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

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended SEPTEMBER 30, 1995

OR

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

For the transition period from ______________ to ______________

Commission file number 1-11353

LABORATORY CORPORATION OF AMERICA HOLDINGS
(Exact name of registrant as specified in its charter)

DELAWARE	13-3757370
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

358 SOUTH MAIN STREET, BURLINGTON, NORTH CAROLINA 27215
(Address of principal executive offices) (Zip code)

800-222-7566
(Registrant's telephone number, including area code)

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

The number of shares outstanding of the issuer's common stock is 122,908,722 shares as of November 3, 1995, of which 61,329,256 shares are held by indirect wholly-owned subsidiaries of Roche Holding Ltd.

The number of warrants outstanding to purchase shares of the issuer's common stock is 22,151,308 as of November 3, 1995, of which 8,325,000 are held by an indirect wholly owned subsidiary of Roche Holding Ltd.

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

	September 30, 1995 (Unaudited)	December 31, 1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25.0	$ 26.8
Accounts receivable, net	436.4	205.4
Inventories	54.3	20.1
Prepaid expenses and other	13.5	8.3
Deferred income taxes	61.9	29.4
Income taxes receivable	--	3.0
Total current assets	591.1	293.0
Property, plant and equipment, net	292.2	140.1
Intangible assets, net	925.1	551.9
Other assets, net	18.5	27.7
	$1,826.9	$1,012.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 61.6	$ 44.3
Accrued expenses and other	176.8	92.8
Current portion of long-term debt	68.8	39.0
Accrued settlement expenses	4.6	26.7
Total current liabilities	311.8	202.8
Revolving credit facility	218.0	213.0
Long-term debt, less current portion	731.2	341.0
Capital lease obligation	9.8	9.8
Deferred income taxes	--	20.6
Other liabilities	144.5	59.5
Stockholders' equity:		
Preferred stock, $0.10 par value; 10,000,000 shares authorized; none issued and outstanding	--	--
Common stock, $0.01 par value; 220,000,000 shares authorized; 122,908,722 shares and 84,761,817 shares issued and outstanding at September 30, 1995 and December 31, 1994, respectively	1.2	0.8
Additional paid-in capital	411.4	153.5
Retained earnings (accumulated deficit)	(1.0)	11.7
Total stockholders' equity	411.6	166.0
	$1,826.9	$1,012.7

See notes to unaudited consolidated condensed financial statements.

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

	Nine Months Ended September 30, 1995	Nine Months Ended September 30, 1994	Three Months Ended September 30, 1995	Three Months Ended September 30, 1994
Net sales	$ 1,028.6	$ 637.6	$ 417.5	$ 248.7
Cost of sales	722.4	436.5	299.7	167.7
Gross profit	306.2	201.1	117.8	81.0
Selling, general and administrative expenses	162.3	105.6	66.9	41.1
Amortization of intangibles and other assets	19.2	11.9	7.7	5.4
Restructuring charges	65.0	--	--	--
Provision for settlements	10.0	--	--	--
Operating income	49.7	83.6	43.2	34.5
Other income (expense):				
Litigation settlement and related expenses	--	(21.0)	--	(21.0)
Investment income	1.1	0.7	0.4	0.2
Interest expense	(48.5)	(22.1)	(17.4)	(11.6)
Earnings before income taxes and extra-ordinary item	2.3	41.2	26.2	2.1
Provision for income taxes	6.7	18.8	11.8	1.9
Earnings (loss) before extraordinary item	(4.4)	22.4	14.4	0.2
Extraordinary item - Loss on early extinguishment of debt, net of income tax benefit of $5.2	(8.3)	--	--	--
Net earnings (loss)	$ (12.7)	$ 22.4	$ 14.4	$ 0.2
Net earnings (loss) per common share:				
Earnings (loss) per common share before extra-ordinary loss	$(0.04)	$ 0.26	$ 0.12	$ --
Extraordinary loss per common share	$(0.08)	$ --	$ --	$ --
Net earnings (loss) per common share	$(0.12)	$ 0.26	$ 0.12	$ --
Dividends per common share	$ --	$ 0.08	$ --	$ --

See notes to unaudited consolidated condensed financial statements.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Millions)
(Unaudited)

	Nine Months Ended September 30, 1995	Nine Months Ended September 30, 1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	$ (12.7)	$ 22.4
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	52.1	32.7
Restructuring charges	65.0	--
Provision for settlements	10.0	21.0
Extraordinary loss, net of income tax benefits	8.3	--
Provision for doubtful accounts, net	3.0	(1.2)
Change in assets and liabilities, net of effects of acquisitions:		
Increase in accounts receivable	(60.0)	(57.4)
Decrease (increase) in inventories	4.4	(1.1)
Decrease in prepaid expenses and other	6.5	3.9
Decrease (increase) in deferred income taxes, net	(27.5)	9.1
Decrease in income taxes receivable	5.4	6.8
Decrease in accounts payable, accrued expenses and other	(7.0)	(9.2)
Payments for restructuring charges	(6.7)	--
Payments for settlement and related expenses	(32.1)	(17.2)
Other, net	(4.3)	(3.7)
Net cash provided by operating activities	4.4	6.1
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(44.3)	(36.9)
Acquisitions of businesses	(38.7)	(252.6)
Net cash used for investing activities	(83.0)	(289.5)

(continued)

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS, CONTINUED
(Dollars in Millions)
(Unaudited)

	Nine Months Ended September 30, 1995	1994
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	$ 270.0	$ 283.0
Payments on revolving credit facilities	(265.0)	(368.0)
Proceeds from long-term debt	800.0	400.0
Payments on long-term debt	(430.0)	(5.0)
Dividends paid on common stock	(474.8)	(13.6)
Proceeds from issuance of common stock	135.7	--
Proceeds from issuance of Roche Warrants	51.0	--
Deferred payments on acquisitions	(10.3)	(5.2)
Other	0.2	(0.5)
Net cash provided by financing activities	76.8	290.7
Net increase (decrease) in cash and cash equivalents	(1.8)	7.3
Cash and cash equivalents at beginning of year	26.8	12.3
Cash and cash equivalents at end of period	$ 25.0	$ 19.6
Supplemental schedule of cash flow information:		
Cash paid during the period for:		
Interest	$ 42.4	$ 21.4
Income taxes	22.0	9.5
Disclosure of non-cash financing and investing activities:		
Common stock issued in connection with an acquisition	$ 539.6	$ --
Common stock issued in connection with the cancellation of employee stock options	$ 6.9	$ --
In connection with business acquisitions, liabilities were assumed as follows:		
Fair value of assets acquired	$ 775.7	$ 395.3
Cash paid	(38.7)	(252.6)
Stock issued	(539.6)	--
Liabilities assumed	$ 197.4	$ 142.7

See notes to unaudited consolidated condensed financial statements.

