount of any maximum limitation on annual benefit payments under the Employee Retirement Income Security Act of 1974 and the annual benefit that would be payable under the Company Plan but for such limitation. This plan is an unfunded plan.

(Dollars in millions, except per share data)

The components of net periodic pension cost for both of the defined benefit plans are summarized as follows:

	Company Plans		
	Year Ended December 31, 2004	**Year Ended December 31, 2003**	**Year Ended December 31, 2002**
Components of net periodic benefit cost			
Service cost	$ 13.9	$ 12.3	$ 11.9
Interest cost	12.8	12.9	12.4
Expected return on plan assets	(16.9)	(12.7)	(13.7)
Net amortization and deferral	1.5	3.7	0.3
Net periodic pension cost	$ 11.3	$ 16.2	$ 10.9

	Company Plans	
	December 31, 2004	**December 31, 2003**
Change in benefit obligation		
Benefit obligation at beginning of year	$ 203.4	$ 199.5
Service cost	13.9	12.3
Interest cost	12.8	12.9
Actuarial loss	12.8	(8.3)
Amendments	1.2	0.3
Benefits paid	(11.1)	(13.3)
Benefit obligation at end of year	$ 233.0	$ 203.4
Change in plan assets		
Fair value of plan assets at beginning of year	177.9	139.5
Actual return on plan assets	23.4	33.4
Employer contributions	60.0	18.3
Benefits paid	(12.7)	(13.3)
Fair value of plan assets at end of year	$ 248.6	$ 177.9
Unfunded status, end of year	(15.6)	25.5
Unrecognized net actuarial loss	(45.9)	(42.2)
Unrecognized prior service cost	(2.2)	1.7
Additional minimum liability	--	37.0
(Prepaid asset)/accrued pension liability	$ (63.7)	$ 22.0

Assumptions used in the accounting for the defined benefit plans were as follows:

	Company Plans		
	2004	**2003**	**2002**
Weighted average discount rate	6.00%	6.25%	6.75%
Weighted average rate of increase in future compensation levels	3.0%	3.0%	4.0%
Weighted average expected long term rate of return	8.5%	8.5%	9.0%

(Dollars in millions, except per share data)

The Company's defined benefit plans asset allocation at December 31, 2004, and 2003, target allocation for 2005, and expected long-term rate of return by asset category are as follows:

	Target Allocation 2005	Percentage of Plan Assets at December 31, 2004	2003	Weighted-Average Expected Long-Term Rate of Return - 2004
Equity securities	70.0%	72.3%	70.6%	6.8%
Debt securities	30.0%	27.7%	26.3%	1.7%
Other	--	--	3.1%	--

The following assumed benefit payments under the Company's defined benefit plans, which reflect expected future service, as appropriate, and were used in the calculation of projected benefit obligations, are expected to be paid as follows:

2005	$ 12.4
2006	13.8
2007	15.5
2008	17.4
2009	17.8
Years 2010-2014	114.8

The Company assumed obligations under a subsidiary's postretirement medical plan. Coverage under this plan is restricted to a limited number of existing employees of the subsidiary. This plan is unfunded and the Company's policy is to fund benefits as claims are incurred. The components of postretirement benefit expense are as follows:

	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002
Service cost	$ 0.8	$ 0.8	$ 0.9
Interest cost	3.1	3.2	3.3
Net amortization and deferral	(1.9)	(1.9)	(1.1)
Actuarial loss	0.7	0.8	0.4
Postretirement benefit costs	$ 2.7	$ 2.9	$ 3.5

(Dollars in millions, except per share data)

A summary of the components of the accumulated postretirement benefit obligation follows:

	December 31, 2004	December 31, 2003
Retirees	$ 13.2	$ 19.5
Fully eligible active plan participants	15.0	19.9
Other active plan participants	15.4	21.1
	$ 43.6	$ 60.5

Reconciliation of the funded status of the postretirement benefit plan and accrued liability	December 31, 2004	December 31, 2003
Accumulated postretirement benefit obligation beginning of year	$ 60.5	$ 57.5
Changes in benefit obligation due to:		
Service cost	0.8	0.8
Interest cost	3.1	3.2
Plan participants contributions	0.4	0.3
Amendments	(4.3)	(5.8)
Actuarial (gain)loss	(15.2)	6.0
Benefits paid	(1.7)	(1.5)
Accumulated postretirement benefit obligation, end of year	43.6	60.5
Unrecognized net actuarial loss	(7.7)	(23.6)
Unrecognized prior service cost	10.1	7.8
Accrued postretirement benefit obligation	$ 46.0	$ 44.7

The weighted-average discount rates used in the calculation of the accumulated postretirement benefit obligation was 6.0% and 6.4% as of December 31, 2004 and 2003, respectively. The health care cost trend rate-medical was assumed to be 10.0% and 9.0% as of December 31, 2004 and 2003, respectively, and the trend rate-prescription was assumed to be 12.0% and 12.0% as of December 31, 2004 and 2003, respectively, declining gradually to 5.0% in the year 2012. The health care cost trend rate has a significant effect on the amounts reported. Increasing the assumed health care cost trend rates by a percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 2004 by $7.0. The impact of a percentage point change on the aggregate of the service cost and interest cost components of the net periodic postretirement benefit cost results in an increase of $0.7 or decrease of $0.6.

The following assumed benefit payments under the Company's postretirement benefit plan, which reflect expected future service, as appropriate, and were used in the calculation of projected benefit obligations, are expected to be paid as follows:

2005	$ 1.4
2006	1.4
2007	1.5
2008	1.6
2009	1.8
Years 2010-2014	11.6

The Medicare Prescription Drug Improvement and Modernization Act of 2003 ("the Act") was signed into law on December 8, 2003. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) which will begin in 2006. Laboratory Corporation of America Holdings has concluded that its post-retirement health care plan provides prescription drug benefits that will qualify for the federal subsidy provided by the Act. The assumed benefit payments table above includes the impact of the Act.

(Dollars in millions, except per share data)

Therefore, the following changes in accounting for this plan have been recognized because of the legislation and in accordance with FASB Staff Position 106-2. Laboratory Corporation of America Holdings has worked with its actuary to analyze the accounting impact of the federal subsidy.

1) The Company adopted FSP 106-2 retroactively and as such the Accumulated Postretirement Benefit Obligation (APBO) determined as of January 1, 2004 has been reduced by $6.9. This reduction has been recorded as an actuarial gain in accordance with FSP 106-2.

2) The effect of this gain is to reduce the amortization of unrecognized actuarial loss by $0.3.

3) The Service Cost component of SFAS106 expense for fiscal 2004 has been reduced by $0.1.

4) The Interest Cost component of SFAS106 expense for fiscal 2004 has been reduced by $0.2.

5) In total, for fiscal 2004, the Company's SFAS106 net periodic postretirement benefit expense has been reduced accordingly by $0.6.

Laboratory Corporation of America Holdings will continue to review all interpretive guidance and regulations issued by HHS and may modify its plans once further guidance is available.

23. SUBSEQUENT EVENT

On February 3, 2005, the Company acquired all of the outstanding shares of US Pathology Labs ("US LABS") for approximately $155 in cash. US LABS, based in Irvine, California, is a national, anatomic pathology reference laboratory devoted to comprehensive, high-quality, rapid-response cancer testing. The company provides diagnostic, prognostic, and predictive cancer testing services to hospitals, physician offices and surgery centers.

24. QUARTERLY DATA (UNAUDITED)

The following is a summary of unaudited quarterly data:

Year ended December 31, 2004

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	$752.5	$784.3	$781.5	$766.5	$3,084.8
Gross profit	317.6	339.7	325.9	306.1	1,289.3
Net earnings	87.3	98.3	92.6	84.8	363.0
Basic earnings per common share	0.62	0.70	0.67	0.62	2.60
Diluted earnings per common share	0.58	0.66	0.63	0.58	2.45

Year ended December 31, 2003

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	$712.2	$743.7	$752.0	$731.5	$2,939.4
Gross profit	296.4	316.5	310.9	300.8	1,224.6
Net earnings	73.9	86.4	83.1	77.6	321.0
Basic earnings per common share	0.51	0.60	0.58	0.55	2.23
Diluted earnings per common share	0.48	0.57	0.55	0.52	2.11

25. NEW ACCOUNTING PRONOUNCEMENTS

In December 2004 the Financial Standards Accounting Board (FASB) issued FAS 123(R), *Share-Based Payment (revised 2004)*. This Statement is a revision of FASB Statement No. 123, *Accounting for Stock-Based* Compensation. This Statement supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and its related implementation guidance. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in Statement 123 as originally issued and EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." This Statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, *Employers' Accounting for Employee Stock Ownership Plans.* The Company has not finalized what, if any, changes may be made to its equity compensation plans in light of the accounting change, and therefore is not yet in a position to quantify its impact. The Company expects to announce the impact in connection with reporting its second quarter 2005 financial results. The impact on cash from operations of adopting the new accounting standard cannot be estimated at this time. See "Note 1 to Consolidated Financial Statements" for proforma impact of expensing all equity-based compensation, which the Company believes would approximate the annual effect of adopting the new accounting standard.

In December 2004, the FASB issued FAS 153, *Exchanges of Nonmonetary Assets*. This Statement amends the guidance in APB Opinion No. 29, *Accounting for Nonmonetary Transactions.* That statement is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29 to eliminate the exception to for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The Company has not historically entered into a significant level of nonmonetary transactions and therefore does not expect that this standard will impact is financial position or results unless nonmonetary transactions are utilized in the future.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
Years Ended December 31, 2004, 2003 and 2002
(Dollars in millions)

	Balance at beginning of year	Additions: Charged to Costs and Expense	Additions: Additions as a Result of Acquisitions	Other (Deduct-ions Additions(1)	Balance at end of year
Year ended December 31, 2004:					
Applied against asset Accounts:					
Allowance for doubtful accounts	$ 133.1	$ 192.7	$ --	$ (188.8)	$137.0
Valuation allowance-deferred tax assets	$ 2.7	$ --	$ --	--	$ 2.7
Year ended December 31, 2003:					
Applied against asset Accounts:					
Allowance for doubtful accounts	$ 143.2	$ 211.2	$ 3.0	$ (224.3)	$133.1
Valuation allowance-deferred tax assets	$ 2.8	$ --	$ --	(0.1)	$ 2.7
Year ended December 31, 2002:					
Applied against asset Accounts:					
Allowance for doubtful accounts	$ 119.5	$ 148.8	$ 66.1	$ (191.2)	$143.2
Valuation allowance-deferred tax assets	$ 4.5	$ (1.7)	$ --	--	$ 2.8

(1) Other (Deductions)Additions consists primarily of write-offs of accounts receivable amounts.

Exhibit 10.4

SECOND AMENDMENT
TO THE
NEW PENSION EQUALIZATION PLAN

THIS SECOND AMENDMENT to the Laboratory Corporation of America Amended and Restated New Pension Equalization Plan ("Plan"), a/k/a the PEP Plan, is made this 8th day of December 2004.

WHEREAS, Laboratory Corporation of America Holdings, a Delaware corporation ("Parent Company"), created the Plan effective as of November 20, 1996; and

WHEREAS, the Plan was amended and restated on August 30, 2001; and

WHEREAS, the Plan was amended by a First Amendment dated May 5, 2004; and

WHEREAS, pursuant to Section 4.1, the Parent Company's Board of Directors has the right to amend the Plan at any time; and

WHEREAS, the Board of Directors has determined to amend the Plan for compliance with the American Jobs Creation Act of 2004.

NOW, THEREFORE, the Parent Company does hereby make this Second Amendment to the Plan.

1. Form and Time of Payments.

A. Section 2.4 is hereby modified by deleting the phrase "Participant terminates Employment" in the two places it appears therein, and substituting the following language in both places:

Participant's Separation from Service

B. The following subsection c is hereby added to Section 2.4:

(c) Notwithstanding the foregoing provisions of this Section 2.4, benefit distributions to a "Specified Employee" may not begin earlier than the date which is six months after the date of the Specified Employee's Separation from Service (or, if earlier, the Specified Employee's date of death). A Specified Employee is an employee who meets the definition thereof set forth in Code Section 409A(a)(2)(B).

---

2. Small Benefits. Section 2.8 is hereby deleted in its entirety, and the following language is substituted in its place:

When an Employee incurs a Separation from Service or dies, if the Actuarially Equivalent lump sum present value of his or her Vested Retirement Benefit or Spousal Death Benefit is less than $10,000.00, the Employee (or, if the Spousal Death Benefit is payable, his or her surviving spouse) shall be paid such lump sum present value in lieu of the periodic payments that would otherwise be paid. This lump sum payment shall be made as soon as administratively feasible after the Employee's death or Separation from Service. Notwithstanding the foregoing, if the Employee is a Specified Employee, the lump sum payment shall be made no earlier than the date which is six months from the date of the Specified Employee's Separation of Service (or, if earlier, the Specified Employee's date of death).

3. Glossary. The Glossary in Article Seven is amended as follows:

A. The phrase "termination of Employment" is hereby deleted from the definition of Early Retirement Date and the phase "Separation from Service" is substituted in lieu thereof.

B. The phrase "ceases to be an Employee" is hereby deleted from the definition of Employment and the phrase "incurs a Separation from Service" is substituted in lieu thereof.

C. The following definition of "Separation from Service" is hereby added to the Glossary after the definition of RBL SERP and before the definition of Service:

Separation from Service has the meaning as determined by the Secretary pursuant to Code Section 409A(a)(2)(A).

4. Amendments. Section 4.1 is hereby deleted in its entirety, and the following language is substituted in its place:

The Board of Directors may at any time amend this Plan, in whole or in part, prospectively or retroactively. However, no amendment shall significantly reduce the present value of a Participant's Vested Retirement Benefit or change the form or time of benefit payments, except as provided in Section 4.2.

5. Termination. The second sentence of Section 4.2 is hereby deleted in its entirety, and the following language is substituted in its place:

Upon termination of the Plan with respect to an Employer, the Administrator shall pay Plan benefits as provided in Article Two unless applicable legal authority permits the Administrator to accelerate distribution of the Vested Retirement Benefits of each of the Employer's Participants and pay their benefits to them in the form of Actuarially Equivalent lump sum payments.

6. Tax Law Compliance. Section 5.12 is hereby added to the Plan:

5.12 Tax Law Compliance. The Company intends that the Plan shall comply at all times with Code Section 409A, the regulations promulgated thereunder, and any and all other federal tax law authority applicable to the Plan. Any portion of the Plan which is contrary to or inconsistent with Code Section 409A, the regulations promulgated thereunder, and any other federal tax law authority applicable to the Plan shall be null and void. The remaining portions of the Plan shall be interpreted and applied in accordance with Code Section 409A, the regulations promulgated thereunder, and any other federal tax law authority applicable to the Plan.

7. Effective Date. This First Amendment to the Plan shall be effective January 1, 2005.

IN WITNESS WHEREOF, the Parent Company has caused this Second Amendment to the Plan to be executed as of the date first written above.

LABORATORY CORPORATION OF
AMERICA HOLDINGS

By: /s/Bradford T. Smith
Bradford T. Smith, Executive Vice President

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EXECUTION COPY

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$350,000,000

CREDIT AGREEMENT

dated as of January 13, 2005,

among

LABORATORY CORPORATION OF AMERICA HOLDINGS,

THE LENDERS NAMED HEREIN

and

CREDIT SUISSE FIRST BOSTON,

as Administrative Agent

CREDIT SUISSE FIRST BOSTON

and

UBS SECURITIES LLC,

as Joint Bookrunners and

Co-Lead Arrangers

BANK OF AMERICA, N.A.,

SUNTRUST BANK,

UBS SECURITIES LLC and

WACHOVIA SECURITIES

as Co-Syndication Agents

[CS&M Ref No. 5865-295]

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CREDIT AGREEMENT dated as of January 13, 2005, among LABORATORY CORPORATION OF AMERICA HOLDINGS, a Delaware corporation (the “Borrower”), the Lenders (as defined in Article I), and CREDIT SUISSE FIRST BOSTON, as administrative agent (in such capacity, the “Administrative Agent”) for the Lenders.

The Borrower has requested the Lenders to extend credit in the form of Revolving Loans (such term and each other capitalized term used but not defined herein having the meaning given it in Article I) at any time and from time to time prior to the Maturity Date, in an aggregate principal amount at any time outstanding not in excess of the Total Commitment ($350,000,000 as of the Closing Date). The Borrower has also requested the Lenders to provide a procedure pursuant to which the Borrower may invite the Lenders to bid on an uncommitted basis on short-term borrowings by the Borrower. The Borrower has requested the Issuing Bank to issue Letters of Credit, in an aggregate face amount at any time outstanding not in excess of the L/C Commitment ($125,000,000 as of the Closing Date), to support payment obligations incurred in the ordinary course of business by the Borrower and its Subsidiaries. The proceeds of the Loans are to be used solely for general corporate purposes of the Borrower and its Subsidiaries, including (a) working capital, (b) capital expenditures, (c) the funding of share repurchases and other Restricted Payments permitted hereunder, (d) acquisitions and (e) the repayment of all amounts outstanding or due under the Existing Credit Agreements.

The Lenders are willing to extend such credit to the Borrower and the Issuing Bank is willing to issue Letters of Credit for the account of the Borrower, in each case on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the meanings specified below:

“ABR”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

“Acquisition” shall mean the acquisition by the Borrower or any wholly owned Subsidiary of the Borrower of all or substantially all of the assets of a person or line of business of such person, or all or substantially all of the Equity Interests of a person, in each case where the aggregate consideration (in whatever form) payable by the Borrower or any Subsidiary exceeds $10,000,000.

"Administrative Agent Fees" shall have the meaning assigned to such term in Section 2.06(b).

"Administrative Questionnaire" shall mean an Administrative Questionnaire in the form of Exhibit A, or such other form as may be supplied from time to time by the Administrative Agent.

"Affiliate" shall mean, when used with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the person specified.

"Aggregate Revolving Credit Exposure" shall mean the aggregate amount of the Lenders' Revolving Credit Exposures.

"Alternate Base Rate" shall mean, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" shall mean, for any day, with respect to any Eurodollar Loan (other than any Eurodollar Competitive Loan) or with respect to the Facility Fees, as the case may be, the applicable percentage set forth below under the caption "Eurodollar Spread" or "Facility Fee Percentage", as the case may be, based upon the rating by S&P applicable on such date to the Index Debt:

SandP Rating	Eurodollar Spread	Facility Fee Percentage
Category 1 Equal to or greater than A-	0.275%	0.100%
Category 2 BBB+	0.375%	0.125%
Category 3 BBB	0.475%	0.150%
Category 4 BBB-	0.575%	0.175%
Category 5 Less than BBB-	0.750%	0.250%

For purposes of the foregoing, (i) if S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then S&P shall be deemed to have established a rating in Category 5; and (ii) if the rating established or deemed to have been established by S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of S&P), such change shall be effective as of the date on which it is first announced by S&P. Each change in the Applicable Percentage shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of S&P shall change, or if S&P shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the non-availability of a rating from S&P and, pending the effectiveness of any such amendment, the Applicable Percentage shall be determined by reference to the rating most recently in effect prior to such change or cessation.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit B or such other form as shall be approved by the Administrative Agent.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States of America.

"Borrowing" shall mean (a) Loans of the same Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect or (b) a Borrowing described in the definition of the term "Competitive Borrowing".

"Borrowing Request" shall mean a request by the Borrower in accordance with the terms of Section 2.04.

"Business Day" shall mean any day other than a Saturday, Sunday or day on which banks in New York City are authorized or required by law to close; provided, however, that when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligations" of any person shall mean the obligations of such person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

A "Change in Control" shall be deemed to have occurred if (a) any person or group (within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934 as in effect on the date hereof) shall own directly or indirectly, beneficially or of record, shares representing more than 40% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower or (b) a majority of the seats (other than vacant seats) on the board of directors of the Borrower shall at any time be occupied by persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated.

"Change in Law" shall mean (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.13, by any lending office of such Lender or by such Lender's or Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Closing Date" shall mean January 13, 2005.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" shall mean, with respect to each Lender, the commitment of such Lender to make Loans and to acquire participations in Letters of Credit hereunder as set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender assumed its Commitment, as applicable, as the same may be (a) reduced from time to time pursuant to Section 2.10, (b) increased from time to time pursuant to Section 2.22 and (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04.

"Competitive Bid" shall mean an offer by a Lender to make a Competitive Loan pursuant to Section 2.03(b) in the form of Exhibit D-3.

"Competitive Bid Accept/Reject Letter" shall mean a notification made by the Borrower pursuant to Section 2.03(d) in the form of Exhibit D-4.

"Competitive Bid Rate" shall mean, as to any Competitive Bid, (i) in the case of a Eurodollar Loan, the Margin, and (ii) in the case of a Fixed Rate Loan, the fixed rate of interest offered by the Lender making such Competitive Bid.

"Competitive Bid Request" shall mean a request made by the Borrower pursuant to Section 2.03(a).

"Competitive Borrowing" shall mean a Borrowing consisting of a Competitive Loan or concurrent Competitive Loans from the Lender or Lenders whose Competitive Bids for such Borrowing have been accepted by the Borrower under the bidding procedure described in Section 2.03.

"Competitive Loan" shall mean a Loan from a Lender to the Borrower pursuant to the bidding procedure described in Section 2.03. Each Competitive Loan shall be a Eurodollar Competitive Loan or a Fixed Rate Loan.

"Confidential Information Memorandum" shall mean the Confidential Information Memorandum of the Borrower dated December 2004.

"Consolidated EBITDA" shall mean, for any period, Consolidated Net Income for such period plus (a) without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of (i) consolidated interest expense net of interest income for such period, (ii) consolidated income tax expense for such period, (iii) all amounts attributable to depreciation and amortization for such period and (iv) any extraordinary charges and all non-cash write-offs and write-downs of amortizable and depreciable items for such period, and minus (b) without duplication, to the extent included in determining such Consolidated Net Income, any extraordinary gains and all non-cash items of income for such period, all determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" shall mean, for any period, the interest expense (including (a) imputed interest expense in respect of Capital Lease Obligations and (b) the amortization of original issue discount in connection with the Subordinated Notes and other Indebtedness issued with original issue discount) of the Borrower and the Subsidiaries for such period, net of interest income, in each case determined on a consolidated basis in accordance with GAAP. For purposes of the foregoing, interest expense shall be determined after giving effect to any net payments made or received by the Borrower or any Subsidiary with respect to interest rate Hedging Agreements.

