UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 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**

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☑ No ☐ .

The number of shares outstanding of the issuer's common stock is 138,333,416 shares, net of treasury stock as of October 29, 2004.

INDEX

Item 1. Financial Information

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)
(Unaudited)

	September 30, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 213.7	$ 103.0
Short term investments	20.0	20.0
Accounts receivable, net	451.0	432.5
Supplies inventories	51.9	47.0
Prepaid expenses and other	26.6	36.3
Deferred income taxes	0.1	19.1
Total current assets	763.3	657.9
Property, plant and equipment, net	347.9	361.3
Goodwill	1,305.4	1,285.9
Intangible assets, net	558.4	571.4
Investments in equity affiliates	522.6	505.3
Other assets, net	29.2	33.1
	$ 3,526.8	$ 3,414.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 80.1	$ 73.0
Accrued expenses and other	172.0	161.1
Zero coupon-subordinated notes	--	523.2
Current portion of long-term debt	0.3	0.3
Total current liabilities	252.4	757.6
Zero coupon-subordinated notes	531.0	--
5 1/2% senior notes	353.5	353.8
Long-term debt, less current portion	2.0	2.5
Capital lease obligations	3.3	4.4
Deferred income taxes	293.3	273.4
Other liabilities	116.4	127.3
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.10 par value; 30,000,000 shares authorized; shares issued: none	--	--
Common stock, $0.10 par value; 265,000,000 shares authorized; 150,042,689 and 148,855,110 shares issued and outstanding at September 30, 2004 and December 31, 2003, respectively	15.0	14.9
Additional paid-in capital	1,477.4	1,440.9
Retained earnings	865.3	587.1
Treasury stock, at cost; 11,880,653 shares and 5,521,620 shares at September 30, 2004 and December 31, 2003, respectively	(416.0)	(159.3)
Unearned restricted stock compensation	(10.5)	(22.4)
Accumulated other comprehensive gain(loss)	43.7	34.7
Total shareholders' equity	1,974.9	1,895.9
	$ 3,526.8	$ 3,414.9

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

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
Net sales	$ 781.5	$ 752.0	$ 2,318.3	$ 2,207.9
Cost of sales	455.6	441.1	1,335.1	1,284.0
Gross profit	325.9	310.9	983.2	923.9
Selling, general and and administrative expenses	162.2	162.7	490.2	490.1
Amortization of intangibles and other assets	10.9	9.5	31.7	27.5
Restructuring and other special charges	--	3.3	--	3.3
Operating income	152.8	135.4	461.3	403.0
Other income (expenses):				
Interest expense	(9.0)	(9.5)	(27.6)	(30.9)
Income from equity investments, net	12.9	11.5	37.6	32.6
Investment income	1.0	0.1	1.9	4.8
Other, net	(0.7)	(0.3)	(1.6)	(0.6)
Earnings before income taxes	157.0	137.2	471.6	408.9
Provision for income taxes	64.4	54.1	193.4	165.5
Net earnings	$ 92.6	$ 83.1	$ 278.2	$ 243.4
Basic earnings per common share	$ 0.67	$ 0.58	$ 1.99	$ 1.68
Diluted earnings per common share	$ 0.66	$ 0.58	$ 1.97	$ 1.67

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

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(DOLLARS AND SHARES IN MILLIONS)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings
PERIOD ENDED SEPTEMBER 30, 2003				
Balance at beginning of year	147.8	$ 14.8	$ 1,406.5	$ 266.1
Comprehensive earnings:				
Net earnings	--	--	--	243.4
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	--	--
Comprehensive earnings				
Issuance of common stock	0.8	--	14.3	--
Issuance of restricted stock awards	--	--	0.2	--
Amortization of unearned restricted stock compensation	--	--	--	--
Income tax benefit from stock options exercised	--	--	4.2	--
Assumption of vested stock options in connection with acquisition	--	--	8.5	--
Surrender of restricted stock awards	--	--	(1.0)	--
Purchase of common stock	--	--	--	--
BALANCE AT SEPTEMBER 30, 2003	148.6	$ 14.8	$ 1,432.7	$ 509.5
PERIOD ENDED SEPTEMBER 30, 2004				
Balance at beginning of year	148.9	$ 14.9	$ 1,440.9	$ 587.1
Comprehensive earnings:				
Net earnings	--	--	--	278.2
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	--	--
Tax effect of other comprehensive loss adjustments	--	--	--	--
Comprehensive earnings				
Issuance of common stock	1.1	0.1	29.5	--
Issuance of restricted stock awards	--	--	0.7	--
Amortization of unearned restricted stock compensation	--	--	--	--
Income tax benefit from stock options exercised	--	--	6.4	--
Surrender of restricted stock awards	--	--	(0.1)	--
Purchase of common stock	--	--	--	--
BALANCE AT SEPTEMBER 30, 2004	150.0	$ 15.0	$ 1,477.4	$ 865.3

(continued)

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
(DOLLARS AND SHARES IN MILLIONS)
(Unaudited)

	Treasury Stock	Unearned Restricted Stock Compensation	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
PERIOD ENDED SEPTEMBER 30, 2003				
Balance at beginning of year	$ (4.4)	$ (41.4)	$ (29.9)	$ 1,611.7
Comprehensive earnings:				
Net earnings	--	--	--	243.4
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	69.5	69.5
Tax effect of other comprehensive loss adjustments	--	--	(27.5)	(27.5)
Comprehensive earnings				285.4
Issuance of common stock				14.3
Issuance of restricted stock awards	--	(0.2)	--	--
Amortization of unearned restricted stock compensation	--	13.0	--	13.0
Income tax benefit from stock options exercised	--	--	--	4.2
Assumption of vested stock options in connection with acquisition	--	--	--	8.5
Surrender of restricted stock awards	(4.8)	1.0	--	(4.8)
Purchase of common stock	(150.1)	--	--	(150.1)
BALANCE AT SEPTEMBER 30, 2003	$ (159.3)	$ (27.6)	$ 12.1	$ 1,782.2
PERIOD ENDED SEPTEMBER 30, 2004				
Balance at beginning of year	$ (159.3)	$ (22.4)	$ 34.7	$ 1,895.9
Comprehensive earnings:				
Net earnings	--	--	--	278.2
Other comprehensive loss:				
Foreign currency translation adjustments	--	--	15.3	15.3
Tax effect of other comprehensive loss adjustments	--	--	(6.3)	(6.3)
Comprehensive earnings				287.2
Issuance of common stock	--	--	--	29.6
Issuance of restricted stock awards	--	(0.7)	--	--
Amortization of unearned restricted stock compensation	--	12.5	--	12.5
Income tax benefit from stock options exercised	--	--	--	6.4
Surrender of restricted stock awards	(6.7)	0.1	--	(6.7)
Purchase of common stock	(250.0)	--	--	(250.0)
BALANCE AT SEPTEMBER 30, 2004	$ (416.0)	$ (10.5)	$ 43.7	$ 1,974.9

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

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)
(Unaudited)

	Nine Months Ended September 30,	
	2004	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 278.2	$ 243.4
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	104.9	100.9
Stock compensation	12.5	13.0
Loss(gain) on sale of assets	0.9	(0.1)
Accreted interest on zero coupon-subordinated notes	7.9	7.7
Cumulative earnings in excess of Distributions from equity affiliates	(1.5)	(2.9)
Deferred income taxes	42.6	68.7
Change in assets and liabilities (net of effects of acquisitions):		
Increase in accounts receivable, net	(18.5)	(20.3)
Increase in inventories	(4.3)	(1.7)
(Increase)decrease in prepaid expenses and other	9.7	(1.3)
Increase(decrease) in accounts payable	7.1	(12.1)
Increase(decrease) in accrued expenses and other assets and liabilities	(8.0)	24.8
Net cash provided by operating activities	431.5	420.1
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(59.1)	(60.4)
Proceeds from sale of assets	1.6	0.7
Deferred payments on acquisitions	(5.8)	(13.9)
Proceeds from sale of marketable securities	--	50.4
Distributions from equity affiliates in excess of cumulative earnings	--	1.9
Acquisition of licensing technology	(1.5)	(15.0)
Acquisition of businesses, net of cash acquired	(34.6)	(641.1)
Purchase of short-term investments	(35.0)	--
Net proceeds from short-term investments	35.0	--
Net cash used for investing activities	(99.4)	(677.4)

(continued)

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)
(Unaudited)

	Nine Months Ended September 30,	
	2004	**2003**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bridge loan	$ --	$ 350.0
Payments on bridge loan	--	(350.0)
Proceeds from revolving credit facilities	--	265.0
Payments on revolving credit facilities	--	(240.0)
Proceeds from senior note offering	--	350.0
Payments on other long-term debt	(0.5)	(0.5)
Termination of interest rate swap agreements	--	5.3
Debt issuance costs	--	(7.3)
Payments on long-term lease obligations	(1.1)	(1.0)
Purchase of common stock	(250.0)	(154.9)
Net proceeds from issuance of stock to employees	29.5	14.3
Net cash (used)provided by financing activities	(222.1)	230.9
Effect of exchange rate changes on cash and cash equivalents	0.5	--
Net increase(decrease) in cash and cash equivalents	110.7	(26.4)
Cash and cash equivalents at beginning of period	103.0	56.4
Cash and cash equivalents at end of period	$ 213.7	$ 30.0
Supplemental schedule of cash flow information:		
Cash paid during the period for:		
Interest	$ 19.3	$ 3.4
Income taxes, net of refunds	87.0	76.8
Disclosure of non-cash financing and investing activities:		
Issuance of restricted stock awards	0.7	0.2
Surrender of restricted stock awards	6.7	--
Assumption of vested stock options	--	8.5

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

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

The condensed consolidated financial statements include the accounts of Laboratory Corporation of America Holdings and its wholly owned subsidiaries (the "Company") after elimination of all material intercompany accounts and transactions. On January 17, 2003, the Company completed the acquisition of DIANON Systems, Inc., (DIANON) a leading U.S. provider of anatomic pathology and oncology testing services. Disclosure of certain business combination transactions is included in Note 7 – Business Acquisition. The Company operates in one business segment.

