LABORATORY CORP OF AMERICA HOLDINGS
Form DEF 14A
March 25, 2008

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨	Preliminary Proxy Statement	¨	CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14A-6(E)(2))
x	Definitive Proxy Statement		
¨	Definitive Additional Materials		
¨	Soliciting Material		

Laboratory Corporation of America Holdings

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Laboratory Corporation of America® Holdings

358 South Main Street

Burlington, NC 27215

Telephone: 336-229-1127

March 25, 2008

Dear Stockholder:

You are cordially invited to attend the 2008 Annual Meeting of Stockholders of Laboratory Corporation of America Holdings. The meeting will be held at The Paramount Theater, 128 East Front Street, Burlington, NC 27215, on Wednesday, May 7, 2008 at 9:00 a.m., Eastern Daylight Time.

The attached Notice of the Annual Meeting and Proxy Statement provide information concerning the matters to be considered at the meeting.

The Board of Directors recommends that the Company s stockholders approve each of the proposals set forth in the Notice. The enclosed Proxy Statement sets forth more detailed information regarding these proposals. Please carefully review the information in the Proxy Statement.

Whether or not you plan to attend the meeting in person, your shares should be represented and voted at the meeting. This year, we are using the new U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, we are mailing our shareholders a notice of Internet availability of our proxy materials instead of a paper copy of this proxy statement and our 2007 Annual Report. The notice contains instructions on how to access those documents over the Internet. The notice also contains instructions on how shareholders can receive a paper copy of our proxy materials, including this proxy statement, our 2007 Annual Report and a form of proxy card or voting instruction card. We believe that this new process will conserve natural resources and reduce the costs of printing and distributing our proxy materials.

After reading the Proxy Statement, you may vote by proxy over the Internet or by telephone, or, if you receive paper copies of the proxy materials by mail, you can also vote by mail by following the instructions on the proxy card or voting instruction card. You may revoke your proxy at any time before it is exercised by sending a written notice that you would like to revoke your proxy to the Company at 358 South Main Street, Burlington NC 27215, Attention: Bradford T. Smith, by submitting a new proxy, or by attending the meeting and voting in person.

Sincerely,

David P. King

President and Chief Executive Officer

LABORATORY CORPORATION OF AMERICA HOLDINGS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Laboratory Corporation of America Holdings:

Notice is hereby given that the 2008 Annual Meeting (the Annual Meeting) of the Stockholders of Laboratory Corporation of America Holdings (the Company) will be held at The Paramount Theater, 128 East Front Street, Burlington, NC 27215, on Wednesday, May 7, 2008 at 9:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect the members of the Company s Board of Directors to serve until the Company s next annual meeting and until such directors successors are elected and shall have qualified;

2. To approve the Company s Management Incentive Bonus Plan;

3. To approve the Company s 2008 Stock Incentive Plan (the 2008 Stock Incentive Plan);

4. To approve an amendment to the 1997 Employee Stock Purchase Plan to extend the termination date of the plan from December 31, 2008 to December 31, 2012 (the ESPP Amendment);

5. To ratify the Audit Committee s appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the year ending December 31, 2008; and

6. To take such other action as may properly come before the Annual Meeting or any adjournments thereof.

The accompanying proxy statement describes the matters to be considered at the Annual Meeting. Only stockholders of record at the close of business on March 14, 2008 are entitled to notice of, and to vote at, the Annual Meeting and at any adjournments thereof.

By Order of the Board of Directors

/s/ Bradford T. Smith

Bradford T. Smith

Secretary

March 25, 2008

PLEASE CAST YOUR VOTE USING THE INTERNET OR TELEPHONE VOTING OPTIONS AS SOON AS POSSIBLE, OR, IF REQUESTED, COMPLETE, SIGN, AND DATE THE PROXY CARD, AND RETURN IT PROMPTLY. THIS WILL ENSURE THAT YOUR SHARES ARE VOTED IN ACCORDANCE WITH YOUR WISHES.

LABORATORY CORPORATION OF AMERICA HOLDINGS

358 SOUTH MAIN STREET

BURLINGTON, NORTH CAROLINA 27215

PROXY STATEMENT

This Proxy Statement is being furnished in connection with the solicitation by the Board of Directors of Laboratory Corporation of America Holdings, a Delaware corporation (the Company), of proxies to be voted at the 2008 Annual Meeting of Stockholders to be held at The Paramount Theater, 128 East Front Street, Burlington, NC 27215, on Wednesday, May 7, 2008 at 9:00 a.m., Eastern Daylight Time, and at any adjournments thereof (the Annual Meeting). The Company s Board of Directors has made this Proxy Statement and the accompanying Notice of Annual Meeting available on the Internet. The Company mailed a Notice of Internet Availability of Proxy Materials (the Notice) to each of the Company s stockholders entitled to vote at the Annual Meeting on or about March 25, 2008.

At the Annual Meeting, the Company s stockholders will be asked (i) to elect the following persons as directors of the Company to serve until the Company s next annual meeting and until such directors successors are elected and shall have qualified: Thomas P. Mac Mahon, Kerrii B. Anderson, Jean-Luc Bélingard, David P. King, Wendy E. Lane, Robert E. Mittelstaedt, Jr., Arthur H. Rubenstein, MBBCh, Bradford T. Smith, M. Keith Weikel, Ph.D. and R. Sanders Williams, M.D.; (ii) to approve the Company s Management Incentive Bonus Plan; (iii) to approve the Company s 2008 Stock Incentive Plan; (iv) to approve the amendment to the Company s 1997 Employee Stock Purchase Plan; (v) to ratify the Audit Committee s appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the year ending December 31, 2008; and (vi) to take such other action as may properly come before the Annual Meeting or any adjournments thereof.

GENERAL INFORMATION

Electronic Delivery of Proxy Materials

Pursuant to the new rules adopted by the Securities and Exchange Commission (the SEC), the Company has elected to provide access to our proxy materials over the Internet. Accordingly, the Notice was sent on or about March 25, 2008 to each of the Company s stockholders of record at the close of business on March 14, 2008. All stockholders may access the proxy materials on the website referred to in the Notice. Stockholders may also request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy can be found on the Notice. In addition, by following the instructions in the Notice, stockholders may request to receive proxy materials in printed form by mail or electronically by e-mail on an ongoing basis.

Choosing to receive your future proxy materials by e-mail will save the Company the cost of printing and mailing documents to you and will reduce the impact of the Company s annual meetings on the environment. If you choose to receive future proxy materials by e-mail, you will receive an e-mail next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

Solicitation and Voting of Proxies; Revocation; Record Date

All proxies duly executed and received by the Company will be voted on all matters presented at the Annual Meeting in accordance with the instructions given therein by the person executing such proxy or, in the absence of such instructions, will be voted in favor of the election to the Company s Board of Directors of the ten

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nominees for director identified in this Proxy Statement, for approval of the Company s Management Incentive Bonus Plan, for approval of the Company s 2008 Stock Incentive Plan, for approval of the amendment to the Company s 1997 Employee Stock Purchase Plan and for the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2008. Any stockholder may revoke his/her proxy at any time prior to the Annual Meeting before it is voted by written notice to such effect delivered to the Company at 358 South Main Street, Burlington, North Carolina 27215, Attention: Bradford T. Smith, Secretary, by delivery prior to the Annual Meeting of a properly executed and subsequently dated proxy or by attending the Annual Meeting and voting in person.

Solicitation of proxies may be made by mail and may also be made by personal interview, telephone, e-mail and facsimile transmission, and by directors, officers, and regular employees of the Company without special compensation therefor. The Company will bear the expenses to prepare proxy materials and to solicit proxies for the Annual Meeting. The Company expects to reimburse banks, brokers, and other persons for their reasonable, out-of-pocket expenses in handling proxy materials for beneficial owners.

