UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011
Commission file number 001-12215

Quest Diagnostics Incorporated

Three Giralda Farms
Madison, NJ 07940
(973) 520-2700

Delaware
(State of Incorporation)

16-1387862
(I.R.S. Employer Identification Number)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 27, 2011, there were outstanding 157,759,227 shares of the registrant's common stock, $.01 par value.

PART I - FINANCIAL INFORMATION

QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(unaudited)
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Net revenues	$ 1,906,405	$ 1,864,655	$ 5,631,183	$ 5,544,885
Operating costs and expenses:				
Cost of services	1,116,574	1,091,465	3,317,966	3,236,809
Selling, general and administrative	446,595	426,562	1,357,242	1,276,707
Amortization of intangible assets	19,402	9,915	47,843	28,544
Other operating expense (income), net	1,781	(154)	238,265	1,502
Total operating costs and expenses	1,584,352	1,527,788	4,961,316	4,543,562
Operating income	322,053	336,867	669,867	1,001,323
Other income (expense):				
Interest expense, net	(43,408)	(36,200)	(127,918)	(108,522)
Equity earnings in unconsolidated joint ventures	7,301	7,201	22,869	22,550
Other (expense) income, net	(2,677)	3,150	(815)	2,043
Total non-operating expenses, net	(38,784)	(25,849)	(105,864)	(83,929)
Income from continuing operations before taxes	283,269	311,018	564,003	917,394
Income tax expense	101,126	102,902	256,114	333,931
Income from continuing operations	182,143	208,116	307,889	583,463
Loss from discontinued operations, net of taxes	(250)	(360)	(1,131)	(678)
Net income	181,893	207,756	306,758	582,785
Less: Net income attributable to noncontrolling interests	10,045	9,681	25,628	27,647
Net income attributable to Quest Diagnostics	$ 171,848	$ 198,075	$ 281,130	$ 555,138
Amounts attributable to Quest Diagnostics' stockholders:				
Income from continuing operations	$ 172,098	$ 198,435	$ 282,261	$ 555,816
Loss from discontinued operations, net of taxes	(250)	(360)	(1,131)	(678)
Net income	$ 171,848	$ 198,075	$ 281,130	$ 555,138
Earnings per share attributable to Quest Diagnostics' common stockholders - basic:				
Income from continuing operations	$ 1.08	$ 1.14	$ 1.76	$ 3.12
Loss from discontinued operations	—	—	(0.01)	—
Net income	$ 1.08	$ 1.14	$ 1.75	$ 3.12
Earnings per share attributable to Quest Diagnostics' common stockholders - diluted:				
Income from continuing operations	$ 1.08	$ 1.13	$ 1.75	$ 3.09
Loss from discontinued operations	(0.01)	—	(0.01)	—
Net income	$ 1.07	$ 1.13	$ 1.74	$ 3.09
Weighted average common shares outstanding:				
Basic	157,816	173,229	158,971	177,456
Diluted	159,002	174,315	160,519	179,153
Dividends per common share	$ 0.10	$ 0.10	$ 0.30	$ 0.30

The accompanying notes are an integral part of these statements.

QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2011 AND DECEMBER 31, 2010
(in thousands, except per share data)

	September 30, 2011	December 31, 2010
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 110,825	$ 449,301
Accounts receivable, net of allowance for doubtful accounts of $242,444 and $228,917 at September 30, 2011 and December 31, 2010, respectively	936,259	845,299
Inventories	84,954	76,572
Deferred income taxes	166,907	142,470
Prepaid expenses and other current assets	97,332	91,775
Total current assets	1,396,277	1,605,417
Property, plant and equipment, net	806,043	834,376
Goodwill	5,796,193	5,101,938
Intangible assets, net	1,054,606	796,405
Other assets	273,352	189,494
Total assets	$ 9,326,471	$ 8,527,630
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 928,162	$ 865,272
Short-term borrowings and current portion of long-term debt	835,910	348,996
Total current liabilities	1,764,072	1,214,268
Long-term debt	3,367,847	2,641,160
Other liabilities	649,588	618,077
Stockholders' equity:		
Quest Diagnostics stockholders' equity:		
Common stock, par value $0.01 per share; 600,000 shares authorized at both September 30, 2011 and December 31, 2010; 214,604 shares and 214,173 shares issued at September 30, 2011 and December 31, 2010, respectively	2,146	2,142
Additional paid-in capital	2,331,164	2,311,421
Retained earnings	4,101,066	3,867,420
Accumulated other comprehensive (loss) income	(5,444)	10,626
Treasury stock, at cost; 57,183 shares and 43,456 shares at September 30, 2011 and December 31, 2010, respectively	(2,906,546)	(2,158,129)
Total Quest Diagnostics stockholders' equity	3,522,386	4,033,480
Noncontrolling interests	22,578	20,645
Total stockholders' equity	3,544,964	4,054,125
Total liabilities and stockholders' equity	$ 9,326,471	$ 8,527,630

The accompanying notes are an integral part of these statements.

QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2011	**2010**
Cash flows from operating activities:		
Net income	$ 306,758	$ 582,785
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	209,431	190,444
Provision for doubtful accounts	214,373	222,882
Deferred income tax provision (benefit)	3,255	(4,673)
Stock-based compensation expense	50,789	45,042
Excess tax benefits from stock-based compensation arrangements	(4,575)	(24)
Provision for special charge	236,000	—
Other, net	5,732	14,322
Changes in operating assets and liabilities:		
Accounts receivable	(271,113)	(279,879)
Accounts payable and accrued expenses	(84,408)	(26,646)
Settlement of special charge	(241,000)	—
Income taxes payable	122,061	19,095
Other assets and liabilities, net	10,425	15,110
Net cash provided by operating activities	557,728	778,458
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(1,298,518)	—
Sale of securities acquired in business acquisition	213,541	—
Capital expenditures	(117,879)	(136,291)
Decrease (increase) in investments and other assets	798	(3,543)
Net cash used in investing activities	(1,202,058)	(139,834)
Cash flows from financing activities:		
Proceeds from borrowings	2,658,329	—
Repayments of debt	(1,495,062)	(2,578)
Purchases of treasury stock	(884,995)	(750,000)
Exercise of stock options	104,004	40,787
Excess tax benefits from stock-based compensation arrangements	4,575	24
Dividends paid	(48,830)	(54,217)
Distributions to noncontrolling interests	(25,765)	(25,568)
Other financing activities	(6,402)	(12,067)
Net cash provided by (used in) financing activities	305,854	(803,619)
Net change in cash and cash equivalents	(338,476)	(164,995)
Cash and cash equivalents, beginning of period	449,301	534,256
Cash and cash equivalents, end of period	$ 110,825	$ 369,261

The accompanying notes are an integral part of these statements.

QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(unaudited)
(in thousands)

	Quest Diagnostics Stockholders' Equity								
	Shares of Common Stock Outstand-ing	**Common Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Compre-hensive Income (Loss)**	**Treasury Stock, at Cost**	**Compre-hensive Income**	**Non-controlling Interests**	**Total Stock-holders' Equity**
Balance, December 31, 2010	170,717	$ 2,142	$2,311,421	$3,867,420	$ 10,626	$(2,158,129)		$ 20,645	$ 4,054,125
Net income				281,130			$281,130	25,628	306,758
Currency translation					(12,645)		(12,645)		(12,645)
Market valuation, net of tax benefit of $1,389					(2,173)		(2,173)		(2,173)
Net deferred loss on cash flow hedges					(1,252)		(1,252)		(1,252)
Comprehensive income							$265,060		
Dividends declared				(47,484)					(47,484)
Distributions to noncontrolling interests								(25,765)	(25,765)
Issuance of common stock under benefit plans	1,084	7	1,605			13,039			14,651
Stock-based compensation expense			48,203			2,586			50,789
Exercise of stock options	2,388		(16,949)			120,953			104,004
Shares to cover employee payroll tax withholdings on stock issued under benefit plans	(344)	(3)	(19,535)						(19,538)
Tax benefits associated with stock-based compensation plans			6,419						6,419
Purchases of treasury stock	(16,424)					(884,995)			(884,995)
Other								2,070	2,070
Balance, September 30, 2011	157,421	$ 2,146	$2,331,164	$4,101,066	$ (5,444)	$(2,906,546)		$ 22,578	$ 3,544,964

	Quest Diagnostics Stockholders' Equity								
	Shares of Common Stock Outstand-ing	**Common Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Compre-hensive Income (Loss)**	**Treasury Stock, at Cost**	**Compre-hensive Income**	**Non-controlling Interests**	**Total Stock-holders' Equity**
Balance, December 31, 2009	183,293	$ 2,141	$2,302,368	$3,216,639	$ (20,961)	$(1,510,548)		$ 21,825	$ 4,011,464
Net income				555,138			$555,138	27,647	582,785
Currency translation					24,321		24,321		24,321
Market valuation, net of tax expense of $1,517					2,373		2,373		2,373
Net deferred loss on cash flow hedges					543		543		543
Comprehensive income							$582,375		
Dividends declared				(52,948)					(52,948)
Distributions to noncontrolling interests								(25,568)	(25,568)
Issuance of common stock under benefit plans	993	2	(24,782)			39,790			15,010
Stock-based compensation expense			42,389			2,653			45,042
Exercise of stock options	1,048		(11,530)			52,317			40,787
Shares to cover employee payroll tax withholdings on stock issued under benefit plans	(274)	(1)	(5,600)			(9,614)			(15,215)
Tax benefits associated with stock-based compensation plans			2,675						2,675
Purchases of treasury stock	(14,693)					(750,000)			(750,000)
Other								(564)	(564)
Balance, September 30, 2010	170,367	$ 2,142	$2,305,520	$3,718,829	$ 6,276	$(2,175,402)		$ 23,340	$ 3,880,705

The accompanying notes are an integral part of these statements.

1. DESCRIPTION OF BUSINESS

Background

Quest Diagnostics Incorporated and its subsidiaries ("Quest Diagnostics" or the "Company") is the world's leading provider of diagnostic testing, information and services, providing insights that enable patients, physicians and others to make better healthcare decisions. Quest Diagnostics offers patients and physicians the broadest access to diagnostic laboratory services through the Company's nationwide network of laboratories and patient service centers. The Company provides interpretive consultation through the largest medical and scientific staff in the industry, with approximately 900 M.D.s and Ph.D.s, primarily located in the United States. Quest Diagnostics is the leading provider of clinical testing, including gene-based and esoteric testing, anatomic pathology services and testing for drugs-of-abuse in the United States, and the leading provider of risk assessment services for the life insurance industry in North America. The Company is also a leading provider of testing for clinical trials. The Company's diagnostics products business manufactures and markets diagnostic test kits and specialized point-of-care testing. Quest Diagnostics empowers healthcare organizations and clinicians with robust information technology solutions that can improve patient care and medical practice.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The interim consolidated financial statements reflect all adjustments which in the opinion of management are necessary for a fair statement of financial condition, results of operations, and cash flows for the periods presented. Except as otherwise disclosed, all such adjustments are of a normal recurring nature. The interim consolidated financial statements have been compiled without audit. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's 2010 Annual Report on Form 10-K.

The year-end balance sheet data was derived from the audited financial statements as of December 31, 2010, but does not include all the disclosures required by accounting principles generally accepted in the United States ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Earnings Per Share

The Company's unvested restricted common stock and unvested restricted stock units that contain non-forfeitable rights to dividends are participating securities and, therefore, are included in the earnings allocation in computing earnings per share using the two-class method. Basic earnings per common share is calculated by dividing net income, adjusted for earnings allocated to participating securities, by the weighted average number of common shares outstanding. Diluted earnings per common share is calculated by dividing net income, adjusted for earnings allocated to participating securities, by the weighted average number of common shares outstanding after giving effect to all potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include the dilutive effect of outstanding stock options and performance share units granted under the Company's Amended and Restated Employee Long-Term Incentive Plan and its Amended and Restated Non-Employee Director Long-Term Incentive Plan. Earnings allocable to participating securities include the portion of dividends declared as well as the portion of undistributed earnings during the period allocable to participating securities.

Adoption of New Accounting Standards

On January 1, 2011, the Company adopted revised guidance issued by the Financial Accounting Standards Board ("FASB") related to the accounting for revenue in certain revenue arrangements that include software elements and in arrangements with multiple deliverables. The adoption of these standards did not have a material impact on the Company's consolidated financial statements.

On January 1, 2011, the Company adopted a new accounting standard related to the disclosures about the Company's use of fair value measurements relating to the tabular reconciliation of beginning and ending balances of the Level 3 (fair value determined based on significant unobservable inputs) classification and that provides greater disaggregation for each class of assets and liabilities that use fair value measurements. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

On January 1, 2011, the Company adopted a new accounting standard related to the accounting for insurance claims and related insurance recoveries. This standard clarifies that a healthcare entity may not net insurance recoveries against related professional claim liabilities in its balance sheet and also requires that claim liabilities shall be determined without consideration of insurance recoveries. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

On January 1, 2011, the Company adopted a new accounting standard pertaining to disclosures of charity care provided by healthcare entities. Under this new standard, the measurement basis for charity care disclosures is the cost of performing the services. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

On January 1, 2011, the Company adopted a new accounting standard related to goodwill which (1) modifies step one of the goodwill impairment test by requiring entities with reporting units that have a zero or negative carrying value to assess whether it is more likely than not that a goodwill impairment exists and (2) does not prescribe a specific method of calculating the carrying value of a reporting unit in the performance of step one of the goodwill impairment test. Under the requirements of this standard, if the entity concludes that it is more likely than not that an impairment of goodwill exists, the entity must perform step two of the goodwill impairment test. In determining whether it is more likely than not that an impairment of goodwill exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment exists. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

New Accounting Standards

In May 2011, the FASB issued an amendment to the accounting standards related to fair value measurements and disclosure requirements that result in a consistent definition of fair value and common requirements for the measurement and disclosure of fair value between GAAP and International Financial Reporting Standards. This standard provides certain amendments to the existing guidance on the use and application of fair value measurements and maintains a definition of fair value that is based on the notion of exit price. This standard will become effective for the Company on January 1, 2012 and is not expected to have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued an amendment to the accounting standards related to the presentation of comprehensive income. This standard revises the manner in which entities present comprehensive income in their financial statements and removes the option to present items of other comprehensive income in the statement of changes in stockholders' equity. This standard requires an entity to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements of net income and other comprehensive income. This standard will become effective retrospectively for the Company on January 1, 2012.

In September 2011, the FASB issued an amendment to the accounting standards related to the testing of goodwill for impairment. Under the revised guidance, an entity has the option to perform a qualitative assessment of whether it is more-likely-than-not that a reporting unit's fair value is less than its carrying value prior to performing the two-step quantitative goodwill impairment test. If, based on the qualitative factors, an entity determines that the fair value of the reporting unit is greater than its carrying amount, then the entity would not be required to perform the two-step quantitative impairment test for that reporting unit. However, if the qualitative assessment indicates that it is not more-likely-than-not that the reporting unit's fair value exceeds its carrying value, then the quantitative assessment must be performed. An entity is permitted to perform the qualitative assessment on none, some or all of its reporting units and may also elect to bypass the qualitative assessment and begin with the quantitative assessment of goodwill impairment. This amendment is effective for the Company for annual and interim goodwill impairment tests performed on or after January 1, 2012 and is not expected to have a material impact on the Company's consolidated financial statements.

3. EARNINGS PER SHARE

The computation of basic and diluted earnings per common share was as follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Amounts attributable to Quest Diagnostics' stockholders:				
Income from continuing operations	$ 172,098	$ 198,435	$ 282,261	$ 555,816
Loss from discontinued operations, net of taxes	(250)	(360)	(1,131)	(678)
Net income attributable to Quest Diagnostics' common stockholders	$ 171,848	$ 198,075	$ 281,130	$ 555,138
Income from continuing operations	$ 172,098	$ 198,435	$ 282,261	$ 555,816
Less: Earnings allocated to participating securities	967	957	1,934	2,545
Earnings available to Quest Diagnostics' common stockholders – basic and diluted	$ 171,131	$ 197,478	$ 280,327	$ 553,271
Weighted average common shares outstanding – basic	157,816	173,229	158,971	177,456
Effect of dilutive securities:				
Stock options and performance share units	1,186	1,086	1,548	1,697
Weighted average common shares outstanding – diluted	159,002	174,315	160,519	179,153
Earnings per share attributable to Quest Diagnostics' common stockholders – basic:				
Income from continuing operations	$ 1.08	$ 1.14	$ 1.76	$ 3.12
Loss from discontinued operations	—	—	(0.01)	—
Net income	$ 1.08	$ 1.14	$ 1.75	$ 3.12
Earnings per share attributable to Quest Diagnostics' common stockholders – diluted:				
Income from continuing operations	$ 1.08	$ 1.13	$ 1.75	$ 3.09
Loss from discontinued operations	(0.01)	—	(0.01)	—
Net income	$ 1.07	$ 1.13	$ 1.74	$ 3.09

Stock options and performance share units of 2.3 million shares and 2.2 million shares for the three and nine months ended September 30, 2011, respectively, were not included due to their antidilutive effect.

(dollars in thousands unless otherwise indicated)

Stock options and performance share units of 3.3 million shares and 3.0 million shares for the three and nine months ended September 30, 2010, respectively, were not included due to their antidilutive effect.

4. BUSINESS ACQUISITIONS

Acquisition of Athena Diagnostics

On April 4, 2011, the Company completed its acquisition of Athena Diagnostics ("Athena") from Thermo Fisher Scientific, Inc., in an all-cash transaction valued at $740 million. Athena is the leading provider of advanced diagnostic tests related to neurological conditions, and generated revenues of approximately $110 million in 2010.

Through the acquisition, the Company acquired all of Athena's operations. The Company financed the all-cash purchase price of $740 million and related transaction costs with a portion of the net proceeds from the Company's 2011 Senior Notes Offering. For the nine months ended September 30, 2011, transaction costs of $8.2 million were recorded in selling, general and administrative expenses. See Note 8 for further discussion of the 2011 Senior Notes Offering.

The acquisition of Athena was accounted for under the acquisition method of accounting. As such, the cost to acquire Athena was allocated to the respective assets acquired and liabilities assumed based on their estimated fair values as of the closing date. A preliminary allocation of the cost to acquire Athena has been made to certain assets and liabilities of Athena based on preliminary estimates. The Company is continuing to assess the estimated fair values of certain assets acquired and liabilities assumed. The consolidated financial statements include the results of operations of Athena subsequent to the closing of the acquisition which are not material to the Company's consolidated results of operations.

The following table summarizes the Company's preliminary purchase price allocation of the cost to acquire Athena:

	Preliminary Fair Values as of April 4, 2011
Cash and cash equivalents	$ —
Accounts receivable	17,853
Other current assets	13,427
Property, plant and equipment	3,038
Intangible assets	220,040
Goodwill	563,974
Other assets	135
Total assets acquired	818,467
Current liabilities	8,511
Non-current deferred income taxes	69,956
Total liabilities assumed	78,467
Net assets acquired	$ 740,000

(dollars in thousands unless otherwise indicated)

The acquired amortizable intangible assets are being amortized over their estimated useful lives as follows:

	Preliminary Fair Values	Weighted Average Useful Life
Technology	$ 92,580	16 years
Non-compete agreement	37,000	4 years
Tradename	34,520	10 years
Customer relationships	21,420	20 years
Informatics database	34,520	10 years
	$ 220,040	

Of the amount allocated to goodwill and intangible assets, approximately $42 million is expected to be deductible for tax purposes. All of the goodwill acquired in connection with the Athena acquisition has been allocated to the Company's clinical testing business. As of the acquisition date, the fair value of accounts receivable approximated its book value, all of which is expected to be collected.

Acquisition of Celera Corporation

On March 17, 2011, the Company entered into a definitive merger agreement with Celera Corporation ("Celera") under which the Company agreed to acquire Celera in a transaction valued at approximately $344 million, net of $326 million in acquired cash and short-term marketable securities. Additionally, the Company expects to utilize Celera's available tax credits, net operating loss carryforwards and capitalized tax research and development expenditures to reduce its future tax payments by approximately $110 million. Celera is a healthcare business delivering personalized cardiovascular disease management through a combination of products and services incorporating proprietary discoveries. Celera generated revenues of $128 million in 2010.

Under the terms of the definitive merger agreement, the Company, through a wholly-owned subsidiary, commenced a cash tender offer to purchase all of the outstanding shares of common stock of Celera for $8 per share in cash. On May 4, 2011, the Company announced that as a result of the tender offer, the Company had a controlling ownership interest in Celera. On May 17, 2011, the Company completed the acquisition by means of a short-form merger, in which the remaining shares of Celera common stock that had not been tendered into the tender offer were converted into the right to receive $8 per share in cash. The Company has accounted for the acquisition of Celera as a single transaction, effective May 4, 2011.

Through the acquisition, the Company acquired all of Celera's operations. The Company financed the all-cash purchase price of $670 million and related transaction costs with borrowings under its existing credit facilities and cash on hand. Of the total cash purchase price of $670 million, $669 million was paid through September 30, 2011. Accounts payable and accrued expenses at September 30, 2011 included a liability of $1 million representing the remaining merger consideration related to shares of Celera which had not been surrendered as of September 30, 2011.

For the nine months ended September 30, 2011, transaction costs of $8.4 million were recorded in selling, general and administrative expenses. Additionally, for the nine months ended September 30, 2011, financing related costs of $3.1 million were recorded in interest expense, net.

The acquisition of Celera was accounted for under the acquisition method of accounting. As such, the cost to acquire Celera was allocated to the respective assets acquired and liabilities assumed based on their estimated fair values as of the date the Company acquired its controlling ownership interest in Celera. A preliminary allocation of the cost to acquire Celera has been made to certain assets and liabilities of Celera based on preliminary estimates. The Company is continuing to assess the estimated fair values of certain assets acquired and liabilities assumed. The consolidated financial statements include the results of operations of Celera subsequent to the Company acquiring its controlling ownership interest which are not material to the Company's consolidated results of operations.

(dollars in thousands unless otherwise indicated)

The following table summarizes the Company's preliminary purchase price allocation of the cost to acquire Celera:

	Preliminary Fair Values as of May 4, 2011
Cash and cash equivalents	$ 112,312
Short-term marketable securities	213,418
Accounts receivable	16,810
Other current assets	26,796
Property, plant and equipment	11,091
Intangible assets	85,830
Goodwill	135,624
Non-current deferred income taxes	102,838
Other assets	34,586
Total assets acquired	739,305
Current liabilities	59,008
Long-term liabilities	10,717
Total liabilities assumed	69,725
Net assets acquired	$ 669,580

The acquired amortizable intangible assets are being amortized over their estimated useful lives as follows:

	Preliminary Fair Values	Weighted Average Useful Life
Outlicensed technology	$ 46,450	6 years
Technology	21,730	8 years
Customer relationships	6,750	9 years
Tradename	5,400	5 years
	$ 80,330	

In addition to the amortizable intangible assets noted above, $5.5 million was allocated to in-process research and development, which is currently not subject to amortization.

Of the amount allocated to goodwill and intangible assets, approximately $28 million is expected to be deductible for tax purposes. Of the total goodwill acquired in connection with the Celera acquisition, approximately $104 million has been allocated to the Company's clinical testing business, with the remainder allocated to the Company's diagnostics products business. As of the acquisition date, the fair value of accounts receivable approximated its book value, all of which is expected to be collected.

Goodwill represents the excess of the fair value of the acquiree over the recognized bases of the net identifiable assets acquired and includes the future economic benefits from other assets that could not be individually identified and separately recognized. Specifically, the goodwill recorded as part of the Athena and Celera acquisitions includes: the expected synergies resulting from combining the operations of the acquired businesses with those of the Company; and the value associated with an assembled workforce that has a historical track record of identifying opportunities, developing services and products, and commercializing them.

(dollars in thousands unless otherwise indicated)

Pro Forma Combined Financial Information

Supplemental pro forma combined financial information has not been presented as the combined impact of the Athena and Celera acquisitions is not material to the Company's consolidated financial statements.

