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

(Mark One)
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
- -----
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2000

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)

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

State the aggregate market value of the voting common equity held by non-affiliates of computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days: $3,778,795,308 at February 28, 2001.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 34,896,433 shares as of February 28, 2001, of which 11,352,537 shares are held by indirect wholly owned subsidiaries of Roche Holdings Ltd.

PART I

Item 1. DESCRIPTION OF BUSINESS

Laboratory Corporation of America Holdings (the "Company"), headquartered in Burlington, North Carolina, is the second largest independent clinical laboratory company in the United States based on 2000 net revenues. Through a national network of laboratories, the Company offers more than 4,000 different clinical laboratory tests which are used by the medical profession in routine testing, patient diagnosis, and in the monitoring and treatment of disease. Since its founding in 1971, the Company has grown into a network of 24 primary testing facilities and approximately 1,200 service sites consisting of branches, patient service centers and STAT laboratories, serving clients in 50 states.

THE CLINICAL LABORATORY TESTING INDUSTRY

Laboratory tests and procedures are used generally by hospitals, physicians and other health care providers and commercial clients to assist in the diagnosis, evaluation, detection, monitoring and treatment of diseases and other medical conditions through the examination of substances in the blood, tissues and other specimens. Clinical laboratory testing is generally categorized as either clinical testing, which is performed on body fluids including blood and urine, or anatomical pathology testing, which is performed on cytologic samples, tissue and other samples, including human cells. Clinical and anatomical pathology procedures are frequently ordered as part of regular physician office visits and hospital admissions in connection with the diagnosis and treatment of illnesses. Certain of these tests and procedures are used principally as tools in the diagnosis and treatment of a wide variety of medical conditions such as cancer, AIDS, endocrine disorders, cardiac disorders and genetic disease. The most frequently requested tests include blood chemistry analyses, urinalyses, blood cell counts, thin layer cytology Pap smears, HIV tests, microbiology cultures and procedures and alcohol and other substance-abuse tests.

The clinical laboratory industry consists primarily of three types of providers: hospital-based laboratories, physician-office laboratories and independent clinical laboratories, such as those owned by the Company.

The Company believes that in 2000 approximately 49% of the clinical testing revenues in the United States were derived by hospital-based laboratories, approximately 13% were derived by physicians in their offices and laboratories and approximately 38% were derived by independent clinical laboratories. The Health Care Financing Administration ("HCFA") of the Department of Health and Human Services ("HHS") has estimated that in 2000 there were over 5,000 independent clinical laboratories in the United States.

EFFECT OF MARKET CHANGES ON THE CLINICAL LABORATORY BUSINESS

Many market-based changes in the clinical laboratory business have occurred over the past ten years, primarily as a result of the shift away from traditional, fee-for-service medicine to managed-cost health care. The growth of the managed care sector presents various challenges to the Company and other independent clinical laboratories. Managed care organizations typically contract with a limited number of clinical laboratories and negotiate discounts to the fees charged by such laboratories in an effort to control costs. Such discounts have historically resulted in price erosion and have negatively impacted the Company's operating margins. In addition, managed care organizations have used capitated payment contracts in an attempt to fix the cost of laboratory testing services for their enrollees. Under a capitated payment contract, the clinical laboratory and the managed care organization agree to a per member, per month payment to cover all laboratory tests during the month, regardless of the number or cost of the tests actually performed. Such contracts shift the risks of additional testing beyond that covered by the capitated payment to the clinical laboratory. For the year ended December 31, 2000 such capitated contracts accounted for approximately $101.9 million of the Company's net sales. The increase in managed care and insurance companies attempts to control utilization of medical services overall has also resulted in declines in the utilization of laboratory testing services.

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

Despite the market changes discussed above, the Company believes that the volume of clinical laboratory testing will be positively influenced by several factors, including: the expanded base of genomics knowledge which has led to an enhanced appreciation of the value of gene-based diagnostic assays for guiding both the development and stratification of patient-related data for new therapeutics as well as an increased awareness by physicians that clinical laboratory testing is a cost-effective means of prevention, early detection of disease and monitoring of treatment. Additional factors which may lead to future volume growth include: an increase in the number and types of tests which are, due to advances in technology and increased cost efficiencies, readily available on a more affordable basis to physicians; expanded substance-abuse testing by corporations and governmental agencies; increased testing for sexually transmitted diseases such as AIDS; and the general aging of the population in the United States. The impact of these factors is expected to be partially offset by declines in volume as a result of increased controls over the utilization of laboratory services by Medicare and other third-party payors, particularly managed care organizations.

LABORATORY TESTING OPERATIONS AND SERVICES

The Company has 24 primary testing facilities, and approximately 1,200 service sites consisting of branches, patient service centers and STAT laboratories. A "branch" is a central office which collects specimens in a region for shipment to one of the Company's laboratories for testing. Test results can be printed at a branch and conveniently delivered to the client. A branch also is used as a base for sales staff. Generally, "patient service center" is a facility maintained by the Company to serve the physicians in a medical professional building or other strategic location. The patient service center collects the specimens as requested by the physician. The specimens are sent, principally through the Company's in-house courier system (and, to a lesser extent, through independent couriers), to one of the Company's major laboratories for testing. Some of the Company's patient service centers also function as "STAT labs", which are laboratories that have the ability to perform certain routine tests quickly and report results to the physician immediately. The Company processed an average of approximately 260,000 patient specimens per day in 2000. Patient specimens are delivered to the Company accompanied by a test request form. These forms, which are completed by the client, indicate the tests to be performed and provide the necessary billing information.

Each specimen and related request form is checked for completeness and then given a unique identification number. The unique identification number assigned to each specimen helps to assure that the results are attributed to the correct patient. The test request forms are sent to a data entry terminal where a file is established for each patient and the necessary testing and billing information is entered. Once this information is entered into the computer system, the tests are performed and the results are entered through computer interface or manually, depending upon the tests and the type of equipment involved. Most of the Company's computerized testing equipment is directly linked with the Company's information systems. Most routine testing is completed by early the next morning, and test results are printed and prepared for distribution by service representatives that day. Some clients have local printer capability and have reports printed out directly in their offices. Clients who request that they be called with a result are so notified in the morning. It is Company policy to notify the client immediately if a life-threatening result is found at any point during the course of the testing process.

TESTING SERVICES

Routine Testing

The Company currently offers approximately 4,000 different clinical laboratory tests or procedures. Several hundred of these are frequently used in general patient care by physicians to establish or support a diagnosis, to monitor treatment or medication, or to search for an otherwise undiagnosed condition. The most frequently requested routine tests include blood chemistry analyses, urinalyses, blood cell counts, Pap smears and HIV tests. These routine procedures are most often used by practicing physicians in their outpatient office practices. Physicians may elect to send such procedures to an independent laboratory or they may choose to establish an in-house laboratory to perform some of the tests.

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

Specialty and Niche Testing

While the information provided by many routine tests may be used by nearly all physicians, regardless of specialty, many other procedures are more specialized in nature. One of the primary growth strategies of the Company is the continued expansion of its specialty and niche businesses, which involve certain types of unique testing capabilities and/or client requirements. In general, the specialty and niche businesses are designed to serve two market segments: (i) markets which are not served by the routine clinical testing laboratory and therefore are subject to less stringent regulatory and reimbursement constraints; and (ii) markets which are served by the routine testing laboratory and offer the possibility of adding related services from the same supplier. The Company's research and development group continually seeks new and improved technologies for early diagnosis. For example, the Company's Center for Molecular Biology and Pathology (CMBP) is a leader in molecular diagnostics and polymerase chain reaction (PCR) technologies which are often able to provide earlier and more reliable information regarding HIV, genetic diseases, cancer and many other viral and bacterial diseases. In August 2000, the Company acquired Los Angeles-based National Genetics Institute, Inc. (NGI), a leader in the development of PCR assays for Hepatitis C (HCV). Management believes these technologies may represent a significant savings to managed care organizations by increasing the detection of early stage (treatable) diseases. The following are specialty and niche businesses in which the Company offers testing and related services:

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

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

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

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

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

Oncology Testing. The Company offers an extensive series of testing technologies that aid in diagnosing and monitoring certain cancers and predicting the outcome of certain treatments. At NGI, scientists have novel assays for melanoma and breast cancer in varying stages of clinical trials.

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

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

CLIENTS

The Company provides testing services to a broad range of health care providers. During the year ended December 31, 2000, no client or group of clients under the same contract accounted for more than two percent of the Company's net sales. The primary client groups serviced by the Company include:

Independent Physicians and Physician Groups

Physicians requiring testing for their patients who are unaffiliated with a managed care plan are one of the Company's primary sources of testing services. Fees for clinical laboratory testing services rendered for these physicians are billed either to the physician, to the patient or the patient's third party payor such as insurance companies, Medicare and Medicaid. Billings are typically on a fee-for-service basis. If the billings are to the physician, they are based on the wholesale or customer fee schedule and subject to negotiation. Otherwise, the patient is billed at the laboratory's retail or patient fee schedule and subject to third party payor limitations and negotiation by physicians on behalf of their patients. Medicare and Medicaid billings are based on government-set fee schedules.

Hospitals

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

HMOs and Other Managed Care Groups

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

Other Institutions

The Company serves other institutions, including governmental agencies, large employers and other independent clinical laboratories that do not have the breadth of the Company's testing capabilities. The institutions typically pay on a negotiated fee-for-service basis.

PAYORS

Most testing services are billed to a party other than the "client" that ordered the test. In addition, tests performed by a single physician may be billed to different payors depending on the medical benefits of a particular patient. Payors other than the direct patient, include, among others, insurance companies, managed care organizations, Medicare and Medicaid. Based on the year ended December 31, 2000 billings to the Company's respective payors based on the total volume of accessions are as follows:

	Accession Volume as a % of Total	Revenue per Accession
Private Patients	3.3%	$102.87
Medicare, Medicaid and Insurance	15.6%	$ 29.80
Commercial Clients	40.9%	$ 22.42
Managed Care	40.2%	$ 29.25

AFFILIATIONS AND ALLIANCES

One of the Company's primary growth strategies is to develop an increasing number of hospital alliances. These alliances can take several different forms, including laboratory technical support (management) contracts, reference agreements and cooperative testing arrangements. As hospitals continue to be impacted by decreasing fee schedules from third party payors and managed care organizations, the Company believes that they will seek the most cost-effective laboratory services for their patients. Management believes the Company's economies of scale as well as its delivery system will enable it to assist hospitals in achieving these goals. These alliances allow both parties to take advantage of synergies and/or best practices to provide improved and cost effective services to the community. In 2000, the Company added 43 agreements with hospitals, physician groups and other health care provider organizations representing approximately $25 million of annual sales associated with alliance activity.

The Company provides technical support services in a variety of health care settings. In these relationships, the Company generally supplies the laboratory manager and other laboratory personnel, as well as equipment and testing supplies, to manage a laboratory that is owned by a hospital, managed care organization or other health care provider. Under the typical laboratory technical support agreement, the laboratory manager, who is employed by the Company, reports to the hospital or clinic administration. Thus, the hospital or clinic ("Provider") maintains control of the laboratory. A pathologist designated by the Provider serves as medical director for the laboratory.

Reference agreements provide a means for hospitals to outsource patient laboratory testing services that are not time critical (e.g., test results reported within twenty-four hours of drawing the specimen as opposed to those requiring two to four hour turnaround). These agreements allow the hospital to maintain their own stat/emergency lab on-site, while eliminating certain costs of maintaining a full-service lab on their premises.

Hospitals increasingly look beyond their in-house patient base and seek to provide services to outreach patients within their greater local community. The Company has focused on developing cooperative testing relationships with such hospitals in which the parties combine efforts to support the needs of a specific community. These relationships center around capitalizing on a partner hospital's ability to provide low cost, high quality esoteric testing. These shared service agreements create ventures that provide communities with synergistic high quality testing services within a single infrastructure.

An important advantage the Company offers to its clients is the flexibility of the Company's information systems used for contract management services and for creating bi-directional interfaces to support the Company's cooperative testing arrangements. In addition to the ability to be customized for a particular user's needs, the Company's information systems also interface with several hospital and clinic systems, giving the user more efficient and effective information flow.

The Company's alliance contracts typically have terms between three and five years. However, most contracts contain a clause that permits termination prior to the contract expiration date. The termination terms vary but they generally fall into one of the following categories: (1) termination without cause by either the Company or the contracted Provider after written notice (generally 60 to 120 days prior to termination); (2) termination by the contracted Provider only if there are uncorrected deficiencies in the Company's performance under the contract after notice by the contracted Provider; (3) termination by the contracted Provider if there is a loss of accreditation held by any Company laboratory that services the contracted Provider, which accreditation is not reinstated within 30 days of the loss, or up to 30 days' notice if there is a decline in the quality of services provided under such contract which remains uncorrected after a 15-day period; or (4) should the Company or Provider's service requirements change to the extent that the new service requirements affect the profitability or stability of the alliance relationship and the terms cannot be re-negotiated to the satisfaction of both parties. While the Company believes that it will maintain and renew its existing contracts, there can be no assurance of such maintenance or renewal.

