

MERCANTILE BANKSHARES CORP
Form S-8
May 25, 2005

As filed with the Securities and Exchange Commission on May 25, 2005

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM S-8

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

MERCANTILE BANKSHARES CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction of incorporation or organization)

52-0898572

(I.R.S. Employer Identification No.)

Mercantile Bank & Trust Building

Two Hopkins Plaza, P.O. Box 1477

Baltimore, Maryland 21203

(Address of Principal Executive Offices) (Zip Code)

Community Bank of Northern Virginia 1993 Employees Incentive Stock Option Plan

Community Bank of Northern Virginia 1998 Stock Compensation Plan

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(Full Title of the Plans)

John L. Unger

Executive Vice President and General Counsel

Mercantile Bankshares Corporation

Two Hopkins Plaza, P.O. Box 1477

Baltimore, Maryland 21203

(410) 237-5900

(Name, Address and Telephone Number, Including Area Code, of Agent for Service)

COPY TO:

Melissa Allison Warren

Venable LLP

1800 Mercantile Bank & Trust Building

Two Hopkins Plaza

Baltimore, Maryland 21201

(410) 244-7400

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered (1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price (2)	Amount Of Registration Fee (2)
Common Stock, \$2.00 par value(1)	138,764 shares	Not applicable	\$ 1,858,539	\$ 219

(1) Represents the maximum number of shares issuable under the Plans, and also covers an indeterminate number of additional shares which may be necessary to adjust the number of shares reserved for issuance under the Plans as a result of any future stock split, stock dividend or similar adjustment. Includes as to each share of Common Stock a right, not currently exercisable or separately tradable, to purchase additional securities pursuant to the Registrant's Shareholders Protection Rights Agreement.

(2) The proposed maximum aggregate offering price and registration fee have been computed pursuant to Rule 457(h)(1) under the Securities Act of 1933, as amended, based on the price at which options issued and outstanding under the Plans may be exercised.

PART I

Documents containing the information specified in Part I of this Form S-8 have been and/or will be sent or given to employees as specified by Rule 428(b)(1) of the Securities Act of 1933 (the "Securities Act"). In accordance with the instructions to Part I of Form S-8, such documents will not be filed with the Securities and Exchange Commission (the "Commission") either as part of this Registration Statement or as prospectuses or prospectus supplements pursuant to Rule 424 under the Securities Act. These documents and the documents incorporated by reference pursuant to Item 3 of Part II of this Registration Statement, taken together, constitute the prospectus as required by Section 10(a) of the Securities Act.

PART II

Item 3. Incorporation of Documents by Reference.

The following documents previously filed with the Commission by Mercantile Bankshares Corporation (the "Company" or "Registrant") are incorporated herein by reference to the extent such documents are filed, not furnished: (a) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004; (b) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005; (c) the Company's Current Reports on Form 8-K filed on January 14, 2005, January 25, 2005, March 8, 2005, March 14, 2005, March 15, 2005, March 31, 2005, April 27, 2005, May 6, 2005, May 16, 2005 and May 19, 2005; and (d) the description of the Company's Common Stock contained in the Company's Registration Statement on Form 8-B under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including any amendment or report filed to update the description.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or deregisters all securities then remaining unsold shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing of such documents.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Certain legal matters in connection with this Registration Statement will be passed upon for the Registrant by Venable LLP, Baltimore, Maryland. James L. Shea, a partner of Venable LLP, is a director of the Company.

Item 6. Indemnification of Directors and Officers.

The Maryland General Corporation Law (MGCL) provides that a corporation may indemnify any director made a party to a proceeding by reason of service in that capacity unless it is established that: (1) the act or omission of the director was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty, or (2) the director actually received an improper personal benefit in money, property or services, or (3) in the case of any criminal proceeding, the director had reasonable cause to believe that the act or omission was unlawful. To the extent that a director has been successful in defense of any proceeding, the MGCL provides that he shall be indemnified against reasonable expenses incurred in connection therewith. A Maryland corporation may indemnify its officers to the same extent as its directors and to such further extent as is consistent with law.

The Registrant s Charter provides, as to indemnification:

(a) The liability of directors and officers to the Registrant or its stockholders for money damages shall be limited to the maximum extent that the liability of directors and officers of Maryland corporations is permitted to be limited by Maryland law. This limitation on liability shall apply to events occurring at the time a person serves as a director or officer of the Registrant whether or not such person is a director or officer at the time of any proceeding in which liability is asserted.

(b) To the maximum extent permitted by Maryland law, the Registrant shall indemnify its currently acting and its former directors against any and all liabilities and expenses incurred in connection with their services in such capacities, shall indemnify its currently acting and its former officers to the full extent that indemnification shall be provided to directors, and shall indemnify, to the same extent, its employees and agents and persons who serve and have served, at its request as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture or other enterprise. The Registrant shall advance expenses to its directors, officers and other persons referred to above to the extent permitted by Maryland law. The Registrant's Board of Directors may by By-law, resolution or other agreement make further provision for indemnification of directors, officers, employees and agents to the extent permitted by Maryland law.

(c) References to Maryland law shall include the MGCL as from time to time amended. Neither the repeal or amendment of this paragraph, nor any other amendment to the Articles of Incorporation, shall eliminate or reduce the protection afforded to any person by the foregoing provisions of this paragraph with respect to any act or omission which shall have occurred prior to such repeal or amendment.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

4.1 - Articles of Incorporation

A. Articles of Incorporation effective May 27, 1969 (Incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 2-39545, Exhibit 3-A(1)).

B. Articles of Amendment effective June 6, 1969 (Incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 2-39545, Exhibit 3-A(2)).

C. Articles Supplementary effective August 28, 1970 (Incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 2-39545, Exhibit 3-A(3)).

D. Articles of Amendment effective December 14, 1970 (Incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 2-39545, Exhibit 3-A(4)).

E. Articles Supplementary effective May 10, 1971 (Incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 2-39545, Exhibit 3-A(5)).

F. Articles Supplementary effective July 30, 1971 (Incorporated by reference to the Registrant's Registration Statement on Form S-1, File No. 2-41379, Exhibit 3-A(6)).

G. Articles of Amendment effective May 8, 1986 (Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, Exhibit 3-A(7), Commission File No. 0-5127).

H. Articles of Amendment effective April 27, 1988 (Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, Exhibit 3-A(8), Commission File No. 0-5127).

- I. Articles Supplementary effective September 13, 1989 (Incorporated by reference to the Registrant's Form 8-K filed September 27, 1989, Exhibit B attached to Exhibit 4-A, Commission File No. 0-5127).
- J. Articles Supplementary effective January 3, 1990 (Incorporated by reference to the Registrant's Form 8-K filed January 9, 1990, Exhibit B attached to Exhibit 4-A, Commission File No. 0-5127).
- K. Articles of Amendment effective April 26, 1990 (Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Exhibit 3-A(11), Commission File No. 0-5127).
- L. Articles of Amendment effective April 30, 1997 (Incorporated by reference to the Registrant's Registration Statement on Form S-4, File No. 333-43651, Exhibit 3(i)(L)).
- M. Articles Supplementary effective June 9, 1999 (Incorporated by reference to the Registrant's Registration Statement on Form S-8, No. 333-90307, Exhibit 4.1.M).
- N. Articles Supplementary effective September 30, 1999 (Incorporated by reference to the Registrant's Registration Statement on Form S-8, No. 333-90307, Exhibit 4.1.N).
- O. Certificate of Correction effective July 3, 2002, concerning Articles of Amendment effective May 8, 1986 (Incorporated by reference to Registrant's Quarterly Report for the quarter ended September 30, 2002, Exhibit 3A(15), Commission File No. 0-5127).
- P. Certificate of Correction effective July 3, 2002, concerning Articles of Amendment effective April 26, 1990 (Incorporated by reference to Registrant's Quarterly Report for the quarter ended September 30, 2002, Exhibit 3A(16), Commission File No. 0-5127).
- 4.2 - Bylaws (Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003, Exhibit 3.B, Commission File No. 0-5127).
- 4.3 - Rights Agreement dated as of June 8, 1999, between the Company and the Rights Agent (incorporated by reference to Form 8-K of Registrant, Exhibit (4), filed June 11, 1999, Commission File No. 0-5127).

- 4.4 - Community Bank of Northern Virginia 1993 Employees Incentive Stock Option Plan (filed herewith).
- 4.5 - Community Bank of Northern Virginia 1998 Stock Compensation Plan (filed herewith).
- 5.1 - Opinion of Venable LLP (filed herewith).
- 23.1 - Consent of PricewaterhouseCoopers LLP (filed herewith).
- 23.2 - Consent of Venable LLP (included in Exhibit 5.1).
- 24.1 - Power of Attorney (filed herewith).

Item 9. Undertakings.

The undersigned Registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement;
- (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to the Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

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

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant, Mercantile Bankshares Corporation, certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Baltimore in the State of Maryland on this 25th day of May 2005.

MERCANTILE BANKSHARES CORPORATION

By: /s/ Edward J. Kelly, III
Edward J. Kelly, III
Chairman of the Board, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the date indicated.