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

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

Prior to April 28, 1995, the Company's name was National Health Laboratories Holdings Inc. ("NHL"). On April 28, 1995, following approval at a special meeting of the stockholders of the Company, the name of the Company was changed to Laboratory Corporation of America Holdings.

The consolidated financial statements include the accounts of Laboratory Corporation of America Holdings and its wholly-owned subsidiaries (the "Company") after elimination of all material intercompany accounts and transactions.

The accompanying consolidated condensed financial statements of the Company and its subsidiaries are unaudited. In the opinion of management, all adjustments (which include only normal recurring accruals) necessary for a fair statement of the results of operations have been made.

2. EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of shares outstanding during the three and nine months ended September 30, 1995 of 122,908,722 shares and 106,424,055 shares, respectively, and the weighted average number of shares outstanding during the three and nine months ended September 30, 1994 of 84,754,089 and 84,752,194 shares respectively. The increase in the total number of shares outstanding for the three and nine months ended September 30, 1995 resulted primarily from the issuance of shares of common stock to HLR Holdings, Inc. ("HLR") and Roche Holdings, Inc. in connection with the merger with Roche Biomedical Laboratories, Inc. described in note 3 herein.

3. MERGER WITH ROCHE BIOMEDICAL LABORATORIES, INC.

On April 28, 1995, the Company completed its merger with Roche Biomedical Laboratories, Inc. ("RBL") pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated as of December 13, 1994 (the "Merger").

Pursuant to the Merger Agreement, each outstanding share of common stock, par value $0.01 per share of the Company ("Common Stock") (other than as provided in the Merger Agreement), was converted (the "Share Conversion") into (i) 0.72 of a share of Common Stock of the Company and (ii) $5.60 in cash per share, without interest. The aggregate number of shares issued and outstanding following the Share Conversion was 61,041,159. Also, an aggregate of 538,307 shares of Common Stock were issued in connection with the cancellation of certain employee stock options.

3. MERGER WITH ROCHE BIOMEDICAL LABORATORIES, INC. - Continued

In addition, pursuant to the Merger Agreement, an aggregate of 61,329,256 shares of Common Stock were issued to HLR and its designee, Roche Holdings, Inc. in exchange for all shares of common stock, no par value, of RBL outstanding immediately prior to the effective date of the Merger (other than treasury shares, which were canceled) and a cash contribution described below. The issuance of such shares of Common Stock constituted approximately 49.9% of the total outstanding shares of Common Stock outstanding immediately after the Merger.

The Company also made a distribution (the "Warrant Distribution") to holders of record as of April 21, 1995, of 0.16308 of a warrant per outstanding share of Common Stock, each such warrant representing the right to purchase one newly issued share of Common Stock for $22.00 (subject to adjustment) on April 28, 2000 (each such warrant, a "Warrant"). Approximately 13,826,308 Warrants were issued to stockholders entitled to receive Warrants in the Warrant Distribution (including fractional Warrants, which were not distributed, but were liquidated in sales on the New York Stock Exchange and the proceeds thereof distributed to such stockholders). In addition, pursuant to the Merger Agreement on April 28, 1995 the Company issued to Hoffmann-La Roche Inc. ("Roche"), for a purchase price of approximately $51.0, 8,325,000 Warrants (the "Roche Warrants") to purchase shares of Common Stock, which Warrants have the terms described above.

The aggregate cash consideration of approximately $474.8 paid to stockholders of the Company in the Merger was financed from three sources: a cash contribution (the "Company Cash Contribution") of approximately $288.1 out of the proceeds of borrowings under the Bank Facility (as described below), a cash contribution made by HLR to the Company in the amount of approximately $135.7 and the proceeds from the sale and issuance of the Roche Warrants.

The exchange consideration of approximately $558.0 for the purchase of RBL consisted of the value of the stock issued to HLR and Roche Holdings, Inc., as well as other cash costs of the Merger, net of cash received from HLR. The Merger has been accounted for under the purchase method of accounting; as such RBL's assets and liabilities were recorded at their estimated fair values on the date of acquisition. The exchange consideration exceeded the fair value of acquired net tangible assets by approximately $380.3, which is estimated to consist of goodwill of approximately $296.6 and customer lists of approximately $83.7. These items are being amortized over periods of 40 and 25 years, respectively. The allocation of the purchase price will be finalized based on asset valuations which are not yet completed.

(Dollars in Millions, except per share data)

3. MERGER WITH ROCHE BIOMEDICAL LABORATORIES, INC. - Continued

The following table provides unaudited pro forma operating results as if the Merger and the acquisition of Allied Clinical Laboratories, Inc., which was acquired on June 23, 1994, had been completed at the beginning of each of the periods presented. The pro forma information does not include the restructuring charges and the extraordinary item related to the Merger. The pro forma information has been prepared for comparative purposes only and does not purport to be indicative of future operating results.

	Nine Months Ended September 30, 1995	Nine Months Ended September 30, 1994
Net sales	$1,275.2	$1,278.2
Net earnings	49.5	49.0
Net earnings per common share	$ 0.40	$ 0.40

The Company also entered into a credit agreement dated as of April 28, 1995 (the "Credit Agreement"), with the banks named therein (the "Banks") and Credit Suisse (New York Branch), as administrative agent (the "Bank Agent"), under which the Banks made available to the Company a senior term loan facility of $800.0 (the "Term Loan Facility") and a revolving credit facility of $450.0 (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Bank Facility"). The Bank Facility provided funds for the Company Cash Contribution for the refinancing of certain existing debt of the Company and its subsidiaries and RBL, for related fees and expenses of the Merger and for general corporate purposes of the Company and its subsidiaries, in each case subject to the terms and conditions set forth in the Credit Agreement.

In connection with the Credit Agreement, the Company paid the Banks and Bank Agent customary underwriting, closing and participation fees, respectively. In addition, the Company will pay a facility fee based on the total Revolving Credit Facility commitment (regardless of usage) of 0.125% per annum. Availability of funds under the Bank Facility is conditioned on certain customary conditions, and the Credit Agreement contains customary representations, warranties, covenants and events of default.

