UNITED COMMUNITY BANKS INC
Form 4
September 03, 2015

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
COX L CATHY

(Last) (First) (Middle)

C/O YOUNG HARRIS COLLEGE, P.O. BOX 98

(Street)

YOUNG HARRIS, GA 30582

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
UNITED COMMUNITY BANKS INC [UCBI]

3. Date of Earliest Transaction (Month/Day/Year)
09/01/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Restricted Stock Units	09/01/2015		A		395 (1)	A	$ 0	4,034	D	
Common Stock								5,966.165	D	
Common Shares Issuable								2,576.897 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not

SEC 1474 (9-02)

required to respond unless the form displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
COX L CATHY C/O YOUNG HARRIS COLLEGE P.O. BOX 98 YOUNG HARRIS, GA 30582	X			

Signatures

Lois J. Rich as Attorney-in-Fact	09/01/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) 2015 Restricted Stock Units cliff vest on August 15, 2016.

(2) Includes 6.056 shares purchased at $21.23 on July 1, 2015 pursuant to dividend reinvestment.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. nherit;font-size:10pt;font-style:italic;">Dividends

During each of the quarters of 2013, our Board of Directors declared a quarterly cash dividend of $0.30 per common share, and in January 2014, authorized an increase in the quarterly cash dividend for the first quarter of 2014 from $0.30 per common share to $0.33 per common share.

During each of the first three quarters in 2012, our Board of Directors declared a quarterly cash dividend of $0.17 per common share, and in November 2012, declared an increase in the quarterly cash dividend from $0.17 per common share to $0.30 per common share.

During each of the first three quarters of 2011, our Board of Directors declared a quarterly cash dividend of $0.10 per common share, and in October 2011, declared an increase in the quarterly cash dividend from $0.10 per common share to $0.17 per common share.

We expect to fund future dividend payments with cash flows from operations, and do not expect the dividend to have a material impact on our ability to finance future growth.

Share Repurchases

In August 2013, our Board of Directors authorized the repurchase of an additional $1 billion of our common stock, increasing the total available authorization at that time to $1.3 billion. This share repurchase authorization has no set expiration or termination date. At December 31, 2013, $828 million remained available under the share repurchase authorization.

In January 2012, our Board of Directors authorized the repurchase an additional $1 billion of our common stock, increasing the total available authorization at that time to $1.1 billion.

On April 19, 2013, we entered into an ASR with a financial institution to repurchase $450 million of our common stock as part of our Common Stock repurchase program. The ASR was structured as a combination of two transactions: (1) a treasury stock repurchase and (2) a forward contract which permitted us to purchase shares immediately with the final purchase price of those shares determined by the volume weighted average price of our common stock during the purchase period, less a fixed discount. Under the ASR, we paid $450 million to the financial institution and received 7.6 million shares of common stock, resulting in a final price per share of $59.46. We initially received 7.2 million shares of our common stock during the second quarter of 2013 and received an additional 0.4 million shares upon completion of the ASR during the third quarter of 2013. As of June 30, 2013, we recorded this transaction as an increase to treasury stock of $405 million, and recorded the remaining $45 million as a decrease to additional paid-in capital in our consolidated balance sheets. Upon completion of the ASR in the third quarter of 2013, we reclassified the $45 million to treasury stock from additional paid-in capital on our consolidated balance sheets.

On September 4, 2013, we entered into an ASR with a financial institution to repurchase $350 million of our common stock as part of our Common Stock repurchase program. The ASR was structured as a combination of two transactions: (1) a treasury stock repurchase and (2) a forward contract which permitted us to purchase shares immediately with the final purchase price of those shares determined by the volume weighted average price of our common stock during the purchase period, less a fixed discount. Under the ASR, we paid $350 million to the financial institution and received 5.8 million shares of common stock, resulting in a final price per share of $60.73. We initially received 4.7 million shares of our common stock during the third quarter of 2013 and received an additional 1.1 million shares upon completion of the ASR during the fourth quarter of 2013. As of September 30, 2013, we recorded this transaction as an increase to treasury stock of $280 million, and recorded the remaining $70 million as a decrease to additional paid-in capital in our consolidated balance sheets. Upon completion of the ASR in the fourth quarter of 2013, we reclassified the $70 million to treasury stock from additional paid-in capital on our consolidated balance sheets.

In addition to the ASRs previously discussed, we repurchased shares of our common stock on the open market. For the year ended December 31, 2013, we repurchased an additional 4.1 million shares of our common stock at an average price of $57.63 per share for a total of $237 million.

For the year ended December 31, 2012, we repurchased 3.4 million shares of our common stock at an average price of $58.31 per share for a total of $200 million.

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For the year ended December 31, 2011, we repurchased 17.3 million shares of our common stock at an average price of $54.05 per share for $935 million, including 15.4 million shares purchased in the first quarter from SB Holdings Capital Inc., a wholly owned subsidiary of GlaxoSmithKline plc, at an average price of $54.30 per share for a total of $835 million.

Contractual Obligations and Commitments

The following table summarizes certain of our contractual obligations as of December 31, 2013:

	Payments due by period (in millions)				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Outstanding debt	$3,306	$200	$806	$375	$1,925
Capital lease obligations	31	12	14	5	—
Interest payments on outstanding debt	1,897	163	293	228	1,213
Operating leases	734	189	256	115	174
Purchase obligations	279	88	110	56	25
Merger consideration obligation	51	1	50	—	—
Total contractual obligations	$6,298	$653	$1,529	$779	$3,337

Interest payments on our long-term debt have been calculated after giving effect to our interest rate swap agreements, using the interest rates as of December 31, 2013 applied to the December 31, 2013 balances, which are assumed to remain outstanding through their maturity dates.

A full description of the terms of our indebtedness and related debt service requirements and our future payments under certain of our contractual obligations is contained in Note 13 to the consolidated financial statements. A full discussion and analysis regarding our minimum rental commitments under noncancelable operating leases and noncancelable commitments to purchase product or services at December 31, 2013 is contained in Note 18 to the consolidated financial statements. Merger consideration obligation primarily includes consideration owed on the UMass and Celera acquisitions. A full discussion and analysis regarding our acquisitions of UMass and Celera and the related merger consideration obligations as of December 31, 2013 is contained in Note 5 to the consolidated financial statements.