The Company has developed several different pricing formulas under its alliance contracts. In certain cases, profitability may depend on the Company's ability to accurately predict test volumes, patient encounters or the number of admissions.

SALES AND MARKETING AND CLIENT SERVICE

The Company offers its services through a combination of direct sales generalists and specialists. Sales generalists market the mainstream or traditional routine laboratory services primarily to physicians, while specialists concentrate on individual market segments, such as hospitals or managed care organizations, or on testing niches, such as identity testing or genetic testing. Specialist positions are established when an in-depth level of expertise is necessary to effectively offer the specialized services. When the need arises, specialists and generalists work cooperatively to address specific opportunities. At December 31, 2000, the Company employed 229 generalists and 113 specialists. The Company's sales generalists and specialists are compensated through a combination of salaries, commissions and bonuses, at levels commensurate with each individual's qualifications and responsibilities. Commissions are primarily based upon the individual's productivity in generating new business for the Company.

The Company also employs regional service managers and account managers ("AMs") to interact with clients on an ongoing basis. AMs monitor the status of the services being provided to clients, act as problem-solvers, provide information on new testing developments and serve as the client's regular point of contact with the Company. At December 31, 2000, the Company employed 296 AMs. AMs are compensated through a combination of salaries and bonuses commensurate with each individual's qualifications and responsibilities.

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

The Company competes primarily on the basis of the quality of its testing, reporting and information systems, its reputation in the medical community, the pricing of its services and its ability to employ qualified personnel. During 2000, one of the Company's goals has been to improve client service. An important factor in improving client service includes the Company's initiatives to improve its billing process. See "-Billing."

INFORMATION SYSTEMS

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

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

In 2000, the Company continued to focus its information systems activities on the consolidation of the Company's multiple laboratory and billing systems to standardized laboratory testing and billing systems. The Company has established regional data centers to more effectively handle the information processing needs of the Company. The Company believes that benefits can be derived from the conversion of its multiple billing systems into a centralized system. Implementation of the billing systems conversion began in 1997 and is expected to be substantially completed during 2001 and 2002. During 2000, the Company capitalized approximately $11.0 million in information systems development and implementation costs related directly or indirectly to billing systems. The Company anticipates capitalizing an additional $7.0 to $9.0 million in such development and implementation costs during 2001.

BILLING

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

During 2000, the Company's days sales outstanding (DSO) were reduced 6 days from December 31, 1999 levels to 68 days as a result of Company-wide efforts to increase cash collections from all payors, as well as on-going improvements to claim submission processes. The Company is continuing to take the steps necessary to improve DSO and cash collections by:

1. Conversion of decentralized billing locations to a centralized billing system. During 2000, the Tampa, Louisville and Houston locations were converted.
2. Assigning focused, cross functional billing operations teams to implement best practices throughout the Company, with particular emphasis on geographic areas with higher DSO's, and identifying underlying causes for and solutions to payment delays.

3. During the first quarter of 2000, the Company implemented an initiative to reduce the number of requisitions received that are missing certain billing information. This initiative involves measuring the number of clinical requisitions received by ordering client, as well as what specific information was not provided. The Company then identifies root causes of why the information was missing and takes steps to ensure that information is provided in the future. These steps include re-educating clients as to what information is needed in order for the Company to bill and collect for the test. During the year, the percentage of requisitions received which were missing billing information decreased by over 20%.

Although there can be no assurance of success, the Company has developed a number of initiatives to address the complexity of the billing process and to improve collection rates. These initiatives include: 1) installation of personal computer based products in client offices and Company locations to help with the accuracy and completeness of billing information captured on the front-end; 2) establishment of a project group to focus on improvements in order entry; and 3) development and implementation of enhanced eligibility checking to compare information to payor records before billing. Additionally, the Company believes that it can benefit from the conversion of its multiple billing systems into a centralized system. Currently, 80% of the Company's billing is performed on this centralized system. By the end of 2001, the Company plans to have approximately 90% of its billing performed on the centralized system.

QUALITY ASSURANCE

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

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

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

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

During 1998, the Company's forensic crime laboratory, located at CMBP, was accredited by the American Society of Crime Laboratory Directors, Laboratory Accreditation Board ("ASCLD/LAB") in the category of DNA testing. Under the Crime Laboratory Accreditation Program managed by the ASCLD/LAB, a crime laboratory undergoes a comprehensive and in-depth inspection to demonstrate that its management, operations, employees, procedures and instruments, physical plant and security, and personnel safety procedures meet stringent quality standards. The Company is one of 207 ASCLD accredited crime laboratories worldwide, and is one of only four private crime laboratories holding the accreditation. Accreditation is granted for a period of five years provided that a laboratory continues to meet the standards during that period.

COMPETITION

The clinical laboratory business is intensely competitive. The Company believes that in 2000 the entire United States clinical laboratory testing industry had revenues exceeding $32 billion; approximately 49% of such revenues were attributable to hospital-affiliated laboratories, approximately 39% were attributable to independent clinical laboratories and approximately 13% were attributable to physicians in their offices and laboratories. There are presently two national independent clinical laboratories: the Company, and Quest Diagnostics Incorporated ("Quest"), which had approximately $3.4 billion in revenues from clinical laboratory testing in 2000.

In addition to the other national clinical laboratory, the Company competes on a regional basis with many smaller regional independent clinical laboratories as well as laboratories owned by hospitals and physicians. The Company believes that the following factors, among others, are often used by health care providers in selecting a laboratory: 1) pricing of the laboratory's test services; 2) accuracy, timeliness and consistency in reporting test results; 3) number and type of tests performed; 4) service capability and convenience offered by the laboratory; and 5) its reputation in the medical community. The Company believes that it competes favorably with its principal competitors in each of these areas and is currently implementing strategies to improve its competitive position.

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

Employees

At February 28, 2001, the Company had approximately 18,850 full-time equivalent employees. A subsidiary of the Company has one collective bargaining agreement which covers approximately 23 employees. The Company believes that its overall relations with its employees are good.

Regulation and Reimbursement

General

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

Regulation of Clinical Laboratories

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

Standards for testing under CLIA are based on the complexity of the tests performed by the laboratory, with all tests classified as either high complexity, moderate complexity, or waived. Laboratories categorized as high complexity are required to meet more stringent requirements than moderate complexity laboratories. Labs performing only waived tests, which are tests determined to have a low potential for error and requiring little or no oversight, may apply for a certificate of waiver indicating that they need not comply with most of the requirements of CLIA. All major and many smaller Company facilities hold CLIA certificates to perform high complexity testing. The Company's remaining smaller testing sites hold CLIA certificates to perform moderate complexity testing or have a certificate of waiver.

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

The Company also is subject to state regulation in some states. CLIA provides that a state may adopt regulations different from or more stringent than those under federal law, and a number of states do have their own laboratory regulatory schemes. State laws may require that laboratory personnel meet certain qualifications, specify certain quality controls, or require maintenance of certain records. For example, some of the Company's laboratories are subject to the State of New York's clinical laboratory regulations, which contain provisions that are more stringent than those under federal law.

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

Reimbursement of Clinical Laboratory Services

In 2000 and 1999, the Company derived approximately 16% and 19%, respectively, of its net sales from tests performed for beneficiaries of the Medicare and Medicaid programs. In addition, the Company's other business depends significantly on continued participation in these programs because clients often want a single laboratory to perform all of their testing services. Both governmental and private sector payors have made efforts to contain or reduce health care costs, including reimbursement for clinical laboratory services, in recent years.

In 1984, Congress established a Medicare fee schedule for clinical laboratory services performed for patients covered under Part B of the Medicare program. Subsequently, Congress imposed a national ceiling on the amount that can be paid under the fee schedule. Laboratories bill the program directly and must accept the scheduled amount as payment in full for covered tests performed on behalf of Medicare beneficiaries. In addition, state Medicaid programs are prohibited from paying more than the Medicare fee schedule amount for clinical laboratory services furnished to Medicaid recipients.

Since 1984, Congress has periodically reduced the ceilings on Medicare reimbursement to clinical laboratories from previously authorized levels. In 1993, pursuant to provisions in the Omnibus Budget and Reconciliation Act of 1993 ("OBRA '93"), Congress reduced, effective January 1, 1994, the Medicare national limitations from 88% of the 1984 national median to 76% of the 1984 national median, which reductions were implemented on a phased-in basis from 1994 through 1996 (to 84% in 1994, 80% in 1995 and 76% in 1996). The 1996 reduction to 76% was implemented as scheduled on January 1, 1996. OBRA '93 also eliminated the provision for annual fee schedule increases based upon the Consumer Price Index for 1994 and 1995. These reductions were partially offset, however, by annual Consumer Price Index fee schedule increases of 3.2% and 2.7% in 1996 and 1997, respectively.

In August 1997, Congress passed and the President signed the Balanced Budget Act of 1997 ("BBA"), which included a provision that reduced, effective January 1, 1998, the Medicare national limitations from 76% of the 1984 national median to 74% of the 1984 national median. An additional provision in the BBA freezes the Consumer Price Index update for five years.

Because a significant portion of the Company's costs are relatively fixed, Medicare reimbursement reductions have a direct adverse effect on the Company's net earnings and cash flows. The Company cannot predict whether additional Medicare reductions will be implemented.

On April 1, 1997, Medicare's new policy for billing of automated chemistry profiles went into effect. The policy, which was developed by the Health Care Financing Administration ("HCFA") working with the American Medical Association, eliminates the old commonly used "19-22 test" automated chemistry profile, sometimes referred to as a "SMAC" and replaces it with four new panels of "clinically relevant" automated tests (each containing from four to twelve chemistry tests). As a result of this new policy, all major laboratory companies, including the Company, were required to eliminate the old chemistry profiles from their standard test requisition forms and standard test offerings by July 1, 1998. The Company developed and implemented a new "universal" test requisition and "standard test offerings" which successfully incorporated all required changes by the July 1, 1998 deadline.

The new automated chemistry profile billing policy is intended to reduce the number of non-Medicare covered "screening tests" which Medicare believes have in the past been inappropriately billed to Medicare. The BBA also required the Department of Health and Human Services to adopt uniform coverage, administration and payment policies for lab tests using a negotiated rulemaking process. Consensus was reached by the negotiated rulemaking committee which, among other things, established policies limiting Medicare coverage for certain tests to patients with specified medical conditions or diagnoses. These uniform policies will replace local Medicare coverage policies. The proposed rules were published on March 10, 2000. However, the rules will not be effective until one year after publication of final rules, and it is uncertain when final rules will be published. Due to the variety of new rules (including limited coverage rules) which have been adopted or proposed recently to address these issues, the Company does not believe a meaningful estimate of the potential revenue impact of these developments can be made at this time. The Company will continue to monitor this issue going forward.

Future changes in federal, state and local regulations (or in the interpretation of current regulations) affecting governmental reimbursement for clinical laboratory testing could have a material adverse effect on the Company. However, based on currently available information, the Company is unable to predict what type of legislation, if any, will be enacted into law.

Security and Confidentiality of Health Information

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") includes provisions that affect how electronically transmitted patient information and claims are to be handled. The reach of these provisions is quite broad because they apply to all health information that is or ever has been electronically transmitted or electronically maintained by a health plan, health care provider or health care data clearinghouse. Pursuant to HIPAA, proposed rules have been published addressing standards for electronic data formatting, the security of electronic transmission and maintenance of health information, and protecting the privacy of health information. The Company is currently performing a detailed evaluation of the recently published federal regulations in order to establish resource and financial projections necessary to meet the two-year implementation requirements after the date of publication. Failure to comply could result in significant civil and/or criminal penalties. As will be the case for virtually all healthcare-related organizations, complying with the various HIPAA requirements will be a multi-year, entity-wide effort requiring capital and personnel time and effort. However, until the final regulations are published, the Company is unable to estimate the total cost of compliance.

In addition to the HIPAA provisions described above, which have not yet been implemented, there are a number of state laws regarding the confidentiality of medical information, some of which apply to clinical laboratories. These laws vary widely, and new laws in this area are pending, but they most commonly restrict the use and disclosure of medical information without patient consent. Penalties for violation of these laws include sanctions against a laboratory's state licensure, as well as civil and/or criminal penalties.

Fraud and Abuse Regulations

Existing federal laws governing Medicare and Medicaid, as well as similar state laws, impose a variety of broadly described fraud and abuse prohibitions on healthcare providers, including clinical laboratories. These laws are interpreted liberally and enforced aggressively by multiple government agencies, including the U.S. Department of Justice, the U.S. Department of Health and Human Services Office of the Inspector General ("OIG"), and the states. The federal government's enforcement efforts have been increasing, in part as a result of the enactment of the Health Insurance Portability and Accountability Act of 1996, which, among other things, provided for the establishment of a program to coordinate federal, state and local law enforcement programs, and to conduct investigations, audits and inspections relating to payment for healthcare, and for the establishment of a federal anti-fraud and abuse account for enforcement efforts, funded through collection of penalties and fines for violations of the healthcare anti-fraud and abuse laws. Moreover, over the last several years, the clinical laboratory industry has been the focus of major governmental enforcement initiatives.