5. FAIR VALUE MEASUREMENTS

The following table provides a summary of the recognized assets and liabilities that are measured at fair value on a recurring basis:

		Basis of Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets / Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
September 30, 2011		**Level 1**	**Level 2**	**Level 3**
Assets:				
Trading securities	$ 44,272	$ 44,272	$ —	$ —
Interest rate swaps	54,331	—	54,331	—
Cash surrender value of life insurance policies	19,173	—	19,173	—
Available-for-sale equity securities	1,504	—	—	1,504
Foreign currency forward contracts	213	—	213	—
Total	$ 119,493	$ 44,272	$ 73,717	$ 1,504
Liabilities:				
Deferred compensation liabilities	$ 66,908	$ —	$ 66,908	$ —
Foreign currency forward contracts	2,199	—	2,199	—
Total	$ 69,107	$ —	$ 69,107	$ —

(dollars in thousands unless otherwise indicated)

		Basis of Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets / Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
December 31, 2010		**Level 1**	**Level 2**	**Level 3**
Assets:				
Trading securities	$ 38,740	$ 38,740	$ —	$ —
Cash surrender value of life insurance policies	20,314	—	20,314	—
Interest rate swaps	10,483	—	10,483	—
Available-for-sale equity securities	5,066	—	—	5,066
Foreign currency forward contracts	4,527	—	4,527	—
Total	$ 79,130	$ 38,740	$ 35,324	$ 5,066
Liabilities:				
Deferred compensation liabilities	$ 61,964	$ —	$ 61,964	$ —
Foreign currency forward contracts	464	—	464	—
Total	$ 62,428	$ —	$ 62,428	$ —

The Company offers certain employees the opportunity to participate in supplemental deferred compensation plans. A participant's deferrals, together with Company matching credits, are invested in a variety of participant-directed stock and bond mutual funds that are classified as trading securities. Changes in the fair value of these securities are measured using quoted prices in active markets based on the market price per unit multiplied by the number of units held exclusive of any transaction costs. A corresponding adjustment for changes in fair value of the trading securities is also reflected in the changes in fair value of the deferred compensation obligation. The deferred compensation liabilities are classified within Level 2 because their inputs are derived principally from observable market data by correlation to the trading securities.

The Company offers certain employees the opportunity to participate in a non-qualified deferred compensation program. A participant's deferrals, together with Company matching credits, are "invested" at the direction of the employee in a hypothetical portfolio of investments which are tracked by an administrator. The Company purchases life insurance policies, with the Company named as beneficiary of the policies, for the purpose of funding the program's liability. Changes in the cash surrender value of the life insurance policies are based upon earnings and changes in the value of the underlying investments. Changes in the fair value of the deferred compensation obligation are derived using quoted prices in active markets based on the market price per unit multiplied by the number of units. The cash surrender value and the deferred compensation obligations are classified within Level 2 because their inputs are derived principally from observable market data by correlation to the hypothetical investments.

The fair value measurements of foreign currency forward contracts are obtained from a third-party pricing service and are based on market prices in actual transactions and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The fair value measurements of the Company's interest rate swaps are model-derived valuations as of a given date in which all significant inputs are observable in active markets including certain financial information and certain assumptions regarding past, present and future market conditions. The Company does not believe that the changes in the fair values of its foreign currency forward contracts and interest rate swaps will materially differ from the amounts that could be realized upon settlement or maturity or that the changes in fair value will have a material effect on its results of operations, liquidity and capital resources.

Investments in available-for-sale equity securities consist of the revaluation of an existing investment in unregistered common shares of a publicly-held company. This investment is classified within Level 3 because the unregistered securities contain restrictions on their sale, and therefore, the fair value measurement reflects a discount for the effect of the restriction.

(dollars in thousands unless otherwise indicated)

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses approximate fair value based on the short maturities of these instruments. At September 30, 2011 and December 31, 2010, the fair value of the Company's debt was estimated at $4.6 billion and $3.1 billion, respectively, using quoted market prices and yields for the same or similar types of borrowings, taking into account the underlying terms of the debt instruments. At September 30, 2011 and December 31, 2010, the estimated fair value exceeded the carrying value of the debt by $426 million and $80 million, respectively.

6. TAXES ON INCOME

Income tax expense for the nine months ended September 30, 2011 and 2010 was $256 million and $334 million, respectively. The increase in the effective income tax rate for the nine months ended September 30, 2011 is primarily due to a charge recorded in the first quarter of 2011 associated with a settlement of certain legal claims (see Note 12), a portion for which a tax benefit has not been recorded.

7. GOODWILL AND INTANGIBLE ASSETS

The changes in goodwill for the nine months ended September 30, 2011 and for the year ended December 31, 2010 are as follows:

	September 30, 2011	December 31, 2010
Balance at beginning of period	$ 5,101,938	$ 5,083,944
Goodwill acquired during the year	701,087	—
Other purchase accounting adjustments	—	246
(Decrease) increase related to foreign currency translation	(6,832)	17,748
Balance at end of period	$ 5,796,193	$ 5,101,938

Approximately 90% of the Company's goodwill as of September 30, 2011 and December 31, 2010 was associated with its clinical testing business.

For the nine months ended September 30, 2011, goodwill acquired was principally associated with the Athena and Celera acquisitions (see Note 4 for further details).

For the year ended December 31, 2010, other purchase accounting adjustments were primarily related to a milestone payment on an acquisition from 2008.

(dollars in thousands unless otherwise indicated)

Intangible assets at September 30, 2011 and December 31, 2010 consisted of the following:

	Weighted Average Amortization Period	September 30, 2011			December 31, 2010		
		Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Amortizing intangible assets:							
Customer-related intangibles	19 years	$ 630,730	$ (185,028)	$ 445,702	$ 603,203	$ (161,345)	$ 441,858
Non-compete agreements	4 years	91,981	(58,104)	33,877	54,886	(52,134)	2,752
Technology	14 years	165,188	(24,422)	140,766	51,830	(16,796)	35,034
Other	8 years	146,217	(18,973)	127,244	24,065	(9,380)	14,685
Total	16 years	1,034,116	(286,527)	747,589	733,984	(239,655)	494,329
Intangible assets not subject to amortization:							
In-process research and development		5,500	—	5,500	—	—	—
Tradenames		300,753	—	300,753	302,076	—	302,076
Other		764	—	764	—	—	—
Total intangible assets		$ 1,341,133	$ (286,527)	$ 1,054,606	$ 1,036,060	$ (239,655)	$ 796,405

The increase in intangible assets for the nine months ended September 30, 2011 was primarily due to intangible assets acquired as part of the Athena and Celera acquisitions (see Note 4 for further details).

Amortization expense related to intangible assets was $19.4 million and $9.9 million for the three months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, amortization expense related to intangible assets was $47.8 million and $28.5 million, respectively.

The estimated amortization expense related to amortizable intangible assets for each of the five succeeding fiscal years and thereafter as of September 30, 2011 is as follows:

Fiscal Year Ending December 31,	
Remainder of 2011	$ 18,941
2012	77,068
2013	75,174
2014	73,433
2015	62,972
2016	56,262
Thereafter	383,739
Total	$ 747,589

8. DEBT

Short-term borrowings and current portion of long-term debt at September 30, 2011 and December 31, 2010 consisted of the following:

	September 30, 2011	December 31, 2010
Secured Receivables Credit Facility	$ 85,000	$ —
Current portion of long-term debt	750,910	348,996
Total short-term borrowings and current portion of long-term debt	$ 835,910	$ 348,996

(dollars in thousands unless otherwise indicated)

Long-term debt at September 30, 2011 and December 31, 2010 consisted of the following:

	September 30, 2011	December 31, 2010
Senior Notes due July 2011	$ —	$ 159,234
Term Loan due May 2012	742,000	742,000
Floating Rate Senior Notes due March 2014	200,000	—
Senior Notes due November 2015	499,347	499,227
Senior Notes due April 2016	311,773	—
Senior Notes due July 2017	374,541	374,480
Senior Notes due January 2020	536,149	503,770
Senior Notes due April 2021	549,129	—
Senior Notes due July 2037	420,958	420,840
Senior Notes due January 2040	438,218	243,422
Other	46,642	47,183
Total long-term debt	4,118,757	2,990,156
Less: current portion of long-term debt	750,910	348,996
Total long-term debt, net of current portion	$ 3,367,847	$ 2,641,160

2011 Senior Notes Offering

On March 24, 2011, the Company completed a $1.25 billion senior notes offering (the "2011 Senior Notes"). The 2011 Senior Notes were sold in four tranches: (a) $200 million aggregate principal amount of three-month LIBOR plus 0.85% floating rate senior notes due March 24, 2014 (the "Floating Rate Senior Notes due 2014"), issued at par, (b) $300 million aggregate principal amount of 3.20% senior notes due April 1, 2016 (the "Senior Notes due 2016"), issued at a discount of $0.3 million, (c) $550 million aggregate principal amount of 4.70% senior notes due April 1, 2021 (the "Senior Notes due 2021"), issued at a discount of $0.9 million and (d) $200 million aggregate principal amount of 5.75% senior notes due January 30, 2040 (the "Senior Notes due 2040"), issued at a discount of $5.5 million. The Senior Notes due 2040 are a reopening of the $250 million aggregate principal amount of 5.75% Senior Notes due 2040 issued on November 17, 2009. After considering the discounts, the effective interest rates on the Senior Notes due 2016, the Senior Notes due 2021 and the Senior Notes due 2040 are 3.22%, 4.72% and 5.95%, respectively. The Floating Rate Senior Notes due 2014 require quarterly interest payments, which commenced on June 24, 2011. The three-month LIBOR was 0.37% at September 30, 2011. The Senior Notes due 2016 and the Senior Notes due 2021 require semi-annual interest payments, which commenced on October 1, 2011. The Senior Notes due 2040 require semi-annual interest payments, which commenced on July 30, 2011. The 2011 Senior Notes are unsecured obligations of the Company and rank equally with the Company's other unsecured obligations. The 2011 Senior Notes do not have a sinking fund requirement and are guaranteed by certain of the Company's domestic, wholly-owned subsidiaries (the "Subsidiary Guarantors").

The Company incurred $10.4 million of costs associated with the 2011 Senior Notes, which is being amortized over the term of the related debt.

The Company used $750 million of the net proceeds from the 2011 Senior Notes to fund the purchase price and related transaction costs associated with its acquisition of Athena, which closed on April 4, 2011 (see Note 4), and $485 million of the net proceeds, together with $90 million of cash on hand, to repay outstanding indebtedness under the Company's senior unsecured revolving credit facility and its secured receivables credit facility.

As further discussed in Note 9, the Company has hedged its interest rate exposure on a portion of the Senior Notes due 2016 and on a portion of the Senior Notes due 2020 which have been designated as fair value hedges. The carrying value of the Senior Notes due 2016 has been increased by the fair value of the related hedge of $12.0 million in the consolidated balance sheet as of September 30, 2011. At September 30, 2011 and December 31, 2010, the carrying value of the Senior Notes due 2020 has been increased by the fair value of the related hedge of $42.3 million and $10.5 million, respectively.

(dollars in thousands unless otherwise indicated)

Senior Unsecured Revolving Credit Facility

In September 2011, the Company entered into a $750 million senior unsecured revolving credit facility (the "Credit Facility") which replaced the Company's then existing $750 million senior unsecured revolving credit facility that was scheduled to mature in May 2012. Interest on the Credit Facility, which matures in September 2016, is based on certain published rates plus an applicable margin that will vary over a range from 75 basis points to 175 basis points based on changes in the Company's public debt ratings. At the option of the Company, it may elect to lock into LIBOR-based interest rates for periods up to six months. Interest on any outstanding amounts not covered under LIBOR-based interest rate contracts is based on an alternate base rate, which is calculated by reference to the prime rate, the federal funds rate or an adjusted LIBOR rate. At September 30, 2011, the Company's borrowing rate for LIBOR-based loans under the Credit Facility was LIBOR plus 1.125%. At December 31, 2010, the Company's borrowing rate for LIBOR-based loans under its then existing senior unsecured revolving credit facility was LIBOR plus 0.40%. The Credit Facility is currently guaranteed by the Subsidiary Guarantors. The Company expects that the guarantees provided by the Subsidiary Guarantors will no longer be required principally upon the full repayment of the amounts outstanding under the term loan due May 2012. The Credit Facility contains various covenants, including the maintenance of certain financial ratios, which could impact the Company's ability to, among other things, incur additional indebtedness. At both September 30, 2011 and December 31, 2010, there were no outstanding borrowings under the Company's senior unsecured revolving credit facility.

As of September 30, 2011, long-term debt matures as follows:

Fiscal Year Ending December 31,		
Remainder of 2011	$	184,201
2012		568,754
2013		8,357
2014		207,962
2015		505,411
2016		301,210
Thereafter		2,312,747
Total maturities of debt		4,088,642
Unamortized discount		(24,216)
Fair value basis adjustment attributable to hedged debt		54,331
Total debt		4,118,757
Less: current portion of long-term debt		750,910
Total long-term debt, net of current portion	$	3,367,847

A full description of the terms of the Company's indebtedness and related service requirements is contained in Note 10 to the Consolidated Financial Statements in the Company's 2010 Annual Report on Form 10-K.

9. FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to manage its exposure to market risks for changes in interest rates and foreign currencies. This strategy includes the use of interest rate swap agreements, forward starting interest rate swap agreements, treasury lock agreements and foreign currency forward contracts to manage its exposure to movements in interest and currency rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. These policies prohibit holding or issuing derivative financial instruments for speculative or trading purposes. The Company does not enter into derivative financial instruments that contain credit-risk-related contingent features or requirements to post collateral.

(dollars in thousands unless otherwise indicated)

A summary of the fair values of derivative instruments in the consolidated balance sheets is stated in the table below:

	September 30, 2011		December 31, 2010	
	Balance Sheet Classification	**Fair Value**	**Balance Sheet Classification**	**Fair Value**
Derivatives Designated as Hedging Instruments				
Asset Derivatives:				
Interest rate swaps	Other assets	$ 54,331	Other assets	$ 10,483
Derivatives Not Designated as Hedging Instruments				
Asset Derivatives:				
Foreign currency forward contracts	Other current assets	$ 213	Other current assets	$ 4,527
Liability Derivatives:				
Foreign currency forward contracts	Other current liabilities	$ 2,199	Other current liabilities	$ 464
Total Net Derivatives Asset		$ 52,345		$ 14,546

Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents and its debt obligations. Interest income earned on cash and cash equivalents may fluctuate as interest rates change; however, due to their relatively short maturities, the Company does not hedge these assets or their investment cash flows and the impact of interest rate risk is not material. The Company's debt obligations consist of fixed-rate and variable-rate debt instruments. The Company's primary objective is to achieve the lowest overall cost of funding while managing the variability in cash outflows within an acceptable range, which includes the use of interest rate swaps.

The Company formally documents its hedge relationships, including identifying the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. On the date the derivative is entered into, the Company designates the type of derivative as a fair value hedge or cash flow hedge, and accounts for the derivative in accordance with its designation as prescribed by the standards on accounting for derivative instruments and hedging activities. At inception and at least quarterly thereafter, the Company formally assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of the hedged item. All components of each derivative financial instrument's gain or loss are included in the assessment of hedge effectiveness.

The Company accounts for its derivatives as either an asset or liability measured at its fair value. The fair value is based upon quoted market prices obtained from third-party financial institutions and includes an adjustment for the credit risk of the obligor's non-performance. For a derivative instrument that has been formally designated as a fair value hedge, fair value gains or losses on the derivative instrument are reported in earnings, together with offsetting fair value gains or losses on the hedged item that are attributable to the risk being hedged. For derivatives that have been formally designated as a cash flow hedge, the effective portion of changes in the fair value of the derivatives is recorded in accumulated other comprehensive income and the ineffective portion is recorded in earnings. Upon maturity or early termination of an effective interest rate swap designated as a cash flow hedge, unrealized gains or losses are deferred in stockholders' equity, as a component of accumulated other comprehensive income, and are amortized as an adjustment to interest expense over the period during which the hedged forecasted transaction affects earnings. If it is determined that a derivative ceases to be a highly effective hedge, the Company discontinues hedge accounting and any deferred gains or losses related to a discontinued cash flow hedge shall continue to be reported in accumulated other comprehensive income, unless it is probable that the forecasted transaction will not occur. If it is probable that the forecasted transaction will not occur by the originally specified time period, the Company discontinues hedge accounting, and any deferred gains or losses reported in accumulated other comprehensive income are classified into earnings immediately.

Interest Rate Derivatives – Cash Flow Hedges

In March 2011, the Company entered into interest rate lock agreements with several financial institutions for a total notional amount of $400 million (the "Treasury Lock Agreements"). The Treasury Lock Agreements, which had an original maturity date of April 5, 2011, were entered into to hedge part of the Company's interest rate exposure associated with the variability in future cash flows attributable to changes in the 10-year and 30-year U.S. treasury rates related to the planned issuance of debt securities. In connection with the Company's senior notes offering in March 2011 (see Note 8), the Company paid $3.1 million to settle the Treasury Lock Agreements which have been accounted for as cash flow hedges. These losses are deferred in stockholders' equity, as a component of accumulated other comprehensive income, and are amortized as an adjustment to interest expense over the term of the Senior Notes due 2021 and Senior Notes due 2040.

In previous years, the Company entered into various forward starting interest rate swap agreements and treasury-lock agreements that were accounted for as cash flow hedges (see Note 11 to the Consolidated Financial Statements in the Company's 2010 Annual Report on Form 10-K for further details). The effective portions of the changes in fair value of these derivatives represent deferred gains or losses that are recorded in accumulated other comprehensive income. These deferred gains or losses are reclassified from accumulated other comprehensive income to the statement of operations in the same period or periods during which the hedged transaction affects earnings, which is when the Company recognizes interest expense on the hedged cash flows. The total loss, net of tax benefit, recognized in accumulated other comprehensive income on the cash flow hedges as of September 30, 2011 and December 31, 2010 was $7.9 million and $6.6 million, respectively. The loss recognized on the Company's cash flow hedges for the three and nine months ended September 30, 2011 and 2010, as a result of ineffectiveness, was not material. The net amount of deferred losses on cash flow hedges that is expected to be reclassified from accumulated other comprehensive income into earnings within the next 12 months is $1.3 million.

Interest Rate Derivatives – Fair Value Hedges

In March 2011, the Company entered into various fixed-to-variable interest rate swap agreements (the "2011 Fixed-to-Variable Interest Rate Swap Agreements") which have an aggregate notional amount of $200 million and a variable interest rate based on six-month LIBOR plus 0.54%.

In November 2009, the Company entered into various fixed-to-variable interest rate swap agreements (the "2009 Fixed-to-Variable Interest Rate Swap Agreements") which have an aggregate notional amount of $350 million and a variable interest rate based on one-month LIBOR plus 1.33%.

These derivative financial instruments are accounted for as fair value hedges of a portion of the Senior Notes due 2016 and a portion of the Senior Notes due 2020 and effectively convert that portion of the debt into variable interest rate debt. The Company recognizes the changes in the fair value of both the fixed-to-variable interest rate swap agreements and the related underlying debt obligations in other (expense) income, net as equal and offsetting gains and losses. The fair value of the 2011 Fixed-to-Variable Interest Rate Swap Agreements was an asset of $12.0 million at September 30, 2011. At September 30, 2011 and December 31, 2010, the fair value of the 2009 Fixed-to-Variable Interest Rate Swap Agreements was an asset of $42.3 million and $10.5 million, respectively. Since inception, the fair value hedges have been effective; therefore, there is no impact on earnings for the three and nine months ended September 30, 2011 and 2010 as a result of hedge ineffectiveness.

Foreign Currency Risk

The Company is exposed to market risk for changes in foreign exchange rates primarily under certain intercompany receivables and payables. Foreign exchange forward contracts are used to mitigate the exposure of the eventual net cash inflows or outflows resulting from these intercompany transactions. The objective is to hedge a portion of the forecasted foreign currency risk over a rolling 12-month time horizon to mitigate the eventual impacts of changes in foreign exchange rates on the cash flows of the intercompany transactions. As of September 30, 2011, the gross notional amount of foreign currency forward contracts in U.S. dollars was $35.4 million and principally consists of contracts in Swedish krona. The Company does not designate these derivative instruments as hedges under current accounting standards unless the benefits of doing so are material. The Company's foreign exchange exposure is not material to the Company's consolidated financial condition or results of operations. The Company does not hedge its net investment in non-U.S. subsidiaries because it views those investments as long-term in nature.

10. STOCKHOLDERS' EQUITY

Components of Comprehensive Income

The market valuation adjustment for the nine months ended September 30, 2011 and 2010 represents unrealized holding (losses) gains on available-for-sale securities, net of taxes. The net deferred loss on cash flow hedges for the nine months ended September 30, 2011 and 2010 represents deferred losses on the Company's interest rate related derivative financial instruments designated as cash flow hedges, net of amounts reclassified to interest expense (see Note 9). Foreign currency translation adjustments are not adjusted for income taxes since they relate to indefinite investments in non-U.S. subsidiaries.

Comprehensive Income

For the three months ended September 30, 2011 and 2010, comprehensive income was $132 million and $253 million, respectively.

Dividend Program

During each of the quarters of 2011 and 2010, the Company's Board of Directors has declared a quarterly cash dividend of $0.10 per common share. On October 25, 2011, the Company's Board of Directors announced an increase in the quarterly cash dividend from $0.10 per common share to $0.17 per common share, payable on January 24, 2012, to shareholders of record on January 9, 2012.

Share Repurchase Plan

In January 2011, the Company's Board of Directors authorized the Company to repurchase an additional $750 million of the Company's common stock, increasing the total available authorization at that time to $1 billion. The share repurchase authorization has no set expiration or termination date.

For the three months ended September 30, 2011, the Company repurchased 1.0 million shares of its common stock at an average price of $47.79 per share for a total of $50 million. For the nine months ended September 30, 2011, the Company repurchased 16.4 million shares of its common stock at an average price of $53.89 per share for a total of $885 million, including 15.4 million shares purchased in the first quarter from SB Holdings Capital Inc., a wholly-owned subsidiary of GlaxoSmithKline plc., at an average price of $54.30 per share for a total of $835 million. For the three and nine months ended September 30, 2011, the Company reissued 0.2 million shares and 2.7 million shares, respectively, for employee benefit plans. At September 30, 2011, $115 million remained available under the Company's share repurchase authorizations.

For the three months ended September 30, 2010, the Company repurchased 7.0 million shares of its common stock at an average price of $46.64 per share for a total of $324 million. For the nine months ended September 30, 2010, the Company repurchased 14.7 million shares of its common stock at an average price of $51.04 per share for $750 million, including 4.5 million shares purchased in the first quarter at an average price per share of $56.21 for $251 million under an accelerated share repurchase transaction ("ASR") with a bank.

Under the ASR, in January 2010, the Company repurchased 4.5 million shares of the Company's outstanding common stock for an initial purchase price of $56.05 per share. The purchase price of these shares was subject to an adjustment based on the volume weighted average price of the Company's common stock during a period following execution of the agreement. The total cost of the initial purchase was $250 million. The purchase price adjustment was settled in the first quarter of 2010 and resulted in an additional cash payment of $0.7 million, for a final purchase price of $251 million, or $56.21 per share.

(dollars in thousands unless otherwise indicated)

For the three and nine months ended September 30, 2010, the Company reissued 0.1 million shares and 1.7 million shares, respectively, for employee benefit plans.

11. SUPPLEMENTAL CASH FLOW & OTHER DATA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Depreciation expense	$ 53,945	$ 54,222	$ 161,588	$ 161,900
Interest expense	(44,059)	(36,472)	(129,570)	(109,642)
Interest income	651	272	1,652	1,120
Interest expense, net	(43,408)	(36,200)	(127,918)	(108,522)
Interest paid	55,718	62,131	128,301	118,546
Income taxes paid	24,934	127,298	132,655	324,416
Assets acquired under capital leases	2,927	12,018	5,624	16,230
<u>Businesses acquired:</u>				
Fair value of assets acquired	4,729	—	1,560,173	—
Fair value of liabilities assumed	—	—	148,192	—
Fair value of net assets acquired	4,729	—	1,411,981	—
Merger consideration paid (payable)	157,409	—	(1,151)	—
Cash paid for business acquisitions	162,138	—	1,410,830	—
Less: Cash acquired	—	—	112,312	—
Business acquisitions, net of cash acquired	$ 162,138	$ —	$ 1,298,518	$ —

12. COMMITMENTS AND CONTINGENCIES

The Company has a line of credit with a financial institution totaling $85 million for the issuance of letters of credit (the "Letter of Credit Line"). The Letter of Credit Line, which is renewed annually, matures on November 19, 2011 and is guaranteed by the Subsidiary Guarantors.

