

FORM S-8  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

Laboratory Corporation  
of America Holdings  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

13-3757370  
(I.R.S. Employer Identification No.)

358 South Main Street  
Burlington, North Carolina 27215  
(336) 229-1127

(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

DIANON Systems, Inc. 1996 Stock Incentive Plan  
DIANON Systems, Inc. 1999 Stock Incentive Plan  
DIANON Systems, Inc. 2000 Stock Incentive Plan  
DIANON Systems, Inc. 2001 Stock Incentive Plan  
UroCor, Inc. Second Amended and Restated 1992 Stock Option Plan

(Full title of the Plan)

Bradford T. Smith  
Executive Vice President, Chief Legal Officer and Secretary  
Laboratory Corporation of America Holdings  
358 South Main Street  
Burlington, North Carolina 27215  
(336) 229-1127

(Name, address and telephone number, including area code, of agent for service)

Copy to:  
Michael J. Silver  
Hogan & Hartson L.L.P.  
111 South Calvert Street  
Baltimore, Maryland 21202  
(410) 659-2700

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee(1)
DIANON Systems, Inc. 1996 Stock Incentive Plan Common Stock, par value \$.10 per share (2)	20,345 (3)	\$26.64	\$ 541,991	\$ 49.86
DIANON Systems, Inc. 1999 Stock Incentive Plan Common Stock, par value \$.10 per share (2)	11,745 (3)	\$26.64	\$ 312,887	\$ 28.79
DIANON Systems, Inc. 2000 Stock Incentive Plan Common Stock, par value \$.10 per share (2)	8,405 (3)	\$26.64	\$ 223,909	\$ 20.60
DIANON Systems, Inc. 2001 Stock Incentive Plan Common Stock, par value \$.10 per share (2)	632,793 (3)	\$26.64	\$16,857,606	\$1,550.90
UroCor, Inc. Second Amended and Restated 1992 Stock Option Plan Common Stock, par value \$.10 per share (2)	16,828 (3)	\$26.64	\$ 448,298	\$ 41.24

- (1) Estimated pursuant to Rule 457(c) and (h) of the Securities Act of 1933, as amended, solely for the purpose of calculating the amount of the registration fee, based on the average of the high and low prices per share of Laboratory Corporation of America Holdings common stock, par value \$.10 per share, on January 16, 2002, as traded on the New York Stock Exchange.
- (2) Includes Series A Participating Cumulative Preferred Stock Purchase Rights attached thereto, for which no separate fee is payable pursuant to Rule 457(i).
- (3) Plus an indeterminate number of additional shares which may be offered and issued to prevent dilution resulting from stock splits, stock dividends or similar transactions.

=====  
Exhibit Index Appears on page 8.

#### EXPLANATORY NOTE

The Registrant is filing this Registration Statement on Form S-8 in connection with DIANON Systems, Inc.'s ("DIANON") 1996 Stock Incentive Plan, its 1999 Stock Incentive Plan, its 2000 Stock Incentive Plan, its 2001 Stock Incentive Plan, and the UroCor, Inc. Second Amended and Restated 1992 Stock Option Plan that the Registrant is required to assume pursuant to that Agreement and Plan of Merger dated November 10, 2002 between the Registrant, DIANON and DaVinci Development, Inc. ("DaVinci"), a wholly-owned subsidiary of the Registrant, pursuant to which, upon the closing of the merger, DIANON became a direct wholly-owned subsidiary of the Registrant effective January 17, 2003.

## PART I

### INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

The documents containing the information specified in Part I will be sent or given to employees as specified by Rule 428(b)(1) of the Securities Act of 1933 (the "Securities Act"). In accordance with the instructions to Part I of Form S-8, such documents will not be filed with the Securities and Exchange Commission (the "Commission"). These documents and the documents incorporated by reference pursuant to Item 3 of Part II of this registration statement, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

## PART II

### INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

#### Item 3. Incorporation of Documents by Reference.

The Registrant hereby incorporates by reference into this registration statement the following documents filed by it with the Commission:

- (a) The Registrant's Form 10-K for the fiscal year ended December 31, 2001 as filed March 18, 2002;
- (b) The Registrant's Form 10-Q for the quarter ended September 30, 2002 as filed November 14, 2002;
- (c) The Registrant's Form 10-Q for the quarter ended June 30, 2002 as filed August 13, 2002;
- (d) The Registrant's Form 10-Q for the quarter ended March 31, 2002 as filed May 2, 2002;
- (e) The Registrant's Forms 8-K filed on January 16, 2002, February 13, 2002, February 22, 2002, February 26, 2002, March 12, 2002, May 9, 2002 (as amended May 9, 2002), June 5, 2002, June 7, 2002, June 20, 2002, June 27, 2002, July 15, 2002, July 19, 2002, July 26, 2002, August 7, 2002, October 2, 2002, October 22, 2002, and November 12, 2002;
- (f) All reports filed with the Commission pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since December 31, 2001; and
- (g) The description of the Registrant's Common Stock, \$.10 par value per share ("Common Stock"), contained in the Registrant's Registration Statement on Form 8-B (as amended by Amendment No. 1 thereto dated as of April 27, 1995) filed with the Commission on July 1, 1994, including all amendments and reports filed under Section 13(a) or 15(d) of the Exchange Act for purposes of updating the description of Common Stock.

In addition, all documents and reports filed by the Registrant subsequent to the date hereof pursuant to Sections 13(a), 13(c), 14, and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment to this registration statement which indicates that all securities offered have been sold or which deregisters all securities remaining unsold, shall be deemed to be incorporated by reference in this registration statement and to be part hereof from the date of filing of such documents or reports. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this registration statement to the extent that a statement contained herein or in any other subsequent filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this registration statement.

#### Item 4. Description of Securities.

Not applicable (the Common Stock is registered under Section 12(g) of the Exchange Act).

#### Item 5. Interests of Named Experts and Counsel.

Bradford T. Smith, who has issued the opinion of the Registrant's Law Department on the legality of the common stock of the Registrant offered

hereby, is Executive Vice President, Chief Legal Officer and Secretary of the Registrant. Mr. Smith owns common stock of the Registrant and restricted common stock of the Registrant. He also holds employee stock options to purchase common stock of the Registrant.

Item 6. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law permits indemnification of officers, directors and other corporate agents under certain circumstances and subject to certain limitations. The Registrant's Amended and Restated Certificate of Incorporation provides that the Registrant shall indemnify its directors for any breach of fiduciary duties, except for liability (1) for any breach of the director's duty of loyalty to the Registrant or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) pursuant to Section 174 of the Delaware General Corporation Law or (4) for any transaction from which the director derived an improper personal benefit. The Registrant's Amended and Restated By-Laws generally provide that the Registrant shall indemnify its directors, officers, employees or agents to the full extent permitted by Delaware General Corporation Law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. The Registrant has directors' and officers' liability insurance that covers current and former directors and officers of the Registrant and its subsidiaries and constituent corporations, such as those that have been merged with the Registrant. These indemnification provisions and the indemnification agreement between the Registrant and its officers and directors may be sufficiently broad to permit indemnification of the Registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

\* \* \*

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

Exhibit Number	Description
4.1 (1)	Specimen Stock Certificate
4.2 (2)	Rights Agreement dated December 13, 2001
5.1	Opinion of Counsel regarding the legality of the shares being registered (filed herewith)
10.1	DIANON Systems, Inc. 1996 Stock Incentive Plan (filed herewith)
10.2	DIANON Systems, Inc. 1999 Stock Incentive Plan (filed herewith)
10.3	DIANON Systems, Inc. 2000 Stock Incentive Plan (filed herewith)
10.4	DIANON Systems, Inc. 2001 Stock Incentive Plan (filed herewith)
10.5	Urocor, Inc. Second Amended and Restated 1992 Stock Option Plan (filed herewith)
23.1	Consent of Counsel (included in Exhibit 5.1)

23.2	Consent of PricewaterhouseCoopers LLP (filed herewith)
24.1	Power of Attorney (included on signature page)

- 
- (1) Incorporated by reference from the Registrant's Form 10-K for the year ended December 31, 2001 filed on March 18, 2002.
  - (2) Incorporated by reference from the Registrant's Form 8-A filed on December 21, 2001.

Item 9. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3, Form S-8 or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) The undertaking concerning indemnification is set forth under the response to Item 6.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Burlington, State of North Carolina, on January 17, 2003.

By: /s/ Bradford T. Smith

-----  
Bradford T. Smith, Executive Vice President,  
Chief Legal Officer and Secretary

POWER OF ATTORNEY

Know all men by these presents, that each individual whose signature appears below constitutes and appoints Bradford T. Smith as his true and lawful attorney-in-fact and agent, with power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign a registration statement (the "Registration Statement") relating to a registration of shares of common stock on Form S-8 and to sign any and all amendments (including post-effective amendments) to the Registration Statement, and to file the same, with all exhibits and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, 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 attorneys-in-fact and agents, or any of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement on Form S-8 has been signed by the following persons in the capacities indicated and the date indicated above.

/s/ Thomas P. Mac Mahon                      President, Chief Executive Officer and  
-----  
Chairman of the Board  
Thomas P. Mac Mahon                      (Principal Executive Officer)

/s/ Wesley R. Elingburg                      Executive Vice President, Chief Financial  
-----  
Officer and Treasurer  
Wesley R. Elingburg                      (Principal Accounting and Financial Officer)

/s/ Jean-Luc Belingard                      Director  
-----  
Jean-Luc Belingard

/s/ Wendy E. Lane                              Director  
-----  
Wendy E. Lane

/s/ Robert E. Mittelstaedt, Jr.              Director  
-----  
Robert E. Mittelstaedt, Jr.

/s/ James B. Powell, M.D.                      Director  
-----  
James B. Powell, M.D.

/s/ David B. Skinner, M.D.                      Director  
-----  
David B. Skinner, M.D.

/s/ Andrew G. Wallace, M.D.                      Director  
-----  
Andrew G. Wallace, M.D.

EXHIBIT INDEX

Exhibit Number	Description
-------------------	-------------

4.1 (1)	Specimen Stock Certificate
4.2 (2)	Rights Agreement dated December 13, 2001
5.1	Opinion of Counsel regarding the legality of the shares being registered (filed herewith)
10.1	DIANON Systems, Inc. 1996 Stock Incentive Plan (filed herewith)
10.2	DIANON Systems, Inc. 1999 Stock Incentive Plan (filed herewith)
10.3	DIANON Systems, Inc. 2000 Stock Incentive Plan (filed herewith)
10.4	DIANON Systems, Inc. 2001 Stock Incentive Plan (filed herewith)
10.5	Urocor, Inc. Second Amended and Restated 1992 Stock Option Plan (filed herewith)
23.1	Consent of Counsel (included in Exhibit 5.1)
23.2	Consent of PricewaterhouseCoopers LLP (filed herewith)
24.1	Power of Attorney (included on signature page)

---

(1) Incorporated by reference from the Registrant's Form 10-K for the year ended December 31, 2001 filed on March 18, 2002.

(2) Incorporated by reference from the Registrant's Form 8-A filed on December 21, 2001.

DIANON SYSTEMS, INC.  
1996 STOCK INCENTIVE PLAN

## SECTION 1. Purposes

The purposes of the Dianon Systems, Inc. 1996 Stock Incentive Plan (the "Plan") are (i) to enable Dianon Systems, Inc. (the "Company") and its Related Companies (as defined below) to attract, retain and reward employees and strengthen the existing mutuality of interests between such employees and the Company's stockholders by offering such employees an equity interest in the Company, and (ii) to enable the Company to pay part of the compensation of its Outside Directors (as defined in Section 5.2) in the form of equity of the Company, thereby increasing such directors' proprietary interests in the Company. For purposes of the Plan, a "Related Company" means any corporation, partnership, joint venture or other entity in which the Company owns, directly or indirectly, at least a 20% beneficial ownership interest.

## SECTION 2. Types of Awards

2.1 Awards under the Plan may be in the form of (i) Stock Options; (ii) Stock Appreciation Rights; (iii) Restricted Stock; (iv) Deferred Stock; (v) Bonus Stock; (vi) Loans; and/or (vii) Tax Offset Payments. One or more types of awards may be granted, which may be independent or granted in tandem. If two awards are granted in tandem, the award holder may exercise (or otherwise receive the benefit of) one award only to the extent he or she relinquishes the tandem award.

2.2 Outside Directors shall receive Stock Options, Limited Stock Appreciation Rights and Stock Grants as provided in Section 15. In addition, Outside Directors may be granted awards in one or more of the forms set forth in Section 2.1.

## SECTION 3. Administration

3.1 The Plan shall be administered (i) by the Compensation Committee of the Company's Board of Directors (the "Board") or such other committee of directors as the Board shall designate (the "Committee"), with respect to awards to persons other than Outside Directors, and (ii) by the Board with respect to awards to Outside Directors (except as provided in Section 4.4). The Committee shall consist of not less than two directors each of whom is an Outside Director. The members of the Committee shall serve at the pleasure of the Board.

3.2 For purposes of this Plan the term "Granting Authority" shall mean (i) the Board of Directors with respect to awards to Outside Directors (except as provided in Section 4.4), and (ii) the Committee with respect to all other awards. The Granting Authority shall have the following authority with respect to awards under the Plan within its jurisdiction: to grant such awards to persons eligible to receive them under the Plan; to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall deem advisable; to interpret the terms and provisions of the Plan and any award granted by it under the Plan; and to otherwise supervise the administration of the Plan. In particular, and without limiting its authority and powers, the Granting Authority shall have the authority with respect to the awards within its jurisdiction:

- (a) to determine whether and to what extent any award or combination of awards will be granted hereunder, including whether any awards will be granted in tandem with each other;
- (b) to select the eligible persons to whom awards will be granted;
- (c) to determine the number of shares of the common stock of the Company (the "Stock") to be covered by each award granted hereunder subject to the limitations contained herein;
- (d) to determine the terms and conditions of any award granted hereunder, including, but not limited to, any vesting or other restrictions based on such performance objectives (the "Performance Objectives") and such other factors as the Granting Authority may establish, and to determine whether the Performance Objectives and other terms and conditions of the award are satisfied;
- (e) to determine the treatment of awards upon an award holder's retirement, disability, death, termination for cause or other termination of employment or service with the Company or Related Company;
- (f) to determine pursuant to a formula or otherwise the fair market value of the Stock on a given date; provided, however, that if the Granting Authority fails to make such a determination, fair market value of the Stock on a given date shall be the closing sale price



on a given date, or if no such sale of Stock occurs on such date, the weighted average of the closing sale prices on the nearest trading dates before and after such date;

- (g) to determine that amounts equal to the amount of any dividends declared with respect to the number of shares covered by an award (i) will be paid to the award holder currently or (ii) will be deferred and deemed to be reinvested or (iii) will otherwise be credited to the award holder, or that the award holder has no rights with respect to such dividends;
- (h) to determine whether, to what extent, and under what circumstances Stock and other amounts payable with respect to an award will be deferred either automatically or at the election of an award holder, including providing for and determining the amount (if any) of deemed earnings on any deferred amount during any deferral period;
- (i) to provide that the shares of Stock received as a result of an award shall be subject to a right of first refusal, pursuant to which the award holder shall be required to offer to the Company any shares that the award holder wishes to sell, subject to such terms and conditions as the Granting Authority may specify;
- (j) to amend the terms of any award (including those granted under Section 15), prospectively or retroactively; provided, however, that no amendment shall impair the rights of the award holder without his or her written consent; and
- (k) to substitute new Stock Options for previously granted Stock Options, or for options granted under other plans or agreements, in each case including previously granted options having higher option prices.

3.3 The Committee shall have the right to designate awards as "Performance Awards." Awards so designated shall be granted and administered in a manner designed to preserve the deductibility of the compensation resulting from such awards in accordance with Section 162(m) of the Internal Revenue Code (the "Code"). The grant or vesting of a Performance Award shall be subject to the achievement of Performance Objectives established by the Committee based on one or more of the following criteria, in each case applied to the Company on a consolidated basis and/or to a business unit and which the Committee may use as an absolute measure, as a measure of improvement relative to prior performance, or as a measure of comparable performance relative to a peer group of companies: sales, operating profits, operating profits before interest expense and taxes, net earnings, earnings per share, return on equity, return on assets, return on invested capital, total shareholder return, cash flow, debt to equity ratio, market share, stock price, economic value added, and market value added.

The Performance Objectives for a particular Performance Award relative to a particular fiscal year shall be established by the Committee in writing no later than 90 days after the beginning of such year. The Committee's determination as to the achievement of Performance Objectives relating to a Performance Award shall be made in writing. The Committee shall have discretion to modify the Performance Objectives or vesting conditions of a Performance Award only to the extent that the exercise of such discretion would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code.

3.4 All determinations made by the Granting Authority pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Plan participants.

3.5 The Committee may from time to time delegate to one or more officers of the Company any or all of its authorities granted hereunder except with respect to awards granted to persons subject to Section 16 of the Securities Exchange Act of 1934 or Performance Awards. The Committee shall specify the maximum number of shares that the officer or officers to whom such authority is delegated may award.

#### SECTION 4. Stock Subject to Plan

4.1 The total number of shares of Stock which may be issued under the Plan shall be 700,000, of which 630,000 shall be used for awards to employees and 70,000 shall be used for awards to Outside Directors (all subject to adjustment as provided below). Such shares may consist of authorized but unissued shares or treasury shares. The exercise of a Stock Appreciation Right for cash or the payment of any other award in cash shall not count against this share limit.

4.2 To the extent a Stock Option terminates without having been exercised, or an award terminates without the award holder having received payment of the award, or shares awarded are forfeited, the shares subject to such award shall again be available for distribution in connection with future awards under the Plan. Shares of Stock equal in number to the shares surrendered in payment of the option price, and shares of Stock which are

withheld in order to satisfy federal, state or local tax liability, shall not count against the above limit, and shall again be available for grants under the Plan.

4.3 No employee shall be granted Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock, and/or Bonus Stock, or any combination of the foregoing with respect to more than 300,000 shares of Stock in any fiscal year (subject to adjustment as provided in Section 4.4). No employee shall be granted a Tax Offset Payment in any fiscal year with respect to more than the number of shares of Stock covered by awards granted to such employee in such fiscal year.

4.4 In the event of any merger, reorganization, consolidation, sale of substantially all assets, recapitalization, Stock dividend, Stock split, spin-off, split-up, split-off, distribution of assets or other change in corporate structure affecting the Stock, a substitution or adjustment, as may be determined to be appropriate by the Committee in its sole discretion, shall be made in the aggregate number of shares reserved for issuance under the Plan, the number of shares as to which awards may be granted to any individual in any calendar year, the number and type of shares subject to outstanding awards and the amounts to be paid by award holders or the Company, as the case may be, with respect to outstanding awards; provided, however, that no such adjustment shall increase the aggregate value of any outstanding award. In the event any change described in this Section 4.4 occurs, the Committee shall make appropriate adjustment in the awards previously granted and to be granted to Outside Directors under the Plan; provided that no such adjustment shall increase the aggregate value of any outstanding award.

## SECTION 5. Eligibility

5.1 Employees of the Company or a Related Company, including employees who are officers and/or directors of the Company, are eligible to be granted awards under the Plan, other than under Section 15. Employees shall be selected for participation in the Plan from time to time by the Committee, in its sole discretion, from among those eligible.

5.2 Awards under Section 15 of the Plan shall be made solely to Outside Directors, which term shall mean any director of the Company other than one who is an employee of the Company or a Related Company. The Board, in its discretion, may also grant other awards under the Plan in one or more of the forms set forth in Section 2.1 to one or more Outside Directors.

## SECTION 6. Stock Options

6.1 The Stock Options awarded under the Plan may be of two types: (i) Incentive Stock Options within the meaning of Section 422 of the Code or any successor provision thereto (which may only be granted to employees); and (ii) Non-Qualified Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall constitute a Non-Qualified Stock Option.