The Revolving Credit Facility matures in April 2000. The Term Loan Facility matures in December 2001, with repayments in each quarter prior to maturity based on a specified amortization schedule. For as long as HLR and its affiliates' ownership of outstanding Company common stock (the "HLR Group Interest") remains at least 25%, the Revolving Credit Facility bears interest, at the option of the

3. MERGER WITH ROCHE BIOMEDICAL LABORATORIES, INC. - Continued

Company, at (i) Credit Suisse's Base Rate (as defined in the Credit Agreement) or (ii) the Eurodollar Rate (as defined in the Credit Agreement) plus a margin of 0.25% and the Term Loan Facility bears interest, at the option of the Company, at (i) Credit Suisse's Base Rate (as defined in the Credit Agreement) or (ii) the Eurodollar Rate (as defined in the Credit Agreement) plus a margin of 0.375%. In the event there is a reduction in the HLR Group interest to below 25%, applicable interest margins will not be determined as set forth above, but instead will be determined based upon the Company's financial performance as described in the Credit Agreement.

During the quarter ended September 30, 1995, the Company entered into interest rate swap agreements with certain major financial institutions to manage its interest rate exposure with respect to $600.0 of its floating rate debt under the Term Loan Facility. The agreements effectively changed the interest rate exposure on $600.0 of floating rate debt to a weighted average fixed interest rate of 6.01%, through requiring that the Company pay a fixed rate amount in exchange for the financial institutions paying a floating rate amount. The notional amounts of the agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. These agreements mature in September 1998.

The Bank Facility is unconditionally and irrevocably guaranteed by certain of the Company's subsidiaries.

On April 28, 1995, the Company borrowed $800.0 under the Term Loan Facility and $184.0 under the Revolving Credit Facility (i) to pay the Company Cash Contribution; (ii) to repay in full the existing revolving credit and term loan facilities of a wholly-owned subsidiary of the Company of approximately $640.0 including interest and fees; (iii) to repay approximately $50.0 of existing indebtedness of RBL; and (iv) for other transaction costs in connection with the Merger and for use as working capital and general corporate purposes of the Company and its subsidiaries.

In connection with the repayment of existing revolving credit and term loan facilities, the Company recorded an extraordinary loss of approximately $13.5 ($8.3 net of tax), consisting of the write-off of deferred financing costs, related to the early extinguishment of debt.

(Dollars in Millions)

4. RESTRUCTURING CHARGES

Following the Merger, the Company determined that it would be beneficial to close Company laboratory facilities in certain geographic regions where duplicate Company and RBL facilities existed at the time of the Merger. In addition, the Company decided to downsize certain finance and administrative positions in La Jolla, California in order to eliminate duplicative functions.

Under the restructuring plan, the Company originally estimated it would take a $76.0 charge in the second quarter of 1995 to cover the costs of the restructuring plan. In refining the plan, the Company later estimated that the charge required was $65.0 in the second quarter of 1995. The charge includes approximately $24.2 to reduce the workforce by approximately 2,200 individuals. The plan includes a reduction of approximately 1,520 laboratory operations personnel, approximately 80 sales and marketing personnel and approximately 600 finance and administrative personnel both at laboratory locations and in La Jolla, California.

Approximately $21.3 of the restructuring charge consists of the reduction of certain assets to their net realizable values and primarily consists of the write-off of approximately $17.7 of leasehold improvements on facilities to be closed or significantly downsized.

Lease and other facility obligations accounted for approximately $19.5 of the restructuring charge, including the future minimum lease payments and expenses from the estimated closing or downsizing date to the end of the contractual lease term for facilities to be significantly downsized or closed.

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

	Severance Costs	Asset revaluations and write-offs	Lease and other facility obligations	Total
Balance at December 31, 1994	$ --	$ --	$ --	$ --
Restructuring charge	24.2	21.3	19.5	65.0
Non cash items	(0.3)	(0.9)	--	(1.2)
Cash payments	(6.6)	--	--	(6.6)
Balance at September 30, 1995	$ 17.3	$ 20.4	$ 19.5	$ 57.2
Current				$ 39.2
Non-current				18.0
				$ 57.2

5. PROVISION FOR SETTLEMENTS

In the second quarter of 1995, the Company took a pre-tax special charge of $10.0 in connection with the estimated costs of settling various claims pending against the Company, substantially all of which are billing disputes, in which the Company believes it is probable that settlements will be made by the Company. As of September 30, 1995, approximately $5.7 in settlements and expenses have been paid.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

RESULTS OF OPERATIONS

Nine Months Ended September 30, 1995 compared with Nine Months Ended September 30, 1994.

Net sales for the nine months ended September 30, 1995 were $1,028.6 an increase of 61.3% from $637.6 reported in the comparable 1994 period. Net sales from the inclusion of Roche Biomedical Laboratories, Inc. ("RBL"), which was acquired on April 28, 1995, increased net sales by approximately $317.8 or 49.8%. Also, net sales from the inclusion of Allied Clinical Laboratories, Inc. ("Allied"), which was acquired on June 23, 1994, increased net sales by approximately $56.6 or 8.9%. Growth in new accounts and acquisitions of small clinical laboratory companies increased net sales by approximately 8.5% and 2.8%, respectively. A price increase of 2.5%, effective on January 1, 1995, was substantially discounted as the year progressed and as a result increased net sales by approximately 1.0% for the nine months ended September 30, 1995. Lower utilization of laboratory testing and price erosion in the industry as a whole decreased net sales by approximately 5.0%. A reduction in Medicare fee schedules from 84% to 80% of the national limitation amounts on January 1, 1995, plus changes in reimbursement policies of various third party payors, reduced net sales by approximately 1.4%. Other factors, including accounts terminated by management, comprised the remaining reduction in net sales.

Cost of sales, which includes primarily laboratory and distribution costs, increased to $722.4 for the nine months ended September 30, 1995 from $436.5 in the corresponding 1994 period. Of the $285.9 increase, approximately $232.9 was due to the inclusion of the cost of sales of RBL and approximately $44.8 was due to the inclusion of the cost of sales of Allied. Cost of sales increased by approximately $22.6 due to higher testing volume unrelated to the Merger or acquisition of Allied and approximately $6.1 due to an increase in compensation expense. Reductions in supplies of $5.0, insurance of $4.8, fringe benefits of $4.8 and other expense categories of $5.9 decreased cost of sales an aggregate of approximately $20.5. Cost of sales as a percent of net sales was 70.2% for the nine months ended September 30, 1995 and 68.5% in the corresponding 1994 period.

Selling, general and administrative expenses increased to $162.3 for the nine months ended September 30, 1995 from $105.6 in the same period in 1994. Approximately $48.7 of the increase was due to the inclusion of the selling, general and administrative expenses of RBL

RESULTS OF OPERATIONS - Continued

Nine Months Ended September 30, 1995 compared with Nine Months Ended September 30, 1994.

and approximately $7.7 due to the inclusion of the selling, general and administrative expenses of Allied. The remaining increase was primarily due to expansion of the data processing and billing departments due to increased volume unrelated to the Merger or purchase of Allied and to improve customer service. This increase was partially offset by decreases in other expense categories, including reductions in selling expenses, as a result of the Company's on-going cost-reduction program. As a percentage of net sales, selling, general and administrative expenses was 15.8% and 16.6% for the nine months ended September 30, 1995 and 1994, respectively. The decrease in the selling, general and administrative percentage primarily resulted from an increase in net sales in the first quarter of 1995 compared to the first quarter of 1994 and reductions in expenses due to the Company's on-going cost-reduction program.