Only holders of record of common stock of the Company (the Common Stock) at the close of business on March 14, 2008 (the Record Date) will be entitled to notice of, and to vote at, the Annual Meeting. At the close of business on the Record Date, there were issued and outstanding 110,872,925 shares of Common Stock. Holders of Common Stock as of the Record Date will be entitled to one vote per share at the Annual Meeting.

A quorum for the Annual Meeting consists of a majority of the total number of shares of Common Stock outstanding on the Record Date and entitled to vote, present in person or represented by proxy. In accordance with the Company s current Corporate Governance, Directors are elected by the affirmative vote of a majority of the votes cast for the election of directors. The Board has adopted a policy that a director who does not receive the required vote for election as provided in the bylaws is expected to submit his or her resignation for consideration by the Board**.** The affirmative vote of a majority of shares of Common Stock represented at the Annual Meeting and entitled to vote is required for the approval of the Company s Management Incentive Bonus Plan, approval of the Company s 2008 Stock Incentive Plan, approval of the amendment to the Company s 1997 Employee Stock Purchase Plan and for the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the year ending December 31, 2008. An abstention will have no effect on the election of the directors, but will have the same effect as a vote against the other proposals scheduled for the Annual Meeting. A broker non-vote will have no effect on the proposals scheduled for the Annual Meeting. Broker non-votes occur when brokers do not receive voting instructions from their customers and the broker does not have discretionary voting authority with respect to a proposal. If a shareholder holds shares through a broker, bank or other nominee and does not give instructions as to how to vote, the broker may have authority to vote on certain routine items, but not on other items.

As of March 14, 2008, the directors and executive officers of the Company beneficially owned an aggregate of 2,007,184 shares of Common Stock, representing approximately 1.6% of the total number of shares of Common Stock outstanding and entitled to vote.

The Board of Directors of the Company recommends that stockholders vote FOR the election of each of the nominees for director of the Company (as specified below), approval of the Company s Management Incentive Bonus Plan, approval of the Company s 2008 Stock Incentive Plan, approval of the amendment to the Company s 1997 Employee Stock Purchase Plan, and the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2008.

PROPOSAL ONE: ELECTION OF DIRECTORS

The Company s directors will be elected at the Annual Meeting to serve until the next succeeding annual meeting of the Company and until their successors are elected and have been qualified. All of the nominees listed below are currently serving as members of the Board of Directors. Except as herein stated, the proxies solicited hereby will be voted FOR the election of such nominees unless the completed proxy card directs otherwise.

Pursuant to Section 303A.02 of the New York Stock Exchange (NYSE) Listing Standards (the Listing Standards), in order for a director to qualify as independent, the Board of Directors must affirmatively determine that the director has no material relationship with the Company that would impair the director s independence. The Listing Standards permit the Board of Directors to adopt categorical standards to be used in connection with this purpose, and the Board of Directors has adopted the standards set forth on Annex I for determining whether there is a material relationship that would impair independence.

The Board of Directors has determined that Ms. Anderson, Mr. Bélingard, Ms. Lane, Mr. Mittelstaedt, Dr. Rubenstein, Dr. Weikel and Dr. Williams each qualify as independent as defined in the Listing Standards. Mr. Mac Mahon is not independent because he was the Company s Chief Executive Officer until his retirement on December 31, 2006. Further, Messrs. King (the Company s Chief Executive Officer) and Smith (the Company s Executive Vice President and Chief Legal Officer) are not independent as they are employees of the Company.

The Board of Directors has been informed that all of the nominees listed below are willing to serve as directors, but if any of them should decline or be unable to act as a director, the individuals named in the proxies may vote for a substitute designated by the Board of Directors. The Company has no reason to believe that any nominee will be unable or unwilling to serve.

Nominees For Election As Directors

The name, age as of March 14, 2008, principal occupation for the last five years, selected biographical information, and period of service as a director of the Company of each nominee are set forth below:

Thomas P. Mac Mahon (61) has served as Chairman of the Board and a director since April 28, 1996. Prior to such date and since April 28, 1995, he served as the Vice Chairman and a director. Mr. Mac Mahon was President and Chief Executive Officer and a member of the Executive and Management Committees of the Company from January 1997 until his retirement on December 31, 2006. Mr. Mac Mahon was Senior Vice President of Hoffmann-La Roche, Inc. (Roche) from 1993 to December 1996 and President of Roche Diagnostics Group and a director and member of the Executive Committee of Roche from 1988 to December 1996. Mr. Mac Mahon is a director and Compensation Committee member of Express Scripts, Inc. Mr. Mac Mahon currently serves as Chairman and a director of PharMerica Corporation, and in November 2007 became a director of Golden Pond Healthcare.

Kerrii B. Anderson (50) has served as a director of the Company since May 17, 2006. Ms. Anderson is Chief Executive Officer of Wendy s International, Inc., a restaurant operating and franchising company. Ms. Anderson served as Executive Vice President and Chief Financial Officer of Wendy s International from 2000 to 2006. Prior to this position, she was Chief Financial Officer, Senior Vice President of M/I Schottenstein Homes, Inc. from 1987 to 2000. Ms. Anderson currently serves as a director of Wendy s International and is on the financial committee of Columbus Foundation and Ohio Health. Her service as a director for Tim Hortons Inc. ended effective February 1, 2007.

Jean-Luc Bélingard (59) has served as a director of the Company since April 28, 1995. Mr. Bélingard is Chief Executive Officer of Ipsen SA, a diversified French health care holding company, and has served in that position since 2001. Prior to this position, Mr. Bélingard was Chief Executive Officer from 1999 to 2001 of bioMérieux-Pierre Fabre, a diversified French health care holding company, where his responsibilities included the management of that company s worldwide pharmaceutical and cosmetic business. Mr. Bélingard is also a director of Applera Corporation, Norwalk, Connecticut, a director and member of the Compensation Committee of bioMérieux SA, and a director and member of the Compensation Committee of Nicox (France).

David P. King (51) has served as President and Chief Executive Officer and a director of the Company since January 1, 2007. Prior to that date, Mr. King served as Executive Vice President and Chief Operating Officer from December 2005 to January 2007, as Executive Vice President of Strategic Planning and Corporate Development from January 2004 to December 2005 and was hired in September 2001 as Senior Vice President, General Counsel and Chief Compliance Officer. Mr. King is a member of the Executive Committee of the Company. Prior to joining the Company, he was a partner with Hogan & Hartson L.L.P. in Baltimore, Maryland from 1992 to 2001.

Wendy E. Lane (56) has been a director of the Company since November 1996. Ms. Lane has been Chairman of Lane Holdings, Inc., an investment firm, since 1992. Prior to forming Lane Holdings, Inc., Ms. Lane was a Principal and a Managing Director of Donaldson, Lufkin & Jenrette, an investment banking firm, serving in these and other positions from 1980 to 1992. Ms. Lane is also a director and Audit Committee member of Willis Group Holdings, Ltd., and UPM-Kymmene Corporation and a Trustee of the U.S. Ski and Snowboard Team Foundation.

Robert E. Mittelstaedt, Jr. (64) has been a director of the Company since November 1996. Mr. Mittelstaedt is Dean and Professor, of the W.P. Carey School of Business at Arizona State University. Prior to June 30, 2004, he was Vice Dean, Executive Education of The Wharton School of the University of Pennsylvania and director of the Aresty Institute of Executive Education, an executive education program affiliated with The Wharton School of the University of Pennsylvania. Mr. Mittelstaedt had served with The Wharton School since 1973, with the exception of the period from 1985 to 1989 when he founded, served as President and Chief Executive Officer, and sold Intellego, Inc., a company engaged in practice management, systems development, and service bureau billing operations in the medical industry. Mr. Mittelstaedt serves as a director of W.P. Carey & Co., LLC and also serves as a director and Compensation Committee member of Innovative Solutions & Support, Inc.