Signature	Title	Date
/s/ Edward J. Kelly, III Edward J. Kelly, III	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	May 25, 2005
/s/ Terry L. Troupe Terry L. Troupe	Chief Financial Officer and Executive Vice President (Principal Financial Officer)	May 25, 2005
/s/ William T. Skinner, Jr. William T. Skinner, Jr.	Controller (Principal Accounting Officer)	May 25, 2005

A majority of the Board of Directors:

Cynthia A. Archer, R. Carl Benna, Richard O. Berndt, Howard B. Bowen, Eddie C. Brown, George L. Bunting, Jr., Anthony W. Deering, Darrell D. Friedman, Freeman A. Hrabowski III, Robert A. Kinsley, Jenny G. Morgan, Morton B. Plant, Christian H. Poindexter, James L. Shea, Donald J. Shepard, Alexander T. Mason and Jay M. Wilson.

May 25, 2005

By: /s/ Edward J. Kelly, III
Edward J. Kelly, III
for himself and as attorney-in-fact

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
4.4	Community Bank of Northern Virginia 1993 Employees Incentive Stock Option Plan
4.5	Community Bank of Northern Virginia 1998 Stock Compensation Plan
5.1	Opinion of Venable LLP
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Venable LLP (included in Exhibit 5.1)
24.1	Power of Attorney

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Common stock, 100.2 and 102.4 shares outstanding at

March 31, 2011 and December 31, 2010, respectively	
12.0	12.2
Additional paid-in capital	
17.7	53.9
Retained earnings	
3,203.7	3,246.6
Less common stock held in treasury	
(937.6)	(934.9)
Accumulated other comprehensive income	
104.6	88.5
Total shareholders' equity	
2,400.4	2,466.3
Total liabilities and shareholders' equity	
\$6,201.6	\$6,187.8

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

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

	Three Months Ended March 31,	
	2011	2010
Net sales	\$1,368.4	\$1,193.6
Cost of sales	800.0	686.7
Gross profit	568.4	506.9
Selling, general and administrative expenses	282.8	246.0
Amortization of intangibles and other assets	21.9	17.4
Restructuring and other special charges	27.9	9.3
Operating income	235.8	234.2
Other income (expenses):		
Interest expense	(24.0)	(14.6)
Equity method income, net	1.5	3.8
Investment income	0.3	0.3
Other, net	0.1	(0.6)
Earnings before income taxes	213.7	223.1
Provision for income taxes	83.1	86.9
Net earnings	130.6	136.2
Less: Net earnings attributable to the noncontrolling interest	(3.5)	(3.5)
Net earnings attributable to Laboratory Corporation of America Holdings	\$127.1	\$132.7
Basic earnings per common share	\$1.27	\$1.27
Diluted earnings per common share	\$1.23	\$1.25

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

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LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY

(in millions)

(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2009	\$ 12.5	\$ 36.7	\$ 2,927.9	\$ (932.5)	\$ 61.5	\$ 2,106.1
Comprehensive earnings:						
Net earnings attributable to Laboratory Corporation of America Holdings	--	--	132.7	--	--	132.7
Other comprehensive earnings:						
Foreign currency translation adjustments	--	--	--	--	25.5	25.5
Interest rate swap adjustments	--	--	--	--	1.1	1.1
Tax effect of other comprehensive earnings adjustments	--	--	--	--	(9.9)	(9.9)
Comprehensive earnings						149.4
Issuance of common stock under employee stock plans	--	18.1	--	--	--	18.1
Surrender of restricted stock awards	--	--	--	(2.4)	--	(2.4)
Stock compensation	--	8.7	--	--	--	8.7
Value of noncontrolling interest put	--	(17.2)	--	--	--	(17.2)
Income tax benefit from stock options exercised	--	1.4	--	--	--	1.4
Purchase of common stock	(0.1)	(47.7)	(57.9)	--	--	(105.7)
BALANCE AT MARCH 31, 2010	\$ 12.4	\$ --	\$ 3,002.7	\$ (934.9)	\$ 78.2	\$ 2,158.4
BALANCE AT DECEMBER 31, 2010	\$ 12.2	\$ 53.9	\$ 3,246.6	\$ (934.9)	\$ 88.5	\$ 2,466.3
Comprehensive earnings:						
Net earnings attributable to Laboratory Corporation of America Holdings	--	--	127.1	--	--	127.1

Other comprehensive earnings:						
Foreign currency translation adjustments	--	--	--	--	23.1	23.1
Interest rate swap adjustments	--	--	--	--	2.4	2.4
Tax effect of other comprehensive earnings adjustments	--	--	--	--	(9.4)	(9.4)
Comprehensive earnings						143.2
Issuance of common stock under						
employee stock plans	0.1	38.6	--	--	--	38.7
Surrender of restricted stock awards	--	--	--	(2.7)	--	(2.7)
Conversion of zero-coupon convertible debt	--	3.1	--	--	--	3.1
Stock compensation	--	13.1	--	--	--	13.1
Income tax benefit from stock options exercised	--	4.0	--	--	--	4.0
Purchase of common stock	(0.3)	(95.0)	(170.0)	--	--	(265.3)
BALANCE AT MARCH 31, 2011	\$12.0	\$17.7	\$3,203.7	\$(937.6)	\$ 104.6	\$ 2,400.4

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

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LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(unaudited)

	Three Months Ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 130.6	\$ 136.2
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	58.1	50.0
Stock compensation	13.1	8.7
(Gain) loss on sale of assets	(0.4)	0.5
Accreted interest on zero-coupon subordinated notes	1.4	1.5
Cumulative earnings less than (in excess of) distribution from equity method investments	(0.4)	0.4
Deferred income taxes	(1.0)	10.0
Change in assets and liabilities (net of effects of acquisitions):		
Increase in accounts receivable (net)	(68.5)	(38.4)
Decrease in inventories	5.6	7.7
Decrease in prepaid expenses and other	16.7	5.0
Decrease in accounts payable	(42.6)	(14.8)
Increase in accrued expenses and other	102.7	65.2
Net cash provided by operating activities	215.3	232.0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(29.4)	(24.5)
Proceeds from sale of assets	0.4	1.6
Deferred payments on acquisitions	(0.1)	(1.4)
Acquisition of businesses, net of cash acquired	(15.4)	(32.2)
Net cash used for investing activities	(44.5)	(56.5)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	85.0	65.0
Payments on revolving credit facilities	(45.0)	(120.0)
Principal payments on term loan	(18.7)	(12.5)
Payments on zero-coupon subordinated notes	(6.3)	--
Payments on vendor-financed equipment	--	(1.3)
Payment of debt issuance costs	(0.5)	--
Proceeds from sale of interest in a consolidated subsidiary	--	137.5
Cash paid to acquire an interest in a consolidated subsidiary	--	(137.5)
Noncontrolling interest distributions	(1.8)	(2.8)
Excess tax benefits from stock based compensation	3.8	0.9
Net proceeds from issuance of stock to employees	38.7	18.1
Purchase of common stock	(262.3)	(100.3)
Net cash used for financing activities	(207.1)	(152.9)
Effect of exchange rate changes on cash and cash equivalents	1.0	1.1

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Net increase (decrease) in cash and cash equivalents	(35.3)	23.7
Cash and cash equivalents at beginning of period	230.7	148.5
Cash and cash equivalents at end of period	\$195.4	\$172.2

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

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LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and shares in millions, except per share data)

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of Laboratory Corporation of America Holdings (the “Company”) and its majority-owned subsidiaries for which it exercises control. Long-term investments in affiliated companies in which the Company exercises significant influence, but which it does not control, are accounted for using the equity method. Investments in which the Company does not exercise significant influence (generally, when the Company has an investment of less than 20% and no representation on the investee’s board of directors) are accounted for using the cost method. All significant inter-company transactions and accounts have been eliminated. The Company does not have any variable interest entities or special purpose entities whose financial results are not included in the condensed consolidated financial statements.

The financial statements of the Company’s foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities are translated at exchange rates as of the balance sheet date. Revenues and expenses are translated at average monthly exchange rates prevailing during the period. Resulting translation adjustments are included in “Accumulated other comprehensive income.”

The accompanying condensed consolidated financial statements of the Company are unaudited. In the opinion of management, all adjustments necessary for a fair statement of results of operations, cash flows and financial position have been made. Except as otherwise disclosed, all such adjustments are of a normal recurring nature. Interim results are not necessarily indicative of results for a full year. The year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles.

The financial statements and notes are presented in accordance with the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in the Company’s 2010 Annual Report on Form 10-K. Therefore, the interim statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s annual report.

2. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net earnings including the impact of dilutive adjustments by the weighted average number of common shares outstanding plus potentially dilutive shares, as if they had been issued at the earlier of the date of issuance or the beginning of the period presented. Potentially dilutive common shares result primarily from the Company’s outstanding stock options, restricted stock awards, performance share awards, and shares issuable upon conversion of zero-coupon subordinated notes.