In support of its risk management program, to ensure the Company's performance or payment to third parties, $63 million in letters of credit were outstanding at September 30, 2011. The letters of credit primarily represent collateral for current and future automobile liability and workers' compensation loss payments. In addition, $5 million of bank guarantees were outstanding at September 30, 2011 in support of certain foreign operations.

Contingent Lease Obligations

The Company is subject to contingent obligations under certain leases and other instruments incurred in connection with real estate activities and other operations associated with LabOne, Inc., which the Company acquired in 2005, and certain of its predecessor companies. No liability has been recorded for any of these potential contingent obligations. See Note 15 to the Consolidated Financial Statements contained in the Company's 2010 Annual Report on Form 10-K for further details.

Legal Matters

The Company is involved in various legal proceedings. Some of the proceedings against the Company involve claims that are substantial in amount.

California Lawsuit

In 2006 and 2008, the Company and several of its subsidiaries received subpoenas from the California Attorney General's Office (the "Attorney General") seeking documents relating to the Company's billings to Medi-Cal, the California Medicaid program. The Company cooperated with the government's requests. Subsequently, the State of California intervened as plaintiff in a civil lawsuit, California ex rel. Hunter Laboratories, LLC v. Quest Diagnostics Incorporated., et al. (the "California Lawsuit"), filed in California Superior Court against a number of clinical laboratories, including the Company and several of its subsidiaries. The complaint was originally filed by a competitor laboratory in California under the whistleblower provisions of the California False Claims Act. The complaint was unsealed on March 20, 2009.

The plaintiffs alleged, among other things, that the Company overcharged Medi-Cal for testing services and violated the California False Claims Act. Specifically, the plaintiffs alleged, among other things, that the Company violated certain regulations that govern billing to Medi-Cal ("Comparable Charge" regulations). A liability finding could have lead to an injunction, fines or penalties, and exclusion from Medi-Cal, as well as claims by third parties.

On May 9, 2011, the Company announced an agreement in principle to resolve these matters. On May 19, 2011, the Company finalized a settlement and release with the Attorney General, the Department and the *qui tam* relator. While denying liability, in order to avoid the uncertainty, expense and risks of litigation, the Company agreed to resolve these matters for $241 million. The Company agreed to the settlement to resolve the Comparable Charge allegations; the Company received a full release of these and all other allegations in the complaint. The Company also agreed to certain reporting obligations regarding its pricing for a limited time period and, at the option of the Company in lieu of such obligations for a transitional period, to provide Medi-Cal with a discount (the "Transitional Discount") until the end of July 2012. The Transitional Discount, to the extent provided, is not expected to have a material impact on the Company's consolidated revenues or results of operations.

As provided for in the settlement agreement, the Company resumed billing for unbilled services and expects to be reimbursed for all services provided prior to the effective date of the settlement agreement. Such reimbursement is expected to be consistent with the related amounts accrued.

As a result of the agreement in principle, the Company recorded a pre-tax charge to earnings in the first quarter of 2011 of $236 million, which represented the cost to resolve the matters noted above and related claims, less amounts previously reserved for related matters. The Company funded the $241 million payment in the second quarter of 2011 with cash on hand and borrowings under its existing credit facilities.

Other Legal Matters

In November 2009, the U.S. District Court for the Southern District of New York partially unsealed a civil complaint, U.S. ex rel. Fair Laboratory Practices Associates v. Quest Diagnostics Incorporated, filed against the Company under the whistleblower provisions of the federal False Claims Act. The complaint alleged, among other things, violations of the federal Anti-Kickback Statute and the federal False Claims Act in connection with the Company's pricing of laboratory services. The complaint seeks damages for alleged false claims associated with laboratory tests reimbursed by government payors, treble damages and civil penalties. In March 2011, the district court granted the Company's motion to dismiss the relators' complaint and disqualified the relators and their counsel from pursuing an action based on the facts alleged in the complaint; the relators filed a notice of appeal. The government was given additional time to decide whether to join the case. In July 2011, the government filed a notice declining to intervene in the action and the Court entered a final judgment in the Company's favor. The relators' appeal is pending.

In April 2010, a putative class action was filed against the Company and NID in the U.S. District Court for the Eastern District of New York on behalf of entities that allegedly purchased or paid for certain of NID's test kits. The complaint alleges that certain of NID's test kits were defective and that defendants, among other things, violated RICO and state consumer protection laws. The complaint alleges an unspecified amount of damages.

In August 2010, a shareholder derivative action was filed in the Superior Court of New Jersey, Morris County, on behalf of the Company against the directors and certain present officers of the Company. The complaint alleges that the defendants breached their fiduciary duties in connection with, among other things, alleged overcharges by the Company to Medi-Cal, the California Medicaid program, for testing services, and seeks unspecified compensatory damages and equitable relief. The action was dismissed without prejudice. On July 21, 2011, the action was re-filed.

In November 2010, a putative class action was filed against the Company and certain present and former officers of the Company in New Jersey state court, on behalf of the Company's sales people nationwide who were over forty years old and who either resigned or were terminated after being placed on a performance improvement plan. The complaint alleges that the defendants' conduct violates the New Jersey Law Against Discrimination, and seeks, among other things, unspecified damages. The defendants removed the complaint to the United States District Court for the District of New Jersey.

In 2010, a purported class action entitled *In re Celera Corp. Securities Litigation* was filed in the United States District Court for the Northern District of California against Celera Corporation and certain of its directors and current and former officers. An amended complaint filed in October 2010 alleges that from April 2008 through July 22, 2009, the defendants made false and misleading statements regarding Celera's business and financial results with an intent to defraud investors. The complaint was further amended in 2011 to add allegations regarding a financial restatement. The complaint seeks unspecified damages on behalf of an alleged class of purchasers of Celera's stock during the period in which the alleged misrepresentations were made.

In June 2011, a shareholder derivative action was filed in the Superior Court of New Jersey, on behalf of the Company against the current directors and a former director of the Company. The complaint alleges that the defendants breached their fiduciary duties, wasted corporate assets and were unjustly enriched in connection with, among other things, alleged overcharges by the Company to Medi-Cal for testing services, and seeks unspecified compensatory damages and equitable relief.

In August 2011, the Company received a subpoena from the U.S. Attorney for the Northern District of Georgia seeking various business records, including records related to the Company's compliance program, certain marketing materials, certain product offerings, and test ordering and other policies. The Company is cooperating with the request.

In addition, the Company and certain of its subsidiaries have received subpoenas from state agencies in five states and from the Office of the Inspector General of the U.S. Department of Health and Human Services which seek documents relating to the Company's billing practices. The Company is cooperating with the requests, and one state recently formally closed its investigation.

The federal or state governments may bring claims based on new theories as to the Company's practices which management believes to be in compliance with law. In addition, certain federal and state statutes, including the qui tam provisions of the federal False Claims Act, allow private individuals to bring lawsuits against healthcare companies on behalf of government or private payers. The Company is aware of certain pending individual or class action lawsuits, and has received several subpoenas, related to billing practices filed under the qui tam provisions of the Civil False Claims Act and/or other federal and state statutes, regulations or other laws. The Company understands that there may be other pending qui tam claims brought by former employees or other "whistle blowers" as to which the Company cannot determine the extent of any potential liability.

These matters are in different stages. Some of these matters are in their early stages. Matters may involve responding to and cooperating with various government investigations and related subpoenas. As of September 30, 2011, the Company does not believe that any losses related to these matters are probable. While the Company believes that a reasonable possibility exists that losses may have been incurred, based on the nature and status of the matters, potential losses, if any, cannot be estimated.

(dollars in thousands unless otherwise indicated)

Reserves for Legal Matters

Management has established reserves in accordance with generally accepted accounting principles for the matters discussed above. Such reserves totaled approximately $2 million and $10 million as of September 30, 2011 and December 31, 2010, respectively. Management cannot predict the outcome of such matters. Although management does not anticipate that the ultimate outcome of such matters will have a material adverse effect on the Company's financial condition, given the high degree of judgment involved in establishing accruals for loss estimates related to these types of matters, the outcome of such matters may be material to the Company's results of operations or cash flows in the period in which the impact of such matters is determined or paid.

Reserves for General and Professional Liability Claims

As a general matter, providers of clinical testing services may be subject to lawsuits alleging negligence or other similar legal claims. These suits could involve claims for substantial damages. Any professional liability litigation could also have an adverse impact on the Company's client base and reputation. The Company maintains various liability insurance coverages for, among other things, claims that could result from providing, or failing to provide, clinical testing services, including inaccurate testing results, and other exposures. The Company's insurance coverage limits its maximum exposure on individual claims; however, the Company is essentially self-insured for a significant portion of these claims. Reserves for such matters, including those associated with both asserted and incurred but not reported claims, are established by considering actuarially determined losses based upon the Company's historical and projected loss experience. Such reserves totaled approximately $136 million and $130 million as of September 30, 2011 and December 31, 2010, respectively. Management believes that established reserves and present insurance coverage are sufficient to cover currently estimated exposures. Management cannot predict the outcome of any claims made against the Company. Although management does not anticipate that the ultimate outcome of any such proceedings or claims will have a material adverse effect on the Company's financial condition, given the high degree of judgment involved in establishing accruals for loss estimates related to these types of matters, the outcome may be material to the Company's results of operations or cash flows in the period in which the impact of such claims is determined or paid.

13. DISCONTINUED OPERATIONS

Summarized financial information for the discontinued operations of NID, a test kit manufacturing subsidiary which was closed in 2006, is set forth below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net revenues	$ —	$ —	$ —	$ —
Income (loss) from discontinued operations before income taxes	188	3	(93)	298
Income tax expense	(438)	(363)	(1,038)	(976)
Loss from discontinued operations, net of taxes	$ (250)	$ (360)	$ (1,131)	$ (678)

The remaining balance sheet information related to NID was not material at September 30, 2011 and December 31, 2010.

14. BUSINESS SEGMENT INFORMATION

Clinical testing is an essential element in the delivery of healthcare services. Physicians use clinical tests to assist in the detection, diagnosis, evaluation, monitoring and treatment of diseases and other medical conditions. Clinical testing is generally categorized as clinical laboratory testing and anatomic pathology services. Clinical laboratory testing is performed on whole blood, serum, plasma and other body fluids, such as urine, and specimens such as microbiology samples. Anatomic pathology services are principally for the detection of cancer and are performed on tissues, such as biopsies, and other samples, such as human cells. Customers of the clinical testing business include patients, physicians, hospitals, employers, governmental institutions and other commercial clinical laboratories. The clinical testing business accounted for greater than 90% of net revenues from continuing operations in 2011 and 2010.

All other operating segments include the Company's non-clinical testing businesses and consist of its risk assessment services, clinical trials testing, healthcare information technology and diagnostics products businesses. The Company's risk assessment business provides underwriting support services to the life insurance industry including teleunderwriting, specimen collection and paramedical examinations, laboratory testing, medical record retrieval, case management, motor vehicle reports, telephone inspections, prescription histories and credit checks. The Company's clinical trials testing business provides clinical testing performed in connection with clinical research trials on new drugs, vaccines and certain medical devices. The Company's healthcare information technology business is a developer and integrator of clinical connectivity and data management solutions for healthcare organizations, physicians and clinicians that can help improve patient care and medical practice. The Company's diagnostics products business manufactures and markets products that enable healthcare professionals to make healthcare diagnoses, including products for point-of-care testing for the professional market. During the second quarter of 2011, the Company acquired Athena and Celera (see Note 4 for further details). Athena is included in the Company's clinical laboratory testing business. The majority of Celera's operations are included in the Company's clinical laboratory testing business, with the remainder in other operating segments.

On April 19, 2006, the Company decided to discontinue NID's operations and results of operations for NID have been classified as discontinued operations for all periods presented (see Note 13).

At September 30, 2011, substantially all of the Company's services are provided within the United States, and substantially all of the Company's assets are located within the United States.

The following table is a summary of segment information for the three and nine months ended September 30, 2011 and 2010. Segment asset information is not presented since it is not used by the chief operating decision maker at the operating segment level. Operating earnings (loss) of each segment represents net revenues less directly identifiable expenses to arrive at operating income for the segment. General management and administrative corporate expenses, including amortization of intangible assets and the charge to earnings in the first quarter of 2011 of $236 million related to the settlement of the California Lawsuit (see Note 12), are included in general corporate expenses below. The accounting policies of the segments are the same as those of the Company as set forth in Note 2 to the Consolidated Financial Statements contained in the Company's 2010 Annual Report on Form 10-K and Note 2 to the interim consolidated financial statements.

(dollars in thousands unless otherwise indicated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Net revenues:				
Clinical laboratory testing business	$ 1,723,102	$ 1,708,051	$ 5,112,215	$ 5,080,230
All other operating segments	183,303	156,604	518,968	464,655
Total net revenues	$ 1,906,405	$ 1,864,655	$ 5,631,183	$ 5,544,885
Operating earnings (loss):				
Clinical laboratory testing business	$ 352,757	$ 369,168	$ 1,036,789	$ 1,101,733
All other operating segments	24,492	16,008	47,117	33,065
General corporate expenses	(55,196)	(48,309)	(414,039)	(133,475)
Total operating income	322,053	336,867	669,867	1,001,323
Non-operating expenses, net	(38,784)	(25,849)	(105,864)	(83,929)
Income from continuing operations before taxes	283,269	311,018	564,003	917,394
Income tax expense	101,126	102,902	256,114	333,931
Income from continuing operations	182,143	208,116	307,889	583,463
Loss from discontinued operations, net of taxes	(250)	(360)	(1,131)	(678)
Net income	181,893	207,756	306,758	582,785
Less: Net income attributable to noncontrolling interests	10,045	9,681	25,628	27,647
Net income attributable to Quest Diagnostics	$ 171,848	$ 198,075	$ 281,130	$ 555,138

15. SUMMARIZED FINANCIAL INFORMATION

The Company's Floating Rate Senior Notes due 2014, Senior Notes due 2015, Senior Notes due 2016, Senior Notes due 2017, Senior Notes due 2020, Senior Notes due 2021, Senior Notes due 2037 and Senior Notes due 2040 are fully and unconditionally guaranteed, jointly and severally, by the Subsidiary Guarantors. With the exception of Quest Diagnostics Receivables Incorporated ("QDRI") (see paragraph below), the non-guarantor subsidiaries are primarily foreign subsidiaries and less than wholly-owned subsidiaries.

In conjunction with the Company's secured receivables credit facility, the Company maintains a wholly-owned non-guarantor subsidiary, QDRI. The Company and certain of its Subsidiary Guarantors transfer certain domestic receivables to QDRI. QDRI utilizes the transferred receivables to collateralize borrowings under the Company's secured receivables credit facility. The Company and the Subsidiary Guarantors provide collection services to QDRI. QDRI uses cash collections principally to purchase new receivables from the Company and the Subsidiary Guarantors.

The following condensed consolidating financial data illustrates the composition of the combined guarantors. Investments in subsidiaries are accounted for by the parent using the equity method for purposes of the supplemental consolidating presentation. Earnings (losses) of subsidiaries are therefore reflected in the parent's investment accounts and earnings. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions.

(dollars in thousands unless otherwise indicated)

Condensed Consolidating Statement of Operations
Three Months Ended September 30, 2011

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net revenues	$ 195,552	$ 1,591,099	$ 185,257	$ (65,503)	$ 1,906,405
Operating costs and expenses:					
Cost of services	130,350	920,778	65,446	—	1,116,574
Selling, general and administrative	29,507	332,204	92,314	(7,430)	446,595
Amortization of intangible assets	392	17,654	1,356	—	19,402
Royalty (income) expense	(104,113)	104,113	—	—	—
Other operating (income) expense, net	(382)	455	1,708	—	1,781
Total operating costs and expenses	55,754	1,375,204	160,824	(7,430)	1,584,352
Operating income	139,798	215,895	24,433	(58,073)	322,053
Non-operating (expense) income, net	(43,595)	(53,859)	597	58,073	(38,784)
Income from continuing operations before taxes	96,203	162,036	25,030	—	283,269
Income tax expense	32,178	63,823	5,125	—	101,126
Income from continuing operations	64,025	98,213	19,905	—	182,143
Loss from discontinued operations, net of taxes	—	(250)	—	—	(250)
Equity earnings from subsidiaries	107,823	—	—	(107,823)	—
Net income	171,848	97,963	19,905	(107,823)	181,893
Less: Net income attributable to noncontrolling interests	—	—	10,045	—	10,045
Net income attributable to Quest Diagnostics	$ 171,848	$ 97,963	$ 9,860	$ (107,823)	$ 171,848

Condensed Consolidating Statement of Operations
Three Months Ended September 30, 2010

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net revenues	$ 209,156	$ 1,540,714	$ 186,307	$ (71,522)	$ 1,864,655
Operating costs and expenses:					
Cost of services	133,527	894,001	63,937	—	1,091,465
Selling, general and administrative	32,043	307,533	94,515	(7,529)	426,562
Amortization of intangible assets	618	7,597	1,700	—	9,915
Royalty (income) expense	(105,055)	105,055	—	—	—
Other operating expense (income), net	1,499	73	(1,726)	—	(154)
Total operating costs and expenses	62,632	1,314,259	158,426	(7,529)	1,527,788
Operating income	146,524	226,455	27,881	(63,993)	336,867
Non-operating (expense) income, net	(33,314)	(58,341)	1,813	63,993	(25,849)
Income from continuing operations before taxes	113,210	168,114	29,694	—	311,018
Income tax expense	29,294	66,251	7,357	—	102,902
Income from continuing operations	83,916	101,863	22,337	—	208,116
Loss from discontinued operations, net of taxes	—	(360)	—	—	(360)
Equity earnings from subsidiaries	114,159	—	—	(114,159)	—
Net income	198,075	101,503	22,337	(114,159)	207,756
Less: Net income attributable to noncontrolling interests	—	—	9,681	—	9,681
Net income attributable to Quest Diagnostics	$ 198,075	$ 101,503	$ 12,656	$ (114,159)	$ 198,075

QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
(dollars in thousands unless otherwise indicated)

Condensed Consolidating Statement of Operations
Nine Months Ended September 30, 2011

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net revenues	$ 597,362	$ 4,671,748	$ 566,136	$ (204,063)	$ 5,631,183
Operating costs and expenses:					
Cost of services	375,283	2,737,849	204,834	—	3,317,966
Selling, general and administrative	103,469	986,510	289,517	(22,254)	1,357,242
Amortization of intangible assets	1,098	41,851	4,894	—	47,843
Royalty (income) expense	(310,887)	310,887	—	—	—
Other operating expense, net	235,924	826	1,515	—	238,265
Total operating costs and expenses	404,887	4,077,923	500,760	(22,254)	4,961,316
Operating income	192,475	593,825	65,376	(181,809)	669,867
Non-operating (expense) income, net	(127,721)	(164,314)	4,362	181,809	(105,864)
Income from continuing operations before taxes	64,754	429,511	69,738	—	564,003
Income tax expense	68,946	169,566	17,602	—	256,114
Income (loss) from continuing operations	(4,192)	259,945	52,136	—	307,889
Loss from discontinued operations, net of taxes	—	(1,131)	—	—	(1,131)
Equity earnings from subsidiaries	285,322	—	—	(285,322)	—
Net income	281,130	258,814	52,136	(285,322)	306,758
Less: Net income attributable to noncontrolling interests	—	—	25,628	—	25,628
Net income attributable to Quest Diagnostics	$ 281,130	$ 258,814	$ 26,508	$ (285,322)	$ 281,130

Condensed Consolidating Statement of Operations
Nine Months Ended September 30, 2010

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net revenues	$ 638,796	$ 4,564,026	$ 560,016	$ (217,953)	$ 5,544,885
Operating costs and expenses:					
Cost of services	385,350	2,660,571	190,888	—	3,236,809
Selling, general and administrative	76,394	934,116	288,619	(22,422)	1,276,707
Amortization of intangible assets	653	22,829	5,062	—	28,544
Royalty (income) expense	(311,863)	311,863	—	—	—
Other operating expense (income), net	1,178	539	(215)	—	1,502
Total operating costs and expenses	151,712	3,929,918	484,354	(22,422)	4,543,562
Operating income	487,084	634,108	75,662	(195,531)	1,001,323
Non-operating (expense) income, net	(103,847)	(179,726)	4,113	195,531	(83,929)
Income from continuing operations before taxes	383,237	454,382	79,775	—	917,394
Income tax expense	133,356	179,329	21,246	—	333,931
Income from continuing operations	249,881	275,053	58,529	—	583,463
Loss from discontinued operations, net of taxes	—	(678)	—	—	(678)
Equity earnings from subsidiaries	305,257	—	—	(305,257)	—
Net income	555,138	274,375	58,529	(305,257)	582,785
Less: Net income attributable to noncontrolling interests	—	—	27,647	—	27,647
Net income attributable to Quest Diagnostics	$ 555,138	$ 274,375	$ 30,882	$ (305,257)	$ 555,138

(dollars in thousands unless otherwise indicated)

Condensed Consolidating Balance Sheet
September 30, 2011

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 53,183	$ 10,914	$ 46,728	$ —	$ 110,825
Accounts receivable, net	19,090	172,687	744,482	—	936,259
Other current assets	62,436	190,949	96,169	(361)	349,193
Total current assets	134,709	374,550	887,379	(361)	1,396,277
Property, plant and equipment, net	164,278	601,139	40,626	—	806,043
Goodwill and intangible assets, net	155,138	6,246,343	449,318	—	6,850,799
Intercompany (payable) receivable	(394,806)	680,511	(285,705)	—	—
Investment in subsidiaries	7,854,227	—	—	(7,854,227)	—
Other assets	310,661	43,311	50,011	(130,631)	273,352
Total assets	$ 8,224,207	$ 7,945,854	$ 1,141,629	$ (7,985,219)	$ 9,326,471
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable and accrued expenses	$ 740,094	$ 140,012	$ 48,417	$ (361)	$ 928,162
Short-term borrowings and current portion of long-term debt	743,346	6,944	85,620	—	835,910
Total current liabilities	1,483,440	146,956	134,037	(361)	1,764,072
Long-term debt	3,024,344	18,499	325,004	—	3,367,847
Other liabilities	194,037	537,677	48,505	(130,631)	649,588
Stockholders' equity:					
Quest Diagnostics stockholders' equity	3,522,386	7,242,722	611,505	(7,854,227)	3,522,386
Noncontrolling interests	—	—	22,578	—	22,578
Total stockholders' equity	3,522,386	7,242,722	634,083	(7,854,227)	3,544,964
Total liabilities and stockholders' equity	$ 8,224,207	$ 7,945,854	$ 1,141,629	$ (7,985,219)	$ 9,326,471

(dollars in thousands unless otherwise indicated)

Condensed Consolidating Balance Sheet
December 31, 2010

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 392,525	$ 928	$ 55,848	$ —	$ 449,301
Accounts receivable, net	15,913	135,417	693,969	—	845,299
Other current assets	55,723	165,099	96,183	(6,188)	310,817
Total current assets	464,161	301,444	846,000	(6,188)	1,605,417
Property, plant and equipment, net	179,624	616,114	38,638	—	834,376
Goodwill and intangible assets, net	155,596	5,279,371	463,376	—	5,898,343
Intercompany receivable (payable)	84,107	231,268	(315,375)	—	—
Investment in subsidiaries	6,195,557	—	—	(6,195,557)	—
Other assets	227,822	10,090	48,319	(96,737)	189,494
Total assets	$ 7,306,867	$ 6,438,287	$ 1,080,958	$ (6,298,482)	$ 8,527,630
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable and accrued expenses	$ 623,610	$ 190,334	$ 57,516	$ (6,188)	$ 865,272
Current portion of long-term debt	203,659	144,004	1,333	—	348,996
Total current liabilities	827,269	334,338	58,849	(6,188)	1,214,268
Long-term debt	2,295,709	19,342	326,109	—	2,641,160
Other liabilities	150,409	512,681	51,724	(96,737)	618,077
Stockholders' equity:					
Quest Diagnostics stockholders' equity	4,033,480	5,571,926	623,631	(6,195,557)	4,033,480
Noncontrolling interests	—	—	20,645	—	20,645
Total stockholders' equity	4,033,480	5,571,926	644,276	(6,195,557)	4,054,125
Total liabilities and stockholders' equity	$ 7,306,867	$ 6,438,287	$ 1,080,958	$ (6,298,482)	$ 8,527,630

(dollars in thousands unless otherwise indicated)

Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2011

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income	$ 281,130	$ 258,814	$ 52,136	$ (285,322)	$ 306,758
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	34,563	162,459	12,409	—	209,431
Provision for doubtful accounts	3,630	41,994	168,749	—	214,373
Provision for special charge	236,000	—	—	—	236,000
Other, net	(291,570)	69,318	(7,869)	285,322	55,201
Changes in operating assets and liabilities	(104,461)	(157,172)	(202,402)	—	(464,035)
Net cash provided by operating activities	159,292	375,413	23,023	—	557,728
Net cash used in investing activities	(1,212,729)	(197,558)	(9,269)	217,498	(1,202,058)
Net cash provided by (used in) financing activities	714,095	(167,869)	(22,874)	(217,498)	305,854
Net change in cash and cash equivalents	(339,342)	9,986	(9,120)	—	(338,476)
Cash and cash equivalents, beginning of period	392,525	928	55,848	—	449,301
Cash and cash equivalents, end of period	$ 53,183	$ 10,914	$ 46,728	$ —	$ 110,825

Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2010

	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income	$ 555,138	$ 274,375	$ 58,529	$ (305,257)	$ 582,785
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	37,183	140,870	12,391	—	190,444
Provision for doubtful accounts	4,171	39,116	179,595	—	222,882
Other, net	(259,463)	15,487	(6,614)	305,257	54,667
Changes in operating assets and liabilities	274,106	(355,766)	(190,660)	—	(272,320)
Net cash provided by operating activities	611,135	114,082	53,241	—	778,458
Net cash provided by (used in) investing activities	20,930	(106,411)	(3,852)	(50,501)	(139,834)
Net cash used in financing activities	(775,597)	(24,937)	(53,586)	50,501	(803,619)
Net change in cash and cash equivalents	(143,532)	(17,266)	(4,197)	—	(164,995)
Cash and cash equivalents, beginning of period	464,958	17,457	51,841	—	534,256
Cash and cash equivalents, end of period	$ 321,426	$ 191	$ 47,644	$ —	$ 369,261

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions and select accounting policies that affect our reported financial results and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

While many operational aspects of our business are subject to complex federal, state and local regulations, the accounting for most of our business is generally straightforward with net revenues primarily recognized upon completion of the testing process. Our revenues are primarily comprised of a high volume of relatively low dollar transactions, and about one-half of our total costs and expenses consist of employee compensation and benefits. Due to the nature of our business, several of our accounting policies involve significant estimates and judgments. These accounting policies have been described in our Annual Report on Form 10-K for the year ended December 31, 2010.