Arthur H. Rubenstein, MBBCh (70) has served as a director of the Company since August 1, 2004. Dr. Rubenstein is the Dean of the University of Pennsylvania School of Medicine and Executive Vice President for the University of Pennsylvania Health System. Previously, Dr. Rubenstein was Dean and Gustave L. Levy Distinguished Professor at the Mount Sinai School of Medicine in New York from 1997 to 2001. He has also been a faculty member and chairman of the Department of Medicine at the University of Chicago. He is a distinguished member of the American Academy of Arts and Sciences and the American Association for the Advancement of Science. Dr. Rubenstein serves as a director of Glycadia and the Association of Academic Health Centers.

Bradford T. Smith (54) has served as Vice Chairman and a director since January 1, 2007. Mr. Smith has served as Executive Vice President, Chief Legal Officer, and Secretary since September 2001 and previously was Executive Vice President, General Counsel, and Secretary since April 1995. He served as the Company s Chief Compliance Officer from August 1996 to September 2001 and from January 2004 to present. Mr. Smith also oversees the Company s Public Affairs, Human Resources, Law, Compliance, Public Policy, Audit, Risk Management, DNA Identification, Clinical Trials and Licensing operations. Mr. Smith is a member of the Executive Committee of the Company. Previously, Mr. Smith held various senior management positions with Roche including Assistant General Counsel from 1988-1995.

M. Keith Weikel, Ph.D. (70) has served as a director of the Company since July 16, 2003. On December 31, 2006, Dr. Weikel retired as a Senior Executive Vice President and Chief Operating Officer of Manor Care, Inc., a health-care provider company, where he began his career in 1984 with Manor HealthCare

Corporation, an operating subsidiary of Manor Care, Inc. Dr. Weikel is currently a member of the Federation of American Hospitals and the Alliance for Quality Long Term Care and serves as Director Emeritus for Manor Care, Inc. and as a director for Direct Supply, Inc.

R. Sanders Williams, M.D. (59) has served as a director since May 16, 2007. Dr. Williams has been Dean of the School of Medicine and Vice Chancellor for Academic Affairs at Duke University since April 2001, becoming Senior Vice Chancellor for Academic Affairs in October 2007. Prior to this position, Dr. Williams served on the faculty of Duke University and of the University of Texas Southwestern Medical Center. He is a Fellow of the American Association for the Advancement of Science, and a member of the Institute of Medicine of the National Academy of Sciences, the American Society for Clinical Investigation and the Association of American Physicians. Dr. Williams has served as president of the Association of University Cardiologists and Chairman of the Research Committee of the American Heart Association. He participated on the Director s Advisory Committee of the National Institutes of Health and the Board of External Advisors to the National Heart, Lung and Blood Institute. Dr. Williams serves as a director for Bristol-Myers Squibb Company.

The Board of Directors of the Company recommends that stockholders vote FOR the election of each of the nominees for director listed above.

Board of Directors and its Committees

During 2007, the Board of Directors held fourteen meetings and acted five times by unanimous written consent. The Compensation Committee held seven meetings; the Audit Committee held eight meetings; the Nominating and Corporate Governance Committee held two meetings; and the Quality and Compliance Committee held four meetings. All of the committees are comprised entirely of independent directors as defined in the listing standards of the New York Stock Exchange. During 2007, excluding Dr. Williams who was elected to the board in May 2007, none of the directors attended fewer than 89% of the total meetings of the Board of Directors and the committees of which he or she was a member.

On October 16, 2002, the Board of Directors began holding executive sessions without Company management and non-independent director participation. These sessions are generally held at each regularly scheduled meeting of the Board of Directors and at each special meeting upon the request of a majority of the independent directors attending the special meeting. On December 7, 2005, Section 14 of the Corporate Governance Guidelines was amended by the Board of Directors with respect to the executive sessions to provide as follows: The independent Directors shall meet on a periodic basis, but no less than four times a year on the same day as the regularly scheduled Board meetings. These meetings shall be chaired by one of the independent directors who shall be elected by a majority vote of the other independent directors immediately following each annual shareholders meeting. A new Chairperson shall generally be elected each year with the goal of rotating the responsibility to each of the independent directors until they all have served as the chairperson for a one-year term at which point the process would be repeated. In 2007, the Board met in executive session, chaired by Mr. Mittelstaedt, from time to time to discuss compensation and succession planning and also held six executive sessions formally.

Members of the Board of Directors are encouraged to and usually attend the annual meeting of stockholders. Six of the independent directors, and Messrs. Mac Mahon, King and Smith attended the 2007 annual meeting.

The Board of Directors has an Audit Committee, a Compensation Committee, a Quality and Compliance Committee, and a Nominating and Corporate Governance Committee, the Charters for which are available in print to any shareholder upon request and are also available on the Company s website at www.labcorp.com. The Committees of the Board of Directors review their respective Charters on an annual basis.

Audit Committee

The Audit Committee, consisting of Ms. Lane (Committee Chair), Ms. Anderson, Mr. Mittelstaedt and Dr. Rubenstein, is responsible for the selection, appointment, compensation and oversight of the work of any registered public accounting firm employed by the Company and assists in Board oversight of the integrity of the financial statements of the Company; the compliance by the Company with legal and regulatory requirements as they impact the Company s financial statements or reporting systems; the production of an audit committee report as required by the Securities and Exchange Commission (the SEC) to be included in the Company s annual proxy statement; the qualifications and independence of the Company s independent registered public accounting firm and the oversight of the Company s internal audit functions, internal controls, and independent registered public accounting firm.

Compensation Committee

The Compensation Committee, consists of Ms. Anderson, Mr. Bélingard (Committee Chair), and Dr. Weikel. The Compensation Committee was composed of Mr. Bélingard, Dr. Wallace and Dr. Weikel through May 16, 2007, at which time Dr. Wallace retired from the Board of Directors. Ms. Anderson joined the Committee after Dr. Wallace retired.

As set forth in its charter, the Committee:

- reviews the Company s compensation and benefit policies and objectives, including any perquisites paid to the Company s CEO, other executive officers and directors;
- annually reviews and recommends to the full Board for approval the corporate goals and objectives relevant to CEO and other executive officer compensation, evaluates their performance in light of those goals and objectives and recommends to the full Board the compensation paid to the CEO and other executive officers;
- reviews and recommends to the full Board for approval any employment agreements entered into between the Company and any executive officer;
- annually reviews and recommends to the full Board for approval compensation paid to the Company s directors;
- reviews and oversees the Company s incentive compensation and equity plans; and
- produces a compensation committee report as required by the SEC to be included in the Company s annual proxy statement.

Pursuant to its charter, the Committee has the sole authority to retain and terminate any compensation consultant to be used to assist in evaluating the CEO and other executive officer compensation. During 2007, the Committee retained Frederic W. Cook & Co., Inc., as an outside compensation consultant, to assist in evaluating the Company s executive compensation programs. Frederic W. Cook & Co., Inc. does no other work for the Company or its management. The outside compensation consultant reported directly to the Committee during 2007. At the request of the Committee, during 2007, Frederick W. Cook & Co., Inc. provided the Committee with an annual update on emerging market trends and best practices in executive compensation. In connection with the Committee s review, the compensation consultant also assisted the Committee in formulating a peer group for 2007 and in revising the long-term equity incentive program. The consultant s role in recommending the amount or form of executive compensation paid to the Company s named executive officers during 2007 is described in the Compensation Discussion and Analysis Elements of Compensation section below.

Pursuant to its charter, the Committee may form and delegate authority to subcommittees as it determines necessary or advisable. The Compensation Committee has delegated to the Chief Executive Officer (CEO), Mr. King, the design of the annual incentive plans for the other executive officers, including the named executive officers, using targets established by the Compensation Committee. For a discussion of Mr. King s role in determining or recommending the executive compensation paid to the Company s named executive officers during 2007, see the Compensation Discussion and Analysis Elements of Compensation section below.