6.2 Subject to the following provisions, Stock Options awarded under the Plan shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

- (a) Option Price. The option price per share of Stock purchasable under a Stock Option shall be determined by the Granting Authority, and may be less than the fair market value of the Stock on the date of the award of the Stock Option.
- (b) Option Term. The term of each Stock Option shall be fixed by the Granting Authority.
- (c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Granting Authority. The Granting Authority may waive such exercise provisions or accelerate the exercisability of the Stock Option at any time in whole or in part.
- (d) Method of Exercise. Stock Options may be exercised in whole or in part at any time during the option period by giving written notice of exercise to the Company specifying the number of shares to be purchased, accompanied by payment of the purchase price. Payment of the purchase price shall be made in such manner as the Granting Authority may provide in the award, which may include cash (including cash equivalents), delivery of shares of Stock already owned by the optionee or subject to awards hereunder, "cashless exercise", any other manner permitted by law determined by the Granting Authority, or any combination of the foregoing. If the Granting Authority determines that a Stock Option may be exercised using shares of Restricted Stock, then unless the Granting Authority provides otherwise, the shares received upon the exercise of a Stock Option which are paid for using Restricted Stock shall be restricted in accordance with the original terms of the Restricted Stock award.

- (e) No Stockholder Rights. An optionee shall have neither rights to dividends or other rights of a stockholder with respect to shares subject to a Stock Option until the optionee has given written notice of exercise and has paid for such shares.
- (f) Surrender Rights. The Granting Authority may provide that options may be surrendered for cash upon any terms and conditions set by the Granting Authority.
- (g) Non-transferability. Unless otherwise provided by the Granting Authority, (i) Stock Options shall not be transferable by the optionee other than by will or by the laws of descent and distribution, and (ii) during the optionee's lifetime, all Stock Options shall be exercisable only by the optionee or by his or her guardian or legal representative.
- (h) Termination of Service. Following the termination of an optionee's service with the Company or a Related Company, the Stock Option shall be exercisable to the extent determined by the Granting Authority. The Granting Authority may provide different post-termination exercise provisions with respect to termination of service for different reasons. The Granting Authority may provide that, notwithstanding the option term fixed pursuant to Section 6.2(b), a Stock Option which is outstanding on the date of an optionee's death shall remain outstanding for an additional period after the date of such death.

6.3 Notwithstanding the provisions of Section 6.2, no Incentive Stock Option shall (i) have an option price which is less than 100% of the fair market value of the Stock on the date of the award of the Incentive Stock Option, (ii) be exercisable more than ten years after the date such Incentive Stock Option is awarded, or (iii) be awarded more than ten years after the effective date of the Plan specified in Section 19. No Incentive Stock Option granted to an employee who owns more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations, as defined in Section 424 of the Code, shall (A) have an option price which is less than 110% of the fair market value of the Stock on the date of award of the Incentive Stock Option or (B) be exercisable more than five years after the date such Incentive Stock Option is awarded.

#### SECTION 7. Stock Appreciation Rights

7.1 A Stock Appreciation Right shall entitle the holder thereof to receive payment of an amount, in cash, shares of Stock or a combination thereof, as determined by the Granting Authority, equal in value to the excess of the fair market value of the number of shares of Stock as to which the award is granted on the date of exercise over an amount specified by the Granting Authority. Any such award shall be in such form and shall have such terms and conditions as the Granting Authority may determine. The grant shall specify the number of shares of Stock as to which the Stock Appreciation Right is granted.

7.2 The Granting Authority may provide that a Stock Appreciation Right may be exercised only within the 60-day period following occurrence of a Change of Control (as defined in Section 17.2) (such Stock Appreciation Right being referred to herein as a Limited Stock Appreciation Right). The Granting Authority may also provide that in the event of a Change of Control the amount to be paid upon exercise of a Stock Appreciation Right shall be based on the Change of Control Price (as defined in Section 17.3).

#### SECTION 8. Restricted Stock

Subject to the following provisions, all awards of Restricted Stock shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

- (a) The Restricted Stock award shall specify the number of shares of Restricted Stock to be awarded, the price, if any, to be paid by the recipient of the Restricted Stock and the date or dates on which, or the conditions upon the satisfaction of which, the Restricted Stock will vest. The grant and/or the vesting of Restricted Stock may be conditioned upon the completion of a specified period of service with the Company or a Related Company, upon the attainment of specified Performance Objectives or upon such other criteria as the Granting Authority may determine.
- (b) Stock certificates representing the Restricted Stock awarded under the Plan shall be registered in the award holder's name, but the Granting Authority may direct that such certificates be held by the Company on behalf of the award holder. Except as may be permitted by the Granting Authority, no share of Restricted Stock may be sold, transferred, assigned, pledged or otherwise encumbered by the award holder until such share has vested in accordance with the terms of the Restricted Stock award. At the time Restricted Stock vests, a certificate for such vested shares shall be delivered to the award holder (or his or her designated

beneficiary in the event of death), free of all restrictions.

- (c) The Granting Authority may provide that the award holder shall have the right to vote or receive dividends on Restricted Stock. Unless the Granting Authority provides otherwise, Stock received as a dividend on, or in connection with a stock split of, Restricted Stock shall be subject to the same restrictions as the Restricted Stock.
- (d) Except as may be provided by the Granting Authority, in the event of an award holder's termination of service before all of his or her Restricted Stock has vested, or in the event any conditions to the vesting of Restricted Stock have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the award, the shares of Restricted Stock which have not vested shall be forfeited, and the Granting Authority may provide that (i) any purchase price paid by the award holder shall be returned to the award holder or (ii) a cash payment equal to the Restricted Stock's fair market value on the date of forfeiture, if lower, shall be paid to the award holder.
- (e) The Granting Authority may waive, in whole or in part, any or all of the conditions to receipt of, or restrictions with respect to, any or all of the award holder's Restricted Stock, other than Performance Awards whose vesting was made subject to satisfaction of one or more Performance Objectives (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code).

#### SECTION 9. Deferred Stock Awards

Subject to the following provisions, all awards of Deferred Stock shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

- (a) The Deferred Stock award shall specify the number of shares of Deferred Stock to be awarded and the duration of the period (the "Deferral Period") during which, and the conditions under which, receipt of the Stock will be deferred. The Granting Authority may condition the grant or vesting of Deferred Stock, or receipt of Stock or cash at the end of the Deferral Period, upon the attainment of specified Performance Objectives or such other criteria as the Granting Authority may determine.
- (b) Except as may be provided by the Granting Authority, Deferred Stock awards may not be sold, assigned, transferred, pledged or otherwise encumbered during the Deferral Period.
- (c) At the expiration of the Deferral Period, the award holder (or his or her designated beneficiary in the event of death) shall receive (i) certificates for the number of shares of Stock equal to the number of shares covered by the Deferred Stock award, (ii) cash equal to the fair market value of such Stock, or (iii) a combination of shares and cash, as the Granting Authority may determine.
- (d) Except as may be provided by the Granting Authority, in the event of an award holder's termination of service before the Deferred Stock has vested, his or her Deferred Stock award shall be forfeited.
- (e) The Granting Authority may waive, in whole or in part, any or all of the conditions to receipt of, or restrictions with respect to, Stock or cash under a Deferred Stock award, other than with respect to Performance Awards (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code).

#### SECTION 10. Bonus Stock

The Granting Authority may award Bonus Stock subject to such terms and conditions as the Granting Authority shall determine. The grant of Bonus Stock may be conditioned upon the attainment of specified Performance Objectives or upon such other criteria as the Granting Authority may determine. The Granting Authority may waive such conditions in whole or in part other than with respect to Performance Awards (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code). The Granting Authority shall also have the right to eliminate or reduce the amount of Bonus Stock otherwise payable under an award. Unless otherwise specified by the Granting Authority, no money shall be paid by the recipient for the Bonus

Stock. Alternatively, the Granting Authority may offer the award holder the opportunity to purchase Bonus Stock at a discount from its fair market value. The Bonus Stock award shall be satisfied by the delivery of the designated number of shares of Stock which are not subject to restriction.

#### SECTION 11. Loans

The Granting Authority may provide that the Company shall make, or arrange for, a loan or loans with respect to the exercise of any Stock Option awarded under the Plan, with respect to the payment of the purchase price, if any, of any Restricted Stock awarded hereunder or with respect to any taxes arising from an award hereunder; provided, however, that the Company shall not loan more than the sum of (i) the excess of the purchase or exercise price of an award over the par value of any shares of Stock awarded plus (ii) the amount of any taxes arising from such award. The Granting Authority shall have full authority to decide whether a loan will be made hereunder and to determine the amount, term and provisions of any such loan, including the interest rate to be charged, whether the loan will be with or without recourse against the borrower, any security for the loan, the terms on which the loan is to be repaid and the conditions, if any, under which the loan may be forgiven.

#### SECTION 12. Tax Offset Payments

The Granting Authority may provide for a Tax Offset Payment by the Company with respect to one or more awards granted under the Plan. The Tax Offset Payment shall be in an amount specified by the Granting Authority, which shall not exceed the amount necessary to pay the federal, state, local and other taxes payable with respect to the applicable award and the receipt of the Tax Offset Payment, assuming that the award holder is taxed at the maximum tax rate applicable to such income. The Tax Offset Payment shall be paid solely in cash.

#### SECTION 13. Election to Defer Awards

The Granting Authority may permit an employee or Outside Director to elect to defer receipt of an award (other than an award pursuant to Section 15) for a specified period or until a specified event, upon such terms as are determined by the Granting Authority.

#### SECTION 14. Tax Withholding

14.1 Each employee shall, no later than the date as of which the value of an award first becomes includible in such person's gross income for applicable tax purposes, pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any federal, state, local or other taxes of any kind required by law to be withheld with respect to the award. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company (and, where applicable, any Related Company), shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the employee.

14.2 To the extent permitted by the Committee, and subject to such terms and conditions as the Committee may provide, an employee may elect to have the withholding tax obligation, or any additional tax obligation with respect to any awards hereunder, satisfied by (i) having the Company withhold shares of Stock otherwise deliverable to such person with respect to the award or (ii) delivering to the Company shares of unrestricted Stock. Alternatively, the Committee may require that a portion of the shares of Stock otherwise deliverable be applied to satisfy the withholding tax obligations with respect to the award.

#### SECTION 15. Automatic Stock Options, Limited Stock Appreciation Rights and Stock Grants for Outside Directors

15.1 Outside Directors shall be granted Stock Options as follows:

- (a) Initial Grant. Each person who is an Outside Director on the date of adoption of the Plan by the Board shall be granted on such date a Stock Option to purchase the number of whole shares of Stock obtained by dividing \$5,000 by the closing sales price of the Stock on the date of grant. Each person who becomes an Outside Director after such date shall be granted, on the first trading day coincident with or immediately following the effective date of his or her election as an Outside Director, a Stock Option to purchase the number of whole shares of Stock obtained by dividing \$5,000 by the closing sales price of the Stock on the date of grant.
- (b) Quarterly Grants. On the first trading day of each calendar quarter beginning with October 1, 1995, each Outside Director then serving on the Board and who has served for all or a portion of the previous calendar quarter shall be granted a Stock Option to purchase the number of whole shares of Stock obtained by dividing \$5,000 by the closing sales price of the Stock on the date of grant.

- (c) For purposes of this Section 15.1, the term trading day shall mean a day on which the Stock is traded on a national securities exchange, on the Nasdaq National Market, or in the over-the-counter market.
- (d) Notwithstanding the foregoing, if on any date on which Stock Options are to be granted under this Section 15.1 the remaining shares available for issuance to Outside Directors under the Plan are insufficient to enable each Outside Director to receive a Stock Option to purchase the applicable number of shares of Stock set forth above, each Outside Director who is entitled to be granted a Stock Option pursuant to this Section 15.1 on such date shall be granted a Stock Option to purchase his or her pro rata portion of such remaining shares.

15.2 Stock Options granted under this Section 15 shall be Non-Qualified Stock Options, and shall have the following terms and conditions:

- (a) Option Price. The option price per share of Stock purchasable under the Stock Option shall be equal to the closing sales price of the Stock on the date the Stock Option is granted.
- (b) Term of Option. The term of the Stock Option shall be ten years from the date of grant, subject to earlier termination in the event of termination of service as a director, as set forth in paragraphs (e) and (f) below.
- (c) Exercisability. Subject to paragraphs (e) and (f) below, each Stock Option shall vest with respect to 10% of the underlying shares on the date which is three months after the date of grant, and an additional 10% at the end of each three-month period thereafter, provided that the optionee is a director of the Company on such date. The minimum number of shares with respect to which a Stock Option may be exercised is the lesser of 100 shares or the number of shares then subject to the Stock Option.
- (d) Method of Exercise. The Stock Options may be exercised in whole or in part at any time during the option period by giving written notice of exercise to the Company specifying the number of shares to be purchased, accompanied by payment of the purchase price. Payment of the purchase price shall be made in cash (including cash equivalents) or by delivery of shares of Stock already owned by the optionee for at least six months, or by any combination of the foregoing. Shares delivered upon payment of the exercise price shall be valued at the average of the high and low sale price of the Stock on the date of exercise (or, if the Stock is not traded on such date, at the weighted average of the high and low prices on the nearest trading dates before and after such date).
- (e) Termination of Service as Director. If an optionee's service as a director is terminated for any reason, such director's Stock Options may be exercised for five years following such termination of service (but not beyond the Option term), but only to the extent such Options were vested on the date of termination of service.
- (f) Change of Control. Notwithstanding any other provision of the Plan, upon the occurrence of a Change of Control (as defined in Section 17.2), all Stock Options outstanding at the time of such Change of Control shall become immediately vested and exercisable and shall remain exercisable for five years after the director's termination of service (but not beyond the option term).
- (g) Non-transferability. No Stock Option shall be transferable by the optionee other than by will or by the laws of descent and distribution. During an optionee's lifetime, all Stock Options shall be exercisable only by the optionee or by his or her guardian or legal representative.
- (h) Shareholder Rights. The holder of a Stock Option shall, as such, have none of the rights of a shareholder.

15.3 Limited Stock Appreciation Rights in Tandem with Options. Each Stock Option granted to an Outside Director under this Section 15 shall be granted in tandem with a Limited Stock Appreciation Right which may be exercised only within the 60-day period following a Change of Control. Upon exercise of the Limited Stock Appreciation Right, the holder shall receive, for each share with respect to which the Limited Stock Appreciation Right is exercised, an amount equal in value to the excess of the Change of Control Price (as defined in Section 17.3) over the exercise price of the related Stock Option. The Limited Stock Appreciation Right shall be payable solely in cash, and shall be paid within 30 days of the exercise of the Limited Stock Appreciation Right.

15.4 Quarterly Stock Grants. On the first trading day of each calendar

quarter beginning with the first calendar quarter after the date of shareholder approval of the Plan, each Outside Director then serving on the Board and who has served for all or a portion of the previous calendar quarter shall be granted the number of whole shares of Stock obtained by dividing \$2,000 by the closing sales price of the Stock on the date of grant. Notwithstanding the foregoing, if on any date on which shares are to be granted pursuant to this Section 15.4 the remaining shares reserved for issuance to Outside Directors under the Plan are insufficient to enable each Outside Director to receive the applicable number of shares of Stock set forth above, each Outside Director who is entitled to be granted shares pursuant to this Section 15.4 shall be granted his or her pro rata portion of such remaining shares. All shares granted under this Section 15.4 shall be fully vested and non-forfeitable at the time of grant.

#### SECTION 16. Amendments and Termination

The Board may discontinue the Plan at any time and may amend it from time to time. No amendment or discontinuation of the Plan shall adversely affect any award previously granted without the award holder's written consent. To the extent required in order to satisfy Rule 16b-3 under the Securities Exchange Act of 1934 ("Rule 16b-3") (or any successor rule), the provisions of Section 15 shall not be amended more than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act, or the rules thereunder. Amendments may be made without stockholder approval except as required to satisfy Rule 16b-3, Section 162(m) of the Code, or other NASDAQ, stock exchange, or regulatory requirements.

#### SECTION 17. Change of Control

17.1 In the event of a Change of Control, unless otherwise determined by the Granting Authority at the time of grant or by amendment (with the award holder's consent) of such grant:

- (a) all outstanding Stock Options and all outstanding Stock Appreciation Rights (including Limited Stock Appreciation Rights) awarded under the Plan shall become fully exercisable and vested;
- (b) the restrictions and deferral limitations applicable to any outstanding Restricted Stock and Deferred Stock awards under the Plan shall lapse and such shares and awards shall be deemed fully vested; and
- (c) to the extent the cash payment of any award is based on the fair market value of Stock, such fair market value shall be the Change of Control Price.

17.2 A "Change of Control" shall be deemed to occur on:

- (a) the date that any person or group deemed a person under Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934 (other than the Company and its subsidiaries as determined immediately prior to that date) has become the beneficial owner, directly or indirectly (with beneficial ownership determined as provided in rule 13d-3, or any successor rule, under the Securities Exchange Act of 1934) of securities of the Company representing 25% or more of the total combined voting power of all classes of stock of the Company having the right under ordinary circumstances to vote at an election of the Board, unless such person has acquired 80% or more of such securities directly from the Company;
- (b) the date on which one-third or more of the members of the Board shall consist of persons other than Current Directors (for these purposes a "Current Director" shall mean any member of the Board on July 27, 1995 and any member of the Board whose nomination or election has been approved by a majority of the Current Directors then on the Board);
- (c) the date of approval by the stockholders of the Company of an agreement providing for the merger or consolidation of the Company with another corporation where (i) the stockholders of the Company, immediately prior to the merger or consolidation, would not beneficially own, immediately after the merger or consolidation, shares entitling such stockholders to 50% or more of all votes (without consideration of the rights of any class of stock to elect directors by a separate class vote) to which all stockholders of the corporation issuing cash or securities in the merger or consolidation would be entitled in the election of directors, or (ii) where the members of the Board, immediately prior to the merger or consolidation, would not, immediately after the merger or consolidation, constitute a majority of the board of directors of the corporation issuing cash or securities in the merger; or
- (d) the date of approval by the stockholders of the Company of an agreement providing for the sale or other disposition of all or substantially all of the assets of the Company.

17.3 "Change of Control Price" means the highest price per share paid in any transaction reported in the Nasdaq National Market or on any national securities exchange where the Stock is traded, or paid or offered in any transaction related to a Change of Control at any time during the 90-day period ending with the Change of Control. Notwithstanding the foregoing sentence, in the case of Stock Appreciation Rights granted in tandem with Incentive Stock Options, the Change of Control Price shall be the highest price paid on the date on which the Stock Appreciation Right is exercised.

#### SECTION 18. General Provisions

18.1 Each award under the Plan shall be subject to the requirement that, if at any time the Granting Authority shall determine that (i) the listing, registration or qualification of the Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body or (iii) an agreement by the recipient of an award with respect to the disposition of Stock is necessary or desirable (in connection with any requirement or interpretation of any federal or state securities law, rule or regulation) as a condition of, or in connection with, the granting of such award or the issuance, purchase or delivery of Stock thereunder, such award shall not be granted or exercised, in whole or in part, unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Granting Authority.

18.2 Nothing set forth in this Plan shall prevent the Board from adopting other or additional compensation arrangements. Neither the adoption of the Plan nor any award hereunder shall confer upon any employee of the Company, or of a Related Company, any right to continued employment, and no award shall confer upon any Outside Director any right to continued service as a director.

18.3 Determinations by the Granting Authority under the Plan relating to the form, amount, and terms and conditions of awards need not be uniform, and may be made selectively among persons who receive or are eligible to receive awards under the Plan, whether or not such persons are similarly situated.

18.4 No member of the Board or the Committee, nor any officer or employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made with respect to the Plan, and all members of the Board or the Committee and all officers or employees of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

#### SECTION 19. Effective Date of Plan

The provisions of the Plan with respect to formula grants to Outside Directors (as currently set forth in Section 15) were adopted and shall be effective on July 27, 1995, and the provisions of the Plan with respect to grants to employees were adopted and shall be effective on April 10, 1996, in each case subject to approval by the Company's stockholders at the 1996 Annual Meeting of Stockholders. The provisions of the Plan with respect to discretionary grants to Outside Directors were adopted on September 6, 1996 and shall become effective on the date of approval by the Company's stockholders at the 1996 Annual Meeting of Stockholders.