"Consolidated Net Income" shall mean, for any period, the net income or loss of the Borrower and the Subsidiaries for such period determined on a consolidated basis in accordance with GAAP.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise, and the terms "Controlling" and "Controlled" shall have meanings correlative thereto.

"Credit Event" shall have the meaning assigned to such term in Section 4.01.

"Default" shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

"dollars" or "$" shall mean lawful money of the United States of America.

"Environmental Laws" shall mean all laws, rules, regulations, codes, ordinances, orders, decrees, judgments or injunctions issued, promulgated or entered into by any Governmental Authority, relating to the environment, the preservation or reclamation of natural resources, the management or release of Hazardous Materials or to the effect of the environment on human health and safety.

"Environmental Liability" shall mean liabilities, obligations, claims, actions, suits, judgments or orders under or relating to any Environmental Law for any damages, injunctive relief, losses, fines, penalties, fees, expenses (including fees and expenses of attorneys and consultants) or costs, whether contingent or otherwise, including those arising from or relating to (a) any action to address the on- or off-site presence, release of, or exposure to, Hazardous Materials, (b) permitting and licensing, governmental administrative oversight and financial assurance requirements, (c) any personal injury (including death), any property damage (real or personal) or natural resource damage and (d) the violation of any Environmental Law.

"Equity Interests" shall mean shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity interests in any person, or any obligations convertible into or exchangeable for, or giving any person a right, option or warrant to acquire such equity interests or such convertible or exchangeable obligations; provided that the Subordinated Notes are deemed not to constitute Equity Interests of the Borrower.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" shall mean (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any Plan or Multiemployer Plan; (e) the receipt by the Borrower or any of its ERISA Affiliates from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA; (g) the receipt by the Borrower or any of its ERISA Affiliates of any notice, or the receipt by any Multiemployer Plan from the Borrower or any of its ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; or (h) the occurrence of a "prohibited transaction" with respect to which the Borrower or any of the Subsidiaries is a "disqualified person" (within the meaning of Section 4975 of the Code) or with respect to which the Borrower or any such Subsidiary could otherwise be liable.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the LIBO Rate.

"Event of Default" shall have the meaning assigned to such term in Article VII.

"Excluded Taxes" shall mean, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income, franchise or similar taxes imposed on (or measured by) its net income by the United States of America, the jurisdiction under the laws of which such recipient is organized or in which its principal office is located (or, in the case of any Lender, in which its applicable lending office is located), or, in the case of a jurisdiction that imposes taxes on the basis of management or control or other concept or principle of residence, the jurisdiction in

which such recipient is so resident, (b) Taxes imposed by reason of any present or former connection between such person and the jurisdiction imposing such Taxes, other than solely as a result of the execution and delivery of this Agreement, the making of any Loans hereunder or the performance of any action provided for hereunder, (c) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (d) in the case of a Foreign Lender (other than as an assignee pursuant to a request by the Borrower under Section 2.20(a)), any withholding tax that (i) is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.19(a) or (ii) is attributable to such Foreign Lender's failure to comply with Section 2.19(e).

"Existing Credit Agreements" shall mean, collectively, (a) the Three-Year Credit Agreement dated as of February 20, 2002, as amended, among the Borrower, the lenders from time to time party thereto, and Credit Suisse First Boston, as administrative agent, and (b) the 364-Day Credit Agreement dated as of January 13, 2004, among the Borrower, the Lenders from time to time party thereto, and Credit Suisse First Boston, as administrative agent.

"Existing Letter of Credit" shall mean each letter of credit previously issued for the account of the Borrower that (a) is outstanding on the Closing Date and (b) is listed on Schedule 1.01(a).

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Effective Rate" shall mean, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for the day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fees" shall mean the Facility Fees, the Administrative Agent Fees, the L/C Participation Fees and the Issuing Bank Fees.

"Financial Officer" of any person shall mean the chief financial officer, principal accounting officer, Treasurer or Controller of such person.

"Fixed Rate Borrowing" shall mean a Borrowing comprised of Fixed Rate Loans.

"Fixed Rate Loan" shall mean any Competitive Loan bearing interest at a fixed percentage rate per annum (expressed in the form of a decimal to no more than four decimal places) specified by the Lender making such Loan in its Competitive Bid.

"Foreign Lender" shall mean any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" shall mean generally accepted accounting principles applied on a consistent basis.

"Governmental Authority" shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Granting Lender" shall have the meaning assigned to such term in Section 9.04(i).

"Guarantee" of or by any person (the "guarantor") shall mean any obligation, contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness or other obligation, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness; provided, however, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" shall mean (a) petroleum products and byproducts, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, radon gas, chlorofluorocarbons and all other ozone-depleting substances and (b) any chemical, material, substance, waste, pollutant or contaminant that is prohibited, limited or regulated by or pursuant to any Environmental Law.

"Hedging Agreement" shall mean any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Incremental Commitment" shall mean the Commitment of any Lender established pursuant to Section 2.22.

"Incremental Commitment Agreement" shall mean an Incremental Commitment Assumption Agreement in form and substance reasonably satisfactory to the Administrative Agent, among the Borrower, the Administrative Agent, and one or more Incremental Lenders and, if applicable, the Issuing Bank.

"Incremental Commitment Amount" shall mean, at any time, the excess, if any, of $150,000,000 over the aggregate amount of all Incremental Commitments established prior to such time pursuant to Section 2.22.

"Incremental Lender" shall mean a Lender with an Incremental Commitment.

"Indebtedness" of any person shall mean, without duplication, (a) all obligations of such person for borrowed money, (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such person under conditional sale or other title retention agreements relating to property or assets purchased by such person, (d) all obligations of such person issued or assumed as the deferred purchase price of property or services (excluding trade accounts payable and accrued obligations incurred in the ordinary course of business), (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such person, whether or not the obligations secured thereby have been assumed, (f) all Guarantees by such person of Indebtedness of others, (g) all Capital Lease Obligations of such person, (h) all obligations, contingent or otherwise, of such person as an account party in respect of letters of credit and letters of guaranty, (i) all obligations, contingent or otherwise, of such person in respect of bankers' acceptances and (j) all obligations of such person to make contingent cash payments in respect of any acquisition, to the extent such obligations are or are required to be shown as liabilities on the balance sheet of such person in accordance with GAAP. The Indebtedness of any person shall include the Indebtedness of any other entity (including any partnership in which such person is a general partner) to the extent such person is liable therefor as a result of such person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such person is not liable therefor.

"Indemnified Taxes" shall mean Taxes other than Excluded Taxes.

"Index Debt" shall mean the senior, unsecured, non-credit enhanced, long-term indebtedness for borrowed money of the Borrower.

"Interest Coverage Ratio" shall mean, for any period, the ratio of (a) Consolidated EBITDA for such period to (b) Consolidated Interest Expense for such period.

"Interest Payment Date" shall mean (a) with respect to any ABR Loan, the last Business Day of each March, June, September and December and (b) with respect to any Eurodollar Loan or Fixed Rate Borrowing, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part or such Fixed Rate Borrowing, as the case may be, and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration or a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration, each day that would have been an Interest Payment Date had successive Interest Periods of three months' or 90 days' duration, respectively, been applicable to such Borrowing.

"Interest Period" shall mean, (a) with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day (or, if there is no numerically corresponding day, on the last day) in the calendar month that is 1, 2, 3 or 6 months thereafter, as the Borrower may elect, and (b) with respect to any Fixed Rate Borrowing, the period commencing on the date of such Borrowing and ending on the date specified in the Competitive Bids in which the offers to make the Fixed Rate Loans comprising such Borrowing were extended, which shall not be earlier than 30 days after the date of such Borrowing or later than 360 days after the date of such Borrowing; provided, however, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of an Interest Period to but excluding the last day of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuing Bank" shall mean, as the context may require, (a) Credit Suisse First Boston, in its capacity as the issuer of Letters of Credit hereunder, (b) with respect to each Existing Letter of Credit, the Lender that issued such Existing Letter of Credit, and (c) any other Lender that may become an Issuing Bank pursuant to Section 2.21(i) or 2.21(k), with respect to Letters of Credit issued by such Lender. The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"Issuing Bank Fees" shall have the meaning assigned to such term in Section 2.06(c).

"L/C Commitment" shall mean the commitment of the Issuing Bank to issue Letters of Credit pursuant to Section 2.21. The aggregate amount of the L/C Commitment on the Closing Date is $125,000,000. The L/C Commitment may be increased from time to time pursuant to Section 2.22(a).

"L/C Disbursement" shall mean a payment or disbursement made by the Issuing Bank pursuant to a Letter of Credit.

"L/C Exposure" shall mean at any time the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time and (b) the aggregate principal amount of all L/C Disbursements that have not yet been reimbursed at such time. The L/C Exposure of any Lender at any time shall equal its Pro Rata Percentage of the aggregate L/C Exposure at such time.

"L/C Participation Fee" shall have the meaning assigned to such term in Section 2.06(c).

"Lenders" shall mean (a) the persons listed on Schedule 2.01 and (b) any person that has become a party hereto pursuant to an Assignment and Acceptance or an Incremental Commitment Assumption Agreement (in each case, other than any such person that has ceased to be a party hereto pursuant to an Assignment and Acceptance).

"Letter of Credit" shall mean any letter of credit issued pursuant to Section 2.21 and any Existing Letter of Credit.

"Leverage Ratio" shall mean, on any date, the ratio of Total Debt on such date to Consolidated EBITDA for the period of four consecutive fiscal quarters most recently ended on or prior to such date. Solely for purposes of this definition, if at the time of any determination of the Leverage Ratio an Acquisition shall have been completed during the relevant period, the Consolidated EBITDA for such period shall be reformulated on a pro forma basis to give effect to such Acquisition as if it had occurred on the first day of such period. For purposes of the foregoing, all pro forma adjustments shall be (a) only those required or permitted by Regulation S-X of the Securities Act of 1933 or otherwise based on reasonably detailed written assumptions reasonably acceptable to the Administrative Agent and (b) certified by a Financial Officer of the Borrower as having been prepared in good faith based upon reasonable assumptions.

"LIBO Rate" shall mean, with respect to any Eurodollar Borrowing for any Interest Period, the rate per annum determined by the Administrative Agent at approximately 11:00 a.m., London time, on the date that is two Business Days prior to the commencement of such Interest Period by reference to the British Bankers' Association Interest Settlement Rates for deposits in dollars (as set forth by the Bloomberg Information Service or any successor thereto or any other service selected by the Administrative Agent which has been nominated by the British Bankers' Association as an authorized information vendor for the purpose of displaying such rates) for a period equal to such Interest Period; provided that, to the extent that an interest rate is not ascertainable pursuant to the foregoing provisions of this definition, the "LIBO Rate" shall be the interest rate per annum determined by the Administrative Agent to be the average of the rates per annum at which dollar deposits of $10,000,000 are offered for such relevant Interest Period to major banks in the London interbank market in London, England by the Administrative Agent at approximately 11:00 a.m. (London time) on the date that is two Business Days prior to the beginning of such Interest Period.

"Lien" shall mean, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset or (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset.

"Loans" shall mean the Revolving Loans and, the Competitive Loans.

"Margin" shall mean, as to any Eurodollar Competitive Loan, the margin (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) to be added to or subtracted from the LIBO Rate in order to determine the interest rate applicable to such Loan, as specified in the Competitive Bid relating to such Loan.

"Margin Stock" shall have the meaning assigned to such term in Regulation U.

"Material Adverse Effect" shall mean a materially adverse effect on the financial condition, results of operations or business of the Borrower and the Subsidiaries, taken as a whole.

"Material Indebtedness" shall mean Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and the Subsidiaries in an aggregate principal amount exceeding $50,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Material Subsidiary" shall mean at any time any Subsidiary, except Subsidiaries which, if aggregated and considered as a single Subsidiary, would not meet the definition of a "significant subsidiary" contained as of the date hereof in Regulation S-X of the Securities and Exchange Commission.

"Maturity Date" shall mean January 13, 2010.

"Moody's" shall mean Moody's Investors Service, Inc.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Other Taxes" shall mean any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made under this Agreement or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Permitted Investments" shall mean:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in foreign and domestic commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, the Administrative Agent or any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof that has a combined capital and surplus and undivided profits of not less than $500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria of clause (c) above;

(e) investments in "money market funds" within the meaning of Rule 2a-7 of the Investment Company Act of 1940, as amended, substantially all of whose assets are invested in investments of the type described in clauses (a) through (d) above;

(f) investments in so-called market auction securities rated Aa2 or higher by Moody's or AA or higher by S&P and which have a reset date not more than 365 days from the date of acquisition thereof; and

(g) investments in readily-marketable obligations of Indebtedness of any State of the United States or any municipality organized under the laws of any State of the United States or any political subdivision thereof which, at the time of acquisition, are accorded either of the two highest ratings by S&P, Moody's or another nationally recognized credit rating agency of similar standard, in any such case maturing no later than one year after the date of acquisition thereof.

"person" shall mean any natural person, corporation, business trust, joint venture, association, company, limited liability company, partnership, Governmental Authority or other entity.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 307 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective on the date such change is publicly announced as being effective.

"Pro Rata Percentage" of any Lender at any time shall mean the percentage of the Total Commitment represented by such Lender's Commitment. In the event the Commitments shall have expired or been terminated, the Pro Rata Percentages shall be determined on the basis of the Commitments most recently in effect.

"Register" shall have the meaning assigned to such term in Section 9.04(d).

"Regulation T" shall mean Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Related Parties" shall mean, with respect to any specified person, such person's Affiliates and the respective directors, officers, employees, agents and advisors of such person and such person's Affiliates.

"Required Lenders" shall mean, at any time, Lenders having Commitments (or, if the Commitments have terminated, Loans) representing at least a majority of the Total Commitment (or if the Commitments have terminated, the aggregate amount of Loans outstanding) at such time or, for purposes of acceleration pursuant to clause (ii) of the last paragraph of Article VII, Lenders having Loans, L/C Exposures and unused Commitments representing at least a majority of the sum of all Loans outstanding, L/C Exposure and unused Commitments.

"Restricted Payment" shall mean (a) any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Borrower or any Subsidiary, or (b) any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, other than a payment to the extent consisting of Equity Interests of equal or junior ranking, on account of the purchase, redemption, retirement, acquisition, cancelation or termination of any Equity Interests in the Borrower or any Subsidiary. It is understood that the withholding of shares, and the payment of cash to the Internal Revenue Service in an amount not to exceed the value of the withheld shares, by the Company in connection with any of its stock incentive plans shall not constitute Restricted Payments.

"Revolving Credit Borrowing" shall mean a Borrowing comprised of Revolving Loans.

"Revolving Credit Exposure" shall mean, with respect to any Lender at any time, the aggregate principal amount at such time of all outstanding Revolving Loans of such Lender, plus the aggregate amount at such time of such Lender's L/C Exposure.

"Revolving Loans" shall mean the revolving loans made by the Lenders to the Borrower pursuant to Section 2.01. Each Revolving Loan shall be a Eurodollar Revolving Loan or an ABR Revolving Loan.

"S&P" shall mean Standard & Poor's Ratings Service.

"SPC" shall have the meaning assigned to such term in Section 9.04(i).

"Subordinated Notes" shall mean the Borrower's Zero Coupon Liquid Yield Option (Subordinated Convertible) Notes due 2021, in an aggregate principal amount at maturity of $744,000,000.

"Subordinated Note Documents" shall mean the indenture under which the Subordinated Notes were issued and all other instruments, agreements and other documents evidencing or governing the Subordinated Notes or providing for any Guarantee or other right in respect thereof.

"subsidiary" shall mean, with respect to any person (herein referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, controlled or held, or (b) that is, at the time any determination is made, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" shall mean any subsidiary of the Borrower.

"Synthetic Purchase Agreement" shall mean any swap, derivative or other agreement or combination of agreements pursuant to which the Borrower or any Subsidiary is or may become obligated to make (a) any payment in connection with a purchase by any third party from a person other than the Borrower or any Subsidiary of any Equity Interest or (b) any payment (other than on account of a permitted purchase by it of any Equity Interest) the amount of which is determined by reference to the price or value at any time of any Equity Interest; provided that no phantom stock or similar plan providing for payments only to current or former directors, officers or employees of the Borrower or the Subsidiaries (or to their heirs or estates) shall be deemed to be a Synthetic Purchase Agreement.

"Taxes" shall mean any and all present or future taxes, levies, imposts, duties, deductions, charges, liabilities or withholdings imposed by any Governmental Authority.

"Total Debt" shall mean, at any time, the total Indebtedness of the Borrower and the Subsidiaries at such time (excluding Indebtedness of the type described in clause (h) of the definition of such term, except to the extent of any unreimbursed drawings thereunder).

"Total Commitment" shall mean, at any time, the aggregate amount of the Commitments, as in effect at such time. The Total Commitment on the Closing Date is $350,000,000.

"Transactions" shall have the meaning assigned to such term in Section 3.02.

"Type", when used in respect of any Loan or Borrowing, shall refer to the Rate by reference to which interest on such Loan or on the Loans comprising such Borrowing is determined. For purposes hereof, the term "Rate" shall include the LIBO Rate and the Alternate Base Rate.

"USA Patriot Act" shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

"wholly owned Subsidiary" of any person shall mean a subsidiary of such person of which securities (except for directors' qualifying shares) or other ownership interests representing 100% of the Equity Interests are, at the time any determination is being made, owned, controlled or held by such person or one or more wholly owned Subsidiaries of such person or by such person and one or more wholly owned Subsidiaries of such person.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall"; and the words "asset" and "property" shall be construed as having the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided, however, that if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article VI or any related definition to eliminate the effect of any change in GAAP occurring after the date of this Agreement on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article VI or any related definition for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

SECTION 1.03. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender agrees, severally and not jointly, to make Revolving Loans to the Borrower, at any time and from time to time on or after the date hereof, and until the earlier of the Maturity Date and the termination of the Commitment of such Lender in accordance with the terms hereof, in an aggregate principal amount at any time outstanding that will not result in such Lender's Revolving Credit Exposure exceeding such Lender's Commitment minus the amount by which the outstanding Competitive Borrowings shall be deemed to have utilized such Commitment in accordance with Section 2.16. Within the limits set forth in the preceding sentence and subject to the terms, conditions and limitations set forth herein, the Borrower may borrow, pay or prepay and reborrow Revolving Loans.

SECTION 2.02. Loans. (a) Each Loan (other than Competitive Loans) shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments; provided, however, that the failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender). Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.03. Except for Loans deemed made pursuant to Section 2.02(f), the Loans comprising any Borrowing shall be in an aggregate principal amount that is (i) an integral multiple of $1,000,000 and not less than $10,000,000 or (ii) equal to the remaining available balance of the Commitments.

(b) Subject to Sections 2.09 and 2.14, each Competitive Borrowing shall be comprised entirely of Eurodollar Competitive Loans or Fixed Rate Loans, and each other Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request pursuant to Section 2.03 or 2.04, as applicable. Each Lender may at its option make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement. Borrowings of more than one Type may be outstanding at the same time; provided, however, that the Borrower shall not be entitled to request any Borrowing that, if made, would result in more than 15 Eurodollar Borrowings outstanding hereunder at any time. For purposes of the foregoing, Borrowings having different Interest Periods, regardless of whether they commence on the same date, shall be considered separate Borrowings.

(c) Except with respect to Loans made pursuant to Section 2.02(f), each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds to such account in New York City as the Administrative Agent may designate not later than 11:00 a.m., New York City time, and the Administrative Agent shall promptly credit the amounts so received to an account in the name of the Borrower and designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request or, if a Borrowing shall not occur on such date because any condition precedent herein specified shall not have been met, return the amounts so received to the respective Lenders.

(d) Unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with paragraph (c) above and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If the Administrative Agent shall have so made funds available then, to the extent that such Lender shall not have made such portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent at (i) in the case of the Borrower, the interest rate applicable at the time to the Loans comprising such Borrowing and (ii) in the case of such Lender, a rate determined by the Administrative Agent to represent its cost of overnight or short-term funds (which determination shall be conclusive absent manifest error). If such Lender shall repay to the Administrative Agent such corresponding amount, such amount shall constitute such Lender's Loan as part of such Borrowing for purposes of this Agreement.

(e) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

(f) If the Issuing Bank shall not have received from the Borrower the payment required to be made by Section 2.21(e) within the time specified in such Section, the Issuing Bank will promptly notify the Administrative Agent of the L/C Disbursement and the Administrative Agent will promptly notify each Lender of such L/C Disbursement and its Pro Rata Percentage thereof. Each Lender shall pay by wire transfer of immediately available funds to the Administrative Agent not later than 2:00 p.m., New York City time, on such date (or, if such Lender shall have received such notice later than 12:00 (noon), New York City time, on any day, not later than 10:00 a.m., New York City time, on the immediately following Business Day), an amount equal to such Lender's Pro Rata Percentage of such L/C Disbursement (it being understood that such amount shall be deemed to constitute an ABR Loan of such Lender and such payment shall be deemed to have reduced the L/C Exposure), and the Administrative Agent will promptly pay to the Issuing Bank amounts so received by it from the Lenders. The Administrative Agent will promptly pay to the Issuing Bank any amounts received by it from the Borrower pursuant to Section 2.21(e) prior to the time that any Lender makes any payment pursuant to this paragraph (f); any such amounts received by the Administrative Agent thereafter will be promptly remitted by the Administrative Agent to the Lenders that shall have made such payments and to the Issuing Bank, as their interests may appear. If any Lender shall not have made its Pro Rata Percentage of such L/C Disbursement available to the Administrative Agent as provided above, such Lender and the Borrower severally agree to pay interest on such amount, for each day from and including the date such amount is required to be paid in accordance with this paragraph to but excluding the date such amount is paid, to the Administrative Agent for the account of the Issuing Bank at (i) in the case of the Borrower, a rate per annum equal to the interest rate applicable to Revolving Loans pursuant to Section 2.07(a), and (ii) in the case of such Lender, for the first such day, the Federal Funds Effective Rate, and for each day thereafter, the Alternate Base Rate.