Quality and Compliance Committee

The Quality and Compliance Committee, previously known as the Ethics and Quality Assurance Committee, consisting of Dr. Weikel (Committee Chair), Mr. Bélingard, Dr. Rubenstein, and Dr. Williams, is responsible for ensuring that the Company adopts and implements procedures that require the Company s employees to act in accordance with high ethical standards, to deliver high quality services and to ensure compliance with health care and other legal requirements of the Company.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee, consisting of Mr. Mittelstaedt (Committee Chair), Ms. Lane, and Dr. Williams, is responsible for assisting the Board by identifying individuals qualified to become Board members, consistent with criteria approved by the Board and by recommending to the Board the director nominees for the next annual meeting of stockholders; for developing and recommending to the Board a set of corporate governance principles applicable to the Company; for leading the Board in its annual review of the Board s performance; and for recommending to the Board director nominees for each Board committee. The Nominating and Corporate Governance Committee was composed of Mr. Mittelstaedt, Ms. Lane, and Dr. Wallace through May 16, 2007 at which time Dr. Wallace retired from the Board of Directors. Dr. Williams joined the Committee after Dr. Wallace retired.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

The Board of Directors annually reviews the Company s Corporate Governance Guidelines (the Guidelines) and Code of Business Conduct and Ethics (the Code). The Guidelines address a number of topics, including composition of the Board of Directors, director independence, Board of Directors and Committee self-assessment, retirement, evaluation of the Chief Executive Officer, and succession planning. The Nominating and Corporate Governance Committee reviews the Guidelines on a regular basis and any proposed additions or amendments to the Guidelines are submitted to the Board of Directors for its consideration.

The Code is a code of business conduct and ethics applicable to all directors, officers and employees of the Company. The Code sets forth Company policies and expectations on a number of topics, including but not limited to, conflicts of interest, confidentiality, compliance with laws (including insider trading laws), preservation and use of Company assets, and business ethics. The Code also sets forth procedures for communicating and handling any potential conflict of interest (or the appearance of any conflict of interest and have enhanced annual procedures for verifying compliance with the Code for directors and executive officers) and for the confidential communication and handling of issues regarding accounting, internal controls and auditing matters. Management of the Company regularly reviews the Code and may propose additions or amendments to the Code to be considered for approval by the Audit Committee, the Quality and Compliance Committee and the Board of Directors. Additionally, the Audit Committee and the Quality and Compliance Committee review the Code and may propose additions or amendments to the Code to be considered for approval by the Board of Directors.

To provide stockholders with greater knowledge regarding the Board of Directors processes, the Guidelines and the Code adopted by the Board of Directors are available in print to any shareholder upon request and are also posted on the Company s website at www.labcorp.com. In addition, any amendment to the Code or any waiver of the Code that applies to the Company s Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller, or persons performing similar functions, will be posted on the Company s website.

Related Persons Transactions

In accordance with the Company s Audit Committee charter, the Audit Committee is responsible for reviewing and approving the terms and conditions of all related party transactions. It is the Company s policy

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that any related party transaction needs to be approved by the Audit Committee prior to the Company entering into such transaction. The Company s senior management annually reports to the Company s Audit Committee all related parties that are employed by the Company and related parties that are employed by other companies with whom the Company had a material relationship during that year, if any.

All directors and officers are required to provide a written certification each year with respect to their knowledge of related party transactions. The Audit Committee s review of related party transactions, including the information in the report to the Audit Committee and the written certifications, encompasses transactions with related persons within the meaning of Item 404A of Regulation S-K as promulgated by the Securities and Exchange Commission. The Audit Committee reviews each potential related party transaction on its underlying merit.

On July 20, 2006, Mr. Mac Mahon entered into a consulting agreement with the Company effective January 1, 2007, following the announcement of his retirement as President and CEO on December 31, 2006. The consulting agreement provided for additional services to be provided by Mr. Mac Mahon following the termination of his employment as CEO to assist the Company during a transition period. Mr. Mac Mahon also remained as Chairman of the Board. The consulting agreement also provided for an additional five years of age for purposes of calculating pension benefits. The consulting agreement had an initial term of six months up to sixteen months and could be extended by the Company for an additional sixteen months. On February 28, 2008, the Company s Board of Directors renewed and extended this agreement effective May 1, 2008 through the 2009 Annual shareholders meeting. See Director Compensation below for a further discussion of the benefits to Mr. Mac Mahon under the consulting agreement.

Board Evaluation

Each year, the Board of Directors conducts a self-assessment of its performance and effectiveness. This process commences with each director completing a Board Evaluation Questionnaire. This questionnaire was developed by the Nominating and Corporate Governance Committee and provides for a range of grades and trend indicators to be completed by each director, as well as written commentary.

The collective ratings and comments of the directors are compiled and presented by the Chair of the Nominating and Corporate Governance Committee to the full Board of Directors for discussion, for the assessment of progress in the areas targeted for improvement a year earlier, and for the development of recommendations to enhance the Board of Directors effectiveness over the next year.

In addition, each Board Committee conducted a self-evaluation of its performance for fiscal 2007, with performance criteria for each Committee developed on the basis of its purposes and mission, as set forth in its charter and developed recommendations and a follow-up plan similar to that of the Board of Directors as a whole.

Identification and Evaluation of Individual Director Candidates

The Nominating and Corporate Governance Committee proposes a slate of directors for election by the Company s stockholders at each Annual Meeting and appoints candidates to fill vacancies on the Board of Directors.

When evaluating prospective candidates for director, including those nominated by stockholders, the Nominating and Corporate Governance Committee conducts individual evaluations against the criteria enumerated in the Company s Corporate Governance Guidelines. These criteria include, but are not limited to, personal and professional integrity; interest, capacity and willingness to serve the long-term interests of the

Company s stockholders; ability and willingness to devote the required amount of time to the Company s affairs, including attendance at Board and Committee meetings; exceptional ability and judgment; and freedom from personal and professional relationships that would adversely affect the ability to serve the best interests of the Company and its stockholders. The goal is to ensure that the Board composition reflects a balance of skills, experiences, diversity and expertise in the context of the Company s business needs. Director candidates, other than sitting directors, may be interviewed by the Chairman of the Nominating and Corporate Governance Committee, other directors, the Chief Executive Officer and the Corporate Secretary. The results of those interviews, as well as any other materials received by the Nominating and Corporate Governance Committee that the Committee deems appropriate, are considered by the Committee in making its recommendation to the Board of Directors.

If needed, the Company may pay a professional search firm to identify and assist the Nominating and Corporate Governance Committee in identifying, evaluating and conducting due diligence on potential nominees for Board vacancies. The Nominating and Corporate Governance Committee is authorized to engage one or more firms, at the Company s expense, to provide similar services in the future, however, no such engagement occurred in 2007.

In addition to finding prospective candidates for director through a professional search firm or upon recommendations received from non-management directors, the Nominating and Corporate Governance Committee will consider properly submitted nominations for Board of Directors candidates made by stockholders. A stockholder may recommend a person for nomination to the Board of Directors at the 2009 annual meeting of stockholders by giving notice thereof and providing certain information set forth in the Company s By-Laws, in writing, to the Corporate Secretary of the Company at 358 South Main Street, Burlington, NC 27215. Such nominations must be received no earlier than January 7, 2009 and no later than March 8, 2009. The By-Laws may be obtained free of charge by writing to the Company s Corporate Secretary.

Communications with the Board

Stockholders and interested parties may communicate with the Board of Directors, individually or as a group by submitting written communications to the appropriately addressed Board member(s), c/o Corporate Secretary, Laboratory Corporation of America Holdings, 358 South Main Street, Burlington, North Carolina 27215.