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 period. Resulting translation adjustments are included in "Accumulated other comprehensive earnings(loss)".

The accompanying condensed consolidated financial statements of the Company are unaudited. In the opinion of management, all adjustments (which include only normal recurring accruals) necessary for a fair presentation of such financial statements have been included. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in the Company's 2003 annual report on Form 10-K. Therefore, the interim statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's annual report.

2. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net earnings 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 restricted stock awards and outstanding stock options.

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

The following represents a reconciliation of the weighted average shares used in the calculation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Basic	138,662,464	143,459,010	140,164,210	144,628,024
Assumed conversion/ exercise of:				
Stock options	743,040	495,472	783,379	413,218
Restricted stock awards	474,981	412,503	542,882	360,271
Diluted	139,880,485	144,366,985	141,490,471	145,401,513

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Stock Options	1,428,522	3,884,584	1,471,092	4,328,634

The Company's zero coupon-subordinated notes are contingently convertible into 9,977,634 shares of common stock and are not currently included in the diluted earnings per share calculation because these notes were not convertible according to their terms at September 30, 2004. Holders of the zero coupon-subordinated notes may require the Company to purchase all or a portion of their notes on September 11, 2006 and 2011 at prices ranging from $712.97 to $819.54 per note. The Company may choose to pay the purchase price in cash or common stock or a combination of cash and common stock. If the holders elect to require the Company to purchase their notes, it is the Company's current intention to retire the notes by a cash payment. However, future market conditions are subject to change. 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.

3. STOCK COMPENSATION PLANS

During February 2004, the Company granted 1,738,800 options at a price of $39.00 under its 2000 Stock Incentive Plan.

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)

During May 2004, the Company made awards of 7,728 shares of restricted stock and 11,904 options to its non-employee directors at a price of $38.80 under its 2000 Stock Incentive Plan.

During August 2004, the Company made awards of 1,010 shares of restricted stock and 1,556 options to a non-employee director at a price of $39.16 under its 2000 Stock Incentive Plan.

During August 2004, the Company granted 5,000 options at a price of $40.50 under its 2000 Stock Incentive Plan.

The tax benefits associated with the exercise of non-qualified stock options reduced taxes currently payable by $6.4 and $4.2 for the nine months ended September 30, 2004 and 2003, respectively. Such benefits are credited to additional paid-in-capital.

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 for these two plans based on the fair value method as defined in Statement of Financial Accounting Standards (“SFAS”) No. 123 "Accounting for Stock-Based Compensation", the impact on the Company’s net earnings on a pro forma basis is indicated below:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2004	2003	2004	2003
Net earnings, as reported		$ 92.6	$ 83.1	$ 278.2	$ 243.4
Add: Restricted stock-based compensation Under APB 25		3.0	4.4	12.6	13.0
Deduct: Total stock-based compensation expense determined under the fair value method for all awards, net of related tax effects		(9.1)	(11.0)	(30.9)	(32.6)
Pro forma net income		$ 86.5	$ 76.5	$ 259.9	$ 223.8
Basic earnings per common share	As reported	0.67	0.58	1.99	1.68
	Pro forma	0.62	0.53	1.85	1.55
Diluted earnings per common share	As reported	0.66	0.58	1.97	1.67
	Pro forma	0.62	0.53	1.84	1.54

4. STOCK REPURCHASE PROGRAM

On December 17, 2003, the Company’s Board of Directors approved a stock repurchase program under which the Company was authorized to 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 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.

5. SENIOR CREDIT FACILITIES

On January 13, 2004, the Company entered into a new $150.0 364-day revolving credit facility with Credit Suisse First Boston, acting as Administrative Agent, and a group of financial institutions to replace the existing $150.0 364-day revolving credit facility, which had terminated. The $200.0 three-year revolving credit facility was amended on January 14, 2003 and expires on February 18, 2005. These credit facilities bear interest at varying rates based upon the Company's credit rating with Standard & Poor's Ratings Services. There were no balances outstanding on the Company's senior credit facilities at September 30, 2004.

The senior credit facilities are available for general corporate purposes, including working capital, capital expenditures, funding of share repurchases and other payments, and acquisitions. The agreements contain certain debt covenants which require that the Company maintain leverage and interest coverage ratios of 2.5 to 1.0 and 5.0 to 1.0, respectively. Both ratios are calculated in relation to EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). The covenants also limit the payment of dividends. The Company is in compliance with all covenants at September 30, 2004.

6. 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 three features that are considered to be embedded derivative instruments under 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) Contingent additional principal will accrue on the zero coupon-subordinated notes during the two-year period from September 11, 2004 to September 11, 2006, if the Company's stock price is at or below specified thresholds.

3) 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.

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

Based upon independent appraisals, these embedded derivatives had no fair market value at September 30, 2004 and 2003.

7. 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 $595.6 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.

The following unaudited pro forma combined financial information for the nine months ended September 30, 2003 assumes that the DIANON acquisition, which was closed by the Company on January 17, 2003, was closed on January 1, 2003:

	Nine Months Ended September 30, 2003
Net sales	$ 2,215.9
Net earnings	243.5
Diluted earnings per common share	$ 1.67

8. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill (net of accumulated amortization) for the nine-month period ended September 30, 2004 and for the year ended December 31, 2003 are as follows:

	September 30, 2004	December 31, 2003
Balance as of January 1	$ 1,285.9	$ 910.1
Goodwill acquired during the period	18.8	388.7
Adjustments to goodwill	0.7	(12.9)
Balance at end of period	$ 1,305.4	$ 1,285.9

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

The components of identifiable intangible assets are as follows:

	September 30, 2004		December 31, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer lists	$ 597.2	$ 140.5	$ 582.5	$ 118.1
Patents, licenses and technology	68.8	16.2	67.2	11.1
Non-compete agreements	25.5	19.8	23.0	18.1
Trade name	49.4	6.0	49.6	3.6
	$ 740.9	$ 182.5	$ 722.3	$ 150.9

Amortization of intangible assets for the nine month and three month periods ended September 30, 2004 was $31.7 and $10.9, respectively, and $27.5 and $9.5 for the nine month and three month periods ended September 30, 2003. Amortization expense for the net carrying amount of intangible assets is estimated to be $10.9 for the remainder of fiscal 2004, $42.6 in fiscal 2005, $41.2 in fiscal 2006, $39.6 in fiscal 2007, and $37.4 in fiscal 2008.

9. RESTRUCTURING AND ACQUISITION RESERVES

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

	Severance Costs	Lease and Other Facility Costs	Total
Balance at December 31, 2003	$ 4.0	$ 26.8	$ 30.8
Cash payments	(2.1)	(3.2)	(5.3)
Reclassifications non-cash items	(1.8)	(2.3)	(4.1)
Acquisition integration	1.2	2.7	3.9
Balance at September 30, 2004	$ 1.3	$ 24.0	$ 25.3
Current			$ 11.2
Non-current			14.1
			$ 25.3

10. NEW ACCOUNTING PRONOUNCEMENTS

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 has 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 will be required to adopt the provisions of EITF No 04-8 for its zero coupon-subordinated notes when effective, which is expected to be for year ending December 31, 2004 - including the retroactive restatement of all diluted earnings per share calculations for all periods presented. Based on a review of the provisions of the Issue No 04-8, the Company has determined that the adoption will result in the reduction of its diluted earnings per share. Using the "if converted" method, as if the zero coupon-subordinated notes had been converted as of January 1, 2003, diluted earnings per share would have been reduced by $0.03, to $0.55; and by $0.07, to $1.60; for the three and nine months ended September 30, 2003, respectively. Using the "if converted" method, as if the zero coupon-subordinated notes had been converted as of January 1, 2003, diluted earnings per share would have been reduced by $0.03, to $0.63; and by $0.10, to $1.87; for the three and nine months ended September 30, 2004, respectively.

11. COMMITMENTS AND CONTINGENCIES

The Company is involved in litigation purporting to be a nation-wide class action involving the alleged overbilling of patients who are covered by private insurance. The Company has reached a settlement with the class that will not materially differ from accruals previously established or have a material adverse effect on the Company. The Company has now substantially implemented its obligations under the settlement. On January 9, 2001, the Company was served with a complaint in North Carolina which purported to be a class action and made claims similar to those referred to above. That claim has now been dismissed with prejudice.