As of December 31, 2013, our total liabilities associated with unrecognized tax benefits were approximately $168 million, which were excluded from the table above. We believe it is reasonably possible that these liabilities may decrease by up to approximately $3 million within the next twelve months, primarily as a result of the expiration of statutes of limitations, settlements and/or the conclusion of tax examinations on certain tax positions. For the remainder, we cannot make reasonably reliable estimates of the timing of the future payments of these liabilities. See Note 8 to the consolidated financial statements for information regarding our contingent tax liability reserves.

Our credit agreements contain various covenants and conditions, including the maintenance of certain financial ratios, that could impact our ability to, among other things, incur additional indebtedness. As of December 31, 2013, we were in compliance with the various financial covenants included in our credit agreements and we do not expect these covenants to adversely impact our ability to execute our growth strategy or conduct normal business operations.

Equity Method Investees

Our equity method investees consist of: (1) unconsolidated joint ventures in Phoenix, Arizona; Indianapolis, Indiana; and Dayton, Ohio; and (2) an investment in an Australian company, which are accounted for under the equity method of accounting. We believe that our transactions with our equity method investees are conducted at arm’s length, reflecting current market conditions and pricing. Total net revenues of our equity method investees equal approximately 6% of our consolidated net revenues. Total assets associated with our equity method investees are less than 2% of our consolidated total assets. We have no material unconditional obligations or guarantees to, or in support of, our equity method investees and their operations.

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Requirements and Capital Resources

We estimate that we will invest approximately $300 million during 2014 for capital expenditures to support and expand our existing operations, principally related to investments in information technology, laboratory equipment and facilities, including specific initiatives associated with our Invigorate program.

As of December 31, 2013, $1.3 billion of borrowing capacity was available under our existing credit facilities, consisting of $525 million available under our secured receivables credit facility and $750 million available under our senior unsecured revolving credit facility.

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

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

Inflation

We believe that inflation generally does not have a material adverse effect on our results of operations or financial condition.

Impact of New Accounting Standards

In March 2013, the FASB issued a new accounting standard on foreign currency matters that clarifies the guidance of a parent company's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. In July 2013, the FASB issued a new accounting standard to permit the use of the Fed Funds Effective Swap Rate to be used as an alternative benchmark interest rate for hedge accounting purposes. In July 2013, the FASB issued a new accounting standard that requires a liability related to an unrecognized tax benefit to be presented as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, if certain criteria are met. The impact of these accounting standards are discussed in Note 2 to the consolidated financial statements.

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REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013 based on criteria for effective internal control over financial reporting described in "Internal Control - Integrated Framework (1992)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2013 is effective.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the financial statements included in this annual report, audited the Company's internal control over financial reporting as of December 31, 2013 and issued their audit report on the Company's internal control over financial reporting included therein.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Quest Diagnostics Incorporated

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Quest Diagnostics Incorporated and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey
February 17, 2014

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 AND 2012
(in millions, except per share data)

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$187	$296
Accounts receivable, net of allowance for doubtful accounts of $236 at both December 31, 2013 and 2012	852	867
Inventories	91	93
Deferred income taxes	148	174
Prepaid expenses and other current assets	105	91
Current assets held for sale	—	40
Total current assets	1,383	1,561
Property, plant and equipment, net	805	756
Goodwill	5,649	5,536
Intangible assets, net	896	872
Other assets	215	205
Non-current assets held for sale	—	354
Total assets	$8,948	$9,284
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$920	$1,016
Current portion of long-term debt	212	10
Current liabilities held for sale	—	22
Total current liabilities	1,132	1,048
Long-term debt	3,120	3,354
Other liabilities	723	636
Non-current liabilities held for sale	—	60
Commitments and contingencies		
Stockholders' equity:		
Quest Diagnostics stockholders' equity:		
Common stock, par value $0.01 per share; 600 shares authorized at both December 31, 2013 and 2012; 215 shares issued at both December 31, 2013 and 2012	2	2
Additional paid-in capital	2,379	2,371
Retained earnings	5,358	4,690
Accumulated other comprehensive (loss) income	(8)	14
Treasury stock, at cost; 71 shares and 57 shares at December 31, 2013 and 2012, respectively	(3,783)	(2,914)
Total Quest Diagnostics stockholders' equity	3,948	4,163
Noncontrolling interests	25	23
Total stockholders' equity	3,973	4,186
Total liabilities and stockholders' equity	$8,948	$9,284

The accompanying notes are an integral part of these statements.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(in millions, except per share data)

	2013	2012	2011
Net revenues	$7,146	$7,383	$7,392
Operating costs and expenses:			
Cost of services	4,326	4,365	4,363
Selling, general and administrative	1,704	1,745	1,743
Amortization of intangible assets	79	75	61
Gain on sale of royalty rights	(474)	—	—
Other operating expense (income), net	36	(3)	238
Total operating costs and expenses	5,671	6,182	6,405
Operating income	1,475	1,201	987
Other income (expense):			
Interest expense, net	(159)	(165)	(170)
Equity in earnings of equity method investees	24	26	29
Other income, net	8	6	3
Total non-operating expenses, net	(127)	(133)	(138)
Income from continuing operations before taxes	1,348	1,068	849
Income tax expense	500	402	355
Income from continuing operations	848	666	494
Income (loss) from discontinued operations, net of taxes	35	(74)	12
Net income	883	592	506
Less: Net income attributable to noncontrolling interests	34	36	35
Net income attributable to Quest Diagnostics	$849	$556	$471
Amounts attributable to Quest Diagnostics' stockholders:			
Income from continuing operations	$814	$630	$459
Income (loss) from discontinued operations, net of taxes	35	(74)	12
Net income	$849	$556	$471
Earnings per share attributable to Quest Diagnostics' common stockholders - basic:			
Income from continuing operations	$5.35	$3.96	$2.88
Income (loss) from discontinued operations	0.23	(0.47)	0.07
Net income	$5.58	$3.49	$2.95
Earnings per share attributable to Quest Diagnostics' common stockholders - diluted:			
Income from continuing operations	$5.31	$3.92	$2.85
Income (loss) from discontinued operations	0.23	(0.46)	0.07
Net income	$5.54	$3.46	$2.92

Dividends per common share	$1.20	$0.81	$0.47

The accompanying notes are an integral part of these statements.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(in millions)