Pursuant to the direction of the Board of Directors all communications received in accordance with the above procedure will be reviewed initially by the Corporate Secretary, who will relay all such communications to the appropriate director or directors unless the communication:

- is an advertisement or other commercial solicitation or communication;
- is obviously frivolous or obscene;
- is unduly hostile, threatening, illegal; or
- relates to trivial matters (in which case it will be delivered to the intended recipient for review at the next regularly scheduled Board meeting).

The director or directors who receive any such communication has the discretion to determine whether the subject matter of the communication should be brought to the attention of the full Board of Directors, to one or more of its committees or to the Company s management and whether or not a response to the person sending the communication is appropriate. Any response will be made through the Company s Corporate Secretary in accordance with the Company s policies and procedures and applicable law and regulations relating to the disclosure of information.

The Nominating and Corporate Governance Committee, comprised entirely of independent, non-management directors, has reviewed and approved the foregoing process and has been delegated the responsibility by the full Board of Directors for reviewing the effectiveness of these procedures from time to time and, as necessary, recommending changes.

EXECUTIVE OFFICERS

The following table sets forth as of the date hereof the Executive Officers of the Company.

Name	Age	Office
David P. King	51	President and Chief Executive Officer
William B. Haas	43	Executive Vice President, Esoteric Business
Don M. Hardison	57	Executive Vice President, Chief Operating Officer
William B. Hayes	42	Executive Vice President, Chief Financial Officer, and Treasurer
Myla P. Lai-Goldman, M.D.	50	Executive Vice President, Chief Scientific Officer, and Medical Director
Bradford T. Smith	54	Executive Vice President of Corporate Affairs, Chief Legal Officer, and Secretary
Andrew S. Walton	41	Executive Vice President, Strategic Planning and Chief Information Officer

In addition to Messrs. King and Smith, who are identified above under the heading Election of Directors, following is information on the business experience for each of these executive officers for at least the last five years.

William B. Haas has served as Executive Vice President, Esoteric Business since April 2006. He is responsible for the business and lab operations of several of the Company s wholly owned subsidiaries (US Labs, Esoterix, Viro-Med Laboratories, Dianon Systems, Inc., Litholink, and National Genetics Institute) and large esoteric operating units (Center for Esoteric Testing and Center for Molecular Biology and Pathology). Prior to this date, Mr. Haas was Executive Vice President, Sales, Marketing, and Managed Care since January 2004. He is a member of the Executive and Operating Committees of the Company. Mr. Haas previously held positions as Senior Vice President, Northeast Division; Vice President, National Sales; and Regional Director, Atlanta and has been with LabCorp since 1990. Mr. Haas served as a commissioner of the Western Triangle Youth Football Association since 2004.

Don M. Hardison has served as Executive Vice President, Chief Operating Officer since September 2007. Mr. Hardison is a member of the Executive Committee of the Company and is responsible for the day-to-day supervision of all operations and sales of the Company. Prior to this date, Mr. Hardison was President, Chief Executive Officer and Director of EXACT Sciences Corporation, a developer of proprietary DNA-based technologies for use in the detection of cancer, from May 2000 to September 2007. Prior to that, Mr. Hardison held various senior management and sales positions with Siebel Systems, Inc., Quest Diagnostics Inc., SmithKline Beecham Corporation, and Smithkline Corporation.

William B. Hayes has served as Executive Vice President, Chief Financial Officer and Treasurer since June 2005. Prior to this date, Mr. Hayes was Senior Vice President, Finance since 2000. Mr. Hayes is a member of the Executive Committee of the Company and is responsible for the day-to-day supervision of the finance and billing functions of the Company. Prior to joining the Company in 1996, Mr. Hayes was in the audit department at KPMG LLP for 9 years.

Myla P. Lai-Goldman, M.D. has served as Executive Vice President, Chief Scientific Officer, and Medical Director since April 1998. Dr. Lai-Goldman oversees the Company s Quality Assurance, National Medical Oversight (Pathology), Technical Assessment/New Technology/Research and Development, and coordination of all Technology Assessment programs. Dr. Lai-Goldman is Board Certified in anatomic and clinical pathology and serves as a member of the Executive Committee of the Company. Dr. Lai-Goldman, who holds a medical degree from Columbia University, was named Senior Vice President of the Company in 1997 and held the position of Medical Director for the Center for Molecular Biology and Pathology from 1991 to 2006 (with Roche Biomedical Laboratories (RBL) and subsequently the Company). Dr. Lai-Goldman joined RBL in 1990.

Andrew S. Walton has served as Executive Vice President, Strategic Planning and Chief Information Officer since January 1, 2007. Mr. Walton is responsible for the Company s information technology and client connectivity operations and also oversees the Company s Strategic Planning department. He is a member of the Executive Committee of the Company. Mr. Walton previously held the positions of Senior Vice President and Chief Information Officer from May 2006 to December 2006 and Vice President, Strategic Planning and Corporate Development from April 2005 to May 2006. Prior to joining the Company in 2005, Mr. Walton was a partner at Subsidium Health Advisors, a healthcare consultancy, from 2002 to 2005.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy and Objectives. Our executive compensation philosophy is to reward the achievement and surpassing of specific short- and long-term operational and strategic goals. By paying for performance, we believe we align our executive officers interests with those of our stockholders. We believe that through an effective executive compensation program, we can be successful in attracting and retaining talented employees who will continue to increase our financial performance over that of our industry competitors and drive the continued creation of shareholder value.

To execute our compensation philosophy, we adhere to the following principles:

- variable compensation should comprise a significant part of an executive s total compensation, with the percentage at-risk highest for the executive officers;
- both the size of compensation awards provided to executive officers and the realizable values of those awards should vary significantly with performance achievements;
- an emphasis on stock-based compensation aligns the long-term interests of executive officers and stockholders;
- compensation opportunities for executive officers must be evaluated against those offered by companies in similar industries and similar in size and scope of operations; and
- differences in executive compensation within the Company should reflect varying levels of responsibility and/or performance.

Comprehensive Review of Compensation Program. In 2007, a competitive review of the Company s executive compensation programs, with a particular focus on the long-term incentive program, was conducted by the Company s compensation consultant at the request of the Compensation Committee to ensure market competitiveness, consistency with emerging best practices, support of the business strategy and continued alignment with the interests of the Company s shareholders. As part of this review, the Company asked the compensation consultant to evaluate base salaries, annual incentive opportunities, and long-term incentive (LTI) opportunities for executives at comparable peer companies. Based on the results of the competitive review, the Company adjusted base salaries and target annual and long-term incentive opportunities and modified the Company s LTI program design in terms of the mix of grant types. These adjustments are discussed in more detail below.

Benchmarking. A key reference in determining the overall levels of executive officer compensation and each element of compensation that the Company pays (base salary, annual cash incentive pay and long-term equity incentive compensation) is an assessment of pay practices and levels among certain groups of public companies that have been identified as compensation peers. The peer group used in 2007 was developed by the Compensation Committee in 2006, with input from its independent compensation consultant, to include public companies in the health care services industry that are of similar size and scope to the Company and that engage in diagnostics, genomic research, and/or distribution and logistics. The companies included in the comparative peer group are:

Agilent Technologies	Boston Scientific Corp.	Millipore Corp.
Amgen	Covance	Omnicare
Applera	Express Scripts	Owens & Minor
Apria Healthcare Group	Genentech	Quest Diagnostics
Beckman Coulter	Genzyme	St. Jude Medical
Becton, Dickinson & Co.	Medtronic	Stryker Corporation
Biogen		

Compensation Committee Process and Input of Executive Officers. On an annual basis, the independent compensation consultant reviews the elements of executive compensation (base salary, bonus and long-term incentive pay) and recommendations are made and presented to the Compensation Committee. The Company s CEO, after consultation with the Chairman of the Board, is invited to provide input on these recommendations for the other executive officers based on his assessment of past and expected future individual performance and contribution, which are then taken into consideration by the consultant and the Compensation Committee. The CEO also sets the performance goals and allocations in the annual cash incentive plans for the named executive officers (as well as the other executive officers) using Company targets established by the Compensation Committee. In addition, other members of management may interact with the CEO, the compensation consultant or the Compensation Committee. Such members typically include our Executive Vice President, Chief Legal Officer and Secretary as well as our Chief Human Resources Officer. These members are responsible for providing additional information to the compensation consultant and may provide management s analysis and input as requested.