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 in the United States District Court for the District of Colorado. The Company has disputed liability and contested the case vigorously. 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 judgment has been paid and the Company expects the issue relating to attorney's fees to be resolved in the near future. 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. On June 22, 2004 the Company filed a request for rehearing of the decision. On August 5, 2004 the request for rehearing was denied. The Company plans to continue to vigorously contest the Judgment until it exhausts all reasonable appellate rights.

The Company is a party to two lawsuits involving Chiron Inc. relating to Hepatitis C and HIV testing. Chiron asserts that the Company has infringed on Chiron's patents in each of these areas. The Company denies liability and intends to contest the suits vigorously. It is premature at this juncture to assess the likely outcome of these matters, or to determine whether they will have a material effect on the Company.

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 payors and managed care payors 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 many of these statutes and regulations have not been interpreted by the courts. There can be no assurance therefore that

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

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 September 30, 2004 and 2003, the Company had provided letters of credit aggregating approximately $59.1 and $45.2 respectively, primarily in connection with certain insurance programs.

12. PENSION AND POSTRETIREMENT PLANS

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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
Components of net periodic benefit cost				
Service Cost	$ 3.6	$ 3.1	$ 10.4	$ 9.3
Interest Cost	3.3	3.2	9.6	9.6
Expected return on plan assets	(4.4)	(3.2)	(12.3)	(9.6)
Net amortization and deferral	0.3	0.9	1.1	2.7
Net periodic pension cost	$ 2.8	$ 4.0	$ 8.8	$ 12.0

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Components of postretirement benefit expense				
Service Cost	$ 0.2	$ 0.2	$ 0.7	$ 0.6
Interest Cost	0.7	0.8	2.5	2.4
Net amortization and deferral	(0.5)	(0.5)	(1.5)	(1.5)
Amortization of actuarial loss	--	0.2	0.7	0.6
Postretirement benefit expense	$ 0.4	$ 0.7	$ 2.4	$ 2.1

The Medicare Prescription Drug Improvement and Modernization Act of 2003 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.

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.

The Company previously disclosed in its financial statements for the year ended December 31, 2003, that it expected to contribute $34.6 to its defined pension plan in 2004. As of September 30 2004, $42.6 of contributions have been made. The Company presently anticipates contributing an additional $17.0 to fund its pension plan in 2004 for a total of $59.6.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 payor 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 payors 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 payor mix, including an increase in capitated managed-cost health care;

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. ailure 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 reimbursements 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. compliance by the Company 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, will require management to devote substantial time and attention, which could prove to be disruptive to product development and licensing, marketing and other business activities and will require additional legal, accounting and other expenses to implement the requirements of these new rules.

RESULTS OF OPERATIONS

As discussed in the Company's Annual Report for the year ended December 31, 2003, the Company acquired DIANON Systems, Inc. on January 17, 2003. Operating results for the three months and nine months ended September 30, 2004 were negatively impacted by severe weather in Florida, Louisiana, Alabama, Georgia, and the Carolinas. All dollar amounts are in millions.

Three Months ended September 30, 2004 compared with Three Months ended September 30, 2003.

Net sales for the three months ended September 30, 2004 were $781.5 an increase of $29.5, or approximately 3.9%, from $752.0 for the comparable 2003 period. The sales increase is a result of an increase of approximately 1.8% in volume (primarily volume growth in genomic and esoteric testing of approximately 10% as volume was essentially flat in the core business). Price increased by approximately 2.1% for the quarter. Management estimates that revenue was negatively impacted by approximately $7.5, or 1% during the quarter due to severe weather.

Cost of sales, which includes primarily laboratory and distribution costs, was $455.6 for the three months ended September 30, 2004 compared to $441.1 in the corresponding 2003 period, an increase of $14.5, or 3.3%. 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 58.3% for the three months ended September 30, 2004 and 58.7% in the corresponding 2003 period. Cost of sales as a percentage of sales was impacted by the Company's ongoing cost reduction programs. Gross margin during the quarter was negatively impacted due to severe weather.

Selling, general and administrative expenses decreased to $162.2 for the three months ended September 30, 2004 from $162.7 in the same period in 2003. As a percentage of net sales, selling, general and administrative expenses were 20.8% and 21.6% for the three months ended September 30, 2004 and 2003, respectively. This decrease in selling, general and administrative expenses as a percentage of net sales is a result of realized synergies from the Dynacare and DIANON acquisitions, 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 $10.9 and $9.5 for the three months ended September 30, 2004 and 2003. The increase in the amortization expense for the three months ended September 30, 2004 is a result of small acquisitions.

Interest expense was $9.0 for the three months ended September 30, 2004 compared with $9.5 for the same period in 2003. This decrease was a direct result of debt reductions following the Company's financing of the DIANON acquisition in 2003.

Income from equity investments was $12.9 for the three months ended September 30, 2004 compared with $11.5 for the same period in 2003. This income represents the Company's ownership share in equity affiliates 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 provision for income taxes as a percentage of earnings before taxes was 41.0% for the three months ended September 30, 2004 compared to 39.5% for the three months ended September 30, 2003. The increase in the effective tax rate for the three months ended September 30, 2004 is due to a $2.1 state tax recovery during the third quarter of 2003.

Nine Months ended September 30, 2004 compared with Nine Months ended September 30, 2003.

Net sales for the nine months ended September 30, 2004 were $2,318.3, an increase of $110.4, or 5.0%, from $2,207.9 for the same period in 2003. The sales increase is a result of an increase of approximately 4.2% in volume (primarily volume growth in genomic and esoteric testing of approximately 10% as well as volume growth of approximately 3% in the core business). Price increased by approximately 1% for the first nine months. Management estimates that revenue was negatively impacted by approximately $7.5, or 0.3% during the first nine months due to severe weather.

Cost of sales, which includes primarily laboratory and distribution costs, was $1,335.1 for the nine months ended September 30, 2004 compared to $1,284.0 for the same period of 2003, an increase of $51.1, or 4.0%. 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 57.6% for the nine months ended September 30, 2004 and 58.2% for the same period in 2003. Cost of sales as a percentage of sales was impacted by the Company's ongoing cost reduction programs.

Selling, general and administrative expenses increased to $490.2 for the nine months ended September 30, 2004 from $490.1 for the same period in 2003. As a percentage of net sales, selling, general and administrative expenses were 21.1% and 22.2% for the nine months ended September 30, 2004 and 2003, respectively. This decrease in selling, general and administrative expenses as a percentage of net sales is a result of realized synergies from the Dynacare and DIANON acquisitions, 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 $31.7 and $27.5 for the nine months ended September 30, 2004 and 2003. The increase in the amortization expense for the nine months ended September 30, 2004 is a result of small acquisitions.

Interest expense was $27.6 for the nine months ended September 30, 2004 compared with $30.9 for the same period in 2003. This decrease was a direct result of debt reductions following the Company's financing of the DIANON acquisition in 2003.

The provision for income taxes as a percentage of earnings before taxes was 41.0% for the nine months ended September 30, 2004 compared to 40.5% for the nine months ended September 30, 2003. The increase in the effective tax rate for the nine months ended

September 30, 2004 is due to a $2.1 state tax recovery during the third quarter of 2003.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $431.5 and $420.1 for the nine months ended September 30, 2004 and September 30, 2003, respectively. The increase in cash flows 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 oustanding ("DSO") to 52 days at September 30, 2004 from 53 days at September 30, 2003.

Capital expenditures were $59.1 and $60.4 at September 30, 2004 and 2003, respectively. The Company expects total capital expenditures of approximately $90.0 in 2004. These expenditures are intended to continue to improve information systems and further automate laboratory processes. Such expenditures are expected to be funded by 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 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.

Based on current and projected levels of operations, coupled with availability under its revolving credit facilities, the Company believes it has sufficient liquidity to meet both its short-term and long-term cash needs.

CONTRACTUAL CASH OBLIGATIONS

	Payments Due by Period at September 30, 2004			
	<1 Yr	**1-3 Yrs**	**3-5 Yrs**	**>5 Yrs**
Capital lease obligations	$ 1.2	$ 2.4	$ 1.2	$ --
Operating leases	57.5	75.3	34.1	25.3
Restructuring obligations	1.5	6.4	5.9	5.3
Contingent future licensing payments (a)	12.9	49.0	0.3	0.5
Royalty payments	0.9	15.7	2.5	--
Minimum Purchase Obligations	7.8	20.0	12.5	--
5 1/2% Senior Notes	--	--	--	350.0
Zero Coupon-Subordinated Notes (b)	--	530.5	--	--
Total contractual cash obligations	$ 81.8	$ 699.3	$ 56.5	$ 381.1

(a) Contingent future licensing payments will be made in the event that 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 all or a portion of their notes on September 11, 2006 and 2011 at prices ranging from $712.97 to $819.54 per note. The Company may choose to pay the purchase price in cash or common stock or a combination of cash and common stock. If the holders elect to require the Company to purchase their notes, it is the Company's current intention to retire the notes by a cash payment. However, future market conditions are subject to change. 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.