	2013	2012	2011
Net income	$883	$592	$506
Other comprehensive income (loss):			
Currency translation	(27)	24	(13)
Market valuation, net of tax	(1)	—	(3)
Net deferred loss on cash flow hedges, net of tax	2	1	(1)
Other	4	(3)	(2)
Other comprehensive (loss) income	(22)	22	(19)
Comprehensive income	861	614	487
Less: Comprehensive income attributable to noncontrolling interests	34	36	35
Comprehensive income attributable to Quest Diagnostics	$827	$578	$452

The accompanying notes are an integral part of these statements.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(in millions)

	2013	2012	2011
Cash flows from operating activities:			
Net income	$883	$592	$506
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	283	287	281
Provision for doubtful accounts	270	269	280
Deferred income tax provision	19	7	29
Stock-based compensation expense	28	50	72
Excess tax benefits from stock-based compensation arrangements	(4)	(4)	(4)
Gain on sale of royalty rights	(474)	—	—
Asset impairment and loss on sale of businesses, net	17	86	—
Provision for special charge	—	—	236
Other, net	2	(8)	8
Changes in operating assets and liabilities:			
Accounts receivable	(247)	(243)	(307)
Accounts payable and accrued expenses	(21)	(13)	(18)
Settlement of special charge	—	—	(241)
Income taxes payable	(93)	100	39
Termination of interest rate swap agreements	—	72	—
Other assets and liabilities, net	(11)	(8)	14
Net cash provided by operating activities	652	1,187	895
Cash flows from investing activities:			
Business acquisitions, net of cash acquired	(213)	(51)	(1,299)
Proceeds from sale of businesses	296	—	—
Proceeds from sale of royalty rights	474	—	—
Sale of securities acquired in business acquisition	—	—	214
Capital expenditures	(231)	(182)	(161)
Decrease in investments and other assets	2	16	3
Net cash provided by (used in) investing activities	328	(217)	(1,243)
Cash flows from financing activities:			
Proceeds from borrowings	896	715	2,689
Repayments of debt	(900)	(1,369)	(1,710)
Purchases of treasury stock	(1,037)	(200)	(935)
Exercise of stock options	138	162	137
Excess tax benefits from stock-based compensation arrangements	4	4	4
Dividends paid	(185)	(108)	(65)
Distributions to noncontrolling interests	(32)	(38)	(36)
Other financing activities, net	10	12	(20)
Net cash (used in) provided by financing activities	(1,106)	(822)	64
Net change in cash and cash equivalents	(126)	148	(284)
Change in cash and cash equivalents included in current assets held for sale	17	(17)	—
Cash and cash equivalents, beginning of year	296	165	449
Cash and cash equivalents, end of year	$187	$296	$165

The accompanying notes are an integral part of these statements.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(in millions)

	Quest Diagnostics Stockholders' Equity							
	Shares of Common Stock Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Compre-hensive (Loss) Income	Treasury Stock, at Cost	Non-controlling Interests	Total Stock-holders' Equity
Balance, December 31, 2010	171	$2	$2,311	$3,867	$ 11	$(2,158)	$21	$4,054
Net income				471			35	506
Other comprehensive loss, net of tax					(19)			(19)
Dividends declared				(74)				(74)
Distributions to noncontrolling interests							(36)	(36)
Issuance of common stock under benefit plans	1		2			18		20
Stock-based compensation expense			68			4		72
Exercise of stock options	3		(22)			159		137
Shares to cover employee payroll tax withholdings on stock issued under benefit plans	(1)		(20)					(20)
Tax benefits associated with stock-based compensation plans			8					8
Purchases of treasury stock	(17)					(935)		(935)
Other							2	2
Balance, December 31, 2011	157	$2	$2,347	$4,264	$ (8)	$(2,912)	$22	$3,715
Net income				556			36	592
Other comprehensive income, net of tax					22			22
Dividends declared				(130)				(130)
Distributions to noncontrolling interests							(38)	(38)
Issuance of common stock under benefit plans	1		4			17		21
Stock-based compensation expense			46			4		50
Exercise of stock options	3		(15)			177		162
Shares to cover employee payroll tax withholdings on stock issued under benefit plans			(20)					(20)
Tax benefits associated with stock-based compensation plans			9					9

Purchases of treasury stock	(3)					(200)		(200)
Other							3	3
Balance, December 31, 2012	158	$2	$2,371	$4,690	$ 14	$(2,914)	$23	$4,186
Net income				849			34	883
Other comprehensive loss, net of tax					(22)			(22)
Dividends declared				(181)				(181)
Distributions to noncontrolling interests							(32)	(32)
Issuance of common stock under benefit plans	1		3			17		20
Stock-based compensation expense			24			4		28
Exercise of stock options	3		(9)			147		138
Shares to cover employee payroll tax withholdings on stock issued under benefit plans	(1)		(11)					(11)
Tax benefits associated with stock-based compensation plans			1					1
Purchases of treasury stock	(17)					(1,037)		(1,037)
Other								—
Balance, December 31, 2013	144	$2	$2,379	$5,358	$ (8)	$(3,783)	$25	$3,973

The accompanying notes are an integral part of these statements.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in millions unless otherwise indicated)

1. DESCRIPTION OF BUSINESS

Background

Quest Diagnostics Incorporated and its subsidiaries ("Quest Diagnostics" or the "Company") is the world's leading provider of diagnostic information services ("DIS") providing insights that empower and enable patients, physicians, hospitals, integrated delivery networks, health plans, employers and others to make better healthcare decisions. The Company offers the broadest access in the United States to DIS through its nationwide network of laboratories and Company-owned patient service centers and the Company is the leading provider of DIS, including routine testing, esoteric or gene-based testing and anatomic pathology testing. The Company provides interpretive consultation through the largest medical and scientific staff in the industry, with hundreds of M.D.s and Ph.D.s, primarily located in the United States, many of whom are recognized leaders in their fields. The Company's Diagnostic Solutions ("DS") businesses offer a variety of solutions for life insurers, healthcare providers and others. The Company is the leading provider of risk assessment services for the life insurance industry. In addition, the Company is a leading provider of testing for clinical trials. The Company's diagnostics products business manufactures and markets diagnostic products. In addition, the Company offers healthcare organizations and clinicians robust information technology solutions.