The following represents a reconciliation of basic earnings per share to diluted earnings per share:

	Three months ended March 31, 2011			Three months ended March 31, 2010		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic earnings per share:						
Net earnings	\$127.1	100.3	\$1.27	\$132.7	104.6	\$1.27

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Dilutive effect of employee stock options and awards	--	1.3	--	0.8		
Effect of convertible debt, net of tax	--	1.6	--	1.1		
Diluted earnings per share:						
Net earnings including impact of dilutive adjustments	\$127.1	103.2	\$1.23	\$132.7	106.5	\$1.25

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LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and shares in millions, except per share data)

The following table summarizes the potential common shares not included in the computation of diluted earnings per share because their impact would have been antidilutive:

	Three Months Ended March 31,	
	2011	2010
Stock options	0.9	3.6

3. NONCONTROLLING INTEREST PUTS

Effective January 1, 2008 the Company acquired additional partnership units in its Ontario, Canada (“Ontario”) joint venture, bringing the Company’s percentage interest owned to 85.6%. Concurrent with this acquisition, the terms of the joint venture’s partnership agreement were amended. The amended joint venture’s partnership agreement enabled the holders of the noncontrolling interest to put the remaining partnership units to the Company in defined future periods, at an initial amount equal to the consideration paid by the Company in 2008, and subject to adjustment based on market value formulas contained in the agreement.

In December 2009, the Company received notification from the holders of the noncontrolling interest in the Ontario joint venture that they intended to put their remaining partnership units to the Company in accordance with the terms of the joint venture’s partnership agreement. These units were acquired on February 8, 2010 for \$137.5. On February 17, 2010, the Company completed a transaction to sell the units acquired from the previous noncontrolling interest holder to a new Canadian partner for the same price. As a result of this transaction, the Company recorded a component of noncontrolling interest in other liabilities and a component in mezzanine equity. Upon the completion of these two transactions, the Company’s financial ownership percentage in the joint venture partnership remained unchanged at 85.6%. Concurrent with the sale to the new partner, the partnership agreement for the Ontario joint venture was amended and restated with substantially the same terms as the previous agreement. The combined contractual value of these puts, in excess of the current noncontrolling interest of \$27.6, totals \$145.9 at March 31, 2011. At March 31, 2011, \$152.3 has been classified as a current liability in the Company’s condensed consolidated balance sheet as the noncontrolling interest that acquired these units has the ability to put its units in the partnership to the Company on December 31, 2011.

Net sales of the Ontario joint venture were \$74.1 (CN\$73.1) and \$68.9 (CN\$71.7) for the three months ended March 31, 2011 and 2010, respectively.

4. RESTRUCTURING AND OTHER SPECIAL CHARGES

During the first quarter of 2011, the Company recorded net restructuring charges of \$13.1. Of this amount, \$4.0 related to severance and other personnel costs, and \$9.8 related to facility-related costs associated with the integration of Genzyme Genetics*. These charges were offset by a restructuring credit of \$0.7 resulting from the reversal of unused severance and facility closure liabilities. In addition, the Company recorded a special charge of \$14.8 related to a write-off of certain assets and liabilities related to an investment made in a prior year.

During the first quarter of 2010, the Company recorded net restructuring charges of \$3.1 related to severance payments and the closing of redundant and underutilized facilities. Of this amount, \$3.9 related to severance and other employee costs for employees primarily in the affected facilities, and \$0.6 related to contractual obligations associated

with leased facilities and other facility related costs. The Company also reduced its prior facility related restructuring accruals by \$1.4 as a result of incurring less cost than planned on those restructuring initiatives primarily due to favorable settlements on lease buyouts. In addition, the Company recorded a special charge of \$6.2 related to the write-off of development costs incurred on systems abandoned during the quarter.

* Genzyme Genetics and its logo are trademarks of Genzyme Corporation and used by Esoterix Genetic Laboratories, LLC (“EGL”), a wholly-owned subsidiary of the Company, under license. EGL and the Company are operated independently from Genzyme Corporation.

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5. RESTRUCTURING RESERVES

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

	Severance and Other Employee Costs	Lease and Other Facility Costs	Total
Balance as of December 31, 2010	\$4.9	\$12.9	\$17.8
Restructuring charges	4.0	9.8	13.8
Reduction of prior restructuring accruals	(0.6)	(0.1)	(0.7)
Cash payments and other adjustments	(2.7)	(2.6)	(5.3)
Balance as of March 31, 2011	\$5.6	\$20.0	\$25.6
Current			\$13.3
Non-current			12.3
			\$25.6

6. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the three-month period ended March 31, 2011 and for the year ended December 31, 2010 are as follows:

	March 31, 2011	December 31, 2010
Balance as of January 1	\$2,601.3	\$1,897.1
Goodwill acquired during the period	11.2	704.4
Adjustments to goodwill	0.5	(0.2)
Balance at end of period	\$2,613.0	\$2,601.3

The components of identifiable intangible assets are as follows:

	March 31, 2011		December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	\$1,149.0	\$ (384.9)	\$1,146.0	\$ (370.0)
Patents, licenses and technology	144.7	(78.8)	144.7	(75.7)
Non-compete agreements	27.4	(10.7)	26.6	(9.4)
Trade name	123.3	(52.9)	123.3	(50.3)
Canadian licenses	759.6	--	738.9	--

\$2,204.0 \$ (527.3) \$2,179.5 \$ (505.4)

Amortization of intangible assets for the three month periods ended March 31, 2011 and 2010 was \$21.9 and \$17.4, respectively. Amortization expense for the net carrying amount of intangible assets is estimated to be \$64.4 for the remainder of fiscal 2011, \$81.9 in fiscal 2012, \$76.4 in fiscal 2013, \$73.5 in fiscal 2014, \$69.9 in fiscal 2015 and \$551.0 thereafter.

The Ontario operation had \$759.6 and \$738.9 of value assigned to the partnership's indefinite lived Canadian licenses to conduct diagnostic testing services in the province as of March 31, 2011 and December 31, 2010, respectively.

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7. DEBT

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

	March 31, 2011	December 31, 2010
Zero-coupon convertible subordinated notes	\$281.8	\$286.7
Term loan, current	75.0	75.0
Revolving credit facility	40.0	--
Total short-term borrowings and current portion of long-term debt	\$396.8	\$361.7

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

	March 31, 2011	December 31, 2010
Senior notes due 2013	\$350.8	\$350.9
Senior notes due 2015	250.0	250.0
Senior notes due 2016	325.0	325.0
Senior notes due 2020	600.0	600.0
Term loan, non-current	281.3	300.0
Other long-term debt	0.8	0.8
Total long-term debt	\$1,807.9	\$1,826.7

Zero-coupon Subordinated Notes

On March 14, 2011, the Company announced that for the period of March 12, 2011 to September 11, 2011, the zero-coupon subordinated notes will accrue contingent cash interest at a rate of no less than 0.125% of the average market price of a zero-coupon subordinated note for the five trading days ended March 9, 2011, in addition to the continued accrual of the original issue discount.

On April 4, 2011, the Company announced that its zero-coupon subordinated notes may be converted into cash and common stock at the conversion rate of 13.4108 per \$1,000 principal amount at maturity of the notes, subject to the terms of the zero-coupon subordinated notes and the Indenture, dated as of October 24, 2006 between the Company and The Bank of New York Mellon, as trustee and conversion agent. In order to exercise the option to convert all or a portion of the zero-coupon subordinated notes, holders are required to validly surrender their zero-coupon subordinated notes at any time during the calendar quarter beginning April 1, 2011, through the close of business on the last business day of the calendar quarter, which is 5:00 p.m., New York City time, on Thursday, June 30, 2011. In April 2011, the Company settled notices to convert approximately \$42.0 aggregate principal amount at maturity of the notes into cash and common stock with a total conversion value of approximately \$53.8.

Credit Facilities

The balances outstanding on the Company's Term Loan Facility at March 31, 2011 and December 31, 2010 were \$356.3 and \$375.0, respectively. The balance outstanding on the Company's Revolving Facility at March 31, 2011 and December 31, 2010 was \$40.0 and \$0.0, respectively. The Term Loan Facility and Revolving Facility bear interest at varying rates based upon LIBOR plus a percentage based on the Company's credit rating with Standard & Poor's Ratings Services. The Term Loan Facility and Revolving Facility contain certain debt covenants which require that the Company maintain a leverage ratio of no more than 2.5 to 1.0 and an interest coverage ratio of at least 5.0 to 1.0. Both ratios are calculated in relation to EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). The credit agreement allows payment of dividends provided that the Company is not in default (as defined in the agreement) and its leverage ratio is less than 2.0 to 1.0. The Company was in compliance with all covenants as of March 31, 2011. As of March 31, 2011, the leverage and interest coverage ratios were 1.8 to 1.0 and 15.9 to 1.0, respectively.

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As of March 31, 2011, the effective interest rates on the Term Loan Facility and Revolving Facility were 0.93% and 0.61%, respectively.