Initiatives to Improve Operating Efficiency

The diagnostic testing industry is labor intensive. Employee compensation and benefits constitute approximately one-half of our total costs and expenses. Cost of services consists principally of costs for obtaining, transporting and testing specimens. Selling, general and administrative expenses consist principally of the costs associated with our sales and marketing efforts, billing operations, bad debt expense and general management and administrative support. In addition, performing diagnostic testing involves significant fixed costs for facilities and other infrastructure required to obtain, transport and test specimens. Therefore, relatively small changes in volume can have a significant impact on profitability in the short-term.

A large portion of our costs are fixed, making it more challenging to fully mitigate the profit impact of reduced volume in the short term. In response to reduced volume levels, as a result of a temporary slowdown in healthcare utilization, we have implemented a number of actions in the third quarter of 2011 to align our costs with reduced volume levels. These actions, which are broad in nature and affect most parts of our business, resulted in a charge to earnings in the third quarter of 2011 of $26 million, comprised principally of employee separation costs.

In addition, in July 2011 we announced a multi-year program designed to reduce our cost structure by $500 million by the end of 2014. This effort is intended to address continued reimbursement pressures and labor and benefit cost increases, free up additional resources to invest in science and innovation, and enable us to improve operating profitability. As detailed plans to implement these opportunities are approved and executed, it likely will result in charges to earnings associated with the implementation. These charges may be material to the results of operations and cash flows in the periods recorded or paid.

Acquisitions

Acquisition of Athena Diagnostics

On February 24, 2011, we signed a definitive agreement to acquire Athena Diagnostics ("Athena") from Thermo Fisher Scientific, Inc., in an all-cash transaction valued at approximately $740 million. Athena is the leading provider of advanced diagnostic tests related to neurological conditions, and generated revenues of approximately $110 million in 2010. We completed the acquisition of Athena on April 4, 2011 (see Note 4 to the interim consolidated financial statements for further details).

Acquisition of Celera Corporation

On March 17, 2011, we entered into a definitive merger agreement with Celera Corporation ("Celera") under which we agreed to acquire Celera for $8 per share, in a transaction valued at approximately $344 million, net of $326 million in acquired cash and short-term marketable securities. Additionally, we expect to utilize Celera's available tax credits, net operating loss carryforwards and capitalized tax research and development expenditures to reduce our future tax payments by approximately $110 million. Celera is a healthcare business delivering personalized cardiovascular disease management through a combination of products and services incorporating proprietary discoveries. Celera generated revenues of $128 million in 2010. We completed the acquisition of Celera on May 17, 2011. See Note 4 to the interim consolidated financial statements for further details.

Results of Operations

Our clinical testing business currently represents our one reportable business segment. In both 2011 and 2010, our clinical testing business accounted for greater than 90% of net revenues. Our other operating segments consist of our risk assessment services, clinical trials testing, healthcare information technology and diagnostic products businesses. Our business segment information is disclosed in Note 14 to the interim consolidated financial statements.

Settlement Related to the California Lawsuit

As a result of settlement discussions which resumed in the first quarter of 2011, on May 9, 2011, we announced an agreement in principle to resolve a previously disclosed civil lawsuit brought by a California competitor in which the State of California intervened (the "California Lawsuit"). In the lawsuit, the plaintiffs alleged, among other things, that we overcharged Medi-Cal for testing services and violated the California False Claims Act. Specifically, the plaintiffs alleged, among other things, that we violated certain regulations that govern billing to Medi-Cal ("Comparable Charge" regulations). While denying liability, in order to avoid the uncertainty, expense and risks of litigation, we agreed to resolve these matters for $241 million. On May 19, 2011, we finalized a settlement agreement and release with the California Department of Health Care Services, the California Attorney General's Office and the *qui tam* relator. We agreed to the settlement to resolve claims pertaining to the Comparable Charge allegations; we received a full release of these and all other allegations in the complaint. We also agreed to certain reporting obligations regarding our pricing for a limited time period and, at our option in lieu of such obligations for a transitional period, to provide Medi-Cal with a discount (the "Transitional Discount") until the end of July 2012. The Transitional Discount, to the extent provided, is not expected to have a material impact on our consolidated revenues or results of operations.

As provided for in the settlement agreement, we have resumed billing for unbilled services and expect to be reimbursed for all services provided prior to the effective date of the final settlement agreement. Such reimbursement is expected to be consistent with the related amounts accrued.

As a result of the agreement in principle, we recorded a pre-tax charge to earnings in the first quarter of 2011 of $236 million (the "Medi-Cal charge"), or $1.21 per diluted share, which represented the cost to resolve the matters noted above and related claims, less amounts previously reserved for related matters.

We funded the $241 million payment in the second quarter of 2011 with cash on hand and borrowings under our existing credit facilities. See Note 12 to the interim consolidated financial statements for further details.

Three and Nine Months Ended September 30, 2011 Compared with Three and Nine Months Ended September 30, 2010

Continuing Operations

	Three Months Ended September 30,		% Change: Increase (Decrease)	Nine Months Ended September 30,		% Change: Increase (Decrease)
	2011	2010		2011	2010	
	(dollars in millions, except per share data)					
Net revenues	$ 1,906.4	$ 1,864.7	2.2%	$ 5,631.2	$ 5,544.9	1.6%
Income from continuing operations	172.1	198.4	(13.3)%	282.3	555.8	(49.2)%
Earnings per diluted share	$ 1.08	$ 1.13	(4.4)%	$ 1.75	$ 3.09	(43.4)%

Results for the three months ended September 30, 2011 were affected by a number of items which impacted earnings per diluted share by $0.10. In connection with a number of cost actions that we implemented in the third quarter of 2011, we recorded pre-tax charges of $26 million, or $0.10 per diluted share, principally associated with workforce reductions. Of these costs, $15.9 million and $10.1 million were included in cost of services and selling, general and administrative expenses, respectively. In addition, results for the three months ended September 30, 2011 included pre-tax charges of $1.3 million associated with the acquisitions of Athena and Celera, primarily related to integration charges, which were recorded in selling, general and administrative expenses.

Results for the nine months ended September 30, 2011 were affected by a number of items which impacted earnings per diluted share by $1.55. During the first quarter of 2011, we recorded the Medi-Cal charge of $236 million, or $1.21 per diluted share, in "other operating expense (income), net." In addition, results for the nine months ended September 30, 2011 included $39.3 million of pre-tax charges, or $0.15 per diluted share, principally associated with workforce reductions. Of these costs, $24.9 million and $14.4 million were included in cost of services and selling, general and administrative expenses, respectively. Results for the nine months ended September 30, 2011 also included pre-tax charges of $27.1 million, or $0.12 per diluted share, associated with the acquisitions of Athena and Celera. Of these costs, $24.0 million, primarily related to professional fees and integration costs, were recorded in selling, general and administrative expenses and $3.1 million of financing related costs were included in interest expense, net. In addition, we estimate that the impact of severe weather during the first quarter of 2011 adversely affected operating income for the nine months ended September 30, 2011 by $18.5 million, or $0.07 per diluted share.

In addition, results for the three and nine months ended September 30, 2011 included a benefit of $0.05 per diluted share, primarily associated with the favorable resolution of certain tax contingencies.

Results for the nine months ended September 30, 2010 were affected by a number of items which impacted earnings per diluted share by $0.11. During the first quarter of 2010, we recorded pre-tax charges of $17.3 million, or $0.06 per diluted share, principally associated with workforce reductions. Of these costs, $4.5 million and $12.8 million were included in cost of services and selling, general and administrative expenses, respectively. In addition, we estimate that the impact of severe weather during the first quarter of 2010 adversely affected operating income for the nine months ended September 30, 2010 by $14.1 million, or $0.05 per diluted share. Results for the three and nine months ended September 30, 2010 also included a benefit of $0.08 per diluted share, primarily associated with the favorable resolution of certain tax contingencies.

Net Revenues

Net revenues for the three months ended September 30, 2011 were 2.2% above the prior year level with the Athena and Celera acquisitions contributing 3.0% revenue growth in the quarter.

Clinical testing revenue, which accounted for over 90% of our consolidated revenues, increased by 0.9% for the three months ended September 30, 2011 over the prior year period. The acquisitions of Athena and Celera contributed about 2.4% to clinical testing revenue growth in the quarter. Clinical testing volume, measured by the number of requisitions, decreased by 1.2% for the third quarter of 2011 compared to the prior year period primarily due to continued market softness, as measured by physician office visits in the third quarter of 2011. The acquisitions of Athena and Celera contributed an insignificant positive impact to clinical testing volume in the quarter. Pre-employment drug testing volume, which has continued to rebound, grew about 5% in the quarter.

Revenue per requisition for the three months ended September 30, 2011 was 2.1% above the prior year period, with the improvement driven by an increase in esoteric testing mix from the acquired operations of Athena and Celera. While revenue per requisition is benefiting from an increased mix in gene-based and esoteric testing, it continues to be pressured by business and payer mix changes, the 1.75% Medicare fee schedule decrease, which went into effect January 1, 2011, and pricing changes in connection with several large contract extensions executed in the first half of last year. The business and payer mix changes, which continue to pressure revenue per requisition, include, among other things, a rebound in our lower-priced drugs-of-abuse testing, and continued weakness in our higher priced anatomic pathology testing services.

Net revenues for the nine months ended September 30, 2011 were 1.6% above the prior year level with the Athena and Celera acquisitions contributing 1.9% to consolidated revenue growth.

Clinical testing revenue, which accounted for over 90% of our consolidated revenues, grew 0.6%. The acquisitions of Athena and Celera contributed about 1.6% to clinical testing revenue growth for the nine months ended September 30, 2011. Clinical testing volume, measured by the number of requisitions, was essentially unchanged compared to the prior year period. The clinical testing volume contributed by the Athena and Celera acquisitions had an insignificant positive impact in the nine months ended September 30, 2011. Pre-employment drug testing volume grew about 7% during the nine months ended September 30, 2011.

Revenue per requisition for the nine months ended September 30, 2011 was 0.7% above the prior year level. Revenue per requisition continues to benefit from an increased mix in gene-based and esoteric testing, particularly from the impact of the acquired operations of Athena and Celera. Offsetting this benefit was business and payor mix changes including: an increase in lower priced drugs-of-abuse testing and a decrease in higher priced anatomic pathology testing; price changes in connection with several large contract extensions executed in the first half of last year; and the 1.75% Medicare fee schedule decrease, which went into effect January 1, 2011.

Our businesses other than clinical laboratory testing accounted for approximately 9% of our net revenues for the three and nine months ended September 30, 2011 and 2010. These businesses include our risk assessment services, clinical trials testing, healthcare information technology and diagnostic products businesses. For the three and nine months ended September 30, 2011, revenue in our non-clinical testing businesses, which contain most of our international operations, grew by approximately 17.0% and 11.7%, respectively, and primarily benefited from the diagnostics products operations acquired as part of the Celera acquisition and foreign currency exchange rates.

Operating Costs and Expenses

	Three Months Ended September 30,					
	2011		2010		Change: Increase (Decrease)	
	$	% Net Revenue	$	% Net Revenue	$	% Net Revenue
			(dollars in millions)			
Cost of services	$ 1,116.6	58.6%	$ 1,091.5	58.5%	$ 25.1	0.1%
Selling, general and administrative expenses (SG&A)	446.6	23.4%	426.6	22.9%	20.0	0.5%
Amortization of intangible assets	19.4	1.0%	9.9	0.5%	9.5	0.5%
Other operating expense (income), net	1.8	0.1%	(0.2)	—%	2.0	0.1%
Total operating costs and expenses	$ 1,584.4	83.1%	$ 1,527.8	81.9%	$ 56.6	1.2%
Bad debt expense (included in SG&A)	$ 68.4	3.6%	$ 74.5	4.0%	$ (6.1)	(0.4)%

	Nine Months Ended September 30,					
	2011		2010		Change: Increase (Decrease)	
	$	% Net Revenue	$	% Net Revenue	$	% Net Revenue
			(dollars in millions)			
Cost of services	$ 3,318.0	58.9%	$ 3,236.8	58.4%	$ 81.2	0.5%
Selling, general and administrative expenses (SG&A)	1,357.2	24.1%	1,276.7	23.0%	80.5	1.1%
Amortization of intangible assets	47.8	0.9%	28.5	0.5%	19.3	0.4%
Other operating expense, net	238.3	4.2%	1.6	—%	236.7	4.2%
Total operating costs and expenses	$ 4,961.3	88.1%	$ 4,543.6	81.9%	$ 417.7	6.2%
Bad debt expense (included in SG&A)	$ 214.4	3.8%	$ 222.9	4.0%	$ (8.5)	(0.2)%

Total Operating Costs and Expenses

For the third quarter of 2011, the impacts of the costs associated with actions we have taken to adjust our cost structure, higher costs associated with employee compensation and benefits, investments we have made in our sales force and service capabilities, and the impact of the Athena and Celera acquisitions served to increase total operating expenses as a percent of net revenues compared to the prior year period. Results for the third quarter of 2011 included pre-tax charges, principally associated with workforce reductions, of $26.0 million ($15.9 million in cost of services and $10.1 million in selling, general and administrative expenses). Results for the third quarter of 2011 also included pre-tax charges of $1.3 million, primarily related to integration charges associated with the acquisitions of Athena and Celera.

For the nine months ended September 30, 2011, the impacts of the Medi-Cal charge, severe weather, costs associated with actions we have taken to adjust our cost structure, higher costs associated with employee compensation and benefits, and investments we have made in our sales force and service capabilities, as well the impact of the Athena and Celera acquisitions, served to increase total operating expenses as a percent of net revenues compared to the prior year period. Results for the nine months ended September 30, 2011 included the Medi-Cal charge of $236 million recorded in connection with the California Lawsuit. In addition, results for the nine months ended September 30, 2011 and 2010 included pre-tax charges, principally associated with workforce reductions, of $39.3 million ($24.9 million in cost of services and $14.4 million in selling, general and administrative expenses) and $17.3 million ($4.5 million in cost of services and $12.8 million in selling, general and administrative expenses), respectively. Selling, general and administrative expenses for the nine months ended September 30, 2011 also included $24.0 million of pre-tax charges, primarily related to professional fees and integration charges associated with the acquisitions of Athena and Celera.

Also, year-over-year comparisons for both the three and nine months ended September 30, 2011 were favorably impacted by approximately $9.7 million and $5.9 million, respectively, associated with losses on investments in our supplemental deferred compensation plans. Under our supplemental deferred compensation plans, employee compensation deferrals, together with Company matching contributions, are invested in a variety of investments held in trusts. Gains and losses associated with the investments are recorded in earnings within "other (expense) income, net." A corresponding and offsetting adjustment is also recorded to the deferred compensation obligation to reflect investment gains and losses earned by the employee. Such adjustments to the deferred compensation obligation are recorded in earnings principally within "selling, general and administrative expenses" and offset the amount of investment gains and losses recorded in "other (expense) income, net." Results for the three and nine months ended September 30, 2011 included a decrease in operating costs of $5.9 million and $3.5 million, respectively, representing decreases in the deferred compensation obligation to reflect investment losses incurred by employees participating in our deferred compensation plans. Results for the three and nine months ended September 30, 2010 included an increase in operating costs of $3.8 million and $2.4 million, respectively, representing an increase in the deferred compensation obligation to reflect investment gains earned by employees participating in our deferred compensation plans.

Cost of Services

The increase in cost of services as a percentage of net revenues for the three months ended September 30, 2011 compared to the prior year period primarily reflects pre-tax charges of $15.9 million, primarily associated with workforce reductions, higher costs associated with employee compensation and benefits, and investments we have made in service capabilities, partially offset by actions we have taken to reduce our cost structure and an increase in revenue per requisition attributable to the acquired operations of Athena and Celera.

The increase in cost of services as a percentage of revenues for the nine months ended September 30, 2011 compared to the prior year period primarily reflects the impact of severe weather in the first quarter, a $20.4 million increase in pre-tax charges, primarily associated with workforce reductions, and higher costs associated with employee compensation and benefits, and investments we have made in service capabilities. These increases have been partially offset by actions we have taken to reduce our cost structure and the acquired operations of Athena and Celera, which served to reduce the percentage.

Selling, General and Administrative Expenses

The increase in selling, general and administrative expenses as a percentage of net revenues for the three months ended September 30, 2011 compared to the prior year period reflects pre-tax charges of $10.1 million, primarily related to workforce reductions, higher costs associated with employee compensation and benefits, investments we have made in our sales force and the impact of the Celera operations. These increases have been partially offset by actions we have taken to reduce our cost structure.

The increase in selling, general and administrative expenses as a percentage of net revenues for the nine months ended September 30, 2011 compared to the prior year period primarily reflects the impact of severe weather, a $1.6 million increase in pre-tax charges, primarily associated with workforce reductions, higher costs associated with employee compensation and benefits and investments we have made in our sales force. In addition, selling, general and administrative expenses for the nine months ended September 30, 2011 included pre-tax charges of $24.0 million, primarily related to professional fees and integration charges associated with the acquisitions of Athena and Celera. These increases have been partially offset by actions we have taken to reduce our cost structure.

For the three and nine months ended September 30, 2011, bad debt expense as a percentage of net revenues improved compared to the prior year periods, primarily reflecting continued strong performance in our billing operations and collection metrics.

Amortization of Intangible Assets

The increase in amortization of intangible assets for the three and nine months ended September 30, 2011 compared to the prior year periods reflects the impact of amortization of intangible assets acquired as part of the Athena and Celera acquisitions.

Other Operating Expense (Income), net

Other operating expense (income), net includes special charges, and miscellaneous income and expense items related to operating activities. For the nine months ended September 30, 2011, other operating expense (income), net included the Medi-Cal charge of $236 million recorded in connection with the California Lawsuit.

Operating Income

	Three Months Ended September 30,		Change: Increase (Decrease)	Nine Months Ended September 30,		Change: Increase (Decrease)
	2011	2010		2011	2010	
			(dollars in millions)			
Operating income	$ 322.1	$ 336.9	$ (14.8)	$ 669.9	$ 1,001.3	$ (331.4)
Operating income % of net revenues	16.9%	18.1%	(1.2)%	11.9%	18.1%	(6.2)%

For the third quarter of 2011, the impacts of the costs associated with actions we have taken to adjust our cost structure, higher costs associated with employee compensation and benefits, investments we have made in our sales force and service capabilities, and the increased amortization of intangibles associated with the acquisitions of Athena and Celera served to decrease operating income as a percent of net revenues compared to the prior year period.

For the nine months ended September 30, 2011, the impacts of the Medi-Cal charge, severe weather, costs associated with actions we have taken to adjust our cost structure, higher costs associated with employee compensation and benefits, and investments we have made in our sales force and service capabilities, as well as increased amortization of intangibles and transaction costs related to the Athena and Celera acquisitions, served to decrease operating income as a percent of net revenues compared to the prior year period.

Interest Expense, net

	Three Months Ended September 30,		Change: Increase (Decrease)	Nine Months Ended September 30,		Change: Increase (Decrease)
	2011	2010		2011	2010	
			(dollars in millions)			
Interest expense, net	$ 43.4	$ 36.2	$ 7.2	$ 127.9	$ 108.5	$ 19.4

Interest expense, net for the three and nine months ended September 30, 2011 increased from the prior year period primarily due to incremental debt of approximately $1.2 billion, used to partially fund $885 million of share repurchases and approximately $1 billion paid for acquisitions. In addition, for the nine months ended September 30, 2011, interest expense, net included $3.1 million of financing commitment fees related to the acquisition of Celera which were expensed. See Note 8 to the interim consolidated financial statements for further details regarding our senior notes offering.

Other (Expense) Income, net

Other (expense) income, net represents miscellaneous income and expense items related to non-operating activities, such as gains and losses associated with investments and other non-operating assets. For the three and nine months ended September 30, 2011 and 2010, other (expense) income, net consisted of the following:

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Change: Increase (Decrease)	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Change: Increase (Decrease)
	(dollars in millions)					
Investment (losses) gains associated with our supplemental deferred compensation plans	$ (5.9)	$ 3.8	$ (9.7)	$ (3.5)	$ 2.4	$ (5.9)
Gain on an investment	3.2	—	3.2	3.2	—	3.2
Other (expense) income items, net	—	(0.6)	0.6	(0.5)	(0.4)	(0.1)
Total other (expense) income, net	$ (2.7)	$ 3.2	$ (5.9)	$ (0.8)	$ 2.0	$ (2.8)

Income Tax Expense

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Change: Increase (Decrease)	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Change: Increase (Decrease)
Effective income tax rate	35.7%	33.1%	2.6%	45.4%	36.4%	9.0%

The increase in the effective income tax rate for the nine months ended September 30, 2011 is primarily due to the Medi-Cal charge recorded in the first quarter of 2011 associated with the California Lawsuit (see Note 12 to the interim consolidated financial statements), a portion for which a tax benefit has not been recorded.

Income tax expense for the three and nine months ended September 30, 2011 included a benefit of $7.9 million, or $0.05 per diluted share, primarily associated with the favorable resolution of certain tax contingencies. For the three and nine months ended September 30, 2010, income tax expense included a benefit of $14.4 million, or $0.08 per diluted share, primarily associated with the favorable resolution of certain tax contingencies.