DIANON SYSTEMS, INC.  
1999 STOCK INCENTIVE PLAN

## SECTION 1. PURPOSES

The purposes of the Dianon Systems, Inc. 1999 Stock Incentive Plan (the "Plan") are (i) to enable Dianon Systems, Inc. (the "Company") and its Related Companies (as defined below) to attract, retain and reward employees and strengthen the existing mutuality of interests between such employees and the Company's stockholders by offering such employees an equity interest in the Company, and (ii) to enable the Company to pay part of the compensation of its Outside Directors (as defined in Section 5.2) in the form of equity of the Company, thereby increasing such directors' proprietary interests in the Company. For purposes of the Plan, a "Related Company" means any corporation, partnership, joint venture or other entity in which the Company owns, directly or indirectly, at least a 20% beneficial ownership interest. In addition, for purposes of this Plan, the term "Stock" shall refer to the common stock of the Company, par value \$.01 per share.

## SECTION 2. TYPES OF AWARDS

2.1 Awards under the Plan may be in the form of (i) Stock Options; (ii) Stock Appreciation Rights; (iii) Restricted Stock; (iv) Deferred Stock; (v) Bonus Stock; (vi) Loans; and/or (vii) Tax Offset Payments. One or more types of awards may be granted, which may be independent or granted in tandem. If two awards are granted in tandem, the award holder may exercise (or otherwise receive the benefit of) one award only to the extent he or she relinquishes the tandem award.

2.2 Outside Directors shall receive Stock Options, Limited Stock Appreciation Rights and Stock Grants as provided in Section 15. In addition, Outside Directors may be granted discretionary awards in one or more of the forms set forth in Section 2.1.

## SECTION 3. ADMINISTRATION

3.1 The Plan shall be administered (i) by the Compensation Committee of the Company's Board of Directors (the "Board") or such other committee of directors as the Board shall designate (the "Committee"), with respect to awards to persons other than Outside Directors, and (ii) by the Board with respect to awards to Outside Directors (except as provided in Section 4.5). The Committee shall consist of not less than two directors each of whom is an Outside Director. The members of the Committee shall serve at the pleasure of the Board.

3.2 For purposes of this Plan the term "Granting Authority" shall mean (i) the Board of Directors with respect to awards to Outside Directors (except as provided in Section 4.5), and (ii) the Committee with respect to all other awards. The Granting Authority shall have the following authority with respect to awards under the Plan within its jurisdiction: to grant such awards to persons eligible to receive them under the Plan; to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall deem advisable; to interpret the terms and provisions of the Plan and any award granted by it under the Plan; and to otherwise supervise the administration of the Plan. In particular, and without limiting its authority and powers, the Granting Authority shall have the authority with respect to the awards within its jurisdiction:

(a) to determine whether and to what extent any award or combination of awards will be granted hereunder, including whether any awards will be granted in tandem with each other;

(b) to select the eligible persons to whom awards will be granted;

(c) to determine the number of shares of the Stock of the Company to be covered by each award granted hereunder subject to the limitations contained herein;

(d) to determine the terms and conditions of any award granted hereunder, including, but not limited to, any vesting or other restrictions based on such performance objectives (the "Performance Objectives") and such other factors as the Granting Authority may establish, and to determine whether the Performance Objectives and other terms and conditions of the award are satisfied;

(e) to determine the treatment of awards upon an award holder's retirement, disability, death, termination for cause or other termination of employment or service with the Company or Related Company;

(f) to determine pursuant to a formula or otherwise the fair market value of the Stock on a given date; provided, however, that if

the Granting Authority fails to make such a determination, fair market value of the Stock on a given date shall be the closing sale price on a given date, or if no such sale of Stock occurs on such date, the weighted average of the closing sale prices on the nearest trading dates before and after such date;

(g) to determine that equal to the amount of any dividends declared with respect to the number of shares covered by an award (i) will be paid to the award holder currently or (ii) will be deferred and deemed to be reinvested or (iii) will otherwise be credited to the award holder, or that the award holder has no rights with respect to such dividends;

(h) to determine whether, to what extent, and under what circumstances Stock and other amounts payable with respect to an award will be deferred either automatically or at the election of an award holder, including providing for and determining the amount (if any) of deemed earnings on any deferred amount during any deferral period;

(i) to provide that the shares of Stock received as a result of an award shall be subject to a right of first refusal, pursuant to which the award holder shall be required to offer to the Company any shares that the award holder wishes to sell, subject to such terms and conditions as the Granting Authority may specify;

(j) to amend the terms of any award (including those granted under Section 15), prospectively or retroactively; provided, however, that no amendment shall impair the rights of the award holder without his or her written consent; and

(k) to substitute new Stock Options for previously granted Stock Options, or for options granted under other plans or agreements, in each case including previously granted options having higher option prices.

3.3 The Committee shall have the right to designate awards as "Performance Awards." Awards so designated shall be granted and administered in a manner designed to preserve the deductibility of the compensation resulting from such awards in accordance with Section 162(m) of the Internal Revenue Code (the "Code"). The grant or vesting of a Performance Award shall be subject to the achievement of Performance Objectives established by the Committee based on one or more of the following criteria, in each case applied to the Company on a consolidated basis and/or to a business unit and which the Committee may use as an absolute measure, as a measure of improvement relative to prior performance, or as a measure of comparable performance relative to a peer group of companies: sales, operating profits, operating profits before interest expense and taxes, net earnings, earnings per share, return on equity, return on assets, return on invested capital, total shareholder return, cash flow, debt to equity ratio, market share, stock price, economic value added, and market value added.

The Performance Objectives for a particular Performance Award relative to a particular fiscal year shall be established by the Committee in writing no later than 90 days after the beginning of such year. The Committee's determination as to the achievement of Performance Objectives relating to a Performance Award shall be made in writing. The Committee shall have discretion to modify the Performance Objectives or vesting conditions of a Performance Award only to the extent that the exercise of such discretion would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code.

3.4 All determinations made by the Granting Authority pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Plan participants.

3.5 The Committee may from time to time delegate to one or more officers of the Company any or all of its authorities granted hereunder except with respect to awards granted to persons subject to Section 16 of the Securities Exchange Act of 1934 or Performance Awards. The Committee shall specify the maximum number of shares that the officer or officers to whom such authority is delegated may award.

3.6 All awards granted under this Plan shall be evidenced by a grant certificate and the terms and conditions of the award shall be set forth in a written agreement between the Company and the award recipient.

#### SECTION 4. STOCK SUBJECT TO PLAN

4.1 The total number of shares of Stock which may be awarded or issued pursuant to the exercise of an award granted under this Plan shall be 300,000, of which 270,000 shall be used for awards to employees and 30,000 shall be used for awards to Outside Directors (all subject to adjustment as provided below). Such shares may consist of authorized but unissued shares or treasury shares. The exercise of a Stock Appreciation Right for cash or the payment of any other award in cash shall not count against this share limit.

4.2 To the extent a Stock Option terminates without having been

exercised, or an award terminates without the award holder having received payment of the award, or shares awarded are forfeited, the shares subject to such award shall again be available for distribution in connection with future awards under the Plan. Shares of Stock equal in number to the shares surrendered in payment of the option price, and shares of Stock which are withheld in order to satisfy federal, state or local tax liabilities, shall not count against the above limit, and shall again be available for grants under the Plan.

4.3 (a) No employee shall be granted Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock, and/or Bonus Stock, or any combination of the foregoing with respect to more than 40,000 shares of Stock in any fiscal year (subject to adjustment as provided in Section 4.5). No employee shall be granted a Tax Offset Payment in any fiscal year with respect to more than the number of shares of Stock covered by awards granted to such employee in such fiscal year.

(b) For purposes of Section 162(m) of the Code, no key employee shall be granted Stock Options or Stock Appreciation Rights with respect to more than 40,000 shares of Stock in any fiscal year (subject to adjustment as provided in Section 4.5).

4.4 The maximum number of shares of Stock that may be issued under this Plan pursuant to the exercise of Options intended to be Incentive Stock Options shall be 270,000 shares.

4.5 In the event of any merger, reorganization, consolidation, sale of substantially all assets, recapitalization, stock dividend, stock split, spin-off split-up, split-off distribution of assets or other change in corporate structure affecting the Stock, a substitution or adjustment, as may be determined to be appropriate by the Committee in its sole discretion, shall be made in the aggregate number of shares reserved for issuance under the Plan, the number of shares as to which awards may be granted to any individual in any calendar year, the number and type of shares subject to outstanding awards and the amounts to be paid by award holders or the Company, as the case may be, with respect to outstanding awards; provided, however, that no such adjustment shall increase the aggregate value of any outstanding award. In the event any change described in this Section 4.5 occurs, the Committee shall make appropriate adjustment in the awards previously granted and to be granted to Outside Directors under the Plan; provided that no such adjustment shall increase the aggregate value of any outstanding award.

## SECTION 5. ELIGIBILITY

5.1 Key employees of the Company or a Related Company, including key employees who are officers and/or directors of the Company, are eligible to be granted awards under the Plan, other than under Section 15. Employees shall be selected for participation in the Plan from time to time by the Committee, in its sole discretion, from among those key employees eligible to participate in this Plan.

5.2 Awards under Section 15 of the Plan shall be made solely to Outside Directors, which term shall mean any director of the Company other than one who is an employee of the Company or a Related Company. The Board, in its discretion, may also grant other awards under the Plan in one or more of the forms set forth in Section 2.1 to one or more Outside Directors.

## SECTION 6. STOCK OPTIONS

The Stock Options awarded under the Plan may be of two types:  
(i) Incentive Stock Options within the meaning of Section 422 of the Code or any successor provision thereto (which may be granted only to employees); and  
(ii) Non-Qualified Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall constitute a Non-Qualified Stock Option.

Subject to the following provisions, Stock Options awarded under the Plan shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

(a) OPTION PRICE. The option price per share of Stock purchasable under a Stock Option shall be determined by the Granting Authority, and may be less than the fair market value of the Stock on the date of the award of the Stock Option.

(b) OPTION TERM. The term of each Stock Option shall be fixed by the Granting Authority.

(c) EXERCISABILITY. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Granting Authority. The Granting Authority may waive such exercise provisions or accelerate the exercisability of the Stock Option at any time in whole or in part.

(d) METHOD OF EXERCISE. Stock Options may be exercised in whole or in part at any time during the option period by giving written

notice of exercise to the Company specifying the number of shares to be purchased, accompanied by payment of the purchase price. Payment of the purchase price shall be made in such manner as the Granting Authority may provide in the award, which may include cash (including cash equivalents), delivery of shares of Stock already owned by the optionee for at least six months, "cashless exercise" (which may be either (i) a broker-assisted cash exercise effected in accordance with rules adopted by the Granting Authority or (ii) a direction to the Company to withhold shares of Stock, otherwise deliverable to the option holder with respect to the Option, having a fair market value on the date of exercise equal to the option price), or in any other manner permitted by law determined by the Granting Authority, or any combination of the foregoing. If the Granting Authority determines that a Stock Option may be exercised using shares of Restricted Stock, then unless the Granting Authority provides otherwise, the shares received upon the exercise of a Stock Option which are paid for using Restricted Stock shall be restricted in accordance with the original terms of the Restricted Stock award.

(e) NO STOCKHOLDER RIGHTS. An optionee shall have neither rights to dividends or other rights of a stockholder with respect to shares subject to a Stock Option until the optionee has given written notice of exercise and has paid for such shares.

(f) SURRENDER RIGHTS. The Granting Authority may provide that options may be surrendered for cash upon any terms and conditions set by the Granting Authority.

(g) NON-TRANSFERABILITY. Unless otherwise provided by the Granting Authority, (i) Stock Options shall not be transferable by the optionee other than by will or by the laws of descent and distribution, and (ii) during the optionee's lifetime, all Stock Options shall be exercisable only by the optionee or, in the event of the optionee's disability, by his or her guardian or legal representative.

(h) TERMINATION OF SERVICE. Following the termination of an optionee's service with the Company or a Related Company, the Stock Option shall be exercisable to the extent determined by the Granting Authority. The Granting Authority may provide different post-termination exercise provisions with respect to termination of service for different reasons. The Granting Authority may provide that, notwithstanding the option term fixed pursuant to Section 6.2(b), a Stock Option which is outstanding on the date of an optionee's death shall remain outstanding for an additional period after the date of such death.

6.3 Notwithstanding the provisions of Section 6.2, no Incentive Stock Option shall (i) have an option price which is less than 100% of the fair market value of the Stock on the date of the award of the Incentive Stock Option, (ii) be exercisable more than ten years after the date such Incentive Stock Option is awarded, or (iii) be awarded more than ten years after the effective date of the Plan specified in Section 19. No Incentive Stock Option granted to an employee who owns more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations, as defined in Section 424 of the Code, shall (A) have an option price which is less than 110% of the fair market value of the Stock on the date of award of the Incentive Stock Option or (B) be exercisable more than five years after the date such Incentive Stock Option is awarded.

6.4 A Stock Option granted to a key employee under this Plan will not be considered an Incentive Stock Option to the extent that such Stock Option, together with any earlier Stock Option granted to such employee under this or any other plan of the Company that is intended to be an Incentive Stock Option, permits the exercise for the first time in any calendar year of shares of Stock having a fair market value in excess of \$100,000 (determined at the time of grant).

## SECTION 7. STOCK APPRECIATION RIGHTS

7.1 A Stock Appreciation Right shall entitle the holder thereof to receive payment of an amount, in cash, shares of Stock or a combination thereof, as determined by the Granting Authority, equal in value to the excess of the fair market value of the number of shares of Stock as to which the award is granted on the date of exercise over an amount specified by the Granting Authority. Any such award shall be in such form and shall have such terms and conditions as the Granting Authority may determine. The grant shall specify the number of shares of Stock as to which the Stock Appreciation Right is granted.

7.2 The Granting Authority may provide that a Stock Appreciation Right may be exercised only within the 60-day period following occurrence of a Change of Control (as defined in Section 17.2) (such Stock Appreciation Right being referred to herein as a Limited Stock Appreciation Right). The Granting Authority may also provide that in the event of a Change of Control the amount to be paid upon exercise of a Stock Appreciation Right shall be based on the Change of Control Price (as defined in Section 17.3).

## SECTION 8. RESTRICTED STOCK

Subject to the following provisions, all awards of Restricted Stock shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

(a) The Restricted Stock award shall specify the number of shares of Restricted Stock to be awarded, the price, if any, to be paid by the recipient of the Restricted Stock and the date or dates on which, or the conditions upon the satisfaction of which, the restrictions shall lapse and the Restricted Stock will vest. The grant and/or the vesting of Restricted Stock may be conditioned upon the completion of a specified period of service with the Company or a Related Company, upon the attainment of specified Performance Objectives or upon such other criteria as the Granting Authority may determine.

(b) Stock certificates representing the Restricted Stock awarded under the Plan shall be registered in the award holder's name, but the Granting Authority may direct that such certificates be held by the Company on behalf of the award holder. Except as may be permitted by the Granting Authority, no share of Restricted Stock may be sold, transferred, assigned, pledged or otherwise encumbered by the award holder until such share has vested in accordance with the terms of the Restricted Stock award. At the time Restricted Stock vests, a certificate for such vested shares shall be delivered to the award holder (or his or her designated beneficiary in the event of death), free of all restrictions.

(c) The Granting Authority may provide that the award holder shall have the right to vote or receive dividends on Restricted Stock. Unless the Granting Authority provides otherwise, Stock received as a dividend on, or in connection with a stock split of, Restricted Stock shall be subject to the same restrictions as the Restricted Stock.

(d) Except as may be provided by the Granting Authority, in the event of an award holder's termination of service before all of his or her Restricted Stock has vested, or in the event any conditions to the vesting of Restricted Stock have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the award, the shares of Restricted Stock which have not vested shall be forfeited, and the Granting Authority may provide that (i) any purchase price paid by the award holder shall be returned to the award holder or (ii) a cash payment equal to the Restricted Stock's fair market value on the date of forfeiture, if lower, shall be paid to the award holder.

(f) The Granting Authority may waive, in whole or in part, any or all of the conditions to receipt of, or restrictions with respect to, any or all of the award holder's Restricted Stock, other than Performance Awards whose vesting was made subject to satisfaction of one or more Performance Objectives (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code).

#### SECTION 9. DEFERRED STOCK AWARDS

Subject to the following provisions, all awards of Deferred Stock shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

(a) The Deferred Stock award shall specify the number of shares of Deferred Stock to be awarded and the duration of the period (the "Deferral Period") during which, and the conditions under which, receipt of the Stock will be deferred. The Granting Authority may condition the grant or vesting of Deferred Stock, or receipt of Stock or cash at the end of the Deferral Period, upon the attainment of specified Performance Objectives or such other criteria as the Granting Authority may determine.

(b) Except as may be provided by the Granting Authority, Deferred Stock awards may not be sold, assigned, transferred, pledged or otherwise encumbered during the Deferral Period.

(c) At the expiration of the Deferral Period, the award holder (or his or her designated beneficiary in the event of death) shall receive (i) certificates for the number of shares of Stock equal to the number of shares covered by the Deferred Stock award, (ii) cash equal to the fair market value of such Stock, or (iii) a combination of shares and cash, as the Granting Authority may determine.

(d) Except as may be provided by the Granting Authority, in the event of an award holder's termination of service before the Deferred Stock has vested, his or her Deferred Stock award shall be forfeited.

(e) The Granting Authority may waive, in whole or in part,

any or all of the conditions to receipt of, or restrictions with respect to, Stock or cash under a Deferred Stock award, other than with respect to Performance Awards (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance based compensation" within the meaning of Section 162(m) of the Code).

#### SECTION 10. BONUS STOCK

The Granting Authority may award Bonus Stock subject to such terms and conditions as the Granting Authority shall determine. The grant of Bonus Stock may be conditioned upon the attainment of specified Performance Objectives or upon such other criteria as the Granting Authority may determine. The Granting Authority may waive such conditions in whole or in part other than with respect to Performance Awards (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code). In making a determination with respect to the terms and conditions of a Bonus Stock award, the Granting Authority shall also have the right to eliminate or reduce the amount of Bonus Stock otherwise payable under an award. Unless otherwise specified by the Granting Authority, no money shall be paid by the recipient for the Bonus Stock. Alternatively, the Granting Authority may offer the award holder the opportunity to purchase Bonus Stock at a discount from its fair market value. The Bonus Stock award shall be satisfied by the delivery of the designated number of shares of Stock which are not subject to restriction.

#### SECTION 11. LOANS

The Granting Authority may provide that the Company shall make, or arrange for, a loan or loans with respect to the exercise of any Stock Option awarded under the Plan, with respect to the payment of the purchase price, if any, of any Restricted Stock awarded hereunder or with respect to any taxes arising from an award hereunder; provided, however, that the Company shall not loan more than the sum of (i) the excess of the purchase or exercise price of an award over the par value of any shares of Stock awarded plus (ii) the amount of any taxes arising from such award. The Granting Authority shall have full authority to decide whether a loan will be made hereunder and to determine the amount, term and provisions of any such loan, including the interest rate to be charged, whether the loan will be with or without recourse against the borrower, any security for the loan, the terms on which the loan is to be repaid and the conditions, if any, under which the loan may be forgiven.

#### SECTION 12. TAX OFFSET PAYMENTS

The Granting Authority may provide for a Tax Offset Payment by the Company with respect to one or more awards granted under the Plan. The Tax Offset Payment shall be in an amount specified by the Granting Authority, which shall not exceed the amount necessary to pay the federal, state, local and other taxes payable with respect to the applicable award and the receipt of the Tax Offset Payment, assuming that the award holder is taxed at the maximum tax rate applicable to such income. The Tax Offset Payment shall be paid solely in cash.

#### SECTION 13. ELECTION TO DEFER AWARDS

The Granting Authority may permit an employee or Outside Director to elect to defer receipt of an award (other than an award pursuant to Section 15) for a specified period or until a specified event, upon such terms as are determined by the Granting Authority.

#### SECTION 14. TAX WITHHOLDING

14.1 Each employee shall, no later than the date as of which the value of an award first becomes includible in such person's gross income for applicable tax purposes, pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any federal, state, local or other taxes of any kind required by law to be withheld with respect to the award. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company (and, where applicable, any Related Company), shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the employee.

14.2 To the extent permitted by the Committee, and subject to such terms and conditions as the Committee may provide, an employee may elect to have the withholding tax obligation, or any additional tax obligation with respect to any awards hereunder, satisfied by (i) having the Company withhold shares of Stock otherwise deliverable to such person with respect to the award or (ii) delivering to the Company shares of unrestricted Stock previously owned by the person for at least six months.