SECTION 2.03. Competitive Bid Procedure. (a) In order to request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone (i) in the case of a Eurodollar Competitive Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the proposed date of such Borrowing and (ii) in the case of a Fixed Rate Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the proposed date of such Borrowing. Provided that no two Competitive Bid Requests submitted on the same day shall be identical, the Borrower may submit up to (but not more than) three Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request unless such previous Competitive Bid Request shall have been rejected by the Administrative Agent, as provided below. No ABR Loan shall be requested in, or made pursuant to, a Competitive Bid Request. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request substantially in the form of Exhibit D-1. A Competitive Bid Request that does not conform substantially to the format of Exhibit D-1 may be rejected by the Administrative Agent and the Administrative Agent shall notify the Borrower of such rejection as promptly as practicable. Each Competitive Bid Request shall refer to this Agreement and specify (i) whether the Borrowing being requested is to be a Eurodollar Borrowing or a Fixed Rate Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and the location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the aggregate principal amount of such Borrowing, which shall be a minimum of $10,000,000 and an integral multiple of $1,000,000, and in any event shall not result in the sum of the Aggregate Revolving Credit Exposure and the aggregate outstanding principal amount of Competitive Loans, after giving effect to such Borrowing, exceeding the Total Commitment; and (v) the Interest Period with respect thereto (which may not end after the Maturity Date). Promptly after its receipt of a Competitive Bid Request that is not rejected, the Administrative Agent shall invite the Lenders in the form set forth as Exhibit D-2 to bid to make Competitive Loans pursuant to the Competitive Bid Request.

(b) Each Lender may make one or more Competitive Bids to the Borrower responsive to a Competitive Bid Request. Each Competitive Bid by a Lender must be received by the Administrative Agent by telecopy, (i) in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and (ii) in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the format of Exhibit D-3 may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall refer to this Agreement and specify (x) the principal amount (which shall be a minimum of $5,000,000 and an integral multiple of $1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (y) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans and (z) the Interest Period applicable to such Loan or Loans and the last day thereof.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount of each Competitive Loan in respect of which a Competitive Bid shall have been made and the identity of the Lender that shall have made each bid.

(d) The Borrower may, subject only to the provisions of this paragraph (d), accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in the form of a Competitive Bid Accept/Reject Letter, whether and to what extent it has decided to accept or reject each Competitive Bid, (x) in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and (y) in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided, however, that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Borrower has decided to reject a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the principal amount specified in the Competitive Bid Request, (iv) if the Borrower shall accept a Competitive Bid or Bids made at a particular Competitive Bid Rate but the amount of such Competitive Bid or Bids would cause the total amount

to be accepted by the Borrower to exceed the amount specified in the Competitive Bid Request, then the Borrower shall accept a portion of such Competitive Bid or Bids in an amount equal to the amount specified in the Competitive Bid Request less the amount of all other Competitive Bids so accepted, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of $5,000,000 and an integral multiple of $1,000,000; provided further, however, that if a Competitive Loan must be in an amount less than $5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of $1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of $1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph (d) shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, in what amount and at what Competitive Bid Rate), and each successful bidder will thereupon become bound, upon the terms and subject to the conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) above.

(g) Within the limits set forth in this Section 2.03 and subject to the terms, conditions and limitations set forth herein, the Borrower may borrow, pay and reborrow Competitive Loans.

SECTION 2.04. Borrowing Procedure. In order to request a Borrowing (other than a Competitive Borrowing or a deemed Borrowing pursuant to Section 2.02(f), as to which this Section 2.04 shall not apply), the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before a proposed Borrowing, and (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the day of a proposed Borrowing. Each Borrowing Request shall be irrevocable, shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request substantially in the form of Exhibit C or such other form as shall be acceptable to the Administrative Agent and shall specify the following information: (i) whether the Borrowing then being requested is to be a Eurodollar Borrowing or an ABR Borrowing; (ii) the date of such Borrowing (which shall be a Business Day); (iii) the number and location of the account to which funds are to be disbursed (which shall be an account that complies with the requirements of Section 2.02(c)); (iv) the amount of such Borrowing; and (v) if such Borrowing is to be a Eurodollar Borrowing, the Interest Period with respect thereto; provided, however, that, notwithstanding any contrary specification in any Borrowing Request, each requested Borrowing shall comply with the requirements set forth in Section 2.02. If no election as to the Type of Borrowing is specified in any such notice, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period with respect to any Eurodollar Borrowing is specified in any such notice, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall promptly advise the Lenders of any notice given pursuant to this Section 2.04 (and the contents thereof), and of each Lender's portion of the requested Borrowing.

SECTION 2.05. Evidence of Debt; Repayment of Loans. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender (i) the then unpaid principal amount of each Competitive Loan of such Lender on the last day of the Interest Period applicable to such Loan and (ii) the then unpaid principal amount of each Revolving Loan of such Lender on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraphs (b) and (c) above shall be prima facie evidence of the existence and amounts of the obligations therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

(e) Any Lender may request that Loans made by it hereunder be evidenced by a promissory note. In such event, the Borrower shall execute and deliver to such Lender a promissory note payable to such Lender and its registered assigns and in a form and substance reasonably acceptable to the Administrative Agent and the Borrower. Notwithstanding any other provision of this Agreement, in the event any Lender shall request and receive such a promissory note, the interests represented by such note shall at all times (including after any assignment of all or part of such interests pursuant to Section 9.04) be represented by one or more promissory notes payable to the payee named therein or its registered assigns.

SECTION 2.06. Fees. (a) The Borrower agrees to pay to each Lender, through the Administrative Agent, on the last Business Day of March, June, September and December in each year, and on the date on which the Commitment of such Lender shall expire or be terminated as provided herein, a facility fee (a "Facility Fee") equal to the Applicable Percentage per annum in effect from time to time on the daily amount of the Commitment of such Lender (whether used or unused) during the preceding quarter (or shorter period commencing with the date hereof or ending with the Maturity Date or the date on which the Commitment of such Lender shall expire or be terminated); provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then the Facility Fee shall continue to accrue (and be payable on demand) on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to and including the date on which such Lender ceases to have any Revolving Credit Exposure. All Facility Fees shall be computed on the basis of the actual number of days elapsed (including the first day but excluding the last day) in a year of 360 days. The Facility Fee due to each Lender shall commence to accrue on the date of this Agreement and shall cease to accrue on the later of the date on which the Commitment of such Lender shall expire or be terminated as provided herein and such Lender shall have no Revolving Credit Exposure.

(b) The Borrower agrees to pay to the Administrative Agent, for its own account, the administrative fees separately agreed to in the Fee Letter dated December 1, 2004, as amended or supplemented from time to time, between the Borrower and the Administrative Agent (the "Administrative Agent Fees").

(c) The Borrower agrees to pay (i) to each Lender, through the Administrative Agent, on the last Business Day of March, June, September and December of each year and on the date on which the Commitment of such Lender shall be terminated as provided herein, a fee (an "L/C Participation Fee") at a rate per annum equal to the Applicable Percentage from time to time used to determine the interest rate on Revolving Credit Borrowings comprised of Eurodollar Loans pursuant to Section 2.07, calculated on such Lender's Pro Rata Percentage of the daily aggregate L/C Exposure (excluding the portion thereof attributable to unreimbursed L/C Disbursements) during the preceding quarter (or shorter period commencing with the date hereof or ending with the Maturity Date or the date on which the Commitment of such Lender shall expire or be terminated); provided that, if such Lender continues to have any L/C Exposure after its Commitment terminates, then the L/C Participation Fee shall continue to accrue (and be payable on demand) on such Lender's Pro Rata Percentage of the daily aggregate L/C Exposure from and including the date on which its Commitment terminates to and including the date on which such Lender ceases to have any L/C Exposure) and (ii) to the Issuing Bank with respect to each Letter of Credit, on the last Business Day of March, June, September, and December of each year and on the date on which the L/C Commitment of the Issuing Bank shall be terminated as provided herein (or later date on which all the Letters of Credit issued by such Issuing Bank shall have been terminated or expired), (x) a fronting fee equal

to 0.125% per annum on the aggregate outstanding face amount of such Letter of Credit and (y) the standard issuance and drawing fees specified from time to time by the Issuing Bank (the "Issuing Bank Fees"). All L/C Participation Fees and Issuing Bank Fees shall be computed on the basis of the actual number of days elapsed (including the first day but excluding the last day) in a year of 360 days.

(d) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, if and as appropriate, among the Lenders, except that the Issuing Bank Fees shall be paid directly to the Issuing Bank. Once paid, none of the Fees shall be refundable under any circumstances.

SECTION 2.07. Interest on Loans. (a) Subject to the provisions of Section 2.08, the Loans comprising each ABR Borrowing shall bear interest (computed on the basis of the actual number of days elapsed (including the first day but excluding the last day) over a year of 365 or 366 days, as the case may be, when the Alternate Base Rate is determined by reference to the Prime Rate and over a year of 360 days at all other times) at a rate per annum equal to the Alternate Base Rate in effect from time to time.

(b) Subject to the provisions of Section 2.08, the Loans comprising each Eurodollar Borrowing shall bear interest (computed on the basis of the actual number of days elapsed (including the first day but excluding the last day) over a year of 360 days) at a rate per annum equal to (i) in the case of each Revolving Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Percentage in effect from time to time, and (ii) in the case of each Competitive Loan, the LIBO Rate for the Interest Period in effect for such Borrowing plus the Margin offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(c) Subject to the provisions of Section 2.08, each Fixed Rate Loan shall bear interest (computed on the basis of the actual number of days elapsed (including the first day but excluding the last day) over a year of 360 days) at a rate per annum equal to the fixed rate of interest offered by the Lender making such Loan and accepted by the Borrower pursuant to Section 2.03.

(d) Interest on each Loan shall be payable on the Interest Payment Dates applicable to such Loan except as otherwise provided in this Agreement; provided that (i) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Loan), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (ii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion. The applicable Alternate Base Rate or LIBO Rate for each Interest Period or day within an Interest Period, as the case may be, shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.08. Default Interest. If the Borrower shall default in the payment of the principal of or interest on any Loan or any other amount becoming due hereunder, by acceleration or otherwise, the Borrower shall on demand from time to time pay interest, to the extent permitted by law, on such defaulted amount to but excluding the date of actual payment (after as well as before judgment) (a) in the case of overdue principal, at the rate otherwise applicable to such Loan pursuant to Section 2.07 plus 2.00% per annum and (b) in all other cases, at a rate per annum (computed on the basis of the actual number of days elapsed (including the first day but excluding the last day) over a year of 365 or 366 days, as the case may be, when determined by reference to the Prime Rate and over a year of 360 days at all other times) equal to the Alternate Base Rate plus 2.00%.

SECTION 2.09. Alternate Rate of Interest. In the event, and on each occasion, that on the day two Business Days prior to the commencement of any Interest Period for a Eurodollar Borrowing the Administrative Agent shall have determined that dollar deposits in the principal amounts of the Loans comprising such Borrowing are not generally available in the London interbank market, or that reasonable means do not exist for ascertaining the LIBO Rate, or the Administrative Agent shall have been informed by the Required Lenders (or, in the case of a Eurodollar Competitive Loan, any Lender required to make such Loan) that the rates at which such dollar deposits are being offered will not adequately and fairly reflect the cost to the Required Lenders (or such Lender) of making or maintaining their or its Eurodollar Loan during such Interest Period, the Administrative Agent shall, as soon as practicable thereafter, give written or telecopy notice thereof to the Borrower and the Lenders. In the event of any such notice, until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any request by the Borrower for a Eurodollar Revolving Credit Borrowing pursuant to Section 2.04 shall be deemed to be a request for an ABR Borrowing and (ii) any request by the Borrower for a Eurodollar Competitive Borrowing pursuant to Section 2.03 shall be of no force and effect and shall be denied by the Administrative Agent; provided that if the circumstances giving rise to such notice do not affect all the Lenders, then the Borrower may make requests for Eurodollar Competitive Borrowings to Lenders that are not affected thereby. Each determination by the Administrative Agent under this Section 2.09 shall be conclusive absent manifest error.

SECTION 2.10. Termination and Reduction of Commitments. (a) The Commitments and the L/C Commitment shall automatically terminate on the Maturity Date.

(b) Upon at least three Business Days' prior irrevocable written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) to the Administrative Agent, the Borrower may at any time in whole permanently terminate, or from time to time in part permanently reduce, the Commitments; provided, however, that (i) each partial reduction of the Commitments shall be in an integral multiple of $1,000,000 and in a minimum amount of $10,000,000 and (ii) the Total Commitment shall not be reduced to an amount that is less than the sum of the Aggregate Revolving Credit Exposure and the aggregate outstanding principal amount of the Competitive Loans at the time.

(c) Each reduction in the Commitments hereunder shall be made ratably among the Lenders in accordance with their respective Commitments. The Borrower shall pay to the Administrative Agent for the account of the applicable Lenders, on the date of each termination or reduction, the Facility Fees on the amount of the Commitments so terminated or reduced accrued to but excluding the date of such termination or reduction.

SECTION 2.11. Conversion and Continuation of Borrowings. The Borrower shall have the right at any time upon prior irrevocable written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) to the Administrative Agent (a) not later than 11:00 a.m., New York City time, on the day of conversion, to convert any Eurodollar Borrowing into an ABR Borrowing, (b) not later than 11:00 a.m., New York City time, three Business Days prior to conversion or continuation, to convert any ABR Borrowing into a Eurodollar Revolving Credit Borrowing or to continue any Eurodollar Revolving Credit Borrowing as a Eurodollar Revolving Credit Borrowing for an additional Interest Period, and (c) not later than 11:00 a.m., New York City time, three Business Days prior to conversion, to convert the Interest Period with respect to any Eurodollar Revolving Credit Borrowing to another permissible Interest Period, subject in each case to the following:

(i) each conversion or continuation shall be made pro rata among the Lenders in accordance with the respective principal amounts of the Loans comprising the converted or continued Borrowing;

(ii) if less than all the outstanding principal amount of any Borrowing shall be converted or continued, then each resulting Borrowing shall satisfy the limitations specified in Sections 2.02(a) and 2.02(b) regarding the principal amount and maximum number of Borrowings of the relevant Type;

(iii) each conversion shall be effected by each Lender and the Administrative Agent by recording for the account of such Lender the new Loan of such Lender resulting from such conversion and reducing the Loan (or portion thereof) of such Lender being converted by an equivalent principal amount; accrued interest on any Eurodollar Loan (or portion thereof) being converted shall be paid by the Borrower at the time of conversion;

(iv) if any Eurodollar Borrowing is converted at a time other than the end of the Interest Period applicable thereto, the Borrower shall pay, upon demand, any amounts due to the Lenders pursuant to Section 2.15;

(v) any portion of a Borrowing maturing or required to be repaid in less than one month may not be converted into or continued as a Eurodollar Borrowing;

(vi) any portion of a Eurodollar Borrowing that cannot be converted into or continued as a Eurodollar Borrowing by reason of the immediately preceding clause shall be automatically converted at the end of the Interest Period in effect for such Borrowing into an ABR Borrowing; and

(vii) upon notice to the Borrower from the Administrative Agent given at the request of the Required Lenders, after the occurrence and during the continuance of a Default or Event of Default, no outstanding Revolving Loan may be converted into, or continued as, a Eurodollar Loan and, unless repaid, each Eurodollar Revolving Borrowing shall be converted into an ABR Borrowing at the end of the Interest Period applicable thereto.

Each notice pursuant to this Section 2.11 shall refer to this Agreement and specify (i) the identity and amount of the Borrowing that the Borrower requests be converted or continued, (ii) whether such Borrowing is to be converted to or continued as a Eurodollar Borrowing or an ABR Borrowing, (iii) if such notice requests a conversion, the date of such conversion (which shall be a Business Day) and (iv) if such Borrowing is to be converted to or continued as a Eurodollar Borrowing, the Interest Period with respect thereto. If no Interest Period is specified in any such notice with respect to any conversion to or continuation as a Eurodollar Borrowing, the Borrower shall be deemed to have selected an Interest Period of one month's duration. The Administrative Agent shall advise the Lenders of any notice given pursuant to this Section 2.11 and of each Lender's portion of any converted or continued Borrowing. If the Borrower shall not have given notice in accordance with this Section 2.11 to continue any Borrowing into a subsequent Interest Period (and shall not otherwise have given notice in accordance with this Section 2.11 to convert such Borrowing), such Borrowing shall, at the end of the Interest Period applicable thereto (unless repaid pursuant to the terms hereof), automatically be continued into an ABR Borrowing. The Borrower shall not have the right to continue or convert the Interest Period with respect to any Competitive Borrowing pursuant to this Section 2.11.

SECTION 2.12. Optional Prepayment. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing (other than a Competitive Borrowing), in whole or in part, upon at least three Business Days' prior written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) in the case of Eurodollar Loans, or written or telecopy notice (or telephone notice promptly confirmed by written or telecopy notice) on the day of prepayment in the case of ABR Loans, to the Administrative Agent before 11:00 a.m., New York City time; provided, however, that each partial prepayment shall be in an amount that is an integral multiple of $1,000,000 and not less than $10,000,000. The Borrower shall not have the right to prepay any Competitive Borrowing.

(b) In the event of any termination of all the Commitments, the Borrower shall repay or prepay all its outstanding Revolving Credit Borrowings on the date of such termination. If as a result of any partial reduction of the Commitments the sum of the Aggregate Revolving Credit Exposure and the aggregate outstanding principal amount of the Competitive Loans at the time would exceed the Total Commitment after giving effect thereto, then the Borrower shall, on the date of such reduction, repay or prepay Revolving Credit Borrowings in an amount sufficient to eliminate such excess.

(c) Each notice of prepayment shall specify the prepayment date and the principal amount of each Borrowing (or portion thereof) to be prepaid, shall be irrevocable and shall commit the Borrower to prepay such Borrowing by the amount stated therein on the date stated therein. All prepayments under this Section 2.12 shall be subject to Section 2.15 but otherwise without premium or penalty. All prepayments under this Section 2.12 (other than prepayment of an ABR Loan that does not occur in connection with, or as a result of, the reduction or termination of the Commitments) shall be accompanied by accrued and unpaid interest on the principal amount to be prepaid to but excluding the date of payment.

SECTION 2.13. Reserve Requirements; Change in Circumstances. (a) Notwithstanding any other provision of this Agreement, if any Change in Law shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender or the Issuing Bank or shall impose on such Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participation therein, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Fixed Rate Loan or increase the cost to any Lender or the Issuing Bank of issuing or maintaining any Letter of Credit or purchasing or maintaining a participation therein or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender or the Issuing Bank to be material, then the Borrower will pay to such Lender or the Issuing Bank, as the case may be, upon demand such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(a) If any Lender or the Issuing Bank shall have determined that any Change in Law regarding capital adequacy has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made or participations in Letters of Credit purchased by such Lender pursuant hereto or the Letters of Credit issued by the Issuing Bank pursuant hereto to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy) by an amount deemed by such Lender or the Issuing Bank to be material, then from time to time the Borrower shall pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(b) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as applicable, as specified in paragraph (a) or (b) above shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank the amount shown as due on any such certificate delivered by it within 15 days after its receipt of the same.

(c) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrower shall not be under any obligation to compensate any Lender or the Issuing Bank under paragraph (a) or (b) above with respect to increased costs or reductions with respect to any period prior to the date that is 120 days prior to such request if such Lender or the Issuing Bank knew or could reasonably have been expected to know of the circumstances giving rise to such increased costs or reductions and of the fact that such circumstances could reasonably be expected to result in a claim for increased compensation by reason of such increased costs or reductions; provided further that the foregoing limitation shall not apply to any increased costs or reductions arising out of the retroactive application of any Change in Law within such 120-day period. The protection of this Section shall be available to each Lender and the Issuing Bank regardless of any possible contention of the invalidity or inapplicability of the Change in Law that shall have occurred or been imposed. Notwithstanding any other provision of this Section, no Lender shall be entitled to demand compensation hereunder in respect of any Competitive Loan if it shall have been aware of the event or circumstance giving rise to such demand at the time it submitted the Competitive Bid pursuant to which such Loan was made.

SECTION 2.14. Change in Legality. (a) Notwithstanding any other provision of this Agreement, if any Change in Law shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans), whereupon such Lender shall not submit a Competitive Bid in response to a request for a Eurodollar Competitive Loan and any request for a Eurodollar Borrowing (or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing for an additional Interest Period) shall, as to such Lender only, be deemed a request for an ABR Loan (or a request to continue an ABR Loan as such for an additional Interest Period or to convert a Eurodollar Loan into an ABR Loan, as the case may be), unless such declaration shall be subsequently withdrawn; and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans as of the effective date of such notice as provided in paragraph (b) below.

In the event any Lender shall exercise its rights under (i) or (ii) above, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans.

(b) For purposes of this Section 2.14, a notice to the Borrower by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period then applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

SECTION 2.15. Break Funding. The Borrower shall compensate each Lender for any loss or expense that such Lender may sustain or incur as a consequence of (a) such Lender receiving or being deemed to receive any amount on account of the principal of any Fixed Rate Loan or Eurodollar Loan prior to the end of the Interest Period in effect therefor, (b) the conversion of any Eurodollar Loan to an ABR Loan, or the conversion of the Interest Period with respect to any Eurodollar Loan, in each case other than on the last day of the Interest Period in effect therefor or (c) the failure of the Borrower to borrow, convert, continue or prepay any Fixed Rate Loan or Eurodollar Loan made or to be made by such Lender (including any Eurodollar Loan to be made pursuant to a conversion or continuation under Section 2.11) after notice of such borrowing, conversion, continuation or prepayment shall have been given by the Borrower hereunder (any of the events referred to in this sentence being called a "Breakage Event"). In the case of any Breakage Event, such loss shall include an amount equal to the excess, as reasonably determined by such Lender, of (i) its cost of obtaining funds for the Fixed Rate Loan or Eurodollar Loan that is the subject of such Breakage Event for the period from the date of such Breakage Event to the last day of the Interest Period in effect (or that would have been in effect) for such Loan over (ii) the amount of interest likely to be realized by such Lender in redeploying the funds released or not utilized by reason of such Breakage Event for such period. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section 2.15 shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount due within 15 days of the receipt of any such certificate.