The Medicare and Medicaid anti-kickback laws prohibit intentionally providing anything of value to influence the referral of Medicare and Medicaid business. HHS has published safe harbor regulations which specify certain business activities that, although literally covered by the laws, will not violate the Medicare/Medicaid anti-kickback laws if all conditions of the safe harbor are met. Failure to fall within a safe harbor does not constitute a violation of the anti-kickback laws; rather, the arrangement would remain subject to scrutiny by HHS. Most states have their own Medicaid anti-kickback laws, and several states also have anti-kickback laws that apply to referral of all patients.

In October 1994, the Office of the Inspector General ("OIG") of HHS issued a Special Fraud Alert, which set forth a number of practices allegedly engaged in by clinical laboratories and health care providers that the OIG believes violate the federal anti-kickback laws. These practices include providing employees to collect patient samples at physician offices if the employees perform additional services for physicians that are typically the responsibility of the physicians' staff; selling laboratory services to renal dialysis centers at prices that are below fair market value in return for referrals of Medicare tests which are billed to Medicare at higher rates; providing free testing to a physician's HMO patients in situations where the referring physicians benefit from such lower utilization; providing free pick-up and disposal of bio-hazardous waste for physicians for items unrelated to a laboratory's testing services; providing facsimile machines or computers to physicians that are not exclusively used in connection with the laboratory services performed; and providing free testing for health care providers, their families and their employees (professional courtesy testing). The OIG stressed in the Special Fraud Alert that when one purpose of the arrangements is to induce referral of program-reimbursed laboratory testing, both the clinical laboratory and the health care provider or physician may be liable under the anti-kickback laws and may be subject to criminal prosecution and exclusion from participation in the Medicare and Medicaid programs.

Recently, the OIG has provided additional guidance regarding arrangements that may violate the anti-kickback laws. In a 1999 Advisory Opinion, the OIG concluded that a proposed arrangement whereby a laboratory would offer physicians significant discounts on laboratory tests billed to the physician might violate the anti-kickback act. The OIG reasoned that if the discounts were greater than could otherwise be justified, the proposed arrangement could be viewed as the laboratory providing discounts to the physician in exchange for referral by the physician of non-discounted Medicare program business. Similarly, in a 1999 correspondence, the OIG stated that if any direct or indirect link exists between a price discount that a laboratory offers to a skilled nursing facility ("SNF") for Prospective Payment System ("PPS")-covered services and referrals of Medicare Part B business, the anti-kickback statute would be implicated. Moreover, the OIG concluded that it is continuing to monitor the situation regarding potentially unlawful contracts between SNFs and service providers, including laboratories.

Under another federal provision, known as the "Stark" law or "self-referral" prohibition, physicians who have an investment or compensation relationship with a clinical laboratory may not, unless a statutory exception applies, refer Medicare or Medicaid patients for testing to the laboratory, regardless of the intent of the parties. Similarly, laboratories may not bill Medicare or Medicaid or any other party for services furnished pursuant to a prohibited referral. There are federal Stark law exceptions for fair market value compensation to a physician for reasonable and necessary services, and for discounts to physicians purchasing laboratory services. There is also an exception for physician investment in a laboratory company so long as the company's stock is traded on a public exchange, the company has stockholder equity exceeding $75,000,000, and the physician's shares may be purchased on terms generally available to the public. State self-referral laws exist as well, which apply to all patient referrals, not just Medicare and Medicaid.

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

Environmental and Occupational Safety

The Company is subject to licensing and regulation under Federal, state and local laws and regulations relating to the protection of the environment and human health and safety, including laws and regulations relating to the handling, transportation and disposal of medical specimens, infectious and hazardous waste and radioactive materials as well as to the safety and health of laboratory employees. All Company laboratories are subject to applicable Federal and state laws and regulations relating to biohazard disposal of all laboratory specimens and the Company utilizes outside vendors for disposal of such specimens. In addition, the Federal Occupational Safety and Health Administration ("OSHA") has established extensive requirements relating to workplace safety for health care employers, including clinical laboratories, whose workers may be exposed to blood-borne pathogens such as HIV and the hepatitis B virus. These regulations, among other things, require work practice controls, protective clothing and equipment, training, medical follow-up, vaccinations and other measures designed to minimize exposure to, and transmission of, blood-borne pathogens. In addition, on November 6, 2000, Congress passed the Needlestick Safety and Prevention Act which required among other things that companies include in their safety programs, the evaluation and use of engineering controls such as safety needles if found to be effective at reducing the risk of needlestick injuries in the workplace. Although the Company is not aware of any current material non-compliance with such Federal, state and local laws and regulations, failure to comply could subject the Company to denial of the right to conduct business, fines, criminal penalties and/or other enforcement actions.

Drug Testing

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

Controlled Substances

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

Compliance Program

Because of evolving interpretations of regulations and the national debate over health care fraud and abuse, compliance with all Medicare, Medicaid and other government-established rules and regulations has become a significant factor throughout the clinical laboratory industry. The Company has implemented a comprehensive company-wide compliance program, in part mandated by a comprehensive five-year Corporate Integrity Agreement with the federal government. This agreement was part of the Company's 1996 settlement of federal and state claims related to billings to Medicare and other federal programs for tests performed by the Company and its predecessors (the "1996 government settlement"). The agreement is similar to corporate integrity agreements arising out of settlements of similar claims by a number of other clinical laboratories following a broad-based government investigation and enforcement initiative. The objective of the Company's compliance program is to develop, implement, and update as necessary compliance safeguards. Emphasis is placed on developing personnel training programs and various monitoring procedures to attempt to achieve implementation of all rules and regulations.

The Company seeks to structure its business to comply 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 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, which could have a material adverse affect on the Company's business.

Item 2. PROPERTIES

The following table summarizes certain information as to the Company's principal operating and administrative facilities as of December 31, 2000.

Location	Approximate Area (in square feet)	Nature of Occupancy
Operating Facilities:		
Birmingham, Alabama	100,000	Lease expires 2005
Phoenix, Arizona	55,000	Lease expires 2009; two 5 year renewal options
Los Angeles, California	16,000	Lease expires 2002; one 5 year renewal option
San Diego, California	48,000	Lease expires 2007
	14,000	Lease expires 2002
Denver, Colorado	20,000	Lease expires 2001; two 5 year renewal options
Tampa, Florida	95,000	Lease expires 2009; one 5 year renewal option
Chicago, Illinois	45,000	Lease expires 2003; two 5 year renewal options
Louisville, Kentucky	60,000	Lease expires 2002; three 5 year renewal options
Detroit, Michigan	32,000	Lease expires 2004; one 10 year renewal option
Kansas City, Missouri	78,000	Owned
Reno, Nevada	16,000	Owned
	14,000	Lease expires 2003; one 2 year renewal option
Raritan, New Jersey	187,000	Owned
Uniondale, New York	108,000	Lease expires 2007; two 5 year renewal options
Burlington, North Carolina	275,000	Owned
Charlotte, North Carolina	25,000	Lease expires 2003
Research Triangle Park, North Carolina	71,000	Lease expires 2008; three 5 year renewal options
	111,000	Lease expires 2011; three 5 year renewal options
Memphis, Tennessee	45,000	Lease expires 2001
Dublin, Ohio	82,000	Owned
Southaven, Mississippi	17,000	Owned
Dallas, Texas	56,000	Lease expires 2004; one 5 year renewal option
Houston, Texas	70,000	Lease expires 2012; two 5 year renewal options
San Antonio, Texas	44,000	Lease expires 2004; two 5 year renewal option
Salt Lake City, Utah	20,000	Lease expires 2002; two 5 year renewal options
Chesapeake, Virginia	21,000	Lease expires 2002;three 5 year renewal options
Herndon, Virginia	80,000	Lease expires 2004; one 5 year renewal option
Richmond, Virginia	34,000	Lease Expires 2001; one 5 year renewal option
Kent, Washington	42,000	Lease expires 2005

Location	Approximate Area (in square feet)	Nature of Occupancy
Occupancy		
Operating Facilities cont.:		
Fairmont, West Virginia	25,000	Lease expires 2005;three 5 year renewal options
Mechelen, Belgium	20,000	Lease expires 2007
Administrative facilities:		
Raritan, New Jersey	53,000	Owned
Burlington, North Carolina	293,000	Owned
	235,000	Leases expire 2001- 2010; various options to purchase or renew

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

Item 3. LEGAL PROCEEDINGS

The Company is involved in litigation one of which purports to be a class action brought on behalf of certain patients, private insurers and benefit plans that paid for laboratory testing services during the time frame covered by the 1996 government settlement. The Company has also received certain similar claims brought on behalf of certain other insurance companies and individuals, some of which have been resolved for immaterial amounts. These claims for private reimbursement are similar to the government claims settled in 1996. The Company is carefully evaluating these claims and has entered into settlement negotiations with the representatives of the parties. Based upon these discussions, Management does not believe that the ultimate outcome of these claims will exceed existing reserves or have a material adverse affect on the Company. On January 9, 2001, the Company was served with a complaint in North Carolina which purports to be a class action and makes claims similar to those referred to above. The Company is carefully evaluating this claim. Due to the early stage of the claim, its outcome cannot be presently predicted.

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, professional liability, employee related matters, inquiries from governmental agencies and Medicare or Medicaid carriers 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.

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

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

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

	High	Low
1999		
First Quarter	23.125	12.500
Second Quarter	29.375	16.875
Third Quarter	32.500	22.500
Fourth Quarter	38.750	24.375

	High	Low
2000		
First Quarter	46.875	31.250
Second Quarter	81.000	39.375
Third Quarter	132.500	76.250
Fourth Quarter	183.000	108.250

	High	Low
2001		
First Quarter (through February 28, 2001)	162.000	119.500

During May 2000, the Company's shareholders approved a 1-for-10 reverse stock split. The reported sales prices reflect such reverse stock split.

On February 28, 2001 there were 713 holders of record of the Common Stock.

In 1994, the Company discontinued its dividend payments for the foreseeable future in order to increase its flexibility with respect to its acquisition strategy. In addition, the Company's credit agreement, as amended, places certain restrictions, as defined in the credit agreement, on the payment of dividends.

Item 6. SELECTED FINANCIAL DATA

The selected financial data presented below under the captions "Statement of Operations Data" and "Balance Sheet Data" as of and for the four-year period ended December 31, 2000 are derived from consolidated financial statements of the Company, which have been audited by PricewaterhouseCoopers LLP, independent accountants. The selected financial data presented below under the captions "Statement of Operations Data" and "Balance Sheet Data" as of and for the period ended December 31, 1996 is derived from consolidated financial statements of the Company, which has been audited by other independent accountants. This data should be read in conjunction with the accompanying notes, the Company's consolidated financial statements and the related notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all included elsewhere herein.

	Year Ended December 31,		
	2000	1999	1998
	(Dollars in millions, except per share amounts)		
Statement of Operations Data:			
Net sales	$1,919.3	$1,698.7	$1,612.6
Gross profit	766.6	629.1	563.4
Operating income (loss)	245.6 (a)	149.7	127.6
Net earnings (loss)	112.1	65.4	68.8
Basic earnings (loss) per common share	$ 3.29	$ 1.18	$ 1.95
Diluted earnings (loss) per common share	$ 3.22	$ 1.16	$ 1.95
Basic weighted average common shares outstanding (in thousands)	23,540	12,666	12,485
Diluted weighted average common shares outstanding (in thousands)	24,075	12,877	12,485
Balance Sheet Data:			
Cash and cash equivalents	$ 48.8	$ 40.3	$ 22.7
Intangible assets, net	865.7	803.9	836.2
Total assets	1,666.9	1,590.2	1,640.9
Long-term obligations and redeemable preferred stock (c)	355.8	1,041.5	1,110.0
Due to affiliates (d)	1.4	3.5	1.7
Total shareholders' equity	877.4	175.5	154.4

	YEAR ENDED DECEMBER 31,	
	1997	1996
Statement of Operations Data:		
Net Sales	$ 1,579.9	$ 1,676.2
Gross profit	499.4	492.3
Operating income (loss)	(92.0)(e)	(118.8)(b)
Net earnings (loss)	(106.9)	(153.5)
Basic earnings (loss) per common share	$ (10.61)	$ (12.49)
Diluted earnings (loss) per common share	$ (10.61)	$ (12.49)
Basic weighted average common shares outstanding (in thousands)	12,324	12,292
Diluted weighted average common shares outstanding (in thousands)	12,324	12,292
Ratio of earnings to combined fixed charges and preferred stock dividends (f)	NA	NA
Balance Sheet Data:		
Cash and cash equivalents	$ 23.3	$ 29.3
Intangible assets, net	851.3	891.1
Total assets	1,658.5	1,917.0
Long-term obligations and redeemable preferred stock (c)	1,200.1	1,089.4
Due to affiliates (d)	2.2	190.5
Total shareholders' equity	129.1	258.1

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

(b) In the second quarter of 1996, the Company recorded certain pre-tax charges of a non-recurring nature including additional charges related to the restructuring of operations following the merger of the Company in 1995 with Roche Biomedical Laboratories, Inc. (the "Merger"). The Company recorded a restructuring charge totaling $13.0 million for the shutdown of its La Jolla, California administrative facility and other workforce reductions. In addition, the Company recorded $10.0 million in non-recurring charges in the second quarter of 1996 related to the integration of its operations following the Merger. As a result of negotiations with the Office of the Inspector General of the Department of Health and Human Services and the Department of Justice related to the 1996 government settlement, the Company recorded a settlement charge of $185.0 million in the third quarter of 1996 to increase accruals for settlements and related expenses of government and private claims resulting from these investigations.