#### SECTION 15. AUTOMATIC STOCK OPTIONS, LIMITED STOCK APPRECIATION RIGHTS AND STOCK GRANTS FOR OUTSIDE DIRECTORS

15.1 Outside Directors shall be granted Stock Options as follows:

(a) INITIAL GRANT. Each person who is an Outside Director on the date of adoption of the Plan by the Board shall be granted on such date a Stock Option to purchase the number of whole shares of Stock obtained by dividing \$5,000 by the closing sales price of the Stock on the date of grant. Each person who becomes an Outside Director after such date shall be granted, on the first trading day coincident with or immediately following the effective date of his or her election as an Outside Director, a Stock Option to purchase the number of whole shares of Stock obtained by dividing \$5,000 by the closing sales price of the Stock on the date of grant.

(b) QUARTERLY GRANTS. On the first trading day of each calendar quarter beginning with October 1, 1999, each Outside Director then serving on the Board and who has served for all or a portion of the previous calendar quarter shall be granted a Stock Option to purchase the number of whole shares of Stock obtained by dividing \$5,000 by the closing sales price of the Stock on the date of grant.

(c) For purposes of this Section 15.1, the term trading day shall mean a day on which the Stock is traded on a national securities exchange, on the Nasdaq National Market, or in the over-the-counter market.

(d) Notwithstanding the foregoing, if on any date on which Stock Options are to be granted under this Section 15.1 the remaining shares available for issuance to Outside Directors under the Plan are insufficient to enable each Outside Director to receive a Stock Option to purchase the applicable number of shares of Stock set forth above, each Outside Director who is entitled to be granted a Stock Option pursuant to this Section 15.1 on such date shall be granted a Stock Option to purchase his or her pro-rata portion of such remaining shares.

Stock Options granted under this Section 15 shall be Non-Qualified Stock Options, and shall have the following terms and conditions:

(a) OPTION PRICE. The option price per share of Stock purchasable under the Stock Option shall be equal to the closing sales price of the Stock on the date the Stock Option is granted.

(b) TERM OF OPTION. The term of the Stock Option shall be ten years from the date of grant, subject to earlier termination in the event of termination of service as a director, as set forth in paragraphs (e) and (f) below.

(c) EXERCISABILITY. Subject to paragraph (f) below, each Stock Option shall become exercisable with respect to 10% of the underlying shares on the date which is three months after the date of grant, and an additional 10% at the end of each three-month period thereafter, less any shares that have been exercised prior to each such date, provided that the optionee is a director of the Company on such date. The minimum number of shares with respect to which a Stock Option may be exercised is the lesser of 100 shares or the number of shares then subject to the Stock Option.

(d) METHOD OF EXERCISE. The Stock Options may be exercised in whole or in part at any time during the option period by giving written notice of exercise to the Company specifying the number of shares to be purchased, accompanied by payment of the purchase price. Payment of the purchase price shall be made in cash (including cash equivalents) or by delivery of shares of Stock already owned by the optionee for at least six months, or by any combination of the foregoing. Shares delivered upon payment of the exercise price shall be valued at the average of the high and low sale prices of the Stock on the date of exercise (or, if the Stock is not traded on such date, at the weighted average of the high and low prices on the nearest trading dates before and after such date).

(e) TERMINATION OF SERVICE AS DIRECTOR. If an optionee's service as a director is terminated for any reason, such director's Stock Options may be exercised for five years following such termination of service (but not beyond the Option term), but only to the extent such Options were vested on the date of termination of service.

(f) Change of Control. Notwithstanding any other provision of the Plan, upon the occurrence of a Change of Control (as defined in Section 17.2), all Stock Options outstanding at the time of such Change of Control shall become immediately vested and exercisable and shall remain exercisable for five years after the director's termination of service (but not beyond the option term).

(g) Non-transferability. No Stock Option shall be transferable by the optionee other than by will or by the laws of descent and distribution. During an optionee's lifetime, all Stock

Options shall be exercisable only by the optionee or, in the event of the optionee's disability, by his or her guardian or legal representative.

(h) Shareholder Rights. The holder of a Stock Option shall, as such, have none of the rights of a shareholder.

#### 15.3 Limited Stock Appreciation Rights in Tandem with Options.

Each Stock Option granted to an Outside Director under this Section 15 shall be granted in tandem with a Limited Stock Appreciation Right which may be exercised only within the 60-day period following a Change of Control. Upon exercise of the Limited Stock Appreciation Right, the holder shall receive, for each share with respect to which the Limited Stock Appreciation Right is exercised, an amount equal in value to the excess of the Change of Control Price (as defined in Section 17.3) over the exercise price of the related Stock Option. The Limited Stock Appreciation Right shall be payable solely in cash, and shall be paid within 30 days of the exercise of the Limited Stock Appreciation Right. Upon the exercise of the Limited Stock Appreciation Right, the Stock Option granted in tandem with such Right shall expire.

#### 15.4 Quarterly Stock Grants. On the first trading day of each

calendar quarter beginning with the first calendar quarter after the date of shareholder approval of the Plan, each Outside Director then serving on the Board and who has served for all or a portion of the previous calendar quarter shall be granted the number of whole shares of Stock obtained by dividing \$2,000 by the closing sales price of the Stock on the date of grant. Notwithstanding the foregoing, if on any date on which shares are to be granted pursuant to this Section 15.4 the remaining shares reserved for issuance to Outside Directors under the Plan are insufficient to enable each Outside Director to receive the applicable number of shares of Stock set forth above, each Outside Director who is entitled to be granted shares pursuant to this Section 15.4 shall be granted his or her pro rata portion of such remaining shares. All shares granted under this Section 15.4 shall be fully vested and non-forfeitable at the time of grant.

### SECTION 16. AMENDMENTS AND TERMINATION

The Board may discontinue the Plan at any time and may amend it from time to time. No amendment or discontinuation of the Plan shall adversely affect any award previously granted without the award holder's written consent. Amendments may be made without stockholder approval except as required to satisfy Section 422 of the Code, Section 162(m) of the Code, or other NASDAQ, stock exchange, or regulatory requirements.

### SECTION 17. CHANGE OF CONTROL

17.1 In the event of a Change of Control, unless otherwise determined by the Granting Authority at the time of grant or by amendment (with the award holder's consent) of such grant:

(a) all outstanding Stock Options and all outstanding Stock Appreciation Rights (including Limited Stock Appreciation Rights) awarded under the Plan shall become fully exercisable and vested;

(b) the restrictions and deferral limitations applicable to any outstanding Restricted Stock and Deferred Stock awards under the Plan shall lapse and such shares and awards shall be deemed fully vested; and

(c) to the extent the cash payment of any award is based on the fair market value of Stock, such fair market value shall be the Change of Control Price.

17.2 A "Change of Control" shall be deemed to occur on:

(a) the date that any person or group deemed a person under Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934 (other than the Company and its subsidiaries as determined immediately prior to that date) has become the beneficial owner, directly or indirectly (with beneficial ownership determined as provided in rule 13d-3, or any successor rule, under the Securities Exchange Act of 1934) of securities of the Company representing 25% or more of the total combined voting power of all classes of stock of the Company having the right under ordinary circumstances to vote at an election of the Board, unless such person has acquired 80% or more of such securities directly from the Company;

(b) the date on which one-third or more of the members of the Board shall consist of persons other than Current Directors (for these purposes a "Current Director" shall mean any member of the Board on August 31, 1999 and any member of the Board whose nomination or election has been approved by a majority of the Current Directors then on the Board);

(c) the date of approval by the stockholders of the Company of an agreement providing for the merger or consolidation of the Company



with another corporation where (i) the stockholders of the Company, immediately prior to the merger or consolidation, would not beneficially own, immediately after the merger or consolidation, shares entitling such stockholders to 50% or more of all votes (without consideration of the rights of any class of stock to elect directors by a separate class vote) to which all stockholders of the corporation issuing cash or securities in the merger or consolidation would be entitled in the election of directors, or (ii) where the members of the Board, immediately prior to the merger or consolidation, would not, immediately after the merger or consolidation, constitute a majority of the board of directors of the corporation issuing cash or securities in the merger; or

(d) the date of approval by the stockholders of the Company of an agreement providing for the sale or other disposition of all or substantially all of the assets of the Company.

17.3 "Change of Control Price" means the highest price per share paid in any transaction reported in the Nasdaq National Market or on any national securities exchange where the Stock is traded, or paid or offered in any transaction related to a Change of Control at any time during the 90-day period ending with the Change of Control. Notwithstanding the foregoing sentence, in the case of Stock Appreciation Rights granted in tandem with Incentive Stock Options, the Change of Control Price shall be the highest price paid on the date on which the Stock Appreciation Right is exercised.

#### SECTION 18. GENERAL PROVISIONS

18.1 Each award under the Plan shall be subject to the requirement that, if at any time the Granting Authority shall determine that (i) the listing, registration or qualification of the Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body or (iii) an agreement by the recipient of an award with respect to the disposition of Stock is necessary or desirable (in connection with any requirement or interpretation of any federal or state securities law, rule or regulation) as a condition of, or in connection with, the granting of such award or the issuance, purchase or delivery of Stock thereunder, such award shall not be granted or exercised, in whole or in part, unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Granting Authority.

18.2 Nothing set forth in this Plan shall prevent the Board from adopting other or additional compensation arrangements. Neither the adoption of the Plan nor any award hereunder shall confer upon any employee of the Company, or of a Related Company, any right to continued employment, and no award shall confer upon any Outside Director any right to continued service as a director.

18.3 Determinations by the Granting Authority under the Plan relating to the form, amount, and terms and conditions of awards need not be uniform, and may be made selectively among persons who receive or are eligible to receive awards under the Plan, whether or not such persons are similarly situated.

18.4 No member of the Board or the Committee, nor any officer or employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made with respect to the Plan, and all members of the Board or the Committee and all officers or employees of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

#### SECTION 19. EFFECTIVE DATE OF PLAN

The Plan was adopted by the Company's Board of Directors on August 31, 1999, and shall be effective as of such date, subject to the approval of the Plan by the Company's stockholders at the 1999 Annual Meeting of Stockholders.

DIANON SYSTEMS, INC.  
2000 STOCK INCENTIVE PLAN

## SECTION 1. PURPOSES

The purposes of the Dianon Systems, Inc. 2000 Stock Incentive Plan (the "Plan") are (i) to enable Dianon Systems, Inc. (the "Company") and its Related Companies (as defined below) to attract, retain and reward employees and strengthen the existing mutuality of interests between such employees and the Company's stockholders by offering such employees an equity interest in the Company, and (ii) to enable the Company to pay part of the compensation of its Outside Directors (as defined in Section 5.2) in the form of equity of the Company, thereby increasing such directors' proprietary interests in the Company. For purposes of the Plan, a "Related Company" means any corporation, partnership, joint venture or other entity in which the Company owns, directly or indirectly, at least a 20% beneficial ownership interest. In addition, for purposes of this Plan, the term "Stock" shall refer to the common stock of the Company, par value \$.01 per share.

## SECTION 2. TYPES OF AWARDS

2.1 Awards under the Plan may be in the form of (i) Stock Options; (ii) Stock Appreciation Rights; (iii) Restricted Stock; (iv) Deferred Stock; (v) Bonus Stock; (vi) Loans; and/or (vii) Tax Offset Payments. One or more types of awards may be granted, which may be independent or granted in tandem. If two awards are granted in tandem, the award holder may exercise (or otherwise receive the benefit of) one award only to the extent he or she relinquishes the tandem award.

2.2 Outside Directors shall receive Stock Options, Limited Stock Appreciation Rights and Stock Grants as provided in Section 15. In addition, Outside Directors may be granted discretionary awards in one or more of the forms set forth in Section 2.1.

## SECTION 3. ADMINISTRATION

3.1 The Plan shall be administered (i) by the Compensation Committee of the Company's Board of Directors (the "Board") or such other committee of directors as the Board shall designate (the "Committee"), with respect to awards to persons other than Outside Directors, and (ii) by the Board with respect to awards to Outside Directors (except as provided in Section 4.5). The Committee shall consist of not less than two directors each of whom is an Outside Director. The members of the Committee shall serve at the pleasure of the Board.

3.2 For purposes of this Plan the term "Granting Authority" shall mean (i) the Board of Directors with respect to awards to Outside Directors (except as provided in Section 4.5), and (ii) the Committee with respect to all other awards. The Granting Authority shall have the following authority with respect to awards under the Plan within its jurisdiction: to grant such awards to persons eligible to receive them under the Plan; to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall deem advisable; to interpret the terms and provisions of the Plan and any award granted by it under the Plan; and to otherwise supervise the administration of the Plan. In particular, and without limiting its authority and powers, the Granting Authority shall have the authority with respect to the awards within its jurisdiction:

(a) to determine whether and to what extent any award or combination of awards will be granted hereunder, including whether any awards will be granted in tandem with each other;

(b) to select the eligible persons to whom awards will be granted;

(c) to determine the number of shares of the Stock of the Company to be covered by each award granted hereunder subject to the limitations contained herein;

(d) to determine the terms and conditions of any award granted hereunder, including, but not limited to, any vesting or other restrictions based on such performance objectives (the "Performance Objectives") and such other factors as the Granting Authority may establish, and to determine whether the Performance Objectives and other terms and conditions of the award are satisfied;

(e) to determine the treatment of awards upon an award holder's retirement, disability, death, termination for cause or other termination of employment or service with the Company or Related Company;

(f) to determine pursuant to a formula or otherwise the fair market value of the Stock on a given date; provided, however, that if the Granting Authority fails to make such a determination, fair market

value of the Stock on a given date shall be the closing sale price on a given date, or if no such sale of Stock occurs on such date, the weighted average of the closing sale prices on the nearest trading dates before and after such date;

(g) to determine that amounts equal to the amount of any dividends declared with respect to the number of shares covered by an award (i) will be paid to the award holder currently or (ii) will be deferred and deemed to be reinvested or (iii) will otherwise be credited to the award holder, or that the award holder has no rights with respect to such dividends;

(h) to determine whether, to what extent, and under what circumstances Stock and other amounts payable with respect to an award will be deferred either automatically or at the election of an award holder, including providing for and determining the amount (if any) of deemed earnings on any deferred amount during any deferral period;

(i) to provide that the shares of Stock received as a result of an award shall be subject to a right of first refusal, pursuant to which the award holder shall be required to offer to the Company any shares that the award holder wishes to sell, subject to such terms and conditions as the Granting Authority may specify;

(j) to amend the terms of any award (including those granted under Section 15), prospectively or retroactively; provided, however, that no amendment shall impair the rights of the award holder without his or her written consent; and

(k) to substitute new Stock Options for previously granted Stock Options, or for options granted under other plans or agreements, in each case including previously granted options having higher option prices.

3.3 The Committee shall have the right to designate awards as "Performance Awards." Awards so designated shall be granted and administered in a manner designed to preserve the deductibility of the compensation resulting from such awards in accordance with Section 162(m) of the Internal Revenue Code (the "Code"). The grant or vesting of a Performance Award shall be subject to the achievement of Performance Objectives established by the Committee based on one or more of the following criteria, in each case applied to the Company on a consolidated basis and/or to a business unit and which the Committee may use as an absolute measure, as a measure of improvement relative to prior performance, or as a measure of comparable performance relative to a peer group of companies: sales, operating profits, operating profits before interest expense and taxes, net earnings, earnings per share, return on equity, return on assets, return on invested capital, total shareholder return, cash flow, debt to equity ratio, market share, stock price, economic value added, and market value added.

The Performance Objectives for a particular Performance Award relative to a particular fiscal year shall be established by the Committee in writing no later than 90 days after the beginning of such year. The Committee's determination as to the achievement of Performance Objectives relating to a Performance Award shall be made in writing. The Committee shall have discretion to modify the Performance Objectives or vesting conditions of a Performance Award only to the extent that the exercise of such discretion would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code.

3.4 All determinations made by the Granting Authority pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Plan participants.

3.5 The Committee may from time to time delegate to one or more officers of the Company any or all of its authorities granted hereunder except with respect to awards granted to persons subject to Section 16 of the Securities Exchange Act of 1934 or Performance Awards. The Committee shall specify the maximum number of shares that the officer or officers to whom such authority is delegated may award.

3.6 All awards granted under this Plan shall be evidenced by a grant certificate and the terms and conditions of the award shall be set forth in a written agreement between the Company and the award recipient.

#### SECTION 4. STOCK SUBJECT TO PLAN

4.1 The total number of shares of Stock which may be awarded or issued pursuant to the exercise of an award granted under this Plan shall be 400,000, of which 350,000 shall be used for awards to employees and 50,000 shall be used for awards to Outside Directors (all subject to adjustment as provided below). Such shares may consist of authorized but unissued shares or treasury shares. The exercise of a Stock Appreciation Right for cash or the payment of any other award in cash shall not count against this share limit.

4.2 To the extent a Stock Option terminates without having been exercised, or an award terminates without the award holder having received

payment of the award, or shares awarded are forfeited, the shares subject to such award shall again be available for distribution in connection with future awards under the Plan. Shares of Stock equal in number to the shares surrendered in payment of the option price, and shares of Stock which are withheld in order to satisfy federal, state or local tax liabilities, shall not count against the above limit, and shall again be available for grants under the Plan.

4.3 (a) No employee shall be granted Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock, and/or Bonus Stock, or any combination of the foregoing with respect to more than 40,000 shares of Stock in any fiscal year (subject to adjustment as provided in Section 4.5). No employee shall be granted a Tax Offset Payment in any fiscal year with respect to more than the number of shares of Stock covered by awards granted to such employee in such fiscal year.

(b) For purposes of Section 162(m) of the Code, no key employee shall be granted Stock Options or Stock Appreciation Rights with respect to more than 40,000 shares of Stock in any fiscal year (subject to adjustment as provided in Section 4.5).

4.4 The maximum number of shares of Stock that may be issued under this Plan pursuant to the exercise of Options intended to be Incentive Stock Options shall be 350,000 shares.

4.5 In the event of any merger, reorganization, consolidation, sale of substantially all assets, recapitalization, stock dividend, stock split, spin-off split-up, split-off distribution of assets or other change in corporate structure affecting the Stock, a substitution or adjustment, as may be determined to be appropriate by the Committee in its sole discretion, shall be made in the aggregate number of shares reserved for issuance under the Plan, the number of shares as to which awards may be granted to any individual in any calendar year, the number and type of shares subject to outstanding awards and the amounts to be paid by award holders or the Company, as the case may be, with respect to outstanding awards; provided, however, that no such adjustment shall increase the aggregate value of any outstanding award. In the event any change described in this Section 4.5 occurs, the Committee shall make appropriate adjustment in the awards previously granted and to be granted to Outside Directors under the Plan; provided that no such adjustment shall increase the aggregate value of any outstanding award.

## SECTION 5. ELIGIBILITY

5.1 Key employees of the Company or a Related Company, including key employees who are officers and/or directors of the Company, are eligible to be granted awards under the Plan, other than under Section 15. Employees shall be selected for participation in the Plan from time to time by the Committee, in its sole discretion, from among those key employees eligible to participate in this Plan.

5.2 Awards under Section 15 of the Plan shall be made solely to Outside Directors, which term shall mean any director of the Company other than one who is an employee of the Company or a Related Company. The Board, in its discretion, may also grant other awards under the Plan in one or more of the forms set forth in Section 2.1 to one or more Outside Directors.

## SECTION 6. STOCK OPTIONS

6.1 The Stock Options awarded under the Plan may be of two types: (i) Incentive Stock Options within the meaning of Section 422 of the Code or any successor provision thereto (which may be granted only to employees); and (ii) Non-Qualified Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall constitute a Non-Qualified Stock Option.

6.2 Subject to the following provisions, Stock Options awarded under the Plan shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

(a) Option Price. The option price per share of Stock purchasable under a Stock Option shall be determined by the Granting Authority, and may be less than the fair market value of the Stock on the date of the award of the Stock Option.

(b) Option Term. The term of each Stock Option shall be fixed by the Granting Authority.

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Granting Authority. The Granting Authority may waive such exercise provisions or accelerate the exercisability of the Stock Option at any time in whole or in part.