ITEM 3. 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. 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 three 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) Contingent additional principal will accrue on the zero coupon-subordinated notes during the two-year period from September 11, 2004 to September 11, 2006, if the Company's stock price is at or below specified thresholds.

3) 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 value at September 30, 2004.

ITEM 4. Controls and Procedures

As of the end of the period covered by this Form 10-Q, the Company carried out, under the supervision and with the

participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information which is required to be included in the periodic reports that the Company must file with the Securities and Exchange Commission.

There were no significant changes in the Company's internal controls or in other factors that could adversely affect the internal controls as of the end of the third fiscal quarter.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

See "Note 11 to the Company's Unaudited Condensed Consolidated Financial Statements" for the three months ended September 30, 2004, which is incorporated by reference.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Repurchased Under the Program
January 1-January 31	0.3	$38.317	0.3	$ 239.5
February 1-February 29	0.4	38.872	0.7	223.2
March 1-March 31	1.0	38.562	1.7	183.4
April 1-April 30	0.9	39.623	2.6	149.2
May 1-May 31	1.0	39.787	3.6	109.7
June 1-June 30	1.0	41.444	4.6	67.9
July 1-July 31	--	--	4.6	67.9
August 1-August 31	--	--	4.6	67.9
September 1-September 30	1.6	42.676	6.2	--
Total	6.2	$40.425	6.2	--

On December 17, 2003, the Company's Board of Directors authorized and announced a stock repurchase program under which the Company could purchase up to an aggregate of $250.0 of its common stock from time-to-time, beginning in the first quarter of 2004. This program was completed in September 2004.

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.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1 Laboratory Holdings Corporation of America amended and restated new Pension Equalization Plan

10.2 First Amendment to the Laboratory Corporation of America Holdings amended and restated new Pension Equalization Plan

31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer

31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Chief Financial Officer

32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by the Chief Executive Officer and the Chief Financial Officer

(b) Reports on Form 8-K

N/A

S I G N A T U R E S

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

By: /s/THOMAS P. MAC MAHON
Thomas P. Mac Mahon
Chief Executive Officer
November 1, 2004

By: /s/WESLEY R. ELINGBURG
Wesley R. Elingburg
Chief Financial Officer
November 1, 2004

EXHIBIT 31.1

Certification

I, Thomas P. Mac Mahon, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) 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) 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

c) 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 officers 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.

/s/THOMAS P. MAC MAHON

Thomas P. Mac Mahon
Chief Executive Officer

Date: November 1, 2004

EXHIBIT 31.2

Certification

I, Wesley R. Elingburg, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) 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) 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

c) 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 officers 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.

/s/ WESLEY R. ELINGBURG

Wesley R. Elingburg
Chief Financial Officer

Date: November 1, 2004

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-Q of the Company for the Period Ended September 30, 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
November 1, 2004

By: /s/WESLEY R. ELINGBURG
Wesley R. Elingburg
Chief Financial Officer
November 1, 2004

Exhibit 10.1

LabCorp

Laboratory Corporation of America

AMENDED AND RESTATED

NEW
PENSION
EQUALIZATION
PLAN
“PEP”

Effective August 30, 2001

TABLE OF CONTENTS

TABLE OF CONTENTS

LABORATORY CORPORATION OF AMERICA
AMENDED AND RESTATED NEW PENSION EQUALIZATION PLAN

PREAMBLE

Laboratory Corporation of America Holdings ("Parent Company") originally adopted the Laboratory Corporation of America New Pension Equalization Plan ("Plan"), effective as of November 20, 1996. This Plan is entirely separate from the Laboratory Corporation of America Pension Equalization Plan. This amended and restated Plan is adopted effective as of August 30, 2001.

The Plan supplements the benefits provided by the Laboratory Corporation of America Cash Balance Retirement Plan ("Cash Balance Plan") to certain executives ("Participants") by establishing two alternative minimum benefit formulas. To the extent a Participant's minimum benefit is bigger than his or her Cash Balance Plan benefit, the excess will be paid under this Plan. The two alternative minimum benefit formulas under this Plan are:

- **The Normal Minimum Benefit**, which is an improved version of the NHL retirement formula set forth in Section 5.1.2 of the Cash Balance Plan, but applied without regard to certain benefit limitations imposed by the Internal Revenue Code of 1986 ("Code"), and assuming that the Cash Balance Plan caps pensionable compensation at $300,000 (indexed annually for inflation). See the Glossary.

- **The RBL Minimum Benefit**, which is an improved version of the minimum benefit formula used by The Supplemental Executive Retirement Plan of Roche Biomedical Laboratories, Inc. ("RBL SERP"), but applied without regard to the same Code limitations and assuming the same compensation caps as generally applicable to the Normal Minimum Benefit. See the Glossary.

Each minimum benefit formula includes two improvements over the formula on which it is based: Service and compensation with any predecessor company, in the manner provided and as listed on Exhibit A, will be taken into account and higher dollar limits on pensionable compensation will be applied.

When an Employee becomes a Participant in this Plan, the benefits to be paid under this Plan are offset and reduced dollar for dollar by any and all benefits paid or payable to the Participant under the RBL SERP on an Actuarially Equivalent basis. For purposes of calculating this offset, the spousal death benefit under the RBL SERP shall be taken into account.

This Plan is an unfunded, nonqualified, "top hat" pension plan that is governed by the Employee Retirement Income Security Act of 1974 ("ERISA").

The glossary at the end of this document defines the capitalized terms used in this Plan.

ARTICLE ONE

PARTICIPATION

1.1 Commencement of Participation

An Employee shall be a Participant in the Plan if he or she meets all three of the following requirements:

(a) The Employee has satisfied all applicable eligibility requirements (including, without limitation, any waiting period) under the Cash Balance Plan and the Employee's benefits under the Cash Balance Plan are reduced because of the limitation of benefits imposed by Sections 415, 401(a)(17), or 401(a)(4) of the Code;

(b) The Employee is, on or after November 20, 1996, 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

(c) The Parent Company's chief executive officer elects, in his or her sole discretion, to make the Employee a Participant by notifying the Employee in writing that he or she is participating in the Plan. An Employee's participation shall commence as of the date specified by the Parent Company's chief executive officer in writing in such notice and shall cease in accordance with Article 1.3(a).

1.2 Offset of Rights Under Prior Plan

By accepting benefit accruals under this Plan, a Participant's benefit paid or payable under the RBL SERP shall reduce the benefits to be paid under this Plan dollar for dollar on an Actuarially Equivalent basis. If a Participant has received, or is entitled to receive, equal or greater benefits under the RBL SERP than under this Plan, the Participant shall receive no benefits under this Plan. For purposes of calculating this offset, the RBL SERP spousal death benefit shall be taken into account.

1.3 Cessation of Participation

(a) **Cessation of Benefit Accruals:** A Participant shall cease accruing benefits on the first to occur of the following: (1) the day he or she ceases to be a senior vice president or more senior officer of an Employer; (2) the day the Parent Company's chief executive officer, acting in his or her sole discretion, elects to discontinue the Participant's benefit accruals; or (3) the day the Plan is terminated or is amended to discontinue the Participant's benefit accruals.

(b) **Cessation of Participant Status:** A Participant shall cease to be a Participant when he or she is no longer accruing benefits under this Plan and no future payments are due.

ARTICLE TWO

RETIREMENT BENEFITS

2.1 Normal Retirement Benefit

A Participant who has completed five years of Service shall receive a Retirement Benefit equal to his or her Normal Minimum Benefit or RBL Minimum Benefit, whichever is applicable, in either case reduced by the Participant's Cash Balance Plan benefit (expressed as an Actuarially Equivalent benefit commencing at the same time and in the same form as the Retirement Benefit under this Plan). The RBL Minimum Benefit is applicable to a Participant who was participating in the RBL SERP when he or she became a Participant; the Normal Minimum Benefit is applicable to all other Participants.

2.2 Early Retirement

If a Participant's Retirement Benefit commences before his or her Normal Retirement Date, his or her Retirement Benefit will be reduced by ½ of 1% for each month by which the benefit commencement date precedes the Participant's 65th birthday. In effecting this reduction as to a Participant to whom the RBL Minimum Benefit is applicable, the portion of his or her Retirement Benefit that is subject to reduction is the amount by which that Benefit exceeds the retiree health allowance component of the Participant's RBL Minimum Benefit.

2.3 Vesting and Forfeitures

(a) **Vesting:** A Participant's Retirement Benefit under this Plan shall become Vested when he or she completes five years of Service.

(b) **Forfeitures:** When a Participant terminates Employment, his or her Retirement Benefit under this Plan shall be forfeited except to the extent it is Vested.

2.4 Form and Time of Payments

Subject to the small benefit provisions of Section 2.8, a Participant's Retirement Benefit under this Plan will be paid as follows:

(a) **If the Participant is Not Married When His or Her Retirement Benefit Commences:** The Participant's Retirement Benefit shall be paid in the form of a life and 10 year certain annuity, payable monthly, commencing on the Participant's Early or Normal Retirement Date, but not before the Participant terminates Employment. The monthly payment shall be the amount determined under Section 2.1, subject to reduction under Section 2.2 for early retirement.