8. PREFERRED STOCK AND COMMON SHAREHOLDERS' EQUITY

The Company is authorized to issue up to 265.0 shares of common stock, par value \$0.10 per share. The Company's treasury shares are recorded at aggregate cost. The Company is authorized to issue up to 30.0 shares of preferred stock, par value \$0.10 per share. There were no preferred shares outstanding as of March 31, 2011.

The changes in common shares issued and held in treasury are summarized below:

	Issued	Held in Treasury	Outstanding
Common shares at December 31, 2010	124.5	(22.1)	102.4
Common stock issued under employee stock plans	0.8	--	0.8
Surrender of restricted stock and performance share awards	--	(0.1)	(0.1)
Retirement of common stock	(2.9)	--	(2.9)
Common shares at March 31, 2011	122.4	(22.2)	100.2

Share Repurchase Program

As of December 31, 2010, the Company had outstanding authorization from the Board of Directors to purchase approximately \$234.3 of Company common stock. On February 10, 2011, the Company announced the Board of Directors authorized the purchase of \$500.0 of additional shares of the Company's common stock. During the three months ended March 31, 2011, the Company purchased approximately 2.9 shares of its common stock at a total cost of approximately \$265.3. As of March 31, 2011, the Company had outstanding authorization from the Board of Directors to purchase approximately \$469.0 of Company common stock.

9. INCOME TAXES

The Company does not recognize a tax benefit, unless the Company concludes that it is more likely than not that the benefit will be sustained on audit by the taxing authority based solely on the technical merits of the associated tax position. If the recognition threshold is met, the Company recognizes a tax benefit measured at the largest amount of the tax benefit that the Company believes is greater than 50% likely to be realized.

The gross unrecognized income tax benefits were \$55.7 and \$53.6 at March 31, 2011 and December 31, 2010, respectively. It is anticipated that the amount of the unrecognized income tax benefits will change within the next twelve months; however, these changes are not expected to have a significant impact on the results of operations, cash flows or the financial position of the Company.

As of March 31, 2011 and December 31, 2010, \$56.6 and \$54.6, respectively, is the approximate amount of unrecognized income tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods.

The Company recognizes interest and penalties related to unrecognized income tax benefits in income tax expense. Accrued interest and penalties related to uncertain tax positions totaled \$13.0 and \$12.2 as of March 31, 2011 and December 31, 2010, respectively.

The Company has substantially concluded all U.S. federal income tax matters for years through 2006. Substantially all material state and local, and foreign income tax matters have been concluded through 2005 and 2001, respectively.

The Company has various state income tax examinations ongoing throughout the year. Management believes adequate provisions have been recorded related to all open tax years.

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10. COMMITMENTS AND CONTINGENCIES

The Company is involved in a number of judicial, regulatory, and arbitration proceedings (including those described below) concerning matters arising in connection with the conduct of the Company's business activities. Many of these proceedings are at preliminary stages, and many of these cases seek an indeterminate amount of damages.

The Company records an aggregate legal reserve, which is determined using actuarial calculations around historical loss rates and assessment of trends experienced in settlements and defense costs. In accordance with ASC 450 "Contingencies", the Company establishes reserves for judicial, regulatory, and arbitration matters outside the aggregate legal reserve if and when those matters present loss contingencies that are both probable and estimable and would exceed the aggregate legal reserve. When loss contingencies are not both probable and estimable, the Company does not establish separate reserves.

Management is unable to estimate a range of reasonably possible loss for cases described below in which damages either have not been specified or, in Management's judgment, are unsupported and/or exaggerated and (i) the proceedings are in early stages; (ii) there is uncertainty as to the outcome of pending appeals or motions; (iii) there are significant factual issues to be resolved; and/or (iv) there are novel legal issues to be presented. For these cases, however, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material adverse effect on the Company's financial condition, though the outcomes could be material to the Company's operating results for any particular period, depending, in part, upon the operating results for such period.

A subsidiary of the Company, DIANON Systems, Inc. ("DIANON"), is the appellant in a wrongful termination lawsuit originally filed by G. Berry Schumann in Superior Court in the State of Connecticut. After a jury trial, the state court entered judgment against DIANON, with total damages, attorney's fees, and pre-judgment interest payable by DIANON, of approximately \$10.0. DIANON filed a notice of appeal in December 2009, and the case has been transferred to the Connecticut Supreme Court. If reached by the Connecticut Supreme Court, the appeal is subject to assignment for oral argument from May 16 through May 20, 2011. DIANON has disputed liability and intends to contest the case vigorously on appeal.

As previously reported on May 22, 2006, the Company received a subpoena from the California Attorney General seeking documents related to billing to the state's Medicaid program. During the third quarter of 2008, the Company received a request from the California Attorney General for additional information. On March 20, 2009, a qui tam lawsuit, California ex rel. Hunter Laboratories, LLC et al. v. Quest Diagnostics Incorporated, et al., which was joined by the California Attorney General and to which the previous subpoena related, was unsealed. The lawsuit was brought against the Company and several other major laboratories operating in California and alleges that the defendants improperly billed the state Medicaid program and, therefore, violated the California False Claims Act. The original complaint was dismissed on the basis of (i) misjoinder and (ii) lack of particularity in the claims and a separate amended complaint was filed against the Company on December 14, 2009. The complaint against the Company seeks refund of alleged overpayments made to the Company from November 7, 1995 through November 2009, plus simple interest of 7% per year, calculated as of the filing date to total \$97.5. In addition, the suit seeks continuing damages past November 2009 plus treble damages, civil penalties of \$0.01 per each alleged false claim, recovery of costs, attorney's fees, and legal expenses, and pre- and post-judgment interest. The Company filed an answer to the new Complaint on February 5, 2010. The Company participated in mediation on December 6, 2010,

February 10, 2011 and April 7, 2011. Another mediation session is scheduled for June 9, 2011. The case is currently scheduled for trial on January 30, 2012.

During the third quarter of 2010, the Company responded to an audit from the California Department of Health Care Services (“DHCS”) of one of the Company’s California laboratories for the period of January 1, 2010 through June 30, 2010. DHCS subsequently indicated that this laboratory charged the Medi-Cal program more than what was charged to other payers for some lab services and that this is inconsistent with DHCS’s current interpretation of California regulations. DHCS provided the Company with a proposed agreement related to the Company’s billing to the Medi-Cal program, including a requirement that the Company charge Medi-Cal the “lowest price” it charges others for a particular laboratory test. The Company disagrees with DHCS’ contentions and interpretation of its regulations and believes that it has properly charged the Medi-Cal program under all applicable laws and regulations. The

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Company has subsequently received a self-audit letter and a similar audit request relating to another Company laboratory. The Company is continuing to cooperate with DHCS with respect to the audits.

In addition, the Company has received three other subpoenas since 2007 related to Medicaid billing. In June 2010, the Company received a subpoena from the State of Florida requesting documents related to its billing to Florida Medicaid. In February 2009, the Company received a subpoena from the Commonwealth of Virginia seeking documents related to the Company's billing for state Medicaid. In October 2009, the Company received a subpoena from the State of Michigan seeking documents related to its billing to Michigan Medicaid. The Company also responded to an October 2007 subpoena from the United States Office of Inspector General's regional office in New York and a September 2009 subpoena from the United States Office of Inspector General's regional office in Massachusetts regarding certain of its billing practices. The Company is cooperating with the requests.

On August 19, 2010, Aetna, Inc., Aetna Health Holdings, LLC and Aetna Health Management, LLC filed a lawsuit against Laboratory Corporation of America Holdings in the United States District Court for the Eastern District of Pennsylvania, alleging unfair competition, misrepresentation, interference and breach of contract, and violation of trade secret laws. Aetna is seeking unspecified monetary damages and equitable relief. The Company has filed a motion to dismiss the complaint and the proceeding remains at a preliminary stage. The Company intends to vigorously defend the lawsuit.

The Company acquired certain assets of Westcliff Medical Laboratories ("Westcliff") on June 16, 2010. On June 25, 2010, the Company and the Federal Trade Commission ("FTC") entered into a letter agreement ("Agreement") whereby the Company agreed to hold the Westcliff business separate and independent of the Company from the date the Company acquired the Westcliff assets until the Agreement was set to terminate on December 3, 2010. The Company subsequently responded to a subpoena and Civil Investigative Demand from the FTC and on December 1, 2010, the FTC issued an administrative complaint challenging the Westcliff acquisition ("Administrative Proceeding"). The FTC initiated an action in federal court seeking a preliminary injunction to prevent the Company from integrating the Westcliff assets upon the expiration of the Agreement. The federal district court denied the FTC's request and ruled in favor of the Company. The FTC's subsequent appeal to the Ninth Circuit Court of Appeals was denied, whereupon the FTC dismissed the Administrative Proceeding on April 21, 2011. The matter has resolved in the Company's favor.

The Company is involved from time to time in various claims and legal actions, including arbitrations, class actions, and other litigation, arising in the ordinary course of business. Some of these actions involve claims that are substantial in amount. These matters include, but are not limited to, intellectual property disputes, professional liability, employee related matters, and inquiries, including subpoenas and other civil investigative demands, from governmental agencies and Medicare or Medicaid payers and managed care payers reviewing billing practices or requesting comment on allegations of billing irregularities that are brought to their attention through billing audits or third parties. The Company receives civil investigative demands or other inquiries from various governmental bodies in the ordinary course of its business. Such inquiries can relate to the Company or other healthcare providers. The Company works cooperatively to respond to appropriate requests for information.