(d) Method of Exercise. Stock Options may be exercised in whole or in part at any time during the option period by giving written

notice of exercise to the Company specifying the number of shares to be purchased, accompanied by payment of the purchase price. Payment of the purchase price shall be made in such manner as the Granting Authority may provide in the award, which may include cash (including cash equivalents), delivery of shares of Stock already owned by the optionee for at least six months, "cashless exercise" (which may be either (i) a broker-assisted cash exercise effected in accordance with rules adopted by Granting Authority or (ii) a direction to the Company to withhold shares of Stock, otherwise deliverable to the option holder with respect to the Option, having a fair market value on the date of exercise equal to the option price), or in any other manner permitted by law determined by the Granting Authority, or any combination of the foregoing. If the Granting Authority determines that a Stock Option may be exercised using shares of Restricted Stock, then unless the Granting Authority provides otherwise, the shares received upon the exercise of a Stock Option which are paid for using Restricted Stock shall be restricted in accordance with the original terms of the Restricted Stock award.

(e) No Stockholder Rights. An optionee shall have neither rights to dividends or other rights of a stockholder with respect to shares subject to a Stock Option until the optionee has given written notice of exercise and has paid for such shares.

(f) Surrender Rights. The Granting Authority may provide that options may be surrendered for cash upon any terms and conditions set by the Granting Authority.

(g) Non-transferability. Unless otherwise provided by the Granting Authority, (i) Stock Options shall not be transferable by the optionee other than by will or by the laws of descent and distribution, and (ii) during the optionee's lifetime, all Stock Options shall be exercisable only by the optionee or, in the event of the optionee's disability, by his or her guardian or legal representative.

(h) Termination of Service. Following the termination of an optionee's service with the Company or a Related Company, the Stock Option shall be exercisable to the extent determined by the Granting Authority. The Granting Authority may provide different post-termination exercise provisions with respect to termination of service for different reasons. The Granting Authority may provide that, notwithstanding the option term fixed pursuant to Section 6.2(b), a Stock Option which is outstanding on the date of an optionee's death shall remain outstanding for an additional period after the date of such death.

6.3 Notwithstanding the provisions of Section 6.2, no Incentive Stock Option shall (i) have an option price which is less than 100% of the fair market value of the Stock on the date of the award of the Incentive Stock Option, (ii) be exercisable more than ten years after the date such Incentive Stock Option is awarded, or (iii) be awarded more than ten years after the effective date of the Plan specified in Section 19. No Incentive Stock Option granted to an employee who owns more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations, as defined in Section 424 of the Code, shall (A) have an option price which is less than 110% of the fair market value of the Stock on the date of award of the Incentive Stock Option or (B) be exercisable more than five years after the date such Incentive Stock Option is awarded.

6.4 A Stock Option granted to a key employee under this Plan will not be considered an Incentive Stock Option to the extent that such Stock Option, together with any earlier Stock Option granted to such employee under this or any other plan of the Company that is intended to be an Incentive Stock Option, permits the exercise for the first time in any calendar year of shares of Stock having a fair market value in excess of \$100,000 (determined at the time of grant).

## SECTION 7. STOCK APPRECIATION RIGHTS

7.1 A Stock Appreciation Right shall entitle the holder thereof to receive payment of an amount, in cash, shares of Stock or a combination thereof, as determined by the Granting Authority, equal in value to the excess of the fair market value of the number of shares of Stock as to which the award is granted on the date of exercise over an amount specified by the Granting Authority. Any such award shall be in such form and shall have such terms and conditions as the Granting Authority may determine. The grant shall specify the number of shares of Stock as to which the Stock Appreciation Right is granted.

7.2 The Granting Authority may provide that a Stock Appreciation Right may be exercised only within the 60-day period following occurrence of a Change of Control (as defined in Section 17.2) (such Stock Appreciation Right being referred to herein as a Limited Stock Appreciation Right). The Granting Authority may also provide that in the event of a Change of Control the amount to be paid upon exercise of a Stock Appreciation Right shall be based on the Change of Control Price (as defined in Section 17.3).

## SECTION 8. RESTRICTED STOCK

Subject to the following provisions, all awards of Restricted Stock shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

(a) The Restricted Stock award shall specify the number of shares of Restricted Stock to be awarded, the price, if any, to be paid by the recipient of the Restricted Stock and the date or dates on which, or the conditions upon the satisfaction of which, the restrictions shall lapse and the Restricted Stock will vest. The grant and/or the vesting of Restricted Stock may be conditioned upon the completion of a specified period of service with the Company or a Related Company, upon the attainment of specified Performance Objectives or upon such other criteria as the Granting Authority may determine.

(b) Stock certificates representing the Restricted Stock awarded under the Plan shall be registered in the award holder's name, but the Granting Authority may direct that such certificates be held by Company on behalf of the award holder. Except as may be permitted by the Granting Authority, no share of Restricted Stock may be sold, transferred, assigned, pledged or otherwise encumbered by the award holder until such share has vested in accordance with the terms of the Restricted Stock award. At the time Restricted Stock vests, a certificate for such vested shares shall be delivered to the award holder (or his or her designated beneficiary in the event of death), free of all restrictions.

(c) The Granting Authority may provide that the award holder shall have the right to vote or receive dividends on Restricted Stock. Unless the Granting Authority provides otherwise, Stock received as a dividend on, or in connection with a stock split of, Restricted Stock shall be subject to the same restrictions as the Restricted Stock.

(d) Except as may be provided by the Granting Authority, in the event of an award holder's termination of service before all of his or her Restricted Stock has vested, or in the event any conditions to the vesting of Restricted Stock have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the award, the shares of Restricted Stock which have not vested shall be forfeited, and the Granting Authority may provide that (i) any purchase price paid by the award holder shall be returned to the award holder or (ii) a cash payment equal to the Restricted Stock's fair market value on the date of forfeiture, if lower, shall be paid to the award holder.

(e) The Granting Authority may waive, in whole or in part, any or all of the conditions to receipt of, or restrictions with respect to, any or all of the award holder's Restricted Stock, other than Performance Awards whose vesting was made subject to satisfaction of one or more Performance Objectives (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code).

## SECTION 9. DEFERRED STOCK AWARDS

Subject to the following provisions, all awards of Deferred Stock shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

(a) The Deferred Stock award shall specify the number of shares of Deferred Stock to be awarded and the duration of the period (the "Deferral Period") during which, and the conditions under which, receipt of the Stock will be deferred. The Granting Authority may condition the grant or vesting of Deferred Stock, or receipt of Stock or cash at the end of the Deferral Period, upon the attainment of specified Performance Objectives or such other criteria as the Granting Authority may determine.

(b) Except as may be provided by the Granting Authority, Deferred Stock awards may not be sold, assigned, transferred, pledged or otherwise encumbered during the Deferral Period.

(c) At the expiration of the Deferral Period, the award holder (or his or her designated beneficiary in the event of death) shall receive (i) certificates for the number of shares of Stock equal to the number of shares covered by the Deferred Stock award, (ii) cash equal to the fair market value of such Stock, or (iii) a combination of shares and cash, as the Granting Authority may determine.

(d) Except as may be provided by the Granting Authority, in the event of an award holder's termination of service before the Deferred Stock has vested, his or her Deferred Stock award shall be forfeited.

(e) The Granting Authority may waive, in whole or in part, any or all of the conditions to receipt of, or restrictions with respect to, Stock or cash under a Deferred Stock award, other than with respect to Performance Awards (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance based compensation" within the meaning of Section 162(m) of the Code).

#### SECTION 10. BONUS STOCK

The Granting Authority may award Bonus Stock subject to such terms and conditions as the Granting Authority shall determine. The grant of Bonus Stock may be conditioned upon the attainment of specified Performance Objectives or upon such other criteria as the Granting Authority may determine. The Granting Authority may waive such conditions in whole or in part other than with respect to Performance Awards (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code). In making a determination with respect to the terms and conditions of a Bonus Stock award, the Granting Authority shall also have the right to eliminate or reduce the amount of Bonus Stock otherwise payable under an award. Unless otherwise specified by the Granting Authority, no money shall be paid by the recipient for the Bonus Stock. Alternatively, the Granting Authority may offer the award holder the opportunity to purchase Bonus Stock at a discount from its fair market value. The Bonus Stock award shall be satisfied by the delivery of the designated number of shares of Stock which are not subject to restriction.

#### SECTION 11. LOANS

The Granting Authority may provide that the Company shall make, or arrange for, a loan or loans with respect to the exercise of any Stock Option awarded under the Plan, with respect to the payment of the purchase price, if any, of any Restricted Stock awarded hereunder or with respect to any taxes arising from an award hereunder; provided, however, that the Company shall not loan more than the sum of (i) the excess of the purchase or exercise price of an award over the par value of any shares of Stock awarded plus (ii) the amount of any taxes arising from such award. The Granting Authority shall have full authority to decide whether a loan will be made hereunder and to determine the amount, term and provisions of any such loan, including the interest rate to be charged, whether the loan will be with or without recourse against the borrower, any security for the loan, the terms on which the loan is to be repaid and the conditions, if any, under which the loan may be forgiven.

#### SECTION 12. TAX OFFSET PAYMENTS

The Granting Authority may provide for a Tax Offset Payment by the Company with respect to one or more awards granted under the Plan. The Tax Offset Payment shall be in an amount specified by the Granting Authority, which shall not exceed the amount necessary to pay the federal, state, local and other taxes payable with respect to the applicable award and the receipt of the Tax Offset Payment, assuming that the award holder is taxed at the maximum tax rate applicable to such income. The Tax Offset Payment shall be paid solely in cash.

#### SECTION 13. ELECTION TO DEFER AWARDS

The Granting Authority may permit an employee or Outside Director to elect to defer receipt of an award (other than an award pursuant to Section 15) for a specified period or until a specified event, upon such terms as are determined by the Granting Authority.

#### SECTION 14. TAX WITHHOLDING

14.1 Each employee shall, no later than the date as of which the value of an award first becomes includible in such person's gross income for applicable tax purposes, pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any federal, state, local or other taxes of any kind required by law to be withheld with respect to the award. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company (and, where applicable, any Related Company), shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the employee.

14.2 To the extent permitted by the Committee, and subject to such terms and conditions as the Committee may provide, an employee may elect to have the withholding tax obligation, or any additional tax obligation with respect to any awards hereunder, satisfied by (i) having the Company withhold shares of Stock otherwise deliverable to such person with respect to the award or (ii) delivering to the Company shares of unrestricted Stock previously owned by the person for at least six months.

#### SECTION 15. AUTOMATIC STOCK OPTIONS, LIMITED STOCK APPRECIATION RIGHTS AND

15.1 Outside Directors shall be granted Stock Options as follows:

(a) Initial Grant. Each person who is an Outside Director on the date of adoption of the Plan by the Board shall be granted on such date a Stock Option to purchase the number of whole shares of Stock obtained by dividing \$5,000 by the closing sales price of the Stock on the date of grant. Each person who becomes an Outside Director after such date shall be granted, on the first trading day coincident with or immediately following the effective date of his or her election as an Outside Director, a Stock Option to purchase the number of whole shares of Stock obtained by dividing \$5,000 by the closing sales price of the Stock on the date of grant.

(b) Quarterly Grants. On the first trading day of each calendar quarter beginning with October 1, 2000, each Outside Director then serving on the Board and who has served for all or a portion of the previous calendar quarter shall be granted a Stock Option to purchase the number of whole shares of Stock obtained by dividing \$5,000 by the closing sales price of the Stock on the date of grant.

(c) For purposes of this Section 15.1, the term trading day shall mean a day on which the Stock is traded on a national securities exchange, on the Nasdaq National Market, or in the over-the-counter market.

(d) Notwithstanding the foregoing, if on any date on which Stock Options are to be granted under this Section 15.1 the remaining shares available for issuance to Outside Directors under the Plan are insufficient to enable each Outside Director to receive a Stock Option to purchase the applicable number of shares of Stock set forth above, each Outside Director who is entitled to be granted a Stock Option pursuant to this Section 15.1 on such date shall be granted a Stock Option to purchase his or her pro-rata portion of such remaining shares.

15.2 Stock Options granted under this Section 15 shall be Non-Qualified Stock Options, and shall have the following terms and conditions:

(a) Option Price. The option price per share of Stock purchasable under the Stock Option shall be equal to the closing sales price of the Stock on the date the Stock Option is granted.

(b) Term of Option. The term of the Stock Option shall be ten years from the date of grant, subject to earlier termination in the event of termination of service as a director, as set forth in paragraphs (e) and (f) below.

(c) Exercisability. Subject to paragraph (f) below, each Stock Option shall become exercisable with respect to 10% of the underlying shares on the date which is three months after the date of grant, and an additional 10% at the end of each three-month period thereafter, less any shares that have been exercised prior to each such date, provided that the optionee is a director of the Company on such date. The minimum number of shares with respect to which a Stock Option may be exercised is the lesser of 100 shares or the number of shares then subject to the Stock Option.

(d) Method of Exercise. The Stock Options may be exercised in whole or in part at any time during the option period by giving written notice of exercise to the Company specifying the number of shares to be purchased, accompanied by payment of the purchase price. Payment of the purchase price shall be made in cash (including cash equivalents) or by delivery of shares of Stock already owned by the optionee for at least six months, or by any combination of the foregoing. Shares delivered upon payment of the exercise price shall be valued at the average of the high and low sale prices of the Stock on the date of exercise (or, if the Stock is not traded on such date, at the weighted average of the high and low prices on the nearest trading dates before and after such date).

(e) Termination of Service as Director. If an optionee's service as a director is terminated for any reason, such director's Stock Options may be exercised for five years following such termination of service (but not beyond the Option term), but only to the extent such Options were vested on the date of termination of service.

(f) Change of Control. Notwithstanding any other provision of the Plan, upon the occurrence of a Change of Control (as defined in Section 17.2), all Stock Options outstanding at the time of such Change of Control shall become immediately vested and exercisable and shall remain exercisable for five years after the director's termination of service (but not beyond the option term).

(g) Non-transferability. No Stock Option shall be transferable by the optionee other than by will or by the laws of



descent and distribution. During an optionee's lifetime, all Stock Options shall be exercisable only by the optionee or, in the event of the optionee's disability, by his or her guardian or legal representative.

(h) Shareholder Rights. The holder of a Stock Option shall, as such, have none of the rights of a shareholder.

#### 15.3 Limited Stock Appreciation Rights in Tandem with Options.

Each Stock Option granted to an Outside Director under this Section 15 shall be granted in tandem with a Limited Stock Appreciation Right which may be exercised only within the 60-day period following a Change of Control. Upon exercise of the Limited Stock Appreciation Right, the holder shall receive, for each share with respect to which the Limited Stock Appreciation Right is exercised, an amount equal in value to the excess of the Change of Control Price (as defined in Section 17.3) over the exercise price of the related Stock Option. The Limited Stock Appreciation Right shall be payable solely in cash, and shall be paid within 30 days of the exercise of the Limited Stock Appreciation Right. Upon the exercise of the Limited Stock Appreciation Right, the Stock Option granted in tandem with such Right shall expire.

#### 15.4 Quarterly Stock Grants.

On the first trading day of each calendar quarter beginning with the first calendar quarter after the date of shareholder approval of the Plan, each Outside Director then serving on the Board and who has served for all or a portion of the previous calendar quarter shall be granted the number of whole shares of Stock obtained by dividing \$2,000 by the closing sales price of the Stock on the date of grant. Notwithstanding the foregoing, if on any date on which shares are to be granted pursuant to this Section 15.4 the remaining shares reserved for issuance to Outside Directors under the Plan are insufficient to enable each Outside Director to receive the applicable number of shares of Stock set forth above, each Outside Director who is entitled to be granted shares pursuant to this Section 15.4 shall be granted his or her pro rata portion of such remaining shares. All shares granted under this Section 15.4 shall be fully vested and non-forfeitable at the time of grant.

### SECTION 16. AMENDMENTS AND TERMINATION

The Board may discontinue the Plan at any time and may amend it from time to time. No amendment or discontinuation of the Plan shall adversely affect any award previously granted without the award holder's written consent. Amendments may be made without stockholder approval except as required to satisfy Section 422 of the Code, Section 162(m) of the Code, or other NASDAQ, stock exchange, or regulatory requirements.

### SECTION 17. CHANGE OF CONTROL

17.1 In the event of a Change of Control, unless otherwise determined by the Granting Authority at the time of grant or by amendment (with the award holder's consent) of such grant:

(a) all outstanding Stock Options and all outstanding Stock Appreciation Rights (including Limited Stock Appreciation Rights) awarded under the Plan shall become fully exercisable and vested;

(b) the restrictions and deferral limitations applicable to any outstanding Restricted Stock and Deferred Stock awards under the Plan shall lapse and such shares and awards shall be deemed fully vested; and

(c) to the extent the cash payment of any award is based on the fair market value of Stock, such fair market value shall be the Change of Control Price.

17.2 A "Change of Control" shall be deemed to occur on:

(a) the date that any person or group deemed a person under Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934 (other than the Company and its subsidiaries as determined immediately prior to that date) has become the beneficial owner, directly or indirectly (with beneficial ownership determined as provided in rule 13d-3, or any successor rule, under the Securities Exchange Act of 1934) of securities of the Company representing 25% or more of the total combined voting power of all classes of stock of the Company having the right under ordinary circumstances to vote at an election of the Board, unless such person has acquired 80% or more of such securities directly from the Company;

(b) the date on which one-third or more of the members of the Board shall consist of persons other than Current Directors (for these purposes a "Current Director" shall mean any member of the Board on August 31, 2000 and any member of the Board whose nomination or election has been approved by a majority of the Current Directors then on the Board);

(c) the date of approval by the stockholders of the Company

of an agreement providing for the merger or consolidation of the Company with another corporation where (i) the stockholders of the Company, immediately prior to the merger or consolidation, would not beneficially own, immediately after the merger or consolidation, shares entitling such stockholders to 50% or more of all votes (without consideration of the rights of any class of stock to elect directors by a separate class vote) to which all stockholders of the corporation issuing cash or securities in the merger or consolidation would be entitled in the election of directors, or (ii) where the members of the Board, immediately prior to the merger or consolidation, would not, immediately after the merger or consolidation, constitute a majority of the board of directors of the corporation issuing cash or securities in the merger; or

(d) the date of approval by the stockholders of the Company of an agreement providing for the sale or other disposition of all or substantially all of the assets of the Company.

17.3 "Change of Control Price" means the highest price per share paid in any transaction reported in the Nasdaq National Market or on any national securities exchange where the Stock is traded, or paid or offered in any transaction related to a Change of Control at any time during the 90-day period ending with the Change of Control. Notwithstanding the foregoing sentence, in the case of Stock Appreciation Rights granted in tandem with Incentive Stock Options, the Change of Control Price shall be the highest price paid on the date on which the Stock Appreciation Right is exercised.

#### SECTION 18. GENERAL PROVISIONS

18.1 Each award under the Plan shall be subject to the requirement that, if at any time the Granting Authority shall determine that (i) the listing, registration or qualification of the Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body or (iii) an agreement by the recipient of an award with respect to the disposition of Stock is necessary or desirable (in connection with any requirement or interpretation of any federal or state securities law, rule or regulation) as a condition of, or in connection with, the granting of such award or the issuance, purchase or delivery of Stock thereunder, such award shall not be granted or exercised, in whole or in part, unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Granting Authority.

18.2 Nothing set forth in this Plan shall prevent the Board from adopting other or additional compensation arrangements. Neither the adoption of the Plan nor any award hereunder shall confer upon any employee of the Company, or of a Related Company, any right to continued employment, and no award shall confer upon any Outside Director any right to continued service as a director.

18.3 Determinations by the Granting Authority under the Plan relating to the form, amount, and terms and conditions of awards need not be uniform, and may be made selectively among persons who receive or are eligible to receive awards under the Plan, whether or not such persons are similarly situated.

18.4 No member of the Board or the Committee, nor any officer or employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made with respect to the Plan, and all members of the Board or the Committee and all officers or employees of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

#### SECTION 19. EFFECTIVE DATE OF PLAN

The Plan was adopted by the Company's Board of Directors on July 20, 2000, and shall be effective as of such date, subject to the approval of the Plan by the Company's stockholders at the 2000 Annual Meeting of Stockholders.