(b) **If the Participant is Married When His or Her Retirement Benefit Commences:** The Participant's Retirement Benefit shall be paid in the form of a joint and 50% surviving spouse annuity, payable monthly, commencing on the Participant's Early or Normal Retirement Date, but not before the Participant

terminates Employment. This benefit shall be Actuarially Equivalent to the Retirement Benefit the Participant would receive under subsection (a) if he or she were unmarried.

2.5 Death Before Retirement Benefits Commence

If a Participant who has completed five years of Service dies while employed by an Employer, a Spousal Death Benefit shall be paid to his or her surviving spouse, if any. This Spousal Death Benefit shall be 50% of the Vested Retirement Benefit that would have been payable to the Participant from this Plan if the Participant had begun to receive his or her Retirement Benefit as of the day he or she died. Subject to the small benefit provisions of Section 2.8, the Spousal Death Benefit shall be payable for the life of the Participant's surviving spouse. The Vested Retirement Benefit that would have been payable to a Participant who dies before age 55 shall be Actuarially Equivalent to the Vested Retirement Benefit that would have been payable had the Participant just attained age 55 at the time of his or her death.

If any Participant dies while employed by an Employer without a surviving spouse, no benefits will be paid under this Plan.

2.6 Death After Retirement Benefits Commence

If, upon the death of a Participant, a deceased Participant's Retirement Benefit was being paid in the form of a joint and 50% surviving spouse annuity and the Participant is survived by the spouse to whom he or she was married when the Retirement Benefit commenced, that surviving spouse will receive monthly payments for the rest of his or her life of half the amount the Participant had been receiving under this Plan. If a deceased Participant's Retirement Benefit was being paid in the form of life and 10 year certain annuity and the Participant dies before receiving 120 monthly payments, monthly payments shall continue and shall be paid to the Participant's beneficiary until the Participant and the beneficiary collectively have received 120 payments. A Participant's estate shall be his or her beneficiary unless the Participant is survived by one or more beneficiaries designated by the Participant in the manner prescribed by the Administrator.

2.7 Annual Benefit Statements

During the first quarter of each calendar year, the Administrator shall give each Participant who is accruing benefits under this Plan a benefit statement showing the Retirement Benefit that would be payable as of the Participant's Normal Retirement Date if the Participant had terminated Employment on December 31 of the preceding calendar year. That statement shall conclusively determine the amount of the Participant's Retirement Benefit at his or her Normal Retirement Date, except that any errors in the statement may be corrected by the Administrator by delivery of a substitute statement to the Participant. A Participant shall irrevocably waive any right he or she may have to have a benefit statement corrected if the Participant fails to bring the error to the Administrator's attention within 90 days after receiving the erroneous statement. If the Administrator fails to provide a benefit statement to a Participant, the Participant shall irrevocably waive any right he or she may have to the benefit accruals that would have

been evidenced by that benefit statement unless the Participant requests a benefit statement before the end of the calendar year in which it was due.

2.8 Small Benefits

When an Employee terminates Employment or dies, if the Actuarially Equivalent lump sum present value of his or her Vested Retirement Benefit or Spousal Death Benefit does not exceed $20,000.00, 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 termination of Employment.

2.9 Years of Service

Notwithstanding any other provisions of this Plan, for purposes of calculating a Participant's Retirement Benefit or a Spousal Death Benefit under the Plan, a Participant's years of Service shall not include any waiting period imposed by the Cash Balance Plan (as required to be eligible to participate in this Plan). (*See* Section 1.1(a).) For purposes of determining years of Service under this Plan, the waiting period shall be determined as follows: (a) if a Participant became an Employee prior to January 1, 1985, the waiting period shall be until the Participant has both reached the age of 25 and attained one year of Service; and (b) if a Participant became an Employee on or after January 1, 1985, the waiting period shall be until the Participant has both reached the age of 21 and attained one year of Service. In determining a Participant's waiting period, the Participant's applicable entry date under the Cash Balance Plan shall be taken into consideration.

2.10 Discretionary Benefits

The Board of Directors may, in its sole discretion, provide any one or more Participants with additional benefits under this Plan. The Board of Directors may provide these additional benefits by granting credit for additional years of Service (whether or not actually performed) and/or credit for additional pensionable compensation (whether or not actually earned or paid) towards the calculation of a Retirement Benefit or Spousal Death Benefit. The amount of additional benefits that may be provided are not limited except that all such benefits must constitute reasonable compensation for the services rendered by a Participant under Code Section 162.

ARTICLE THREE

ADMINISTRATION OF THE PLAN

3.1 Duties of the Administrator

The Administrator shall be responsible for the general administration and management of the Plan and shall administer the Plan in accordance with its terms. The Administrator shall have all powers and duties necessary to fulfill its responsibilities, including, but not limited to, the following powers and duties:

(a) To determine all questions relating to the eligibility of Employees to participate;

(b) To determine and compute the amount payable to Participants and their spouses and beneficiaries;

(c) To maintain all records necessary for the administration of the Plan;

(d) To adopt or modify Plan rules for the regulation or application of the Plan; such rules may establish administrative procedures or requirements that modify the terms of this Plan; and

(e) To administer the claims procedure set forth in Section 3.4.

3.2 Expenses

The expense of administering the Plan and paying Plan benefits shall be borne jointly and severally by the Employers. The Parent Company may bill other Employers for their proportionate share of that expense on any basis it deems to be reasonable.

3.3 Exculpation and Indemnification

Except as otherwise provided by law, no person who is an Employee, officer, or director of an Employer shall incur any liability on account of any matter related to the Plan or Plan administration unless he or she acted in bad faith or willfully neglected his or her duties with respect to the Plan. The Employers shall jointly and severally indemnify and hold harmless each such person against any and all loss, liability, claim, damage, cost, and expense that may arise by reason of, or be based upon, any matter connected with or related to the Plan or the administration thereof and all expenses whatsoever reasonably incurred in investigating, preparing, or defending against any litigation, commenced or threatened, or in settlement of any such claim.

3.4 Claims Procedure

(a) **Claims Normally Not Required:** Normally, a Participant does not need to present a formal claim to receive benefits payable under this Plan.

(b) **Disputes:** If any person ("Claimant") believes that benefits are being denied improperly, that the Plan is not being operated properly, that the persons administering the Plan have breached their duties, or that the Claimant's legal rights are being violated with respect to the Plan, the Claimant must file a formal claim with the Administrator. This requirement applies to all claims that any Claimant has with respect to the Plan, including claims against persons who administer or administered the Plan, except to the extent the Administrator determines, in its sole and exclusive judgment, that it does not have the power to grant all relief reasonably being sought by the Claimant.

(c) **Time for Filing Claims:** A formal claim must be filed within 90 days after the date upon which the Claimant first knew or should have known of the facts upon which the claim is based, unless the Administrator in writing consents otherwise. The Administrator shall provide a Claimant, upon request, with a copy of the claim procedures established under subsection (d).

(d) **Procedures:** The Administrator shall adopt procedures for considering claims, which it may amend from time to time, as it sees fit. These procedures shall comply with all applicable legal requirements. These procedures may provide that final and binding arbitration shall be the ultimate means of contesting a denied claim (even if the Administrator or its delegates have failed to follow these prescribed procedures with respect to the claim). The right to receive benefits under this Plan is contingent on a Claimant using the prescribed claims and arbitration procedures to resolve any Claim. Therefore, if a Claimant seeks to resolve any claim by any means other than the prescribed claims and arbitration provisions, he or she must repay all benefits received under the Plan and shall not be entitled to any further Plan benefits.

3.5 Administrator Action

(a) **Discretion:** The Administrator is responsible for the general administration and management of the Plan and shall have all powers and duties necessary to fulfill its responsibilities, including, but not limited to, the discretion to interpret and apply the Plan and to determine all questions relating to eligibility for benefits. The Plan shall be interpreted in accordance with its terms and their intended meanings. However, the Administrator shall have the discretion to interpret or construe ambiguous, unclear, or implied (but omitted) terms in any fashion the Administrator deems to be appropriate in the Administrator's sole and exclusive judgment and to make any findings of fact needed in the administration of the Plan. The validity of any such interpretation, construction, decision, or finding of fact shall not be given de novo review if challenged in court, by arbitration, or in any other forum, and shall be upheld unless clearly arbitrary or capricious.

(b) **Finality of Determinations:** All actions taken and all determinations made in good faith by the Administrator will be final and binding on all persons claiming any interest in or under the Plan. To the extent the Administrator has been granted discretionary authority under the Plan, the Administrator's prior exercise of such authority shall not obligate it to exercise its authority in a like fashion thereafter.

(c) **Drafting errors:** If, due to errors in drafting, any Plan provision does not accurately reflect its intended meaning, as demonstrated by consistent interpretations or other evidence of intent, or as determined by the Administrator in the Administrator's sole and exclusive judgment, the provision shall be considered ambiguous and shall be interpreted by the Administrator in a fashion consistent with its intent, as determined in its sole and exclusive judgment. The Administrator shall amend the Plan retroactively to cure any such ambiguity.