Management expects net sales to continue to grow through strategic acquisitions and the addition of new accounts, although there can be no assurance that the Company will experience such growth. A reduction in Medicare fee schedules, pursuant to the Omnibus Budget Reconciliation Act of 1993 ("OBRA '93"), to 76% of the median fee amounts, effective January 1, 1996 is expected to negatively impact net sales, cost of sales as a percentage of net sales and selling, general and administrative expenses as a percentage of net sales in the future. Management expects that price erosion and utilization declines will continue to negatively impact net sales and the results of operations for the foreseeable future. It is the objective of management to partially offset the increases in cost of sales as a percentage of net sales and selling, general and administrative expenses as a percentage of net sales through comprehensive cost reduction programs at each of the Company's regional laboratories, although there can be no assurance of the timing or success of such programs. Congress is also considering changes to the Medicare fee schedules in conjunction with certain budgetary bills pending in Congress. The ultimate outcome of these deliberations on pending legislation cannot be predicted at this time and management, therefore, cannot predict the impact, if any, such proposals, if enacted, would have on the results of operations of the Company.

RESULTS OF OPERATIONS - Continued

Nine Months Ended September 30, 1995 compared with Nine Months Ended September 30, 1994.

The increase in amortization of intangibles and other assets to $19.2 for the nine months ended September 30, 1995 from $11.9 in the corresponding period in 1994 primarily resulted from the Merger in April 1995 and the acquisition of Allied in June 1994.

Following the Merger, the Company determined that it would be beneficial to close Company laboratory facilities in certain geographic regions where duplicate Company and RBL facilities existed at the time of the Merger. In addition, the Company decided to downsize certain finance and administrative positions in La Jolla, California in order to eliminate duplicative functions. Under the restructuring plan, the Company originally estimated it would take a $76.0 charge to cover the costs of the restructuring plan. In refining the plan, the Company later estimated that the charge required was $65.0. This charge was recorded in the second quarter of 1995. See note 4 of the Notes to Unaudited Consolidated Condensed Financial Statements which sets forth the Company's restructuring activities for the nine months ended September 30, 1995.

In the second quarter of 1995, the Company took a pre-tax special charge of $10.0 in connection with the estimated costs of settling various claims pending against the Company, substantially all of which are billing disputes, in which the Company believes it is probable that settlements will be made by the Company. As of September 30, 1995, approximately $5.7 in settlements and expenses have been paid related to these claims.

Interest expense was $48.5 for the nine months ended September 30, 1995 compared with $22.1 for the same period in 1994. The change resulted primarily from increased borrowings used to finance the Company Cash Contribution, the repayment of existing indebtedness of RBL and certain other costs of the Merger and the acquisition of Allied and, to a lesser extent, due to a higher effective borrowing rate in the first four months of 1995.

In connection with the repayment of the Company's existing revolving credit and term loan facilities at the time of the Merger, the Company recorded an extraordinary loss from the early extinguishment of debt of approximately $13.5 ($8.3 net of tax) consisting of the write-off of deferred financing costs.

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in Millions)

RESULTS OF OPERATIONS - Continued

Nine Months Ended September 30, 1995 compared with Nine Months Ended September 30, 1994.

As a result of the restructuring charges and extraordinary loss, the provision for income taxes as percentage of earnings before income taxes for the nine months ended September 30, 1995 is not comparable to prior periods.

Three Months Ended September 30, 1995 compared with Three Months Ended September 30, 1994.

Net sales for the three months ended September 30, 1995 were $417.5, an increase of 67.9% from $248.7 reported in the comparable 1994 period. Net sales from the inclusion of RBL increased net sales by approximately $188.3 or 75.7%. Growth in new accounts and acquisitions of small clinical laboratory companies increased net sales by approximately 7.4% and 1.3%, respectively. Lower utilization of laboratory testing and price erosion in the industry as a whole, decreased net sales by approximately 9.0%. A reduction in Medicare fee schedules from 84% to 80% of the national limitation amounts on January 1, 1995, plus changes in reimbursement policies of various third party payors, reduced net sales by approximately 1.4%. Other factors, including accounts terminated by management, comprised the remaining reduction in net sales.

Cost of sales, which includes primarily laboratory and distribution costs, was $299.7 for the three months ended September 30, 1995 compared to $167.7 in the corresponding 1994 period, an increase of $132.0. Cost of sales increased approximately $139.7 due to the inclusion of the cost of sales of RBL, approximately $3.5 due to higher testing volume and approximately $2.2 due to an increase in compensation expense. These increases were partially offset by decreases in supplies of $1.9 and insurance of $2.2, as well as other cost categories totaling an aggregate of $9.3, in connection with the Company's on-going cost-reduction program. Cost of sales as a percentage of net sales was 71.8% for the three months ended September 30, 1995 and 67.4% in the corresponding 1994 period. The increase in the cost of sales percentage of net sales primarily resulted from inclusion of RBL's cost of sales in 1995 and a reduction in net sales due to a reduction in Medicare fee schedules, price erosion and utilization declines, each of which provided little corresponding reduction in costs.

RESULTS OF OPERATIONS - Continued

Three Months Ended September 30, 1995 compared with Three Months Ended September 30, 1994.

Selling, general and administrative expenses increased to $66.9 for the three months ended September 30, 1995 from $41.1 in the same period in 1994. The inclusion of the selling, general and administrative expenses of RBL since April 28, 1995 increased expenses by approximately $29.4. This increase was partially offset by decreases in several expense categories, including selling expenses, as a result of the Company's on-going cost-reduction program. As a percentage of net sales, selling, general and administrative expenses was 16.0% and 16.5% for the three months ended September 30, 1995 and 1994, respectively. The decrease in the selling, general and administrative percentage primarily resulted from the Company's on-going cost-reduction program.