DIANON SYSTEMS, INC.  
2001 STOCK INCENTIVE PLAN

## SECTION 1. Purposes

The purposes of the Dianon Systems, Inc. 2001 Stock Incentive Plan (the "Plan") are (i) to enable Dianon Systems, Inc. (the "Company") and its Related Companies (as defined below) to attract, retain and reward employees and strengthen the existing mutuality of interests between such employees and the Company's stockholders by offering such employees an equity interest in the Company, and (ii) to enable the Company to pay part of the compensation of its Outside Directors (as defined in Section 5.2) in the form of equity of the Company, thereby increasing such directors' proprietary interests in the Company. For purposes of the Plan, a "Related Company" means any corporation, partnership, joint venture or other entity in which the Company owns, directly or indirectly, at least a 20% beneficial ownership interest. In addition, for purposes of this Plan, the term "Stock" shall refer to the common stock of the Company, par value \$.01 per share.

## SECTION 2. Types of Awards

2.1 Awards under the Plan may be in the form of (i) Stock Options; (ii) Stock Appreciation Rights; (iii) Restricted Stock; (iv) Deferred Stock; (v) Bonus Stock; (vi) Loans; and/or (vii) Tax Offset Payments. One or more types of awards may be granted, which may be independent or granted in tandem. If two awards are granted in tandem, the award holder may exercise (or otherwise receive the benefit of) one award only to the extent he or she relinquishes the tandem award.

2.2 Outside Directors shall receive Stock Options, Limited Stock Appreciation Rights and Stock Grants as provided in Section 15. In addition, Outside Directors may be granted discretionary awards in one or more of the forms set forth in Section 2.1.

## SECTION 3. Administration

3.1 The Plan shall be administered (i) by the Compensation Committee of the Company's Board of Directors (the "Board") or such other committee of directors as the Board shall designate (the "Committee"), with respect to awards to persons other than Outside Directors, and (ii) by the Board with respect to awards to Outside Directors (except as provided in Section 4.5). The Committee shall consist of not less than two directors each of whom is an Outside Director. The members of the Committee shall serve at the pleasure of the Board.

3.2 For purposes of this Plan the term "Granting Authority" shall mean (i) the Board of Directors with respect to awards to Outside Directors (except as provided in Section 4.5), and (ii) the Committee with respect to all other awards. The Granting Authority shall have the following authority with respect to awards under the Plan within its jurisdiction: to grant such awards to persons eligible to receive them under the Plan; to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall deem advisable; to interpret the terms and provisions of the Plan and any award granted by it under the Plan; and to otherwise supervise the administration of the Plan. In particular, and without limiting its authority and powers, the Granting Authority shall have the authority with respect to the awards within its jurisdiction:

(a) to determine whether and to what extent any award or combination of awards will be granted hereunder, including whether any awards will be granted in tandem with each other;

(b) to select the eligible persons to whom awards will be granted;

(c) to determine the number of shares of the Stock of the Company to be covered by each award granted hereunder subject to the limitations contained herein;

(d) to determine the terms and conditions of any award granted hereunder, including, but not limited to, any vesting or other restrictions based on such performance objectives (the "Performance Objectives") and such other factors as the Granting Authority may establish, and to determine whether the Performance Objectives and other terms and conditions of the award are satisfied;

(e) to determine the treatment of awards upon an award holder's retirement, disability, death, termination for cause or other termination of employment or service with the Company or Related Company;

(f) to determine pursuant to a formula or otherwise the fair market value of the Stock on a given date; provided, however, that if the Granting Authority fails to make such a determination, fair market value of the Stock on a given date shall be the closing sale price on a given date, or if no such sale of Stock occurs on such date, the weighted average of the

closing sale prices on the nearest trading dates before and after such date;

(g) to determine that amounts equal to the amount of any dividends declared with respect to the number of shares covered by an award (i) will be paid to the award holder currently or (ii) will be deferred and deemed to be reinvested or (iii) will otherwise be credited to the award holder, or that the award holder has no rights with respect to such dividends;

(h) to determine whether, to what extent, and under what circumstances Stock and other amounts payable with respect to an award will be deferred either automatically or at the election of an award holder, including providing for and determining the amount (if any) of deemed earnings on any deferred amount during any deferral period;

(i) to provide that the shares of Stock received as a result of an award shall be subject to a right of first refusal, pursuant to which the award holder shall be required to offer to the Company any shares that the award holder wishes to sell, subject to such terms and conditions as the Granting Authority may specify;

(j) to amend the terms of any award (including those granted under Section 15), prospectively or retroactively; provided, however, that no amendment shall impair the rights of the award holder without his or her written consent; and

(k) to substitute new Stock Options for previously granted Stock Options, or for options granted under other plans or agreements, in each case including previously granted options having higher option prices.

3.3 The Committee shall have the right to designate awards as "Performance Awards." Awards so designated shall be granted and administered in a manner designed to preserve the deductibility of the compensation resulting from such awards in accordance with Section 162(m) of the Internal Revenue Code (the "Code"). The grant or vesting of a Performance Award shall be subject to the achievement of Performance Objectives established by the Committee based on one or more of the following criteria, in each case applied to the Company on a consolidated basis and/or to a business unit and which the Committee may use as an absolute measure, as a measure of improvement relative to prior performance, or as a measure of comparable performance relative to a peer group of companies: sales, operating profits, operating profits before interest expense and taxes, net earnings, earnings per share, return on equity, return on assets, return on invested capital, total stockholder return, cash flow, debt to equity ratio, market share, stock price, economic value added, and market value added.

The Performance Objectives for a particular Performance Award relative to a particular fiscal year shall be established by the Committee in writing no later than 90 days after the beginning of such year. The Committee's determination as to the achievement of Performance Objectives relating to a Performance Award shall be made in writing. The Committee shall have discretion to modify the Performance Objectives or vesting conditions of a Performance Award only to the extent that the exercise of such discretion would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code.

3.4 All determinations made by the Granting Authority pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Plan participants.

3.5 The Committee may from time to time delegate to one or more officers of the Company any or all of its authorities granted hereunder except with respect to awards granted to persons subject to Section 16 of the Securities Exchange Act of 1934 or Performance Awards. The Committee shall specify the maximum number of shares that the officer or officers to whom such authority is delegated may award.

3.6 All awards granted under this Plan shall be evidenced by a grant certificate and the terms and conditions of the award shall be set forth in a written agreement between the Company and the award recipient.

#### SECTION 4. Stock Subject to Plan

4.1 The total number of shares of Stock which may be awarded or issued pursuant to the exercise of an award granted under this Plan shall be 640,000, of which 500,000 shall be used for awards to employees and 140,000 shall be used for awards to Outside Directors (all subject to adjustment as provided below). Such shares may consist of authorized but unissued shares or treasury shares. The exercise of a Stock Appreciation Right for cash or the payment of any other award in cash shall not count against this share limit.

4.2 To the extent a Stock Option terminates without having been exercised, or an award terminates without the award holder having received payment of the award, or shares awarded are forfeited, the shares subject to such award shall again be available for distribution in connection with future awards under the Plan. Shares of Stock equal in number to the shares surrendered in

payment of the option price, and shares of Stock which are withheld in order to satisfy federal, state or local tax liabilities, shall not count against the above limit, and shall again be available for grants under the Plan.

4.3 (a) No employee shall be granted Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock, and/or Bonus Stock, or any combination of the foregoing with respect to more than 50,000 shares of Stock in any fiscal year (subject to adjustment as provided in Section 4.5). No employee shall be granted a Tax Offset Payment in any fiscal year with respect to more than the number of shares of Stock covered by awards granted to such employee in such fiscal year.

(b) For purposes of Section 162(m) of the Code, no key employee shall be granted Stock Options or Stock Appreciation Rights with respect to more than 50,000 shares of Stock in any fiscal year (subject to adjustment as provided in Section 4.5).

4.4 The maximum number of shares of Stock that may be issued under this Plan pursuant to the exercise of Options intended to be Incentive Stock Options shall be 500,000 shares.

4.5 In the event of any merger, reorganization, consolidation, sale of substantially all assets, recapitalization, stock dividend, stock split, spin-off split-up, split-off distribution of assets or other change in corporate structure affecting the Stock, a substitution or adjustment shall be made by the Granting Authority in the aggregate number of shares reserved for issuance under the Plan, the number of shares as to which awards may be granted to any individual in any calendar year, the number and type of shares subject to outstanding awards and the amounts to be paid by award holders or the Company, as the case may be, with respect to outstanding awards; provided, however, that no such adjustment shall increase the aggregate value of any outstanding award. In the event any change described in this Section 4.5 occurs, the Granting Authority shall make appropriate adjustment in the awards previously granted and to be granted to Outside Directors under the Plan; provided that no such adjustment shall increase the aggregate value of any outstanding award.

## SECTION 5. Eligibility

5.1 Key employees of the Company or a Related Company, including key employees who are officers and/or directors of the Company, are eligible to be granted awards under the Plan, other than under Section 15. Employees shall be selected for participation in the Plan from time to time by the Committee, in its sole discretion, from among those key employees eligible to participate in this Plan.

5.2 Awards under Section 15 of the Plan shall be made solely to Outside Directors, which term shall mean any director of the Company other than one who is an employee of the Company or a Related Company. The Board, in its discretion, may also grant other awards under the Plan in one or more of the forms set forth in Section 2.1 to one or more Outside Directors.

## SECTION 6. Stock Options

6.1 The Stock Options awarded under the Plan may be of two types: (i) Incentive Stock Options within the meaning of Section 422 of the Code or any successor provision thereto (which may be granted only to employees); and (ii) Non-Qualified Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option, it shall constitute a Non-Qualified Stock Option.

6.2 Subject to the following provisions, Stock Options awarded under the Plan shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

(a) Option Price. The option price per share of Stock purchasable under a Stock Option shall be determined by the Granting Authority, and may be less than the fair market value of the Stock on the date of the award of the Stock Option.

(b) Option Term. The term of each Stock Option shall be fixed by the Granting Authority.

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Granting Authority. The Granting Authority may waive such exercise provisions or accelerate the exercisability of the Stock Option at any time in whole or in part.

(d) Method of Exercise. Stock Options may be exercised in whole or in part at any time during the option period by giving written notice of exercise to the Company specifying the number of shares to be purchased, accompanied by payment of the purchase price. Payment of the purchase price shall be made in such manner as the Granting Authority may provide in the award, which may include cash (including cash equivalents), delivery of shares of Stock already owned by the optionee for at least six months, "cashless exercise" (which may be either (i) a broker-assisted cash

exercise effected in accordance with rules adopted by the Granting Authority or (ii) a direction to the Company to withhold shares of Stock, otherwise deliverable to the option holder with respect to the Option, having a fair market value on the date of exercise equal to the option price), or in any other manner permitted by law determined by the Granting Authority, or any combination of the foregoing. If the Granting Authority determines that a Stock Option may be exercised using shares of Restricted Stock, then unless the Granting Authority provides otherwise, the shares received upon the exercise of a Stock Option which are paid for using Restricted Stock shall be restricted in accordance with the original terms of the Restricted Stock award.

(e) No Stockholder Rights. An optionee shall have neither rights to dividends or other rights of a stockholder with respect to shares subject to a Stock Option until the optionee has given written notice of exercise and has paid for such shares.

(f) Surrender Rights. The Granting Authority may provide that options may be surrendered for cash upon any terms and conditions set by the Granting Authority.

(g) Non-transferability. Unless otherwise provided by the Granting Authority, (i) Stock Options shall not be transferable by the optionee other than by will or by the laws of descent and distribution, and (ii) during the optionee's lifetime, all Stock Options shall be exercisable only by the optionee or, in the event of the optionee's disability, by his or her guardian or legal representative.

(h) Termination of Service. Following the termination of an optionee's service with the Company or a Related Company, the Stock Option shall be exercisable to the extent determined by the Granting Authority. The Granting Authority may provide different post-termination exercise provisions with respect to termination of service for different reasons. The Granting Authority may provide that, notwithstanding the option term fixed pursuant to Section 6.2(b), a Stock Option which is outstanding on the date of an optionee's death shall remain outstanding for an additional period after the date of such death.

6.3 Notwithstanding the provisions of Section 6.2, no Incentive Stock Option shall (i) have an option price which is less than 100% of the fair market value of the Stock on the date of the award of the Incentive Stock Option, (ii) be exercisable more than ten years after the date such Incentive Stock Option is awarded, or (iii) be awarded more than ten years after the Effective Date (as defined below) of the Plan specified in Section 19. No Incentive Stock Option granted to an employee who owns more than 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations, as defined in Section 424 of the Code, shall (A) have an option price which is less than 110% of the fair market value of the Stock on the date of award of the Incentive Stock Option or (B) be exercisable more than five years after the date such Incentive Stock Option is awarded.

6.4 A Stock Option granted to a key employee under this Plan will not be considered an Incentive Stock Option to the extent that such Stock Option, together with any earlier Stock Option granted to such employee under this or any other plan of the Company that is intended to be an Incentive Stock Option, permits the exercise for the first time in any calendar year of shares of Stock having a fair market value in excess of \$100,000 (determined at the time of grant).

## SECTION 7. Stock Appreciation Rights

7.1 A Stock Appreciation Right shall entitle the holder thereof to receive payment of an amount, in cash, shares of Stock or a combination thereof, as determined by the Granting Authority, equal in value to the excess of the fair market value of the number of shares of Stock as to which the award is granted on the date of exercise over an amount specified by the Granting Authority. Any such award shall be in such form and shall have such terms and conditions as the Granting Authority may determine. The grant shall specify the number of shares of Stock as to which the Stock Appreciation Right is granted.

7.2 The Granting Authority may provide that a Stock Appreciation Right may be exercised only within the 60-day period following occurrence of a Change of Control (as defined in Section 17.2) (such Stock Appreciation Right being referred to herein as a Limited Stock Appreciation Right). The Granting Authority may also provide that in the event of a Change of Control the amount to be paid upon exercise of a Stock Appreciation Right shall be based on the Change of Control Price (as defined in Section 17.3).

## SECTION 8. Restricted Stock

Subject to the following provisions, all awards of Restricted Stock shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

(a) The Restricted Stock award shall specify the number of shares of Restricted Stock to be awarded, the price, if any, to be paid by the recipient of the Restricted Stock and the date or dates on which, or the conditions upon the satisfaction of which, the restrictions shall lapse and the Restricted Stock will vest. The grant and/or the vesting of Restricted Stock may be conditioned upon the completion of a specified period of service with the Company or a Related Company, upon the attainment of specified Performance Objectives or upon such other criteria as the Granting Authority may determine.

(b) Stock certificates representing the Restricted Stock awarded under the Plan shall be registered in the award holder's name, but the Granting Authority may direct that such certificates be held by the Company on behalf of the award holder. Except as may be permitted by the Granting Authority, no share of Restricted Stock may be sold, transferred, assigned, pledged or otherwise encumbered by the award holder until such share has vested in accordance with the terms of the Restricted Stock award. At the time Restricted Stock vests, a certificate for such vested shares shall be delivered to the award holder (or his or her designated beneficiary in the event of death), free of all restrictions.

(c) The Granting Authority may provide that the award holder shall have the right to vote or receive dividends on Restricted Stock. Unless the Granting Authority provides otherwise, Stock received as a dividend on, or in connection with a stock split of, Restricted Stock shall be subject to the same restrictions as the Restricted Stock.

(d) Except as may be provided by the Granting Authority, in the event of an award holder's termination of service before all of his or her Restricted Stock has vested, or in the event any conditions to the vesting of Restricted Stock have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the award, the shares of Restricted Stock which have not vested shall be forfeited, and the Granting Authority may provide that (i) any purchase price paid by the award holder shall be returned to the award holder or (ii) a cash payment equal to the Restricted Stock's fair market value on the date of forfeiture, if lower, shall be paid to the award holder.

(e) The Granting Authority may waive, in whole or in part, any or all of the conditions to receipt of, or restrictions with respect to, any or all of the award holder's Restricted Stock, other than Performance Awards whose vesting was made subject to satisfaction of one or more Performance Objectives (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code).

#### SECTION 9. Deferred Stock Awards

Subject to the following provisions, all awards of Deferred Stock shall be in such form and shall have such terms and conditions as the Granting Authority may determine:

(a) The Deferred Stock award shall specify the number of shares of Deferred Stock to be awarded and the duration of the period (the "Deferral Period") during which, and the conditions under which, receipt of the Stock will be deferred. The Granting Authority may condition the grant or vesting of Deferred Stock, or receipt of Stock or cash at the end of the Deferral Period, upon the attainment of specified Performance Objectives or such other criteria as the Granting Authority may determine.

(b) Except as may be provided by the Granting Authority, Deferred Stock awards may not be sold, assigned, transferred, pledged or otherwise encumbered during the Deferral Period.

(c) At the expiration of the Deferral Period, the award holder (or his or her designated beneficiary in the event of death) shall receive (i) certificates for the number of shares of Stock equal to the number of shares covered by the Deferred Stock award, (ii) cash equal to the fair market value of such Stock, or (iii) a combination of shares and cash, as the Granting Authority may determine.

(d) Except as may be provided by the Granting Authority, in the event of an award holder's termination of service before the Deferred Stock has vested, his or her Deferred Stock award shall be forfeited.

(e) The Granting Authority may waive, in whole or in part, any or all of the conditions to receipt of, or restrictions with respect to, Stock or cash under a Deferred Stock award, other than with respect to Performance Awards (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance based compensation" within the meaning of Section 162(m) of the Code).

#### SECTION 10. Bonus Stock

The Granting Authority may award Bonus Stock subject to such terms and conditions as the Granting Authority shall determine. The grant of Bonus Stock may be conditioned upon the attainment of specified Performance Objectives or upon such other criteria as the Granting Authority may determine. The Granting Authority may waive such conditions in whole or in part other than with respect to Performance Awards (except that the Committee may waive conditions or restrictions with respect to Performance Awards if such waiver would not cause the Performance Award to fail to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code). In making a determination with respect to the terms and conditions of a Bonus Stock award, the Granting Authority shall also have the right to eliminate or reduce the amount of Bonus Stock otherwise payable under an award. Unless otherwise specified by the Granting Authority, no money shall be paid by the recipient for the Bonus Stock. Alternatively, the Granting Authority may offer the award holder the opportunity to purchase Bonus Stock at a discount from its fair market value. The Bonus Stock award shall be satisfied by the delivery of the designated number of shares of Stock which are not subject to restriction.

#### SECTION 11. Loans

The Granting Authority may provide that the Company shall make, or arrange for, a loan or loans with respect to the exercise of any Stock Option awarded under the Plan, with respect to the payment of the purchase price, if any, of any Restricted Stock awarded hereunder or with respect to any taxes arising from an award hereunder; provided, however, that the Company shall not loan more than the sum of (i) the excess of the purchase or exercise price of an award over the par value of any shares of Stock awarded plus (ii) the amount of any taxes arising from such award. The Granting Authority shall have full authority to decide whether a loan will be made hereunder and to determine the amount, term and provisions of any such loan, including the interest rate to be charged, whether the loan will be with or without recourse against the borrower, any security for the loan, the terms on which the loan is to be repaid and the conditions, if any, under which the loan may be forgiven.

#### SECTION 12. Tax Offset Payments

The Granting Authority may provide for a Tax Offset Payment by the Company with respect to one or more awards granted under the Plan. The Tax Offset Payment shall be in an amount specified by the Granting Authority, which shall not exceed the amount necessary to pay the federal, state, local and other taxes payable with respect to the applicable award and the receipt of the Tax Offset Payment, assuming that the award holder is taxed at the maximum tax rate applicable to such income. The Tax Offset Payment shall be paid solely in cash.

#### SECTION 13. Election to Defer Awards

The Granting Authority may permit an employee or Outside Director to elect to defer receipt of an award (other than an award pursuant to Section 15) for a specified period or until a specified event, upon such terms as are determined by the Granting Authority.

#### SECTION 14. Tax Withholding

14.1 Each employee shall, no later than the date as of which the value of an award first becomes includible in such person's gross income for applicable tax purposes, pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any federal, state, local or other taxes of any kind required by law to be withheld with respect to the award. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company (and, where applicable, any Related Company), shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the employee.

14.2 To the extent permitted by the Committee, and subject to such terms and conditions as the Committee may provide, an employee may elect to have the withholding tax obligation, or any additional tax obligation with respect to any awards hereunder, satisfied by (i) having the Company withhold shares of Stock otherwise deliverable to such person with respect to the award or (ii) delivering to the Company shares of unrestricted Stock previously owned by the person for at least six months.

#### SECTION 15. Automatic Stock Options and Limited Stock Appreciation Rights.

15.1 Outside Directors shall be granted Stock Options as follows:

(a) Existing Directors. On the first trading day following the approval of this Plan by the Company's stockholders, a Stock Option to purchase 20,000 shares of Stock, subject to adjustment as provided in Section 4.5, shall be granted automatically to each Outside Director who is then a member of the Board.