The Company is also named from time to time in suits brought under the qui tam provisions of the False Claims Act and comparable state laws. These suits typically allege that the Company has made false statements and/or certifications in connection with claims for payment from federal or state health care programs. They may remain under seal (hence, unknown to the Company) for some time while the government decides whether to intervene on behalf of the qui tam plaintiff. Such claims are an inevitable part of doing business in the health care field today.

The Company believes that it is in compliance in all material respects with all statutes, regulations and other requirements applicable to its clinical laboratory operations. The clinical laboratory testing industry is, however, subject to extensive regulation, and the courts have not interpreted many of these statutes and regulations. There can be no assurance therefore that those applicable statutes and regulations will not be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that would adversely affect the Company. Potential sanctions for violation of these statutes and regulations include significant fines and the loss of various licenses, certificates and authorizations.

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Under the Company's present insurance programs, coverage is obtained for catastrophic exposure as well as those risks required to be insured by law or contract. The Company is responsible for the uninsured portion of losses related primarily to general, professional and vehicle liability, certain medical costs and workers' compensation. The self-insured retentions are on a per occurrence basis without any aggregate annual limit. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregated liability of claims incurred. At March 31, 2011, the Company had provided letters of credit aggregating approximately \$37.3, primarily in connection with certain insurance programs. The Company's availability under its Revolving Facility is reduced by the amount of these letters of credit.

At March 31, 2011, the Company was a guarantor on approximately \$1.3 of equipment leases. These leases were entered into by a joint venture in which the Company owns a 50% interest and have a remaining term of approximately one year.

11. PENSION AND POSTRETIREMENT PLANS

The Company's defined contribution retirement plan (the "401K Plan") covers substantially all employees. All employees eligible for the 401K Plan receive a minimum 3% non-elective contribution concurrent with each payroll period. The 401K Plan also permits discretionary contributions by the Company of 1% to 3% of pay for eligible employees based on service. The cost of this plan was \$11.7 and \$10.0 for the three months ended March 31, 2011 and 2010, respectively.

The Company also maintains a frozen defined benefit retirement plan (the "Company Plan"), that as of December 31, 2009, covered substantially all employees. The benefits to be paid under the Company Plan are based on years of credited service through December 31, 2009 and ongoing interest credits. Effective January 1, 2010, the Company Plan was closed to new participants. The Company's policy is to fund the Company Plan with at least the minimum amount required by applicable regulations.

The Company maintains a second unfunded, non-contributory, non-qualified defined benefit retirement plan (the "PEP"), that as of December 31, 2009, covered substantially all of its senior management group. The PEP supplements the Company Plan and was closed to new participants effective January 1, 2010.

The effect on operations for the Company Plan and the PEP is summarized as follows:

	Three Months Ended March 31,	
	2011	2010
Service cost for benefits earned	\$0.6	\$0.7
Interest cost on benefit obligation	4.4	4.6
Expected return on plan assets	(4.5)	(4.7)
Net amortization and deferral	1.7	2.0
Defined benefit plan costs	\$2.2	\$2.6

For the three months ended March 31, 2011 and 2010, the Company made no contributions to its defined benefit retirement plan.

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The Company assumed obligations under a subsidiary's post-retirement medical plan. Coverage under this plan is restricted to a limited number of existing employees of the subsidiary. This plan is unfunded and the Company's policy is to fund benefits as claims are incurred. The effect on operations of the post-retirement medical plan is shown in the following table:

	Three Months Ended March 31,	
	2011	2010
Service cost for benefits earned	\$0.1	\$0.1
Interest cost on benefit obligation	0.6	0.6
Net amortization and deferral	--	(0.2)
Post-retirement medical plan costs	\$0.7	\$0.5

12. FAIR VALUE MEASUREMENTS

The Company's population of financial assets and liabilities subject to fair value measurements as of March 31, 2011 and December 31, 2010 are as follows:

	Fair value as of March 31, 2011	Fair Value Measurements as of March 31, 2011 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Noncontrolling interest puts	\$173.5	\$--	\$173.5	\$--
Derivatives				
Embedded derivatives related to the zero-coupon subordinated notes	\$--	\$--	\$--	\$--
Interest rate swap liability	--	--	--	--
Total fair value of derivatives	\$--	\$--	\$--	\$--
	Fair value as of December 31, 2010	Fair Value Measurements as of December 31, 2010 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Noncontrolling interest puts	\$168.7	\$--	\$168.7	\$--
Derivatives				
Embedded derivatives related to the zero-coupon subordinated notes	\$--	\$--	\$--	\$--
Interest rate swap liability	2.4	--	2.4	--
Total fair value of derivatives	\$2.4	\$--	\$2.4	\$--

The noncontrolling interest puts are valued at their contractually determined values, which approximate fair values. The fair values for the embedded derivatives and interest rate swap are based on observable inputs or quoted market prices from various banks for similar instruments.

The carrying amounts of cash and cash equivalents, accounts receivable, income taxes receivable, and accounts payable are considered to be representative of their respective fair values due to their short-term nature. The fair market value of the zero-coupon subordinated notes, based on market pricing, was approximately \$420.2 and \$419.5 as of March 31, 2011 and December 31, 2010, respectively. The fair market value of the senior notes, based on market pricing, was approximately \$1,568.5 and \$1,549.8 as of March 31, 2011 and December 31, 2010, respectively. As of March 31, 2011 and December 31, 2010, the estimated fair market value of the Company's variable rate debt of \$394.3 and \$370.1, respectively, was estimated by calculating the net present value of related cash flows, discounted at current market rates.

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13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company addresses its exposure to market risks, principally the market risk associated with changes in interest rates, through a controlled program of risk management that includes, from time to time, the use of derivative financial instruments such as interest rate swap agreements (see Interest Rate Swap section below). Although the Company's zero-coupon subordinated notes contain features that are considered to be embedded derivative instruments (see Embedded Derivative section below), the Company does not hold or issue derivative financial instruments for trading purposes. The Company does not believe that its exposure to market risk is material to the Company's financial position or results of operations.

Interest Rate Swap

The interest rate swap agreement to hedge variable interest rate risk on the Company's variable interest rate term loan expired on March 31, 2011. On a quarterly basis under the swap, the Company paid a fixed rate of interest (2.92%) and received a variable rate of interest based on the three-month LIBOR rate on an amortizing notional amount of indebtedness equivalent to the term loan balance outstanding. The swap was designated as a cash flow hedge. Accordingly, the Company recognized the fair value of the swap in the condensed consolidated balance sheets and any changes in the fair value were recorded as adjustments to accumulated other comprehensive income (loss), net of tax. The fair value of the interest rate swap agreement was the estimated amount that the Company would have paid or received to terminate the swap agreement at the reporting date. The fair value of the swap was a liability of \$2.4 at December 31, 2010 and was included in other liabilities in the respective condensed consolidated balance sheet.

Embedded Derivatives Related to the Zero-Coupon Subordinated Notes

The Company's zero-coupon subordinated notes contain the following two features that are considered to be embedded derivative instruments under authoritative guidance in connection with accounting for derivative instruments and hedging activities:

- 1) The Company will pay contingent cash interest on the zero-coupon subordinated notes after September 11, 2006, if the average market price of the notes equals 120% or more of the sum of the issue price, accrued original issue discount and contingent additional principal, if any, for a specified measurement period.
- 2) Holders may surrender zero-coupon subordinated notes for conversion during any period in which the rating assigned to the zero-coupon subordinated notes by Standard & Poor's Ratings Services is BB- or lower.

The Company believes these embedded derivatives had no fair value at March 31, 2011 and December 31, 2010. These embedded derivatives also had no impact on the condensed consolidated statements of operations for the three months ended March 31, 2011 and 2010.