During 2013, Quest Diagnostics processed approximately 147 million test requisitions through its extensive network of laboratories throughout the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of all entities controlled by the Company through its direct or indirect ownership of a majority voting interest and the accounts of any variable interest entities ("VIEs") where the Company is subject to a majority of the risk of loss from the variable interest entity's activities, or entitled to receive a majority of the entity's residual returns, or both. The Company assesses the requirements related to the consolidation of VIEs, including a qualitative assessment of power and economics that considers which entity has the power to direct the activities that “most significantly impact” the VIEs economic performance and has the obligation to absorb losses of, or the right to receive benefits that could be potentially significant to, the VIE. The Company's relationships with VIEs were not material at both December 31, 2013 and 2012. Investments in entities which the Company does not control, but in which it has a substantial ownership interest (generally between 20% and 49%) and can exercise significant influence, are accounted for using the equity method of accounting. At December 31, 2013 and 2012, the Company's investments in affiliates accounted for under the equity method of accounting totaled $45 million and $46 million, respectively. The Company's share of equity earnings from investments in affiliates, accounted for under the equity method, totaled $24 million, $26 million and $29 million, respectively, for 2013, 2012 and 2011. All significant intercompany accounts and transactions are eliminated in consolidation.

Basis of Presentation

The Company completed the sale of its OralDNA salivary-diagnostics business ("OralDNA") during the fourth quarter of 2012. In addition, in December 2012, the Company committed to a plan to sell its HemoCue diagnostics products business ("HemoCue"). In April 2013, the Company completed the sale of HemoCue. The accompanying consolidated

statements of operations and related disclosures have been recast to report the results of OralDNA and HemoCue as discontinued operations for all periods presented. Discontinued operations also includes the operations of NID, a test kit manufacturing subsidiary, which was reported as a discontinued operation in 2006. See Note 19 for a further discussion of discontinued operations.

The Company completed the sale of its Enterix colorectal cancer screening test business (“Enterix”) in September 2013. The Enterix business has not been reclassified to discontinued operations due to the level of continuing involvement in the Enterix business subsequent to its sale. See Note 6 for a further discussion of the sale of Enterix.

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Use of Estimates

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

Revenue Recognition

The Company primarily recognizes revenue for services rendered upon completion of the testing process. Billings for services reimbursed by third-party payers, including Medicare and Medicaid, are recorded as revenues net of allowances for differences between amounts billed and the estimated receipts from such payers. Adjustments to the allowances, based on actual receipts from the third-party payers, are recorded upon settlement. Billings to the Medicare and Medicaid programs were approximately 18% of the Company's consolidated net revenues for the year ended December 31, 2013 and approximately 19% of the Company's consolidated net revenues in each of the years ended December 31, 2012 and 2011. Under capitated arrangements with healthcare insurers, the Company recognizes revenue based on a predetermined monthly reimbursement rate for each member of an insurer's health plan regardless of the number or cost of services provided by the Company. In 2013, 2012 and 2011, approximately 3% of the Company's consolidated net revenues were generated under capitated arrangements.

Revenues from the Company's risk assessment services, clinical trials testing, healthcare information technology and diagnostics products businesses are recognized when persuasive evidence of a final agreement exists; delivery has occurred or services have been rendered; the price of the product or service is fixed or determinable; and collectibility from the customer is reasonably assured.

Taxes on Income

The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Current and deferred income taxes are measured based on the tax laws that are enacted as of the balance sheet date of the relevant reporting period. Deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases using tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Tax benefits from uncertain tax positions are recognized only if the tax position is more likely than not to be sustained upon examination by taxing authorities based on the technical merits of the position.

Earnings Per Share

The Company's unvested restricted common stock and unvested restricted stock units that contain non-forfeitable rights to dividends are participating securities and, therefore, are included in the earnings allocation in computing earnings per share using the two-class method. Basic earnings per common share is calculated by dividing net income, adjusted for earnings allocated to participating securities, by the weighted average number of common shares outstanding. Diluted earnings per common share is calculated by dividing net income, adjusted for earnings allocated to participating securities, by the weighted average number of common shares outstanding after giving effect to all

potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include the dilutive effect of outstanding stock options and performance share units granted under the Company's Amended and Restated Employee Long-Term Incentive Plan (“ELTIP”) and its Amended and Restated Non-Employee Director Long-Term Incentive Plan (“DLTIP”). Earnings allocable to participating securities include the portion of dividends declared as well as the portion of undistributed earnings during the period allocable to participating securities.

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Stock-Based Compensation

The Company records stock-based compensation as a charge to earnings net of the estimated impact of forfeited awards. As such, the Company recognizes stock-based compensation cost only for those stock-based awards that are estimated to ultimately vest over their requisite service period, based on the vesting provisions of the individual grants. The cumulative effect on current and prior periods of a change in the estimated forfeiture rate is recognized as compensation cost in earnings in the period of the revision. The terms of the Company's performance share unit grants allow the recipients of such awards to earn a variable number of shares based on the achievement of the performance goals specified in the awards. Stock-based compensation expense associated with performance share units is recognized based on management's best estimates of the achievement of the performance goals specified in such awards and the resulting number of shares that will be earned. The cumulative effect on current and prior periods of a change in the estimated number of performance share units expected to be earned is recognized as compensation cost in earnings in the period of the revision. The Company recognizes stock-based compensation expense related to the Company's Amended Employee Stock Purchase Plan (“ESPP”) based on the 15% discount at purchase. See Note 16 for a further discussion of stock-based compensation.

Fair Value Measurements

The Company determines fair value measurements used in its consolidated financial statements based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs, as determined by either the principal market or the most advantageous market.

Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.
Level 3: Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

Foreign Currency

The Company predominately uses the U.S. dollar as its functional currency. The functional currency of the Company's foreign subsidiaries is the applicable local currency. Assets and liabilities denominated in non-U.S. dollars are translated into U.S. dollars at exchange rates as of the end of the reporting period. Income and expense items are translated at average exchange rates prevailing during the year. The translation adjustments are recorded as a component of accumulated other comprehensive (loss) income within stockholders' equity. Gains and losses from foreign currency transactions are included within other operating expense (income), net in the consolidated statements of operations. Transaction gains and losses have historically not been material. The Company had previously been exposed to market risk for changes in foreign exchange rates primarily under certain intercompany receivables and payables. The Company historically used foreign exchange forward contracts to mitigate the exposure of the eventual net cash inflows or outflows resulting from these intercompany transactions. As a result of the HemoCue disposition,

this foreign currency risk has largely been eliminated. The Company's remaining foreign exchange exposure is not material to the Company's consolidated financial condition. The Company does not hedge its net investment in non-U.S. subsidiaries because it views those investments as long term in nature.

Cash and Cash Equivalents

Cash and cash equivalents include all highly-liquid investments with original maturities, at the time acquired by the Company, of three months or less.