Discontinued Operations

Loss from discontinued operations, net of taxes, for the three months ended September 30, 2011 was $0.3 million, or $0.01 per diluted share. For the three months ended September 30, 2010, loss from discontinued operations was $0.4 million with no impact on diluted earnings per share. Loss from discontinued operations, net of taxes, for the nine months ended September 30, 2011 was $1.1 million, or $0.01 per diluted share. For the nine months ended September 30, 2010, loss from discontinued operations was $0.7 million with no impact on diluted earnings per share. See Note 13 to the interim consolidated financial statements for further details.

Quantitative and Qualitative Disclosures About Market Risk

We address our exposure to market risks, principally the market risk of changes in interest rates, through a controlled program of risk management that includes the use of derivative financial instruments. We do not hold or issue derivative financial instruments for trading purposes. We believe that our exposures to foreign exchange impacts and changes in commodity prices are not material to our consolidated financial condition or results of operations. See Note 9 to the interim consolidated financial statements for additional discussion of our financial instruments and hedging activities.

At September 30, 2011 and December 31, 2010, the fair value of our debt was estimated at approximately $4.6 billion and $3.1 billion, respectively, using quoted market prices and yields for the same or similar types of borrowings, taking into account the underlying terms of the debt instruments. At September 30, 2011 and December 31, 2010, the estimated fair value exceeded the carrying value of the debt by $426 million and $80 million, respectively. A hypothetical 10% increase in interest rates (representing 41 basis points and 45 basis points at September 30, 2011 and December 31, 2010, respectively) would potentially reduce the estimated fair value of our debt by approximately $113 million and $89 million at September 30, 2011 and December 31, 2010, respectively.

Borrowings under our floating rate senior notes due 2014, our term loan due May 2012, our senior unsecured revolving credit facility and our secured receivables credit facility are subject to variable interest rates. Interest on our secured receivables credit facility is based on rates that are intended to approximate commercial paper rates for highly-rated issuers. Interest on our term loan due May 2012 and our senior unsecured revolving credit facility are subject to a pricing schedule that can fluctuate based on changes in our credit ratings. As such, our borrowing cost under these credit arrangements will be subject to both fluctuations in interest rates and changes in our credit ratings. At September 30, 2011, the borrowing rates under these debt instruments were: for our floating rate senior notes due 2014, LIBOR plus 0.85%; for our term loan due May 2012, LIBOR plus 0.40%; for our senior unsecured revolving credit facility, LIBOR plus 1.125%; and for our secured receivables credit facility, 1.2%. At September 30, 2011, the weighted average LIBOR was 0.3%. As of September 30, 2011, $200 million, $742 million, and $85 million were outstanding under our floating rate senior notes due 2014, our term loan due May 2012, and our $525 million secured receivables credit facility, respectively. There were no borrowings outstanding under our $750 million senior unsecured revolving credit facility as of September 30, 2011.

We seek to mitigate the variability in cash outflows that result from changes in interest rates by maintaining a balanced mix of fixed-rate and variable-rate debt obligations. In order to achieve this objective, we have entered into interest rate swaps. Interest rate swaps involve the periodic exchange of payments without the exchange of underlying principal or notional amounts. Net settlements are recognized as an adjustment to interest expense.

In March 2011, we entered into various fixed-to-variable interest rate swap agreements which have a notional amount totaling $200 million and a variable interest rate based on six-month LIBOR plus 0.54%. These derivative financial instruments are accounted for as fair value hedges of a portion of our senior notes due 2016. In addition, in previous years we entered into various fixed-to-variable interest rate swap agreements with a notional amount of $350 million and a variable interest rate based on one-month LIBOR plus 1.33% that were accounted for as fair value hedges of a portion of our senior notes due 2020. Based on our net exposure to interest rate changes, a hypothetical 10% change in interest rates on our variable rate indebtedness (representing 3 basis points) would impact annual interest expense by approximately $0.5 million, assuming no changes to the debt outstanding at September 30, 2011.

The fair value of the fixed-to-variable interest rate swap agreements related to our senior notes due 2016 and our senior notes due 2020 was an asset of $54.3 million at September 30, 2011. A hypothetical 10% change in interest rates (representing 15 basis points) would potentially change the fair value of the asset by approximately $6 million.

For further details regarding our outstanding debt, see Note 10 to the consolidated financial statements included in our 2010 Annual Report on Form 10-K for the year ended December 31, 2010 and Note 8 to the interim consolidated financial statements. For details regarding our financial instruments, see Note 9 to the interim consolidated financial statements.

Risk Associated with Investment Portfolio

Our investment portfolio includes equity investments in publicly held companies that are classified as available-for-sale securities and other strategic equity holdings in privately held companies. These securities are exposed to price fluctuations and are generally concentrated in the life sciences industry. The carrying values of our available-for-sale equity securities and privately held securities were $13.1 million at September 30, 2011.

We regularly evaluate the fair value measurements of our equity investments to determine if losses in value are other than temporary and if an impairment loss has been incurred. The evaluation considers whether the security has the ability to recover and, if so, the estimated recovery period. Other factors that are considered in this evaluation include the amount of the other-than-temporary decline and its duration, the issuer's financial condition and short-term prospects, and whether the market decline was caused by overall economic conditions or conditions specific to the individual security.

We do not hedge our equity price risk. The impact of an adverse movement in equity prices on our holdings in privately held companies cannot be easily quantified, as our ability to realize returns on investments depends on, among other things, the enterprises' ability to raise additional capital or derive cash inflows from continuing operations or through liquidity events such as initial public offerings, mergers or private sales.

Liquidity and Capital Resources

Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2011 totaled $111 million, compared to $449 million at December 31, 2010. Cash and cash equivalents consist of cash and highly liquid short-term investments. For the nine months ended September 30, 2011, cash flows from operating activities of $558 million, together with cash on hand and cash flows from financing activities of $306 million, were used to fund investing activities of $1.2 billion. Cash and cash equivalents at September 30, 2010 totaled $369 million, compared to $534 million at December 31, 2009. For the nine months ended September 30, 2010, cash flows from operating activities of $778 million, together with cash on hand, were used to fund investing and financing activities of $140 million and $804 million, respectively.

Cash Flows from Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2011 was $558 million compared to $778 million in the prior year period. For the nine months ended September 30, 2011, cash flows from operating activities included the second quarter payment to Medi-Cal, the California Medicaid program, of $241 million in connection with the settlement of the California Lawsuit (see Note 12 to the interim consolidated financial statements), or $194 million net of an associated reduction in estimated tax payments through the third quarter. In addition, 2011 cash flows from operating activities were reduced by $37 million of payments related to transaction and integration costs associated with the acquisitions of Athena and Celera, or $29 million net of an associated reduction in estimated tax payments. After giving consideration to the net settlement and transaction and integration payments, underlying cash flows from operating activities for the nine months ended September 30, 2011 increased by $2.7 million in comparison to the prior year. This increase was a function of the timing of, as well as a reduction in, estimated tax payments, partially offset by the timing of payroll related payments, and an increase in payments associated with restructuring and integration activities and interest payments. Days sales outstanding, a measure of billing and collection efficiency, were 44 days at both September 30, 2011 and December 31, 2010, compared to 43 days at September 30, 2010.

Cash Flows from Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2011 was $1.2 billion, consisting principally of $740 million related to the acquisition of Athena and $556 million net of cash acquired related to the acquisition of Celera, or $343 million net of cash and $213 million of short-term marketable securities acquired. Proceeds from the sale of the short-term marketable securities, acquired as part of the Celera acquisition, were used to repay borrowings outstanding under our secured receivables credit facility and our senior unsecured revolving credit facility in the second quarter of 2011. In addition, cash flows from investing activities for the nine months ended September 30, 2011 included capital expenditures of $118 million. Net cash used in investing activities for the nine months ended September 30, 2010 was $140 million, and consisted principally of capital expenditures.

Cash Flows from Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2011 was $306 million, consisting primarily of net increases in debt of $1.2 billion, and proceeds from the exercise of stock options and related tax benefits totaling $109 million, partially offset by purchases of treasury stock of $885 million, dividend payments of $49 million, distributions to noncontrolling interests of $26 million and $13 million of payments primarily related to debt issuance costs incurred in connection with our senior notes offering in the first quarter of 2011 and our senior unsecured revolving credit facility in the third quarter of 2011. The net increase in debt consists of $2.7 billion of borrowings and $1.5 billion of repayments.

In February 2011, borrowings of $500 million under our secured receivables credit facility and $75 million under our senior unsecured credit facility, together with $260 million of cash on hand, were used to fund purchases of treasury stock totaling $835 million. In addition, we completed a $1.25 billion senior notes offering in March 2011 (the "2011

Senior Notes"). We used $485 million of the $1.24 billion in net proceeds from the 2011 Senior Notes offering, together with $90 million of cash on hand, to fund the repayment of $500 million outstanding under our secured receivables credit facility, and the repayment of $75 million outstanding under our senior unsecured revolving credit facility. The remaining portion of the net proceeds from the 2011 Senior Notes offering were used to fund our acquisition of Athena in April 2011 (see Note 4 and Note 8 to the interim consolidated financial statements for further details).

During the second quarter of 2011, $585 million and $30 million of borrowings under our secured receivables credit facility and our senior unsecured revolving credit facility, respectively, together with cash on hand, were used to fund the acquisition of Celera in May 2011 (see Note 4 to the interim consolidated financial statements for further details). During the second quarter of 2011, proceeds from the sale of short-term marketable securities acquired as part of the Celera acquisition totaling $214 million, together with cash on hand, were used to fund $500 million and $30 million of debt repayments under our secured receivables credit facility and our senior unsecured revolving credit facility, respectively.

During the third quarter of 2011, $225 million of borrowings under our secured receivables credit facility were used primarily to fund $159 million of debt repayments under our senior notes due July 2011 and purchases of treasury stock totaling $50 million. Later in the quarter, we repaid $225 million of borrowings outstanding under our secured receivables credit facility with cash on hand.

In September 2011, we entered into a $750 million senior unsecured revolving credit facility which replaced our prior $750 million senior unsecured revolving credit facility that was scheduled to mature in May 2012. See Note 8 to the interim consolidated financial statements for further details.

Net cash used in financing activities for the nine months ended September 30, 2010 was $804 million, consisting primarily of purchases of treasury stock totaling $750 million, dividend payments of $54 million and distributions to noncontrolling interests of $26 million, partially offset by $41 million in proceeds from the exercise of stock options, including related tax benefits.

Dividends

During each of the quarters of 2011 and 2010, our Board of Directors declared a quarterly cash dividend of $0.10 per common share. On October 25, 2011, our Board of Directors announced an increase in our quarterly cash dividend from $0.10 per common share to $0.17 per common share, payable on January 24, 2012, to shareholders of record on January 9, 2012. We expect to fund future dividend payments with cash flows from operations, and do not expect the dividend to have a material impact on our ability to finance future growth.

Share Repurchases

In January 2011, our Board of Directors authorized $750 million of additional share repurchases of our common stock, increasing our total available authorization at that time to $1 billion. The share repurchase authorization has no set expiration or termination date.

For the three months ended September 30, 2011, we repurchased 1.0 million shares of our common stock at an average price of $47.79 per share for a total of $50 million. For the nine months ended September 30, 2011, we repurchased 16.4 million shares of our common stock at an average price of $53.89 per share for a total of $885 million, including 15.4 million shares purchased in the first quarter from SB Holdings Capital Inc., a wholly-owned subsidiary of GlaxoSmithKline plc., at an average price of $54.30 per share for a total of $835 million. At September 30, 2011, $115 million remained available under the share repurchase authorizations.

For the three months ended September 30, 2010, we repurchased 7.0 million shares of our common stock at an average price of $46.64 per share for $324 million. For the nine months ended September 30, 2010, we repurchased 14.7 million shares of our common stock at an average price of $51.04 per share for $750 million, including 4.5 million shares purchased in the first quarter at an average price of $56.21 per share for $251 million under an accelerated share repurchase transaction with a bank.

Contractual Obligations and Commitments

The following table summarizes certain of our contractual obligations as of September 30, 2011:

Contractual Obligations	Payments due by period (in thousands) Total	Remainder of 2011	1-3 years	3-5 years	After 5 years
Outstanding debt	$ 4,127,000	$ 267,000	$ 560,000	$ 700,000	$ 2,600,000
Capital lease obligations	46,642	2,201	17,111	13,373	13,957
Interest payments on outstanding debt	2,185,740	31,922	310,568	303,987	1,539,263
Operating leases	648,505	51,746	281,813	149,139	165,807
Purchase obligations	80,470	12,845	49,888	14,839	2,898
Merger consideration obligation	1,151	1,151	—	—	—
Total contractual obligations	$ 7,089,508	$ 366,865	$ 1,219,380	$ 1,181,338	$ 4,321,925

Interest payments on our long-term debt have been calculated after giving effect to our interest rate swap agreements, using the interest rates as of September 30, 2011 applied to the September 30, 2011 balances, which are assumed to remain outstanding through their maturity dates.

A full description of the terms of our indebtedness and related debt service requirements and our future payments under certain of our contractual obligations is contained in Note 10 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K, as updated in Note 8 to the interim consolidated financial statements. A full discussion and analysis regarding our minimum rental commitments under noncancelable operating leases and noncancelable commitments to purchase product or services at December 31, 2010 is contained in Note 15 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K. See Note 4 to the interim consolidated financial statements for a discussion with respect to merger consideration related to shares of Celera which had not been surrendered as of September 30, 2011.

As of September 30, 2011, our total liabilities associated with unrecognized tax benefits were approximately $200 million, which were excluded from the table above. We believe it is reasonably possible that these liabilities may decrease by up to $6 million within the next twelve months, primarily as a result of the expiration of statutes of limitations, settlements and/or the conclusion of tax examinations on certain tax positions. For the remainder, we cannot make reasonably reliable estimates of the timing of the future payments of these liabilities. See Note 5 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K for information regarding our contingent tax liability reserves.

Our credit agreements and our term loan due May 2012 contain various covenants and conditions, including the maintenance of certain financial ratios, that could impact our ability to, among other things, incur additional indebtedness. As of September 30, 2011, we were in compliance with the various financial covenants included in our credit agreements and we do not expect these covenants to adversely impact our ability to execute our growth strategy or conduct normal business operations.

Unconsolidated Joint Ventures

We have investments in unconsolidated joint ventures in Phoenix, Arizona; Indianapolis, Indiana; and Dayton, Ohio, which are accounted for under the equity method of accounting. We believe that our transactions with our joint ventures are conducted at arm's length, reflecting current market conditions and pricing. Total net revenues of our unconsolidated joint ventures equal less than 6% of our consolidated net revenues. Total assets associated with our unconsolidated joint ventures are less than 2% of our consolidated total assets. We have no material unconditional obligations or guarantees to, or in support of, our unconsolidated joint ventures and their operations.

Requirements and Capital Resources

We estimate that we will invest approximately $190 million during 2011 for capital expenditures, including assets under capitalized leases, to support and expand our existing operations, principally related to investments in information technology, equipment and facility upgrades. We expect to fund the repayment of the current portion of our long-term debt using cash on hand and existing credit facilities.

We expect to record charges of approximately $14 million in connection with the succession of our CEO, of which we currently estimate approximately $5 million will be recorded in the fourth quarter of 2011; with the remainder expected to be recorded principally in the first quarter of 2012. Separately, we expect to incur approximately $10 million to $15 million in the fourth quarter of 2011 in connection with the further restructuring and integration of our business.

As of September 30, 2011, $1.2 billion of borrowing capacity was available under our existing credit facilities, consisting of $440 million available under our secured receivables credit facility and $750 million available under our senior unsecured revolving credit facility.

We believe the banks participating in our various credit facilities are predominantly highly-rated banks, and that the borrowing capacity under the credit facilities described above is currently available to us. Should one or several banks no longer participate in either of our credit facilities, we would not expect it to impact our ability to fund operations. We expect that we will be able to replace our existing secured receivables credit facility with alternative arrangements prior to its expiration.

We believe that cash and cash equivalents on hand and cash from operations, together with our borrowing capacity under our credit facilities, will provide sufficient financial flexibility to meet seasonal working capital requirements, capital expenditures, debt service requirements and other obligations, cash dividends on common shares, share repurchases and additional growth opportunities for the foreseeable future. We believe that our credit profile should provide us with access to additional financing, if necessary, to fund growth opportunities that cannot be funded from existing sources.

Impact of New Accounting Standards

In May 2011, the Financial Accounting Standards Board ("FASB") issued an amendment to the accounting standards related to fair value measurements. In June 2011, the FASB issued an amendment to the accounting standards related to the presentation of comprehensive income. In September 2011, the FASB issued an amendment to the accounting standards related to the testing of goodwill for impairment. The impact of these accounting standards is discussed in Note 2 to the interim consolidated financial statements.

Forward-Looking Statements

Some statements and disclosures in this document are forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts and can be identified by the use of words such as "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan" or "continue." These forward-looking statements are based on our current plans and expectations and are subject to a number of risks and uncertainties that could cause our plans and expectations, including actual results, to differ materially from the forward-looking statements. Risks and uncertainties that may affect our future results include, but are not limited to, adverse results from pending or future government investigations, lawsuits or private actions, the competitive environment, changes in government regulations, changing relationships with customers, payers, suppliers and strategic partners and other factors discussed in "Business," "Risk Factors," "Cautionary Factors That May Affect Future Results," "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures About Market Risk" in our 2010 Annual Report on Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk" in our 2011 Quarterly Reports on Form 10-Q and other items throughout the 2010 Form 10-K and our 2011 Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

During the third quarter of 2011, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 12 to the interim consolidated financial statements for information regarding the status of legal proceedings involving the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth the information with respect to purchases made by or on behalf of the Company of its common stock during the third quarter of 2011.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
July 1, 2011 – July 31, 2011				
Share Repurchase Program (A)	—	$ —	—	$ 165,049
Employee Transactions (B)	1,857	$ 56.11	N/A	N/A
August 1, 2011 – August 31, 2011				
Share Repurchase Program (A)	1,022,719	$ 47.74	1,022,719	$ 116,222
Employee Transactions (B)	2,051	$ 49.57	N/A	N/A
September 1, 2011 – September 30, 2011				
Share Repurchase Program (A)	23,300	$ 50.09	23,300	$ 115,055
Employee Transactions (B)	922	$ 49.46	N/A	N/A
Total				
Share Repurchase Program (A)	1,046,019	$ 47.79	1,046,019	$ 115,055
Employee Transactions (B)	4,830	$ 52.07	N/A	N/A

(A) In January 2011, our Board of Directors authorized the Company to repurchase an additional $750 million of the Company's common stock, increasing the total available authorization at that time to $1 billion. Since the share repurchase program's inception in May 2003, our Board of Directors has authorized $4.5 billion of share repurchases of our common stock through September 30, 2011. The share repurchase authorization has no set expiration or termination date.

(B) Includes: (1) shares delivered or attested to in satisfaction of the exercise price and/or tax withholding obligations by holders of stock options (granted under the Company's Amended and Restated Employee Long-Term Incentive Plan and its Amended and Restated Non-Employee Director Long-Term Incentive Plan, collectively the "Stock Compensation Plans") who exercised options; (2) restricted common shares withheld (under the terms of grants under the Stock Compensation Plans) to offset tax withholding obligations that occur upon vesting and release of the restricted common shares; and (3) shares withheld (under the terms of grants under the Stock Compensation Plans) to offset tax withholding obligations that occur upon the delivery of common shares underlying restricted stock units and performance share units.

Item 6. Exhibits

Exhibits:

3.1	Restated Certificate of Incorporation of Quest Diagnostics Incorporated
10.1	Amended and Restated Quest Diagnostics Incorporated Executive Officer Severance Plan
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	dgx-20110930.xml
101.SCH	dgx-20110930.xsd
101.CAL	dgx-20110930_cal.xml
101.DEF	dgx-20110930_def.xml
101.LAB	dgx-20110930_lab.xml
101.PRE	dgx-20110930_pre.xml

Signatures

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

November 3, 2011
Quest Diagnostics Incorporated

By /s/ Surya N. Mohapatra

Surya N. Mohapatra, Ph.D.
Chairman of the Board, President and
Chief Executive Officer

By /s/ Robert A. Hagemann

Robert A. Hagemann
Senior Vice President and
Chief Financial Officer

Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION

OF

QUEST DIAGNOSTICS INCORPORATED

QUEST DIAGNOSTICS INCORPORATED, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Quest Diagnostics Incorporated. The date of filing of its original Certificate of Incorporation with the Secretary of State was December 12, 1990, and the name under which the corporation was originally incorporated is Corning Lab Services Inc.

2. The Restated Certificate of Incorporation attached hereto as Exhibit A only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of the corporation as heretofore amended or supplemented and there is no discrepancy between those provisions and the provisions of the Restated Certificate of Incorporation.

3. The Restated Certificate of Incorporation was duly adopted by the Board of Directors in accordance with Section 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said Quest Diagnostics Incorporated has caused this certificate to be signed by Michael E. Prevoznik, its Vice President, Legal and Compliance, and attested by Leo C. Farrenkopf, Jr., its Secretary, this 13th day of May, 2003.

Quest Diagnostics Incorporated

By: /s/ Michael E. Prevoznik
Michael E. Prevoznik
Vice President, Legal and Compliance

Attest:

By: /s/ Leo C. Farrenkopf, Jr.
Leo C. Farrenkopf, Jr.
Secretary

Exhibit A

RESTATED CERTIFICATE OF INCORPORATION

OF

QUEST DIAGNOSTICS INCORPORATED

1. **Name.** The name of the Corporation is Quest Diagnostics Incorporated.

2. **Address**. The address of the Corporation's registered office in the State of Delaware 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of the Registered Agent at such address is The Corporation Trust Company.

3. **Corporate Purpose**. The purpose of the Corporation is (i) to own and operate medical, clinical, industrial and research laboratories, and (ii) to research, manufacture, design, construct, use, buy, sell, lease, hire and deal in and with articles and property of all kinds, to render services of all kinds, and (iii) generally to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. **Capitalization**. The total number of shares which the Corporation may henceforth have is 310,000,000, of which 10,000,000 shares are to have a par value of $1.00 each and 300,000,000 shares are to have a par value of $0.01 each, which shares shall be classified as follows:

10,000,000 shares, of the par value of $1.00 each, are to be Series Preferred Stock; and

300,000,000 shares, of the par value of $0.01 each, are to be Common Stock.

The relative voting, dividend, liquidation and other rights, preferences and limitations of the shares of each class are as follows:

I. The Preferred Stock may be issued from time to time in one or more series, each such series to have the number of shares and designation, and the shares of each such series to have such relative rights, preferences or limitations, as the Board of Directors, subject to the limitations prescribed by law or provided herein, may from time to time fix, before issuance, by filing an appropriate certificate ("Certificate of Designation") with the Secretary of State pursuant to the General Corporation Law of the State of Delaware. The authority of the Board of Directors with respect to each series shall include, but not be limited to, the fixing of the following:

(a) The number of shares to constitute the series and the distinctive designation thereof;

(b) The dividend rate on the shares of the series; whether dividends shall be cumulative, and, if so, from what date or dates;

(c) Whether or not the shares of the series shall be redeemable and, if redeemable, the terms upon which the shares of the series may be redeemed and the premium, if any, over and above the par value thereof and any dividends accrued thereon which the share of the series shall be entitled to receive upon the redemption thereof;

(d) Whether or not the shares of the series shall be subject to the operation of a retirement or sinking fund to be applied to the purchase or redemption of such shares for retirement and, if such retirement or sinking fund be established, the annual amount thereof and the terms and provisions relative to the operation thereof;

(e) Whether or not the shares of the series shall be convertible into shares of any class or classes of stock of the Corporation, with or without par value, or of any other series of the same class and, if convertible, the conversion price or prices or the rate at which such conversion may be made and the method, if any, of adjusting the same;

(f) The rights of the shares of the series in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Corporation;

(g) The restrictions, if any, on the payment of dividends upon, and the making of the distributions to any class of stock ranking junior to the shares of the series, and the restrictions, if any, on the purchase or redemption of the shares of any such junior class;

(h) Whether the series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights; and

(i) Any other relative rights, preferences and limitations of the series.

II. Holders of shares of Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors, out of funds legally available for the payment of dividends, dividends at the rates fixed by the Board of Directors for the respective series, before any dividends shall be declared and paid, or set apart for payment, on any other class of stock of the Corporation ranking junior to the Preferred Stock either as to dividends or assets, with respect to the same dividend period.