Elements of Compensation. The Company paid its named executive officers in 2007 through a mix of base salary, annual cash incentives and long-term equity in the form of stock options, restricted stock and performance shares.

Base Salary. As discussed above, while a significant portion of compensation paid to the Company s executive officers, including named executive officers, is variable and tied to performance, the Company also believes it must pay competitive base salaries to retain its executive talent and provide an appropriate level of immediately available compensation. Base salary is targeted at the median of the peer group practice and is reviewed and set annually by the Compensation Committee to ensure competitiveness with the peer group as well as appropriateness given the performance, role and responsibilities of each executive officer. While the Compensation Committee targets salary levels of the executive officers at the median of the peer group, it retains the flexibility to adjust individual levels of compensation to take into account variations in the individual s job experience and responsibility, as reviewed and recommended to the Committee by Mr. King. Annual changes in base salaries are based on the peer group s practices, the Company s performance, the individual s performance and increases in cost of living indexes.

For 2007, base salaries were increased 3.3% for our named executive officers, based on recommendations by the compensation consultant, to account for inflation and general market increases. Exceptions to this standard increase for our named executive officers were as follows: (a) David P. King 67% increase as part of a multi-year transition plan, to reflect the change in his role from Executive Vice President and Chief Operating Officer to Chief Executive Officer, (b) William B. Hayes 12% increase as part of a multi-year salary transition plan resulting from his promotion to Executive Vice President and Chief Financial Officer in 2005, and (c) Bradford T. Smith 19% increase to reflect his added responsibilities.

Annual Cash Incentive Pay. The Management Incentive Bonus Plan (the Incentive Plan) is designed to reward the named executive officers for achieving short-term goals that the Company believes further its goal of creating long-term shareholder value as well as align the executive s efforts with its strategy of leading the industry in the areas of scientific leadership, managed care and customer service. Additionally, the Incentive Plan is designed to provide additional reward when superior results are achieved. The Incentive Plan includes the named executive officers, all of the other executive officers and approximately 400 other key employees. Bonus opportunities under the annual incentive program are structured so that target total cash compensation (base salary plus target annual bonus) approximates the 75th percentile of market practice. Accordingly, the Compensation Committee sets aggressive targets to align performance goals with the Company s targeted positioning.

For 2007, each officer s target award was expressed as a percentage of his or hers base salary. Target awards ranged from 75% to 150% of base salary for each officer. Achievement at Threshold generally paid at 50% of Target, Target paid at 100%, and Superior paid at 150% of Target. In 2007, achievement of earnings before interest, taxes, depreciation and amortization (EBITDA) at Superior level would have made the officer eligible for 200% of the portion of the Target related to that measure. If Threshold was not achieved for a given performance measure, the payout for that measure would have been zero. Similarly, for certain goals, failure to achieve the Target level would result in no bonus for that measure. This would be true if a goal had a yes/no outcome (i.e., the goal was either achieved, a yes outcome earning a 100% target payment or was not achieved, resulting in a 0% payment).

Because annual targets are set at aggressive levels based on reviews of the Company s past performance and the expected growth and business opportunities in the clinical laboratory industry, the Compensation Committee believes that paying at 150% of a performance measure s Target for the named executives for Superior performance provides appropriate incentive to exceed expectations. Over the past five years, the superior targets were not met for revenue or EBITDA goals, but payouts above Target were common. The Compensation Committee further believes that Threshold amounts represent satisfactory performance and thus a 50% potential payout.

The Compensation Committee determines the performance measures, performance targets and allocation for Mr. King. In turn, the Committee has delegated to Mr. King the responsibility of determining the incentive plans for each of the other named executive officers, using substantially the same Company targets established by the Compensation Committee.

The primary measures used for the named executive officer bonuses in 2007 were revenue growth, EBITDA, earnings per share (EPS), and certain other specific strategic measures. The targets for the 2007 corporate goals were as follows:

Revenues 12.0% growth compared to prior year would pay at Target and revenue growth of 20.7% would pay at the Superior level.

EPS 20.8% growth compared to prior year would pay at Target and EPS growth of 23.9% would pay at the Superior level.

EBITDA 14.4% growth compared to prior year would pay at Target and EBITDA growth of 23.3% would pay at the Superior level.

Achievement of certain individual goals, as reviewed by the Compensation Committee and the CEO (other than the CEO s individual goals), for certain of the named executive officers also contributed to the overall 2007 annual bonus. The specific measures and bonus targets for each named executive officer in 2007 are discussed below.

David P. King

	Target Bonus		Allocation by Goal			Bonus opportunity by Goal by Level of Achievement		
Base Salary	**% of Base**	**$ Target**	**%**	**Goal**	**$ Bonus**	**Threshold**	**Target**	**Superior**
$750,000	150%	$ 1,125,000	30%	Revenue	$ 337,500	$ 168,750	$ 337,500	$ 506,250
			30%	EPS	$ 337,500	$ 168,750	$ 337,500	$ 506,250
			15%	Operating Cash Flow	$ 168,750	$ 84,375	$ 168,750	$ 253,125
			15%	Individual goals	$ 168,750	$ 84,375	$ 168,750	$ 253,125
			10%	Succession Planning	$ 112,500	$	$ 112,500	

100%	Total	$ 1,125,000	$ 506,250	$ 1,125,000	$ 1,631,250

Mr. King s performance measures for 2007 were designed to drive growth in revenues, and to create shareholder value through EPS growth and operating cash flows. The succession planning process at the Company is critical to ensure the strength and depth of the management team and the ongoing viability of the Company. The primary individual goal for Mr. King as set by the Committee was growth in the Company s UnitedHealthcare business.

Based on the Company s performance and his individual achievements during 2007, Mr. King earned an annual bonus payment that was approximately 195% of his 2007 salary. This represented an increase of approximately 128% from his 2006 earned bonus amount and resulted in total cash compensation for 2007 that was approximately 103% more than his total cash compensation for 2006. The promotion of Mr. King to CEO in January 2007 accounts for an appreciable amount of the noted increases.

William B. Hayes

	Target Bonus		Allocation by Goal			Bonus opportunity by Goal by Level of Achievement		
Base Salary	**% of Base**	**$ Target**	**%**	**Goal**	**$ Bonus**	**Threshold**	**Target**	**Superior**
$400,000	100%	$ 400,000	25%	Revenue	$ 100,000	$ 50,000	$ 100,000	$ 150,000
			25%	Bad Debt	$ 100,000	$ 75,000	$ 100,000	$ 200,000
			30%	EPS	$ 120,000	$ 60,000	$ 120,000	$ 180,000
			10%	Individual goals	$ 40,000	$ 0	$ 40,000	
			10%	Individual goals	$ 40,000	$	$ 40,000	
			100%	Total	$ 400,000	$ 185,000	$ 400,000	$ 610,000

As CFO, the performance measures for Mr. Hayes were focused on revenue, bad debt control and increasing EPS. The primary individual goals for Mr. Hayes included new analytics processes in finance and leveraging operational and capital structure opportunities to their fullest extent.