The following table summarizes the fair value and presentation in the condensed consolidated balance sheets for derivatives designated as hedging instruments (interest rate swap liability derivative) as of March 31, 2011 and December 31, 2010, respectively:

Balance Sheet Location	Fair Value as of	
	March 31, 2011	December 31, 2010
Other liabilities	\$--	\$2.4

The following table summarizes the effect of the interest rate swap on other comprehensive income for the three months ended March 31, 2011 and 2010:

	2011	2010
Effective portion of derivative gain	\$2.4	\$1.1

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14. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended March 31,	
	2011	2010
Supplemental schedule of cash flow information:		
Cash paid during period for:		
Interest	\$13.0	\$13.5
Income taxes, net of refunds	7.5	10.6
Disclosure of non-cash financing and investing activities:		
Accrued repurchases of common stock	\$3.0	\$5.4

15. PROPOSED ACQUISITION

In April 2011, the Company and Orchid Cellmark Inc. (“Orchid”) announced that they had entered into a definitive agreement and plan of merger under which the Company will acquire all of the outstanding shares of Orchid in a cash tender offer for \$2.80 per share for a total purchase price to stockholders and optionholders of approximately \$85.4. The tender offer and the merger are subject to customary closing conditions set forth in the agreement and plan of merger, including the acquisition in the tender offer of a majority of Orchid’s fully diluted shares and the expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The closing of the acquisition is expected in the second quarter of 2011. The Company has received lawsuits filed by putative classes of shareholders of Orchid in New Jersey and Delaware state courts alleging breaches of fiduciary duty and/or other violations of state law arising out of the proposed acquisition of Orchid. Both Orchid and the Company are named in the lawsuits, which will be vigorously defended.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The Company has made in this report, and from time to time may otherwise make in its public filings, press releases and discussions by Company management, forward-looking statements concerning the Company's operations, performance and financial condition, as well as its strategic objectives. Some of these forward-looking statements can be identified by the use of forward-looking words such as "believes", "expects", "may", "will", "should", "seeks", "approximates", "intends", "plans", "estimates", or "anticipates" or the negative of those words or other comparable terminology. Such forward-looking statements are subject to various risks and uncertainties and the Company claims the protection afforded by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those currently anticipated due to a number of factors in addition to those discussed elsewhere herein and in the Company's other public filings, press releases and discussions with Company management, including:

1. changes in federal, state, local and third party payer regulations or policies or other future reforms in the health care system (or in the interpretation of current regulations), new insurance or payment systems, including state or regional insurance cooperatives, new public insurance programs or a single-payer system, affecting governmental and third-party coverage or reimbursement for clinical laboratory testing;
2. adverse results from investigations or audits of clinical laboratories by the government, which may include significant monetary damages, refunds and/or exclusion from the Medicare and Medicaid programs;
3. loss or suspension of a license or imposition of a fine or penalties under, or future changes in, or interpretations of, the law or regulations of the Clinical Laboratory Improvement Act of 1967, and the Clinical Laboratory Improvement Amendments of 1988, or those of Medicare, Medicaid, the False Claims Act or other federal, state or local agencies;
4. failure to comply with the Federal Occupational Safety and Health Administration requirements and the Needlestick Safety and Prevention Act, which may result in penalties and loss of licensure;
5. failure to comply with HIPAA, including changes to federal and state privacy and security obligations and changes to HIPAA, including those changes included within HITECH and any subsequent amendments, which could result in increased costs, denial of claims and/or significant penalties;
6. failure to maintain the security of customer-related information or compliance with security requirements could damage the Company's reputation with customers, cause it to incur substantial additional costs and become subject to litigation;
7. failure of the Company, third party payers or physicians to comply with Version 5010 Transactions by January 1, 2012 or the ICD-10-CM Code Set issued by the Department of Health and Human Services and effective for claims submitted as of October 1, 2013;

8. increased competition, including competition from companies that do not comply with existing laws or regulations or otherwise disregard compliance standards in the industry;
9. increased price competition, competitive bidding for laboratory tests and/or changes or reductions to fee schedules;
10. changes in payer mix, including an increase in capitated reimbursement mechanisms or the impact of a shift to consumer-driven health plans;
11. failure to obtain and retain new customers and alliance partners, or a reduction in tests ordered or specimens submitted by existing customers;
12. failure to retain or attract managed care business as a result of changes in business models, including new risk based or network approaches, or other changes in strategy or business models by managed care companies;

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13. failure to effectively integrate and/or manage newly acquired businesses, including Genzyme Genetics, and the cost related to such integrations;
14. the effects of the acquisition of Genzyme Genetics on the Company's cash position and levels of indebtedness;
15. adverse results in litigation matters;
16. inability to attract and retain experienced and qualified personnel;
17. failure to maintain the Company's days sales outstanding and/or bad debt expense levels;
18. decrease in the Company's credit ratings by Standard & Poor's and/or Moody's;
19. discontinuation or recalls of existing testing products;
20. failure to develop or acquire licenses for new or improved technologies, or if customers use new technologies to perform their own tests;
21. inability to commercialize newly licensed tests or technologies or to obtain appropriate coverage or reimbursement for such tests, which could result in impairment in the value of certain capitalized licensing costs;
22. changes in government regulations or policies, including regulations and policies of the Food and Drug Administration, affecting the approval, availability of, and the selling and marketing of diagnostic tests;
23. inability to obtain and maintain adequate patent and other proprietary rights for protection of the Company's products and services and successfully enforce the Company's proprietary rights;
24. the scope, validity and enforceability of patents and other proprietary rights held by third parties which might have an impact on the Company's ability to develop, perform, or market the Company's tests or operate its business;
25. failure in the Company's information technology systems resulting in an increase in testing turnaround time or billing processes or the failure to meet future regulatory or customer information technology, data security and connectivity requirements;
26. failure of the Company's financial information systems resulting in failure to meet required financial reporting deadlines;
27. failure of the Company's disaster recovery plans to provide adequate protection against the interruption of business and/or to permit the recovery of business operations;
28. business interruption or other impact on the business due to adverse weather (including hurricanes), fires and/or other natural disasters, terrorism or other criminal acts, and/or widespread outbreak of influenza or other pandemic illness;

29. liabilities that result from the inability to comply with corporate governance requirements;
30. significant deterioration in the economy or financial markets which could negatively impact the Company's testing volumes, cash collections and the availability of credit for general liquidity or other financing needs;
31. changes in reimbursement by foreign governments and foreign currency fluctuations;
and
32. expenses and risks associated with international operations, including compliance with laws and regulations that differ from the United States, and economic, political, legal, operational and other risks associated with foreign markets.

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GENERAL (dollars in millions, except per share data)

During the first three months of 2011, the Company continued to strengthen its financial performance through volume growth in its core and esoteric testing, pricing discipline and expense control.

On December 1, 2010, the Company acquired Genzyme Genetics, a business unit of Genzyme Corporation, for approximately \$925.2 in cash (net of cash acquired). The Genzyme Genetics acquisition was made to expand the Company's capabilities in reproductive, genetic, hematology-oncology and clinical trials central laboratory testing, enhance the Company's esoteric testing capabilities and advance the Company's personalized medicine strategy.

On October 28, 2010, in conjunction with the acquisition of Genzyme Genetics, the Company entered into a \$925.0 bridge term loan credit agreement. The Company replaced and terminated the bridge term loan credit agreement in November 2010 by making an offering in the debt capital markets. On November 19, 2010, the Company sold \$925.0 in debt securities, consisting of \$325.0 aggregate principal amount of 3.125% Senior Notes due May 15, 2016 and \$600.0 aggregate principal amount of 4.625% Senior Notes due November 15, 2020.

Due to the normal post-acquisition enrollment process for government payers and contract assignment process for managed care payers, the Company has experienced delays in billing for services rendered by Genzyme Genetics. Cash collections, receivable agings and DSO in the first quarter of 2011 were negatively impacted by these delays. The Company expects the delays to be resolved in due course and the related billings and collections to be brought up-to-date during the second quarter of 2011. The acquisition of Genzyme Genetics is expected to be approximately \$0.25 to \$0.35 dilutive to the Company's earnings per share in fiscal year 2011.

RESULTS OF OPERATIONS (amounts in millions except Revenue Per Requisition info)

Operating results for the three months ended March 31, 2011 and 2010 were negatively impacted by severe winter weather primarily in the eastern and middle sections of the country. The Company's testing facilities were not damaged by the severe winter weather; however, specimen volume was negatively impacted due to patients' inability to visit doctors' offices and patient service centers – the sources of the majority of testing volume. During the quarters ended March 31, 2011 and 2010 inclement weather had a significant impact on the Company's results, reducing volume by an estimated 0.5 and 0.6, respectively, and reducing revenue by an estimated \$22.0 and \$23.0, respectively.

Three months ended March 31, 2011 compared with three months ended March 31, 2010

Net Sales

	Quarter ended March 31,			
	2011	2010	% Change	
Net sales				
Routine Testing	\$776.0	\$718.3	8.0	%
Genomic and Esoteric Testing	518.3	406.4	27.6	%
Ontario, Canada	74.1	68.9	7.5	%
Total	\$1,368.4	\$1,193.6	14.6	%

	Number of Requisitions Quarter ended March 31,			
	2011	2010	% Change	
Volume				
Routine Testing	21.3	20.3	5.0	%

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Genomic and Esoteric Testing	7.2	6.5	11.2	%
Ontario, Canada	2.3	2.3	(0.4))%
Total	30.8	29.1	5.9	%

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	Quarter ended March 31,			
	2011	2010	% Change	
Revenue Per Requisition				
Routine Testing	\$36.44	\$35.40	2.9	%
Genomic and Esoteric Testing	71.83	62.64	14.7	%
Ontario, Canada	32.55	30.14	8.0	%
Total	\$44.44	\$41.07	8.2	%

The increase in net sales for the three months ended March 31, 2011 as compared with the corresponding 2010 period was driven primarily by incremental revenue from recent acquisitions including Genzyme Genetics (8% of growth) and Westcliff (1.9% of growth), the Company's continued shift in test mix to higher priced genomic and esoteric tests along with growth in revenue per requisition for such testing, and increases in the Canadian exchange rate. Genomic and esoteric testing volume as a percentage of total volume increased from 22.3% in 2010 to 23.4% in 2011. Revenue per requisition and volume growth for genomic and esoteric testing was primarily due to the incremental revenue and volume from Genzyme Genetics. Net sales of the Ontario joint venture were \$74.1 for the three months ended March 31, 2011 compared to \$68.9 in the corresponding 2010 period, an increase of \$5.2, or 7.5%. Net sales of the Ontario joint venture were impacted by a weaker U.S. dollar in 2011 as compared with 2010. In Canadian dollars, net sales of the Ontario joint venture increased by CN\$1.4, or 2.0%.