(c) Long-term obligations include capital lease obligations of $7.2 million, $4.4 million, $4.2 million, $5.8 million and $9.8 million at December 31, 2000, 1999, 1998, 1997 and 1996, respectively. Long-term obligations also include the long-term portion of the expected value of future contractual amounts to be paid to the former principals of acquired laboratories. Such payments are principally based on a percentage of future revenues derived from the acquired customer lists or specified amounts to be paid over a period of time. At December 31, 2000, 1999, 1998, 1997 and 1996, such amounts were $2.1 million, $0.0 million, $7.7 million, $9.6 million and $14.8 million, respectively. Long-term obligations exclude amounts due to affiliates. On June 6, 2000, the Company called for redemption all of its outstanding redeemable preferred stock, resulting in the conversion of substantially all of the preferred stock into common stock.

(d) In December 1996, Roche loaned $187.0 million to the Company to fund the 1996 government settlement in the form of a promissory note. Such note bore interest at a rate of 6.625% per annum and was repaid in June, 1997 with proceeds from the offering of preferred stock.

(e) During the fourth quarter of 1997 the Company recorded a provision for doubtful accounts of $182.0 million, which was approximately $160.0 million greater than the amount recorded in the fourth quarter of 1996 and a $22.7 million provision for restructuring certain laboratory operations.

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

General

During 2000, the Company experienced strong growth primarily as a result of continued implementation of its strategic plan. The Company continues to emphasize customer satisfaction and expanding those laboratory services which offer the greatest benefit to patients, clinicians, and the Company. While the Company experienced solid growth in all areas, particular growth was noted in the areas of molecular testing for HIV and hepatitis C, genetic testing and oncology testing.

The Company implemented important new contracts with CIGNA Healthcare, Aetna and UnitedHealthcare, the three largest national managed care companies. These agreements provide the Company expanded opportunities to increase business in new products and key markets. In addition, the Company's agreements with HealthTrust Purchasing Group and AmeriNet expand its reach to many new hospitals, surgery centers, clinics, and physicians, representing a significant revenue opportunity.

The Company completed several laboratory acquisitions during 2000 which contributed to the strong growth. The largest acquisition was National Genetics Institute (NGI) in Los Angeles, which was acquired at the end of July and has enhanced our leadership position in genomic testing. The Company believes that NGI's reputation with leading biotech and pharmaceutical firms will continue to play an important role helping to expand the Company's clinical testing opportunities. In addition to hepatitis C, NGI is developing assays for melanoma and breast cancer, two areas targeted by many companies for new drug development.

In addition to the new contracts and relationships discussed above, the Company believes future performance will be positively affected by the following factors:

1. As noted in the latest census information, the South, Southwest and West all had sizeable gains in overall population. With this population growth, increased demand for testing is anticipated in these areas and management believes the Company is well positioned to benefit from this increased demand.
2. The aging of America and the increase in life expectancy is expected to lead to more testing, both routine and esoteric.
3. Over the past year and a half, managed-care providers have been shifting their approach to delivering health care by more frequently using diagnostic testing to improve outcomes and achieve greater economic benefit. Approximately 40% of the Company's revenues are derived from managed care. As a result, this recognition of the predictive value of early diagnostic testing should positively impact our volumes in both routine and esoteric testing.

During the first half of the year, the Company was involved in several transactions affecting its capital structure. During May 2000, the Company's stockholders approved a 1-for-10 reverse stock split. On June 6, the Company called for redemption all of its outstanding Series A and Series B Preferred Stock resulting in the conversion of substantially all of the preferred stock into common stock. The Company also assisted in the successful placement of 6.5 million shares of the Company's stock formerly owned by Roche, and increased the number of shares traded in the open market and available for purchase by other investors.

In November 2000, Standard & Poor's upgraded the Company's corporate credit and bank loan ratings two levels, from BB+ to BBB. This investment-grade rating offers the Company additional financial flexibility as growth opportunities are identified.

Seasonality

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

The Company experienced positive growth in both its net revenues and operating cash flows during the third and fourth quarters of 2000 in comparison to the prior year. However, there can be no assurances that this trend will extend into the future.

Results of Operations

Year ended December 31, 2000 compared with Year ended December 31, 1999.

Net sales for 2000 were $1,919.3 million, an increase of 13.0% from $1,698.7 million reported in the comparable 1999 period. Sales increased approximately 9.0% due to an increase in volume and 4.0% due to an increase in price per accession (which reflects actual price increases and changes in the mix of tests performed). These increases occurred as a result of the Company's ability to win new business and successfully retain and increase business from existing customers. Excluding acquisitions, revenues would have increased 11.6%.

Cost of sales, which includes primarily laboratory and distribution costs, was $1,152.7 million for 2000 compared to $1,069.6 million in the corresponding 1999 period, an increase of 7.8%. Cost of sales increased approximately $91.0 million due to an increase in volume offset by labor efficiencies due to streamlining of operations. Cost of sales as a percentage of net sales was 60.0% for 2000 and 63.0% in the corresponding 1999 period. The decrease in the cost of sales as a percentage of net sales primarily resulted from continued cost reduction efforts and economies of scale achieved through volume growth.

Selling, general and administrative expenses increased to $483.0 million in 2000 from $448.2 million in the same period in 1999 representing an increase of $34.8 million or 7.8%. Selling, general and administrative expenses were 25.2% and 26.4% as a percentage of net sales in 2000 and 1999, respectively. The increase in selling, general and administrative expenses is primarily the result of the Company's acquisitions during the year combined with billing conversion-related costs such as salaries and telephone expenses.

During the fourth quarter of 2000, the Company recorded a $4.5 million restructuring charge relating to the closing of its Drug Testing laboratory in Memphis, Tennessee. These operations are being absorbed by other Company facilities. This restructuring is expected to be completed by the second quarter of 2001 and is expected to result in annualized savings of approximately $7.0 million.

Interest expense was $38.5 million in 2000 compared to $41.6 million in 1999. This decrease is related to the Company's reduction in its outstanding debt of approximately $95.0 million. See "Liquidity and Capital Resources."

Provision for income taxes was $95.5 million in 2000 compared to $40.1 million in 1999. See "Note 11 to Consolidated Financial Statements" for a further discussion of income taxes.

Year ended December 31, 1999 compared with Year ended December 31, 1998.

Net sales for 1999 were $1,698.7 million, an increase of 5.3% from $1,612.6 million reported in the comparable 1998 period. Sales increased 3.1% due to an increase in price per accession (which reflects actual price increases and changes in the mix of tests performed) and 2.2% due to an increase in volume. These increases occurred as a result of specific initiatives in the Company's strategic plan that has created an improved business climate.

Cost of sales was $1,069.6 million for 1999 compared to $1,049.2 million in the corresponding 1998 period, an increase of 1.9%. Cost of sales increased approximately $23.0 million due to an increase in volume, approximately $2.0 million due to an increase in medical consulting fees and approximately $5.6 million due to an increase in testing supplies. These increases were offset by a decrease in salaries of $2.5 million due to streamlining of operations, and decreases in insurance ($2.6 million), telephone ($3.8 million) and freight ($1.3 million) expenses as a result of continued cost control measures. Cost of sales as a percentage of net sales was 63.0% for 1999 and 65.1% in the corresponding 1998 period. The decrease in the cost of sales percentage of net sales primarily resulted from the cost reduction efforts mentioned above and economies of scale achieved through volume growth.

Selling, general and administrative expenses increased to $448.2 million in 1999 from $405.0 million in the same period in 1998 representing an increase of $43.2 million or 10.7%. Selling, general and administrative expenses were 26.4% and 25.1% as a percentage of net sales in 1999 and 1998, respectively. The increase in selling, general and administrative expenses is primarily the result of the increase in the provision for doubtful accounts of $27.2 million from the amount recorded in 1998 and increases of approximately $14.2 in sales incentives and commissions.

Interest expense was $41.6 million in 1999 compared to $48.7 million in 1998. This decrease is related to the Company's overall reduction in its outstanding debt. See "Liquidity and Capital Resources."

Provision for income taxes was $40.1 million in 1999 compared to $12.7 million in 1998. See "Note 11 to Consolidated Financial Statements" for a further discussion of income taxes.

Liquidity and Capital Resources

Net cash provided by operating activities was $246.7 million, $180.5 million and $125.1 million, in 2000, 1999 and 1998, respectively. The increase in cash flow from operations in 2000 primarily resulted from improved earnings and improved days sales outstanding (DSO).

Capital expenditures were $55.5 million, $69.4 million and $58.7 million for 2000, 1999 and 1998, respectively. The Company expects capital expenditures to be between $70.0 million and $75.0 million in 2001. These expenditures are intended to continue to improve billing systems and further automate laboratory processes. Such expenditures are expected to be funded by cash flow from operations as well as borrowings under the Company's credit facilities.

The Company's DSO at the end of 2000 improved to 68 days as compared to 74 days at the end of 1999. This improvement was due to Company-wide efforts to increase cash collections from all payors, as well as on-going improvements to claim submission processes. In addition, the Company is continuing to take the steps necessary to improve DSO and cash collections by:

1. Converting decentralized billing locations to a centralized billing system. During 2000, the Tampa, Louisville, and Houston locations were converted.
2. Assigning focused, cross functional billing operations teams to implement best practices throughout the Company, with particular emphasis on geographic areas with higher DSO's, and identifying underlying causes for and solutions to payment delays.
3. Implementing an initiative to reduce the number of requisitions received that are missing certain billing information.

With the completion of the conversion of the Tampa, Louisville, and Houston facilities, approximately 80% of the Company's billings are performed on the Company's centralized system. By the end of the year 2001, management anticipates that approximately 90% of billings will be performed on that system with the remainder converted during 2002. The billing system conversions, combined with improvements in front-end processes, that enhance data capture for billing, are expected to reduce DSO to the mid 60s by the end of 2001.

The Company expects that these conversions will lower DSO and have a positive impact on the timing of cash collections. The positive effects of these conversions will most likely be realized some time after the completion of the conversions. There can be no assurance that the planned billing conversions will improve the Company's DSO and cash collections.

During 2000, the Company repaid approximately $95.0 million on its term loan facility. There were no outstanding balances due on its revolving credit facility at the end of 2000 and 1999.

Based on current and projected levels of operations, coupled with availability under its revolving credit facility, the Company believes it has sufficient liquidity to meet both its short-term and long-term cash needs. For a discussion of the Company's long-term debt and revolving credit facility, see "Note 9 to Consolidated Financial Statements."

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 with 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) future 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 recently passed Needlestick Safety and Prevention Act which may result in penalties and loss of licensure.

5) increased competition, including price competition.

6) changes in payor mix, including an increase in capitated managed-cost health care.

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

8) our failure to integrate newly acquired businesses and the cost related to such integration.

9) adverse results in litigation matters.

10) our ability to attract and retain experienced and qualified personnel.

11) failure to maintain our days sales outstanding levels.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company addresses its exposure to market risks, principally the market risk of changes in interest rates, through a controlled program of risk management that includes the use of derivative financial instruments. The Company does not hold or issue derivative financial instruments for trading purposes. The Company enters into interest rate swap agreements to mitigate the risk of changes in interest rates associated with its variable rate bank debt in accordance with the terms of the Company's Credit Agreement. The Company does not believe that its exposure to market risk is material to the Company's financial position or results of operations.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

Not Applicable.

PART III

The information required by Part III, Items 10 through 13, of Form 10-K is incorporated by reference to the registrant's definitive proxy statement for its 2001 annual meeting of stockholders, which is to be filed pursuant to Regulation 14A not later than April 30, 2001.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

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

(1) Consolidated Financial Statements and Independent Auditors' Reports included herein:

See Index on page F-1

(2) Financial Statement Schedules:

See Index on page F-1

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

(3) Index to and List of Exhibits

Exhibits:

Exhibits 10.1 through 10.8 and 10.16 through 10.20 are management contracts or compensatory plans or arrangements.

3.1 - Certificate of Incorporation of the Company (amended pursuant to a Certificate of Merger filed on April 28, 1995) (incorporated by reference herein to the report on Form 8-K dated April 28, 1995, filed with the Commission on May 12, 1995, File No. 1-11353 (the "April 28, 1995 Form 8-K")).

3.2 - Certificate of Amendment to the Certificate of Incorporation of the Company (incorporated herein by reference to Annex II of the Company's 2000 Annual Proxy Statement filed with the Commission on April 7, 2000).