Based on the Company s performance and his individual achievements during 2007, Mr. Hayes earned an annual bonus payment that was approximately 112% of his 2007 salary. This represented an increase of approximately 1% from his 2006 earned bonus amount and resulted in total cash compensation for 2007 that was approximately 6% more than his total cash compensation for 2006.

Myla P. Lai-Goldman

	Target Bonus		Allocation by Goal			Bonus opportunity by Goal by Level of Achievement		
Base Salary	**% of Base**	**$ Target**	**%**	**Goal**	**$ Bonus**	**Threshold**	**Target**	**Superior**
$388,088	75%	$ 291,066	30%	EBITDA	$ 87,320	$ 43,660	$ 87,320	$ 174,640
			30%	Revenue	$ 87,320	$ 43,660	$ 87,320	$ 130,980
			20%	EPS	$ 58,213	$ 29,107	$ 58,213	$ 87,320
			10%	Individual goals	$ 29,107	$	$ 29,107	
			10%	Individual goals	$ 29,107	$ 0	$ 29,107	
			100%	Total	$ 291,067	$ 116,427	$ 291,067	$ 451,154

In 2007, Dr. Lai-Goldman s annual Incentive Plan performance measures focused on revenue and EBITDA along with EPS growth. The primary individual goals for Dr. Lai-Goldman included scientific innovation and quality measures for the Company.

Based on the Company s performance and her individual achievements during 2007, Dr. Lai-Goldman earned an annual bonus payment that was approximately 85% of her 2007 salary. This represented a decrease of approximately 9% from her 2006 earned bonus amount and resulted in total cash compensation for 2007 that was approximately 3% less than her total cash compensation for 2006.

William B. Haas

	Target Bonus		Allocation by Goal			Bonus opportunity by Goal by Level of Achievement		
Base Salary	% of Base	$ Target	%	Goal	$ Bonus	Threshold	Target	Superior
$343,372	75%	$ 257,529	25%	EBITDA	$ 64,382	$ 32,191	$ 64,382	$ 128,764
			25%	Revenue	$ 64,382	$ 32,191	$ 64,382	$ 96,573
			20%	EPS	$ 51,506	$ 25,753	$ 51,506	$ 77,259
			10%	Individual goals	$ 25,753	$ 12,877	$ 25,753	$ 38,630
			10%	Individual goals	$ 25,753	$ 0	$ 25,753	
			10%	Individual goals	$ 25,753	$	$ 25,753	
			100%	Total	$ 257,529	$ 103,012	$ 257,529	$ 392,732

In 2007, Mr. Haas s Incentive Plan performance measures focused on revenue and EBITDA along with EPS growth. Mr. Haas s primary individual goals were the profitability and strategy within the esoteric business as well as individual organizational goals.

Based on the Company s performance and his individual achievements during 2007, Mr. Haas earned an annual bonus payment that was approximately 87% of his 2007 salary. This represented an increase of approximately 9% from his 2006 earned bonus amount and resulted in total cash compensation for 2007 that was approximately 6% more than his total cash compensation for 2006.

Bradford T. Smith

	Target Bonus		Allocation by Goal			Bonus opportunity by Goal by Level of Achievement		
Base Salary	% of Base	$ Target	%	Goal	$ Bonus	Threshold	Target	Superior
$540,000	125%	$ 675,000	30%	EPS	$ 202,500	$ 101,250	$ 202,500	$ 303,750
			25%	EBITDA	$ 168,750	$ 84,375	$ 168,750	$ 337,500
			25%	Revenue	$ 168,750	$ 84,375	$ 168,750	$ 253,125
			10%	Individual goals	$ 67,500	$ 33,750	$ 67,500	$ 101,250
			10%	Individual goals	$ 67,500	$	$ 67,500	
			100%	Total	$ 675,000	$ 303,750	$ 675,000	$ 1,063,125

In 2007, Mr. Smith s Incentive Plan performance measures focused on EPS, EBITDA and revenue growth. Mr. Smith s primary individual goals focused on clinical trials profitability and senior management development.

Based on the Company s performance and his individual achievements during 2007, Mr. Smith earned an annual bonus payment that was approximately 153% of his 2007 salary. This represented an increase of approximately 39% from his 2006 earned bonus amount and resulted in total cash compensation for 2007 that was approximately 30% more than his total cash compensation for 2006. Mr. Smith took on additional responsibilities, mainly in the Clinical Trials area, which accounts for the noted increases both in his Incentive Plan target and base salary.

Long-Term Equity Compensation. The Company grants equity awards under its 2000 Stock Incentive Program (the Stock Plan). There are no provisions in the Stock Plan to allow for option repricing. At this time, no dividends are paid on any equity awards under the Stock Plan.

For 2007, the long-term incentive strategy was re-evaluated for market competitiveness by the Compensation Committee s consultant and resulted in the Compensation Committee reconfirming the grant levels previously established (and discussed below), except in individual cases where roles and responsibilities had changed or were in transition. The Compensation Committee believes that this balanced program achieves all of the following:

delivers performance-based, at-risk compensation through stock options and performance shares;

ensures longer-term business focus through the use of multi-year operational performance goals to determine the number of performance awards ultimately earned;

aligns the executive officers, including the named executive officers, with the interests of all shareholders;

provides necessary retention features through multi-year vesting; and

aligns with emerging practices of the market that emphasize a balanced portfolio approach to LTI.

Award values are determined so that total direct compensation levels (base salary plus target annual cash incentive pay plus the expected value of LTI) approximated the 75th percentile of market practice. This level was selected based on the Company s performance results compared to its peer group (as described above), as well as the Company s future expectations of performance. This targeting was reviewed by the Compensation Committee in 2007 and was determined to be appropriate after a full review of Company s performance compared to the peer group.

The general annual target allocation of the total LTI value has been as follows: 50% nonqualified stock options, 25% restricted stock and 25% performance share awards. No new performance awards were made in 2007.

Performance targets for the 2005 performance awards were established by the Compensation Committee and are based on Company growth in EPS and sales (weighted 70% on EPS growth and 30% on sales growth) during the three-year performance period which began January 1, 2005 and ended December 31, 2007 compared to the base period established on December 31, 2004. EPS growth was selected as a target because of its close alignment with shareholder value. Sales growth was selected based on a renewed drive to grow the Company s revenues versus achieving certain financial measures through effective cost control. The number of performance shares that could have been earned ranged from 0% to 175% of the target shares, with Threshold, Target and Superior set at 50%, 100% and 175% of the performance shares awarded, respectively. The Compensation Committee has the ability to increase or decrease the number of performance shares that may be earned by up to 25%, but the resulting adjustment cannot exceed 175% of the Target amount. The table below summarizes the performance requirements (goal percentages reflect compound annual growth rates) and the potential earnout for the 2005 2007 performance period:

	EPS Growth		Sales Growth	
Achievement	**Goal**	**Earnout**	**Goal**	**Earnout**
Superior	12.5%	175%	7.0%	175%
Target	10.0%	100%	5.0%	100%
Threshold	7.5%	50%	3.5%	50%

The Compensation Committee reviewed the results of the 2005 performance award growth criteria and determined, based on the Company s EPS and Sales growth performance for the year ended December 31, 2007, that the Company s performance shares were earned at the Superior level.

The stock options and restricted stock awards granted to the named executive officers vest in equal one-third increments over a three-year period beginning on the first anniversary of the grant date. The stock options, if unexercised, will expire ten years from the date of grant, subject to their earlier termination.

The table below summarizes the stock option and restricted stock award grants for 2007 for the named executive officers.