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Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are principally cash, cash equivalents, short-term investments, accounts receivable and derivative financial instruments. The Company's policy is to place its cash, cash equivalents and short-term investments in highly-rated financial instruments and institutions. Concentration of credit risk with respect to accounts receivable is mitigated by the diversity of the Company's payers and their dispersion across many different geographic regions, and is limited to certain payers who are large buyers of the Company's services. To reduce risk, the Company routinely assesses the financial strength of these payers and, consequently, believes that its accounts receivable credit risk exposure, with respect to these payers, is limited. While the Company has receivables due from federal and state governmental agencies, the Company does not believe that such receivables represent a credit risk since the related healthcare programs are funded by federal and state governments, and payment is primarily dependent on submitting appropriate documentation. At December 31, 2013 and 2012, receivables due from government payers under the Medicare and Medicaid programs represent approximately 13% and 15%, respectively, of the Company's consolidated net accounts receivable. The portion of the Company's accounts receivable due from patients comprises the largest portion of credit risk. At both December 31, 2013 and 2012, receivables due from patients represent approximately 18% of the Company's consolidated net accounts receivable. The Company applies assumptions and judgments including historical collection experience for assessing collectibility and determining allowances for doubtful accounts for accounts receivable from patients.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported at realizable value, net of allowances for doubtful accounts, which is estimated and recorded in the period the related revenue is recorded. The Company has a standardized approach to estimate and review the collectibility of its receivables based on a number of factors, including the period they have been outstanding. Historical collection and payer reimbursement experience is an integral part of the estimation process related to allowances for doubtful accounts. In addition, the Company regularly assesses the state of its billing operations in order to identify issues which may impact the collectibility of these receivables or reserve estimates. Revisions to the allowances for doubtful accounts estimates are recorded as an adjustment to bad debt expense within selling, general and administrative expenses. Receivables deemed to be uncollectible are charged against the allowance for doubtful accounts at the time such receivables are written-off. Recoveries of receivables previously written-off are recorded as credits to the allowance for doubtful accounts.

Inventories

Inventories, which consist principally of testing supplies and reagents, are valued at the lower of cost (first in, first out method) or market.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Major renewals and improvements are capitalized, while maintenance and repairs are expensed as incurred. Costs incurred for computer software developed or obtained for internal use are capitalized for application development activities and expensed as incurred for preliminary project activities and post-implementation activities. Capitalized costs include external direct costs of materials and services consumed in developing or obtaining internal-use software, payroll and payroll-related costs for employees who are directly associated with the internal-use software project, and interest costs incurred, when material, while developing

internal-use software. Capitalization of such costs ceases when the project is substantially complete and ready for its intended purpose. Costs for maintenance and training are expensed as incurred. The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is amortized over the expected useful lives of the assets. Depreciation and amortization are provided on the straight-line method over expected useful asset lives as follows: buildings and improvements, ranging from three to thirty-one and a half years; laboratory equipment and furniture and fixtures, ranging from three to seven years; leasehold improvements, the lesser of the useful life of the improvement or the remaining life of the building or lease, as applicable; and computer software developed or obtained for internal use, ranging from three to five years.

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Goodwill

Goodwill represents the excess of the fair value of the acquiree (including the fair value of non-controlling interests) over the recognized bases of the net identifiable assets acquired and includes the future economic benefits from other assets that could not be individually identified and separately recognized. Goodwill is not amortized, but instead is periodically reviewed for impairment.

Intangible Assets

Intangible assets are recognized at fair value, as an asset apart from goodwill if the asset arises from contractual or other legal rights, or if it is separable. Intangible assets, principally representing the cost of customer related intangibles, non-competition agreements and technology acquired, are capitalized and amortized on the straight-line method over their expected useful life, which generally ranges from five to twenty years. Intangible assets with indefinite useful lives, consisting principally of acquired tradenames, are not amortized, but instead are periodically reviewed for impairment.

Recoverability and Impairment of Goodwill

The Company reviews goodwill periodically for impairment and an impairment charge is recorded in the periods in which the recorded carrying value of goodwill is more than its estimated fair value. The goodwill test is performed at least annually, or more frequently, in the case of other events that indicate a potential impairment.

The annual impairment test includes an option to perform a qualitative assessment of whether it is more-likely-than-not that a reporting unit's fair value is less than its carrying value prior to performing the two-step quantitative goodwill impairment test. The quantitative impairment test is a two-step process that begins with the estimation of the fair value of the reporting unit. The first step screens for potential impairment and the second step measures the amount of the impairment, if any. The fair value of the reporting unit is based upon a discounted cash flows analysis that converts future cash flow amounts into a single discounted present value amount. This approach includes several unobservable inputs related to our own assumptions. The assumptions and estimates used in the discounted cash flows model are based upon the best available information in the circumstances and include a forecast of expected future cash flows, long-term growth rates, discount rates that are commensurate with economic risks, assumed income tax rates and estimates of capital expenditures and working capital. The discount rate that is used considers a weighted average cost of capital plus an appropriate risk premium based upon the business being valued. Management's analysis also considers publicly available information regarding the market capitalization of the Company as well as (i) the financial projections and future prospects of the Company's business, including its growth opportunities and likely operational improvements, and (ii) comparable sales prices, if available. Management believes its estimation methods are reasonable and reflective of common valuation practices. As part of the first step to assess potential impairment, management compares the estimate of fair value for the reporting unit to the book value of the reporting unit. If the book value is greater than the estimate of fair value, the Company would then proceed to the second step to measure the impairment, if any. The second step compares the implied fair value of goodwill with its carrying value. The implied fair value is determined by allocating the fair value of the reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the carrying amount of the reporting unit's goodwill is greater than its implied fair value, an impairment loss will be

recognized in the amount of the excess.

On a quarterly basis, management performs a review of the Company's business to determine if events or changes in circumstances have occurred which could have a material adverse effect on the fair value of the Company and its goodwill. If such events or changes in circumstances were deemed to have occurred, the Company would perform an impairment test of goodwill as of the end of the quarter, consistent with the annual impairment test, and record any noted impairment loss.

For the year ended December 31, 2013, $37 million of goodwill was written-off associated with the sale of Enterix. As of December 31, 2012, the Company classified the assets and liabilities of HemoCue as held for sale in the accompanying consolidated balance sheets. In the fourth quarter of 2012, the Company received several offers to purchase HemoCue, and in February 2013, the Company agreed to sell HemoCue. The proposed consideration to be received indicated that the carrying value of HemoCue was in excess of its fair value. As a result, the Company re-assessed the fair value of the net assets of HemoCue and determined that the goodwill associated with this business was impaired and recorded a pre-tax impairment charge of $78 million in discontinued operations in December 2012 to write down the goodwill.