3.3 - Amended and Restated By-Laws of the Company (incorporated herein by reference to the April 28, 1995 Form 8-K).

4.1 - Specimen of the Company's Common Stock Certificate (incorporated herein by reference to the April 28, 1995 Form 8-K).

10.1 - National Health Laboratories Incorporated Pension Equalization Plan (incorporated herein by reference to the 1992 10-K).

10.2 - Settlement Agreement dated November 21, 1996 between the Company and the United States of America.

10.3 - National Health Laboratories 1988 Stock Option Plan, as amended (incorporated herein by reference to the Company's Registration Statement on Form S-1 (No. 33-35782) filed with the Commission on July 9, 1990 (the "1990 S-1")).

10.4 - National Health Laboratories 1994 Stock Option Plan (incorporated herein by reference to the Company's Registration Statement on Form S-8 filed with the Commission on August 12, 1994, File No. 33-55065).

10.5 - Laboratory Corporation of America Holdings Master Senior Executive Severance Plan (incorporated herein by reference to the report on Form 8-K dated October 24, 1996 (the "October 24, 1996 8-K") filed with the Commission on October 24, 1996, File No. 1-11353).

10.6 - Special Severance Agreement dated June 28, 1996 between the Company and Timothy J. Brodnik (incorporated herein by reference to the October 24, 1996 8-K).

10.7 - Special Severance Agreement dated July 12, 1996 between the Company and John F. Markus (incorporated herein by reference to the October 24, 1996 8-K).

10.8 - Special Severance Agreement dated June 28, 1996 between the Company and Robert E. Whalen (incorporated herein by reference to the October 24, 1996 8-K).

10.9 - Tax Allocation Agreement dated as of June 26, 1990 between MacAndrews & Forbes Holding Inc., Revlon Group Incorporated, New Revlon Holdings, Inc. and the subsidiaries of Revlon set forth on Schedule A thereto (incorporated herein by reference to the 1990 S-1).

10.10 - Stockholder Agreement dated as of April 28, 1995 among the Company, HLR Holdings Inc., Hoffmann-La Roche Inc. and Roche Holdings, Inc. (incorporated herein by reference to the April 28, 1995 Form 8-K).

10.11 - Exchange Agent Agreement dated as of April 28, 1995 between the Company and American Stock Transfer & Trust Company (incorporated herein by reference to the April 28, 1995 Form 8-K).

10.12 - Amended and Restated Credit Agreement dated as of March 31, 1997 among the Company, the banks named therein and Credit Suisse First Boston as Administrative Agent (incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 filed with the Commission on April 11, 1997, File No. 1-11353).

10.13 - Second Amendment to the Amended and Restated Credit Agreement dated as of February 25, 1998 among the Company, the banks named therein and Credit Suisse First Boston as Administrative Agent (incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 filed with the Commission on March 30, 1998, File No. 1-11353).

10.14 - Third Amendment to the Amended and Restated Credit Agreement dated as of May 7, 1999 among the Company, the banks named therein and Credit Suisse First Boston as Administrative Agent (incorporated herein by reference to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 1999 filed with the Commission on August 16, 1999, File No. 1-11353).

10.15 - Fourth Amendment to the Amended and Restated Credit Agreement dated as of June 7, 2000 among the Company, the banks named therein and Credit Suisse First Boston as Administrative Agent (incorporated herein by reference to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2000 filed with the Commission on August 14, 2000, File No. 1-11353).

10.16 - Laboratory Corporation of America Holdings 1995 Stock Plan for Non-Employee Directors (incorporated herein by reference to the report of Form S-8 dated September 26, 1995, filed with the Commission on September 26, 1995).

10.17 - Laboratory Corporation of America Holdings 1997 Employee Stock Purchase Plan (incorporated herein by reference to Annex I of the Company's 1996 Annual Proxy Statement filed with the Commission on October 25, 1996).

10.18 - Amendments to the Laboratory Corporation of America Holdings 1997 Employee Stock Purchase Plan (incorporated herein by reference to Annex II of the Company's 1999 Annual Proxy Statement filed with the Commission on June 16, 1999).

10.19 - Laboratory Corporation of America Holdings Amended and Restated 1999 Stock Incentive Plan (incorporated herein by reference to Annex I of the Company's 1999 Annual Proxy Statement filed with the Commission of June 16, 1999).

10.20 - Laboratory Corporation of America Holdings 2000 Stock Incentive Plan (incorporated herein by reference to Annex I of the Company's 2000 Annual Proxy Statement filed with the Commission on April 7, 2000).

10.21 - Support Agreement between Roche Biomedical Laboratories, Inc. and Hoffmann-La Roche Inc., dated as of April 27, 1995.

10.22 - First Amendment to Support Agreement between Roche Biomedical Laboratories, Inc. and Hoffmann-La Roche Inc., dated as of July 26, 1995.

10.23 - Second Amendment to Support Agreement between Laboratory Corporation of America Holdings, Hoffmann-La Roche Inc., Roche Molecular Systems, Inc. and Roche Diagnostic Systems, Inc., dated as of January 1, 1997.

10.24 - Third Amendment to Support Agreement between Laboratory Corporation of America Holdings, Hoffmann-La Roche Inc., Roche Molecular Systems, Inc. and Roche Diagnostic Systems, Inc., dated as of October 1, 1997.

21* - List of Subsidiaries of the Company

23.1* - Consent of PricewaterhouseCoopers LLP

24.1* - Power of Attorney of Jean-Luc Belingard
24.2* - Power of Attorney of Wendy E. Lane
24.3* - Power of Attorney of Robert E. Mittelstaedt, Jr.
24.4* - Power of Attorney of James B. Powell, M.D.
24.5* - Power of Attorney of David B. Skinner
24.6* - Power of Attorney of Andrew G. Wallace, M.D.

* Filed herewith.

(b) Reports on Form 8-K

(1) A current report on Form 8-K dated November 14, 2000 was filed on November 15, 2000 by the registrant, in connection with the press release dated November 14, 2000 announcing that the Company had entered into a multi-year contract extension with UnitedHealthcare as a national provider of its clinical laboratory testing.
(2) A current report on Form 8-K date December 12, 2000 was filed on December 12, 2000 by the registrant, in connection with the press release dated December 12, 2000 announcing the introduction of HIV GENOSURE, a new genotypic resistance assay, to its portfolio of HIV resistance testing services.
(3) A current report on Form 8-K date February 14, 2001 was filed on February 14, 2001 by the registrant, in connection with the press release dated February 14, 2001 announcing the results for the quarter and twelve-months ended December 31, 2000.
(4) A current report on Form 8-K date February 14, 2001 was filed on February 14, 2001 by the registrant, in connection with summary information of the Company dated February 14, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LABORATORY CORPORATION OF AMERICA HOLDINGS

Registrant

By: /s/ THOMAS P. MAC MAHON

Thomas P. Mac Mahon
Chairman of the Board, President
and Chief Executive Officer

Dated: March 9, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on March 9, 2001 in the capacities indicated.

Signature	Title
/s/ THOMAS P. MAC MAHON - ---------- Thomas P. Mac Mahon	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
/s/ WESLEY R. ELINGBURG - ---------- Wesley R. Elingburg	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
/s/ JEAN-LUC BELINGARD* - ---------- Jean-Luc Belingard	Director
/s/ WENDY E. LANE* - ---------- Wendy E. Lane	Director
/s/ ROBERT E. MITTELSTAEDT, JR.* - ---------- Robert E. Mittelstaedt, Jr.	Director
/s/ JAMES B. POWELL, M.D.* - ---------- James B. Powell, M.D.	Director
/s/ DAVID B. SKINNER, M.D.* - ---------- David B. Skinner, M.D.	Director
/s/ ANDREW G. WALLACE, M.D.* - ---------- Andrew G. Wallace, M.D.	Director

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

By:/s/ BRADFORD T. SMITH

Bradford T. Smith
Attorney-in-fact

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

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AND SCHEDULE

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REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Laboratory Corporation of America Holdings and its subsidiaries (the Company) at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Charlotte, North Carolina
February 9, 2001

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in millions, except share data)

	December 31, 2000	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 48.8	$ 40.3
Accounts receivable, net	368.0	348.0
Inventories	31.6	29.1
Prepaid expenses and other	18.5	37.5
Deferred income taxes	44.8	44.6
Total current assets	511.7	499.5
Property, plant and equipment, net	272.8	273.2
Intangible assets, net	865.7	803.9
Other assets, net	16.7	13.6
	$ 1,666.9	$ 1,590.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 52.8	$ 43.6
Accrued expenses and other	127.1	107.0
Current portion of long-term debt	132.0	95.0
Total current liabilities	311.9	245.6
Revolving credit facility	--	--
Long-term debt, less current portion	346.5	478.4
Capital lease obligations	7.2	4.4
Other liabilities	123.9	127.6
Commitments and contingent liabilities	--	--
Mandatorily redeemable preferred stock (30,000,000 shares authorized): Series A 8 1/2% Convertible Exchangeable Preferred Stock, $0.10 par value, 4,363,178 shares issued and outstanding at December 31, 1999 (aggregate preference value of $218.2 at December 31, 1999)	--	213.4
Series B 8 1/2% Convertible Pay-in-Kind Preferred Stock, $0.10 par value, 6,971,970 shares issued and outstanding at December 31, 1999 (aggregate preference value of $348.6 at December 31, 1999)	--	345.3
Shareholders' equity:		
Common stock, $0.10 par value; 52,000,000 shares authorized; 34,869,623 and 12,878,958 shares issued and outstanding at December 31, 2000 and 1999, respectively	3.5	1.3
Additional paid-in capital	1,051.7	423.9
Accumulated deficit	(168.0)	(245.5)
Unearned restricted stock compensation	(9.4)	(4.1)
Accumulated other comprehensive loss	(0.4)	(0.1)
Total shareholders' equity	877.4	175.5
	$ 1,666.9	$ 1,590.2

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

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

	Years Ended December 31,		
	2000	1999	1998
Net sales	$ 1,919.3	$ 1,698.7	$ 1,612.6
Cost of sales	1,152.7	1,069.6	1,049.2
Gross profit	766.6	629.1	563.4
Selling, general and administrative expenses	483.0	448.2	405.0
Amortization of intangibles and other assets	33.5	31.2	30.8
Restructuring charges	4.5	--	--
Operating income	245.6	149.7	127.6
Other income (expenses):			
Gain (loss) on sale of assets	(1.0)	(1.7)	1.6
Net investment income (loss)	1.5	(0.9)	1.0
Interest expense	(38.5)	(41.6)	(48.7)
Earnings before income taxes	207.6	105.5	81.5
Provision for income taxes	95.5	40.1	12.7
Net earnings	112.1	65.4	68.8
Less preferred stock dividends	(34.3)	(49.6)	(43.6)
Less accretion of mandatorily redeemable preferred stock	(0.3)	(0.8)	(0.8)
Net earnings attributable to common shareholders	$ 77.5	$ 15.0	$ 24.4
Basic earnings per common share:	$ 3.29	$ 1.18	$ 1.95
Diluted earnings per common share	$ 3.22	$ 1.16	$ 1.95

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

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit
BALANCE AT DECEMBER 31, 1997	$ 1.2	$ 412.8	$ (284.9)
Comprehensive earnings:			
Net earnings	--	--	68.8
Other comprehensive earnings:			
Change in valuation allowance on securities, net of tax	--	--	--
Comprehensive earnings	--	--	68.8
Issuance of common stock	--	2.9	--
Preferred stock dividends	--	--	(43.6)
Accretion of mandatorily redeemable preferred stock	--	--	(0.8)
BALANCE AT DECEMBER 31, 1998	1.2	415.7	(260.5)
Comprehensive earnings:			
Net earnings	--	--	65.4
Other comprehensive earnings:			
Foreign currency translation adjustments	--	--	--
Change in valuation allowance on securities, net of tax	--	--	--
Comprehensive earnings	--	--	65.4
Issuance of common stock	0.1	3.7	--
Issuance of restricted stock awards	--	4.5	--
Amortization of unearned restricted stock compensation	--	--	--
Preferred stock dividends	--	--	(49.6)
Accretion of mandatorily redeemable preferred stock	--	--	(0.8)
BALANCE AT DECEMBER 31, 1999	1.3	423.9	(245.5)
Comprehensive earnings:			
Net earnings	--	--	112.1
Other comprehensive earnings:			
Foreign currency translation adjustments	--	--	--
Comprehensive earnings	--	--	112.1
Issuance of common stock	0.1	17.7	--
Issuance of restricted stock awards	--	9.3	--
Amortization of unearned restricted stock compensation	--	--	--
Income tax benefit from stock options exercised	--	19.0	--
Conversion of preferred stock into common stock	2.1	581.8	--
Preferred stock dividends	--	--	(34.3)
Accretion of mandatorily redeemable preferred stock	--	--	(0.3)
BALANCE AT DECEMBER 31, 2000	$ 3.5	$ 1,051.7	$ (168.0)