	Quarter ended March 31,			
	2011	2010	% Change	
Cost of Sales				
Cost of sales	\$800.0	\$686.7	16.5	%
Cost of sales as a % of sales	58.5	% 57.5	%	

Cost of sales (primarily laboratory and distribution costs) increased 16.5% in the 2011 period as compared with the 2010 period primarily due to incremental costs from recent acquisitions including Genzyme Genetics and Westcliff, increases in labor, and the continued shift in test mix to genomic and esoteric testing. As a percentage of net sales, cost of sales increased to 58.5% in 2011 from 57.5% in 2010. The increase in cost of sales as a percentage of net sales is primarily due to lower margins on recently acquired operations that have not been fully integrated into the Company's operating cost structure as of March 31, 2011.

Selling, General and Administrative Expenses

	Quarter ended March 31,			
	2011	2010	% Change	
Selling, general and administrative expenses	\$282.8	\$246.0	15.0	%
SG&A as a % of sales	20.7	% 20.6	%	

Selling, general and administrative ("SG&A") expenses as a percentage of net sales increased to 20.7% in the first quarter of 2011 compared to 20.6% in 2010. The increase in SG&A as a percentage of net sales is primarily due to expenses from recently acquired operations that have not been fully integrated into the Company's operating cost structure as of March 31, 2011. As an offset to the increase in SG&A as a percentage of net sales, bad debt expense decreased to 4.7% of net sales in 2011 as compared with 5.1% in 2010 primarily due to improved collection trends resulting from process improvement programs within the Company's billing department and field operations.

Amortization of Intangibles and Other Assets

	Quarter ended March 31,		% Change	
	2011	2010		
Amortization of intangibles and other assets	\$21.9	\$17.4	25.9	%

The increase in amortization of intangibles and other assets primarily reflects certain acquisitions closed during 2011 and 2010.

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Restructuring and Other Special Charges

	Quarter ended March 31,		
	2011	2010	% Change
Restructuring and other special charges	\$27.9	\$9.3	N/A

During the first quarter of 2011, the Company recorded net restructuring charges of \$13.1. Of this amount, \$4.0 related to severance and other personnel costs, and \$9.8 related to facility-related costs associated with the integration of Genzyme Genetics. These charges were offset by a restructuring credit of \$0.7 resulting from the reversal of unused severance and facility closure liabilities. These restructuring initiatives are expected to provide annualized cost savings of approximately \$13.3. In addition, the Company recorded a special charge of \$14.8 related to a write-off of an investment made in a prior year.

During the first quarter of 2010, the Company recorded net restructuring charges of \$3.1 related to severance payments and the closing of redundant and underutilized facilities. Of this amount, \$3.9 related to severance and other employee costs for employees primarily in the affected facilities, and \$0.6 related to contractual obligations associated with leased facilities and other facility related costs. The Company also reduced its prior facility related restructuring accruals by \$1.4 as a result of incurring less cost than planned on those restructuring initiatives primarily due to favorable settlements on lease buyouts. In addition, the Company recorded a special charge of \$6.2 related to the write-off of development costs incurred on systems abandoned during the quarter.

	Quarter ended March 31,		
	2011	2010	% Change
Interest Expense			
Interest expense	\$24.0	\$14.6	64.4 %

The increase in interest expense was primarily due to interest incurred during 2011 in connection with proceeds from the senior notes offering of \$925.0 in November 2010. Other interest related costs decreased due to lower average borrowings outstanding in the first quarter of 2011 as compared with the 2010 period primarily due to principal payments on the Term Loan Facility.

Equity Method Income

	Quarter ended March 31,		
	2011	2010	% Change
Equity method income	\$1.5	\$3.8	(60.5)%

Equity method income represents the Company's ownership share in joint venture partnerships along with stock investments in other companies in the clinical diagnostic industry. The decrease in income in the first quarter of 2011 as compared with the 2010 period is primarily due to the Company's share of losses in the Cincinnati, Ohio joint venture and the Canada, China and Western Europe equity method investment.

	Quarter ended March 31,		
	2011	2010	% Change
Income Tax Expense			
Income tax expense	\$83.1	\$86.9	(4.4)%
Income tax expense as a % of income before tax	38.9 %	39.0 %	

The effective tax rate for 2011 is comparable with 2010.

LIQUIDITY AND CAPITAL RESOURCES (dollars and shares in millions)

The Company's operations provided \$215.3 and \$232.0 of cash, net of \$0.0 and \$14.5 in transition payments to UnitedHealthcare, for the three months ended March 31, 2011 and 2010, respectively. The decrease in cash flows in the first quarter of 2011 is primarily due to the Company experiencing delays in billing for services rendered by Genzyme Genetics as a result of the normal post-acquisition enrollment process for government payers and the contract assignment process for managed care payers. Cash collections, receivable agings and DSO in the first quarter of 2011 were negatively impacted by these delays. The Company expects the delays to be resolved in due course and the related billings and collections to be brought up-to-date during the second quarter of 2011.

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Capital expenditures were \$29.4 and \$24.5 for the three months ended March 31, 2011 and 2010, respectively. The Company expects capital expenditures of approximately \$140.0 to \$150.0 in 2011. The Company will continue to make important investments in its business, including information technology. Such expenditures are expected to be funded by cash flow from operations, as well as borrowings under the Company's revolving credit facilities as needed.

The interest rate swap agreement to hedge variable interest rate risk on the Company's variable interest rate term loan expired on March 31, 2011. On a quarterly basis under the swap, the Company paid a fixed rate of interest (2.92%) and received a variable rate of interest based on the three-month LIBOR rate on an amortizing notional amount of indebtedness equivalent to the term loan balance outstanding. The swap was designated as a cash flow hedge. Accordingly, the Company recognized the fair value of the swap in the condensed consolidated balance sheets and any changes in the fair value were recorded as adjustments to accumulated other comprehensive income (loss), net of tax. The fair value of the interest rate swap agreement was the estimated amount that the Company would have paid or received to terminate the swap agreement at the reporting date. The fair value of the swap was a liability of \$2.4 at December 31, 2010 and was included in other liabilities in the respective condensed consolidated balance sheet.

On October 28, 2010, in conjunction with the acquisition of Genzyme Genetics, the Company entered into a \$925.0 Bridge Term Loan Credit Agreement, among the Company, the lenders named therein and Citibank, N.A., as administrative agent (the "Bridge Facility"). The Company replaced and terminated the Bridge Facility in November 2010 by making an offering in the debt capital markets. On November 19, 2010, the Company sold \$925.0 in debt securities, consisting of \$325.0 aggregate principal amount of 3.125% Senior Notes due May 15, 2016 and \$600.0 aggregate principal amount of 4.625% Senior Notes due November 15, 2020. Beginning on May 15, 2011, interest on the Senior Notes due 2016 and 2020 is payable semi-annually on May 15 and November 15. On December 1, 2010, the acquisition of Genzyme Genetics was funded by the proceeds from the issuance of these Notes (\$915.4) and with cash on hand.

At March 31, 2011, the Company provided letters of credit aggregating approximately \$37.3, primarily in connection with certain insurance programs. Letters of credit provided by the Company are secured by the Company's senior credit facilities and are renewed annually, around mid-year.

As of December 31, 2010, the Company had outstanding authorization from the Board of Directors to purchase approximately \$234.3 of Company common stock. On February 10, 2011, the Company announced the Board of Directors authorized the purchase of \$500.0 of additional shares of the Company's common stock. During the three months ended March 31, 2011, the Company purchased approximately 2.9 shares of its common stock at a total cost of approximately \$265.3. As of March 31, 2011, the Company had outstanding authorization from the Board of Directors to purchase approximately \$469.0 of Company common stock.

The Company had a \$68.7 and \$65.8 reserve for unrecognized income tax benefits, including interest and penalties, at March 31, 2011 and December 31, 2010, respectively. Substantially all of these tax reserves are classified in other long-term liabilities in the Company's Condensed Consolidated Balance Sheets at March 31, 2011 and December 31, 2010, respectively.