(b) Triennial Option Grants. On each three-year anniversary of the date of grant of the Stock Options granted pursuant to Section 15.1(a), a Stock



Option to purchase 20,000 shares of Stock, subject to adjustment as provided in Section 4.5, shall be granted automatically to each Outside Director who is then a member of the Board.

(c) Initial Grants for New Outside Directors. Each new Outside Director who has not been granted a Stock Option pursuant to Section 15.1(a) or Section 15.1(b), upon the first trading day coincident with or immediately following the effective date of his or her election as an Outside Director, shall be granted a Stock Option to purchase a pro-rated number of shares of Stock. The pro-rated number of shares of Stock with respect to which a Stock Option shall be granted shall be equal to 20,000, subject to adjustment as provided in Section 4.5, times a fraction, the numerator of which is the number of whole months remaining (if any) until the next triennial Stock Option grant under Section 15.1(b) and the denominator of which is 36. A "whole" month will include the month in which the Outside Director is elected or appointed where the date of election or appointment is on or before the tenth of the month.

(d) For purposes of this Section 15.1, the term trading day shall mean a day on which the Stock is traded on a national securities exchange, on the Nasdaq National Market, or in the over-the-counter market.

(e) Notwithstanding the foregoing, if on any date on which Stock Options are to be granted under this Section 15.1 the remaining shares available for issuance to Outside Directors under the Plan are insufficient to enable each Outside Director to receive a Stock Option to purchase the applicable number of shares of Stock set forth above, each Outside Director who is entitled to be granted a Stock Option pursuant to this Section 15.1 on such date shall be granted a Stock Option to purchase his or her pro-rata portion of such remaining shares.

15.2 Stock Options granted under this Section 15 shall be Non-Qualified Stock Options, and shall have the following terms and conditions:

(a) Option Price. The option price per share of Stock purchasable under the Stock Option shall be equal to the closing sales price of the Stock on the date the Stock Option is granted.

(b) Term of Option. The term of the Stock Option shall be ten years from the date of grant, subject to earlier termination in the event of termination of service as a director, as set forth in paragraphs (f) and (g) below.

(c) Exercisability. Each Stock Option pursuant to Section 15.1 shall become exercisable as to one-third of the total number of shares of Stock covered by the Stock Option, on a cumulative basis, on each of the first, second and third anniversaries of the date of grant if the holder thereof has been an Outside Director at all times since such date of grant. The minimum number of shares with respect to which a Stock Option may be exercised is the lesser of 100 shares or the number of shares then subject to the Stock Option.

(d) Method of Exercise. The Stock Options may be exercised in whole or in part at any time during the option period by giving written notice of exercise to the Company specifying the number of shares to be purchased, accompanied by payment of the purchase price. Payment of the purchase price shall be made in cash (including cash equivalents) or by delivery of shares of Stock already owned by the optionee for at least six months, or by any combination of the foregoing. Shares delivered upon payment of the exercise price shall be valued at the average of the high and low sale prices of the Stock on the date of exercise (or, if the Stock is not traded on such date, at the weighted average of the high and low prices on the nearest trading dates before and after such date).

(e) Termination of Service as Director. If an optionee's service as a director is terminated for any reason, such director's Stock Options may be exercised for five years following such termination of service (but not beyond the Option term), but only to the extent such Options were vested on the date of termination of service.

(f) Change of Control. Notwithstanding any other provision of the Plan, upon the occurrence of a Change of Control (as defined in Section 17.2), all Stock Options outstanding at the time of such Change of Control shall become immediately vested and exercisable and shall remain exercisable for five years after the director's termination of service (but not beyond the option term).

(g) Non-transferability. No Stock Option shall be transferable by the optionee other than by will or by the laws of descent and distribution. During an optionee's lifetime, all Stock Options shall be exercisable only by the optionee or, in the event of the optionee's disability, by his or her guardian or legal representative.

(h) Stockholder Rights. The holder of a Stock Option shall, as such, have none of the rights of a stockholder.

15.3 Limited Stock Appreciation Rights in Tandem with Options. Each Stock Option granted to an Outside Director under this Section 15 shall be granted in tandem with a Limited Stock Appreciation Right which may be exercised only within the 60-day period following a Change of Control. Upon exercise of the Limited Stock Appreciation Right, the holder shall receive, for each share with respect to which the Limited Stock Appreciation Right is exercised, an amount equal in value to the excess of the Change of Control Price (as defined in Section 17.3) over the exercise price of the related Stock Option. The Limited Stock Appreciation Right shall be payable solely in cash, and shall be paid within 30 days of the exercise of the Limited Stock Appreciation Right. Upon the exercise of the Limited Stock Appreciation Right, the Stock Option granted in tandem with such Right shall expire.

#### SECTION 16. Amendments and Termination

The Board may discontinue the Plan at any time and may amend it from time to time. No amendment or discontinuation of the Plan shall adversely affect any award previously granted without the award holder's written consent. Amendments may be made without stockholder approval except as required to satisfy Section 422 of the Code, Section 162(m) of the Code, or other NASDAQ, stock exchange, or regulatory requirements.

#### SECTION 17. Change of Control

17.1 In the event of a Change of Control, unless otherwise determined by the Granting Authority at the time of grant or by amendment (with the award holder's consent) of such grant:

(a) all outstanding Stock Options and all outstanding Stock Appreciation Rights (including Limited Stock Appreciation Rights) awarded under the Plan shall become fully exercisable and vested;

(b) the restrictions and deferral limitations applicable to any outstanding Restricted Stock and Deferred Stock awards under the Plan shall lapse and such shares and awards shall be deemed fully vested; and

(c) to the extent the cash payment of any award is based on the fair market value of Stock, such fair market value shall be the Change of Control Price.

17.2 A "Change of Control" shall be deemed to occur on:

(a) the date that any person or group deemed a person under Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934 (other than the Company and its subsidiaries as determined immediately prior to that date) has become the beneficial owner, directly or indirectly (with beneficial ownership determined as provided in rule 13d-3, or any successor rule, under the Securities Exchange Act of 1934) of securities of the Company representing 25% or more of the total combined voting power of all classes of stock of the Company having the right under ordinary circumstances to vote at an election of the Board, unless such person has acquired 80% or more of such securities directly from the Company;

(b) the date on which one-third or more of the members of the Board shall consist of persons other than Current Directors (for these purposes a "Current Director" shall mean any member of the Board on the Effective Date and any member of the Board whose nomination or election has been approved by a majority of the Current Directors then on the Board);

(c) the date of approval by the stockholders of the Company of an agreement providing for the merger or consolidation of the Company with another corporation where (i) the stockholders of the Company, immediately prior to the merger or consolidation, would not beneficially own, immediately after the merger or consolidation, shares entitling such stockholders to 50% or more of all votes (without consideration of the rights of any class of stock to elect directors by a separate class vote) to which all stockholders of the corporation issuing cash or securities in the merger or consolidation would be entitled in the election of directors, or (ii) where the members of the Board, immediately prior to the merger or consolidation, would not, immediately after the merger or consolidation, constitute a majority of the board of directors of the corporation issuing cash or securities in the merger; or

(d) the date of approval by the stockholders of the Company of an agreement providing for the sale or other disposition of all or substantially all of the assets of the Company.

17.3 "Change of Control Price" means the highest price per share paid in any transaction reported in the Nasdaq National Market or on any national securities exchange where the Stock is traded, or paid or offered in any transaction related to a Change of Control at any time during the 90-day period ending with the Change of Control. Notwithstanding the foregoing sentence, in the case of Stock Appreciation Rights granted in tandem with Incentive Stock Options, the Change of Control Price shall be the highest price paid on the date on which the Stock Appreciation Right is exercised.

## SECTION 18. General Provisions

18.1 Each award under the Plan shall be subject to the requirement that, if at any time the Granting Authority shall determine that (i) the listing, registration or qualification of the Stock subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any government regulatory body or (iii) an agreement by the recipient of an award with respect to the disposition of Stock is necessary or desirable (in connection with any requirement or interpretation of any federal or state securities law, rule or regulation) as a condition of, or in connection with, the granting of such award or the issuance, purchase or delivery of Stock thereunder, such award shall not be granted or exercised, in whole or in part, unless such listing, registration, qualification, consent, approval or agreement shall have been effected or obtained free of any conditions not acceptable to the Granting Authority.

18.2 Nothing set forth in this Plan shall prevent the Board from adopting other or additional compensation arrangements. Neither the adoption of the Plan nor any award hereunder shall confer upon any employee of the Company, or of a Related Company, any right to continued employment, and no award shall confer upon any Outside Director any right to continued service as a director.

18.3 Determinations by the Granting Authority under the Plan relating to the form, amount, and terms and conditions of awards need not be uniform, and may be made selectively among persons who receive or are eligible to receive awards under the Plan, whether or not such persons are similarly situated.

18.4 No member of the Board or the Committee, nor any officer or employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made with respect to the Plan, and all members of the Board or the Committee and all officers or employees of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

## SECTION 19. Effective Date of Plan

The Plan was adopted by the Company's Board of Directors on August 1, 2001, and shall be effective as of such date (the "Effective Date"), subject to the approval of the Plan by the Company's stockholders at the 2001 Annual Meeting of Stockholders.

UROCOR, INC.  
SECOND AMENDED AND RESTATED 1992 STOCK OPTION PLAN  
MAY 5, 1997

1. PURPOSE. This Second Amended and Restated 1992 Stock Option Plan (the "Plan") of UroCor, Inc. (the "Company"), for certain employees, officers, directors and independent contractors performing services for the Company is intended to advance the best interest of the Company by providing those persons who have substantial responsibility for its management and growth with additional incentive and by increasing their proprietary interest in the success of the Company -- thereby encouraging them to continue their employment or affiliation.

2. ADMINISTRATION. The Plan shall be administered by a committee to be appointed by the Board of Directors of the Company (the "Committee"), which Committee shall consist of not less than two members of the Board of Directors and shall be comprised solely of members of the Board of Directors who qualify as both non-employee directors as defined in Rule 16b-3(b)(3) of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act") and outside directors within the meaning of Department of Treasury Regulations issued under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Board of Directors of the Company shall have the power to add or remove members of the Committee, from time to time, and to fill vacancies arising for any reason. The Committee shall designate a chairman from among its members, who shall preside at all of its meetings, and shall designate a secretary, without regard to whether that person is a member of the Committee, who shall keep the minutes of the proceedings and all records, documents, and data pertaining to its administration of the Plan. Meetings shall be held at any time and place as it shall choose. A majority of the members of the Committee shall constitute a quorum for the transaction of business. The vote of a majority of those members present at any meeting shall decide any question brought before that meeting. In addition, the Committee may take any action otherwise proper under the Plan by the affirmative vote, taken without a meeting, of a majority of its members. No member of the Committee shall be liable for any act or omission of any other member of the Committee or for any act or omission on his own part, including but not limited to the exercise of any power or discretion given to him under the Plan, except those resulting from his own gross negligence or willful misconduct. All questions of interpretation and application of the Plan, or as to options granted under it (the "Options"), shall be subject to the determination of a majority of the Committee. In carrying out its authority under this Plan, the Committee shall have full and final authority and discretion, including but not limited to the rights, powers and authorities, to: (a) determine the persons to whom and the time or times at which Options will be made, (b) determine the number of shares and the purchase price of stock covered in each Option, subject to the terms of this Plan, (c) determine the terms, provisions and conditions of each Option, which need not be identical, (d) accelerate the time at which any outstanding Option may be exercised, (e) define the effect, if any, on an Option of the death, disability, retirement, or other termination of employment of the Optionee, (f) prescribe, amend and rescind rules and regulations relating to administration of this Plan, and (g) make all other determinations and take all other actions deemed necessary, appropriate, or advisable for the proper administration of this Plan. The actions of the Committee in exercising all of the rights, powers, and authorities set out in this Article and all other Articles of this Plan, when performed in good faith and in its sole judgment, shall be final, conclusive and binding on all parties. When appropriate the Plan shall be administered in order to qualify certain of the Options granted under it as "incentive stock options" described in Section 422 of the Code ("Incentive Stock Options").

3. DEDICATED SHARES. The stock subject to the Options and other provisions of the Plan shall be shares of the Company's Common Stock, \$.01 par value (the "Stock"). The total number of shares of Stock with respect to which Incentive Stock Options may be granted shall be 1,700,000 shares. The maximum number of shares subject to Options which may be issued to any Optionee under this Plan during any period of three consecutive years is 500,000 shares. The class and aggregate number of shares which may be subject to the Options granted hereunder shall be subject to adjustment in accordance with the provisions of Paragraph 17 hereof.

In the event that an outstanding Option expires or is surrendered for any reason or terminates by reason of the death or other severance of employment of the Optionee, the shares of Stock allocable to the unexercised portion of that Option may again be subject to an Option under the Plan.

4. AUTHORITY TO GRANT OPTIONS. The Committee may grant the following Options at any time during the term of this Plan to any eligible individual that it chooses:

(a) "Incentive Stock Options". The Committee may grant to an eligible employee an Option, or Options, to buy a stated number of shares of

Stock under the terms and conditions of the Plan, which Option or Options would be an "incentive stock option" within the meaning of Section 422 of the Code.

(b) "Nonqualified Stock Options". The Committee may grant to an eligible individual an Option, or Options, to buy a stated number of shares of Stock under the terms and conditions of the Plan, which Option or Options would not constitute an "incentive stock option" within the meaning of Section 422 of the Code.

Each Option granted shall be approved by the Committee. Subject only to any applicable limitations set forth in this Plan, the number of shares of Stock to be covered by an Option shall be as determined by the Committee.

5. ELIGIBILITY. The individuals who shall be eligible to receive Incentive Stock Options shall be those full-time key employees, including officers and directors if they are employees, of the Company, or of any parent or subsidiary corporation, as the Committee shall determine during the term of this Plan. However, no employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the corporation employing the employee or of its parent or subsidiary corporation shall be eligible to receive an Incentive Stock Option unless at the time that the Option is granted the option price is at least 110% of the fair market value (as defined in this Section 5) of the Stock at the time the Option is granted and the Option by its own terms is not exercisable after the expiration of five years from the date the Option is granted.

An employee will be considered as owning the stock owned, directly or indirectly, by or for his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants. Stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust will be considered as being owned proportionately by or for its shareholders, partners or beneficiaries. For all purposes of this Plan, a parent corporation is any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, on the date of grant of the Option in question, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in that chain; and a subsidiary corporation is any corporation in an unbroken chain of corporations beginning with the Company if, on the date of grant of the Option in question, each of the corporations, other than the last corporation in the chain, owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in that chain.

The individuals who shall be eligible to receive Nonqualified Stock Options shall be such individuals as the Committee shall determine during the term of this Plan.

No individual shall be eligible to receive an Option under the Plan while that individual is a member of the Committee.

As used in this Plan, "fair market value" of the Stock as of any date means (a) the closing price on that date on the principal securities exchange on which the Stock is listed; or (b) if the Stock is not listed on a securities exchange, the closing price of the Stock on that date as reported on The National Association of Securities Dealers (the "NASD") Automated Quotation System ("Nasdaq") Stock Market's National Market; or (c) if the Stock is not listed on The Nasdaq Stock Market's National Market, the average of the high and low bid quotations for the Stock on that date as reported by the National Quotation Bureau Incorporated; or (d) if none of the foregoing is applicable, an amount, at the election of the Committee equal to (x) the average between the closing bid and ask prices per share of Stock on the last preceding date on which those prices were reported or (y) the value of the Stock as determined in good faith by the Committee in its sole discretion.

6. OPTION PRICE. The price at which shares may be purchased pursuant to an Incentive Stock Option shall be not less than the fair market value of the shares of Stock on the date the Option is granted. The price at which shares may be purchased pursuant to a Nonqualified Stock Option shall be not less than the fair market value of the shares of Stock on the date the Option is granted. The Committee in its discretion may provide that the price at which shares may be purchased shall be more than the minimum price required. If an employee owns stock possessing more than 10% of the total combined voting power of all classes of stock of the corporation employing the employee or of its parent or subsidiary corporation, the option price at which shares may be purchased under an Incentive Stock Option shall be not less than 110% of the fair market value of the Stock on the date the Option is granted.

7. DURATION OF OPTIONS. No Incentive Stock Option shall be exercisable after the expiration of ten years from the date such Option is granted. The Committee in its discretion may provide that the Option shall be exercisable throughout the ten-year period or during any lesser period of time commencing on or after the date of grant of the Option and ending upon or before the expiration of the ten-year period. If an employee owns stock possessing more than 10% of the total combined voting power of all classes of stock of the corporation employing the employee or of its parent or subsidiary

corporation, no Incentive Stock Option shall be exercisable after the expiration of five years from the date such Option is granted. No Nonqualified Stock Option shall be exercisable after the expiration of ten years from the date such Option is granted. The Committee in its discretion may provide that the Option shall be exercisable throughout the ten-year period or during any lesser period of time commencing on or after the date of grant of the Option and ending upon or before the expiration of the ten-year period.

8. \$100,000 LIMITATION ON INCENTIVE STOCK OPTIONS. To the extent that the aggregate fair market value (determined as of the time an Incentive Option is granted) of the Stock with respect to which Incentive Options first become exercisable by the Optionee during any calendar year (under this Plan and any other incentive stock option plan(s) of the Company or any parent corporation or subsidiary corporation) exceeds \$100,000, the Incentive Options shall be treated as Nonqualified Options. In making this determination, Incentive Options shall be taken into account in the order in which they were granted.

9. AMOUNT EXERCISABLE. Each Option may be exercised, so long as it is valid and outstanding, from time to time in part or as a whole, in the manner and subject to the conditions that the Committee in its discretion may provide in the Option agreement. However, the Committee in its absolute discretion may accelerate the time at which any outstanding Option may be exercised. Notwithstanding any provision of this Plan or an Option agreement to the contrary, no Option awarded under this Plan after May 5, 1997, may be exercised before this amendment and restatement of this Plan is approved by the stockholders of the Company.

10. EXERCISE OF OPTIONS. Each Option shall be exercised by the delivery of written notice to the Company setting forth the number of shares of Stock with respect to which the Option is to be exercised, together with cash, certified check, bank draft or postal or express money order payable to the order of the Company for an amount equal to the exercise price of such shares, and specifying the address to which the certificates for such shares are to be mailed. As promptly as practicable after receipt of written notification and payment, the Company shall deliver to the Optionee certificates for the number of shares with respect to which the Option has been exercised, issued in the Optionee's name. Delivery of the shares shall be deemed effected for all purposes when a stock transfer agent of the Company shall have deposited the certificates in the United States mail, addressed to the Optionee, at the address specified by the Optionee in his notice of exercise.

11. TRANSFERABILITY OF OPTIONS. Options shall not be transferable by the Optionee except by will or under the laws of descent and distribution, and shall be exercisable, during his lifetime, only by him.

12. TERMINATION OF EMPLOYMENT OR AFFILIATION OF OPTIONEE. Except as otherwise expressly provided herein or in the Option agreement, Incentive Stock Options shall terminate at 5:00 p.m., Oklahoma City time, on the 60th day immediately following the date of severance of employment of the Optionee from the Company for any reason, with or without cause, other than death or retirement for age or disability under the then established rules of the Company, and Nonqualified Stock Options shall terminate at 5:00 p.m., Oklahoma City time, on the 60th day immediately following the date of the severance of the employment or affiliation relationship between the Company and the Optionee for any reason with or without cause other than death or retirement for age or disability under the then established rules of the Company. Whether authorized leave of absence or absence on military or government service shall constitute severance of the employment or affiliation relationship between the Company and the Optionee shall be determined by the Committee at that time. After such severance of an Optionee holding either an Incentive Stock Option or Nonqualified Stock Option, such Optionee shall have the right, at any time prior to such termination, to exercise the Option to the extent to which he was entitled to exercise it immediately prior to his severance.