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Based upon the Company’s most recent annual impairment test completed during the fourth quarter of the fiscal year ended December 31, 2013, the Company concluded goodwill was not impaired.

Recoverability and Impairment of Intangible Assets and Other Long-Lived Assets

The Company reviews indefinite-lived intangible assets periodically for impairment and an impairment charge is recorded in the periods in which the recorded carrying value of indefinite-lived intangibles is more than its estimated fair value. The indefinite-lived intangible asset impairment test is performed at least annually, or more frequently in the case of other events that indicate a potential impairment.

Based upon the Company’s most recent annual impairment test completed during the fourth quarter of the fiscal year ended December 31, 2013, the Company concluded that indefinite-lived intangible assets were not impaired.

The Company reviews the recoverability of its long-lived assets (including amortizable intangible assets), other than goodwill and indefinite-lived intangible assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. Evaluation of possible impairment is based on the Company's ability to recover the asset from the expected future pre-tax cash flows (undiscounted and without interest charges) of the related operations. If the expected undiscounted pre-tax cash flows are less than the carrying amount of such asset, an impairment loss is recognized for the difference between the estimated fair value and carrying amount of the asset.

Investments

The Company accounts for investments in trading and available-for-sale equity securities, which are included in other assets in the consolidated balance sheets, at fair value. Both realized and unrealized gains and losses for trading securities are recorded currently in earnings as a component of non-operating expenses within other income, net in the consolidated statements of operations. Unrealized gains and losses, net of tax, for available-for-sale securities are recorded as a component of accumulated other comprehensive (loss) income within stockholders' equity. Recognized gains and losses for available-for-sale securities are recorded in other income, net in the consolidated statements of operations. Gains and losses on securities sold are based on the average cost method.

The Company periodically reviews its investments to determine whether a decline in fair value below the cost basis is other than temporary. The primary factors considered in the determination are: the length of time that the fair value of the investment is below carrying value; the financial condition, operating performance and near term prospects of the investee; and the Company's intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. If the decline in fair value is deemed to be other than temporary, the cost basis of the security is written down to fair value.

Investments at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Available-for-sale equity securities	$—	$1
Trading equity securities	50	52
Cash surrender value of life insurance policies	29	25
Other investments	13	12

Total	$92	$90

Investments in available-for-sale equity securities consist of equity securities in public corporations. Investments in trading equity securities represent participant-directed investments of deferred employee compensation and related Company matching contributions held in trusts pursuant to the Company's supplemental deferred compensation plans (see Note 16). The Company purchases life insurance policies, with the Company named as beneficiary of the policies, for the purpose of funding a non-qualified deferred compensation program. Changes in the cash surrender value of the life insurance policies are based upon earnings and changes in the value of the underlying investments. Other investments do not have readily determinable fair values and consist of investments in preferred and common shares of privately held companies and are accounted for under the cost method.

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At December 31, 2012, the Company had gross unrealized gains from available-for-sale equity securities of approximately $1 million. For the year ended December 31, 2011, other income, net within the consolidated statements of operations includes a $3 million pre-tax gain associated with the sale of an investment accounted for under the cost method. For the years ended December 31, 2013 and 2012, gains from trading equity securities totaled $7 million and $5 million, respectively, and are included in other income, net. For the years ended December 31, 2013 and 2012, gains from changes in the cash surrender value of life insurance policies totaled $3 million and $2 million, respectively, and are included in other income, net. Gains from trading equity securities and from changes in the cash surrender value of life insurance policies for the year ended December 31, 2011 were not material.

Derivative Financial Instruments

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

Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents and its debt obligations. Interest income earned on cash and cash equivalents may fluctuate as interest rates change; however, due to their relatively short maturities, the Company does not hedge these assets or their investment cash flows and the impact of interest rate risk is not material. The Company's debt obligations consist of fixed-rate and variable-rate debt instruments. The Company's primary objective is to achieve the lowest overall cost of funding while managing the variability in cash outflows within an acceptable range. In order to achieve this objective, the Company has entered into interest rate swaps. Interest rate swaps involve the periodic exchange of payments without the exchange of underlying principal or notional amounts. Net settlements between the counterparties are recognized as an adjustment to interest expense.

The Company accounts for these derivatives as either an asset or liability measured at its fair value. The fair value is based upon model-derived valuations in which all significant inputs are observable in active markets and includes an adjustment for the credit risk of the obligor's non-performance. For a derivative instrument that has been formally designated as a fair value hedge, fair value gains or losses on the derivative instrument are reported in earnings, together with offsetting fair value gains or losses on the hedged item that are attributable to the risk being hedged. For derivatives that have been formally designated as a cash flow hedge, the effective portion of changes in the fair value of the derivatives is recorded in accumulated other comprehensive (loss) income and the ineffective portion is recorded in earnings. Upon maturity or early termination of an effective interest rate swap designated as a cash flow hedge, unrealized gains or losses are deferred in stockholders' equity, as a component of accumulated other comprehensive (loss) income, and are amortized as an adjustment to interest expense over the period during which the hedged forecasted transaction affects earnings. At inception and quarterly thereafter, the Company formally assesses whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of the hedged item. All components of each derivative financial instrument's gain or loss are included in the assessment of hedge effectiveness. If it is determined that a derivative ceases to be a highly effective hedge, the Company discontinues hedge accounting and any deferred gains or losses related to a discontinued cash flow hedge

shall continue to be reported in accumulated other comprehensive (loss) income, unless it is probable that the forecasted transaction will not occur. If it is probable that the forecasted transaction will not occur by the originally specified time period, the Company discontinues hedge accounting, and any deferred gains or losses reported in accumulated other comprehensive (loss) income are classified into earnings immediately.

Comprehensive (Loss) Income

Comprehensive (loss) income encompasses all changes in stockholders' equity (except those arising from transactions with stockholders) and includes net income, net unrealized gains or losses on available-for-sale securities, foreign currency translation adjustments and deferred gains and losses related to certain derivative financial instruments (see Note 15).