Management expects net sales to continue to grow through strategic acquisitions and the addition of new accounts, although there can be no assurance that the Company will experience such growth. A reduction in Medicare fee schedules, pursuant to the Omnibus Budget Reconciliation Act of 1993 ("OBRA '93"), to 76% of the median fee amounts, effective January 1, 1996 is expected to negatively impact net sales, cost of sales as a percentage of net sales and selling, general and administrative expenses as a percentage of net sales in the future. Management expects that price erosion and utilization declines will continue to negatively impact net sales and the results of operations for the foreseeable future. It is the objective of management to partially offset the increases in cost of sales as a percentage of net sales and selling, general and administrative expenses as a percentage of net sales through comprehensive cost reduction programs at each of the Company's regional laboratories, although there can be no assurance of the timing or success of such programs. Congress is also considering changes to the Medicare fee schedules in conjunction with certain budgetary bills pending in Congress. The ultimate outcome of these deliberations on pending legislation cannot be predicted at this time and management, therefore, cannot predict the impact, if any, such proposals, if enacted, would have on the results of operations of the Company.

The increase in amortization of intangibles and other assets to $7.7 for the three months ended September 30, 1995 from $5.4 in the corresponding period in 1994 primarily resulted from the Merger in April 1995.

RESULTS OF OPERATIONS - Continued

Three Months Ended September 30, 1995 compared with Three Months Ended September 30, 1994.

Interest expense was $17.4 for the three months ended September 30, 1995 compared with $11.6 for the same period in 1994. The change resulted primarily from increased borrowings used to finance the Company Cash Contribution, the repayment of existing indebtedness of RBL and certain other costs of the Merger.

In connection with the repayment of the Company's existing revolving credit and term loan facilities at the time of the Merger, the Company recorded an extraordinary loss from the early extinguishment of debt of approximately $13.5 ($8.3 net of tax) consisting of the write-off of deferred financing costs.

The provision for income taxes as a percentage of earnings before taxes was 45.0% for the three months ended September 30, 1995 This percentage is not comparable to the three months ended September 30, 1994 as a result of the litigation settlement and related expenses in the third quarter of 1994.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended September 30, 1995 and 1994, net cash provided by operating activities (after payment of settlement and related expenses of $32.1 and $17.2 in 1995 and 1994, respectively) was $4.4 and 6.1, respectively. Capital expenditures were $44.3 and $36.9 for the nine months ended September 30, 1995 and 1994, respectively. The Company expects capital expenditures to be approximately $75.0 in 1995 and approximately $90.0 in 1996 to integrate the Company and RBL, to accommodate expected growth, to further automate laboratory processes and improve efficiency.

The Company acquired seven small laboratory companies during the nine months ended September 30, 1995 for an aggregate amount of $31.5 in cash and the recognition of $7.2 of liabilities. During the corresponding period in 1994, the Company acquired nine small laboratory companies for a total of $44.2 in cash and the recognition of $26.9 of liabilities.

On April 28, 1995, the Company completed its merger with Roche Biomedical Laboratories, Inc. ("RBL") pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated as of December 13, 1994

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES - Continued

(the "Merger"). The Merger was accounted for under the purchase method of accounting.

Pursuant to the Merger Agreement, each outstanding share of common stock, par value $0.01 per share of the Company ("Common Stock") (other than as provided in the Merger Agreement), was converted (the "Share Conversion") into (i) 0.72 of a share of Common Stock of the Company and (ii) $5.60 in cash per share, without interest. The aggregate number of shares issued and outstanding following the Share Conversion was 61,041,159. Also, an aggregate of 538,307 shares of Common Stock were issued in connection with the cancellation of certain employee stock options.

In addition, pursuant to the Merger Agreement, an aggregate of 61,329,256 shares of Common Stock were issued to HLR Holdings Inc. ("HLR") and its designee, Roche Holdings, Inc. in exchange for all shares of common stock, no par value, of RBL outstanding immediately prior to the effective date of the Merger (other than treasury shares, which were canceled) and a cash contribution described below. The issuance of such shares of Common Stock constituted approximately 49.9% of the total outstanding shares of Common Stock outstanding immediately after the Merger.

The Company also made a distribution (the "Warrant Distribution") to holders of record as of April 21, 1995, of 0.16308 of a warrant per outstanding share of Common Stock, each such warrant representing the right to purchase one newly issued share of Common Stock for $22.00 (subject to adjustment) on April 28, 2000 (each such warrant, a "Warrant"). Approximately 13,826,308 Warrants were issued to stockholders entitled to receive Warrants in the Warrant Distribution (including fractional Warrants, which were not distributed, but were liquidated in sales on the New York Stock Exchange and the proceeds thereof distributed to such stockholders).

In addition, pursuant to the Merger Agreement on April 28, 1995 the Company issued to Hoffmann-La Roche Inc. ("Roche"), for a purchase price of approximately $51.0, 8,325,000 Warrants (the "Roche Warrants") to purchase shares of Common Stock, which Warrants have the terms described above.

The aggregate cash consideration of approximately $474.8 paid to stockholders of the Company in the Merger was financed from three sources: a cash contribution (the "Company Cash Contribution") of approximately $288.1 out of the proceeds of borrowings under the Bank

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES - Continued

Facility (as described below), a cash contribution made by HLR to the Company in the amount of approximately $135.7 and the proceeds from the sale and issuance of the Roche Warrants.

The Company also entered into a credit agreement dated as of April 28, 1995 (the "Credit Agreement"), with the banks named therein (the "Banks") and Credit Suisse (New York Branch), as administrative agent (the "Bank Agent"), which made available to the Company a senior term loan facility of $800.0 (the "Term Loan Facility") and a revolving credit facility of $450.0 (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Bank Facility"). The Bank Facility provided funds for the Company Cash Contribution for the refinancing of certain existing debt of the Company and its subsidiaries and RBL, for related fees and expenses of the Merger and for general corporate purposes of the Company and its subsidiaries, in each case subject to the terms and conditions set forth in the Credit Agreement.

In connection with the Credit Agreement, the Company paid the Banks and Bank Agent customary underwriting, closing and participation fees, respectively. In addition, the Company will pay a facility fee based on the total Revolving Credit Facility commitment (regardless of usage) of 0.125% per annum. Availability of funds under the Bank Facility is conditioned on certain customary conditions, and the Credit Agreement contains customary representations, warranties, covenants and events of default.

The Revolving Credit Facility matures in April 2000. The Term Loan Facility matures in December 2001, with repayments in each quarter prior to maturity based on a specified amortization schedule. For as long as HLR and its affiliates ownership of Company common stock (the "HLR Group Interest") remains at least 25%, the Revolving Credit Facility bears interest, at the option of the Company, at (i) Credit Suisse's Base Rate (as defined in the Credit Agreement) or (ii) the Eurodollar Rate (as defined in the Credit Agreement) plus a margin of 0.25% and the Term Loan Facility bears interest, at the option of the Company, at (i) Credit Suisse's Base Rate (as defined in the Credit Agreement) or (ii) the Eurodollar Rate (as defined in the Credit Agreement) plus a margin of 0.375%. In the event there is a reduction in the HLR Group Interest to below 25%, applicable interest margins will not be determined as set forth above, but instead will be determined based upon the Company's financial performance as described in the Credit Agreement.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES - Continued

During the quarter ended September 30, 1995, the Company entered into interest rate swap agreements with certain major financial institutions to manage its interest rate exposure with respect to $600.0 of its floating rate debt under the Term Loan Facility. The agreements effectively changed the interest rate exposure on $600.0 of floating rate debt to a weighted average fixed interest rate of 6.01%, through requiring that the company pay a fixed rate amount in exchange for the financial institutions paying a floating rate amount. The notional amounts of the agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to credit loss. These agreements mature in September 1998.