(d) **Scope:** This Section may not be invoked by any person to require the Plan to be interpreted in a manner inconsistent with its interpretation by the Administrator.

ARTICLE FOUR

AMENDMENT AND TERMINATION OF THE PLAN

4.1 Amendments

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

4.2 Termination

The Board of Directors shall have the right at any time to declare the Plan terminated completely as to it or as to any of its subsidiaries, divisions, facilities, operational units, or job classifications. Upon termination of the Plan with respect to an Employer, the Administrator may at its option 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.

ARTICLE FIVE

MISCELLANEOUS PROVISIONS

5.1 Successors

A successor to an Employer may assume Plan obligations with respect to a Participant. Notwithstanding such an assumption, to the extent the successor fails to pay Plan benefits that it has assumed, the Employers shall pay such benefits, except to a person who has released the Employers from this secondary liability.

5.2 Alienation

The rights of a Participant, spouse, or beneficiary under the Plan shall not be subject to the claim of any creditor, nor to attachment or garnishment or other legal process by any creditor, other than an Employer. A Participant, spouse, or beneficiary shall not have the right to alienate, anticipate, commute, pledge, encumber, or assign any of the Plan benefits or payments or proceeds that the individual may expect to receive, contingently or otherwise, under the Plan.

5.3 Division of Benefits by Domestic Relations Orders

The Administrator may follow any domestic relations order to the extent the Administrator determines it must comply with such order.

5.4 No Funding

This Plan shall not create, or be construed to create, a trust of any kind or any fiduciary relationships. To the extent that any person acquires a right to receive payments from an Employer under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Employer.

5.5 Limitation on Rights of Employees

The Plan is strictly a voluntary undertaking on the part of the Employers and shall not constitute a contract between any Employer and any Employee, or consideration for, or an inducement or condition of, the Employment of an Employee. Nothing contained in the Plan shall give any Employee the right to be retained in the Service of any Employer or to interfere with or restrict the right of each Employer, which is hereby expressly reserved, to discharge or retire any Employee at any time for any reason not prohibited by statute or an explicit, written, integrated employment agreement, without the Employer being required to show cause for the termination. Except as otherwise required by statute, inclusion under the Plan will not give any Employee any right or claim to any amount hereunder except to the extent such right has specifically become fixed under the terms of the Plan. The doctrine of substantial performance shall have no application to Employees, Participants, spouses, or beneficiaries. Each condition and provision has

been carefully considered and constitutes the minimum limit on performance that will give rise to the applicable right.

5.6 Withholding

The Employers shall be entitled to withhold taxes from any payment made under this Plan to the extent required by law.

5.7 Service of Process

The Secretary of the Parent Company is hereby designated as agent for the service of legal process on the Plan.

5.8 Governing Law

The Plan shall be interpreted, administered, and enforced in accordance with ERISA, and the rights of Participants and all other persons shall be determined in accordance with ERISA. To the extent that state law is applicable, however, the laws of the State of North Carolina shall apply.

5.9 Plurals

Where the context so indicates, the singular shall include the plural and vice versa.

5.10 Titles

Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction for the Plan.

5.11 References

Unless the context clearly indicates to the contrary, a reference to a Plan provision or document shall be construed as referring to any subsequently adopted or executed counterpart.

ARTICLE SIX

DETAILED CLAIMS AND ARBITRATION PROCEDURES

6.1 Claims Procedure

(a) **Initial Claims:** All claims shall be presented to the Administrator in writing. A claims official appointed by the Administrator shall, within 90 days after receiving the claim, consider the claim and issue his or her determination thereon in writing. If the claims official determines that special circumstances require an extension of time for processing the claim, the claims official may extend the determination period for up to an additional 90 days by giving the Claimant written notice. The written notice shall be furnished to the Claimant prior to the termination of the initial 90-day period and shall indicate the special circumstances requiring the extension of time. Any claims that the Claimant does not pursue in good faith though the initial claims stage shall be treated as having been irrevocably waived.

(b) **Claims Decisions:** If the claim is granted, the benefits or relief the Claimant seeks shall be provided. If the claim is wholly or partially denied, the claims official shall, within 90 days after receiving the claim (or such longer period as described above), provide the Claimant with written notice of the denial, setting forth, in a manner calculated to be understood by the Claimant: (1) the specific reason or reasons for the denial; (2) specific references to the Plan provisions on which the denial is based; (3) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and (4) a description of the procedures for appealing denied claims (and the time limits applicable thereto) and a statement of the Claimant's right to request arbitration under Section 6.2 if the Claimant's appeal is denied.

(c) **Appeal of Denied Claims:** Each Claimant shall have the opportunity to appeal the claims official's denial of a claim in writing to an appeals official appointed by the Administrator (which may be a person, committee, or other entity). A Claimant must appeal a denied claim within 60 days after receipt of written notice of denial of the claim. The Claimant (or his or her duly authorized representative) shall be provided, upon written request and free of charge, with reasonable access to and copies of all pertinent documents, records, and other information in connection with the appeals proceeding and may submit written comments, documents, records, and other information relating to the claim. The Claimant may also present evidence and theories during the appeal whether or not the Claimant presented said information during the initial claims stage. Any claims that the Claimant does not pursue in good faith through the appeals stage shall be treated as having been irrevocably waived.

(d) **Appeals Decision:** The decision by the appeal official shall be made not later than 60 days after the written appeal is received by the Administrator, unless special circumstances require an extension of time, in which case a decision shall

be rendered as soon as possible, but not later than 120 days after the appeal was filed. The Administrator shall provide the Claimant with written notice of the 60-day extension prior to the end of the initial 60-day period. The written notice shall indicate the special circumstances requiring the extension and the date by which the Administrator expects to render a decision. The appeals decision shall be in writing, shall be set forth in a manner calculated to be understood by the Claimant, and shall include (1) specific reasons for the decision as well as specific references to the Plan provisions on which the decision is based, if applicable; (2) a statement that the Claimant is entitled 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 for benefits; and (3) the Claimant's right to request arbitration under Section 6.2.

(e) **Procedures:** The Administrator shall adopt procedures by which initial claims shall be considered and appeals shall be resolved; different procedures may be established for different claims. However, in making all decisions on claims, the Administrator shall, where appropriate, apply the Plan consistently to similarly-situated individuals. All procedures shall be designed to afford a Claimant full and fair consideration of his or her claim. 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 Regulation 2520.104b-1(c)(i), (iii), and (iv).

(f) **Arbitration of Rejected Appeals:** If a Claimant has pursued his or her claim throughout the appeals stage of these claims procedures, the Claimant may contest the denial of that claim through arbitration, as described below. In no event shall any such denied claim be subject to resolution by any means (such as in a court of law) other than arbitration in accordance with the following provisions.

6.2 Arbitration Procedure

(a) **Request for Arbitration:** A Claimant must submit a request for arbitration to the Administrator within 60 days after receipt of the written denial of his or her appeal. The Claimant or the Administrator may bring an action in any court of appropriate jurisdiction to compel arbitration in accordance with these procedures.

(b) **Applicable Arbitration Rules:** If the Claimant has entered into a valid arbitration agreement with his or her Employer, the arbitration shall be conducted in accordance with that agreement. If not, the rules set forth in the balance of these Procedures shall apply: The arbitration shall be held under the auspices of either the American Arbitration Association ("AAA") or the Judicial Arbitration and Mediation Service ("JAMS"), whichever is chosen by the party who did not initiate the arbitration. Except as provided below, the arbitration shall be in accordance with the AAA's then-current Model Employment Arbitration Procedures (if the AAA is selected) or JAMS' then-current Employment Arbitration Rules (if JAMS is selected). The Arbitrator shall apply the Federal Rules of Evidence and shall have the authority to entertain a motion to dismiss or a motion for summary judgment by any party and shall apply the standards

governing such motions under the Federal Rules of Civil Procedure. The Federal Arbitration Act shall govern all arbitrations that take place under this Article Six (or that are required to take place hereunder), and shall govern the interpretation or enforcement of the arbitration procedures or any arbitration award. To the extent that the Federal Arbitration Act is inapplicable, the North Carolina Uniform Arbitration Act (Sections 1-567.1 et seq. of the North Carolina General Statutes as they exist now or as they may be amended in the future) shall apply.

(c) **Arbitrator:** The Arbitrator shall be an attorney familiar with employee benefit matters who is licensed to practice law in the state in which the arbitration is convened. The Arbitrator shall be selected in the following manner from a list of 11 arbitrators drawn by the sponsoring organization under whose auspices the arbitration is being conducted and taken from its panel of labor and employment arbitrators: Each party shall designate all arbitrators on the list whom they find acceptable; the parties shall then alternately strike arbitrators from the list of arbitrators acceptable to both parties, with the party who did not initiate the arbitration striking first. If only one arbitrator is acceptable to both parties, he or she will be the Arbitrator. If none of the arbitrators are acceptable to both parties, a new panel of arbitrators shall be obtained from the sponsoring organization and the selection process shall be repeated.

(d) **Location:** The arbitration will take place in or near the city in which the Claimant is or was last employed by an Employer or in which the Plan is principally administered, whichever is specified by the Administrator, or in such other location as may be acceptable to both the Claimant and the Administrator.