If, before the expiration of an Incentive Stock Option or a Nonqualified Stock Option held by an employee of the Company, the Optionee shall be retired from the employ of the Company because of his age or disability under the then established rules of the Company, such Incentive Stock Option or Non-incentive Stock Option, as the case may be, shall terminate on the earlier of such date of expiration or one day less than three months after his retirement. If, before the expiration of a Nonqualified Stock Option held by an Optionee who is not an employee of the Company, the Optionee's affiliation with the Company shall be severed for age or disability under the then established rules of the Company, such Nonqualified Stock Option shall terminate on the earlier of such date of expiration or one day less than three months after his severance of affiliation. In the event of retirement for age or disability, or severance of affiliation for age or disability, as the case may be, the Optionee shall have the right prior to the termination of the Option to exercise the Option to the extent to which he was entitled to exercise it immediately prior to such retirement or severance of affiliation for age or disability, as the case may be.

In the event of the death of a holder of an Incentive Stock Option while in the employ of the Company or during the period after the retirement of the employee for age or disability and before the date of expiration of the Option, such Option will terminate on the earlier of such date of expiration or one year following the date of his death. In the event of the death of a holder of a Nonqualified Stock Option while in the employ of, or affiliated with, the Company or during the period after the retirement of the holder for age or disability or after the severance of his affiliation with the Company for age or disability, as the case may be, and before the date of expiration of the Option, the Option will terminate on the earlier of such date of expiration or one year following the date of his death. After the death of an Optionee holding either an Incentive Stock Option or a Nonqualified Stock Option, his executors, administrators or any persons to whom his Option may be transferred by will or by the laws of descent and distribution shall have the right, at any time prior to such termination, to exercise the Option to the extent to which he was entitled to exercise it immediately prior to his death.

An employment relationship between the Company and the Optionee shall be deemed to exist during any period in which the Optionee is employed by the Company, by any parent or subsidiary corporation, by a corporation issuing or assuming a stock option in a transaction to which Section 424(a) of the Code applies, or by a parent or subsidiary corporation of the corporation issuing or assuming a stock option. For this purpose, the phrase "corporation issuing or assuming a stock option" shall be substituted for the word "Company" in the definitions of parent and subsidiary corporations in Section 5 and the parent-subsidiary relationship shall be determined at the time of the corporate action described in Section 424(a) of the Code.

13. FORFEITURES. Notwithstanding any other provision of this Plan, if the Committee finds by a majority vote, that the Optionee, before or after termination of his employment or affiliation with the Company or any parent or subsidiary corporation (as used in this Section, the "Employer"), committed fraud, embezzlement, theft, commission of felony, or proven dishonesty in the course of his employment by or affiliation with the Employer which conduct damaged the Employer, or for disclosing trade secrets of the Employer, then any outstanding options which have not been exercised by the Optionee will be forfeited. The decision of the Committee as to the cause of an Optionee's discharge, the damage done to the Employer and the extent of the Optionee's competitive activity will be final. No decision of the Committee, however, will affect the finality of the discharge of the Optionee by the Employer.

14. REQUIREMENTS OF LAW. The Company shall not be required to sell or issue any shares under any Option if issuing the shares shall constitute a violation by the Optionee or the Company of any provisions of any law or regulation of any governmental authority. Each Option granted under this Plan shall be subject to the requirements that, if at any time the Board of Directors of the Company or the Committee shall determine that the listing, registration or qualification of the shares upon any securities exchange or under any state or federal law of the United States or of any other country or governmental subdivision, or the consent or approval of any governmental regulatory body, or investment or other representations, are necessary or desirable in connection with the issue or purchase of shares subject to an Option, that Option shall not be exercised in whole or in part unless the listing, registration, qualification, consent, approval or representations shall have been effected or obtained free of any conditions not acceptable to the Committee. In connection with any applicable statute or regulation relating to the registration of securities, upon exercise of any Option, the Company shall not be required to issue any Stock unless the Committee has received evidence satisfactory to it to the effect that the holder of that Option will not transfer the Stock except in accordance with applicable law, including receipt of an opinion of counsel satisfactory to the Company to the effect that any proposed transfer complies with applicable law. Any determination by the Committee on these matters shall be final, binding and conclusive. In the event the shares issuable on exercise of an Option are not registered under applicable securities laws of any country or any political subdivision the Company may imprint on the certificate for such shares the following legend or any other legend which counsel for the Company considers necessary or advisable to comply with applicable law:

"The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any state and may not be sold or transferred except upon registration or upon receipt by the Company of an opinion of counsel satisfactory to the Company, in form and substance satisfactory to the Company, that registration is not required for a sale or transfer."

The Company may, but shall in no event be obligated to, register any securities covered by this Plan under applicable securities laws of any country or political subdivision (as now in effect or as later amended) and, in the event any shares are registered, the Company may remove any legend on certificates representing those shares. The Company shall not be obligated to take any other affirmative action in order to cause the exercise of an Option or the issuance of shares under the Option to comply with any law or

regulation or any governmental authority.

15. NO RIGHTS AS STOCKHOLDER. No Optionee shall have rights as a stockholder with respect to shares covered by his Option until the date a stock certificate is issued for the shares. Except as provided in Section 17, no adjustment for dividends, or other matters shall be made if the record date is prior to the date the certificate is issued.

16. EMPLOYMENT OR AFFILIATION OBLIGATION. The granting of any Option shall not impose upon the Company any obligation to employ or become affiliated with or continue to employ or be affiliated with any Optionee. The right of the Company to terminate the employment or affiliation of any person shall not be diminished or affected by reason of the fact that an Option has been granted to him.

17. CHANGES IN THE COMPANY'S CAPITAL STRUCTURE. The existence of outstanding Options shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Stock or the rights of the Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

If the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of shares of the Stock outstanding, without receiving compensation for it in money, services or property, then (a) the number, class and per share price of shares of stock subject to outstanding Options under this Plan shall be appropriately adjusted in a manner as to entitle an Optionee to receive upon exercise of an Option, for the same aggregate cash consideration, the same total number and class or classes of shares as he would have received had he exercised his Option in full immediately prior to the event requiring the adjustment; and (b) the number and class of shares then reserved for issuance under the Plan shall be adjusted by substituting for the total number and class of shares of stock then reserved for the number and class or classes of shares of stock that would have been received by the owner of an equal number of outstanding shares of Stock as the result of the event requiring the adjustment.

If the Company merges or consolidates with another corporation, whether or not the Company is a surviving corporation, or if the Company is liquidated or sells or otherwise disposes of substantially all its assets while unexercised Options remain outstanding under the Plan, or if any "person" (as that term is used in Section 13(d) and 14(d)(2) of the Securities Exchange Act) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing greater than 50% of the combined voting power of the Company's then outstanding securities, after the effective date of the merger, consolidation, liquidation, sale or other disposition, or change in beneficial ownership, as the case may be, each holder of an outstanding Option shall be entitled, upon exercise of an Option, to receive, in lieu of shares of Stock, the number and class or classes of shares of stock or other securities or property to which the holder would have been entitled if, immediately prior to the merger, consolidation, liquidation, sale or other disposition, or change in beneficial ownership, the holder had been the holder of record of the number of shares of Stock equal to the entire number of shares as to which the Option may be exercised regardless of and without giving effect to any limitations set out in or imposed pursuant to this Plan or any Option granted hereunder.

Except as expressly provided before in this Plan, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services either upon direct sale or upon the exercise of rights or warrants to subscribe for shares, or upon conversion of shares or obligations of the Company convertible into shares or other securities, shall not affect, and no adjustment by reason of it shall be made with respect to, the number or price of shares of Stock then subject to outstanding Options.

18. SUBSTITUTION OPTIONS. Options may be granted under this Plan from time to time in substitution for stock options held by employees of other corporations who are about to become employees of the Company, or whose employer is about to become a parent or subsidiary corporation, conditioned in the case of an Incentive Stock Option upon the employee becoming an employee as the result of a merger or consolidation of the Company with another corporation, or the acquisition by the Company of substantially all the assets of another corporation, or the acquisition by the Company of at least 50% of the issued and outstanding stock of another corporation as the result of which it becomes a subsidiary of the Company. The terms and conditions of the substitute Options granted may vary from the terms and conditions of this Plan to the extent the Board of Directors of the Company at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the stock options in substitution for which they are



granted. But with respect to Incentive Stock Options, no variation shall be made which will affect the status of any substitute option as an "incentive stock option" under Section 422 of the Code.

19. AMENDMENT OR TERMINATION OF PLAN. The Board of Directors may modify, revise or terminate this Plan at any time and from time to time. However, without the further approval of the holders of at least a majority of the outstanding shares of voting stock, or if the provisions of the corporate charter, by-laws or applicable state law prescribe a greater degree of stockholder approval for this action, without the degree of stockholder approval thus required, the Board of Directors may not (a) change the aggregate number of shares which may be issued under Options pursuant to the provisions of this Plan; (b) reduce the Option price permitted for Incentive Stock Options; (c) extend the term during which an Incentive Stock Option may be exercised or the termination date of this Plan; (d) change the class of employees eligible to receive Incentive Stock Options; or (e) (i) materially increase the benefits accruing to participants under the Plan, (ii) materially increase the number of securities which may be issued under the Plan or (iii) materially modify the requirements as to eligibility for participation in the Plan. The Board of Directors, however, shall have the power to make all changes in the Plan and in the regulations and administrative provisions under the Plan or in any outstanding Option as in the opinion of counsel for the Company may be necessary or appropriate from time to time to enable any Option granted pursuant to the Plan to qualify as an incentive stock option under Section 422 of the Code and the regulations which may be issued under that Section as in existence from time to time. All Options granted under this Plan shall be subject to the terms and provisions of this Plan and any amendment, modification or revision of this Plan shall be deemed to amend, modify or revise all Options outstanding under this Plan at the time of the amendment, modification or revision. In the event this Plan is terminated by action of the Board of Directors, all Options outstanding under this Plan may be terminated.

20. WRITTEN AGREEMENT. Each Option granted under this Plan shall be embodied in a written agreement, which shall be subject to the terms and conditions prescribed above, and shall be signed by the Optionee and by an officer of the Company on behalf of the Committee and the Company. Each Option agreement shall contain any other provisions that the Committee in its discretion shall deem advisable which are not inconsistent with the terms of this Plan.

21. INDEMNIFICATION OF THE COMMITTEE AND THE BOARD OF DIRECTORS. The Company will, to the fullest extent permitted by law, indemnify, defend and hold harmless any person who at any time is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) in any way relating to or arising out of this Plan or any Option or Options granted under it by reason of the fact that that person is or was at any time a director of the Company or a member of the Committee against judgments, fines, penalties, settlements and reasonable expenses (including attorneys' fees) actually incurred by that person in connection with the action, suit or proceeding. This right of indemnification will inure to the benefit of the heirs, executors and administrators of each person to be protected and is in addition to all other rights to which that person may be entitled by virtue of the by-laws of the Company or as a matter of law, contract or otherwise.

22. TAX WITHHOLDING. The Company shall be entitled to deduct from other compensation payable to each employee any sums required by federal, state or local tax law to be withheld with respect to the grant or exercise of an Option. In the alternative, the Company may require the employee (or other individual exercising the Option) to pay the sum directly to the Company. If the employee (or other individual exercising the Option) is required to pay the sum directly, payment in cash or by check of such sums for taxes shall be delivered within ten days after the date of exercise. The Company shall have no obligation upon exercise of any Option until payment has been received, unless withholding (or offset against a cash payment) as of or prior to the date of exercise is sufficient to cover all sums due with respect to that exercise. The Company shall not be obligated to advise an employee of the existence of the tax or the amount which the employer corporation will be required to withhold.

23. GENDER. If the context requires, words of one gender when used in this Plan shall include the others and words used in the singular or plural shall include the other.

24. HEADINGS. Headings of Sections are included for convenience of reference only and do not constitute part of this Plan and shall not be used in construing the terms of this Plan.

25. OTHER OPTIONS. The grant of an Option shall not confer upon an Optionee the right to receive any future or other Options under this Plan, whether or not Options may be granted to similarly situated Optionees, or the right to receive future Options upon the same terms or conditions as previously granted.

26. ARBITRATION OF DISPUTES. Any controversy arising out of or relating

to this Plan or an Option Agreement shall be resolved by arbitration conducted pursuant to the arbitration rules of the American Arbitration Association. The arbitration shall be final and binding on the parties.

27. GOVERNING LAW. The provisions of this Plan shall be construed, administered, and governed under the laws of the State of Delaware.

28. EFFECTIVE DATE OF PLAN. This Plan restates and integrates, and also amends, the UroCor, Inc. 1992 Amended and Restated Stock Option Plan adopted effective March 15, 1996.

The Plan shall become effective and shall be deemed to have been adopted on May 5, 1997, if within one year of that date it has been approved by the holders of at least a majority of the outstanding shares of voting stock of the Company voting in person or by proxy at a duly held stockholders' meeting, or if the provisions of the corporate charter, by-laws or applicable state law prescribe a greater degree of stockholder approval for this action, the approval by the holders of that percentage, at a duly held meeting of stockholders.

No Options shall be granted pursuant to the Plan after September 24, 2002.

FIRST AMENDMENT  
TO  
UROCOR, INC.

SECOND AMENDED AND RESTATED 1992 STOCK OPTION PLAN

1. Paragraph 3 of the UroCor, Inc. Second Amended and Restated 1992 Stock Option Plan is hereby deleted in its entirety and replaced by the following:

3. DEDICATED SHARES. The stock subject to the Options and other provisions of the Plan shall be shares of the Company's Common Stock, \$.01 par value (the "Stock"). The total number of shares of Stock with respect to which Incentive Stock Options may be granted shall be 2,000,000 shares. The maximum number of shares subject to Options which may be issued to any Optionee under this Plan during any period of three consecutive years is 500,000 shares. The class and aggregate number of shares which may be subject to the Options granted hereunder shall be subject to adjustment in accordance with the provisions of Paragraph 17 hereof.

In the event that an outstanding Option expires or is surrendered for any reason or terminates by reason of the death or other severance of employment of the Optionee, the shares of Stock allocable to the unexercised portion of that Option may again be subject to an Option under the Plan.

2. Except as expressly amended by this First Amendment, the UroCor, Inc. Second Amended and Restated 1992 Stock Option Plan shall continue in full force and effect in accordance with its terms.

AMENDMENT  
TO  
UROCOR, INC.

SECOND AMENDED AND RESTATED 1992 STOCK OPTION PLAN, AS AMENDED  
ADOPTED BY THE BOARD OF DIRECTORS APRIL 14, 1999

AND  
BY THE STOCKHOLDERS JUNE 14, 1999

1. Paragraph 3 of the UroCor, Inc. Second Amended and Restated 1992 Stock Option Plan, as amended, is hereby deleted in its entirety and replaced by the following:

3. DEDICATED SHARES. The stock subject to the Options and other provisions of the Plan shall be shares of the Company's Common Stock, \$.01 par value (the "Stock"). The total number of shares of Stock with respect to which Incentive Stock Options may be granted shall be 2,300,000 shares. The maximum number of shares subject to Options which may be issued to any Optionee under this Plan during any period of three consecutive years is 500,000 shares. The class and aggregate number of shares which may be subject to the Options granted hereunder shall be

subject to adjustment in accordance with the provisions of Paragraph 17 hereof.

In the event that an outstanding Option expires or is surrendered for any reason or terminates by reason of the death or other severance of employment of the Optionee, the shares of Stock allocable to the unexercised portion of that Option may again be subject to an Option under the Plan.

2. Except as expressly amended by this Amendment, the UroCor, Inc. Second Amended and Restated 1992 Stock Option Plan, as amended, shall continue in full force and effect in accordance with its terms.

AMENDMENT  
TO  
UROCOR, INC.  
SECOND AMENDED AND RESTATED 1992 STOCK OPTION PLAN, AS AMENDED  
ADOPTED BY THE BOARD OF DIRECTORS APRIL 18, 2000  
AND  
BY THE STOCKHOLDERS JUNE 20, 2000

1. Paragraph 3 of the UroCor, Inc. Second Amended and Restated 1992 Stock Option Plan, as amended, is hereby deleted in its entirety and replaced by the following:

3. DEDICATED SHARES. The stock subject to the Options and other provisions of the Plan shall be shares of the Company's Common Stock, \$.01 par value (the "Stock"). The total number of shares of Stock with respect to which Incentive Stock Options may be granted shall be 2,700,000 shares. The maximum number of shares subject to Options which may be issued to any Optionee under this Plan during any period of three consecutive years is 500,000 shares. The class and aggregate number of shares which may be subject to the Options granted hereunder shall be subject to adjustment in accordance with the provisions of Paragraph 17 hereof.

In the event that an outstanding Option expires or is surrendered for any reason or terminates by reason of the death or other severance of employment of the Optionee, the shares of Stock allocable to the unexercised portion of that Option may again be subject to an Option under the Plan.

2. Except as expressly amended by this Amendment, the UroCor, Inc. Second Amended and Restated 1992 Stock Option Plan, as amended, shall continue in full force and effect in accordance with its terms.

January 17, 2003

Board of Directors  
Laboratory Corporation of America Holdings  
358 South Main Street  
Burlington, North Carolina 27215

Ladies and Gentlemen:

As the Chief Legal Officer of Laboratory Corporation of America Holdings, a Delaware corporation (the "Company"), I have been requested to furnish this opinion letter to you in connection with the Company's registration statement on Form S-8, (the "Registration Statement"), filed with the Securities and Exchange Commission relating to the registration of up to 690,116 shares of the Company's common stock, par value \$.10 per share (the "Shares"), in connection with the merger between the Company, DIANON Systems, Inc. ("DIANON") and DaVinci Development, Inc. ("DaVinci"), a wholly-owned subsidiary of the Company, where DIANON merged with and into DaVinci, with DIANON surviving the merger and becoming a wholly-owned subsidiary of the Company and pursuant to the terms of that Agreement and Plan of Merger, dated as of November 10, 2002, between the Company, DIANON and DaVinci (the "Merger Agreement"), pursuant to which the Company is required to assume DIANON's 1996 Stock Incentive Plan, 1999 Stock Incentive Plan, 2000 Stock Incentive Plan, 2001 Stock Incentive Plan, and the UroCor, Inc. Second Amended and Restated 1992 Stock Option Plan (collectively, the "Plans"). This opinion letter is furnished to you at your request to enable you to fulfill the requirements of Item 601(b)(5) of Regulation S-K, 17 C.F.R. Section 229.601(b)(5), in connection with the Registration Statement.

For purposes of this opinion letter, I have examined copies of the following documents:

1. An executed copy of the Registration Statement.
2. Copies of the Plans.
3. The Merger Agreement.
4. The Amended and Restated Certificate of Incorporation of the Company.
5. The Bylaws of the Company.
6. Resolutions of the Board of Directors of the Company relating to the adoption and approval of the Merger Agreement, approval of the Merger and the authorization and issuance of the Shares and arrangements in connection therewith.

In my examination of the aforesaid documents, I have assumed the genuineness of all signatures, the legal capacity of all natural persons, the accuracy and completeness of all documents submitted to me, the authenticity of all original documents, and the conformity to authentic original documents of all documents submitted to me as copies (including telecopies). This opinion letter is given, and all statements herein are made, in the context of the foregoing.

This opinion letter is based as to matters of law solely on the Delaware General Corporation Law, as amended. I express no opinion herein as to any other laws, statutes, ordinances, rules, or regulations. As used herein, the term "Delaware General Corporation Law, as amended" includes the statutory provisions contained therein, all applicable provisions of the Delaware Constitution and reported judicial decisions interpreting these laws.

Based upon, subject to and limited by the foregoing, I am of the opinion that the Shares, when issued and delivered in the manner and on the terms contemplated in the Registration Statement and the Plans, will be validly issued, fully paid, and non-assessable.

This opinion letter has been prepared for your use in connection with the Registration Statement and speaks as of the date hereof. I assume no obligation to advise you of any changes in the foregoing subsequent to the delivery of this opinion letter.

I hereby consent to the filing of this opinion letter as Exhibit 5.1 to the Registration Statement. In giving this consent, I do not thereby admit that I am an "expert" within the meaning of the Securities Act of 1933, as amended.

Very truly yours,

/s/ BRADFORD T. SMITH

Bradford T. Smith  
Executive Vice President,  
Chief Legal Officer and Secretary

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 of our report dated February 8, 2002 except for Note 10, as to which date is February 20, 2002 relating to the financial statements and financial statement schedule, which appears in Laboratory Corporation of America Holdings Annual Report on Form 10-K for the year ended December 31, 2001.

/s/ PricewaterhouseCoopers LLP

Charlotte, North Carolina  
January 17, 2002