The Bank Facility is unconditionally and irrevocably guaranteed by certain of the Company's subsidiaries.

On April 28, 1995, the Company borrowed $800.0 under the Term Loan Facility and $184.0 under the Revolving Credit Facility (i) to pay the Company Cash Contribution; (ii) to repay in full the existing revolving credit and term loan facilities of a wholly-owned subsidiary of the Company of approximately $640.0 including interest and fees; (iii) to repay approximately $50.0 of existing indebtedness of RBL; and (iv) for other transaction costs in connection with the Merger and for use as working capital and general corporate purposes of the Company and its subsidiaries.

Following the Merger, the Company determined that it would be beneficial to close Company laboratory facilities in certain geographic regions where duplicate Company and RBL facilities existed at the time of the Merger. In addition, the Company decided to downsize certain finance and administrative positions in La Jolla, California in order to eliminate duplicative functions. Under the restructuring plan, the Company originally estimated it would take a $76.0 charge to cover the costs of the restructuring plan. In refining the plan, the Company later estimated that the charge required was $65.0. This charge was recorded in the second quarter of 1995. See note 4 of the Notes to Unaudited Consolidated Condensed Financial Statements which sets forth the Company's restructuring activities for the nine months ended September 30, 1995. Future cash payments under the restructuring plan are expected to be $18.8 over the next year and $18.0 thereafter.

In the second quarter of 1995, the Company took a pre-tax special charge of $10.0 in connection with the estimated costs of settling various claims pending against the Company, substantially all of which are billing disputes, in which the Company believes it

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES - Continued

is probable that settlements will be made by the Company. As of September 30, 1995, approximately $5.7 in settlements and expenses have been paid related to these claims.

As a result of the Merger, the Company is expected to achieve substantial savings in operating costs through the consolidation of certain operations and the elimination of redundant expenses. Such savings are expected to be realized over time as the consolidation process is completed. The Company expects to realize approximate annualized net savings of between $100.0 to $110.0 within three years following the Merger. The synergies expected to be realized by the Company will be derived from several sources, including corporate, general and administrative expenses, including the consolidation of administrative staff. Other reductions in sales staff where duplicate territories exist, operational savings, including the closing of overlapping laboratories and other facilities, and savings to be realized from the additional buying power of the larger Company, are expected to generate significant savings. It is also expected that savings will be realized from certain changes in employee benefits. These estimated savings are anticipated to be partially offset by a loss of existing business during the conversion process. Realization of improvements in profitability is dependent, in part, on the extent to which the revenues of the combined companies are maintained and will be influenced by many factors, including factors outside the control of the Company. There can be no assurance that the estimated cost savings described above will be realized or achieved in a timely manner or that improvements, if any, in profitability will be achieved or that such savings will not be offset be increases in other expenses.

The Company expects that its cash needs for working capital, capital expenditures and the cash costs of the restructuring and operations of the Company after the Merger will be met by its cash flow from operations and borrowings under the Revolving Credit Facility.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of the Stockholders of the Company was held on September 20, 1995.

(b) The following individuals were elected to the board of directors:

James R. Maher
Thomas P. MacMahon
James B. Powell, M.D.
Jean-Luc Belingard
Linda Gosden Robinson
David B. Skinner, M.D.
Andrew G. Wallace, M.D.

(c) The matters voted upon were the election of directors, approval and adoption of the 1995 Stock Plan for Non-Employee Directors, approval and adoption of the Performance Unit Plan, approval and adoption of the Annual Bonus Incentive Plan and the ratification of the appointment of KPMG Peat Marwick LLP as the Company's independent auditors for the fiscal year ending December 31, 1995. Each of such matters was described in the proxy statement dated August 17, 1995 which was distributed to stockholders in connection with the annual meeting of the stockholders of the Company. The results of the vote were as follows:

Topic	Votes For	Votes Against	Votes Abstained	Unvoted
Election of the members of the board of directors:				
James R. Maher	106,546,487	297,098	-	-
Thomas P. MacMahon	106,546,919	296,666	-	-
James B. Powell, M.D.	106,546,415	297,170	-	-
Jean-Luc Belingard	106,546,415	297,170	-	-
Linda Gosden Robinson	106,546,415	297,170	-	-
David B. Skinner, M.D.	106,546,919	296,666	-	-
Andrew G. Wallace, M.D.	106,546,415	297,170	-	-
Approval and adoption of the 1995 Stock Plan for Non-Employee Directors:	102,164,945	4,632,472	46,118	-
Approval and adoption of the Performance Unit Plan:	106,562,559	219,063	61,963	-
Approval and adoption of the Annual Bonus Incentive Plan:	105,370,276	1,424,477	48,822	10

Topic	Votes For	Votes Against	Votes Abstained	Unvoted
Ratification of the appointment of KPMG Peat Marwick LLP as the Company's independent auditors for the fiscal year 1995:	106,759,120	53,117	31,068	280

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.1 Amendment dated as of September 19, 1995 to the Employment Agreement dated as of January 1, 1991, as amended on April 1, 1991, June 6, 1991, January 1, 1993, April 1, 1994 and April 28, 1995, between La Jolla Management Corp., a Delaware corporation and a wholly-owned subsidiary of the Company, and David C. Flaugh.(1)

10.2 First Amendment to Credit Agreement dated as of September 8, 1995 among the Company, the banks named therein, and Credit Suisse (New York Branch), as Administrative Agent.

27 Financial Data Schedule (electronically filed version only).

(1) Incorporated by reference herein to the current report on Form 8-K filed with the Securities and Exchange Commission on September 21, 1995.

PART II - OTHER INFORMATION - Continued

(b) Reports on Form 8-K

A current report on Form 8-K dated September 19, 1995 was filed on September 21, 1995 in connection with the Company's press release dated September 19, 1995 containing certain financial and other information relating to the Company, announcing the resignation of David C. Flaugh, the then Executive Vice President and Chief Operating Officer of the Company, effective September 19, 1995, the results of the annual meeting of the stockholders held on September 20, 1995, and certain other actions of the Board of Directors.