SECTION 2.16. Pro Rata Treatment. Except as provided below in this Section 2.16 with respect to Competitive Borrowings and as required under Section 2.14, each Borrowing, each payment or prepayment of principal of any Borrowing, each payment of interest on the Loans, each payment of the Facility Fees and the L/C Participation Fees, each reduction of the Commitments and each conversion of any Borrowing to or continuation of any Borrowing as a Borrowing of any Type shall be allocated pro rata among the Lenders in accordance with their respective Commitments (or, if such Commitments shall have expired or been terminated, in accordance with the respective principal amounts of their outstanding Loans). Each payment of principal of and interest on any Competitive Borrowing shall be allocated pro rata among the Lenders participating in such Borrowing in accordance with the respective principal amounts of their outstanding Competitive Loans comprising such Borrowing. For purposes of determining the available Commitments of the Lenders at any time, each outstanding Competitive Borrowing shall be deemed to have utilized the Commitments of the Lenders (including those Lenders which shall not have made Loans as part of such Competitive Borrowing) pro rata in accordance with such respective Commitments. Each Lender agrees that in computing such Lender's portion of any Borrowing to be made hereunder, the Administrative Agent may, in its discretion, round each Lender's percentage of such Borrowing to the next higher or lower whole dollar amount.

SECTION 2.17. Sharing of Setoffs. Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrower, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, obtain payment (voluntary or involuntary) in respect of any Loan or Loans or L/C Disbursement as a result of which the unpaid principal portion of its Loans and participations in L/C Disbursements shall be proportionately less than the unpaid principal portion of the Loans and participations in L/C Disbursements of any other Lender, it shall be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Loans and L/C Exposure of such other Lender, so that the aggregate unpaid principal amount of the Loans and L/C Exposure and participations in Loans and L/C Exposure held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Loans and L/C Exposure then outstanding as the principal amount of its Loans and L/C Exposure prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Loans and L/C Exposure outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; provided, however, that if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.17 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in a Loan or L/C Disbursement deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim with respect to any and all moneys owing by the Borrower to such Lender by reason thereof as fully as if such Lender had made a Loan directly to the Borrower in the amount of such participation.

SECTION 2.18. Payments. (a) The Borrower shall make each payment (including principal of or interest on any Borrowing or any L/C Disbursement or any Fees or other amounts) hereunder not later than 12:00 (noon), New York City time, on the date when due in immediately available dollars, without setoff, defense or counterclaim. Each such payment (other than Issuing Bank Fees, which shall be paid directly to the Issuing Bank), shall be made to the Administrative Agent at its offices at Eleven Madison Avenue, New York, NY 10010 or as otherwise instructed by the Administrative Agent.

(b) Except as otherwise expressly provided herein, whenever any payment (including principal of or interest on any Borrowing or any Fees or other amounts) hereunder shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.19. Taxes. (a) Any and all payments by the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or such Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes not paid pursuant to Section 2.19(a)(iii) to the relevant Governmental Authority in accordance with applicable law. As of the Closing Date, each Foreign Lender intends to make Loans hereunder out of an office located in the United States of America or out of an office so that such Loans would not be subject to Other Taxes.

(c) The Borrower shall indemnify the Administrative Agent and each Lender, within 15 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority; provided, however, that the Borrower shall not be obligated to make a payment pursuant to this Section 2.19 in respect of penalties, interest and other liabilities attributable to any Indemnified Taxes or Other Taxes, if (i) such penalties, interest and other liabilities are attributable to the failure of the Administrative Agent or such Lender, as the case may be, to pay amounts paid to the Administrative Agent or such Lender by the Borrower (for Indemnified Taxes or Other Taxes) to the appropriate taxing authority in a timely manner after receipt of such payment from the Borrower or (ii) such penalties, interest and other liabilities are attributable to the gross negligence or wilful misconduct of the Administrative Agent or such Lender, as the case may be. After the Administrative Agent or a Lender learns of the imposition of Indemnified Taxes or Other Taxes, such person will act in good faith to promptly notify the Borrower of its obligations hereunder. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, or by the Administrative Agent on its behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law and reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate. Each Foreign Lender, before it signs and delivers this Agreement if listed on the signature pages hereof and before it becomes a Lender in the case of each other Foreign Lender, and from time to time thereafter, before the date any such form expires or becomes obsolete or invalid, shall provide the Borrower and the Administrative Agent with Internal Revenue Service form W-8BEN or W-8ECI (or other appropriate or successor form prescribed by the Internal Revenue Service) in duplicate, certifying that such Foreign Lender is entitled to benefits under an income tax treaty to which the United States of America is a party which exempts the Foreign Lender from U.S. withholding tax on payments of interest for the account of such Foreign Lender or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct by such Foreign Lender of a trade or business in the United States of America and exempt from United States withholding tax.

(f) If the Administrative Agent or a Lender determines that it has received a refund or credit in respect of and specifically associated with any Indemnified Taxes or Other Taxes as to which it has been indemnified by the Borrower, or with respect to which the Borrower has paid additional amounts, it shall promptly notify the Borrower of such refund or credit and shall within 15 days from the date of receipt of such refund or benefit of such credit pay over the amount of such refund or benefit of such credit (including any interest paid or credited by the relevant taxing authority or Governmental Authority with respect to such refund or credit) to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower with respect to the Indemnified Taxes or Other Taxes giving rise to such refund of credit), net of all out-of-pocket expenses of such person. If the Administrative Agent or a Lender shall become aware that it is entitled to receive a refund or credit in respect of Indemnified Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts, it shall promptly notify the Borrower of the availability of such refund or credit and shall, within 15 days after receipt of a request for such by the Borrower (whether as a result of notification that it has made of such to the Borrower or otherwise), make a claim to such taxing authority or Governmental Authority for such refund or credit and contest such Indemnified Taxes, Other Taxes or liabilities if (i) such Lender or the Administrative Agent determines, in its sole discretion, that it would not be materially disadvantaged or prejudiced as a result of such contest (it being understood that the mere existence of fees, charges, costs or expenses that the Borrower has offered to and agreed to pay on behalf of a Lender or the Administrative Agent shall not be deemed to be materially disadvantageous to such person) and (ii) the Borrower furnishes, upon request of the Lender or the Administrative Agent, an opinion of reputable tax counsel (such opinion and such counsel to be acceptable to such Lender or the Administrative Agent) to the effect that such Indemnified Taxes or Other Taxes were wrongfully or illegally imposed.

SECTION 2.20. Assignment of Commitments Under Certain Circumstances; Duty to Mitigate. (a) In the event (i) any Lender or the Issuing Bank delivers a certificate requesting compensation pursuant to Section 2.13, (ii) any Lender or the Issuing Bank delivers a notice described in Section 2.14 or (iii) the Borrower is required to pay any additional amount to any Lender or the Issuing Bank or any Governmental Authority on account of any Lender or the Issuing Bank pursuant to Section 2.19, the Borrower may, at its sole expense and effort (including with respect to the processing and recordation fee referred to in Section 9.04(b)), upon notice to such Lender or the Issuing Bank and the Administrative Agent, require such Lender or the Issuing Bank to transfer and assign, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all of its interests, rights and obligations under this Agreement to an assignee that shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (x) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction, (y) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, of the Issuing Bank), which consent shall not unreasonably be withheld, and (z) the Borrower or such assignee shall have paid to the affected Lender or the Issuing Bank in immediately available funds an amount equal to the sum of the principal of and interest accrued to the date of such payment on the outstanding Loans or L/C Disbursements of such Lender or the Issuing Bank, respectively, plus all Fees and other amounts accrued for the account of such Lender or the Issuing Bank hereunder (including any amounts under Section 2.13 and Section 2.15); provided further that, if prior to any such transfer and assignment the circumstances or event that resulted in such Lender's or the Issuing Bank's claim for compensation under Section 2.13 or notice under Section 2.14 or the amounts paid pursuant to Section 2.19, as the case may be, cease to cause such Lender or the Issuing Bank to suffer increased costs or reductions in amounts received or receivable or reduction in return on capital, or cease to have the consequences specified in Section 2.14, or cease to result in amounts being payable under Section 2.19, as the case may be (including as a result of any action taken by such Lender or the Issuing Bank pursuant to paragraph (b) below), or if such Lender or the Issuing Bank shall waive its right to claim further compensation under Section 2.13 in respect of such circumstances or event or shall withdraw its notice under Section 2.14 or shall waive its right to further payments under Section 2.19 in respect of such circumstances or event, as the case may be, then such Lender or the Issuing Bank shall not thereafter be required to make any such transfer and assignment hereunder.

(b) If (i) any Lender or the Issuing Bank shall request compensation under Section 2.13, (ii) any Lender or the Issuing Bank delivers a notice described in Section 2.14 or (iii) the Borrower is required to pay any additional amount or indemnity payment to any Lender or the Issuing Bank or any Governmental Authority on account of any Lender or the Issuing Bank, pursuant to Section 2.19, then such Lender or the Issuing Bank shall use reasonable efforts (which shall not require such Lender or the Issuing Bank to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or legal or regulatory restrictions or suffer any disadvantage or burden deemed by it to be significant) (x) to file any certificate or document reasonably requested in writing by the Borrower or (y) to assign its rights and delegate and transfer its obligations hereunder to another of its offices, branches or affiliates, if such filing or assignment would reduce its claims for compensation under Section 2.13 or enable it to withdraw its notice pursuant to Section 2.14 or would reduce amounts payable pursuant to Section 2.19, as the case may be, in the future. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender or the Issuing Bank in connection with any such filing or assignment, delegation and transfer.

SECTION 2.21. Letters of Credit. (a) General. The Borrower may request the issuance of a Letter of Credit for its own account or for the account of any of its Subsidiaries (in which case the Borrower and such Subsidiary shall be co-applicants with respect to such Letter of Credit), in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time while the Commitments remain in effect. This Section shall not be construed to impose an obligation upon the Issuing Bank to issue any Letter of Credit that is inconsistent with the terms and conditions of this Agreement.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. In order to request the issuance of a Letter of Credit (or to amend, renew or extend an existing Letter of Credit), the Borrower shall hand deliver

or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension, the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) below), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare such Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if, and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that, after giving effect to such issuance, amendment, renewal or extension (i) the L/C Exposure shall not exceed the L/C Commitment and (ii) the sum of the Aggregate Revolving Credit Exposure and the aggregate principal amount of outstanding Competitive Borrowings shall not exceed the Total Commitment.

(c) Expiration Date. Each Letter of Credit shall expire at the close of business on the earlier of the date one year after the date of the issuance of such Letter of Credit and the date that is five Business Days prior to the Maturity Date, unless such Letter of Credit expires by its terms on an earlier date; provided, however, that a Letter of Credit may, upon the request of the Borrower, include a provision whereby such Letter of Credit shall be renewed automatically for additional consecutive periods of 12 months or less (but not beyond the date that is five Business Days prior to the Maturity Date) unless the Issuing Bank notifies the beneficiary thereof at least 30 days prior to the then-applicable expiration date that such Letter of Credit will not be renewed.

(d) Participations. By the issuance of a Letter of Credit and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each such Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Pro Rata Percentage of the aggregate amount available to be drawn under such Letter of Credit, effective upon the issuance of such Letter of Credit (or, in the case of the Existing Letters of Credit, effective upon the Closing Date). In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Pro Rata Percentage of each L/C Disbursement made by the Issuing Bank and not reimbursed by the Borrower forthwith on the date due as provided in Section 2.02(f). Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or an Event of Default, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any L/C Disbursement in respect of a Letter of Credit, the Borrower shall pay to the Administrative Agent an amount equal to such L/C Disbursement not later than 5:00 p.m., New York City time, on the day on which the Borrower shall have received notice from the Issuing Bank that payment of such draft will be made, or, if the Borrower shall have received such notice later than 11:00 a.m., New York City time, on any Business Day, not later than 12:00 noon, New York City time, on the immediately following Business Day.

(f) Obligations Absolute. The Borrower's obligations to reimburse L/C Disbursements as provided in paragraph (e) above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under any and all circumstances whatsoever, and irrespective of:

(i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein;

(ii) any amendment or waiver of this Agreement;

(iii) the existence of any claim, setoff, defense or other right that the Borrower, any other party guaranteeing, or otherwise obligated with, the Borrower, any Subsidiary or other Affiliate thereof or any other person may at any time have against the beneficiary under any Letter of Credit, the Issuing Bank, the Administrative Agent or any Lender or any other person, whether in connection with this Agreement or any other related or unrelated agreement or transaction;

(iv) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit; and

(vi) any other act or omission to act or delay of any kind of the Issuing Bank, the Lenders, the Administrative Agent or any other person or any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of the Borrower's obligations hereunder.

Without limiting the generality of the foregoing, it is expressly understood and agreed that the absolute and unconditional obligation of the Borrower hereunder to reimburse L/C Disbursements will not be excused by the gross negligence or wilful misconduct of the Issuing Bank. However, the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's gross negligence or wilful misconduct in determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof; it is understood that the Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary and, in making any payment under any Letter of Credit (i) the Issuing Bank's exclusive reliance on the documents presented to it under such Letter of Credit as to any and all matters set forth therein, including reliance on the amount of any draft presented under such Letter of Credit, whether or not the amount due to the beneficiary thereunder equals the

amount of such draft and whether or not any document presented pursuant to such Letter of Credit proves to be insufficient in any respect, if such document on its face appears to be in order, and whether or not any other statement or any other document presented pursuant to such Letter of Credit proves to be forged or invalid or any statement therein proves to be inaccurate or untrue in any respect whatsoever and (ii) any noncompliance in any immaterial respect of the documents presented under such Letter of Credit with the terms thereof shall, in each case, be deemed not to constitute wilful misconduct or gross negligence of the Issuing Bank.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall as promptly as possible give telephonic notification, confirmed by telecopy, to the Administrative Agent and the Borrower of such demand for payment and whether the Issuing Bank has made or will make an L/C Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such L/C Disbursement. The Administrative Agent shall promptly give each Lender notice thereof.

(h) Interim Interest. If the Issuing Bank shall make any L/C Disbursement in respect of a Letter of Credit, then, unless the Borrower shall reimburse such L/C Disbursement in full on such date, the unpaid amount thereof shall bear interest for the account of the Issuing Bank, for each day from and including the date of such L/C Disbursement, to but excluding the earlier of the date of payment by the Borrower or the date on which interest shall commence to accrue thereon as provided in Section 2.02(f), at the rate per annum that would apply to such amount if such amount were an ABR Revolving Loan.

(i) Resignation or Removal of the Issuing Bank. The Issuing Bank may resign at any time by giving 30 days' prior written notice to the Administrative Agent, the Lenders and the Borrower, and may be removed at any time by the Borrower by notice to the Issuing Bank, the Administrative Agent and the Lenders. Subject to the next succeeding paragraph, upon the acceptance of any appointment as the Issuing Bank hereunder by a Lender that shall agree to serve as successor Issuing Bank, such successor shall succeed to and become vested with all the interests, rights and obligations of the retiring Issuing Bank and the retiring Issuing Bank shall be discharged from its obligations to issue additional Letters of Credit hereunder. At the time such removal or resignation shall become effective, the Borrower shall pay all accrued and unpaid fees pursuant to Section 2.06(c)(ii). The acceptance of any appointment as the Issuing Bank hereunder by a successor Lender shall be evidenced by an agreement entered into by such successor, in a form satisfactory to the Borrower and the Administrative Agent, and, from and after the effective date of such agreement, (i) such successor Lender shall have all the rights and obligations of the previous Issuing Bank under this Agreement and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the resignation or removal of the Issuing Bank hereunder, the retiring Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such resignation or removal, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, the Borrower shall, on the Business Day it receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders holding participations in outstanding Letters of Credit representing greater than 50% of the aggregate undrawn amount of all outstanding Letters of Credit) thereof and of the amount to be deposited, deposit in an account with the Administrative Agent, for the benefit of the Lenders, an amount in cash equal to the L/C Exposure as of such date, provided, however that the obligation to deposit such cash shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (g) or (h) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits in Permitted Investments, which investments shall be made at the option and sole discretion of the Administrative Agent, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall (i) automatically be applied by the Administrative Agent to reimburse the Issuing Bank for L/C Disbursements for which it has not been reimbursed, (ii) be held for the satisfaction of the reimbursement obligations of the Borrower for the L/C Exposure at such time and (iii) if the maturity of the Loans has been accelerated (but subject to the consent of Lenders holding participations in outstanding Letters of Credit representing greater than 50% of the aggregate undrawn amount of all outstanding Letters of Credit), be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

(k) Additional Issuing Banks. The Borrower may, at any time and from time to time with the consent of the Administrative Agent (which consent shall not be unreasonably withheld or delayed) and such Lender, designate one or more additional Lenders to act as an issuing bank under the terms of the Agreement. Any Lender designated as an issuing bank pursuant to this paragraph (k) shall be deemed to be an "Issuing Bank" (in addition to being a Lender) in respect of Letters of Credit issued or to be issued by such Lender, and, with respect to such Letters of Credit, such term shall thereafter apply to the other Issuing Bank and such Lender.

SECTION 2.22. Incremental Commitments. (a) The Borrower may, by written notice to the Administrative Agent from time to time, request that the Total Commitment (and, in connection therewith, the L/C Commitment) be increased by an amount not to exceed the Incremental Commitment Amount at such time. Such notice shall set forth the amount of the requested increase in the Total Commitment (which shall be in minimum increments of $5,000,000 and a minimum amount of $10,000,000 or equal to the remaining Incremental Commitment Amount) and, if applicable, the L/C Commitment, and the date on which such increase is requested to become effective (which shall be not less than 10 Business Days nor more than 60 days after the date of such notice and which, in any event, must be on or prior to the Maturity Date), and shall offer each Revolving Credit Lender the opportunity to increase its Commitment by its Pro Rata Percentage of the proposed increased amount. Each Lender shall, by notice to the Borrower and the Administrative Agent given not more than 10 days after the date of the Administrative Agent's notice, either agree to increase its Commitment by all or a portion of the offered amount (each Lender so agreeing being an "Increasing Lender") or decline to increase its Commitment (and any Lender that does not deliver such a notice within such period of 10 days shall be deemed to have declined to increase its Commitment) (each Lender so declining or being deemed to have declined being a "Non-Increasing Lender"). In the event that, on the 10th day after the Administrative Agent shall have delivered such notice, the Lenders shall have agreed pursuant to the preceding sentence to increase their Commitments by an aggregate amount less than the increase in the Total Commitment requested by the Borrower, the Borrower may arrange for one or more banks or other entities (any such bank or other entity being called an "Augmenting Lender"), which may include any Lender, to extend Commitments or increase their existing Commitments in an aggregate amount equal to the unsubscribed amount; provided that, notwithstanding the foregoing, (i) no person shall become a Lender and no Lender's Commitment shall increase pursuant to this Section 2.22 without the prior written consent of the Administrative Agent and the Issuing Bank (which shall not be unreasonably withheld) and (ii) the L/C Commitment of any Issuing Bank shall not be increased pursuant to the Section 2.22 without the prior written consent of such Issuing Bank. The Borrower and each Augmenting Lender shall execute all such documentation as the Administrative Agent shall reasonably specify to evidence its Commitment and/or its status as a Lender hereunder. Any increase in the Commitment may be made in an amount which is less than the increase requested by the Borrower if the Borrower is unable to arrange for, or chooses not to arrange for, Augmenting Lenders.

(b) Each of the parties hereto hereby agrees that the Administrative Agent may take any and all actions as may be reasonably necessary to ensure that, after giving effect to any increase in the Total Commitment pursuant to this Section 2.22, the outstanding Revolving Loans (if any) are held by the Lenders in accordance with their new Pro Rata Percentages. This may be accomplished at the discretion of the Administrative Agent (i) by requiring the outstanding Revolving Loans to be prepaid with the proceeds of a new Revolving Credit Borrowing, (ii) by causing Non-Increasing Lenders to assign portions of their outstanding Revolving Loans to Increasing Lenders and Augmenting Lenders or (iii) by any combination of the foregoing. Any prepayment or assignment described in this paragraph (b) shall be subject to Section 2.15, but otherwise without premium or penalty.

(c) Notwithstanding the foregoing, no increase in the Total Commitment shall become effective under this Section 2.22 unless, (i) on the date of such increase, the conditions set forth in paragraphs (b) and (c) of Section 4.01 shall be satisfied and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a Financial Officer of the Borrower, and (ii) the Administrative Agent shall have received (with sufficient copies for each of the Lenders) such customary closing documentation as the Administrative Agent shall have reasonably requested.

ARTICLE III

Representations and Warranties

The Borrower represents and warrants to the Administrative Agent, the Issuing Bank and each of the Lenders that:

SECTION 3.01. Organization; Powers. The Borrower and each of the Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and (c) is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where the failure so to qualify could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.02. Authorization. The execution, delivery and performance by the Borrower of this Agreement and the transactions contemplated hereby (including the Borrowings hereunder) (collectively, the "Transactions") (a) are within the Borrower's corporate powers and have been duly authorized by all requisite corporate and, if required, stockholder action and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, or of the certificate or articles of incorporation or other constitutive documents or by-laws of the Borrower or any Subsidiary, (B) any order of any Governmental Authority or (C) any provision of any indenture, agreement or other instrument to which the Borrower or any Subsidiary is a party or by which any of them or any of their property is or may be bound, the effect of which could reasonably be expected to result in a Material Adverse Effect, (ii) result in a breach of or constitute (alone or with notice or lapse of time or both) a default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under any such indenture, agreement or other instrument, the effect of which could reasonably be expected to result in a Material Adverse Effect, or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by the Borrower or any Subsidiary.