(e) **Authority of Arbitrator:** The Arbitrator shall have the authority to resolve any factual or legal claim relating to the Plan or relating to the interpretation, applicability, or enforceability of these arbitration procedures, including, but not limited to, any claim that the procedures are void or voidable. The Arbitrator may grant a Claimant's claim only if the Arbitrator determines that it is justified because: (1) the appeal official erred upon an issue of law; or (2) the appeal official's findings of fact, if applicable, were not supported by substantial evidence. The arbitration shall be final and binding upon all parties.

(f) **Limitation on Scope of Arbitration:** The Claimant may not present any evidence, facts, arguments, or theories at the arbitration that the Claimant did not pursue in his or her appeal, except in response to new evidence, facts, arguments, or theories presented on behalf of the other parties to the arbitration. However, the Arbitrator may permit a Claimant to present additional evidence or theories if the Arbitrator determines that the Claimant was precluded from presenting them during the claim and appeal procedures due to procedural errors of the Administrator or its delegates.

(g) **Administrative Record:** The Administrator shall submit to the Arbitrator a certified copy of the record upon which the appeal official's decision was made.

(h) **Experts, Depositions, and Discovery:** Except as otherwise permitted by the Arbitrator on a showing of substantial need, either party may: (1) designate one

expert witness; (2) take the deposition of one individual and the other party's expert witness; (3) propound requests for production of documents; and (4) subpoena witnesses and documents relating to the discovery permitted in this Section 6.2(h).

(i) **Pre-Hearing Procedures:** At least 30 days before the arbitration hearing, the parties must exchange lists of witnesses, including any expert witnesses, and copies of all exhibits intended to be used at the hearing. The Arbitrator shall have jurisdiction to hear and rule on pre-hearing disputes and is authorized to hold pre-hearing conferences by telephone or in person, as the Arbitrator deems necessary.

(j) **Transcripts:** Either party may arrange for a court reporter to provide a stenographic record of the proceedings at the party's own cost.

(k) **Post-Hearing Procedures:** Either party, upon request at the close of the hearing, may be given leave to file a post-hearing brief within the time limits established by the Arbitrator.

(l) **Costs and Attorney Fees:** The Claimant and his or her Employer shall equally share the fees and costs of the Arbitrator. Upon a showing of material hardship, the Employer, in its discretion, may advance all or part of the Claimant's share of the fees and costs, in which case the Claimant shall reimburse the Employer out of the proceeds of the arbitration award, if any, that the Claimant receives. Each party shall pay its own costs and attorneys' fees. The Arbitrator may, in his or her discretion, award reasonable attorneys' fees to the prevailing party.

(m) **Procedure for Collecting Costs From Claimant:** Before the arbitration commences, the Claimant must deposit with the Administrator his or her share of the anticipated fees and costs for the Arbitrator, as reasonably determined by the Administrator. At least two weeks before delivering his or her decision, the Arbitrator shall send his or her final bill for fees and costs to the Administrator for payment. The Administrator shall apply the amount deposited by the Claimant to pay the Claimant's share of the Arbitrator's fees and costs and return any surplus deposit. If the Claimant's deposit is insufficient, the Claimant will be billed for any remaining amount due. Failure to pay any amount within seven days after it is billed shall constitute the Claimant's irrevocable election to withdraw his or her arbitration request and abandon his or her claim.

(n) **Arbitration Award:** The Arbitrator shall render an award and opinion in the form typically rendered in labor arbitrations. Within 20 days after issuance of the Arbitrator's award and opinion, either party may file with the Arbitrator a motion to reconsider, which shall be accompanied by a supporting brief. If such a motion if filed, the other party shall have 20 days from the date of the motion to respond, after which the Arbitrator shall reconsider the issues raised by the motion and either promptly confirm or promptly change his or her decision. The decision shall then be final and conclusive upon the parties. Arbitrator fees and other costs of a motion for reconsideration shall be borne by the losing party, unless the Arbitrator orders otherwise. Either party may bring an action in any court of

appropriate jurisdiction to enforce an arbitration award. A party opposing enforcement of an arbitration award may not do so in an enforcement proceeding, but must bring a separate action in a court of competent jurisdiction to set aside the award. In any such action, the standard of review shall be the same as that applied by an appellate court reviewing the decision of a trial court in a non-jury trial.

(o) **Severability:** If any part of these arbitration procedures is void and unenforceable, the validity of the remainder of the procedures shall not be affected.

IN WITNESS WHEREOF, the Parent Company has caused this amended and restated Plan to be properly executed on the 30th day of August 2001.

LABORATORY CORPORATION OFAMERICA HOLDINGS

By: /s/Bradford T. Smith

Its: Executive Vice President

Attested to:

_____

Secretary

ARTICLE SEVEN

GLOSSARY

The following terms, when capitalized, shall have the meanings specified below unless the context clearly indicates to the contrary.

Actuarially Equivalent means, except as otherwise provided herein, the equivalent of a benefit payable in another form or commencing at another date, determined by the Administrator or an actuary employed by the Administrator. The actuarial assumptions, factors, or methods prescribed for analogous purposes by the Cash Balance Plan shall be used. The different actuarial assumptions, factors, or other methods prescribed in the Cash Balance Plan for former RBL employees and former NHL employees shall be used in calculating said Employees' benefits under the Plan.

Administrator means the Parent Company's Chief Executive Officer or, if applicable, such other individual or committee designated by either such Chief Executive Officer or the Board of Directors to serve as Administrator of the Plan.

Arbitrator means the attorney selected pursuant to Plan Section 6.2(c).

Board of Directors means the Parent Company's Board of Directors.

Cash Balance Plan means the Laboratory Corporation of America Cash Balance Retirement Plan, as amended from time to time.

Claimant means any person who asserts a claim with respect to the Plan.

Code means the Internal Revenue Code of 1986, as amended from time to time.

Early Retirement Date means the first day of any calendar month elected by a Participant for Retirement Benefit commencement prior to the Participant's Normal Retirement Date. A Participant's Early Retirement Date must be the first day of a month following the latest of the Participant's termination of Employment, the Participant's 55th birthday, or his or her completion of five years of Service.

Employee means an individual who is considered by his or her Employer to be its common law Employee or officer (i.e., a person whose wages from the Employer are subject to federal income tax withholding).

Employer means the Parent Company, its wholly-owned subsidiaries, any successors thereto, or any other corporation or other business entity that is an "Employer" under the Cash Balance Plan.

Employment means the period during which an individual is an Employee. Employment shall commence on the day the individual first performs Services for an Employer as an Employee and shall terminate on the day the individual ceases to be an Employee.

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

NHL means National Health Laboratories Incorporated, whose parent National Health Laboratories Holdings Inc. merged with RBL to form Laboratory Corporation of America Holdings.

Normal Minimum Benefit means the monthly Cash Balance Plan benefit that would have been payable to the Participant under the NHL retirement formula set forth in Section 5.1.2 of the Cash Balance Plan if

(a) the Cash Balance Plan had always included Prior Service in its Service determinations for eligibility, vesting, and benefit accrual purposes and had counted compensation (limited as described in paragraph (b) below) paid during Prior Service for benefit determinations; and

(b) the Cash Balance Plan never had imposed benefit limitations designed to comply with Code Sections 401(a)(17) (establishing a limit on pensionable compensation), 401(a)(4) (prohibiting discrimination in favor of highly compensated employees), or 415 (establishing maximum benefit limits), but had imposed a $300,000 cap on the annual amount of a Participant's compensation taken into account under the Cash Balance Plan for benefit calculation purposes. The $300,000 cap on compensation shall be indexed annually for inflation for the payment of all benefits under the Plan, beginning in 1997, in the manner determined by the Administrator.

Normal Retirement Date means the first day of the calendar month coincident with or next following the later of a Participant's 65th birthday or of the Participant's completion of five years of Service.

Parent Company means Laboratory Corporation of America Holdings or its successor.

Participant means an individual who is a participant in this Plan, as determined under Article One.

Plan means the Laboratory Corporation of America Amended and Restated New Pension Equalization Plan, as set forth in this document.

Prior Service means a Participant's last period of Employment with an acquired entity listed on Exhibit A. Such Employment will only be treated as Prior Service if the Participant became an Employee of an Employer or its predecessor immediately after that period of acquired entity Employment ended.

Retirement Benefit means any benefit under this Plan other than a Spousal Death Benefit.

RBL means Roche Biomedical Laboratories, Inc., which merged with National Health Laboratories Holdings Inc. to form Laboratory Corporation of America Holdings.