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New Accounting Standards

In March 2013, the FASB issued a new accounting standard on foreign currency matters that clarifies the guidance of a parent company's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. Under this new standard, a parent company that ceases to have a controlling financial interest in a foreign subsidiary or group of assets within a foreign entity shall release any related cumulative translation adjustment into net income only if a sale or transfer results in complete or substantially complete liquidation of the foreign entity. This standard shall be applied prospectively and will become effective for the Company on January 1, 2014. The Company expects that the adoption of this standard will not have a material effect on its consolidated financial statements.

In July 2013, the FASB issued a new accounting standard to permit the use of the Fed Funds Effective Swap Rate to be used as an alternative benchmark interest rate for hedge accounting purposes in interest rate derivatives. The new standard is effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The new standard did not have a material effect on the Company's consolidated financial statements.

In July 2013, the FASB issued a new accounting standard on the financial statement presentation of unrecognized tax benefits. The new standard provides that a liability related to an unrecognized tax benefit would be presented as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. The new standard becomes effective for the Company on January 1, 2014 and it should be applied prospectively to unrecognized tax benefits that exist at the effective date with retrospective application permitted. The Company expects that the adoption of this standard will not have a material effect on its consolidated financial statements.

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3. EARNINGS PER SHARE

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

	2013	2012	2011
Amounts attributable to Quest Diagnostics' stockholders:			
Income from continuing operations	$814	$630	$459
Income (loss) from discontinued operations, net of taxes	35	(74)	12
Net income attributable to Quest Diagnostics' common stockholders	$849	$556	$471
Income from continuing operations	$814	$630	$459
Less: Earnings allocated to participating securities	3	2	3
Earnings available to Quest Diagnostics' common stockholders – basic and diluted	$811	$628	$456
Weighted average common shares outstanding – basic	152	159	159
Effect of dilutive securities:			
Stock options and performance share units	1	1	1
Weighted average common shares outstanding – diluted	153	160	160
Earnings per share attributable to Quest Diagnostics' common stockholders – basic:			
Income from continuing operations	$5.35	$3.96	$2.88
Income (loss) from discontinued operations	0.23	(0.47)	0.07
Net income	$5.58	$3.49	$2.95
Earnings per share attributable to Quest Diagnostics' common stockholders – diluted:			
Income from continuing operations	$5.31	$3.92	$2.85
Income (loss) from discontinued operations	0.23	(0.46)	0.07
Net income	$5.54	$3.46	$2.92

The following securities were not included in the calculation of diluted earnings per share due to their antidilutive effect:

	2013	2012	2011
Stock options and performance share units	1	2	2

4. RESTRUCTURING ACTIVITIES

Invigorate Program

During 2012, the Company committed to a course of action related to a multi-year program called Invigorate which is

designed to reduce its cost structure. The Invigorate program is intended to mitigate the impact of continued reimbursement pressures and labor and benefit cost increases, free up additional resources to invest in science, innovation and other growth initiatives, and enable the Company to improve operating profitability and quality.

In connection with the Invigorate program, the Company launched a voluntary retirement program to certain eligible employees in 2012. The voluntary retirement program was essentially completed at the end of the first quarter of 2013.

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The Company also launched a management restructuring initiative aimed at driving operational excellence and restoring growth in 2013 as part of the Invigorate program. The key element of this organizational change is to eliminate the complexity associated with the Company's prior structure, including reducing management layers, so that the Company can better focus on customers and speed decision-making. The Company has essentially completed the elimination of at least three layers from the organization as of December 31, 2013.

The following table provides a summary of the Company's pre-tax restructuring charges associated with its Invigorate program and other restructuring activities for the years ended December 31, 2013 and December 31, 2012:

	2013	2012
Employee separation costs	$69	$57
Facility-related costs	6	1
Asset impairment charges	—	1
Accelerated vesting of stock-based compensation	1	2
Total restructuring charges	$76	$61

Total restructuring charges incurred for the year ended December 31, 2013 included $29 million of employee separation costs associated with various workforce reduction initiatives aimed at centralizing certain support functions, $20 million associated with the Company's management layer reduction initiative, $16 million associated with the outsourcing of certain aspects of the Company's support functions and $4 million associated with the Company's voluntary retirement program.

Of the total $76 million in restructuring charges incurred during the year ended December 31, 2013, $27 million and $49 million were recorded in cost of services and selling, general and administrative expenses, respectively.

Total restructuring charges incurred during the year ended December 31, 2012 included $45 million of employee separation costs incurred under the Company's voluntary retirement program and $12 million of employee separation costs associated with various workforce reduction initiatives.

Of the total $61 million in restructuring charges incurred during the year ended December 31, 2012, $37 million and $24 million were recorded in cost of services and selling, general and administrative expenses, respectively.

Charges for both periods presented were primarily recorded in the Company's DIS business.

The following table summarizes the activity of the restructuring liability as of December 31, 2013, which is included in accrued expenses in Note 12:

	Employee Separation Costs	Facility-Related Costs	Total
Balance, December 31, 2012	$40	$ —	$40
Income statement expense	69	6	75

Cash payments	(81)	(1)	(82)
Other / adjustments	3	—	3
Balance, December 31, 2013	$31	$ 5	$36

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5. BUSINESS ACQUISITIONS

2011 Acquisitions

Acquisition of Athena Diagnostics

On April 4, 2011, the Company completed its acquisition of Athena Diagnostics ("Athena") in an all-cash transaction valued at $740 million. Athena is the leading provider of advanced diagnostic tests related to neurological conditions.

Through the acquisition, the Company acquired all of Athena's operations. The Company financed the all-cash purchase price of $740 million and related transaction costs with a portion of the net proceeds from the Company's 2011 Senior Notes Offering. For the year ended December 31, 2011, transaction costs of $8 million were recorded in selling, general and administrative expenses. See Note 13 for further discussion of the 2011 Senior Notes Offering.

The acquisition of Athena was accounted for under the acquisition method of accounting. As such, the assets acquired and liabilities assumed are recorded based on their estimated fair values as of the closing date. The consolidated financial statements include the results of operations of Athena subsequent to the closing of the acquisition.

The following table summarizes the consideration paid for Athena and the amounts of assets acquired and liabilities assumed at the acquisition date:

	Fair Values as of April 4, 2011
Cash and cash equivalents	$—
Accounts receivable	18
Other current assets	13
Property, plant and equipment	3
Intangible assets	220
Goodwill	564
Total assets acquired	818
Current liabilities	8
Non-current deferred income taxes	70
Total liabilities assumed	78
Net assets acquired	$740

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

	Fair Values	Weighted Average Useful Life

Technology	$93	16 years
Non-compete agreement	37	4 years
Tradename	35	10 years
Customer relationships	21	20 years
Informatics database	34	10 years
	$220	

Of the amount allocated to goodwill and intangible assets, approximately $42 million is deductible for tax purposes. All of the goodwill acquired in connection with the Athena acquisition has been allocated to the Company's DIS business.