	Unearned Restricted Stock Compensation	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 1997	$ --	$ --	$ 129.1
Comprehensive income:			
Net income	--	--	68.8
Other comprehensive income:			
Change in valuation allowance on securities, net of tax	--	(2.0)	(2.0)
Comprehensive income	--	(2.0)	66.8
Issuance of common stock	--	--	2.9
Preferred stock dividends	--	--	(43.6)
Accretion of mandatorily redeemable preferred stock	--	--	(0.8)
BALANCE AT DECEMBER 31, 1998	--	(2.0)	154.4
Comprehensive income:			
Net income	--	--	65.4
Other comprehensive income:			
Foreign currency translation adjustments	--	(0.1)	(0.1)
Change in valuation allowance on securities, net of tax	--	2.0	2.0
Comprehensive income	--	1.9	67.3
Issuance of common stock	--	--	3.8
Issuance of restricted stock awards	(4.5)	--	--
Amortization of unearned restricted stock compensation	0.4	--	0.4
Preferred stock dividends	--	--	(49.6)
Accretion of mandatorily redeemable preferred stock	--	--	(0.8)
BALANCE AT DECEMBER 31, 1999	(4.1)	(0.1)	175.5
Comprehensive income:			
Net income	--	--	112.1
Other comprehensive income:			
Foreign currency translation adjustments	--	(0.3)	(0.3)
Comprehensive income	--	(0.3)	111.8
Issuance of common stock	--	--	17.8
Issuance of restricted stock awards	(9.3)	--	--
Amortization of unearned restricted stock compensation	4.0	--	4.0
Income tax benefit from stock options exercised	--	--	19.0
Conversion of preferred stock into common stock	--	--	583.9
Preferred stock dividends	--	--	(34.3)
Accretion of mandatorily redeemable preferred stock	--	--	(0.3)
BALANCE AT DECEMBER 31, 2000	$ (9.4)	$ (0.4)	$ 877.4

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

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions, except per share data)

	Years Ended December 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 112.1	$ 65.4	$ 68.8
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Net (gains) losses on disposals	1.0	1.7	(1.6)
Depreciation and amortization	89.6	83.8	82.8
Deferred compensation	4.0	0.4	--
Investment loss	--	4.2	--
Deferred income taxes	(3.2)	37.0	29.3
Change in assets and liabilities:			
Net change in restructuring reserves	(1.2)	(6.2)	(5.6)
Decrease(increase)in accounts receivable, net	(15.9)	27.4	(46.6)
Decrease (increase)in inventories	(2.1)	1.6	5.2
Decrease(increase)in prepaid expenses and other	21.3	(24.6)	4.7
Change in income taxes receivable	--	11.2	(2.4)
Increase (decrease) in accounts payable	7.9	(6.2)	(5.7)
Increase (decrease) in accrued expenses and other	32.9	(15.4)	(5.0)
Other, net	0.3	0.2	1.2
Net cash provided by operating activities	246.7	180.5	125.1
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(55.5)	(69.4)	(58.7)
Proceeds from sale of assets	1.4	1.1	12.6
Acquisitions of businesses	(94.9)	--	(23.7)
Deferred payments on acquisitions	(1.0)	(8.7)	(6.8)
Refund of lease guaranty	--	--	8.0
Net cash used for investing activities	(150.0)	(77.0)	(68.6)

(continued)

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions, except per share data)

	Years Ended December 31,		
	2000	1999	1998
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from revolving credit facilities	$ --	$ 40.0	$ 40.0
Payments on revolving credit facilities	--	(40.0)	(80.0)
Payments on long-term debt	(95.0)	(70.3)	--
Payments on long-term lease obligations	(1.2)	(0.8)	(1.5)
Payment of preferred stock dividends	(9.5)	(18.5)	(18.5)
Net proceeds from issuance of stock to employees	17.8	3.8	2.9
Net cash used for financing activities	(87.9)	(85.8)	(57.1)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	(0.1)	--
Net increase (decrease) in cash and cash equivalents	8.5	17.6	(0.6)
Cash and cash equivalents at beginning of year	40.3	22.7	23.3
Cash and cash equivalents at end of year	$ 48.8	$ 40.3	$ 22.7
Supplemental schedule of cash flow information:			
Cash paid (received) during the year for:			
Interest	$ 40.7	$ 41.8	$ 47.5
Income taxes, net of refunds	48.8	23.9	(12.2)
Disclosure of non-cash financing and investing activities:			
Preferred stock dividends	24.8	31.1	25.1
Accretion of mandatorily redeemable preferred stock	0.3	0.8	0.8
Unrealized loss on securities available-for-sale (net of tax)	--	--	2.0
Conversion of preferred stock into common stock	583.9	--	--

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation:

Laboratory Corporation of America Holdings and its subsidiaries ("Company") is the second largest independent clinical laboratory company in the United States based on 2000 net revenues. Through a national network of laboratories, the Company offers a broad range of testing services used by the medical profession in the diagnosis, monitoring and treatment of disease and other clinical states. Since its founding in 1971, the Company has grown into a network of 24 primary testing facilities and approximately 1,200 service sites consisting of branches, patient service centers and STAT laboratories, serving clients in 50 states.

The consolidated financial statements include the accounts of Laboratory Corporation of America Holdings and its subsidiaries after elimination of all material intercompany accounts and transactions. During 2000, the Company added two new subsidiaries through acquisitions: POISONLAB, INC. and National Genetics Institute, Inc. (NGI). Disclosure of certain business combination transactions is included in Note 2 - Business Acquisitions.

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

Cash Equivalents:

Cash equivalents (primarily investments in money market funds, time deposits, commercial paper and Eurodollars which have original maturities of three months or less at the date of purchase) are carried at cost which approximates market. As a result of the Company's cash management system, checks issued but not presented to the banks for payment may create negative book cash balances. Such negative balances are included in trade accounts payable and totaled $11.6 and $10.7 at December 31, 2000 and 1999, respectively.

Inventories:

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

Financial Instruments:

Interest rate swap agreements, which are used by the Company in the management of interest rate exposure, are accounted for on an accrual basis. Amounts to be paid or received under such agreements are recognized as interest income or expense in the periods in which they accrue.

Property, Plant and Equipment:

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

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

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

Capitalized Software Costs:

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

Fair Value of Financial Instruments:

The carrying amounts of cash and cash equivalents, accounts receivable, income taxes receivable and accounts payable are considered to be representative of their respective fair values due

to their short-term nature. The carrying amounts of the revolving credit facility and long-term debt are considered to be representative of their respective fair values as their interest rates are based on market rates.

Concentration of Credit Risk:

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

The Company maintains cash and cash equivalents with various major financial institutions. The total cash balances on deposit that exceeded the balances insured by the F.D.I.C., was approximately $42.0 at December 31, 2000.

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

Revenue Recognition:

Sales are recognized on the accrual basis at the time test results are reported, which approximates when services are provided. Services are provided to certain patients covered by various third-party payor programs including the Medicare and Medicaid programs. Billings for services under third-party payor programs are included in sales net of allowances for contractual discounts and allowances for differences between the amounts billed and estimated program payment amounts. Adjustments to the estimated payment amounts based on final settlement with the programs are recorded upon settlement as an adjustment to revenue. In 2000, 1999 and 1998, approximately 16%, 20% and 22%, respectively, of the Company's revenues were derived from tests performed for beneficiaries of Medicare and Medicaid programs.

Income Taxes:

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

(Dollars in millions, except per share data)

Reverse Stock Split:

All refereces to common stock, common shares outstanding, average number of common shares outstanding, stock options, restricted shares and per share amounts in the Consolidated Financial Statements and Notes to Consolidated Financial Statements have been restated to reflect the May 2, 2000 1-for-10 common stock split on a retroactive basis.

Stock Compensation Plans:

The Company accounts for its employee stock option plans using the intrinsic method under APB Opinion No. 25 and related Interpretations. Accordingly, compensation for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. The Company's employee stock purchase plan is also accounted for under APB Opinion No. 25 and is treated as non-compensatory. The Company provides supplementary disclosures using the fair value method under SFAS No. 123.

Compensation cost for restricted stock awards is recorded by allocating their aggregate grant date fair value over their vesting period.

Earnings per Share:

Basic earnings per share is computed by dividing net income, less preferred stock dividends and accretion, by the weighted average number of common shares outstanding. Dilutive earnings per share is computed by dividing net income, 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 mandatorily redeemable preferred stock, restricted stock awards and outstanding stock options.

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

	Years ended December 31,		
	2000	1999	1998
Basic	23,540,334	12,666,188	12,484,681
Assumed conversion/exercise of:			
Stock options	355,250	122,648	--
Restricted stock awards	179,179	88,323	--
Diluted	24,074,763	12,877,159	2,484,681

The effect of conversion of the Company's redeemable preferred stock, or exercise of certain of the Company's stock options was not included in the computation of diluted earnings per common share for

(Dollars in millions, except per share data)

the years ended December 31, 2000, 1999 and 1998, as it would have been antidilutive.

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:

	December 31,		
	2000	1999	1998
Stock Options	117,462	872,921	971,471
Series A convertible exchangeable Preferred stock	--	7,933,043	7,933,043
Series B convertible pay-in-kind Preferred stock	--	12,676,296	11,653,712

Investments:

Investments in equity securities are reported at fair value with unrealized gains or losses, net of tax, recorded as a separate component of shareholders' equity. At December 31, 1998, the Company recorded an unrealized loss on equity investments of $2.0, net of related deferred tax benefit of $1.3. During 1999, the Company recorded an other than temporary loss on its investments in equity securities totaling $4.2.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant estimates include the allowances for doubtful accounts and deferred tax assets, amortization lives for intangible assets and accruals forself-insurance reserves. Actual results could differ from those estimates.

Long-Lived Assets:

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

are reported at the lower of the carrying amount or net realizable value.

Intangible Assets:

Intangible assets, consisting of goodwill and other intangibles (patents and technological know-how, customer lists and non-compete agreements), are amortized on a straight-line basis over the expected periods to be benefited, generally ranging from 20 to 40 years for goodwill, legal life for patents and technological know-how, 10 to 25 years for customer lists and approximately 3 to 5 years for non-compete agreements.

2. BUSINESS ACQUISITIONS

The Company acquired several companies in 2000, as described below. All companies acquired have been accounted for as purchases with the excess of the purchase price over the estimated fair value of the net assets acquired recorded as goodwill. Additions to goodwill for current year acquisitions totaled $49.5 and will be amortized on a straight-line basis over a period of 20 years. The results of each operation have been included in the consolidated financial results of the Company from the date of acquisition.

On March 6, 2000, the Company completed the acquisition of all of the stock of San Diego-based POISONLAB, Inc.'s ccupational substance abuse and clinical toxicology testing business for $4.4 in cash and future payments of $1.8 which are contingent upon performance of the business.

On April 19, 2000, the Company completed the acquisition of certain clinical testing assets of Bio-Diagnostics Laboratories,which is based in Torrance, California, for approximately $8.5 in cash and future payments of $2.1.

On June 27, 2000, the Company completed the acquisition of the laboratory testing business of San Diego-based Pathology Medical Laboratories for approximately $14.5 in cash.

On August 1, 2000, the Company completed the acquisition of all of the stock of National Genetics Institute, Inc. (NGI), which is based in Los Angeles, California, for approximately $56.0 in cash and future payments of $16.0.

(Dollars in millions, except per share data)

3. RESTRUCTURING AND NON-RECURRING CHARGES

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

	Severance costs	Lease and other facility costs	Total
Balance at January 1, 1998	$ 3.7	$ 34.9	$ 38.6
Cash payments	(1.2)	(4.4)	(5.6)
Balance at December 31, 1998	2.5	30.5	33.0
Cash payments	(2.0)	(4.2)	(6.2)
Balance at December 31, 1999	0.5	26.3	26.8
Memphis closure	3.0	1.5	4.5
Reclassification and non-cash items	--	(3.7)	(3.7)
Cash payments	(1.6)	(4.0)	(5.6)
Balance at December 31, 2000	$ 1.9	$ 20.1	$ 22.0

4. ACCOUNTS RECEIVABLE, NET

	December 31, 2000	December 31, 1999
Gross accounts receivable	$ 491.0	$ 495.1
Less allowance for doubtful accounts	(123.0)	(147.1)
	$ 368.0	$ 348.0

The provision for doubtful accounts was $195.9, $191.9 and $164.7 in 2000, 1999 and 1998, respectively.

5. PROPERTY, PLANT AND EQUIPMENT, NET

	December 31, 2000	December 31, 1999
Land	$ 9.5	$ 9.4
Buildings and building improvements	68.5	67.8
Machinery and equipment	323.4	312.1
Leasehold improvements	63.0	58.7
Furniture and fixtures	17.8	21.4
Construction in progress	35.6	48.8
Buildings under capital leases	5.4	5.4
Equipment under capital leases	3.8	3.5
	527.0	527.1
Less accumulated depreciation and amortization of capital lease assets	(254.2)	(253.9)
	$ 272.8	$ 273.2

(Dollars in millions, except per share data)

Depreciation expense and amortization of capital lease assets was $56.1, $52.6 and $52.0 for 2000, 1999 and 1998, respectively.