RBL Minimum Benefit means the benefit a Participant would be entitled to under the RBL SERP if he or she had continued to participate in that Plan and

(a) the Roche Biomedical Laboratories Retirement Plan, as in effect as of December 31, 1988, had always included Prior Service in its Service determinations and had counted compensation (limited as described in paragraph (b) below) paid during Prior Service for benefit determinations;

(b) the Roche Biomedical Laboratories Retirement Plan, as in effect of December 31, 1988, never had imposed benefit limitations designed to comply with Code Sections 401(a)(17) (establishing a limit on pensionable compensation), 401(a)(4) (prohibiting discrimination in favor of highly compensated employees), or 415 (establishing maximum benefit limits) but had imposed a $300,000 cap on the annual amount of a Participant's compensation taken into account under the Roche Biomedical Laboratories Retirement Plan for benefit calculation purposes. The $300,000 cap on compensation shall be indexed annually for inflation for the payment of all benefits under the Plan, beginning in 1997, in the manner determined by the Administrator; and

(c) the RBL SERP's benefits were not accrued in the form of straight life annuities, payable monthly, commencing at age 65 but, instead, were accrued in the form of Actuarially Equivalent life and 10 year certain annuities, payable monthly, commencing at age 65.

RBL SERP means the Supplemental Executive Retirement Plan of Roche Biomedical Laboratories, Inc. This Plan has assumed the RBL SERP benefits of Employees who become Participants in this Plan. By accepting benefit accruals under this Plan, a Participant understands and agrees that the benefits to be paid under this Plan will be reduced by any rights he or she might have under the RBL SERP. See Section 1.2.

Service means an Employee's "service" as defined in Section 1.40 of the Cash Balance Plan, except that it shall also include the Employer's Prior Service.

Spousal Death Benefit is defined in Section 2.6.

Vested means non-forfeitable.

EXHIBIT A
TO THE
LABORATORY CORPORATION OF AMERICA
AMENDED AND RESTATED
NEW PENSION EQUALIZATION PLAN

Acquired Entities

For purposes of determining a Participant's rights under the Laboratory Corporation of America Amended and Restated New Pension Equalization Plan, his or her Prior Service, and compensation paid during such Prior Service (up to a maximum of $300,000 per year, indexed annually for inflation for the payment of all benefits under the Plan, beginning in 1997, as determined by the Administrator), with an acquired entity listed below, shall be taken into account.

Allied Clinical Laboratories, Inc.
Biomedical Reference Laboratories, Inc.
Brown Laboratories, Inc.
CompuChem Laboratories, Inc.
Consolidated Biomedical Laboratories, Inc.
Medical Laboratory Associates, Inc.
National Health Laboratories Incorporated
National Laboratory Center, Inc. d/b/a MedExpress Roche Biomedical Laboratories, Inc.
Roche Clinical Laboratories, Inc.
Solely for the Participant Bradford T. Smith - Hoffman LaRoche
Solely for the Participant Michael A. Aicher - National Genetics Institute, Inc.

Exhibit 10.2

FIRST AMENDMENT TO THE AMENDED AND RESTATED NEW PENSION EQUALIZATION PLAN ("PEP")

THIS FIRST AMENDMENT to the Laboratory Corporation of America Holdings amended and restated new Pension Equalization Plan ("Plan") is made and entered this 5th day of May 2004.

WHEREAS, Laboratory Corporation of America Holdings ("Parent Company") created the Plan with an effective date of November 20, 1996; and

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

WHEREAS, the Board of Directors of the Parent Company ("Board") has the right to amend the Plan pursuant to Section 4.1 of the Plan; and

WHEREAS, the Board has determined to amend the Plan as follows.

NOW, THEREFORE, the Board does hereby make this First Amendment to the Plan.

1. Preamble. The second and third paragraphs in the Preamble are hereby deleted in their entirety, and the following paragraphs are substituted in their place:

> The Plan supplements the benefits provided by the Laboratory Corporation of America Holdings Cash Balance Retirement Plan ("Cash Balance Plan") to certain executives ("Participants") by establishing two alternative minimum benefit formulas. To the extent a Participant's minimum benefit is bigger than his or her Cash Balance Plan benefit, the excess will be paid under this Plan. The two alternative minimum benefit formulas under this Plan are:
>
> - **The Normal Minimum Benefit**, which is an improved version of the NHL retirement formula set forth in Section 5.1.2 of the Cash Balance Plan, but applied without regard to certain benefit limitations imposed by the Internal Revenue Code of 1986 ("Code"). See the Glossary.
>
> - **The RBL Minimum Benefit**, which is an improved version of the minimum benefit formula used by The Supplemental Executive Retirement Plan of Roche Biomedical Laboratories, Inc. ("RBL

SERP"), but applied without regard to the same Code limitations. See the Glossary.

Each minimum benefit formula includes an improvement over the formula on which it is based. Service and compensation with any predecessor company, in the manner provided and as listed on Exhibit A, will be taken into account.

2. Normal Retirement Benefit. The following paragraph is hereby added as the second paragraph of Section 2.1:

Notwithstanding any other provision of this Plan, including, without limitation, the first paragraph of this Section 2.1, the following four Participants shall receive the Normal Minimum Benefit reduced by the Participant's Cash Balance Plan benefit (expressed as an Actuarially Equivalent benefit commencing at the same time and in the same form as the Retirement Benefit under this Plan):

Wesley R. Elingburg	James R. Mott
James M. Kilgore, Jr.	Daniel R. Shoemaker

3. Years of Service. Section 2.9 is hereby deleted in its entirety, and the following Section 2.9 is substituted in its place:

Notwithstanding any other provisions of this Plan, for purposes of calculating a Participant's Retirement Benefit or a Spousal Death Benefit under the Plan, a Participant's Years of Service shall include any waiting period imposed by the Cash Balance Plan (regardless of when the Participant's waiting period under the Cash Balance Plan began) even if the waiting period is required to be eligible in this Plan.

Also, notwithstanding any other provisions of this Plan, for purposes of calculating a Participant's Normal Minimum Benefit, the maximum Years of Service that a Participant may accrue shall be 25.

4. Section 5.3. Section 5.3 is hereby deleted from the Plan in its entirety, and the following language is substituted in its place:

The Administrator may follow any domestic relations order to the extent the Administrator determines that the order complies with Revenue Ruling 2002-22.

5. A. Appeals Decision. The following sentence is hereby added to the end of Section 6.1(d):

The appeals decision shall also inform Claimant of the Claimant's right to bring an action under ERISA Section 502(a).

B. Arbitration of Rejected Appeals. Section 6.1(f) is hereby deleted in its entirety, and the following language is substituted in its place:

If a Claimant has pursued his or her claim throughout the appeals stage of these claims procedures, the Claimant may, at his or her option, either (1) contest the denial of the claim through arbitration, as described below, or (2) bring an action under ERISA Section 502(a).

C. Request for Arbitration. Section 6.2(a) is hereby deleted in its entirety, and the following language is substituted in its place:

A Claimant must submit a request for arbitration to the Administrator within 120 days after receipt of the written denial of his or her appeal.

D. Section 6.3. The following Section 6.3 is hereby added to the Plan.

6.3 ERISA Applicability.

Any portion of this Article Six 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 Article Six shall be interpreted and applied in accordance with DOL Regulation 2560.503-1, effective January 1, 2002.

6. A. Normal Minimum Benefit. Subparagraphs (a) and (b) of the definition of "Normal Minimum Benefit" in the Glossary are hereby deleted in their entirety, the following subparagraphs (a) and (b) are substituted in their place, and the following subparagraph (c) is added to this definition:

(a) the Cash Balance Plan had always included Prior Service in its Service determinations for eligibility, vesting, and benefit accrual purposes and had counted compensation paid during Prior Service for benefit determinations;

(b) the Cash Balance Plan had never imposed benefit limitations designed to comply with Code Sections 401(a)(17) (establishing a limit on pensionable compensation), 401(a)(4) (prohibiting discrimination in favor of highly compensated employees) or 415 (establishing maximum benefit limits); and

(c) the Regular Formula of Section 5.1.2.1 of the Cash Balance Plan used a denominator of 25 and a maximum period of Credited Service of 25 years.

B. RBL Minimum Benefit. Subparagraphs (a) and (b) of the definition of "RBL Minimum Benefit" in the Glossary are hereby deleted in their entirety, and the following subparagraphs (a) and (b) are substituted in their place:

(a) the Roche Biomedical Laboratories Retirement Plan, as in effect as of December 31, 1988, had always included Prior Service in its Service determinations and had counted compensation paid during Prior Service for benefit determinations;

(b) the Roche Biomedical Laboratories Retirement Plan, as in effect on December 31, 1988, had never imposed benefit limitations designed to comply with Code Sections 401(a)(17) (establishing a limit on pensionable compensation), 401(a)(4) (prohibiting discrimination in favor of highly compensated employees) or 415 (establishing maximum benefit limits); and

7. Exhibit A. The following parenthetical is hereby deleted from the Exhibit A to the Plan:

(up to a minimum of $300,000 per year, indexed annually for inflation for the payment of all benefits under the Plan, beginning in 1997, as determined by the Administrator).

8. Effective Date. Except for Item 2, all other Items of this Amendment shall be effective as of January 1, 2004, but shall apply only to Plan Participants who were employed by the Employer (as defined in the Plan) on January 1, 2004. Item 2 of this Amendment shall be effective as of January 1, 2004. This Amendment shall apply to all the Years of Service of the Participants to whom this Amendment applies.

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

LABORATORY CORPORATION OFAMERICA HOLDINGS

By:/s/Bradford T. Smith

Its: Executive Vice President