SECTION 3.03. Enforceability. This Agreement has been duly executed and delivered by the Borrower and constitutes a 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 to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.04. Governmental Approvals. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority is or will be required in connection with the Transactions, except for such as have been made or obtained and are in full force and effect.

SECTION 3.05. Financial Statements. The Borrower has heretofore furnished to the Lenders its consolidated balance sheets and related statements of income, stockholders' equity and cash flows (i) as of and for the fiscal year ended December 31, 2003, audited by and accompanied by the opinion of PricewaterhouseCoopers LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended September 30, 2004, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial condition and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to normal year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

SECTION 3.06. No Material Adverse Change. As of the Closing Date, since December 31, 2003, there has been no material adverse change in the financial condition, results of operations or business of the Borrower and the Subsidiaries, taken as a whole.

SECTION 3.07. Subsidiaries. Schedule 3.07 sets forth as of the Closing Date a list of all Subsidiaries and the percentage ownership interest of the Borrower therein.

SECTION 3.08. Litigation; Compliance with Laws. (a) There are not any actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any Subsidiary or any business, property or rights of any such person (i) that involve this Agreement or the Transactions or (ii) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(b) None of the Borrower or any of the Subsidiaries is in violation of any law, rule or regulation, or is in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority, where such violation or default could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.09. Federal Reserve Regulations. (a) The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(b) No part of the proceeds of any Loan or any Letter of Credit will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Board, including Regulation T, U or X.

SECTION 3.10. Investment Company Act; Public Utility Holding Company Act. None of the Borrower or any of the Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.11. Use of Proceeds. The Borrower will use the proceeds of the Loans and will request the issuance of Letters of Credit only for the purposes specified in the preamble to this Agreement.

SECTION 3.12. Tax Returns. Each of the Borrower and the Subsidiaries has filed or caused to be filed all Federal, state, local and foreign tax returns or materials required to have been filed by it and has paid or caused to be paid all Taxes due and payable by it and all assessments received by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, shall have set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.13. No Material Misstatements. None of (a) the Confidential Information Memorandum or (b) any other information, report, financial statement, exhibit or schedule furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein taken as a whole, in the light of the circumstances under which they were made, not misleading; provided that to the extent any such information, report, financial statement, exhibit or schedule was based upon or constitutes a forecast or projection, the Borrower represents only that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such information, report, financial statement, exhibit or schedule.

SECTION 3.14. Employee Benefit Plans. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect. The accumulated benefit obligations (as defined in Statement of Financial Accounting Standards No. 87) under all Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the last annual valuation dates applicable thereto, exceed by more than $75,000,000 the fair market value of the assets of all such Plans.

SECTION 3.15. Environmental Matters. Except with respect to any matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of the Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit,

license or other approval required under any Environmental Law, (ii) is subject to any Environmental Liability, (iii) has received written notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability of the Borrower or the Subsidiaries.

SECTION 3.16. Senior Indebtedness. The Loans and other obligations hereunder constitute “Senior Indebtedness” under and as defined in the Subordinated Note Documents.

ARTICLE IV

Conditions of Lending

The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder are subject to the satisfaction of the following conditions:

SECTION 4.01. All Credit Events. On the date of each Borrowing or issuance, amendment, extension or renewal of a Letter of Credit (each such event being called a "Credit Event"):

(a) The Administrative Agent shall have received a notice of such Borrowing as required by Section 2.03 or 2.04, as applicable (or such notice shall have been deemed given in accordance with Section 2.04), or, in the case of the issuance, amendment, extension or renewal of a Letter of Credit, the Issuing Bank and the Administrative Agent shall have received a notice requesting the issuance, amendment, extension or renewal of such Letter of Credit as required by Section 2.21(b).

(b) The representations and warranties set forth in Article III hereof shall be true and correct in all material respects on and as of the date of such Credit Event with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

(c) At the time of and immediately after such Credit Event, no Event of Default or Default shall have occurred and be continuing.

Each Credit Event shall be deemed to constitute a representation and warranty by the Borrower on the date of such Credit Event as to the matters specified in paragraphs (b) and (c) of this Section 4.01.

SECTION 4.02. Closing Date. On the Closing Date:

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received, on behalf of itself, the Lenders and the Issuing Bank, a favorable written opinion of each of (i) Bradford T. Smith, Chief Legal Counsel of the Borrower, substantially to the effect set forth in Exhibit E-1, and (ii) Hogan & Hartson L.L.P., special counsel for the Borrower, substantially to the effect set forth in Exhibit E-2, (A) dated the Closing Date, (B) addressed to the Issuing Bank, the Administrative Agent and the Lenders, and (C) covering such other matters relating to this Agreement and the Transactions as the Administrative Agent shall reasonably request, and the Borrower hereby requests such counsel to deliver such opinions.

(c) The Administrative Agent shall have received (i) a copy of the certificate of incorporation, including all amendments thereto, of the Borrower, certified as of a recent date by the Secretary of State of the State of Delaware, and a certificate as to the good standing of the Borrower as of a recent date, from such Secretary of State; (ii) a certificate of the Secretary or Assistant Secretary of the Borrower dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the by-laws of the Borrower as in effect on the Closing Date and at all times since a date prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower authorizing the execution, delivery and performance of this Agreement and the borrowings hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the certificate of incorporation of the Borrower has not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing this Agreement or any other document delivered in connection herewith on behalf of the Borrower; (iii) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to clause (ii) above; and (iv) such other documents relating to the Borrower, this Agreement or the Transactions as the Lenders, the Issuing Bank or the Administrative Agent may reasonably request.

(d) The Administrative Agent shall have received a certificate, dated the Closing Date and signed by a Financial Officer of the Borrower, confirming compliance with the conditions precedent set forth in paragraphs (b) and (c) of Section 4.01.

(e) The Administrative Agent shall have received all Fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(f) All principal, interest, fees and other amounts outstanding or due under the Existing Credit Agreements shall have been paid in full, the commitments thereunder terminated, and the Administrative Agent shall have received satisfactory evidence thereof.

(g) The credit facilities provided for by this Agreement shall be rated not lower than BBB by S&P, and the Administrative Agent shall have received satisfactory evidence thereof.

(h) The Lenders shall have received all documentation and other information requested by them and required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the USA Patriot Act.

ARTICLE V

Affirmative Covenants

The Borrower covenants and agrees with each Lender that until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable hereunder shall have been paid in full and all Letters of Credit have been canceled or have expired and all amounts drawn thereunder have been reimbursed in full, unless the Required Lenders shall otherwise consent in writing, the Borrower will, and will cause each of the Subsidiaries to:

SECTION 5.01. Existence; Businesses and Properties. (a) Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except as otherwise expressly permitted under Section 6.04.

(b) Do or cause to be done all things necessary to obtain, preserve, renew, extend and keep in full force and effect its rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names, and comply in all material respects with all applicable laws, rules, regulations and decrees and orders of any Governmental Authority, in each case except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.02. Insurance. Maintain with responsible and reputable insurance companies insurance, to such extent and against such risks as is customary with companies in the same or similar businesses operating in the same or similar locations.

SECTION 5.03. Obligations and Taxes. Pay its Indebtedness and other obligations, including Taxes, before the same shall become delinquent or in default, except where (a) the validity or amount thereof shall be contested in good faith by appropriate proceedings and the Borrower shall have set aside on its books adequate reserves with respect thereto in accordance with GAAP or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.04. Financial Statements, Reports, etc. In the case of the Borrower, furnish to the Administrative Agent and each Lender:

(a) within 105 days after the end of each fiscal year, its consolidated balance sheet and related statements of income, stockholders' equity and cash flows as of the close of and for such fiscal year, together with comparative figures for the immediately preceding fiscal year, all audited by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing and accompanied by an opinion of such accountants (which shall not be qualified in any material respect) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 50 days after the end of each of the first three fiscal quarters of each fiscal year, its consolidated balance sheet and related statements of income, stockholders' equity and cash flows as of the close of and for such fiscal quarter and the then elapsed portion of the fiscal year, and comparative figures for the same periods in the immediately preceding fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under paragraph (a) or (b) above, a certificate of a Financial Officer (A) certifying that no Event of Default or Default has occurred or, if such an Event of Default or Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto, (B) setting forth computations in reasonable detail satisfactory to the Administrative Agent demonstrating compliance with the covenants contained in Sections 6.07 and 6.08 and (C) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.05 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed to its shareholders, as the case may be;

(e) promptly after the receipt thereof by the Borrower or any of its Subsidiaries, a copy of any "management letter" received by any such person from its certified public accountants and the management's response thereto;

(f) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request;

(g) promptly, following a request by any Lender, all documentation and other information that such Lender reasonably requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act.

SECTION 5.05. Litigation and Other Notices. In the case of the Borrower, furnish to the Administrative Agent, the Issuing Bank and each Lender prompt written notice of the following:

(a) any Event of Default or Default, specifying the nature and extent thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;

(b) the filing or commencement of, or any threat or notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Borrower or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect;

(c) any change in the rating by S&P of the Index Debt; and

(d) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect.

SECTION 5.06. Maintaining Records; Access to Properties and Inspections. Keep books of record and account in conformity with GAAP and all requirements of law in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect the financial records and the properties of the Borrower or any Subsidiary at reasonable times and as often as reasonably requested and to make extracts from and copies of such financial records, and permit any representatives designated by the Administrative Agent or any Lender to discuss the affairs, finances and condition of the Borrower or any Subsidiary with the officers thereof and independent accountants therefor.

SECTION 5.07. Use of Proceeds. Use the proceeds of the Loans and request the issuance of Letters of Credit only for the purposes set forth in the preamble to this Agreement.

ARTICLE VI

Negative Covenants

The Borrower covenants and agrees with each Lender that, until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other expenses or amounts payable hereunder have been paid in full and all Letters of Credit have been canceled or have expired and all amounts drawn thereunder have been reimbursed in full, unless the Required Lenders shall otherwise consent in writing, the Borrower will not, and will not cause or permit any of the Subsidiaries to:

SECTION 6.01. Subsidiary Indebtedness. With respect to the Subsidiaries, incur, create, issue, assume or permit to exist any Indebtedness or preferred stock, except:

(a) Indebtedness or preferred stock existing on the date hereof and having an aggregate principal amount (or, in the case of preferred stock, an aggregate liquidation preference) of less than $25,000,000 in the aggregate and, in the case of any such Indebtedness, any extensions, renewals or replacements thereof to the extent the principal amount of such Indebtedness is not increased, and such Indebtedness, if subordinated to the Loans, remains so subordinated on terms no less favorable to the Lenders, and the original obligors in respect of such Indebtedness remain the only obligors thereon;

(b) Indebtedness created or existing hereunder;

(c) intercompany Indebtedness or preferred stock to the extent owing to or held by the Borrower or another Subsidiary;

(d) Indebtedness of any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that (i) such Indebtedness is incurred prior to or within 180 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this Section 6.01(d), when combined with the aggregate principal amount of all Capital Lease Obligations incurred pursuant to Section 6.01(e) and all Indebtedness incurred pursuant to Section 6.01(f), shall not exceed $150,000,000 at any time outstanding;

(e) Capital Lease Obligations in an aggregate principal amount, when combined with the aggregate principal amount of all Indebtedness incurred pursuant to Section 6.01(d) and Section 6.01(f), not in excess of $150,000,000 at any time outstanding;

(f) Indebtedness of any person that becomes a Subsidiary after the date hereof; provided that (i) such Indebtedness exists at the time such person becomes a Subsidiary and is not created in contemplation of or in connection with such person becoming a Subsidiary, (ii) immediately before and after such person becomes a Subsidiary, no Event of Default or Default shall have occurred and be continuing and (iii) the aggregate principal amount of Indebtedness permitted by this clause (f), when combined with the aggregate principal amount of all Indebtedness incurred pursuant to Section 6.01(d) and all Capital Lease Obligations incurred pursuant to Section 6.01(e), shall not exceed $150,000,000 at any time outstanding;

(g) Indebtedness under performance bonds or with respect to workers' compensation claims, in each case incurred in the ordinary course of business; and

(h) additional Indebtedness (including attributable Indebtedness in respect of sale-leaseback transactions) or preferred stock of the Subsidiaries to the extent not otherwise permitted by the foregoing clauses of this Section 6.01 in an aggregate principal amount (or, in the case of preferred stock, with an aggregate liquidation preference), when combined (without duplication) with the amount of obligations of the Borrower and its Subsidiaries secured by Liens pursuant to Section 6.02(j), not to exceed $150,000,000 at any time outstanding.

SECTION 6.02. Liens. Create, incur, assume or permit to exist any Lien on any property or assets (including Equity Interests or other securities of any person, including any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except:

(a) Liens on property or assets of the Borrower and its Subsidiaries existing on the date hereof and encumbering property or assets with a fair market value, and securing obligations having an aggregate principal amount, in each case less than $25,000,000 in the aggregate; provided that (x) such Liens shall secure only those obligations which they secure on the date hereof and extensions, renewals and replacements thereof permitted hereunder and (y) such Liens shall not apply to any other property or assets of the Borrower or any of the Subsidiaries;

(b) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property or asset of any person that becomes a Subsidiary after the date hereof prior to the time such person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such person becoming a Subsidiary, as the case may be, (ii) such Lien does not apply to any other property or assets of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof permitted hereunder;

(c) Liens for taxes not yet due or which are being contested in compliance with Section 5.03;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business and securing obligations that are not overdue by more than 90 days or which are being contested in compliance with Section 5.03;

(e) pledges and deposits made in the ordinary course of business in compliance with workmen's compensation, unemployment insurance and other social security laws or regulations;

(f) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than Capital Lease Obligations), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(g) zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(h) purchase money security interests in real property, improvements thereto or equipment hereafter acquired (or, in the case of improvements, constructed) by the Borrower or any Subsidiary; provided that (i) such security interests secure Indebtedness permitted by Section 6.01, (ii) such security interests are incurred, and the Indebtedness secured thereby is created, within 180 days after such acquisition (or construction) and (iii) such security interests do not apply to any other property or assets of the Borrower or any Subsidiary;

(i) Liens in respect of judgments that do not constitute an Event of Default; and

(j) Liens not otherwise permitted by the foregoing clauses of this Section 6.02 securing obligations otherwise permitted by this Agreement in an aggregate principal and face amount, when combined (without duplication) with the amount of Indebtedness or preferred stock of Subsidiaries incurred pursuant to Section 6.01(h), not to exceed $150,000,000 at any time outstanding.

SECTION 6.03. Sale and Lease-Back Transactions. Enter into any arrangement, directly or indirectly, with any person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred unless (a) the sale of such property is permitted by Section 6.04 and (b) any Capital Lease Obligations or Liens arising in connection therewith are permitted by Sections 6.01 and 6.02, respectively.

SECTION 6.04. Mergers, Consolidations and Sales of Assets. Merge into or consolidate with any other person, or permit any other person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all the assets (whether now owned or hereafter acquired) of the Borrower, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Event of Default or Default shall have occurred and be continuing, (a) any person may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (b) any person, other than the Borrower, may merge into or consolidate with any Subsidiary in a transaction in which the surviving entity is a Subsidiary and (c) any Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders.

SECTION 6.05. Restricted Payments. Declare or make, or agree to declare or make, directly or indirectly, any Restricted Payment (including pursuant to any Synthetic Purchase Agreement), or incur any obligation (contingent or otherwise) to do so if, at the time thereof and immediately after giving effect thereto, (a) any Default or Event of Default shall have occurred and be continuing or (b) the Leverage Ratio on the date of such Restricted Payment would be greater than 2.0 to 1.0; provided, however, that (i) any Subsidiary may declare and pay dividends or make other distributions ratably to holders of Equity Interests in it, (ii) the Borrower may declare and pay dividends or make other distributions of its Equity Interests and (iii) so long as no Default or Event of Default shall have occurred and be continuing or would result therefrom, the Borrower and the Subsidiaries may declare and make, directly or indirectly, additional Restricted Payments to the extent not otherwise permitted by the foregoing clauses of this Section 6.05 in an aggregate amount not to exceed $100,000,000.

SECTION 6.06. Business of Borrower and Subsidiaries. Engage to any material extent in any business or business activity other than businesses of the type currently conducted by the Borrower and the Subsidiaries and business activities reasonably related thereto.

SECTION 6.07. Interest Coverage Ratio. Permit the Interest Coverage Ratio for any period of four consecutive fiscal quarters, in each case taken as one accounting period, to be less than 5.0 to 1.0.

SECTION 6.08. Maximum Leverage Ratio. Permit the Leverage Ratio on the last day of any period of four consecutive fiscal quarters, in each case taken as one accounting period, to be greater than 2.5 to 1.0.

SECTION 6.09. Hedging Agreements. Enter into any Hedging Agreement other than non-speculative Hedging Agreements entered into to hedge or mitigate risks to which the Borrower or a Subsidiary is exposed in the ordinary course of the conduct of its business or the management of its liabilities.

ARTICLE VII

Events of Default

In case of the happening of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made in or in connection with this Agreement or the Borrowings or issuances of Letters of Credit hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to this Agreement, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan or the reimbursement with respect to any L/C Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or any Fee or L/C Disbursement or any other amount (other than an amount referred to in (b) above) due under this Agreement, when and as the same shall become due and payable, and such default shall continue unremedied for a period of five Business Days;

(d) default shall be made in the due observance or performance by the Borrower or any Subsidiary of any covenant, condition or agreement contained in Section 5.01(a) (with respect to the Borrower), 5.05(a) or 5.07 or in Article VI;

(e) default shall be made in the due observance or performance by the Borrower or any Subsidiary of any covenant, condition or agreement contained in this Agreement (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) (i) the Borrower or any Material Subsidiary shall (i) fail to pay any principal or interest, regardless of amount, due in respect of any Material Indebtedness, when and as the same shall become due and payable (after giving effect to any applicable grace period), or (ii) any other event or condition occurs (after giving effect to any applicable grace period) that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (ii) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Borrower or any Material Subsidiary, or of a substantial part of the property or assets of the Borrower or a Material Subsidiary, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Material Subsidiary or for a substantial part of the property or assets of the Borrower or a Material Subsidiary or (iii) the winding-up or liquidation of the Borrower or any Material Subsidiary; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Borrower or any Material Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Material Subsidiary or for a substantial part of the property or assets of the Borrower or any Material Subsidiary, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments for the payment of money in an amount in excess of $50,000,000 individually or $75,000,000 in the aggregate shall be rendered against the Borrower, any Material Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of the Borrower or any Material Subsidiary to enforce any such judgment; provided, however, that any such judgment shall not be an Event of Default under this paragraph (i) if and for so long as (i) the entire amount of such judgment in excess of $50,000,000 individually or $75,000,000 in the aggregate is covered by a valid and binding policy of insurance between the defendant and the insurer covering payment thereof and (ii) such insurer, which shall be rated at least "A" by A.M. Best Company, has been notified of, and has not disputed the claim made for payment of the amount of such judgment;

(j) one or more ERISA Events shall have occurred that results in liability of the Borrower and its ERISA Affiliates exceeding $50,000,000 individually or $75,000,000 in the aggregate; or

(k) there shall have occurred a Change in Control;

then, and in every such event (other than an event with respect to the Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at

the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained hereinto the contrary notwithstanding; and in any event with respect to the Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein to the contrary notwithstanding.

ARTICLE VIII

The Administrative Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms of this Agreement, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth in this Agreement. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by this Agreement that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.08), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of the Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.08) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall not be deemed to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper person. The Administrative Agent may also rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by it. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of each Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided below, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the consent of the Borrower (such consent not to be unreasonably withheld or delayed), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank, that is acceptable to the Borrower (which shall not unreasonably withhold its approval). Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent’s resignation hereunder, the provisions of this Article and Section 9.05 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

Anything herein to the contrary notwithstanding, none of the Syndication Agent, Co-Lead Arrangers or Joint Bookrunners listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any other loan document, except in its capacity, as applicable, as an Agent or a Lender.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to it at 231 Maple Avenue, Burlington, NC 27215, Attention of Wesley R. Elingburg (Telecopy No. (336) 436-1066);

(b) if to the Administrative Agent, to Credit Suisse First Boston, Eleven Madison Avenue, New York, NY 10010, Attention of Agency Group Manager (Telecopy No. (212) 325- 8304); and

(c) if to a Lender, to it at its address (or telecopy number) set forth on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Survival of Agreement. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the Lenders and the Issuing Bank and shall survive the making by the Lenders of the Loans and the issuance of Letters of Credit by the Issuing Bank, regardless of any investigation made by the Lenders or the Issuing Bank or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not been terminated. The provisions of Sections 2.13, 2.15, 2.19 and 9.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the expiration of any Letter of Credit, the invalidity or unenforceability of any term or provision of this Agreement, or any investigation made by or on behalf of the Administrative Agent, any Lender or the Issuing Bank.

SECTION 9.03. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto.

SECTION 9.04. Successors and Assigns. (a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Borrower, the Administrative Agent, the Issuing Bank or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Lender may assign to one or more assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent of the Administrative Agent (and, in the case of any assignment of a Commitment, the Issuing Bank) (which consent shall not be unreasonably withheld or delayed); provided, however, that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, (x) the Borrower must give its prior written consent to such assignment (which consent shall not be unreasonably withheld or delayed); provided, however, that the consent of the Borrower shall not be required to any such assignment during the continuance of any Event of Default described in paragraph (g) or (h) of Article VII, and (y) the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 (or, if less, the entire remaining amount of such Lender's Commitment), (ii) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Lender's rights and obligations under this Agreement, (iii) the parties to each such assignment shall (A) electronically execute and deliver to the Administrative Agent an Assignment and Acceptance via an electronic settlement system acceptable to the Administrative Agent (which initially shall be ClearPar LLC) or (B) manually execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500 and (iv) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire and applicable tax forms. Upon acceptance and recording pursuant to paragraph (e) of this Section 9.04, from and after the effective date specified in each Assignment and Acceptance, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.13, 2.15, 2.19 and 9.05, as well as to any Fees accrued for its account and not yet paid). Notwithstanding the foregoing, any Lender assigning its rights and obligations under this Agreement may retain any Competitive Loans made by it outstanding at such time, and in such case shall retain its rights hereunder in respect of any such Loans so retained until such Loans have been repaid in full in accordance with this Agreement.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim and that its Commitment, and the outstanding balances of its Revolving Loans and Competitive Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth in such Assignment and Acceptance, (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto, or the financial condition of the Borrower or any Subsidiary or the performance or observance by the Borrower or any Subsidiary of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in Section 3.05 or delivered pursuant to Section 5.04 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive and the Borrower, the Administrative Agent, the Issuing Bank and the Lenders may treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above and, if required, the written consent of the Borrower, the Issuing Bank and the Administrative Agent to such assignment, the Administrative Agent shall (i) accept such Assignment and Acceptance and (ii) record the information contained therein in the Register. No assignment shall be effective unless it has been recorded in the Register as provided in this paragraph (e).