A current report on Form 8-K dated October 25, 1995 was filed on October 30, 1995 in connection with the Company's press release dated October 25, 1995 announcing operating results of the Registrant for the three and nine month periods ended September 30, 1995 as well as certain other information.

S I G N A T U R E

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.

LABORATORY CORPORATION OF AMERICA HOLDINGS
Registrant

By:/s/ WESLEY R. ELINGBURG

Wesley R. Elingburg
Senior Vice President, Finance
(Principal Accounting Officer)

Date: November 14, 1995

FIRST AMENDMENT TO CREDIT AGREEMENT

Dated as of September 8, 1995

Among

LABORATORY CORPORATION OF AMERICA HOLDINGS
(formerly known as NATIONAL HEALTH LABORATORIES HOLDINGS INC.),
as Borrower,

THE BANKS NAMED HEREIN,
as Banks, and

CREDIT SUISSE (NEW YORK BRANCH),
as Administrative Agent

FIRST AMENDMENT TO CREDIT AGREEMENT dated as of September 8, 1995 among LABORATORY CORPORATION OF AMERICA HOLDINGS (formerly known as NATIONAL HEALTH LABORATORIES HOLDINGS INC.), a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders (the "Banks") listed on the signature pages hereof, and CREDIT SUISSE (NEW YORK BRANCH) ("CS"), as administrative agent (the "Administrative Agent") for the Lenders hereunder.

PRELIMINARY STATEMENT

The parties hereto (i) have entered into a Credit Agreement dated as of April 28, 1995 (the "Credit Agreement") providing for, among other things, the Lenders to lend to the Borrower up to $1,250,000,000 on the terms and subject to the conditions set forth therein and (ii) desire to amend the Credit Agreement in the manner set forth herein. Each capitalized term used but not defined herein shall have the meaning ascribed thereto in the Credit Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

AMENDMENTS

SECTION 1.01. Amendment of Definitions. Article I, Section 1.01 of the Credit Agreement is hereby amended:

(a) by deleting the definition of "Interest Coverage Ratio" set forth therein in its entirety and inserting the following definition in lieu thereof:

" 'Interest Coverage Ratio' means (a) with respect to (i) each of the periods commencing on the Closing Date and ending on (A) June 30, 1995, (B) September 30, 1995, (C) December 31, 1995 and (D) March 31, 1996, and (ii) the four fiscal quarter periods ending on June 30, 1996, September 30, 1996 and December 31, 1996, the ratio of (x) Consolidated Adjusted EBITDA of the Borrower and its Subsidiaries for such period to (y) Consolidated Interest Expense of the Borrower and its Subsidiaries for such period, (b) with respect to each of the four fiscal quarter periods ending on March 31, 1997, June 30, 1997 and September 30, 1997, the ratio of (x) the sum of (1) Consolidated Adjusted EBITDA of the Borrower and its Subsidiaries for each fiscal quarter ending prior to March 31, 1997 included in such period plus (2) Consolidated EBITDA of the Borrower and its Subsidiaries for each fiscal quarter ending on or after March 31, 1997 included in such period to (y) Consolidated Interest Expense of the Borrower and its Subsidiaries for such period and (c) with respect to each subsequent four fiscal quarter period, commencing with the four fiscal quarter period ending on December 31, 1997, the ratio of (x) Consolidated EBITDA of the Borrower and its Subsidiaries for such period to (y) Consolidated Interest Expense of the Borrower and its Subsidiaries for such period."; and

(b) by deleting the definition of "Leverage Ratio" set forth therein in its entirety and inserting the following definition in lieu thereof:

" 'Leverage Ratio' means (a) with respect to each of the periods commencing on the Closing Date and ending on (i) June 30, 1995, (ii) September 30, 1995, (iii) December 31, 1995 and (iv) March 31, 1996, the ratio of (x) the total Consolidated Debt of the Borrower and its Subsidiaries as of the last day of such period to (y) Consolidated Annualized Adjusted EBITDA of the Borrower and its Subsidiaries for such period, (b) with respect to each of the four fiscal quarter periods ending on June 30, 1996, September 30, 1996 and December 31, 1996, the ratio of (x) the total Consolidated Debt of the Borrower and its Subsidiaries as of the last day of such period to (y) Consolidated Adjusted EBITDA of the Borrower and its Subsidiaries for such period, (c) with respect to each of the four fiscal quarter periods ending on March 31, 1997, June 30, 1997 and September 30, 1997 the ratio of (x) the total Consolidated Debt of the Borrower and its Subsidiaries as of the last day of such period to (y) the sum of (1) Consolidated Adjusted EBITDA of the Borrower and its Subsidiaries for each fiscal quarter ending on or before December 31, 1996 included in such period plus (2) Consolidated EBITDA of the Borrower and its Subsidiaries for each fiscal quarter ending on or after March 31, 1997 included in such period and (d) with respect to each subsequent four fiscal quarter period, commencing with the four fiscal quarter period ending December 31, 1997, the ratio of (x) the total Consolidated Debt of the Borrower and its Subsidiaries as of the last day of such fiscal quarter to (y) Consolidated EBITDA of the Borrower and its Subsidiaries for the four fiscal quarter period ended at the end of such fiscal quarter."; and

(c) by deleting the definition of "Restructuring Costs" set forth therein in its entirety and inserting the following definition in lieu thereof:

" 'Restructuring Costs' means a maximum of up to (a) to the extent actually incurred, $80,000,000 in the aggregate charged in respect of the five fiscal quarters ended June 30, 1996, for restructuring costs and deferred financing costs (of which not more than $14,000,000 may constitute deferred financing costs) of the Borrower of the kind described in footnote 5 to the Pro Forma Condensed Combined Consolidated Balance Sheet for the year ended December 31, 1994 set forth in the NHL Proxy Statement, plus (b) to the extent actually incurred, $9,000,000 in the aggregate charged in respect of the six fiscal quarters ended December 31, 1996 for restructuring costs incurred in connection with the Designated Acquisitions for which estimated restructuring costs in such amount are specified in the written agreement of the Borrower and the Administrative Agent with respect to Designated Acquisitions, and plus (c) to the extent actually incurred or reserved for on the financial statements required to be delivered pursuant to Section 5.01(l)(i) and (ii), $10,000,000 in the aggregate charged in respect of the five fiscal quarters ended June 30, 1996 for Settlement Costs."; and

(d) by adding alphabetically the following new definition:

"'Settlement Costs' means amounts paid or reserved for payment by the Borrower to third party payor claimants to settle claims made regarding billing disputes to which the Borrower or any of its Subsidiaries is a party."