The Term Loan Facility and Revolving Facility contain certain debt covenants which require that the Company maintain a leverage ratio of no more than 2.5 to 1.0 and an interest coverage ratio of at least 5.0 to 1.0. Both ratios are calculated in relation to EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). The credit agreement allows payment of dividends provided that the Company is not in default (as defined in the agreement) and its leverage ratio is less than 2.0 to 1.0. The Company was in compliance with all covenants as of March 31, 2011. As of March 31, 2011, the leverage and interest coverage ratios were 1.8 to 1.0 and 15.9 to 1.0, respectively. Based on current and projected levels of operations, coupled with availability under its senior credit facilities, the Company believes it has sufficient liquidity to meet both its anticipated short-term and long-term cash needs; however, the

Company continually reassesses its liquidity position in light of market conditions and other relevant factors.

Zero-coupon Subordinated Notes

On March 14, 2011, the Company announced that for the period of March 12, 2011 to September 11, 2011, the zero-coupon subordinated notes will accrue contingent cash interest at a rate of no less than 0.125% of the average market price of a zero-coupon subordinated note for the five trading days ended March 9, 2011, in addition to the continued accrual of the original issue discount.

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On April 4, 2011, the Company announced that its zero-coupon subordinated notes may be converted into cash and common stock at the conversion rate of 13.4108 per \$1,000 principal amount at maturity of the notes, subject to the terms of the zero-coupon subordinated notes and the Indenture, dated as of October 24, 2006 between the Company and The Bank of New York Mellon, as trustee and conversion agent. In order to exercise the option to convert all or a portion of the zero-coupon subordinated notes, holders are required to validly surrender their zero-coupon subordinated notes at any time during the calendar quarter beginning April 1, 2011, through the close of business on the last business day of the calendar quarter, which is 5:00 p.m., New York City time, on Thursday, June 30, 2011.

In April 2011, the Company settled notices to convert approximately \$42.0 aggregate principal amount at maturity of the notes into cash and common stock with a total conversion value of approximately \$53.8. The final put date for the zero-coupon subordinated notes is September 11, 2011, and the Company could receive additional notices of conversion prior to that date. If such notices are received, the Company plans to settle the cash portion of the conversion obligation with cash on hand and/or borrowings under the revolving credit facility.

Noncontrolling Interest Puts

Effective January 1, 2008 the Company acquired additional partnership units in its Ontario, Canada (“Ontario”) joint venture, bringing the Company’s percentage interest owned to 85.6%. Concurrent with this acquisition, the terms of the joint venture’s partnership agreement were amended. The amended joint venture’s partnership agreement enabled the holders of the noncontrolling interest to put the remaining partnership units to the Company in defined future periods, at an initial amount equal to the consideration paid by the Company in 2008, and subject to adjustment based on market value formulas contained in the agreement.

In December 2009, the Company received notification from the holders of the noncontrolling interest in the Ontario joint venture that they intended to put their remaining partnership units to the Company in accordance with the terms of the joint venture’s partnership agreement. These units were acquired on February 8, 2010 for \$137.5. On February 17, 2010, the Company completed a transaction to sell the units acquired from the previous noncontrolling interest holder to a new Canadian partner for the same price. As a result of this transaction, the Company recorded a component of noncontrolling interest in other liabilities and a component in mezzanine equity. Upon the completion of these two transactions, the Company’s financial ownership percentage in the joint venture partnership remained unchanged at 85.6%. Concurrent with the sale to the new partner, the partnership agreement for the Ontario joint venture was amended and restated with substantially the same terms as the previous agreement. The combined contractual value of these puts, in excess of the current noncontrolling interest of \$27.6, totals \$145.9 at March 31, 2011. At March 31, 2011, \$152.3 has been classified as a current liability in the Company’s condensed consolidated balance sheet as the noncontrolling interest that acquired these units has the ability to put its units in the partnership to the Company on December 31, 2011.

ITEM 3. Quantitative and Qualitative Disclosure about Market Risk

The Company addresses its exposure to market risks, principally the market risk associated with changes in interest rates, through a controlled program of risk management that includes, from time to time, the use of derivative financial instruments such as interest rate swap agreements. Although, as set forth below, the Company’s zero-coupon subordinated notes contain features that are considered to be embedded derivative instruments, the Company does not hold or issue derivative financial instruments for trading purposes. The Company does not believe that its exposure to market risk is material to the Company’s financial position or results of operations.

The Company’s zero-coupon subordinated notes contain the following two features that are considered to be embedded derivative instruments under authoritative guidance in connection with accounting for derivative instruments and hedging activities:

- 1) The Company will pay contingent cash interest on the zero-coupon subordinated notes after September 11, 2006, if the average market price of the notes equals 120% or more of the sum of the issue price, accrued original issue discount and contingent additional principal, if any, for a specified measurement period.
- 2) Holders may surrender zero-coupon subordinated notes for conversion during any period in which the rating assigned to the zero-coupon subordinated notes by Standard & Poor's Ratings Services is BB- or lower.

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The Company's Ontario, Canada consolidated joint venture operates in Canada and, accordingly, the earnings and cash flow generated from the Ontario operation are subject to foreign currency exchange risk.

The Alberta, Canada joint venture partnership operates in Canada and remits the Company's share of partnership income in Canadian dollars. Accordingly, the cash flow received from this affiliate is subject to foreign currency exchange risk.

ITEM 4. Controls and Procedures

As of the end of the period covered by the Form 10-Q, the Company carried out, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13-a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2011.

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 10 to the Company's Unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2011, which is incorporated by reference.

Item 1A Risk Factors

The following risk factor is added to those that appear in Part I-Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

The Company's growing international operations could subject it to additional expenses and risks that could adversely impact the business or results of operations.

The expansion of the Company's international operations could subject it to additional expenses that the Company may not fully anticipate. The Company operates in a heavily regulated industry, and these expenses could include those related to enhanced time and resources necessary to comply with foreign laws and regulations that differ from those in the United States. International operations also expose the Company to additional risks, including:

- failure to comply with foreign laws and regulations that differ from those under which the Company operates in the United States;
- restrictions on currency repatriation;
- greater difficulty in collecting accounts receivable and longer collection periods;
- difficulties and costs of staffing and managing foreign operations;
- adverse changes in tax policies and other laws;
- procedures and actions affecting approval, production, pricing, reimbursement and marketing of products and services;
- less protection for intellectual property rights in some countries;
- judicial systems that less strictly enforce contractual rights;
- export controls and trade regulations; and
- natural disasters, epidemics, political instability and acts of war or terrorism.

In some countries, the Company's success will depend in part on its ability to form relationships with local partners. The Company's inability to identify appropriate partners or reach mutually satisfactory arrangements could adversely affect the business and operations. International operations may result in increased expense and risk to the Company's business and could give rise to unanticipated liabilities or difficulties that could adversely affect its operations and financial results.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds (Shares and dollars in millions, except per share data)

The following table sets forth information with respect to purchases of shares of the Company's common stock made during the three months ended March 31, 2011, by or on behalf of the Company:

	Total	Average	Total	Maximum
	Number	Price	Number	Dollar
	of Shares	Paid	of Shares	Value
	Repurchased	Per	Repurchased	of Shares
		Share	as	that May
			Part of	Yet Be
			Publicly	Repurchased
			Announced	Under
			Program	the Program
January 1 – January 31	2.6	\$90.49	2.6	\$ --
February 1 – February 28	0.1	88.75	0.1	492.0
March 1 - March 31	0.2	89.47	0.2	469.0
	2.9	\$90.35	2.9	

At January 1, 2007, the Company had authorization to repurchase up to \$350.0 of shares of the Company's common stock (\$100.0 authorized on April 21, 2005 and \$250.0 authorized on October 20, 2006). On March 9, 2007, the Company announced the Board of Directors authorized the purchase of up to \$500.0 of additional shares of the Company's common stock. On November 2, 2007, the Company announced the Board of Directors authorized the purchase of up to \$500.0 of additional shares of the Company's common stock. On August 10, 2009, the Company announced the Board of Directors authorized the purchase of up to \$250.0 of additional shares of the Company's common stock. On February 11, 2010, the Company announced the Board of Directors authorized the purchase of up to \$250.0 of additional shares of the Company's common stock. On August 9, 2010, the Company announced the Board of Directors authorized the purchase of up to \$250.0 of additional shares of the Company's common stock. On February 10, 2011, the Company announced the Board of Directors authorized the purchase of up to \$500.0 of additional shares of the Company's common stock. As of March 31, 2011, the Company had outstanding authorization from the Board of Directors to purchase approximately up to \$469.0 of Company common stock. The repurchase authorization has no expiration date.

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Item 6.	Exhibits
(a)	Exhibits
10.25*	\$1 Billion Credit Agreement dated as of October 26, 2007, among the Company, the lenders named therein and Credit Suisse, as Administrative Agent, and Credit Suisse Securities (USA) LLC, as Bookrunner and Lead Arranger
12.1*	Ratio of earnings to fixed charges
31.1*	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a)
31.2*	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a)
32*	Written Statement of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* filed herewith

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SIGNATURES

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

LABORATORY CORPORATION OF AMERICA HOLDINGS

Registrant

By: /s/ DAVID P. KING
David P. King
Chairman of the Board, President
and Chief Executive Officer

By: /s/ WILLIAM B. HAYES
William B. Hayes
Executive Vice President,
Chief Financial Officer and Treasurer

May 2, 2011