(f) Each Lender may without the consent of the Borrower, the Issuing Bank or the Administrative Agent sell participations to one or more banks or other entities in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other entities shall be entitled to the benefit of the cost protection provisions contained in Sections 2.13, 2.15 and 2.19 to the same extent as if they were Lenders (but, with respect to any particular participant, to no greater extent than the Lender that sold the participation to such participant) and (iv) the Borrower, the Administrative Agent, the Issuing Bank and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans or L/C Disbursements and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing

any fees payable hereunder or the amount of principal of or the rate at which interest is payable on the Loans, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans or increasing or extending the Commitments).

(g) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure of information designated by the Borrower as confidential, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary exceptions) to preserve the confidentiality of such confidential information on terms no less restrictive than those applicable to the Lenders pursuant to Section 9.16.

(h) Any Lender may at any time assign all or any portion of its rights under this Agreement to secure extensions of credit to such Lender or in support of obligations owed by such Lender; provided that no such assignment shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(i) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 9.04, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institutions (consented to by the Borrower and Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC.

(j) The Borrower shall not assign or delegate any of its rights or duties hereunder without the prior written consent of the Administrative Agent, the Issuing Bank and each Lender, and any attempted assignment without such consent shall be null and void.

(k) In the event that S&P, Moody's and Thompson's BankWatch (or InsuranceWatch Ratings Service, in the case of Lenders that are insurance companies (or Best's Insurance Reports, if such insurance company is not rated by Insurance Watch Ratings Service)) shall, after the date that any Lender becomes a Lender, downgrade the long-term certificate deposit ratings of such Lender, and the resulting ratings shall be below BBB-, Baa3 and C (or BB, in the case of a Lender that is an insurance company (or B, in the case of an insurance company not rated by InsuranceWatch Ratings Service)), then the Issuing Bank shall have the right, but not the obligation, at its own expense, upon notice to such Lender and the Administrative Agent, to replace (or to request the Borrower to use its reasonable efforts to replace) such Lender with an assignee (in accordance with and subject to the restrictions contained in paragraph (b) above), and such Lender hereby agrees to transfer and assign without recourse (in accordance with and subject to the restrictions contained in paragraph (b) above) all its interests, rights and obligations in respect of its Commitment to such assignee; provided, however, that (i) no such assignment shall conflict with any law, rule and regulation or order of any Governmental Authority and (ii) the Issuing Bank or such assignee, as the case may be, shall pay to such Lender in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on the Loans made by such Lender hereunder and all other amounts accrued for such Lender's account or owed to it hereunder.

SECTION 9.05. Expenses; Indemnity. (a) The Borrower agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent and the Issuing Bank in connection with the syndication of the credit facilities provided for herein and the preparation and administration of this Agreement or in connection with any amendments, modifications or waivers of the provisions hereof (whether or not the transactions hereby or thereby contemplated shall be consummated) or incurred by the Administrative Agent or any Lender in connection with the enforcement or protection of its rights in connection with this Agreement or in connection with the Loans made or Letters of Credit issued hereunder, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore LLP, counsel for the Administrative Agent, and, in connection with any such enforcement or protection, the reasonable fees, charges and disbursements of any other counsel for the Administrative Agent or any Lender.

(b) The Borrower agrees to indemnify the Administrative Agent, each Lender, the Issuing Bank and each Related Party of any of the foregoing persons (each such person being called an "Indemnitee") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnitee (other than Taxes, Other Taxes or amounts that would be Other Taxes if imposed by the United States of America or any political subdivision thereof) arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated thereby, (ii) the use of the proceeds of the Loans or issuance of Letters of Credit, or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment (a "Final Judgment") to have resulted from the gross negligence or wilful misconduct of such Indemnitee or (y) arise from any legal proceedings commenced against any Lender by any other Lender (other than legal proceedings against the Administrative Agent or the Issuing Bank in its capacity as such) or in which a Final Judgment is rendered in the Borrower's favor against such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent or the Issuing Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or the Issuing Bank, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Issuing Bank in its capacity as such. For purposes hereof, a Lender's "pro rata share" shall be determined based upon its share of the sum of the Aggregate Revolving Credit Exposure and unused Commitments at the time.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section 9.05 shall be payable not later than 15 days after written demand therefor.

SECTION 9.06. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, except to the extent prohibited by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under

this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section 9.06 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.07. Applicable Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK. EACH LETTER OF CREDIT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, THE LAWS OR RULES DESIGNATED IN SUCH LETTER OF CREDIT, OR IF NO SUCH LAWS OR RULES ARE DESIGNATED, THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS MOST RECENTLY PUBLISHED AND IN EFFECT, ON THE DATE SUCH LETTER OF CREDIT WAS ISSUED, BY THE INTERNATIONAL CHAMBER OF COMMERCE (THE "UNIFORM CUSTOMS") AND, AS TO MATTERS NOT GOVERNED BY THE UNIFORM CUSTOMS, THE LAWS OF THE STATE OF NEW YORK.

SECTION 9.08. Waivers; Amendment. (a) No failure or delay of the Administrative Agent, any Lender or the Issuing Bank in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders; provided, however, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest on any Loan or any date for reimbursement of an L/C Disbursement, or waive or excuse any such payment or any part thereof, or decrease the rate of interest on any Loan or L/C Disbursement, without the prior written consent of each Lender affected thereby, (ii) increase or extend the Commitment or decrease or extend the date for payment of any Fees of any Lender without the prior written consent of such Lender, (iii) amend or modify the pro rata requirements of Section 2.16, the provisions of Section 9.04(j), the provisions of this Section or the definition of the term "Required Lenders", without the prior written consent of each Lender or (iv) modify the protections afforded to an SPC pursuant to the provisions of Section 9.04(i) without the written consent of such SPC; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the Issuing Bank hereunder without the prior written consent of the Administrative Agent or the Issuing Bank.

SECTION 9.09. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan or participation in any L/C Disbursement, together with all fees, charges and other amounts which are treated as interest on such Loan or participation in such L/C Disbursement under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan or participation in accordance with applicable law, the rate of interest payable in respect of such Loan or participation hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan or participation but were not payable as a result of the operation of this Section 9.09 shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or participations or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.10. Entire Agreement. This Agreement and the Fee Letter dated December 1, 2004, between the Borrower and Credit Suisse First Boston, constitute the entire contract between the parties relative to the subject matter hereof. Any other previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement. Nothing in this Agreement, expressed or implied, is intended to confer upon any person (other than the parties hereto, their respective successors and assigns permitted hereunder (including any Affiliate of the Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 9.11. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.11.

SECTION 9.12. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 9.13. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 9.03. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 9.14. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 9.15. Jurisdiction; Consent to Service of Process. (a) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(b) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.16. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' officers, directors, employees and agents, including accountants, legal counsel and other advisors who need to know such Information in connection with its role as Administrative Agent, Issuing Bank or Lender (as the case may be) hereunder (it being understood that the persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority or quasi-regulatory authority (such as the National Association of Insurance Commissioners) (provided that, to the extent permitted by applicable law and practicable under the circumstances, such person will first inform the Borrower of any such request), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process (provided that, to the extent permitted by applicable law, such person will promptly notify the Borrower of such requirement as far in advance of its disclosure as is practicable to enable the Borrower to seek a protective order and, to the extent practicable, such person will cooperate with the Borrower in seeking any such order), (d) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to the enforcement of its rights hereunder, (e) subject to an agreement containing provisions substantially the same as those of this Section 9.16, to (i) any actual or prospective assignee of or participant in any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any credit default swap or similar credit derivative transaction relating to the obligations of the Borrower under this Agreement, (f) with the consent of the Borrower or (g) to the extent such Information becomes publicly available other than as a result of a breach of this Section 9.16. For the purposes of this Section, "Information" shall mean all information received from the Borrower and related to the Borrower or its business, other than any such information that was available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to its disclosure by the Borrower. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees that, except as expressly provided in this Section 9.16, it will use Information only in connection with its role as Administrative Agent, Issuing Bank or Lender (as the case may be) hereunder.

SECTION 9.17. Termination of Existing Credit Agreements. The Borrower and each of the Lenders that is also a Lender (as defined in an Existing Credit Agreement) party to an Existing Credit Agreement that has not, by its terms, terminated on or prior to the Closing Date agree that the Commitments (as defined in such Existing Credit Agreement) shall be terminated in their entirety on the Closing Date in accordance with the terms thereof, subject only to this Section 9.17. Each of such Lenders waives (a) any requirement of notice of such termination pursuant to such Existing Credit Agreement and (b) any claim to any facility fees under such Existing Credit Agreement for any day on or after the Closing Date. The Borrower (i) represents and warrants that (x) after giving effect to the preceding sentences of this Section 9.17, the commitments under such Existing Credit Agreement will be terminated effective not later than the Closing Date and (y) no loans will be, as of the Closing Date, outstanding under such Existing Credit Agreement and (ii) covenants that all accrued and unpaid facility fees and other amounts due and payable under such Existing Credit Agreement shall have been paid on or prior to the Closing Date.

SECTION 9.18. USA Patriot Act Notice. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

LABORATORY CORPORATION OF
AMERICA HOLDINGS,
by

Name:
Title:

CREDIT SUISSE FIRST BOSTON, acting through to the
Cayman Islands branch,
by:

Name:
Title:

by:

Name:
Title:

SIGNATURE PAGE TO LABORATORY CORPORATION OF AMERICA HOLDINGS CREDIT AGREEMENT DATED AS OF THE DATE AND YEAR FIRST WRITTEN ABOVE

[[NYCORP:2458875v7:4471C:01/10/05--09:29 p]]

NAME OF LENDER:

by

Name:
Title:

Exhibit 10.22

LABORATORY CORPORATION OF AMERICA HOLDINGSDEFERRED COMPENSATION PLAN

(Effective January 1, 2002)

PURPOSE OF THE PLAN

Laboratory Corporation of America Holdings (the "Company") hereby establishes, effective January 1, 2002, a nonqualified deferred compensation plan for the benefit of certain of the Company's employees known as the Deferred Compensation Plan (the "Plan"). The purpose of the Plan is to provide certain eligible employees of the Company with the opportunity to receive certain deferred compensation made on their behalf by the Company in the absence of certain restrictions and limitations in the Code.

The Plan is an "employee pension benefit plan" within the meaning of ERISA. However, the Plan is unfunded and maintained for a select group of management or highly compensated employees and, therefore, it is intended that the Plan will be exempt from Parts 2, 3, and 4 of Title 1 of ERISA. The Plan is not intended to qualify under Code Section 401(a).

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. For purposes of the Plan, the following words and phrases shall have the meanings set forth below, unless their context clearly requires a different meaning.

(a) "Account" shall mean the bookkeeping account maintained by the Company on behalf of each Participant pursuant to this Plan.

(b) "Account Crediting Options" shall mean the investment funds, which may include life insurance policies, selected by the Company, in its sole discretion, within which the Accounts will be hypothetically invested as set forth in Section 4.4.

(c) "Administrator" shall mean the Administrator as defined in Article VI, provided, however, that if the Administrator has delegated any of its powers or duties, a reference to the Administrator herein will be deemed to be a reference to the Administrator's delegate.

(d) "Affiliated Employer" shall mean any business entity, whether or not incorporated, which at the time of reference controls, is controlled by, or is under common control with the Company (within the meaning of Sections 414(b) and (c) of the Code, or which must be taken into account as if it were an Employer under Sections 414(m) or (o) of the Code).

(e) "Beneficiary" or "Beneficiaries" shall mean the person or persons designated by the Participant in accordance with the provisions of this Plan as being entitled to receive any benefit payable under the Plan.

(f) "Board" means the Board of Directors of the Company.

(g) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(h) "Company" shall mean Laboratory Corporation of America Holdings.

(i) "Company Contributions" shall mean the amounts, as determined by the Company or an Affiliated Employer on an annual basis based on the provisions of Section 3.2 of this Plan, credited by the Employer to the Account of each Participant.

(j) "Compensation" shall mean base pay and the Employee's Management Incentive Bonus. Base pay includes wages as defined in Section 3401(a) of the Code and all other payments for compensation paid to an Employee by the Employer (in the course of the Employer's trade or business), excluding reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation and welfare benefits, overtime, and bonuses (other than the Management Incentive Bonus), but including amounts that are otherwise excludable from the gross income of the Participant under a deferral election by reason of the application of Sections 125 or 402(e)(3) of the Code.

(k) "Deferral Contributions" shall mean the amounts, as determined by the Participant on an annual basis based on the provisions of Section 3.1 of this Plan, credited by the Employer to the Account of each Participant.

(l) "Early Retirement Date" shall mean any date on or after a Participant both attains the age of fifty-five (55) with ten (10) years of service and has terminated his employment with the Employer, either voluntarily or involuntarily, for any reason.

(m) "Effective Date" shall mean the date on which this Plan becomes effective, January 1, 2002.

(n) "Eligible Employee" shall mean an employee who has been designated by the Company, pursuant

to Section 2.1, as eligible to make contributions to the Plan and receive Company Contributions to the Plan.

(o) "Employee" shall mean any common-law employee of the Company or Affiliated Employers.

(p) "Employer" shall mean Laboratory Corporation of America Holdings and each Affiliated Employer. Unless the context otherwise requires, "the Employer" shall mean Laboratory Corporation of America Holdings.

(q) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

(r) "Management Incentive Bonus" shall mean the bonus given to members of management based on various economic factors including, but not limited to, the profitability of the Employer. The Management Incentive Bonus is given at the discretion of the Employer.

(s) "Participant" shall mean each Employee who is eligible to participate and has been selected for participation in the Plan and who has become a Participant pursuant to Article II. Any Employee who is a Plan Participant and whose employment terminates with the Employer for any reason other than retirement, death, or disability shall receive a lump sum payment and will no longer be considered a Participant. Upon a Participant's retirement, death, or disability, an individual (or his Beneficiary) shall remain a Plan Participant for as long as the Employee has any balance in his Account.

(t) "Plan" shall mean the Laboratory Corporation of America Holdings Deferred Compensation Plan, as set forth herein and as may be amended or restated from time to time.

(u) "Plan Administrator" means the Board or such other person or persons as the Board may delegate from time to time to perform such function.

(v) "Plan Year" means the calendar year ending December 31.

(w) "Retirement Date" shall mean any date on or after a Participant both attains the age of sixty-five (65) and has terminated his employment with the Company, either voluntarily or involuntarily, for any reason.

(x) "Trust" shall mean the trust fund established pursuant to the terms of the Plan.

(y) "Trustee" shall mean the corporation named in the agreement establishing the Trust and such successor and/or additional trustees as may be named in accordance with the Trust Agreement.

Section 1.2. Gender and Number. As required by context, an expression in the singular may be deemed to refer to the plural and *vice versa*. A word in the masculine gender will be deemed also to include the feminine.

ARTICLE II
ELIGIBILITY AND PARTICIPATION

Section 2.1. Eligibility. Employees who are eligible for participation in the Plan are certain key employees who are a part of a select group of management or highly compensated employees, as defined in ERISA Sections 201(2), 301(a)(3), and 401(a)(1), and whom the Company has designated or may designate as eligible to participate in the Plan at its discretion. Employees must also be subject to the income tax laws of the United States in order to be eligible for participation in the Plan.

The Company shall designate one or more individuals to elect Eligible Employees for participation in the Plan and shall notify each Eligible Employee of his selection for participation. Subject to the provisions of Section 2.3, an Eligible Employee must meet the eligibility requirements each Plan Year. The Company may terminate an Employee's participation in the Plan at any time in its sole discretion.

Section 2.2. Commencement of Participation. An Employee shall become an Eligible Employee when the Company grants eligibility effective as of the date determined by the Administrator in its discretion. An Eligible Employee shall become a Participant when he elects to defer income into the Plan or the Plan receives Company Contributions for his benefit.

Section 2.3. Termination of Participation. Once an Eligible Employee has become a Participant in the Plan for a Plan Year, participation shall continue until the first to occur of (a) payment in full of all benefits to which the Participant or Beneficiary is entitled under the Plan, (b) the occurrence of an event specified in Section 2.4 which results in loss of benefits, or (c) termination of the individual's participation pursuant to Section 2.1 or Section 9.4.

Section 2.4. Missing Persons. If the Company is unable to locate the Participant or his Beneficiary for purposes of making a distribution, the amount of the Participant's benefits under the Plan that would otherwise be considered as nonforfeitable shall be forfeited effective four (4) years after (a) the last date a payment of said benefit was made, if at least one such payment was made, or (b) the first date a payment of said benefit was directed to be made by the Administrator pursuant to the terms of the Plan, if no payments have been made. If such person is located after the date of such forfeiture, the benefits for such Participant or Beneficiary shall not be reinstated hereunder.

Section 2.5. Relationship to Other Plans. Participation in the Plan shall not preclude the Participant from participating in any other fringe benefit program or plan sponsored by the Employer for which such Participant would otherwise be eligible.

ARTICLE III
CONTRIBUTIONS AND VESTING

Section 3.1. Deferral Contributions. Each Participant may elect to execute a salary deferral election with the Employer to reduce his compensation by a specified percentage, not exceeding 50%, equal to a whole number multiple of one (1) percent. Such election shall become effective as soon as administratively feasible after the Administrator's receipt of the properly completed salary deferral election which day shall always be the first day of a full payroll period. Elections shall be made in writing on a form provided by the Administrator and shall be delivered to the Employer at the time and in the manner specified by the Administrator. An election once made will remain in effect until a new election is made. A new election will be effective as of the first day of the following Plan Year or as soon as administratively feasible thereafter which day shall always be the first day of a full payroll period and will apply only to Compensation payable with respect to services rendered after such date. Amounts credited to a Participant's Account prior to the effective date of any new election will not be affected and will be paid in accordance with the prior election. In no event may the amount which a Participant elects to defer for any Plan Year be less than five thousand dollars ($5,000). The Employer shall credit an amount to the Account maintained on behalf of the Participant corresponding to the amount of said reduction. Under no circumstances may an election to defer Compensation be adopted retroactively. A Participant may not revoke an election to defer Compensation for a Plan Year during that year.

Each Participant may elect to have a percentage of his Management Incentive Bonus otherwise payable to him during each Plan Year contributed to the Plan on his behalf. This election must be made prior to the time that services related to the Management Incentive Bonus are rendered. For example, if a Management Incentive Bonus is provided for services rendered in 1990, then the election to defer any portion of this bonus must be made prior to 1990. This is true even if the bonus is not actually paid out until 1991.

The Employer shall post to the Account of each Participant the amount of the Management Incentive Bonus deferred on the Participant's behalf, as designated by the Participant's deferral election in effect for that Plan Year. The amount deferred from the Participant's Management Incentive Bonus shall be posted to his Account at the time the Management Incentive Bonus would otherwise have been paid to the Participant.

Section 3.2. Company Contributions. At such time as an Employee becomes a Participant pursuant to Article II, the Employer may make contributions to the Participant's Account as determined by the Employer in its sole discretion.

The Employer may, in its sole discretion, contribute such additional amounts, if any, to the Account of any one or more Participants as the Employer may determine.

All contributions which the Employer may make under this Section 3.2 must constitute reasonable compensation for the services rendered under Section 162 of the Code.

Section 3.3. Contribution Timing. Notwithstanding the date that Company Contributions and Deferral Contributions are credited to a Participant's Account, a Participant's Account shall not begin to be credited with investment gains and losses until such time as the Company Contributions and Deferral Contributions are actually transferred to the Participant's Account or as otherwise determined by the Company.

Section 3.4. Vesting. A Participant shall always be one hundred percent (100%) vested in his Account balance.

ARTICLE IV
ACCOUNTS AND INVESTMENTS

Section 4.1. Establishment of Recordkeeping Accounts. A separate Account shall be maintained for each Participant. Such Account shall be credited with Deferral Contributions and Company Contributions made by the Employer, if any, pursuant to this Plan and credited (or charged, as the case may be) with the hypothetical investment results determined pursuant to this Article of the Plan.

Section 4.2. Subaccounts. Within each Participant's Account, separate subaccounts shall be maintained to the extent the Employer deems necessary or appropriate for the administration of the Plan.

Section 4.3. Hypothetical Nature of Accounts. The Accounts established under this Article shall be hypothetical in nature and shall be maintained for recordkeeping purposes only so that hypothetical gains or losses on Deferral Contributions and Company Contributions, if any, made to the Plan can be credited (or charged, as the case may be).

All amounts credited to a Participant's Account are at all times assets and property of the Employer and subject to the claims of the Company's creditors. No Participant or Beneficiary shall have any incidents of ownership in the Account or in amounts credited to the Account. A Participant's or Beneficiary's position with respect to payment of benefits under the Plan is that of a general unsecured creditor of the Plan. The Plan established hereunder shall not hold any actual funds or assets. The right of any person to receive one or more payments under the Plan shall be an unsecured claim against the general assets of the Employer. Any liability of the Employer to any Participant, former Participant, or Beneficiary with respect to a right to payment shall be based solely upon contractual obligations created by the Plan.

Section 4.4. Investment Gains or Losses. Account Crediting Options will be determined by the Company in its sole discretion, except that they are hypothetical in nature and no funds are actually held in the Plan. Account Crediting Options determine the hypothetical gain or loss to be reflected in the Participant Accounts. The Company specifically retains the right to change the Account Crediting Options at any time, in its sole discretion.