Name	Equity Award Type	2007 Equity Incentive Plan Awards (#)
David P. King	Stock Options	150,000
	Restricted Stock	25,000
William B. Hayes	Stock Options	55,000
	Restricted Stock	13,750
Myla P. Lai-Goldman	Stock Options	30,000
	Restricted Stock	8,400
William B. Haas	Stock Options	30,000
	Restricted Stock	8,400
Bradford T. Smith	Stock Options	70,000
	Restricted Stock	16,000

Equity Grant Practices. Generally, the Compensation Committee approves equity grants at the beginning of the year in connection with a scheduled Compensation Committee meeting that usually follows the release of the fourth quarter/prior year annual earnings. The Compensation Committee discourages the issuance of annual equity grants in conjunction with the release of material nonpublic information. In the event there is material nonpublic information as of the contemplated grant date, the grant will be delayed until such information has been released to the public or until such information is no longer deemed material. The grant date of an option award is the date of the Compensation Committee approval and the exercise price is based on the closing market price on the trading day prior to the grant date, as defined in the Stock Incentive Plan.

Perquisites. The Company provides its named executive officers with perquisites that it believes to be competitive and consistent with its overall executive compensation objectives. The Compensation Committee believes the perquisites offered are more conservative than the peer group and are required to attract and retain our executive talent. These perquisites include: an annual car allowance, financial counseling, health checkup allowance, home security system allowance and club membership allowance. For more information on these perquisites, including the valuation and amounts, see the Summary Compensation Table below.

Insider Trading. The Company maintains an Insider Trading Policy that prohibits executive officers and key employees from transacting in Company stock during a blackout period. There are four such periods each year, beginning three weeks prior to the end of every calendar quarter and ending two business days following the public release of its earnings. The Insider Trading Policy contains provisions that prohibit executive officers and key employees from profiting from short-term speculative swings in the value of the Company s stock, including, but not limited to, short sales , put and call options, and hedging transactions.

The named executive officers have each entered into 10b5-1 trading plans (a Trading Plan) during an open period under the Insider Trading Policy during which the executive is not in possession of material, non-public information. The purpose of the Trading Plan is to specify the exercise and sale of stock options and common stock. Once in force, a broker executes the Trading Plan with no further direction by the executive, except at any time, the executive may cancel or terminate the Trading Plan.

Termination and Change in Control Payments. On April 17, 1996, the Board of Directors approved the Master Senior Executive Severance Plan (the Severance Plan). The purpose of the Severance Plan is to allow the executive to consider corporate actions that may benefit the shareholder without having to sacrifice their individual situation and to provide financial protection to the executive officers, including the named executive officers, for events not directly linked to the executive s performance. The Severance Plan provides for severance payments to the named executive officers upon the occurrence of a qualifying termination with a higher level of payment if the qualifying termination occurs within 3 years of a change-in-control event (a double trigger).

The Company believes this double trigger approach to be appropriate because a change in control may require the continued services of an executive officer without a change in that officer s position, role, or compensation opportunities. A single trigger approach (payment triggered by just the change in control event) could harm the Company as it gives management the ability to leave and receive severance, even if the executive s continued service is needed for the transaction to succeed.

For equity compensation plans, however, the Company currently has a single trigger treatment upon a change in control related to the vesting of such awards. The Company believed this was reasonable because (a) it ensured the alignment with a shareholder s ability to freely sell their common stock at the time of a change in control event and (b) the company that made the original grant may no longer exist after a change in control and believes its awards granted to the equity holders should reflect the performance and success of the company granting such awards. The 2008 Stock Incentive Plan being considered by the shareholders proposes a double trigger. The Company believes this double trigger approach to be more appropriate for the equity compensation plan because a change in control may require the continued services of an executive officer without a change in that officer s position, role, or compensation opportunities.

In addition, because the Compensation Committee believes that a strong succession planning process ensures the continued success of the Company, and in anticipation of members of management retiring in future years and knowing that failure to ensure a smooth transition of leadership would have an adverse effect on the Company and its shareholders, the Board approved the Senior Executive Transition Policy (the Transition Policy) on May 6, 2004. The Transition Policy was designed with eligibility requirements that ensure the retention of the executive and provides additional protection to the Company in the form of a non-compete and non-solicitation agreement. The policy also sets forth the treatment of long-term incentive awards made under the Company s stock incentive plans to certain senior executives in the event of a voluntary termination before age 65. Eligibility requirements include, (a) being named by the Company and approved by the Board as an Executive Committee (EC) member, (b) having five years of service as an EC member, (c) having 10 years of service with the Company and (d) approval from the Board of a plan that ensures a smooth and effective transition of the departing executive s management team. Each of the named executive officers is covered by the Transition Policy.

For additional information on these termination and change-in-control benefits, including a quantification of such benefits, see Potential Payments Upon Termination or Change in Control below.

Deferred Compensation Program. On December 12, 2001, the Board of Directors approved the Deferred Compensation Plan (DCP) under which certain of the Company s executives, including the named executive officers, may elect to defer up to 100% of their annual cash incentive pay and/or up to 50% of their annual base salary. The deferral limits were based on best practices at the time the DCP was established. The DCP provides executives a tax efficient strategy for retirement savings and capital accumulation without significant cost to the Company. The Company has not and does not currently make any contributions to a participant s DCP account. For additional information on the DCP, see the Nonqualified Deferred Compensation Table and accompanying narrative below.

Retirement Plans. The Company offers a supplemental retirement plan, the Pension Equalization Plan (the PEP) to executive officers, including the named executive officers. The PEP is an unfunded, non-contributory, non-qualified plan designed to provide income continuation benefits at retirement and works in conjunction with the Cash Balance Retirement Plan (the Cash Balance Plan), a qualified and funded defined benefit plan available to substantially all employees. The PEP provides additional retirement benefits to a select group of management employees as an integral part of a total compensation package designed to attract and retain top executive performers. Requirements of participation include (a) approval of participation by the CEO, (b) being named as a Senior or Executive Vice President or operating in the capacity of one or (c) being named as the President and CEO.

The Company also offers a defined contribution retirement savings plan (i.e., 401(k) plan) called the Employees Retirement Savings Plan. Participation in this plan is available to all US-based employees, including the named executive officers. Under this plan, an employee may defer up to 50% of their salary and the Company provides matching contributions (in dollars) at a rate of 50% up to the first 6% of salary. The named executive officers were limited to deferring a maximum of 6% of their salary to the plan in 2007. Company match information is reflected in the Summary Compensation Table below for the named executive officers.

Tax and Accounting Treatments. Section 162(m) of the Internal Revenue Code limits the corporate federal income tax deduction for certain non-performance based compensation paid to the chief executive officer and, pursuant to IRS guidance, each of the three highest paid employees (other than the chief financial officer) of public companies to $1 million per year. The Compensation Committee has carefully considered the Company s executive compensation program in light of the applicable tax rules. Accordingly, the 2000 Stock Incentive Plan and the Management Incentive Bonus Plan have been designed to meet the requirements of Section 162(m), and stockholders last approved both those plans in 2003 and are being asked to approve amendments to these plans at the Annual Shareholder meeting. However, the Compensation Committee believes that tax-deductibility is but one factor to be considered in fashioning an appropriate compensation package for executives. As a result, the Compensation Committee reserves and will exercise its discretion in this area so as to serve the best interests of the Company and its stockholders. The non-deductible portion of executive compensation paid in 2007 was $1.0 million, which the Compensation Committee has determined to be in the best interests of the Company and its stockholders.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors of the Company has reviewed and discussed the Compensation Discussion and Analysis with management pursuant to Item 402(b) of Regulation S-K. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in the Company s annual report on Form 10-K (including through incorporation by reference to this proxy statement).

THE COMPENSATION COMMITTEE

Jean-Luc Bélingard, Chairman

Kerrii B. Anderson

M. Keith Weikel

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The compensation paid and amounts required to be recognized during the year ended December 31, 2007 to the Company s named executive officers, which includes the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers serving at year-end, is set forth below:

Name and Principal Position	Year