6. INTANGIBLE ASSETS, NET

	December 31, 2000	December 31, 1999
Goodwill	$ 860.5	$ 780.6
Other intangibles, principally patents, customer lists and non-compete agreements	245.6	231.2
	1,106.1	1,011.8
Less accumulated amortization	(240.4)	(207.9)
	$ 865.7	$ 803.9

Amortization of intangible assets was $33.5, $31.2 and $30.8 in 2000, 1999 and 1998, respectively.

7. ACCRUED EXPENSES AND OTHER

	December 31, 2000	December 31, 1999
Employee compensation and benefits	$ 57.5	$ 48.9
Acquisition related accruals	13.3	13.8
Restructuring reserves	12.4	12.7
Accrued taxes	10.1	--
Self-insurance reserves	21.1	20.0
Interest payable	3.7	3.5
Other	9.0	8.1
	$ 127.1	$ 107.0

8. OTHER LIABILITIES

	December 31, 2000	December 31, 1999
Acquisition related accruals	$ 8.8	$ 8.9
Restructuring reserves	9.6	14.1
Deferred income taxes	28.5	31.2
Post-retirement benefit obligation	36.9	35.2
Self-insurance reserves	37.8	37.8
Other	2.3	0.4
	$ 123.9	$ 127.6

9. LONG-TERM DEBT

The Company entered into an Amended and Restated Credit Agreement dated as of March 31, 1997 (the "Amended Credit Agreement"), with the banks named therein (the "Banks") and Credit Suisse First Boston, as administrative agent (the "Bank Agent"), under which the Banks made available to the Company a senior term loan facility of $693.8 (the "Amended Term Loan Facility") and a

revolving credit facility of $450.0 (the "Amended Revolving Credit Facility" and, together with the Term Loan Facility, the "Bank Facility") which includes a $50.0 letter of credit sublimit. The Bank Facility is unconditionally and irrevocably guaranteed by certain of the Company's subsidiaries.

Under the Amended Credit Agreement and a contractual formula contained therein, maturities under the Amended Term Loan Facility are $132.0 in 2001 (to be paid in quarterly installments), $132.0 in 2002 and 2003 and $82.5 in 2004 (all paid in quarterly installments). The Amended Revolving Credit Facility expires in March 31, 2002. The Company repaid approximately $95.0 during the year ended December 31, 2000 on its Amended Term Loan Facility. The Company also made a special payment on its Amended Term Loan Facility during the second quarter of 2000 of approximately $6.7, based on a contractual formula contained in the Amended Credit Agreement.

Both the Amended Term Loan Facility and the Amended Revolving Credit Facility bear interest, at the option of the Company, at (i) the base rate (the higher of the Bank Agent's base commercial loan rate or 50 basis points above the Federal Funds Rate) plus the applicable base rate margin or (ii) the Eurodollar rate plus the applicable Eurodollar rate margin. The Amended Credit Agreement provides that in the event of a reduction of the percentage of Common Stock held by Roche and its affiliates (other than the Company and its subsidiaries) below 25%, the applicable interest margins and facility fees on borrowings outstanding under the Amended Credit Agreement will increase. In addition, pursuant to the Amended Credit Agreement, the applicable interest margins on borrowings outstanding thereunder are based upon the leverage ratio.

The Amended Credit Agreement contains certain debt covenants, the most restrictive of which limit payment of dividends and place a cap on business acquisitions and capital expenditures. The covenants also require that the Company maintain certain leverage and interest coverage ratios as well as minimum levels of shareholders' equity.

At December 31, 2000 and 1999 the Company was a party to interest rate swap agreements with certain major financial institutions, rated A or better by Moody's Investor Service, solely to manage its interest rate exposure with respect to $350.0 and $500.0, respectively, of its floating rate debt. This effectively fixed the interest rate exposure on the floating rate debt to a weighted-average fixed interest rate of 6.27% and 6.32%, respectively. These swaps require that the Company pay a fixed rate amount in exchange for the financial institutions paying a floating rate amount. The amounts (received) paid by the Company in 2000 and 1999 were ($3.0) and $1.9, respectively. The notional amounts of the agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. The Company unwound the $150.0 rate collar transaction on December 20, 2000. The total proceeds received, including quarterly interest, was

(Dollars in millions, except per share data)

$0.5. The remaining agreement matures in January 2003. The estimated benefit at which the Company could have terminated these agreements as of December 31, 2000 and 1999 was approximately $1.6 and $11.0, respectively. This fair value was estimated by discounting the expected cash flows using rates currently available for interest rate swaps with similar terms and maturities. Interest rates in effect for both the long-term and revolving credit agreement as of December 31, 2000 and 1999 were 7.0% and 6.7%, respectively.

10. MANDATORILY REDEEMABLE PREFERRED STOCK

On June 6, 2000, the Company called for redemption all of its outstanding Series A and Series B preferred stock at $52.83 per share, in accordance with the terms of the Preferred Stock Offering, by July 6, 2000. Substantially all of the holders of the Series A and Series B preferred stock elected to convert their shares into common stock. As of July 31, 2000, the Series A preferred stock was converted into 7,930,174 shares of common stock and the Series B preferred stock was converted into 13,241,576 shares of common stock.

11. INCOME TAXES

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

	Years Ended December 31,		
	2000	1999	1998
Current:			
Federal	$ 85.2	$ 0.5	$ (17.6)
State	13.5	2.6	1.0
	98.7	3.1	(16.6)
Deferred:			
Federal	(8.6)	29.1	45.2
State	5.4	7.9	(15.9)
	(3.2)	37.0	29.3
	$ 95.5	$ 40.1	$ 12.7

The tax benefit associated with non-statutory stock options under the Company's stock plan reduced taxes payable by approximately $19.0 in 2000. Tax benefits related to stock plans in 1999 and 1998 were immaterial. Such benefits are credited to additional paid-in-capital.

(Dollars in millions, except per share data)

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

	Years Ended December 31,		
	2000	1999	1998
Statutory federal rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax effect	5.0	5.1	8.5
Non-deductible amortization of intangible assets	3.1	5.7	8.6
Change in valuation allowance	--	(9.5)	(33.8)
Other	2.9	1.7	(2.7)
Effective rate	46.0%	38.0%	15.6%

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

	December 31, 2000	December 31, 1999
Deferred tax assets:		
Settlement and related expenses	$ 13.0	$ 13.0
Accounts receivable	12.0	2.1
Self-insurance reserves	8.7	7.6
Postretirement benefit obligation	13.9	13.9
Acquisition and restructuring reserves	18.8	24.4
State net operating loss carryforwards	6.1	15.3
Employee benefits	7.4	3.3
Other	10.2	8.5
	90.1	88.1
Less valuation allowance	(4.5)	(4.5)
Net deferred tax assets	85.6	83.6
Deferred tax liabilities:		
Intangible assets	(46.9)	(43.6)
Property, plant and equipment	(22.7)	(26.9)
Other	(1.2)	(1.5)
Total gross deferred tax liabilities	(70.8)	(72.0)
Net deferred tax assets	$ 14.8	$ 11.6

Historically, when deferred tax assets were less likely than not to be realized, valuation allowances were established. Based on improved current and projected operating results, the Company reduced its valuation allowance applied against its deferred tax assets relating to state net operating loss carryforwards and certain acquisition and restructuring reserves by approximately $27.5 during the fourth quarter of 1998 and an additional $10.0 during 1999. These were reflected as a reduction in the provision for income taxes. These adjustments bring the Company's net deferred tax assets

to a level where management believes that it is more likely than not the tax benefits will be realized.

The Internal Revenue Service has concluded their examination of the 1993, 1994, 1995, 1996 and 1997 tax years. All years are currently under review by the Joint Committee on Taxation. Management believes that adequate provisions have been recorded relating to the concluded examinations. The Company has state tax loss carryforwards of approximately $103.5 which expire, starting in 2001, through 2018.

12. STOCK COMPENSATION PLANS

The Company has a number of stock option plans which authorize and reserve shares of common stock for issuance pursuant to options and stock appreciation rights that may be granted under these plans.

In May 2000, the shareholders approved the 2000 Stock Incentive Plan. The principal purpose of the 2000 Stock Incentive Plan was to authorize 1.7 million additional shares for issuance under the plan. The effect of the 2000 Incentive Plan was to increase to an aggregate of 2.6 million shares available for issuance under all stock option plans (the 2000 Stock Incentive Plan, the Amended and Restated 1999 Stock Incentive Plan and the 1994 Stock Option Plan).

During 2000, there were 414,749 options granted to officers and key employees of the Company. The exercise price for these options ranged from $41.25 to $106.81 per share. Also, during 2000, 131,400 shares of restricted stock were issued to senior management under the 2000 Incentive Plan at market values on the dates of grant of $40.00, $66.88 and $106.31. Restrictions limit the sale or transfer of these shares during a six-year period when the restrictions lapse. Upon issuance of stock under the 2000 Incentive Plan, unearned compensation of $9.3 was recorded as additional paid-in capital and an opposite amount was charged to shareholders' equity as unearned restricted stock compensation. The plan provides for accelerated vesting of outstanding shares in percentages of 33.3%, 66.7% or 100%, if certain predefined profitability targets are achieved as of December 31, 2001 and 2002. The unearned restricted stock compensation is being amortized to expense over the applicable vesting periods. During 2000, total restricted stock compensation expense was $4.0. At December 31, 2000, there were 1,363,044 additional shares available for grant under the Company's Stock Option Plans.

The proforma weighted average fair values at date of grant for options issued during 2000, 1999 and 1998 were $44.71, $16.80 and $10.97 respectively, and were estimated using the Black-Scholes option pricing model. Weighted average assumptions for the expected life in years, volatility and dividend yield were 7 years (5 years in 1999 and 1998), .5, and 0% for each of the three years ended December 31, 2000. Interest rates

(Dollars in millions, except per share data)

assumptions were 5.0%, 6.0% and 4.4% for the years ended December 31, 2000, 1999 and 1998, respectively.

The Company has an employee stock purchase plan, begun in 1997 and amended in 1999, with 750,000 shares of common stock for authorized issuance. The plan permits substantially all employees to purchase a limited number of shares of the Corporation stock at 85% of market value. The Company issues shares to participating employees semi annually in January and July of each year. A summary of shares issued is as follows:

	1998	1999	2000	2001
January	92,334	96,113	52,588	25,657
July	73,020	86,774	45,522	

Pro-forma compensation expense is calculated for the fair value of the employee's purchase right using the Black-Scholes model. Assumptions include a weighted average life of approximately one-half year, dividend yield of 0%, risk free interest rates for each six month period as follows: 2000 - 5.5% and 6.1%; 1999 - 5.5% and 4.9%; and 1998 - 5.3% and 5.1% and volatility rates for each of the following six month periods: 2000 - .5 and .5; 1999 - .5 and .4; and 1998 - .6 and .8.

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

	2000	1999	1998
First six months	$10.18	$3.95	$5.00
Second six months	$20.86	$7.48	$7.84

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

		Years ended December 31, 2000	1999	1998
Net earnings	As reported	$112.1	$ 65.4	$ 68.8
	Pro forma	108.0	62.8	66.1
Basic earnings per common share	As reported	$ 3.29	$ 1.18	$ 1.95
	Pro forma	3.12	0.98	1.74
Diluted earnings per common share	As reported	$ 3.22	$ 1.16	$ 1.95
	Pro forma	3.05	0.96	1.74

(Dollars in millions, except per share data)

Pro forma net earnings reflects options granted in 1997 through 2000. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma amounts presented above because compensation cost for options granted prior to January 1, 1996 is not considered.

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

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

	Number of Options	Weighted-Average Exercise Price per Option
Outstanding at January 1, 1998 (176,957 exercisable)	478,844	$49.620
Options granted	524,988	$19.389
Canceled	(32,385)	$71.469
Outstanding at December 31, 1998 (282,496 exercisable)	971,447	$32.555
Options granted	89,236	$27.571
Canceled	(57,588)	$41.626
Exercised	(2,514)	$22.533
Outstanding at December 31, 1999 (544,090 exercisable)	1,000,581	$31.613
Options granted	414,749	$73.392
Canceled	(35,363)	$47.778
Exercised	(597,281)	$25.477
Outstanding at December 31, 2000	782,686	$57.705
Exercisable at December 31, 2000	167,848	$63.886

The weighted-average remaining life of options outstanding at December 31, 2000 is approximately 8.2 years.

(Dollars in millions, except per share data)

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

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$19.38 - 27.50	302,586	7.41	$22.229	98,813	$23.888
$29.38 - 41.25	130,666	8.93	$40.359	8,800	$31.072
$63.13 - 70.75	159,924	9.43	$70.456	--	--
$106.81- 164.81	189,510	7.98	$115.547	60,235	$134.294
	782,686			167,848	

13. RELATED PARTY TRANSACTIONS

At December 31, 2000 and 1999, 11,352,537 and 6,132,926 shares of the Company's outstanding common stock, or approximately 32.6% at December 31, 2000 and 47.6% at December 31, 1999, were owned by Roche Holdings, Inc. (Roche). The reduction in Roche's ownership of the Company's common stock is a result of the sales by Roche of 2.5 million shares in June 2000 and 4.0 million shares in October 2000.