The Participants and their Beneficiaries may be given the opportunity to allocate their Account balance among the Account Crediting Options as provided by the Plan. The Company is neither required nor obligated to accept a Participant's or Beneficiary's allocation of his Account among the Account Crediting Options. Subject to the Company's exercise of its discretion, a Participant or Beneficiary may change the allocation of his Account in accordance with the investment procedure established by the Company in its sole discretion, but in no event may a Participant change the allocation of his Account more frequently than monthly. A Participant or Beneficiary may allocate and reallocate his entire Account among the Account Crediting Options in accordance with the then existing investment procedure. The Company may amend or modify the investment procedure at any time in its sole discretion.

Any amounts added to or subtracted from a Participant's Account on any given day will be converted to hypothetical share equivalents ("Hypothetical Shares") based on the daily closing price on said date ("Share Price") for any given Account Crediting Option. Any life insurance policies held in an Account will be valued in a similar manner. For example, a

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contribution transferred to a Participant's Account on January 3 will use the daily closing price for January 3 for each Account Crediting Option affected. As a result, the Accounts will always be at least one day behind. Hypothetical Shares shall be carried on the Plan's records and reported to the Participants in the manner determined by the Company.

Section 4.5. Hypothetical Gains or Losses. Any hypothetical dividends, capital gains, and any other income or share activity will be reflected in the Account Crediting Options. The timing of these will be the same as for the funds on which each Account Crediting Option is based.

The gain or loss on Participant Accounts will be calculated each business day except as otherwise determined by the Company in its sole discretion. The Share Price shall determine each Account Crediting Option's hypothetical value, based on the number of shares within the Account for any given Account Crediting Option. Account balances that are given to Participants on a given day will be based on the closing price of the previous business day.

ARTICLE V
DISTRIBUTION OF ACCOUNT

Section 5.1. Mandatory Distributions. A Participant shall begin receiving distributions as provided in Section 5.4 upon the first to occur of the following: his death, when he attains the Retirement Date, or Early Retirement Date, or when he is determined to be disabled.

(a) Retirement. A Participant must elect between the Retirement Date or Early Retirement Date when he makes his initial deferral election under Section 3.1. If a Participant fails to make this election, he shall be deemed to have elected the Retirement Date. When a Participant attains the Retirement Date or Early Retirement Date, the Plan will begin to make distributions to the Participant on the first business day of the first month following the month the Participant attained the Retirement Date or Early Retirement Date (or as soon as administratively feasible after the first business day of the following month).

(b) Death. Upon a Participant's death, prior to attaining the Retirement Date or Early Retirement Date, the Plan will begin to make distributions to the Participant's Beneficiary on the first business day of the month following the month of the Participant's death (or as soon as administratively feasible after the first business day of the following month).

(c) Disability. If prior to a Participant's Retirement Date or Early Retirement Date, the Participant should become disabled as a result of accidental bodily injury or sickness to such an extent that he becomes wholly and continuously unable to perform his normal duties for the Employer, the Plan will begin to make distributions to the Participant on the first business day of the month following the month of the Company's determination of the Participant's disability (or as soon as administratively feasible after the first business day of the following month). The Company's determination of a Participant's disability shall be conclusive.

At such time as a Participant or Beneficiary becomes eligible to receive distributions under this Section and at any time after these distributions have begun, a Participant or Beneficiary may petition the Company for a lump sum payment of his then remaining Account balance, which may be granted or denied at the sole discretion of the Company.

Section 5.2. Distributions in the Event of Death. If a Participant dies after becoming eligible to receive or while receiving annual payments, the remaining annual payments will be made to his Beneficiary. If a Participant has failed to name a Beneficiary, the remaining annual payments shall be made to the Participant's surviving spouse, if any, or if none, then to the Participant's estate.

If a Beneficiary dies while receiving annual payments, the remaining annual payments will be made to the Beneficiary's estate.

Section 5.3. Account Valuation Upon a Distribution. Before a distribution pursuant to this Article is made, the balance of a Participant's Account shall be determined for the business day the distribution is processed for payment based on the Share Price in effect for that business day even though the distribution will be actually made as soon as administratively feasible thereafter. The Account valuation shall be made based on the vested Account balance as determined under Section 3.4.

Section 5.4. Determination of Method of Distribution. The Participant will determine the method of distribution of benefits to himself and the method of distribution to his Beneficiary. Such determination will be made at the time the Participant makes his initial deferral election as set forth in Section 3.1. If the Participant does not determine the method of distribution to him or his Beneficiary, the method shall be a lump sum. This distribution election (including a deemed election) can be changed by a Participant once per year, but no later than one (1) year prior to the calendar year in which the Participant will attain his retirement under Section 5.1(a). When a Participant makes his initial deferral election, a Participant may elect one of the following four distribution methods:

(1) lump sum payment;

(2) annual payments over 5 years;

(3) annual payments over 10 years; or

(4) annual payments over 15 years.

The annual payments will be made on the anniversary of the Participant's initial distribution under Section 5.1. The amount will be determined as follows. Each annual payment will be equal to a fraction of the Account balance as of the date the installment is processed for payment. The numerator of the fraction will be "1" and the denominator will be the number of years remaining in the payment schedule. The future annual payments will be annually adjusted for investment gain or loss before determining the amount of the remaining annual payments.

Section 5.5. Designation of Beneficiary. Each Participant shall have the right to designate a Beneficiary to receive payment of his Account in the event of his death. A Beneficiary designation shall be made by executing and filing the Beneficiary designation form prescribed by the Company. Any such designation may be changed at any time by execution of a new designation in accordance with this Section.

If no such designation is on file with the Company at the time of the death of the Participant, or such designation is not effective for any reason as determined by the Company, then the Beneficiary to receive such benefit shall be the Participant's surviving spouse, if any, or if none, the Participant's estate.

Section 5.6. Other Distributions. At such time as a Participant's employment with the Company has terminated for any reason which does not entitle him to begin receiving Section 5.1 distributions, the Participant shall receive a lump sum distribution on the first business day of

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the month following the month the Participant's employment terminated (or as soon as administratively feasible after the first business day of the following month).

Section 5.7. Hardship Withdrawals. In the event a Participant incurs an unforeseeable emergency, the Participant may make a written request to the Company for a hardship withdrawal from his Account established under the Plan. An unforeseeable emergency is a severe financial hardship to the Participant or of a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Determination of whether unforeseeable circumstances have arisen shall be in the Company's sole discretion. Withdrawals of amounts because of an unforeseeable emergency are only permitted to the extent reasonably needed to satisfy the emergency need as determined by the Company in its sole discretion. This Section shall be interpreted in a manner consistent with Sections 1.457-2(h)(4) and 1.457-2(h)(5) of the Treasury Regulations.

Section 5.8. Early Distributions. Upon the application of any Participant, the Company, in accordance with its uniform, nondiscriminatory policy, shall permit such Participant to withdraw some or all of the vested portion of his Account prior to the time otherwise specified in the Plan for reasons other than financial hardship. A Participant must give a written petition of his intent to receive such distribution at least sixty (60) days (or such shorter time as permitted by the Company in its discretion) prior to the date of the distribution. If a Participant elects to receive such a distribution, a penalty shall be imposed such that the amount of the requested distribution shall be reduced by ten percent (10%), which reduction shall be permanently forfeited by the Participant.

Section 5.9. Notice to Trustee. The Company will notify the Trustee in writing whenever any Participant or Beneficiary is entitled to receive benefits under the Plan. The Company's notice shall indicate the form, amount, and frequency of benefits that such Participant or Beneficiary shall receive.

ARTICLE VI
ADMINISTRATION

Section 6.1. Administrator. The Plan shall be administered by one or more individuals hereinafter referred to as the Administrator. The Administrator shall be appointed by the Board. The Administrator shall be responsible for the general operation and administration of the Plan and for carrying out the provisions thereof. The Administrator may delegate to others certain aspects of the management and operations of the Plan including the employment of advisors and the delegation of ministerial duties to qualified individuals, provided that such delegation is in writing. The Administrator shall be the named fiduciary as that term is defined in Section 402(a)(2) of ERISA and the Plan Administrator as that term is defined in Section 3(16)(A) of ERISA.

Section 6.2. General Powers of Administration. The Administrator shall have all powers necessary or appropriate to enable it to carry out its administrative duties. Not in limitation, but in application of the foregoing, the Administrator shall have the duty and power to interpret the Plan and determine all questions that may arise hereunder as to the status and rights of Employees, Participants, Beneficiaries, and any other person. The Administrator may exercise the powers hereby granted in its sole and absolute discretion. Benefits under this Plan will be paid only if the Administrator decides in its discretion that the applicant is entitled to them. The Administrator shall not be personally liable for any actions taken under this Plan unless the actions involve willful misconduct.

Whenever, in the administration of the Plan, any discretionary action by the Administrator is required, the Administrator shall exercise its authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

Section 6.3. Costs of Administration. The costs of administering the Plan and the Trust shall be borne by the Company.

Section 6.4. Indemnification of Administrator. The Company shall indemnify the Administrator (and any other individuals to whom are delegated Plan administrative responsibilities) against any and all claims, losses, damages, expenses, including attorneys' fees, incurred by them and any liability, including any amounts paid in settlement with their approval, arising from their action or failure to act, except when the same is judicially determined to be attributable to its willful misconduct.

Section 6.5. Agent for Service of Legal Process. The agent for service of legal process under the Plan shall be Laboratory Corporation of America Holdings, Law Department, 430 South Spring Street, Burlington, North Carolina 27215.

ARTICLE VII
CLAIMS PROCEDURE

Section 7.1. Claims. A person who believes that they are being denied a benefit to which they are entitled under the Plan (hereafter referred to as a "Claimant") may file a written request for such benefit with the Administrator setting forth his claim. The request must be addressed to the Administrator at the Administrator's then principal place of business. In making all decisions on claims, the Administrator shall apply the Plan consistently to similarly-situated individuals.

Section 7.2. Claim Decision. Upon receipt of a claim, the Administrator shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver a written reply within that period. The Administrator may, however, extend the reply period for an additional ninety (90) days due to special circumstances. To obtain this additional ninety (90) days, the Administrator must provide written notice to the Claimant, prior to the expiration of the initial ninety-day (90-day) period, of the special circumstances requiring the extension of time and the date by which the Administrator expects a decision to be made.

If the claim is denied in whole or in part, the Administrator shall adopt a written opinion, using language calculated to be understood by the Claimant, setting forth all of the following:

(a) The specific reason or reasons for such denial.

(b) The specific reference to pertinent provisions of the Plan on which such denial is based and the Claimant's right to review the same.

(c) A description of any additional material or information necessary for the Claimant to perfect his claim and an explanation why such material or such information is necessary.

(d) An explanation of the Plan's claims review procedure under Sections 7.3 and 7.4 and the time limits applicable to such procedures.

(e) A statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

Section 7.3. Request for Review. Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Company review the determination of the Administrator. Such request must be addressed to the Secretary of the Company, at its then principal place of business. If the Claimant does not request the Company's Secretary to review the Administrator's determination within such sixty-day (60-day) period, he shall be forever barred and estopped from challenging the Administrator's determination.

Section 7.4. Review of Decision. Following a request for review, the Secretary shall fully and fairly review the decision denying the claim. The Secretary may hold a hearing or

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conduct an independent investigation regarding the merits of the denied claim. The Claimant shall have the opportunity to submit written comments, documents, records, and other information relating to the claim for benefits. The Claimant shall be provided, upon request and free of charge, with reasonable access to and copies of all documents, records, and other information relevant to the Claimant's claim for benefits. Any such review of the denied claim shall take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim without regard to whether such information was submitted or considered in the initial determination.

The Secretary shall notify the Claimant of its decision on review within sixty (60) days after its receipt of the Claimant's request for review. If the Secretary determines that special circumstances (such as the need to hold a hearing) require an extension of time, the Secretary shall furnish the Claimant, prior to the expiration of the initial sixty-day (60-day) period, written notice of an extension of sixty (60) days from the end of the initial sixty-day (60-day) period. The written extension notice shall indicate the special circumstances requiring the extension and the date by which the Secretary expects to render its decision on review.

If the Secretary renders a decision on review which is adverse to the Claimant, the Secretary shall provide the Claimant with a written notice thereof. The written notice shall be prepared in a manner calculated to be understood by the Claimant and shall set forth (a) the specific reason or reasons for the adverse decision, (b) reference to the specific Plan provisions on which the determination is based and the Claimant's right to review said provisions, (c) the Claimant's right to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the Claimant's claim, and (d) the Claimant's right to bring a civil action under ERISA Section 502(a).

For all purposes under the Plan, such decision on claims where no review is requested and decisions on claims where review is requested shall be final, binding, and conclusive on all interested parties.

To the extent permitted, notice of a claim decision may be provided by electronic notification. Any such electronic notification shall comply with the standards imposed by Department of Labor (DOL) Regulation 2520.104b-1(c)(1)(i), (iii), and (iv).

All actions set forth herein to be taken by a Claimant may likewise be taken by a representative of a Claimant who is duly authorized to act on the Claimant's behalf. The Administrator and/or the Company may require reasonable evidence of the representative's authority to act on behalf of the Claimant.

Any portion of this claims procedure which is contrary to or inconsistent with DOL Regulation 2560.503-1, effective January 1, 2002, shall be null and void. The remaining portions of this claims procedure shall be interpreted and applied in accordance with DOL Regulation 2560.503-1, effective January 1, 2002.

ARTICLE VIII
THE TRUST

Section 8.1. Establishment of Trust. The Employer shall establish the Trust between the Employer and the Trustee, in accordance with the terms and conditions as set forth in a separate agreement, under which assets are held, administered, and managed, subject to the claims of the Employer's creditors in the event of the Employer's insolvency, until paid to Participants and their Beneficiaries as specified in the Plan. The Trust is intended to be treated as a grantor trust under the Code, and the establishment of the Trust is not intended to cause Participants to realize current income on amounts contributed thereto.

ARTICLE IX
MISCELLANEOUS

Section 9.1. Not Contract of Employment. The adoption and maintenance of the Plan shall not be deemed to be a contract between the Employer and any person and shall not be consideration for the employment of any person. Nothing herein contained shall be deemed to give any person the right to be retained in the employ of the Employer or to restrict the right of the Employer to discharge any person at any time nor shall the Plan be deemed to give the Employer the right to require any person to remain in the employ of the Employer or to restrict any person's right to terminate his employment at any time.

Section 9.2. Non-Assignability of Benefits. No Participant, Beneficiary, or distributee of benefits under the Plan shall have any power or right to transfer, assign, anticipate, hypothecate, or otherwise encumber any part or all of the amounts payable hereunder, which are expressly declared to be unassignable and non-transferable. Any such attempted assignment or transfer shall be void. No amount payable hereunder shall, prior to actual payment thereof, be subject to seizure by any creditor of any such Participant, Beneficiary, or other distributee for the payment of any debt judgment or other obligation, by a proceeding at law or in equity, nor transferable by operation of law in the event of the bankruptcy, insolvency, or death of such Participant, Beneficiary, or other distributee hereunder.

The Plan shall not be required to make payments to a spouse or ex-spouse of a Plan Participant pursuant to a court order providing for the payment of alimony, separate maintenance and support, child support, property settlement or division, or equitable apportionment or division, prior to the date payments would otherwise be made to the Plan Participant as provided in the Plan.

Section 9.3. Withholding. All deferrals and payments provided for hereunder shall be subject to applicable withholding and other deductions as shall be required of the Employer under any applicable local, state, or federal law.

Section 9.4. Amendment and Termination. The Board may from time to time, in its discretion, amend, in whole or in part, any or all of the provisions of the Plan; provided, however, that no amendment may be made that would impair the rights of a Participant with respect to amounts already allocated to his Account. The Board may terminate the Plan at any time by written notice delivered to the Trustee without any liability hereunder for any such discontinuance or termination. In the event that the Plan is terminated, the balance in a Participant's Account shall be paid to such Participant or Beneficiary in a single cash lump sum, in full satisfaction of all such Participant's or Beneficiary's benefits hereunder. Any such amendment to or termination of the Plan shall be in writing and signed by a member of the Board.

Section 9.5. Information between Employer and Trustee. The Employer agrees to furnish the Trustee, and the Trustee agrees to furnish the Employer with such information relating to the Plan and Trust as may be required by the other in order to carry out their respective duties hereunder, including, without limitation, information required under the Code or ERISA and any regulations issued or forms adopted thereunder.

Section 9.6. Unsecured General Creditor Status of Employee. Any payments to any Participant, Beneficiary, or any other distributee hereunder shall be made from assets which shall continue, for all purposes, to be a part of the general, unrestricted assets of the Employer. No person shall have nor acquire any interest (legal, equitable, or otherwise) in any such assets by virtue of the provisions of this Plan. The Employer's obligation hereunder shall be an unfunded and unsecured promise to pay money in the future. To the extent that the Participant, Beneficiary, or other distributee acquires a right to receive payments from the Employer under the provisions hereof, such right shall be not greater than the right of any unsecured general creditor of the Employer. No such person shall have nor acquire any right, title, interest, or claim (legal, equitable, or otherwise) in or to any property or assets of the Employer.

In the event that, in its discretion, the Employer purchases an insurance policy, or policies, insuring the life of the Employee, or any other property, to allow the Employer to recover the cost of providing the benefits, in whole, or in part, hereunder, neither the Participant, Beneficiary, nor other distributee shall have nor acquire any rights whatsoever therein or in the proceeds therefrom. The Employer shall be the sole owner and beneficiary of any such policy or policies and, as such, shall possess and may exercise all incidents of ownership therein. No such policy, policies, or other property shall be held in any trust for a Participant, Beneficiary, or other distributee or held as collateral security for any obligation of the Employer hereunder. An Employee's participation in the underwriting or other steps necessary to acquire such policy or policies may be required by the Employer and, if required, shall not be a suggestion of any beneficial interest in such policy or policies to a Participant.

Section 9.7. Notices. Any notice permitted or required under the Plan shall be in writing and shall be hand-delivered or sent, postage prepaid, by first class mail, or by certified mail with return receipt requested, to the principal office of the Company if no other address is specifically stated in the Plan, if to the Plan Administrator or the Company, or to the address last shown on the records of the Company, if to a Participant or Beneficiary. Any such notice shall be effective as of the date of hand-delivery or mailing.

Section 9.8. Severability. If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof; instead, each provision shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provision had never been included herein.

Section 9.9. Governing Laws. All provisions of the Plan shall be construed, administered, and enforced according to ERISA, to the extent governed by federal law, and by the laws of the state of North Carolina (without regard to its choice of law rules) to the extent not preempted by ERISA.

Section 9.10. Binding Effect. This Plan shall be binding on each Participant and his heirs, devisees, and legal representatives and on the Employer and its successors and assigns.

Section 9.11. Entire Agreement. This document and any amendments contain all the terms and provisions of the Plan and shall constitute the entire Plan, any other alleged terms or provisions being of no effect.

IN WITNESS WHEREOF, the undersigned authorized officer of the Company has executed this document on the fifteenth day of December 2001.

LABORATORY CORPORATION OF
AMERICA HOLDINGS

By: /s/Bradford T. Smith
Bradford T. Smith

Title: Executive Vice President

Exhibit 10.23

FIRST AMENDMENT
TO THE
LABORATORY CORPORATION OF AMERICA HOLDINGS
DEFERRED COMPENSATION PLAN

THIS FIRST AMENDMENT to the Laboratory Corporation of America Holdings Deferred Compensation Plan is made this 8th day of December 2004.

WHEREAS, Laboratory Corporation of America Holdings, a Delaware corporation ("Company") created the Laboratory Corporation of America Holdings Deferred Compensation Plan ("Plan") with an original effective date of January 1, 2002; and

WHEREAS, pursuant to Section 9.4, the Company's Board of Directors ("Board") has the right to amend the Plan at any time; and

WHEREAS, the Board has determined to amend the Plan for compliance with the American Jobs Creation Act of 2004.

NOW, THEREFORE, the Board does hereby make this First Amendment to the Plan.

1. Definitions. Section 1.1 is modified as follows.

A. Subsection (1) of Section 1.1 is hereby deleted in its entirety and the following language is substituted in its place:

> "Early Retirement Date" shall mean any date on or after which a Participant both attains the age of fifty-five (55) with ten (10) years of service and has incurred a Separation from Service before attaining age sixty-five (65), either voluntarily or involuntarily, for any reason.

B. Subsection (w) of Section 1.1 is hereby deleted in its entirety and the following language is substituted in its place:

> "Retirement Date" shall mean any date on or after which a Participant both attains age sixty-five (65) with ten (10) years of service and has incurred a Separation from Service, voluntarily or involuntarily, for any reason.

C. Subsection (w-1) is hereby added to Section 1.1 after Subsection (w) and shall read as follows:

> "Separation from Service" has the meaning as determined by the Secretary of the Treasury ("Secretary") pursuant to Code Section 409A(a)(2)(A).

D. Subsection (w-2) is hereby added to Section 1.1 after Subsection (w-1) and shall read as follows:

> "Specified Employee" is any employee who meets the definition thereof set forth in Code Section 409A(a)(2)(B).

2. Deferral Contributions. The second and third sentences of the first paragraph of Section 3.1 are hereby deleted in their entirety and the following language is substituted in their place:

> The salary deferral election may be written, may be in electronic form, or may be in such other form as determined by the Administrator. To participate in the Plan, a Participant must properly complete and return a salary deferral election to the Employer in the time and manner specified by the Administrator. In the case of a new Participant who is in his first year of Plan participation, the new Participant must properly complete and return a salary deferral election within 30 days after the date the Participant becomes eligible to participate in the Plan. The new Participant's salary deferral election shall be effective as of the first day of the first full payroll period beginning as soon as administratively feasible after the Employer has received and processed a properly completed salary deferral election.

3. Mandatory Distributions. Section 5.1 is amended as follows.

A. The third sentence of Section 5.1(a) is hereby deleted in its entirety, and the following language is substituted in its place:

> When a Participant who is not a Specified Employee attains the Retirement Date or Early Retirement Date, the Plan will begin to make distributions to the Participant on the first business day of the first month following the month the Participant attained the Retirement Date or Early Retirement Date (or as soon as administratively feasible after the first business day of the following month). When a Participant who is a Specified Employee attains the Retirement Date or Early Retirement Date, the Plan will begin to make distributions to the Participant on the first business day of the first month which is at least six months after the date the Participant attained the Retirement Date or Early Retirement Date (or as soon as administratively feasible after the first business day of the following month or, if earlier, the Participant's date of death).