SECTION 1.02. Amendment of Affirmative Covenants. Article V, Section 5.01(k) of the Credit Agreement is hereby amended by deleting the same in its entirety and inserting the following in lieu thereof:

"(k) Minimum Stockholders' Equity. Maintain Stockholders' Equity, after giving effect to the Merger, of not less than (i) on the Closing Date, $405,000,000, (ii) on June 30, 1995, a dollar amount equal to (A) the greater of (1) $324,000,000 and (2) 80% of actual Stockholders' Equity on the Closing Date, minus (B) After-Tax Restructuring Costs for the period commencing on the Closing Date and ending on June 30, 1995 plus (C) if positive, 75% of Adjusted Net Income for such period, (iii) on September 30, 1995, December 31, 1995, March 31, 1996, June 30, 1996, September 30, 1996 and December 31, 1996, a dollar amount equal to (A) the minimum amount of Stockholders' Equity required on the last day of the immediately preceding fiscal quarter, minus (B) After-Tax Restructuring Costs for the fiscal quarter ending on such date plus (C) if positive, 75% of Adjusted Net Income for the fiscal quarter ending on such date and (iv) on the last day of each subsequent fiscal quarter, commencing with the fiscal quarter ending in March 1997, a dollar amount equal to (A) if positive, 75% of Adjusted Net Income for such fiscal quarter plus (B) the minimum amount of Stockholders' Equity required on the last day of the immediately preceding fiscal quarter."

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The execution, delivery and performance by the Borrower of this Amendment are within its corporate powers, have been duly authorized by all necessary corporate action, and do not contravene the Borrower's charter or by-laws.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Amendment.

(d) This Amendment has been duly executed and delivered by the Borrower. This Amendment is the legal, valid and binding obligation of the Borrower, enforceable against the Borrower, in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of creditors' rights generally and by general principles of equity.

(e) The representations and warranties contained in Section 4.01 of the Credit Agreement are correct in all material respects on and as of the date hereof, as though made on and as of the date hereof.

(f) No event has occurred and is continuing which constitutes a Default.

ARTICLE III

MISCELLANEOUS

SECTION 3.01. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to the conflicts of law principles thereof.

SECTION 3.02. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 3.03. Effect on the Credit Agreement. Upon execution and delivery of this Amendment, each reference in the Credit agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Credit agreement, as amended hereby and each reference to the Credit Agreement in any Loan Document (as defined in the Credit Agreement) shall mean and be a reference to the Credit Agreement, as amended hereby. Except as expressly modified hereby, all of the terms and conditions of the Credit Agreement shall remain unaltered and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER: LABORATORY CORPORATION OF AMERICA HOLDINGS

By:/s/ HAYWOOD D. COCHRANE JR.

Name: Haywood D. Cochrane, Jr.
Title: Executive Vice President and Chief Financial Officer

ADMINISTRATIVE AGENT: CREDIT SUISSE (NEW YORK BRANCH), as Administrative Agent

By:/s/ HEATHER RIEKENBERG

Name: Heather Riekenberg
Title: Associate

and

By:/s/ IRA LUBINSKY

Name: Ira Lubinsky
Title: Associate

CREDIT SUISSE (NEW YORK BRANCH)

By:/s/ HEATHER RIEKENBERG

Name: Heather Riekenberg
Title: Associate

By:/s/ KARL STUDER

Name: Karl Studer
Title: Member of Senior Management

BANK OF AMERICA ILLINOIS

By:/s/ WENDY L. LORING

Name: Wendy L. Loring
Title: Vice President

BANQUE NATIONALE DE PARIS

By:/s/ RICHARD L. STED

Name: Richard L. Sted
Title: Senior Vice President

By:/s/ BONNIE G. EISENSTAT

Name: Bonnie G. Eisenstat
Title: Vice President

BAYERISCHE LANDESBANK
GIROZENTRALE

By:/s/ WILFRIED FREUDENBERGER

Name: Wilfried Freudenberger
Title: Executive Vice President
and General Manager

By:/s/ PETER OBERMANN

Name: Peter Obermann
Title: Senior Vice President
Manager Lending Division

CHASE MANHATTAN BANK

By:/s/ ROGER LIEBLICH

Name: Roger Lieblich
Title: Managing Director

CREDIT LYONNAIS
CAYMAN ISLAND BRANCH

By:/s/ FARBOUD TAVANGAR

Name: Farboud Tavanger
Title: Authorized Signature

DEUTSCHE BANK AG
NEW YORK BRANCH AND/OR
CAYMAN ISLANDS BRANCH

By:/s/ RICHARD A. W. MCCLARY

Name: Richard A. W. McClary
Title: Assistant Vice President

By:/s/ GEORG L. PETERS

Name: Georg L. Peters
Title: Vice President

FIRST FIDELITY BANK, N.A.

By:/s/ GRACE VALLACCHI

Name: Grace Vallacchi
Title: Vice President

THE FUJI BANK, LTD.
(NEW YORK BRANCH)

By:/s/ GINA KEARNS

Name: Gina Kearns
Title: Vice President & Manager

NATIONSBANK, N.A. (CAROLINAS)

By:/s/ MICHAEL A. CRABB, III

Name: Michael A. Crabb, III
Title: Assistant Vice President

SOCIETE GENERALE

By:/s/ KIRK BOGEL

Name: Kirk Bogel
Title: Vice President

THE SUMITOMO BANK, LIMITED

By:/s/ YOSHINORI KAWAMURA

Name: Yoshinori Kawamura
Title: Joint General Manager

SWISS BANK CORPORATION

By:/s/ HANNO HUBER

Name: Hanno Huber
Title: Associate Director Corporate
Clients Switzerland

By:/s/ GUIDO W. SCHULER

Name: Guido W. Schuler
Title: Executive Director Corporate
Clients Switzerland

WACHOVIA BANK OF GEORGIA, N.A.

By:/s/ JAMES C. RATCLIFF

Name: James C. Ratcliff
Title: Vice President

WESTDEUTSCHE LANDESBANK

By:/s/ C. RUTHLAND

Name: C. Ruthland
Title: Associate

By:/s/ D. WOLF

Name: D. Wolf
Title: Vice President

BANK BRUSSELS LAMBERT
(NEW YORK BRANCH)

By:/s/ JURGEN RIGTERINK

Name: Jurgen Rigterink
Title: Vice President

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES CONSOLIDATED CONDENSED BALANCE SHEETS AND STATEMENT OF EARNINGS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000920148
LABORATORY CORPORATION OF AMERICA HOLDINGS
1000

9-MOS
DEC-31-1995
SEP-30-1995
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483,800
47,400
54,300
591,100
414,800
122,600
1,826,900
311,800
959,000
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722,400
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