III. Whenever, at any time, dividends on the then outstanding Preferred Stock as may be required by the terms of the certificate creating the series representing the shares outstanding shall have been paid or declared and set apart for payment on the then outstanding Preferred Stock and after complying with all the provisions with respect to any retirement or sinking fund or funds for any series of Preferred Stock, the Board of Directors may, subject to the provisions of any certificate creating any series of Preferred Stock with respect to the payment of dividends on any other class or classes of stock, declare and pay dividends on the Common Stock, and the Preferred Stock shall not be entitled to share therein.

IV. Upon any liquidation, dissolution or winding-up of the Corporation, after payment if any is required, shall have been made in full to the Preferred Stock as provided in any certificate creating any series thereof, but not prior thereto, the Common Stock shall, subject to the respective terms and provisions, if any, of any such certificate, be entitled to receive any and all assets remaining to be paid or distributed, and the Preferred Stock shall not be entitled to share therein.

V. No holder of Common Stock or any series of Preferred Stock shall, as such holder, have any preemptive or preferential right of subscription to any stock of any class of the Corporation or to any obligations convertible into any such stock or to any right of subscription to, or to any warrant or option for, the purchase of any stock, other than such, if any, as the Board of Directors of the Corporation in its discretion may determine from time to time.

VI. The holders of the Common Stock shall have the right to vote on all questions to the exclusion of all other classes of stock, except as by law expressly provided or as otherwise expressly provided with respect to the holders of any other class or classes of stock.

4A. **Voting Cumulative Preferred Stock**

(1) Designation and Amount. An aggregate of 1,000 shares of Series Preferred Stock, with a par value of $1.00 per share, are hereby constituted as a series designated as 1996 Voting Cumulative Preferred Stock" (the "Cumulative Preferred Stock"). The maximum number of shares of Cumulative Preferred Stock shall be 1,000. The Cumulative Preferred Stock is issuable in whole shares only.

(2) Dividends and Distributions.

(a) Holders of shares of Cumulative Preferred Stock will be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash at the rate of 10.00% (the "Dividend Rate") per annum, *provided, however*, that if the Corporation issues senior subordinated notes on or prior to December 31, 1997, the Dividend Rate per annum shall be the greater of (a) 10% and (b) the yield to maturity of such senior subordinated notes issued by the Corporation expressed as a percentage plus 1%. Dividends on the Cumulative Preferred Stock shall be payable quarterly on the first day of January, April, July and October in each year.

(b) Dividends shall begin to accrue and be cumulative on outstanding shares of Cumulative Preferred Stock from the date of issue of such shares. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Cumulative Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date of the determination of holders of shares of Cumulative Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

(3) Voting Rights. (a) The holders of shares of Cumulative Preferred Stock shall have the right, with holders of shares of Common Stock and any other capital stock of the Corporation having voting rights (voting together as one class), to vote on all matters submitted to a vote of the stockholders of the Corporation. Each holder of shares of Cumulative Preferred Stock shall be entitled to one vote for each share held (the holders of shares of any other class or series of preferred stock having like voting rights being entitled to such number of votes, if any, for each share of such stock held as may be granted to them).

(b) The holders of the Cumulative Preferred Stock shall be entitled to vote as a separate class on any amendment to the Certificate of Incorporation which adversely affects the rights of the Cumulative Preferred Stock; *provided, however,* that any increase in the amount of authorized Common Stock or authorized Preferred Stock or any increase or decrease in the number of shares of any series of Preferred Stock or the creation and issuance of other series of Common Stock or Preferred Stock shall not be deemed to adversely affect such rights.

(4) Certain Restrictions.

Whenever quarterly dividends or other dividends or distributions payable on the Cumulative Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Cumulative Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding-up) to the Cumulative Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of Parity Preferred Stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding-up) to the Cumulative Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding-up) to the Cumulative Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any Parity Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

(5) Reacquired Shares. Any shares of Cumulative Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in this Certificate of Incorporation, in any Certificate of Designation establishing a series of Preferred Stock or any similar stock or as otherwise required by law.

(6) Liquidation Preference. The shares of Cumulative Preferred Stock shall rank, as to liquidation, dissolution or winding-up of the Corporation, prior to the shares of Common Stock and any other class of stock of the Corporation ranking junior to the Cumulative Preferred Stock as to rights upon liquidation, dissolution or winding-up of the Corporation, so that in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the holders of the Cumulative Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Common Stock or any other such junior stock, an amount equal to $1,000.00 per share (the "Liquidation Preference" of a share of Cumulative Preferred Stock) plus an amount equal to all dividends (whether or not earned or declared) accrued and accumulated and unpaid on the shares of Cumulative Preferred Stock to the date of final distribution. The holders of the Cumulative Preferred Stock will not be entitled to receive the Liquidation Preference and such dividends until the liquidation preference of any other class of stock of the Corporation ranking senior to the Cumulative Preferred Stock as to rights upon liquidation, dissolution or winding-up shall have been paid (or a sum set aside therefor sufficient to provide for payment) in full. After payment of the full amount of the Liquidation Preference and such dividends, the holders of shares of Cumulative Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. If, upon any liquidation, dissolution or winding-up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of Cumulative Preferred Stock and any Parity Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be

distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. For the purposes hereof, neither a consolidation or merger of the Corporation with or into any other corporation, nor a merger of any other corporation with or into the Corporation, nor a sale or transfer of all or any part of the Corporation's assets for cash or securities shall be considered a liquidation, dissolution or winding-up of the Corporation.

(7) Conversion. The Cumulative Preferred Stock is not convertible into shares of any other class or series of stock of the Corporation.

(8) Redemption.

(a) Optional Redemption. The shares of the Cumulative Preferred Stock may be redeemed at the option of the Corporation, as a whole, or from time to time in part, at any time, up to 1,000 shares of Cumulative Preferred Stock, out of funds legally available therefor, upon giving a Redemption Notice as set forth in paragraph 8(c) hereof*; provided*, *however*, that shares of the Cumulative Preferred Stock shall not be redeemable prior to December 31, 2002. Subject to the foregoing, on or after such date, shares of the Cumulative Preferred Stock are redeemable at the redemption prices per share (expressed as a percentage of the Liquidation Preference set forth below) plus an amount in cash equal to all dividends (whether or not earned or declared) accrued and accumulated and unpaid to, but excluding, the date fixed for redemption (the "Redemption Amount") if redeemed during the 12-month period beginning January 1 of each of the years set forth below:

Year	Percentage
2003	106.000%
2004	104.000%
2005	102.000%
2006 and thereafter	100.000%

If the Corporation effects such redemption, it shall do so ratably according to the number of shares held by each holder of Cumulative Preferred Stock.

(b) Mandatory Redemption. On January 1, 2022, the Corporation shall redeem all of the then outstanding shares of Cumulative Preferred Stock, out of funds legally available therefor at a redemption price equal to the Liquidation Preference. The Corporation shall use its best efforts to cause funds to be legally available therefor. The redemption payment for each share of Cumulative Preferred Stock shall be the Redemption Amount, in cash, as of January 1, 2022.

(c) Mechanics of Redemption.

(i) At least 30 days prior to the date fixed for any redemption pursuant to Section 8(a) or (b) (a "Redemption Date"), the Corporation shall send a written notice (the "Redemption Notice") to each holder of shares of Cumulative Preferred Stock to be redeemed on such date (the "Redemption Shares") stating: (A) the total number of Redemption Shares; (B) the number of Redemption Shares held by such holder; (C) the Redemption Date; (D) the Redemption Amount per share; and (E) the manner in which and the place at which such holder is to surrender to the Corporation the certificate or certificates representing its Redemption Shares.

(ii) Upon surrender to the Corporation, in the manner and at the place designated, of a certificate or certificates representing Redemption Shares, the Redemption Amount for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. All such surrendered certificates shall be canceled.

(iii) If a notice of redemption has been given pursuant to this Section 8 and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the *pro rata* benefit of the holders of the Redemption Shares, then, notwithstanding that any certificates for such Redemption Shares have not been surrendered for cancellation, on the Redemption Date dividends shall cease to accrue on the shares to be redeemed, and at the close of business on the Redemption Date the holders of such shares shall cease to be stockholders with respect to such shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to such shares, except the right to receive the moneys payable upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the Redemption Date shall revert to the general funds of the Corporation, after which reversion the holders of such Redemption Shares shall look only to the general funds of the Corporation for the payment of the amounts payable upon such redemption. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

(iv) The Corporation shall not be obligated to pay the Redemption Amount to any holder of Redemption Shares unless the certificates evidencing such shares are either delivered to the Corporation or its transfer agent, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement reasonably satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates.

(v) A Redemption Notice may provide that it is subject to the occurrence of any event before the Redemption Date specified in such notice (a "Conditional Redemption") and such notice of Conditional Redemption shall be of no effect unless all such conditions to the redemption have occurred before the Redemption Date or have been waived by the Corporation.

(9) Authorization and Issuance of Other Securities. No consent of the holders of the Cumulative Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) the creation, or increase or decrease in the amount, of any class or series of stock of the Corporation ranking on a parity with, senior to or junior to the Cumulative Preferred Stock or as to payment of dividends or amounts upon liquidation, dissolution or winding up, or (c) any increase or decrease in the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof.

(10) Rank. The Cumulative Preferred Stock will rank senior to the Corporation's Common Stock and the Series A Preferred Stock (as defined in Section 4B), on a parity with any series of preferred stock ranking on a parity with the Cumulative Preferred Stock as to the payment of dividends and amounts upon liquidation, dissolution and winding up ("Parity Preferred Stock"), and junior to all other series of preferred stock that do not expressly provide, that such series is to rank junior to or on a parity with the Cumulative Preferred Stock.

(11) Amendment. The Board of Directors reserves the right by subsequent amendment of this Certificate of Incorporation from time to time to increase or decrease the number of shares that constitute the Cumulative Preferred Stock (but not below the number of shares thereof then outstanding) and in other respects to change the powers, preferences or special rights of the Cumulative Preferred Stock within the limitations provided by law and this Certificate of Incorporation.

4B. **Series A Junior Participating Preferred Stock**

(1) Designation and Amount. An aggregate of 1,300,000 shares of Series Preferred Stock, par value $1.00 of the Corporation are hereby constituted as a series designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock").

(2) Dividends and Distributions.

(a) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock or any similar stock ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $10 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by, reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (a) of this Section immediately after it declares a dividend or distribution of the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $10 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A

Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

(3) Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights.

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein, in any other certificate creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) Except as set forth herein, holders of Series A Preferred Stock shall have no voting rights.

(4) Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding-up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding-up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding-up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding-up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

(5) Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth in this Certificate of Incorporation, in any other Certificate of Designation establishing a series of Preferred Stock or any similar stock or as otherwise required by law.

(6) Liquidation, Dissolution, or Winding-Up. Upon any liquidation, dissolution or winding-up of the Corporation, no distribution shall be made (i) to the holder of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding-up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (ii) to the holders of shares of stock ranking on

a parity (either as to dividends or upon liquidation, dissolution or winding-up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or wind-up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the provision in clause (i) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(7) Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property, as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(8) Redemption. The shares of Series A Preferred Stock shall not be redeemable.

(9) Rank. The Series A Preferred Stock shall rank junior with respect to the payment of dividends and the distribution of assets to all series of any class of Preferred Stock or any similar stock that specifically provide that they shall rank prior to the Series A Preferred Stock. Nothing herein shall preclude the Board from creating any series of Preferred Stock or any similar stock ranking on a parity with or prior to the Series A Preferred Stock as to the payment of dividends or the distribution of assets.

(10) Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences

or special rights of the Series A Preferred Stock so as to affect such Series adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single series.

5. **Directors**. (a) The business and affairs of the Corporation shall be managed by a Board of Directors consisting of not less than three nor more than twelve persons. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by the Board of Directors pursuant to a resolution adopted by the affirmative vote of a majority of the entire Board of Directors; and such exact number shall be six unless otherwise determined by a resolution so adopted by a majority of the entire Board of Directors. As used in this Certificate of Incorporation, the term "entire Board of Directors" means the total authorized number of directors which the Corporation would have if there were no vacancies.

As of the Distribution Date (as defined in the Transaction Agreement dated as of November 22, 1996 among Corning Incorporated, Corning Life Sciences Inc., the Corporation, Covance and Corning Clinical Laboratories Inc. (Michigan) (the "Distribution Date"), the directors shall be divided into three classes, as nearly equal in number as possible, with the term of office of the first class to expire at the 1998 Annual Meeting of Stockholders, the term of office of the second class to expire at the 1999 Annual Meeting of Stockholders, and the terms of office of the third class to expire at the 2000 Annual Meeting of Stockholders. Commencing with the 1998 Annual Meeting of Stockholders, directors elected to succeed those directors whose terms have thereupon expired shall be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after their election. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain or attain, if possible, the equality of the number of directors in each class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. If such equality is not possible, the increase or decrease shall be apportioned among the classes in such a way that the difference in the number of directors in any two classes shall not exceed one.

(b) Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, vacancies in any class of directors resulting from a newly created directorship, death, resignation, retirement, disqualification, removal from office or other cause shall, if occurring prior to the expiration of the term of office of such class, be filled only by the affirmative vote of a majority of the remaining directors of the entire Board of Directors then in office, although less than a quorum, or by the sole remaining director. Any director so elected shall hold office until the next election of the class for which such directors shall have been chosen and until his successor is elected and qualified. No decrease in the number of directors shall shorten the term of any incumbent director.

(c) Whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by this Paragraph 5 unless expressly otherwise provided by the resolution or resolutions providing for the creation of such series.

(d) Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, (i) any director, or the entire Board of Directors, may be removed by the stockholders from office at any time prior to the expiration of his term of office, but only for cause, and only by the affirmative vote of the holders of record of outstanding shares representing a majority of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, and (ii) any director may be removed from office by the affirmative vote of a majority of the entire Board of Directors, at any time prior to the expiration of his term of office, but only for cause.

(e) Notwithstanding any other provision of this Certificate of Incorporation and subject to the other provisions of this Paragraph 5, the Board of Directors shall determine the rules and procedures that shall affect the Directors' power to manage and direct the business and affairs of the Corporation. Without limiting the foregoing, the Board of Directors shall designate and empower committees of the Board of Directors, shall elect and empower the officers of the Corporation, may appoint and empower other officers and agents of the Corporation, and shall determine the time and place of, and the notice requirements for, Board meetings, as well as quorum and voting requirements for, and the manner of taking, Board actions.

6. **Business Combination**. (*1) Certain Definitions.* For the purposes of this Paragraph 6:

A. "Business Combination" shall mean:

(i) any merger or consolidation of the Corporation or any Subsidiary with (a) an Interested Stockholder or (b) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of $20,000,000 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to an interested Stockholder or an Affiliate or Associate of an Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of $20,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the corporation with any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly, or indirectly, of increasing the percentage of the outstanding shares of (a) any class of equity securities of the Corporation or any Subsidiary or (b) any class of securities of the Corporation or any Subsidiary convertible into equity securities of the Corporation or any Subsidiary, represented by securities of such class which are directly or indirectly owned by an Interested Stockholder and all of its Affiliates and Associates; or

(vi) any agreement, contract or other arrangement providing for any one or, more of the actions specified in clauses (i) through (v) of this Section 1A.

B. "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on January 1, 1997.

C. "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on January 1, 1997.

D. "Continuing Director" shall mean (i) any member of the Board of Directors of the Corporation who (a) is neither the Interested Stockholder involved in the Business Combination as to which a vote of Continuing Directors is provided hereunder, nor an Affiliate, Associate, employee, agent, or nominee of such Interested Stockholder, or the relative of any of the foregoing, and (b) was a member of the Board of Directors of the Corporation prior to the time that such Interested Stockholder became an Interested Stockholder, (ii) any successor of a Continuing Director described in clause (i) who is recommended or elected to succeed a Continuing Director by the affirmative vote of a majority of Continuing Directors then on the Board of Directors of the Corporation, and (iii) any person who is a member of the Board of Directors of the Corporation at the Distribution Date and any successor thereto who is recommended or elected by the affirmative vote of a majority of the Continuing Directors then on the Board of Directors of the Corporation.

E. "Fair Market Value" shall mean: (i) in the case of stock, the highest closing sale price during the 30 day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not reported on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Exchange Act on which such stock is listed, or if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc., Automated Quotations System or any similar inter-dealer quotation system then in use, or if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

F. "Interested Stockholder" shall mean any Person (other than the Corporation or any Subsidiary) who or which:

(i) is, or was at any time within the two-year period immediately prior to the date in question, the Beneficial Owner of 10% or more of the voting power of the then outstanding Voting Stock of the Corporation; or

(ii) is an assignee of, or has otherwise succeeded to, any shares of Voting Stock of the Corporation of which an Interested Stockholder was the Beneficial Owner at any time within the two-year period immediately prior to the date in question, if such assignment or succession shall have occurred in the course of a transaction, or series of transactions, not involving a public offering within the meaning of the Securities Act of 1933, as amended.

For the purpose of determining whether a Person is an Interested Stockholder, the outstanding Voting Stock of the Corporation shall include unissued shares of Voting Stock of the Corporation of which the Interested Stockholder is the Beneficial Owner but shall not include any other shares of Voting Stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the Interested Stockholder.

G. A "Person" shall mean any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group deemed to be a person under Section 14(d) (2) of the Exchange Act.

H. "Subsidiary" shall mean any corporation of which the Corporation owns, directly or indirectly, (i) a majority of the outstanding shares of equity securities of such corporation, or (ii) shares having a majority of the voting power represented by all of the outstanding shares of Voting Stock of such corporation. For the purpose of determining whether a corporation is a Subsidiary, the outstanding Voting Stock and shares of equity securities thereof shall include unissued shares of which the Corporation is the Beneficial Owner but, except for the purposes of Section 1F, shall not include any other shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the Corporation.

I. "Voting Stock" shall mean outstanding shares of capital stock of the relevant corporation entitled to vote generally in the election of directors

(2) Higher Vote for Business Combinations. In addition to any affirmative vote required by law or by this Certificate of Incorporation, and except as otherwise expressly provided in Section 3 of this Paragraph 6, any Business Combination shall require the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of the then outstanding shares of the Voting Stock of the Corporation, voting together as a

single class, it being understood that, for purposes of this Paragraph 6, each share of the Voting Stock of the Corporation shall have the number of votes granted to it pursuant to Paragraph 4 of this Certificate of Incorporation. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

(3) When Higher Vote is Not Required.

The provisions of Section 2 of this Paragraph 6 shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote, if any, of the stockholders as is required by law and any other provision of this Certificate of Incorporation, if the conditions specified in either of the following paragraphs A and B are met:

A. Approval by Continuing Directors. The Business Combination shall have been approved by the affirmative vote of a majority of the Continuing Directors, even if the Continuing Directors do not constitute a quorum of the entire Board of Directors.

B. Form of Consideration, Price and Procedure Requirements. All of the following conditions shall have been met:

(i) With respect to each share of each class of Voting Stock of the Corporation (including Common Stock), the holder thereof shall be entitled to receive on or before the date of the consummation of the Business Combination (the "Consummation Date"), consideration, in the form specified in Section 3 (B) (ii) hereof, with an aggregate Fair Market Value as of the Consummation Date at least equal to the highest of the following:

(a) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder to which the Business Combination relates, or by any Affiliate or Associate of such Interested Stockholder, for any shares of such class of Voting Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Stockholder, whichever is higher;

(b) the Fair Market Value per share of such class of Voting Stock of the Corporation on the Announcement Date; and

(c) the highest preferential amount per share, if any, to which the holders of shares of such class of Voting Stock of the Corporation are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation.

(ii) The consideration to be received by holders of a particular class of outstanding Voting Stock of the Corporation (including Common Stock) as described in Section 3(B) (i) hereof shall be in cash or if the consideration previously paid by or on behalf of the Interested Stockholder in connection with its acquisition of beneficial ownership of shares of such class of Voting Stock consisted in whole or in part of consideration other than cash, then in the same form as such consideration. If such payment for shares of any class of Voting Stock of the Corporation has been made with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the beneficial ownership of the largest number of shares of such class of Voting Stock previously acquired by the Interested Stockholder.

(iii) After such Interested Stockholder has become an Interested Stockholder and prior to the Consummation Date of such Business Combination: (a) except as approved by the affirmative vote of a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding preferred stock of the Corporation, if any; (b) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock of the Corporation (except as necessary to reflect any subdivision of the Common Stock) except as approved by the affirmative vote of a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of Common Stock, unless the failure so to increase such annual rate is approved by the affirmative vote of a majority of the Continuing Directors; and (c) such Interested Stockholder shall not have become the Beneficial Owner of any additional shares of Voting Stock of the Corporation except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(iv) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder of the Corporation), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation.

(v) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Exchange Act and the General Rules and Regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to the stockholders of the Corporation at least 45 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions thereof).

(*4) Powers of Continuing Directors.* A majority of the Continuing Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Paragraph 6, including, without limitation, (A) whether a person is an Interested Stockholder, (B) the number of shares of Voting Stock of the Corporation beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another, (D) whether the requirements of paragraph B of Section 3 have been met with respect to any Business Combination, and (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of $20,000,000 or more; and the good faith determination of a majority of the Continuing Directors on such matters shall be conclusive and binding for all the purposes of this Paragraph 6.

(5) No Effect on Fiduciary Obligations

A. Nothing contained in this Paragraph 6 shall be construed to relieve the members of the Board of Directors or an Interested Stockholder from any fiduciary obligation imposed by law.

B. The fact that any Business Combination complies with the provisions of Section 3 of this Paragraph 6 shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the stockholders of the Corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

7. **Special Stockholder Meetings.** Except as otherwise required by law, special meetings of the stockholders may be called only by the Board of Directors.

8. **Action by Unanimous Written Consent**. From and after the Distribution Date, any action which may be taken at any annual or special meeting of stockholders may be taken without a meeting without prior notice and without a vote, if consent in writing, setting forth the action so taken, shall be signed, in person or by proxy, by the holders of all outstanding stock entitled to vote thereon and no action by non-unanimous written consent shall be permitted.

9. **Bylaws.** The Board of Directors shall have the right to make, alter or repeal the Bylaws of the Corporation, subject to the right of the stockholders of the Corporation to alter or repeal any Bylaw made by the Board of Directors.

10. **Elections**. The election of directors of the Corporation need not be by written ballot, unless the Bylaws of the Corporation otherwise provide.

11. **Indemnification.** (a) No director of the Corporation shall have any personal liability to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that this provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit.

(b) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action either in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expenses, liability and loss (including attorneys' fees, judgments, fines, excise taxes pursuant to the Employee Retirement Income Security Act of 1974, as amended, or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to be indemnified conferred in this Paragraph 11 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expenses incurred by the director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is to be rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan), in advance of the final disposition of proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Paragraph or otherwise. The Corporation may also provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

(c) The indemnification provided by this Paragraph 11 shall not limit or exclude any rights, indemnities or limitations of liability to which any person may be entitled, whether as a matter of law, under the By-Laws of the Corporation, by agreement, vote of the stockholders or disinterested directors of the Corporation or otherwise.

(d) If a claim under paragraph (b) of this Paragraph 11 is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard or conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall create a presumption that the claimant has not met the applicable standard of conduct.

(e) The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

12. **Amendment or Repeal.** The affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of all the outstanding Voting Stock of the Corporation shall be required to amend, alter or repeal, or adopt any provision or provisions inconsistent with, any provision of Paragraphs 5, 6, 7 and 8 and this Paragraph 12; provided, however, that this Paragraph 12 shall not apply to, and such eighty percent (80%) vote shall not be required for, any amendment, alteration, repeal or adoption of any inconsistent provision or provisions, declared advisable by the Board of Directors by the affirmative vote of two-thirds of the entire Board of Directors and a majority of the Continuing Directors.

Exhibit 10.1

AMENDED AND RESTATED QUEST DIAGNOSTICS INCORPORATED
EXECUTIVE OFFICER SEVERANCE PLAN

1. *Purpose*. The purpose of the Quest Diagnostics Incorporated Executive Officer Severance Plan (together with the attached schedules, appendices and exhibits, the "**Plan**") is to secure the continued services of the executive officers of the Company and provide these executives with certain termination benefits in the event of a Qualifying Termination (as defined in Section 2) and to ensure their continued dedication to their duties in the event of any threat or occurrence of a Change in Control of the Company (as defined in Section 2).