The Company purchases certain items, primarily laboratory testing supplies from various affiliates of Roche. Total purchases from these affiliates, which are recorded in cost of sales, were $42.7, $38.3, and $33.0 in 2000, 1999 and 1998, respectively. In addition, the Company made royalty payments to Roche in the amounts of $2.8 in 2000, $2.9 in 1999 and $2.9 in 1998. Revenue received from Roche for laboratory services was $1.3 in 2000, $0.9 in 1999 and $0.5 in 1998. Amounts owed to Roche and its affiliates at December 31, 2000 and 1999 were $1.4 and $3.5, respectively.

A member of the Company's Board of Directors is former President and Chief Executive Officer of TriPath Imaging, Inc. and has ownership of approximately 4.0% of TriPath's common stock at December 31, 2000.

The Company has certain on-going arrangements with TriPath Imaging, Inc. for the purchase by the Company of certain products with an aggregate value of approximately $0.5 in 2000, $0.4 in 1999, and $0.7 in 1998.

In 1998, TriPath leased a portion of the Company's facility in Elon College, North Carolina and purchased cytology services for total payments of less than $0.1.

14. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is involved in litigation one of which purports to be a class action brought on behalf of certain patients, private insurers and benefit plans that paid for laboratory testing services during the time frame covered by the 1996 government settlement. The Company has also received certain similar claims brought on behalf of certain other insurance companies and individuals, some of which have been resolved for immaterial amounts. These claims for private reimbursement are similar to the government claims settled in 1996. The Company is carefully evaluating these claims and has entered into settlement negotiations with the representatives of the parties. Based upon these discussions, management does not believe that the ultimate outcome of these claims will exceed existing reserves or have a material adverse affect on the Company. On January 9, 2001, the Company was served with a complaint in North Carolina which purports to be a class action and makes claims similar to the cases referred to above. The Company is carefully evaluating this claim. Due to the early stage of the claim, its outcome cannot be presently predicted.

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, professional liability, employee related matters, inquiries from governmental agencies and Medicare or Medicaid carriers 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 will not 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 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, product and vehicle liability, certain medical costs and workers' compensation.

(Dollars in millions, except per share data)

The self-insured retentions are on a per occurrence basis without any aggregate annual limit. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregated liability of claims incurred. At December 31, 2000 and 1999, the Company had provided letters of credit aggregating approximately $28.2 and $24.0, respectively, primarily in connection with certain insurance programs.

The Company leases various facilities and equipment under non-cancelable lease arrangements. Future minimum rental commitments for leases with noncancellable terms of one year or more at December 31, 2000 are as follows:

	Operating	Capital
2001	$ 41.9	$ 3.0
2002	32.6	3.0
2003	25.0	2.8
2004	18.8	2.6
2005	14.0	2.8
Thereafter	42.3	4.4
Total minimum lease payments	174.6	18.6
Less:		
Amounts included in restructuring accruals	--	4.6
Amount representing interest	--	5.8
Total minimum operating lease payments and present value of minimum capital lease payments	$ 174.6	$ 8.2
Current		$ 1.0
Non-current		7.2
		$ 8.2

Rental expense, which includes rent for real estate, equipment and automobiles under operating leases, amounted to $71.3, $67.0 and $67.5 for the years ended December 31, 2000, 1999 and 1998, respectively.

15. PENSION AND POSTRETIREMENT PLANS

The Company maintains a defined contribution pension plan for all eligible employees. Eligible employees are defined as individuals who are age 21 or older and have been employed by the Company for at least six consecutive months and completed 1,000 hours of service. Company contributions to the plan are based on a percentage of employee contributions. The cost of this plan was $7.5, $7.5 and $7.1 in 2000, 1999 and 1998, respectively.

In addition, substantially all employees of the Company are covered by a defined benefit retirement plan (the "Company Plan"). The benefits to be paid under the Company Plan are based on years of

(Dollars in millions, except per share data)

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:

	Company Plans		
	Years ended December 31,		
	2000	1999	1998
Components of net periodic benefit cost			
Service cost	$ 10.6	$ 10.5	$ 10.5
Interest cost	10.6	9.2	8.6
Expected return on plan assets	(12.3)	(12.1)	(11.0)
Net amortization and deferral	(1.5)	(1.6)	(1.6)
Net periodic pension cost	$ 7.4	$ 6.0	$ 6.5

	Company Plans	
	December 31,	
	2000	1999
Change in benefit obligation		
Benefit obligation at beginning of year	$138.3	$140.3
Service cost	10.6	10.5
Interest cost	10.6	9.2
Actuarial (gain) loss	2.1	(11.7)
Benefits paid	(9.4)	(10.0)
Benefit obligation at end of year	152.2	138.3
Change in plan assets		
Fair value of plan assets at beginning of year	138.1	135.9
Actual return on plan assets	13.8	3.5
Employer contributions	8.6	8.7
Benefits paid	(9.4)	(10.0)
Fair value of plan assets at end of year	151.1	138.1
Funded status, end of year	1.2	0.2
Unrecognized net actuarial loss	(11.2)	(10.7)
Unrecognized prior service cost	7.0	8.6
Accrued pension asset	$ (3.0)	$ (1.9)

(Dollars in millions, except per share data)

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

	Company Plans	
	2000	1999
Weighted-average discount rate	7.75%	7.75%
Weighted-average rate of increase in future compensation levels	4.0%	4.0%
Weighted-average expected long-term rate of return	9.0%	9.0%

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

	Year ended December 31, 2000	Year ended December 31, 1999	Year ended December 31, 1998
Service cost	$ 0.8	$ 1.0	$ 1.0
Interest cost	2.5	2.6	2.7
Net amortization and deferral	(0.6)	(0.1)	0.1
Postretirement benefit costs	$ 2.7	$ 3.5	$ 3.8

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

	December 31, 2000	1999
Retirees	$ 11.3	$ 8.0
Fully eligible active plan participants	12.4	9.3
Other active plan participants	19.4	14.6
	$ 43.1	$ 31.9

	December 31, 2000	1999
Reconciliation of the funded status of the postretirement benefit plan and accrued liability		
Accumulated postretirement benefit obligation, beginning of year	$ 31.9	$ 38.8
Changes in benefit obligation due to:		
Service cost	0.8	1.0
Interest cost	2.5	2.6
Plan participants contributions	0.2	0.1
Actuarial (gain) loss	11.9	(9.7)
Amendments	(3.0)	--
Benefits paid	(1.2)	(0.9)
Accumulated post retirement benefit obligation, end of year	43.1	31.9
Unrecognized net actuarial loss	(12.2)	(0.3)
Unrecognized prior service cost	6.0	3.6
Accrued postretirement benefit obligation	$ 36.9	$ 35.2

(Dollars in millions, except per share data)

The weighted-average discount rates used in the calculation of the accumulated postretirement benefit obligation was 7.8% as of December 31, 2000 and 1999. The health care cost trend rate-medical was assumed to be 7.5% and 6.5% and the trend rate-Rx was assumed to be 12.0% and 6.5%, as of December 31, 2000 and 1999, respectively, declining gradually to 5.0% in the year 2010. The health care cost trend rate has a significant effect on the amounts reported. Increasing the assumed health care cost trend rates by a percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 2000 by $7.2. The impact of a percentage point change on the aggregate of the service cost and interest cost components of the net periodic postretirement benefit cost results in an increase or decrease of $0.6.

16. QUARTERLY DATA (UNAUDITED)

The following is a summary of unaudited quarterly data:

	Year ended December 31, 2000				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	$ 462.7	$ 482.4	$ 488.1	$ 486.1	$1,919.3
Gross profit	183.5	201.2	196.7	185.2	766.6
Net earnings	25.7	32.7	32.8	20.9	112.1
Less preferred dividends	14.7	19.6	--	--	34.3
Less accretion of mandatorily redeemable preferred stock	0.2	0.1	--	--	0.3
Net earnings attributable to common shareholders	10.8	13.0	32.8	20.9	77.5
Basic earnings per common share	0.85	0.97	0.98	0.61	3.29
Diluted earnings per common share	0.75	0.94	0.94	0.60	3.22

	Year ended December 31, 1999				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net sales	$ 417.9	$ 429.5	$ 428.6	$ 422.7	$1,698.7
Gross profit	151.4	164.3	163.4	150.0	629.1
Net earnings	14.1	19.8	17.2	14.3	65.4
Less preferred dividends	11.0	12.5	12.9	13.2	49.6
Less accretion of mandatorily redeemable preferred stock	0.2	0.2	0.2	0.2	0.8
Net earnings attributable to common shareholders	2.9	7.1	4.1	0.9	15.0
Basic earnings per common share	0.23	0.56	0.32	0.07	1.18
Diluted earnings per common Share	0.23	0.56	0.32	0.06	1.16

17. NEW ACCOUNTING PRONOUNCEMENTS

As of January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities (SFAS 133). SFAS 133 establishes accounting and reporting standards which require that derivative instruments be recorded as either an asset or liability measured at fair value. Changes in fair value are to be recognized in current earnings or other comprehensive income, depending on the purpose for which the derivative is held. The Company's use of derivative instruments is not significant. Upon adoption of SFAS 133, the Company held one derivative in the form of an interest rate swap. This hedge is considered highly effective resulting in minimal earnings impact.

Schedule II

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
Years Ended December 31, 2000, 1999 and 1998
(Dollars in Millions)

	Balance at beginning of year	Charged to Costs and Expenses	Other (Deduct-ions) Additions	Balance at end of year
Year ended December 31, 2000:				
Applied against asset accounts:				
Allowance for doubtful accounts	$ 147.1	$ 195.9	$(220.0)	$ 123.0
Valuation allowance-deferred tax assets	$ 4.5	$ --	$ --	$ 4.5
Year ended December 31, 1999:				
Applied against asset accounts:				
Allowance for doubtful accounts	$ 194.0	$ 191.9	$(238.8)	$ 147.1
Valuation allowance-deferred tax assets	$ 14.5	$ (10.0)	$ --	$ 4.5
Year ended December 31, 1998:				
Applied against asset accounts:				
Allowance for doubtful accounts	$ 195.4	$ 164.7	$(166.1)	$ 194.0
Valuation allowance-deferred tax assets	$ 42.0	$ (27.5)	$ --	$ 14.5

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
SUBSIDIARY LISTING

EXHIBIT 21

The following table sets forth the subsidiaries of Laboratory Corporation of America Holdings on December 31, 2000. The financial statements of all subsidiaries are included in the consolidated statements of Laboratory Corporation of America Holdings and Subsidiaries.

	Organized under the laws of the state of:
Laboratory Corporation of America	Delaware
Tower Collection Center, Inc.	Delaware
Executive Tower Travel, Inc.	Delaware
Lab Delivery Service of New York City, Inc.	New York
LabCorp Delaware, Inc.	Delaware
LabCorp Limited	United Kingdom
LabCorp Virco, b.v.b.a.	Belgium
POISONLAB, Inc.	California
National Genetics Institute, Inc.	California

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-8 (No. 33-43006, No. 33-55065, No. 33-62913, No. 333-17793, No. 333-39731 and No. 333-39735) of Laboratory Corporation of America Holdings and Forms S-3/4 (No. 33-58307 and No. 33-58775) of National Health Laboratories Holdings, Inc. of our report dated February 9, 2001 relating to the financial statements and financial statement schedule, which appear in this Form 10-K.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 9, 2001

EXHIBIT 24.1

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2000 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 5th day of March, 2001.

By:/s/ JEAN-LUC BELINGARD

Jean-Luc Belingard

EXHIBIT 24.2

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2000 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 3rd day of March, 2001.

By:/s/ WENDY E. LANE

Wendy E. Lane

EXHIBIT 24.3

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2000 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 4th day of March, 2001.

By: /s/ ROBERT E. MITTELSTAEDT

Robert E. Mittelstaedt

EXHIBIT 24.4

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2000 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 3rd day of March, 2001.

By:/s/ JAMES B. POWELL, MD

James B. Powell, MD

EXHIBIT 24.5

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2000 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 2nd day of March, 2001.

By:/s/ DAVID B. SKINNER, MD

David B. Skinner, MD

EXHIBIT 24.6

POWER OF ATTORNEY

KNOWN ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints Bradford T. Smith his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, in connection with the Laboratory Corporation of America Holdings (the "Corporation") Annual Report on Form 10-K for the year ended December 31, 2000 under the Securities Exchange Act of 1934, as amended, including, without limiting the generality of the foregoing, to sign the Form 10-K in the name and on behalf of the Corporation or on behalf of the undersigned as a director or officer of the Corporation, and any amendments to the Form 10-K and any instrument, contract, document or other writing, of or in connection with the Form 10-K or amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, including this power of attorney, with the Securities and Exchange Commission and any applicable securities exchange or securities self-regulatory body, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has signed these presents this 1st day of March, 2001.

By:/s/ ANDREW G. WALLACE, MD

Andrew G. Wallace, MD