B. Section 5.1(c) and the last paragraph of Section 5.1 are hereby deleted in their entirety, and the following language is substituted in their place:

> (c) Disability. If prior to a Participant's Retirement Date or Early Retirement Date, the Participant should become disabled, the Plan will begin to make distributions to the Participant on the first

business day of the month following the month of the Company's determination of the Participant's disability (or as soon as administratively feasible after the first business day of the following month). The Company's determination of a Participant's disability shall be conclusive. For this purpose, a Participant shall be disabled if the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than 12 months.

At such time as a Participant or Beneficiary becomes eligible to receive distributions under this Section and at any time after these distributions have begun, a Participant or Beneficiary may petition the Company for a lump sum payment of his then remaining Account balance. The Company may not grant any such request until after the Secretary has issued regulations or other applicable legal authority concerning the acceleration of Plan benefits. If the Company decides to grant such request (and the Company may grant or deny such request in its sole discretion), the Company's grant of the request must comply with said regulations or other applicable legal authority issued by the Secretary.

4. Determination of Method of Distribution. The fourth sentence of Section 5.4 is hereby deleted in its entirety, and the following language is substituted in its place:

This distribution election (including a deemed election) can be changed by a Participant once per calendar year, but the new election must comply with Code Section 409A(a)(4)(C) or other legal authority issued in connection therewith. Any new election which does not meet this requirement shall be null and void.

5. Other Distributions. Section 5.6 is hereby deleted in its entirety, and the following language is substituted in its place:

At such time as a Participant incurs a Separation from Service for any reason which does not entitle him to begin receiving distributions under Section 5.1, a Participant who is not a Specified Employee shall receive a lump sum distribution on the first business day of the month following the month in which the Participant's Separation from Service occurred, or as soon as administratively feasible thereafter. If the Participant is a Specified Employee, the Participant shall receive a lump sum distribution on the first business day of a month which date is at least six months after the date of the Participant's Separation from Service (or, if earlier, the Participant's date of death).

6. Unforeseeable Emergencies. Section 5.7 is hereby deleted in its entirety, including the caption thereof. The following Section 5.7 is substituted in its place:

5.7 Unforeseeable Emergencies. A Participant may apply in writing to the Company for, and the Company may grant, an emergency withdrawal of all or any part of the vested portion of a Participant's Account if the Company, in its sole discretion, determines that the Participant has incurred an unforeseeable emergency. An "unforeseeable emergency" means a severe financial hardship to the Participant resulting from one of the following:

(a) an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Code Section 152(a));

(b) a loss of the Participant's property due to casualty; or

(c) any other similar extraordinary and unforeseeable circumstance arising as a result of events beyond the Participant's control.

The Company shall determine whether an event qualifies as an unforeseeable emergency within the meaning of this Section 5.7, in its sole and absolute discretion.

The amount that may be withdrawn shall be limited to the amount reasonably necessary to relieve the emergency upon which the request is based, plus the federal and state taxes due on the withdrawal, as determined by the Company in accordance with regulations promulgated by the Secretary. In making this determination, the Company shall take into account the extent to which such emergency may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). The Company may require a Participant who requests an emergency withdrawal to submit such evidence as the Company, in its sole discretion, deems necessary or appropriate to substantiate the emergency upon which the request is based and to determine the amount to be distributed with respect to the emergency.

7. Early Distributions. Section 5.8 is hereby deleted in its entirety.

8. Tax Law Compliance. Section 6.6 is hereby added to the Plan, and shall read as follows:

6.6 Tax Law Compliance. The Company intends that the Plan shall comply at all times with Code Section 409A, the regulations promulgated thereunder, and any and all other federal tax law authority applicable to the Plan. Any portion of the Plan which is contrary to or inconsistent with Code Section 409A, the regulations promulgated thereunder, and any other federal tax law authority applicable to the Plan shall be null and void. The remaining portions of the Plan shall be interpreted and applied in accordance with Code Section 409A, the regulations promulgated thereunder, and any other federal tax law authority applicable to the Plan.

9. Amendment and Termination. The third sentence of Section 9.4 is hereby deleted in its entirety, and the following language is substituted in its place:

> In the event that the Plan is terminated, the balance in a Participant's Account shall be paid to such Participant or Beneficiary as provided in Section 5.1 unless applicable legal authority permits a single cash lump sum payment in full satisfaction of all such Participant's or Beneficiary's benefits hereunder.

10. Effective Date. This First Amendment to the Plan shall be effective January 1, 2005.

IN WITNESS WHEREOF, pursuant to Section 9.4 of the Plan, the undersigned officer of the Company has caused this First Amendment to the Plan to be executed as of the date first written above.

LABORATORY CORPORATION OF
AMERICA HOLDINGS

By: /s/Bradford T. Smith
Bradford T. Smith, Executive Vice President
and Secretary

ATTACHMENT B- LABORATORY CORPORATION OF AMERICA HOLDINGS
SCHEDULE OF SUBSIDIARIES
December 31, 2004

ALL SUBSIDIARIES ARE DIRECTLY OR INDIRECTLY 100% OWNED BY THE PARENT UNLESS OTHERWISE NOTED

Laboratory Corporation of America Holdings (LCAH) (Parent)
- Incorporated March 8, 1994 in Delaware as National Health Laboratories Holdings Inc.(NHLHI) and renamed April 28, 1995 in connection with the merger of Roche Biomedical Laboratories, Inc. (RBL) and NHLHI
- Clinical laboratory testing operation

Subsidiaries:

Laboratory Corporation of America (LCA)
- Incorporated March 23, 1971 in Delaware as DCL Health Laboratories Incorporated, on May 28, 1974 name was changed to National Health Laboratories Incorporated (NHL), and renamed Laboratory Corporation of America in connection with the merger on April 28, 1995
- Clinical laboratory testing operation

DIANON Systems, Inc.
- Acquired January 17, 2003
- 100% owned by LCAH
- Clinical laboratory testing operation
- Urocor Acquisition Corp.
- Non-operating, 100% owned by DIANON Systems, Inc.
- Decision Diagnostics LLC (aka DaVinici/Medicorp LLC)
- 50% owned by DIANON Systems, Inc.
- MD Datacor Inc.
- 14% owned by DIANON

Dynacare Laboratories, Inc.
- 100% owned by LCA, acquired July 25, 2002
- U.S. Joint Ventures
- UHS/DL, LP (Tennessee)
- 94.8%owned by Dynacare Laboratories, Inc., 0.4% owned by DL/UHS, Inc.
- DL/UHS, Inc. (Tennessee)
- 50% owned by Dynacare Laboratories, Inc.
- Currently negotiating to increase our ownership percentage
- United Dynacare LLC (Milwaukee)
- 50% owned by Dynacare Laboratories, Inc.
- U. S. Subsidiaries
- Dynacare Holdco LLC
- 100% owned by Dynacare Company
- Dynacare Northwest Inc.
- 100% owned by Dynacare Laboratories, Inc.
- Clinical Laboratories Cheyenne
- 100% owned by Dynacare Laboratories, Inc.
- Dynacare Southwest Laboratories, Inc.
- 100% owned by Dynacare Laboratories, Inc.
- Dynacare Oklahoma Inc.
- 100% owned by Dynacare Laboratories, Inc.
- Dynacare Mississippi Inc.
- 100% owned by Dynacare Laboratories, Inc.
- HHD Gen Par Inc.
- 100% owned by Dynacare Laboratories, Inc.
- HH/DL LP
- 49.5% owned by Dynacare Southwest Laboratories Inc., 49.5% by Dynacare Laboratories, Inc. and 1% by HHD Gen Par Inc.
- Managing Partner: HHD Gen Par Inc.
- SW/DL LP
- 99% owned by HH/DL LP and 1% by HHD Gen Par, Inc.
- Managing Partner: HHD Gen Par Inc.
- LabSouth Inc.
- 100% owned by Dynacare Laboratories, Inc.
- Dynacare Louisiana, L.L.C.
- 100% owned by Dynacare Laboratories, Inc.
- Dynacare Laboratories, Inc. manages as member

Clipper Holdings Inc. (Clipper)
- Acquired July 25, 2002 as a subsidiary of LCAH
- Holds certain clinical laboratory assets in the U.S. and Canada
- Canadian Subsidiaries
- 3065619 Nova Scotia Co.
- 100% owned by Clipper Holdings, Inc.
- Dynacare Company
- 100% owned by 3065619 Nova Scotia Co.
- Execmed Health Services Inc.
- 100% owned by Dynacare Company
- 896988 Ontario Inc.
- 100% owned by Dynacare
- Dynacare Realty Inc.
- 100% owned by Dynacare Company
- Glen Ames LLP - Real estate LP managing one building, 50% owned by Dynacare Realty, Inc.
- Dynacare G.P. Inc.

o 100% owned by Dynacare Company
o Dynacare Laboratories Limited Partnership
o Limited Partnership 99.9% owned by Dynacare Company and 0.1% owned by Dynacare GP, Inc.
o Canadian Joint Ventures
o Dynacare - Gamma Medical Laboratories
o 72.99% owned by Dynacare Labs Limited Partnership
o Dynacare - Gamma Medical Laboratory subsidiaries - all 100% owned by the partnership except as noted
o GDML LeaseCo Inc.
o Ultra-Med Developments Inc.
o Gamma Dynacare Leasing Corporation
o Dynacare X-Ray Services Limited
o RD Belenger and Associates Ltd. - 70% ownership by Dynacare-Gamma
o Centre Diagnostique Analab Inc. - 75% ownership by Dynacare-Gamma
o Dynacare Gamma Institutional Laboratory Services Limited
o Has 50% ownership in SD Laboratories Inc.
o Dynacare - Kasper Medical Laboratories
o 43.37% owned by Dynacare Labs Limited Partnership
o Dynacare - Kasper Medical Laboratories subsidiaries - all 100% owned by the partnership
o Dynacare Kasper Medical Sales Inc.
o Dynacare Kasper Medical Laboratories (Northern Alberta) Inc.
o Dynacare Kasper Medical Laboratories Inc.

o Dynacare non-operating entities identified subsequent to the acquisition of Dynacare Inc. on July 25, 2002
o The following non-operating entities, some of which have real estate interests, have been identified subsequent to the 7/25/02 acquisition. We are currently researching these entities for additional information regarding their directors and officers.
o 978550 Ontario Ltd.
o DHG Place Du Centre Clinique
o 947342 Ontario Ltd.
o 3901858 Canada Inc.
o Roselat Developments Limited
o 563911 Ontario Limited
o 591893 Alberta Ltd.
o 794475 Ontario Inc.
o 942489 Ontario Ltd.
o 949235 Ontario Ltd.
o Amherstview Medical Centre Developments Inc.
o 900747 Ontario Ltd.
o 925893 Ontario Ltd.
o 942487 Ontario Ltd.
o 942492 Ontario Ltd.
o 978551 Ontario Ltd.
o Glen Davis Equities Ltd.
o Lawrence-Curlew Medical Centre Inc.
o L.R.C. Management Service Inc.
o Toronto Argyro Medical Laboratories Ltd.
o Woodstock Medical Arts Building Inc.
o Stockwin Corporation Ltd.
o Thistle Place Care Corp.
o Dynacare US Financing LLC
o Dynagene, LLC
o Central Wyoming Medical
o St. Joseph's Health Centre
o Dynacare International Inc.
o Dynacare Canada Inc.
o 977681 Ontario Inc.
o 958069 Ontario Inc.
o 942491 Ontario Limited
o 925893 Ontario Limited
o 879606 Ontario Limited
o 854512 Ontario Limited
o 829318 Ontario Limited
o 3024539 Nova Scotia Company
o 1004679 Ontario Limited

Clinical Laboratories, Inc.
o LCAH acquired 100% ownership on June 1, 2003
o Provides clinical laboratory testing services

New Molecular Diagnostics Ventures LLC
o Incorporated 9/15/03 in Delaware
o 90% owned by LCAH
o Established to seek out new diagnostic testing opportunities

LabCorp Limited
o Incorporated May 20, 1996 in the United Kingdom
o Provides sales services for clinical trials, currently inactive

Lab Delivery Service of New York City, Inc.
o Incorporated March 5, 1974 in New York
o Provides general delivery services of laboratory specimens and materials throughout the New York area

LabCorp bvba

o Previously a joint venture. LCAH acquired 100% ownership on April 27, 2001
o Belgian corporation providing clinical trials testing services

Viro-Med Laboratories, Inc.
o LCAH acquired 100% ownership on May 31, 2001
o Minnesota corporation providing clinical laboratory testing services

National Genetics Institute
o LCAH acquired 100% ownership on July 31, 2000
o California corporation providing clinical laboratory testing services

Path Lab Holdings, Inc.
o LCAH acquired 100% ownership on April 30, 2001
o Delaware holding company

Path Lab, Inc. d/b/a LabCorp
o 100% ownership by Path Lab Holdings, Inc.
o New Hampshire corporation providing clinical laboratory testing services

Medical Management Services, Inc.
o 100% ownership by Path Lab, Inc.
o Corporation providing clinical laboratory testing services

Springfield Medical Laboratory, Inc.
o 100% ownership by Medical Management Services, Inc.
o Corporation providing clinical laboratory testing services

Center for Genetic Services, Inc.
o LCAH acquired 100% ownership on August 30, 2001
o Texas corporation providing clinical laboratory testing services

Persys Technology Inc.
o LCAH acquired 100% ownership on April 23, 2004
o Software company developing/maintaining laboratory system interfaces

Uranium Development, Inc.
o Incorporated in Delaware on December 13, 2004
o

Subsidiaries no longer in existence:

CompuChem Corporation
o Incorporated May 15, 1984 in Massachusetts and acquired by RBL February 11, 1992
o Holding company for CompuChem Laboratories, Inc.
o Merged with and into National Laboratory Center, Inc. 12/31/97
CompuChem Laboratories, Inc.
o Incorporated December 22, 1980 in Delaware and acquired by RBL February 11, 1992
o Conducted toxicology and drugs of abuse laboratory testing services for health care professionals and industrial clients
o Merged with and into National Laboratory Center, Inc. 12/31/97 (after CompuChem Corporation merged)
ChemWest Analytical Laboratories, Inc.
o Incorporated July 18, 1986 in Delaware and acquired by RBL February 11, 1992
o Previously provided environmental Laboratory testing services
o Inactive since June 23, 1993
o Merged with and into National Laboratory Center, Inc. 12/31/97 (after CompuChem Corporation merged)
Allied Clinical Laboratories, Inc., a Delaware corporation
o Incorporated April 20, 1989 in Delaware and acquired by NHL June 23, 1994
o Holding company for Allied Clinical Laboratories, Inc. (Oregon)
o Merged with and into LCA 12/27/96
Allied Clinical Laboratories, Inc., an Oregon corporation
o Incorporated August 26, 1970 in Oregon as Rice Clinical Laboratories, Inc. and acquired June 23, 1994 by NHL
o Clinical laboratory testing operation
o Merged with and into Allied Clinical Laboratories, Inc., a Delaware corporation 12/27/96
LabCorp Occupational Testing Services, Inc. (LOTS) (f/k/a National Laboratory Center, Inc.)
o Incorporated in Tennessee April 25, 1985 and acquired by Parent July 14, 1995
o Conducts toxicology and drugs of abuse laboratory testing services for health care professionals and industrial clients
o Merged with and into LCAH on January 1, 2000.
Executive Tower Travel Inc.
o Incorporated February 4, 1994 in Delaware by NHL
o Previously provided travel services for employees of Parent and subsidiaries and utilized for benefits coordination
o Merged into LCA on 1/21/03.
PoisonLab, Inc.
o California corporation acquired by LCA on March 3, 2000
o Provides clinical laboratory testing services
o Merged into LCA 3/31/03.
Tower Collection Center, Inc.
o Incorporated June 15, 1994 in Delaware as a subsidiary of RBL
o Provided accounts receivable collection services to Parent and subsidiaries
o Merged into LCAH 12/31/02.

Burt Medical Laboratory, Inc.
o Inactive Connecticut corporation
o Dissolved on 10/18/01.
LTC Services and Holdings, Inc.
o 100% ownership by Path Lab Holdings, Inc.
o New Hampshire holding
o Merged into Path Lab Holdings, Inc. March 2003
LabCorp Delaware, Inc.
o Incorporated June 8, 1998 in Delaware as a subsidiary of LCAH
o Holds certain clinical laboratory assets
o Dissolved on 9/27/04
MWorld, Inc.
o 100% ownership by LTC Services and Holdings, Inc.
o Inactive New York corporation
o Merged into Path Lab Holdings, Inc. March 2003
3065703 Nova Scotia Company
o 100% owned by 3065619 Nova Scotia Co.
o Merged into Dynacare Company April 2003
3033331 Nova Scotia Company
o 100% owned by Dynacare Financing GP (a U.S. subsidiary 1% owned by 3065703 Nova Scotia Company and 99% owned by Dynacare Company)
o Merged into Dynacare Company April 2003
Dynacare Financing GP
o 1% owned by 3065703 Nova Scotia Company and 99% owned by Dynacare Company
o Dissolved into Dynacare Company 4/01/03
Dynacare Delaware Financing LLC
o 100% owned by 3033331 Nova Scotia Company
o Merged into Dynacare Laboratories, Inc. 4/01/03
Dynacare Texas Shareholder Inc.
o 100% owned by Dynacare Laboratories, Inc.
o Merged into Dynacare Laboratories, Inc. 3/31/03
Dynacare Holdings Inc.
o 100% owned by Dynacare Laboratories, Inc.
o Merged into Dynacare Laboratories, Inc. 3/31/03
Dynacare Texas Laboratories, Inc.
o 100% owned by Dynacare Laboratories, Inc.
o Merged into Dynacare Laboratories, Inc. 3/28/03
Dynacare Laboratory Management, Inc.
o 100% owned by Dynacare Laboratories, Inc.
o Merged into Dynacare Laboratories, Inc. 3/31/03
Dynacare Louisiana Inc.
o 100% owned by Dynacare Laboratories, Inc.
o Merged into Dynacare Laboratories, Inc. 3/31/03
SVL Inc.
o 100% owned by Dynacare Northwest Inc.
o Merged into Dynacare Northwest 3/31/03
HT/DL LP
o 99% owned by Dynacare Laboratory Management, Inc. and 1% by Dynacare Texas Laboratories, Inc.
o Dissolved 3/31/03
Dynacare Laboratories Investments, Inc.
o 100% owned by Dynacare Laboratories, Inc.
o Merged into Dynacare Laboratories, Inc. 3/31/03
3065702 Nova Scotia Company
o Amalgamated into Dynacare Company on 7/25/03
The Dynacare Health Group Inc.
o Amalgamated into Dynacare Company on 7/25/03
Dynacare Inc.
o Amalgamated into Dynacare Company on 7/25/03
Brampton Glendale Pharmacy
o Sold 7/22/03
Dynacare Acquisition, Inc.
o Dissolved 5/25/04
Dynacare Ilinois Inc.
o Dissolved 5/25/04
Dynacare Laboratory Holdings, Inc.
o Dissolved 5/25/04
Dynacare Texas LP, Inc.
o Dissolved 5/25/04

Exhibit 23.1

PricewaterhouseCoopers LLP
Suite 250
101 CentrePort Drive
Greensboro NC 27409
Telephone (336) 665 2700
Facsimile (336) 665 2699

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-71896) and Forms S-8 (No. 33-43006, No. 33-55065, No. 333-39735, No. 333-94329, No. 333-115905, No. 333-102602, No. 333-90764, and No. 333-97745) of Laboratory Corporation of America Holdings of our report dated March 1, 2005, relating to the financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K. We also consent to the reference to us under the heading "Selected Financial Data" in this Form 10-K.

PricewaterhouseCoopers LLP

Greensboro, North CarolinaMarch
1, 2005

EXHIBIT 24.1

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2004 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 1st day of March, 2005.

By:/s/ JEAN LUC BELINGARD

Jean-Luc Belingard

EXHIBIT 24.2

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2004 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 1st day of March, 2005.

By:/s/ WENDY E. LANE

Wendy E. Lane

EXHIBIT 24.3

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2004 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 1st day of March, 2005.

By:/s/ ROBERT E. MITTELSTAEDT, JR.

Robert E. Mittelstaedt, Jr.

EXHIBIT 24.4

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2004 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 1st day of March, 2005.

By:/s/ ARTHUR H. RUBENSTEIN

Arthur H. Rubenstein

EXHIBIT 24.5

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2004 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 1st day of March, 2005.

By:/S/ ANDREW G. WALLACE, M.D.

Andrew G. Wallace, M.D.

EXHIBIT 24.6

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2004 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 1st day of March, 2005.

By:/s/ CRAIG M. WATSON

Craig M. Watson

EXHIBIT 24.7

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2004 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 1st day of March, 2005.

By:/s/ M. KEITH WEIKEL

M. Keith Weikel

Exhibit 31.1

Certification

I, Thomas P. Mac Mahon, certify that:

1. I have reviewed this annual report on Form 10-K of Laboratory Corporation of America Holdings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2005

By: /s/THOMAS P. MAC MAHON
Thomas P. Mac Mahon
Chief Executive Officer

Exhibit 31.2

Certification

I, Wesley R. Elingburg, certify that:

1. I have reviewed this annual report on Form 10-K of Laboratory Corporation of America Holdings;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2005

By: /s/WESLEY R. ELINGBURG
Wesley R. Elingburg
Chief Financial Officer

Exhibit 32

Written Statement of
Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

The undersigned, the Chief Executive Officer and the Chief Financial Officer of Laboratory Corporation of America Holdings (the "Company"), each hereby certifies that, to his knowledge on the date hereof:

(a) the Form 10-K of the Company for the Period Ended December 31, 2004 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/THOMAS P. MAC MAHON
Thomas P. Mac Mahon
Chief Executive Officer
March 1, 2005

By: /s/WESLEY R. ELINGBURG
Wesley R. Elingburg
Chief Financial Officer
March 1, 2005