2. *Definitions*. As used in this Plan, the following terms shall have the respective meanings set forth below:

(a) "**Annual Performance Bonus**" means the annual cash bonus awarded under the Company's applicable incentive plans, as in effect from time to time (as of the date of adoption of this Plan the "Bonus" within the meaning of Section 5(a) of the Company's Senior Management Incentive Plan, effective as of May 13, 2003 and under the Company's Management Incentive Plan such plans referred to herein as the "**Company Incentive Plan**").

(b) "**Base Salary**" means the Participant's annual rate of base salary as in effect on the Date of Termination, *provided*, *however*, that Base Salary for the Termination Period shall mean the Participant's highest annual rate of base salary during the twelve-month period immediately prior to the Participant's Date of Termination.

(c) "**Board**" means the Board of Directors of the Company and, after a Change in Control, the "board of directors" of the surviving corporation. References herein to the Board include any committee or person to whom the Board has designated its authority.

(d) "**Bonus Amount**" means the Participant's target Annual Performance Bonus for the fiscal year in which the Participant's Date of Termination occurs, *provided*, *however*, that if the Participant's Qualifying Termination is on account of Good Reason pursuant to a reduction in a Participant's compensation or compensation opportunity under Section 2(k)(ii), "Bonus Amount" shall be the Participant's target Annual Performance Bonus for the prior fiscal year if higher.

(e) "**Cause**" means (i) the willful and continued failure of the Participant to perform substantially his duties with the Company (other than any such failure resulting from the Participant's incapacity due to physical or mental illness or any such failure subsequent to the Participant being delivered a notice of termination without Cause by the Company or delivering a notice of termination for Good Reason to the Company) after a written demand for substantial performance is delivered to the Participant by or on behalf of the Board which specifically identifies the manner in which the Board believes that the Participant has not substantially performed his duties, (ii) the willful engaging by the Participant in illegal conduct or gross misconduct which is demonstrably and materially injurious to the Company or its affiliates, (iii) the engaging by the Participant in conduct or misconduct that materially harms the reputation or financial position of the Company, (iv) the Participant (x) obstructs or impedes, (y) endeavors to influence, obstruct or impede or (z) fails to materially cooperate with, an Investigation, (v) the commission of a felony by the Participant or (vi) the Participant is found liable in any Securities and Exchange Commission or other civil or criminal securities law action.

For purposes of this paragraph (e), no act or failure to act by the Participant shall be considered "willful" unless done or omitted to be done by the Participant in bad faith and without reasonable belief that the Participant's action or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, in accordance with authority duly given by the Board, based upon the advice of counsel for the Company (including counsel employed by the Company) shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Company.

A Participant who is designated on Schedule A (and, after a Change in Control, a Participant who is designated on Schedule B) shall not be considered to have been terminated for Cause unless and until the Company has delivered to the Participant a copy of a resolution duly adopted by three-quarters (3/4) of the entire Board (excluding the Participant from both the numerator and denominator if the Participant is a Board member) at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for the Participant, together with counsel, to be heard before the Board), finding that in the good faith opinion of the Board an event set forth in clauses (i), (ii), (iii), (iv), (v), or (vi) has occurred and specifying the particulars thereof in detail.

Anything herein to the contrary notwithstanding, if, following a termination of the Participant's employment by the Company for Cause based upon the conviction of the Participant for a felony, such conviction is overturned in a final determination on appeal, the Participant shall be entitled to the payments and the economic equivalent of the benefits the Participant would have received if his employment had been terminated by the Company without Cause.

(f) "**Change in Control**" means the occurrence of any one of the following events:

(i) any person is or becomes a "beneficial owner" (as defined in Rule 13d 3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 40% of the total voting power of the Company's then outstanding securities generally eligible to vote for the election of directors (the "**Company Voting Securities**"), *provided*, *however*, that any of the following acquisitions shall not be deemed to be a Change in Control: (1) by the Company or any subsidiary or affiliate, (2) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary or affiliate, (3) by any underwriter temporarily holding securities pursuant to an offering of such securities, or (4) pursuant to a Non-Qualifying Transaction (as defined in paragraph (ii));

(ii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries or affiliates that requires the approval of the Company's stockholders whether for such transaction or the issuance of securities in the transaction (a "**Business Combination**"), unless immediately following such Business Combination:

(A) more than 50% of the total voting power of (x) the corporation resulting from such Business Combination (the "**Surviving Corporation**"), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 95% of the voting securities eligible to elect directors of the Surviving Corporation (the "**Parent Corporation**"), is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination,

(B) no person (other than any employee benefit plan (or any related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation), is or becomes the beneficial owner, directly or indirectly, of securities of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) representing 40% of the total voting power of the securities then outstanding generally eligible to vote for the election of directors of the Parent Corporation (or the Surviving Corporation), and

(C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination;

(Any Business Combination which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "**Non-Qualifying Transaction**");

(iii) individuals who, on the effective date of this Plan, constitute the Board (the "**Incumbent Directors**") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the effective date of this Plan, whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent director; *provided*, *however*, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director; or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or the consummation of a sale of all or substantially all of the Company's assets to an entity that is not an affiliate of the Company (other than pursuant to a Non-Qualifying Transaction).

Notwithstanding the foregoing, a Change in Control of the Company shall not be deemed to occur solely because any person acquires beneficial ownership of more than 40% of Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided, that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control of the Company shall then occur.

(g) "**Company**" means Quest Diagnostics Incorporated, a Delaware corporation.

(h) "**Date of Termination**" means (i) the effective date on which the Participant's employment by the Company terminates as specified in a prior written notice by the Company or the Participant, as the case may be, to the other, delivered pursuant to Section 12 or (ii) if the Participant's employment by the Company terminates by reason of death, the date of death of the Participant.

(i) "**Disability**" shall have the same meaning ascribed to that term in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

(j) "**Equity Incentive Compensation**" means all equity-based compensation (including stock options, stock appreciation rights, restricted stock and performance shares) awarded under the Company's incentive plan(s), as in effect from time to time (as of the date of adoption of this Plan the Amended and Restated Employee Long-Term Incentive Plan).

(k) "**Good Reason**" means the occurrence of one or more of the following circumstances, without the Participant's express written consent, and which circumstance(s) are not remedied by the Company within thirty (30) days of receipt of a written notice from the Participant describing in reasonable detail the Good Reason event that has occurred (which notice must be provided within ninety (90) days of the Participant's obtaining knowledge of the event):

(i) (A) any material change in the duties, responsibilities or status (including reporting responsibilities) of the Participant that is inconsistent in any material and adverse respect with the Participant's position(s), duties, responsibilities or authority with the Company immediately prior to such Change in Control (including any material and adverse diminution of such duties or responsibilities); provided, however, that Good Reason shall not be deemed to occur upon a change in duties, responsibilities (other than reporting responsibilities) or status that is solely and directly a result of the Company no longer being a publicly traded entity and does not involve any other event set forth in this Section 2(k) or (B) a material and adverse change in the Participant's titles or offices (including, if applicable, membership on the Board) with the Company as in effect immediately prior to such Change in Control;

(ii) a material reduction by the Company in the Participant's aggregate rate of annual base salary, Annual Performance Bonus opportunity and Equity Incentive Compensation target opportunity (including any material and adverse change in the formula for such targets) as in effect immediately prior to such Change in Control;

(iii) the Company's requiring the Participant to be based at any office or location more than fifty (50) miles from the office where the Participant is located at the time of the Change in Control and as a result causing the

Participant's commute from his residence at the time of the Change in Control to the new location to increase by more than fifty (50) miles;

(iv) the failure of the Company to continue in effect any employee benefit plan, compensation plan, welfare benefit plan or fringe benefit plan in which the Participant is participating immediately prior to such Change in Control or the taking of any action by the Company, in each case which would materially adversely affect the Participant, unless the Participant is permitted to participate in other plans providing the Participant with materially equivalent benefits in the aggregate (at materially equivalent or lower cost with respect to welfare benefit plans); or

(v) the failure of the Company to obtain the assumption of the Company's obligations hereunder from any successor as contemplated in Section 11(b).

Notwithstanding the foregoing, an isolated, insubstantial and inadvertent action taken in good faith and which is remedied by the Company within thirty (30) days after receipt of notice thereof given by the Participant shall not constitute Good Reason. The Participant's right to terminate employment for Good Reason shall not be affected by the Participant's incapacities due to mental or physical illness and the Participant's continued employment shall not constitute consent to, or a waiver of rights with respect to, any event or condition constituting Good Reason. The Participant may terminate his employment for a "Good Reason" event that is not reasonably remedied by the Company *provided* that the Participant shall have delivered a notice of termination within ninety (90) days after delivery of the notice describing the Good Reason event giving rise to such termination.

(l) "**Investigation**" means an investigation authorized by the Board, a self-regulatory organization empowered with self-regulatory responsibilities under federal or state laws or a governmental department or agency.

(m) "**Participant**" means an executive officer of the Company selected, from time to time, by the Board for participation in this Plan and who is designated on Schedule A or B at the applicable time but only if such executive has completed at least one year of continuous employment with the Company and its Subsidiaries at the applicable time (unless such one year employment requirement has been waived in writing by the Board).

(n) "**Potential Change in Control**" means the execution or entering into of any agreement by the Company the consummation of which can be expected to be a Change in Control.

(o) "**<u>Qualifying Termination</u>**" means a termination of the Participant's employment with the Company that occurs on or after January 1, 2008 (i) prior to a Change in Control, by the Company other than for Cause and (ii) after a Change in Control, by the Company other than for Cause or by the Participant for Good Reason. Termination of the Participant's employment on account of death, Disability or Retirement shall not be treated as a Qualifying Termination. Notwithstanding the preceding sentence, the death of the Participant after notice of termination for Good Reason or without Cause has been validly provided shall be deemed to be a Qualifying Termination.

(p) "**<u>Retirement</u>**" means the Participant's voluntary termination of employment on or after he or she attains age 60 with five (5) years of service.

(q) "**<u>Subsidiary</u>**" means any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity entitled to vote generally in the election of directors (or members of any similar governing body) or in which the Company has the right to receive 50% or more of the distribution of profits or 50% of the assets or liquidation or dissolution.

(r) "**<u>Termination Period</u>**" means the period of time beginning with a Change in Control and ending two (2) years following such Change in Control. Notwithstanding anything in this Plan to the contrary, if (i) the Participant's employment is terminated prior to a Change in Control for reasons that would have constituted a Qualifying Termination if they had occurred following a Change in Control; (ii) the Participant reasonably demonstrates that such termination (or Good Reason event) was at the request of a third party who had indicated an intention or taken steps reasonably calculated to effect a Change in Control; and (iii) a Change in Control involving such third party (or a party competing with such third party to effectuate a Change in Control) does occur within six (6) months from the date of such termination, then for purposes of this Plan, the date immediately prior to the date of such termination of employment or event constituting Good Reason shall be treated as a Change in Control. For purposes of determining the <u>timing</u> of payments and benefits to the Participant under Section 5, the date of the actual Change in Control shall be treated as the Participant's Date of Termination under Section 2(h), and for purposes of determining the <u>amount</u> of payments and benefits owed to the Participant under Section 5, the date the Participant's employment is actually terminated shall be treated as the Participant's Date of Termination under Section 2(h).

3. *<u>Eligibility</u>*. (a) The Board shall determine in its sole discretion which executives of the Company shall be Participants in this Plan and whether a Participant shall be designated on Schedule A or B.

(b) The Board may, in its sole discretion, remove any executive from Schedule A and add such executive to Schedule B but may not remove any executive from participation in this Plan entirely; *provided*, that a Participant who is designated on Schedule A as of immediately prior to a Change in Control may not be removed from such Schedule without his or her prior written consent within the two year period following a Change in Control.

(c) The Board may delegate its authority to determine which senior executives of the Company shall be Participants in this Plan, to designate the Participants on Schedule A or B and to remove a Participant from Schedule A to the Compensation Committee (or any successor committee) of the Board.

4. *Payments Upon Termination of Employment Prior to a Change in Control*. If the employment of the Participant is terminated pursuant to a Qualifying Termination, then, subject to the Participant's execution of a Separation Agreement and Release in the form attached to this Plan as Exhibit A (the "**Separation Agreement and Release**") which shall be provided to the Participant no later than two (2) days after the Date of Termination and must be executed by the Participant, become effective and not be revoked by the Participant by the fifty-fifth (55^{th}) day following the Date of Termination, the Company shall provide to the Participant:

(a) A cash payment equal to the Participant's Base Salary multiplied by either (i) 2.00 for a Participant designated on Schedule A or (ii) 1.00 for a Participant designated on Schedule B;

(b) A cash payment equal to the Bonus Amount times (i) 2.00 for a Participant designated on Schedule A or (ii) 1.00 for a Participant designated on Schedule B;

(c) For eighteen (18) months for a Participant designated on Schedule A or (ii) twelve (12) months for a Participant designated on Schedule B, following the Date of Termination, group medical and life insurance coverage to the Participant (and his eligible dependents), under the terms prevailing at the time immediately preceding the Date of Termination; the Company shall continue to provide such coverage on the same terms as provided by the Company to similarly situated executives; *provided*, that the Company shall cease to provide such coverage if the Participant obtains alternate employment and is eligible for substantially comparable group medical or life insurance coverage with such employer; *provided further*, that the Participant shall notify the Company within 10 days of securing such alternate employment; *provided further*, that in the event of the disability of the Participant, group medical coverage shall continue for a longer period consistent with the Consolidated Omnibus Budget Reconciliation

Act of 1986 ("**COBRA**") and, *provided*, *further*, to the extent that any plan does not permit continuation of the Participant's or his eligible dependents' participation throughout such period, the Company shall pay the Participant an amount, on an after-tax basis, equal to the Company's cost of providing such benefits;

(d) For one (1) year following the Date of Termination, the Participant will be entitled to receive executive outplacement assistance from Lee Hecht Harrison or an equivalent career placement firm at the Company's expense and in accordance with the Company's policies for similarly situated executives; and

(e) A cash payment equal to any matching contributions made by the Company on behalf of the Participant to the Company's 401(k) plan and the Company's Supplemental Deferred Compensation Plan during the year preceding the Date of Termination.

The cash payments specified in paragraphs (a), (b), (c) and (e) of this Section 4 shall be paid no later than the sixtieth (60^{th}) day (or the next following business day if the sixtieth day is not a business day) following the Date of Termination, but may be made earlier provided that the Separation Agreement has been executed by the Participant and the revocation period thereunder has lapsed. Each such cash payment shall be deemed to be a separate payment for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

5. *Payments Upon Termination of Employment After a Change in Control*. If during the Termination Period the employment of the Participant is terminated pursuant to a Qualifying Termination, then, subject to the Participant's execution of a Separation Agreement and Release which shall be provided to the Participant no later than two (2) days after the Date of Termination and must be executed by the Participant, become effective and not be revoked by the Participant by the fifty-fifth (55^{th}) day following the Date of Termination, the Company shall provide to the Participant:

(a) A cash payment equal to the result of multiplying the sum of the Participant's Base Salary *plus* the Participant's Bonus Amount by (i) either 3.00 for a Participant designated on Schedule A or (ii) 2.00 for a Participant designated on Schedule B; and

(b) A cash payment equal to the Participant's target Annual Performance Bonus for the fiscal year in which the Participant's Date of Termination occurs, multiplied by a fraction the numerator of which shall be the number of days the Participant was employed by the Company during the fiscal year in which the Date of Termination occurred and the denominator of which is 365;

(c) The benefits and payments specified in paragraphs (c), (d) and (e) of Section 4.

(d) To the extent provided in Appendix A, if the Participant is subject to the excise tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "**Excise Tax**"), a gross-up payment in accordance with the provisions of Appendix A.

The cash payments specified in paragraphs (a), (b) and (c) of this Section 5 shall be paid no later than the sixtieth (60^{th}) day (or the next following business day if the sixtieth day is not a business day) following the Date of Termination, but may be made earlier provided that the Separation Agreement has been executed by the Participant and the revocation period thereunder has lapsed. Each such cash payment shall be deemed to be a separate payment for purposes of Section 409A of the Code.

6. *Key Employees*. It is the intent of the Company that no payments or benefits provided under this Plan shall be considered "non-qualified deferred compensation" within the meaning of Section 409A of the Code and the Plan shall be interpreted accordingly. If and to the extent that any payment or benefit is determined by the Company (a) to constitute "non-qualified deferred compensation" subject to Section 409A of the Code, (b) such payment or benefit is provided to a Participant who is a "specified employee" (within the meaning of Section 409A of the Code and as determined pursuant to procedures established by the Company) and (c) such payment or benefit must be delayed for six months from the Participant's Date of Termination (or an earlier date) in order to comply with Section 409A(a)(2)(B)(i) of the Code and not cause the Participant to incur any additional tax under Section 409A of the Code, then the Company will delay making any such payment or providing such benefit until the expiration of such six month period. The Company shall set aside those payments that would have been made but for payment delay required by the preceding sentence in a trust that is in compliance with Rev. Proc. 92-64 which may, but need not be, the trust established under the Company's Supplemental Deferred Compensation Plan; provided, however, that no payment will be made to the Rabbi Trust if it would be contrary to law or cause the Participant to incur additional tax under Section 409A.

7. *Participant's Obligations*. The Participant agrees that:

(a) Without the consent of the Company, the Participant will not terminate employment with the Company without giving 30 days prior notice to the Company, and during such 30-day period the Participant will assist the

Company, as and to the extent reasonably requested by the Company, to effect an orderly transition of the Participant's duties and responsibilities with the Company.

(b) In the event that the Participant has received any benefits from the Company under Section 4 of this Agreement, then, during the period of 36 months following the Date of Termination, the Participant, upon request by the Company:

(i) Will consult with one or more of the executive officers concerning the business and affairs of the Company for not to exceed four hours in any month at times and places selected by the Participant as being convenient to him or her, all without compensation other than what is provided for in Section 4 of this Agreement; and

(ii) Will testify as a witness on behalf of the Company in any legal proceedings involving the Company which arise out of events or circumstances that occurred or existed prior to the Date of Termination (except for any such proceedings relating to this Plan), without compensation other than what is provided for in Section 4 of this Agreement; *provided*, that all out-of-pocket expenses incurred by the Participant in connection with serving as a witness shall be paid by the Company.

The Participant shall not be required to perform the Participant's obligations under this Section 7 if and so long as the Company is in default with respect to performance of any of its obligations under this Agreement.

8. *Withholding Taxes*. The Company may withhold from all payments due to the Participant (or his beneficiary or estate) hereunder all taxes which, by applicable federal, state, local or other law, the Company is required to withhold therefrom.

9. *Reimbursement of Expenses*. Following a Change in Control, if any contest or dispute shall arise under this Plan involving termination of a Participant's employment with the Company or involving the failure or refusal of the Company to perform fully in accordance with the terms hereof, the Company shall reimburse the Participant on a current basis for all reasonable legal fees and related expenses, if any, incurred by the Participant in connection with such contest or dispute (regardless of the result thereof), together with interest in an amount equal to the prime rate as reported in *The Wall Street Journal*, but in no event higher than the maximum legal rate permissible under applicable law, such interest to accrue thirty (30) days from the date the Company

receives the Participant's statement for such fees and expenses through the date of payment thereof, regardless of whether or not the Participant's claim is upheld by a court of competent jurisdiction or an arbitration panel; *provided*, *however*, that the Participant shall be required to repay immediately any such amounts to the Company to the extent that a court or an arbitration panel issues a final and non-appealable order setting forth the determination that the position taken by the Participant was frivolous or advanced by the Participant in bad faith.

10. *No Guarantee of Employment*. Nothing in this Plan shall be deemed to entitle the Participant to continued employment with the Company or its Subsidiaries.

11. *Successors; Binding Agreement*. (a) This Plan shall not be terminated by any Business Combination. In the event of any Business Combination, the provisions of this Plan shall be binding upon the Surviving Corporation, and such Surviving Corporation shall be treated as the Company hereunder.

(b) The Company agrees that in connection with any Business Combination, it will cause any successor entity to the Company unconditionally to assume all of the obligations of the Company hereunder. Failure of the Company to obtain such assumption prior to the effectiveness of any such Business Combination that constitutes a Change in Control, shall be a breach of this Plan and shall constitute Good Reason hereunder and shall entitle the Participant to compensation and other benefits from the Company in the same amount and on the same terms as the Participant would be entitled hereunder if the Participant's employment were terminated following a Change in Control by reason of a Qualifying Termination. For purposes of implementing the foregoing, the date on which any such Business Combination becomes effective shall be deemed the date Good Reason occurs, and shall be the Date of Termination if requested by a Participant.

(c) The benefits provided under this Plan shall inure to the benefit of and be enforceable by the Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Participant shall die while any amounts would be payable to the Participant hereunder had the Participant continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to such person or persons appointed in writing by the Participant to receive such amounts or, if no person is so appointed, to the Participant's estate.

12. *Notice*. (a) For purposes of this Plan, all notices and other communications required or permitted hereunder shall be in writing and shall be deemed

to have been duly given when delivered or five (5) days after deposit in the United States mail, certified and return receipt requested, postage prepaid, addressed as follows:

If to the Participant: the address listed as the Participant's address in the Company's personnel files.

If to the Company:

Quest Diagnostics Incorporated
3 Giralda Farms
Madison, NJ 07071
Attention: General Counsel

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

(b) A written notice of the Participant's Date of Termination by the Company or the Participant, as the case may be, to the other, shall (i) indicate the specific termination provision in this Plan relied upon, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Participant's employment under the provision so indicated and (iii) specify the date of termination, which date shall be not less than fifteen (15) nor more than sixty (60) days after the giving of such notice; *provided*, *however*, that the Company may in its sole discretion accelerate such date to an earlier date or, alternatively, place the Participant on paid leave during such period. The failure by the Participant or the Company to set forth in such notice any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Participant or the Company hereunder or preclude the Participant or the Company from asserting such fact or circumstance in enforcing the Participant's or the Company's rights hereunder.

13. *Full Settlement; Resolution of Disputes and Costs*. (a) The Company's obligation to make any payments provided for in this Plan and otherwise to perform its obligations hereunder shall be in lieu and in full settlement of all other severance payments to the Participant under any other severance or employment agreement between the Participant and the Company, and any severance plan of the Company. In no event shall the Participant be obligated to seek other employment or take other action by way of mitigation of the amounts payable to the Participant under any of the provisions of this Plan and, except as provided in the Separation Agreement and Release, such amounts shall not be reduced whether or not the Participant obtains other employment.

(b) Any dispute or controversy arising under or in connection with this Plan shall be settled exclusively by arbitration in New Jersey by three arbitrators in accordance with the commercial arbitration rules of the American Arbitration Association ("**AAA**") then in effect. One arbitrator shall be selected by the Company, the other by the Participant and the third jointly by these arbitrators (or if they are unable to agree within thirty (30) days of the commencement of arbitration the third arbitrator will be appointed by the AAA). Judgment may be entered on the arbitrators' award in any court having jurisdiction. In the event of any such dispute or controversy arising during a Termination Period, the Company shall bear all costs and expenses arising in connection with any arbitration proceeding on the same terms as set forth in Section 9 of this Plan.

14. *Employment with Subsidiaries*. Employment with the Company for purposes of this Plan shall include employment with any Subsidiary.

15. *Survival*. The respective obligations and benefits afforded to the Company and the Participant as provided in Sections 4 (to the extent that payments or benefits are owed as a result of a termination of employment that occurs during the term of this Plan) 5, 6, 8(c) and 10 shall survive the termination of this Plan.

16. *GOVERNING LAW; VALIDITY*. THE INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS PLAN SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW JERSEY, WITHOUT REGARD TO THE PRINCIPLE OF CONFLICTS OF LAWS, AND APPLICABLE FEDERAL LAWS. THE INVALIDITY OR UNENFORCEABILITY OF ANY PROVISION OF THIS PLAN SHALL NOT AFFECT THE VALIDITY OR ENFORCEABILITY OF ANY OTHER PROVISION OF THIS PLAN, WHICH OTHER PROVISIONS SHALL REMAIN IN FULL FORCE AND EFFECT.

17. *Amendment and Termination*. The Board may amend or terminate the Plan at any time; *provided, however*, that (i) Sections 3(b), 4(a) and 4(b) may not be amended in a manner which is materially adverse to any Participant then listed on Schedule A or B without such Participant's written consent, (ii) during the period commencing on a Change in Control and ending on the second anniversary of the Change in Control, the Plan (including, for the avoidance of doubt, any Schedules, Appendices and Exhibits) may not be amended or terminated by the Board in any manner which is materially adverse to any Participant then listed on Schedule A or B without such Participant's written consent and (iii) any termination or amendments to the Plan (including, for the avoidance of doubt, any Schedules, Appendices and Exhibits) that are materially adverse to the interests of any Participant then listed on Schedule A or B, and that occur during the period of time beginning on a date three (3) months prior to a Potential Change in Control and ending on the termination of the agreement that

constituted the Potential Change in Control, shall be void unless consented to in writing by the affected Participant.

18. *Interpretation and Administration*. The Plan shall be administered by the Board. The Board may delegate any of its powers under the Plan to the Compensation Committee of the Board (or any successor committee). With respect to those Participants who are not subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), the Committee may delegate any of its powers under the Plan to the Chief Executive Officer of the Company. The Board, the Compensation Committee (or any successor committee) and the Chief Executive Officer (to the extent of the powers delegated to him) shall have the authority in its sole and absolute discretion to: (i) exercise all of the powers granted to it under this Plan; (ii) construe, interpret and implement this Plan; (iii) prescribe, amend and rescind rules and regulations relating to this Plan, including rules and regulations governing its own operations; (iv) make all determinations necessary or advisable in administering this Plan; (v) correct any defect, supply any omission and reconcile any inconsistency in this Plan; and (vi) amend this Plan to reflect changes in or interpretations of applicable law, rules or regulations. The determination of the Board on all matters relating to the Plan and any amounts payable thereunder shall be final, binding and conclusive on all parties; *provided*, *however*, that following a Change in Control, notwithstanding anything in this Plan to the contrary, any court, tribunal or arbitration panel that adjudicates any dispute, controversy or claim arising between a Participant and the Company, or any of their delegates or successors, in respect of a Participant's Qualifying Termination, will apply a de novo standard of review to any determinations made by such person and such de novo standard shall apply notwithstanding the grant of full discretion hereunder to any such person or characterization of any such decision by such person as final, binding or conclusive on any party.

19. *Claims and Appeals*. Participants may submit claims for benefits by giving notice to the Company pursuant to Section 12 of this Plan. If a Participant believes that he or she has not received coverage or benefits to which he or she is entitled under the Plan, the Participant may notify the Board in writing of a claim for coverage or benefits. If the claim for coverage or benefits is denied in whole or in part, the Board shall notify the applicant in writing of such denial within thirty (30) days (which may be extended to sixty (60) days under special circumstances), with such notice setting forth: (i) the specific reasons for the denial; (ii) the Plan provisions upon which the denial is based; (iii) any additional material or information necessary for the applicant to perfect his or her claim; and (iv) the procedures for requesting a review of the denial. Upon a denial of a claim by the Board, the Participant may: (i) request a review of the denial by the Board or, where review authority has been so delegated, by such other person or entity as may be designated by the Board for this purpose; (ii) review any Policy documents relevant to his or her claim; and (iii) submit issues and comments to the Board

or its delegate that are relevant to the review. Any request for review must be made in writing and received by the Board or its delegate within sixty (60) days of the date the applicant received notice of the initial denial, unless special circumstances require an extension of time for processing. The Board or its delegate will make a written ruling on the applicant's request for review setting forth the reasons for the decision and the Plan provisions upon which the denial, if appropriate, is based. This written ruling shall be made within thirty (30) days of the date the Board or its delegate receives the applicant's request for review unless special circumstances require an extension of time for processing, in which case a decision will be rendered as soon as possible, but not later than sixty (60) days after receipt of the request for review. All extensions of time permitted by this Section 16 will be permitted at the sole discretion of the Board or its delegate. If the Board does not provide the Participant with written notice of the denial of his or her appeal, the Participant's claim shall be deemed denied.

20. *Type of Policy*. This Plan is intended to be, and shall be interpreted as an unfunded employee welfare plan under Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") and Section 2520.104-24 of the Department of Labor Regulations, maintained primarily for the purpose of providing employee welfare benefits, to the extent that it provides welfare benefits, and under Sections 201, 301 and 401 of ERISA, as a plan that is unfunded and maintained primarily for the purpose of providing deferred compensation, to the extent that it provides such compensation, in each case for a select group of management or highly compensated employees.

21. *No Duplication of Benefits*. Except as otherwise expressly provided pursuant to this Plan, this Plan shall be construed and administered in a manner which avoids duplication of compensation and benefits which may be provided under any other plan, program, policy, or other arrangement. In the event a Participant is covered by any other plan, program, policy, individually negotiated agreement or other arrangement, in effect as of his or her Date of Termination, that may duplicate the payments provided in Sections 4 or 5, as applicable, the Company is specifically empowered to reduce or eliminate the duplicative benefits provided for under the Plan. In taking such action, the Company will be guided by the principles that (1) such a Participant will otherwise be treated, for the purpose of the Sections specified above, no more or no less favorably than are other Participants who are not covered by such other plan, program, policy, individually negotiated agreement or other arrangement and (2) the provisions of such other plan, program, policy, individually negotiated agreement or other arrangement (including, but not limited to, a special individual pension, a special deferral account and/or a special equity based grant) which are not duplicative of the payments provided in Sections 4 or 5, as applicable, will not be considered in determining elimination and/or reductions in Plan benefits.

22. *Nonassignability*. Benefits under the Plan may not be assigned by the Participant. The terms and conditions of the Plan shall be binding on the successors and assigns of the Company.

23. *Effective Date*. The Plan shall be effective as of May 3, 2006.

Schedule A

Robert A. Hagemann	Senior Vice President and Chief Financial Officer
Joan E. Miller, Ph.D.	Senior Vice President Oncology and Neurology Services
Michael E. Prevoznik	Senior Vice President and General Counsel
Wayne R. Simmons	Vice President, Operations

Schedule B

Jon R. Cohen, M.D.	Senior Vice President, Hospital Services Business and Chief Medical Officer
Catherine T. Doherty	Senior Vice President, Physician Services Business
Kathy P. Ordoñez	Senior Vice President, Discovery and Development

Appendix A
<u>Additional Reimbursement Payments by the Company –</u>
<u>Schedule A Participants ONLY</u>

(a) Anything in this Plan to the contrary notwithstanding, in the event it shall be determined that any payment, award, benefit or distribution (or any acceleration of any payment, award, benefit or distribution) by the Company (or any of its affiliated entities) or any entity which effectuates a Change in Control (or any of its affiliated entities) to or for the benefit of the Participant (whether pursuant to the terms of this Plan or otherwise, but determined without regard to any additional payments required under this Appendix A) (the "**<u>Payments</u>**") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "**<u>Code</u>**"), or any interest or penalties are incurred by the Participant with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "**<u>Excise Tax</u>**"), then the Company shall pay to the Participant an additional payment (a "**<u>Reimbursement Payment</u>**") in an amount such that after payment by the Participant of all taxes (including any Excise Tax) imposed upon the Reimbursement Payment, the Participant retains an amount of the Reimbursement Payment equal to the Excise Tax imposed upon the Payments. For purposes of determining the amount of the Reimbursement Payment, the Participant shall be deemed to (i) pay federal income taxes at the highest marginal rates of federal income taxation for the calendar year in which the Reimbursement Payment is to be made and (ii) pay applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Reimbursement Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

Notwithstanding the foregoing provisions of this Appendix A, if it shall be determined that the Participant is entitled to a Reimbursement Payment, but that the Payments would not be subject to the Excise Tax if the Payments were reduced by an amount that is no more than 5% of the portion of the Payments that would be treated as "parachute payments" under Section 280G of the Code, then the cash payments payable to the Participant under this Plan shall be reduced (but not below zero) to the maximum amount that could be paid to the Participant without giving rise to the Excise Tax (the "**<u>Safe Harbor Cap</u>**"), and no Reimbursement Payment shall be made to the Participant. The reduction of the cash payments payable hereunder, if applicable, shall be made by reducing the cash payments in the order in which they are written under Section 4 or 5, as applicable. For purposes of reducing the Payments to the Safe Harbor Cap, only the cash payments payable under this Plan (and no other Payments) shall be reduced. If the reduction of the cash payments payable hereunder would not result in a reduction of the Payments to the Safe Harbor Cap, no cash payments payable under this Plan shall be reduced pursuant to this provision.

(b) Subject to the provisions of Paragraph (a), all determinations required to be made under this Appendix A, including whether and when a

Reimbursement Payment is required, the amount of such Reimbursement Payment, the amount of any Option Redetermination (as defined below), the reduction of the Payments to the Safe Harbor Cap and the assumptions to be utilized in arriving at such determinations, shall be made by a public accounting firm that is retained by the Company as of the date immediately prior to the Change in Control (the "**Accounting Firm**") which shall provide detailed supporting calculations both to the Company and the Participant within fifteen (15) business days of the receipt of notice from the Company or the Participant that there has been a Payment, or such earlier time as is requested by the Company (collectively, the "**Determination**"). For the avoidance of doubt, the Accounting Firm may use the Option Redetermination amount in determining the reduction of the Payments to the Safe Harbor Cap. Notwithstanding the foregoing, in the event (i) the Board shall determine prior to the Change in Control that the Accounting Firm is precluded from performing such services under applicable auditor independence rules or (ii) the Audit Committee of the Board determines that it does not want the Accounting Firm to perform such services because of auditor independence concerns or (iii) the Accounting Firm is serving as accountant or auditor for the person(s) effecting the Change in Control, the Board shall appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company, and the Company shall enter into any agreement reasonably requested by the Accounting Firm in connection with the performance of the services hereunder. The Reimbursement Payment under this Appendix A with respect to any Payments shall be made no later than thirty (30) days following such Payment. If the Accounting Firm determines that no Excise Tax is payable by a Participant, it shall furnish the Participant with a written opinion to such effect, and to the effect that failure to report the Excise Tax, if any, on the Participant's applicable federal income tax return will not result in the imposition of a negligence or similar penalty. In the event the Accounting Firm determines that the Payments shall be reduced to the Safe Harbor Cap, it shall furnish the Participant with a written opinion to such effect. The Determination by the Accounting Firm shall be binding upon the Company and the Participant.

As a result of the uncertainty in the application of Section 4999 of the Code at the time of the Determination, it is possible that Reimbursement Payments which will not have been made by the Company should have been made ("**Underpayment**") or Reimbursement Payments are made by the Company which should not have been made ("**Overpayment**"), consistent with the calculations required to be made hereunder. In the event the amount of the Reimbursement Payment is less than the amount necessary to reimburse the Participant for the Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) shall be promptly paid by the Company to or for the benefit of the Participant (but in any event no later than by the end of the Participant's taxable year next following the Participant's taxable year in which the Underpayment of Excise Tax is remitted). In the event the amount of the

Reimbursement Payment exceeds the amount necessary to reimburse the Participant for the Excise Tax, the Accounting Firm shall determine the amount of the Overpayment that has been made and any such Overpayment (together with interest at the rate provided in Section 1274(b)(2) of the Code) shall be promptly paid by the Participant (to the extent the Participant has received a refund if the applicable Excise Tax has been paid to the Internal Revenue Service) to or for the benefit of the Company. The Participant shall cooperate, to the extent his or her expenses are reimbursed by the Company, with any reasonable requests by the Company in connection with any contests or disputes with the Internal Revenue Service in connection with the Excise Tax. In the event that the Company makes a Reimbursement Payment to the Participant and subsequently the Company determines that the value of any accelerated vesting of stock options held by the Participant shall be redetermined within the context of Treasury Regulation §1.280G -1 Q/A 33 (the "**Option Redetermination**"), the Participant shall (i) file with the Internal Revenue Service an amended federal income tax return that claims a refund of the overpayment of the Excise Tax attributable to such Option Redetermination and (ii) promptly pay the refunded Excise Tax to the Company; *provided* that the Company shall pay on a current basis all reasonable professional fees incurred in the preparation of the Participant's amended federal income tax return. If the Option Redetermination occurs in the same year that the Reimbursement Payment is included in the Participant's taxable income, then in addition to returning the refund to the Company, the Participant will also promptly return to the Company any tax benefit realized by the return of such refund and the return of the additional tax benefit payment (all determinations pursuant to this sentence shall be made by the Accounting Firm). In the event that the cash payments payable to the Participant under this Plan were reduced pursuant to the second paragraph of Paragraph (a) and subsequently the Participant determines there has been an Option Redetermination that reduces the value of the Payments attributable to such options, the Company shall pay to the Participant (on the first business day of the calendar year following the year the Option Redetermination is made) any cash payments payable under this Plan that were not previously paid solely as a result of the second paragraph of Paragraph (a) up to the Safe Harbor Cap plus interest, from the date the Participant files the amended return as provided above, at the 3 month Treasury Bill rate.

Exhibit A

FORM OF SEPARATION AGREEMENT AND RELEASE
(HEREIN "AGREEMENT")

Quest Diagnostics Incorporated (the "Company") and _______________ ("Executive") agree as follows:

1. Executive's employment with the Company will terminate effective **[Date]**.

2. Executive agrees to make himself reasonably available to the Company to respond to requests by the Company for information concerning litigation, regulatory inquiry or investigation, involving facts or events relating to the Company that may be within his knowledge. Executive will cooperate fully with the Company in connection with any and all future litigation or regulatory proceedings brought by or against the Company to the extent the Company reasonably deems Executive's cooperation necessary. Executive will be entitled to reimbursement of reasonable out-of-pocket expenses (not including counsel fees) incurred in connection with fulfilling his obligations under this Section 2.

3. In consideration of Executive's undertakings herein, the Company will pay an amount equal to $____________ in accordance with Section 4 of the Company's Executive Severance Plan (the "Severance Plan"), less required deductions (including, but not limited to, federal, state and local tax withholdings) as separation/severance pay (the "Severance Payment"). The Severance Payment will be paid in accordance with the Severance Plan. Payment of the Severance Payment is contingent upon the execution of this Agreement by Executive and Executive's compliance with all terms and conditions of this Agreement and the Severance Plan. Executive agrees that if this Agreement does not become effective, the Company shall not be required to make any further payments to Executive pursuant to this Agreement or the Severance Plan and shall be entitled to recover all payments already made by it (including interest thereon).

4. Executive understands and agrees that any amounts that Executive owes the Company, including any salary or other overpayments related to Executive's employment with the Company, will be offset and deducted from Executive's final paycheck from the Company. Executive specifically authorizes the Company to offset and deduct any such amounts from his final paycheck. Executive agrees and acknowledges that, to the extent the amount of Executive's final paycheck is not sufficient to repay the full amount that Executive owes to the Company, if any, the full remaining amount owed to the Company, if any, will be offset and deducted from the amount of the Severance Payment. Executive specifically authorizes the Company to offset and deduct any such amounts from his Severance Payment.

5. Executive agrees that, after payment of Executive's final paycheck on **[Date]** and the Severance Payment, Executive will have received all compensation and benefits that are due and owing to Executive by the Company, including but not limited to salary, vacation pay, bonus, commissions and incentive/override compensation but excluding any benefits or services provided pursuant to Sections 4(e) and 4(f) of the Severance Plan.

6. Executive represents that he has returned to the Company all property or information, including, without limitation, all reports, files, memos, plans, lists, or other records (whether electronically stored or not) belonging to the Company or its affiliates, including copies, extracts or other documents derived from such property or information. Executive will immediately forfeit all rights and benefits under this Agreement and the Severance Plan, including, without limitation, the right to receive any Severance Payment if Executive, directly or indirectly, at any time (i) discloses to any third party or entity any trade secrets or other proprietary or confidential information pertaining to the Company or any of its affiliates or uses such secrets or information without the prior written consent of the General Counsel of the Company or (ii) takes any actions or makes or publishes any statements, written or oral, or instigates, assists or participates in the making or publication of any such statements which libel, slander or disparage the Company or any of its past or present directors, officers or employees. Nothing in this Agreement shall prevent or prohibit Executive or the Company from responding to an order, subpoena, other legal process or regulatory inquiry directed to them or from providing information to or making a filing with a governmental or regulatory body. Executive agrees that upon learning of any order, subpoena or other legal process seeking information that would otherwise be prohibited from disclosure under this Agreement, he will promptly notify the Company, in writing, directed to the Company's General Counsel. In the event disclosure is so required, Executive agrees not to oppose any action by the Company to seek or obtain a protective order or other appropriate remedy.

7. Executive agrees that Executive's Employment and Confidentiality Agreement (the "Employment and Confidentiality Agreement") shall continue to be in full force and effect, including but not limited to all non-competition and non-solicitation provisions contained therein.

8. Executive hereby represents that he has not filed any action, complaint, charge, grievance or arbitration against the Company or any of its affiliates in connection with any matters relating, directly or indirectly, to his employment, and covenants and agrees not to file any such action, complaint or arbitration or commence any other judicial or arbitral proceedings against the Company or any of its affiliates with respect to events occurring prior to the termination of his employment with the Company or any affiliates thereof.

9. Effective on **[Date]**, the Company will cease all health benefit coverage and other benefit coverage for Executive.

10. GENERAL RELEASE – Effective as of the Effective Date, and in return for the consideration set forth above, Executive agrees not to sue or file any action, claim, or lawsuit against the Company, agrees not to pursue, seek to recover or recover any alleged damages, seek to obtain or obtain any other form of relief or remedy with respect to, and cause the dismissal or withdrawal of, any lawsuit, action, claim, or charge against the Company, and Executive agrees to waive all claims and release and forever discharge the Company, its officers, directors, subsidiaries, affiliates, parents, attorneys, shareholders and employees from any claims, demands, actions, causes of action or liabilities for compensatory damages or any other relief or remedy, and obligations of any kind or nature whatsoever, based on any matter, cause or thing, relating in any way, directly or indirectly, to his employment, from the beginning of time through the Effective Date of this Agreement, whether known or unknown, fixed or contingent, liquidated or unliquidated, and whether arising from tort, statute, or contract, including, but not limited to, any claims arising under or pursuant to the California Fair Employment and Housing Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1871, the Civil Rights Act of 1991, the Americans with Disabilities Act, the Rehabilitation Act, the Family and Medical Leave Act of 1993, the Occupational Safety & Health Act, the Employee Retirement Income Security Act of 1974, the Older Workers Benefit Protection Act of 1990, the Worker Adjustment and Retraining Notification Act, the Fair Labor Standards Act, the Age Discrimination in Employment Act of 1967 ("ADEA"), New York State Labor Law, New York State Human Rights Law, New York Human Rights Law, and any other state, federal, city, county or local statute, rule, regulation, ordinance or order, or the national or local law of any foreign country, any claim for future consideration for employment with the Company, any claims for attorneys' fees and costs and any employment rights or entitlement law, and any claims for wrongful discharge, intentional infliction of emotional distress, defamation, libel or slander, payment of wages, outrageous behavior, breach of contract or any duty allegedly owed to Executive, discrimination based upon race, color, ethnicity, sex, age, national origin, religion, disability, sexual orientation, or another unlawful criterion or circumstance, and any other theory of recovery. It is the intention of the parties to make this release as broad and as general as the law permits.

[Executive acknowledges that he is aware of, has read, has had explained to him by his attorneys, understands and expressly waives any and all rights he has or may have under Section 1542 of the California Civil Code, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him must have materially affected his or her settlement with the debtor."**]**[1]

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1 Include bracketed language for California employees.

11. Executive acknowledges that he may later discover facts different from or in addition to those which he knows or believes to be true now, and he agrees that, in such event, this Agreement shall nevertheless remain effective in all respects, notwithstanding such different or additional facts or the discovery of those facts.

12. This Agreement may not be introduced in any legal or administrative proceeding, or other similar forum, except one concerning a breach of this Agreement or the Severance Plan.

13. Executive acknowledges that Executive has made an independent investigation of the facts, and does not rely on any statement or representation of the Company in entering into this Agreement, other than those set forth herein.

14. Executive agrees that, without limiting the Company's remedies, should he commence, continue, join in, or in any other manner attempt to assert any claim released in connection herewith, or otherwise violate in a material fashion any of the terms of this Agreement, the Company shall not be required to make any further payments to the Executive pursuant to this Agreement or the Severance Plan and shall be entitled to recover all payments already made by it (including interest thereon), in addition to all damages, attorneys' fees and costs the Company incurs in connection with Executive's breach of this Agreement. Executive further agrees that the Company shall be entitled to the repayments and recovery of damages described above without waiver of or prejudice to the release granted by him in connection with this Agreement, and that his violation or breach of any provision of this Agreement shall forever release and discharge the Company from the performance of its obligations arising from the Agreement.

15. Executive has been advised and acknowledges that he has been given forty-five (45) days to sign this Agreement, he has seven (7) days following his signing of this Agreement to revoke and cancel the terms and conditions contained herein, and the terms and conditions of this Agreement shall not become effective or enforceable until the revocation period has expired (the "Effective Date").

16. Executive acknowledges that Executive has been advised hereby to consult with, and has consulted with, an attorney of his choice prior to signing this Agreement.

17. Executive acknowledges that Executive has fully read this Agreement, understands the contents of this Agreement, and agrees to its terms and conditions of his own free will, knowingly and voluntarily, and without any duress or coercion.

18. Executive understands that this Agreement includes a final general release, and that Executive can make no further claims against the Company or the persons listed in Section 10 of this Agreement relating in any way, directly or indirectly, to his employment. Executive also understands that this Agreement precludes Executive

from recovering any damages or other relief as a result of any lawsuit, grievance, charge or claim brought on Executive's behalf against the Company or the persons listed in Section 10 of this Agreement.

19. Executive acknowledges that Executive is receiving adequate consideration (that is in addition to what Executive is otherwise entitled to) for signing this Agreement.

20. This Agreement and the Severance Plan constitute the complete understanding between Executive and the Company regarding the subject matter hereof and thereof. No other promises or agreements regarding the subject matter hereof and thereof will be binding unless signed by Executive and the Company.

21. Executive and the Company agree that all notices or other communications required or permitted to be given under the terms of this Agreement shall be given in accordance with Section 9 of the Severance Plan.

22. Executive and the Company agree that any disputes relating to any matters covered under the terms of this Agreement shall be resolved in accordance with Section 10 of the Severance Plan.

23. By entering into this Agreement, the Company does not admit and specifically denies any liability, wrongdoing or violation of any law, statute, regulation or policy, and it is expressly understood and agreed that this Agreement is being entered into solely for the purpose of amicably resolving all matters of any kind whatsoever between Executive and the Company.

24. In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, the remaining provisions or portions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

25. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.

26. Unless expressly specified elsewhere in this Agreement, this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of New York without reference to the principles of conflict of law.

27. This Agreement may be executed in one or more counterparts.

Company	Executive
By: ____________________	By: ____________________
Date:	Date:

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Surya N. Mohapatra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quest Diagnostics Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2011

By /s/ Surya N. Mohapatra

Surya N. Mohapatra, Ph.D.
Chairman of the Board, President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert A. Hagemann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Quest Diagnostics Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 3, 2011

By /s/ Robert A. Hagemann

Robert A. Hagemann
Senior Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, the undersigned certifies that, to the best of my knowledge, the Quarterly Report on Form 10-Q for the period ended September 30, 2011 of Quest Diagnostics Incorporated, as being filed with the Securities and Exchange Commission concurrently herewith, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. § 78m or 78o(d)) and that the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Quest Diagnostics Incorporated.

Dated: November 3, 2011

/s/ Surya N. Mohapatra

Surya N. Mohapatra, Ph.D.
Chairman of the Board, President and
Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, the undersigned certifies that, to the best of my knowledge, the Quarterly Report on Form 10-Q for the period ended September 30, 2011 of Quest Diagnostics Incorporated, as being filed with the Securities and Exchange Commission concurrently herewith, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. § 78m or 78o(d)) and that the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Quest Diagnostics Incorporated.

Dated: November 3, 2011

/s/ Robert A. Hagemann

Robert A. Hagemann
Senior Vice President and
Chief Financial Officer