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Acquisition of Celera Corporation

On March 17, 2011, the Company entered into a definitive merger agreement with Celera Corporation ("Celera") under which the Company agreed to acquire Celera in a transaction valued at approximately $344 million, net of $326 million in acquired cash and short-term marketable securities. Additionally, the Company expects to utilize Celera's available tax credits, net operating loss carryforwards and capitalized tax research and development expenditures to reduce its future tax payments by approximately $110 million, of which $40 million was utilized through December 31, 2013. Celera is a healthcare business focused on the integration of genetic testing into routine clinical care through a combination of products and services incorporating proprietary discoveries. Celera offers a portfolio of clinical laboratory tests and disease management services associated with cardiovascular disease. In addition, Celera develops, manufactures and oversees the commercialization of molecular diagnostic products, and has licensed other relevant diagnostic technologies developed to provide personalized disease management in cancer and liver diseases.

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

Through the acquisition, the Company acquired all of Celera's operations. The Company financed the all-cash purchase price of $670 million and related transaction costs with borrowings under its existing credit facilities and cash on hand. Of the total cash purchase price of $670 million, $669 million was paid through December 31, 2013. Accounts payable and accrued expenses at both December 31, 2013 and 2012 included a liability of $1 million representing the remaining merger consideration related to shares of Celera which had not been surrendered as of December 31, 2013 and 2012.

For the year ended December 31, 2011, transaction costs of $9 million were recorded in selling, general and administrative expenses. Additionally, for the year ended December 31, 2011, financing related costs of $3 million were recorded in interest expense, net.

The acquisition of Celera was accounted for under the acquisition method of accounting. As such, the assets acquired and liabilities assumed are recorded based on their estimated fair values as of the date the Company acquired its controlling ownership interest in Celera. The consolidated financial statements include the results of operations of Celera subsequent to the Company acquiring its controlling ownership interest.

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The following table summarizes the consideration paid for Celera and the amounts of assets acquired and liabilities assumed at the acquisition date:

	Fair Values as of May 4, 2011
Cash and cash equivalents	$112
Short-term marketable securities	214
Accounts receivable	17
Other current assets	27
Property, plant and equipment	11
Intangible assets	86
Goodwill	136
Non-current deferred income taxes	103
Other assets	34
Total assets acquired	740
Current liabilities	59
Long-term liabilities	11
Total liabilities assumed	70
Net assets acquired	$670

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

	Fair Values	Weighted Average Useful Life
Outlicensed technology	$46	6 years
Technology	22	8 years
Customer relationships	7	9 years
Tradename	5	5 years
	$80	

In addition to the amortizable intangible assets noted above, $6 million was allocated to in-process research and development.

Of the amount allocated to goodwill and intangible assets, approximately $28 million is deductible for tax purposes. Of the total goodwill acquired in connection with the Celera acquisition, approximately $104 million has been allocated to the Company's DIS business, with the remainder allocated to the Company's Diagnostics Solutions ("DS")

business.

The goodwill recorded as part of the Athena and Celera acquisitions includes: the expected synergies resulting from combining the operations of the acquired businesses with those of the Company; and the value associated with an assembled workforce that has a historical track record of identifying opportunities, developing services and products, and commercializing them.

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Other Acquisitions

2012 Acquisition

On January 6, 2012, the Company completed the acquisition of S.E.D. Medical Laboratories ("S.E.D.") from Lovelace Health System for approximately $51 million. The assets acquired at the acquisition date primarily represent goodwill and intangible assets, principally comprised of customer-related intangibles (see Note 11).

2013 Acquisitions

During 2013, the Company completed four acquisitions for a total purchase price of $264 million, or $213 million net of cash acquired and deferred consideration associated with the UMass acquisition.

On January 2, 2013, the Company completed the acquisition of the clinical outreach and anatomic pathology businesses of UMass Memorial Medical Center ("UMass"). The purchase price included $50 million of deferred consideration that is included in other liabilities at December 31, 2013. This purchase was the first step in a series of transactions between the parties whereby the two organizations expect to eventually have a financial stake in a new entity that will perform diagnostic information testing services in a defined territory within the state of Massachusetts. The assets acquired at the acquisition date primarily represent goodwill and intangible assets, principally comprised of customer-related intangibles (see Note 11). In addition the Company granted to UMass a call option and UMass granted to the Company a put option for UMass to acquire an 18.90% equity interest in a newly formed entity. The put and call options have a remaining vesting period of approximately 15 months (see Note 7).

On May 15, 2013, the Company completed the acquisition of the toxicology and clinical laboratory business of Advanced Toxicology Network ("ATN") from Concentra, a subsidiary of Humana Inc. The assets acquired at the acquisition date primarily represent goodwill and intangible assets, principally comprised of customer-related intangibles (see Note 11).

On June 22, 2013, the Company completed the acquisition of certain lab-related clinical outreach service operations of Dignity Health ("Dignity"), a hospital system in California. The assets acquired at the acquisition date primarily represent goodwill and intangible assets, principally comprised of customer-related intangibles (see Note 11).

On October 7, 2013, the Company completed the acquisition of ConVerge Diagnostic Services, LLC ("ConVerge"). ConVerge is a leading full-service laboratory providing clinical, cytology and anatomic pathology testing services to patients, physicians and hospitals in New England. The assets acquired at the acquisition date primarily represent goodwill and intangible assets, principally comprised of customer-related intangibles (see Note 11).

Pro Forma Combined Financial Information

Supplemental pro forma combined financial information has not been presented as the combined impact of the Athena and Celera acquisitions in 2011, the S.E.D. acquisition in 2012, and the combined impact of the UMass, ATN, Dignity and ConVerge acquisitions in 2013 were not material to the Company's consolidated financial statements.

6. DISPOSITIONS

Sale of Royalty Rights

As part of its acquisition of Celera in 2011, the Company gained rights to receive royalties on ibrutinib, an experimental cancer therapy. In July 2013, the Company sold its right to receive royalties related to the commercialization of ibrutinib for $485 million in cash. The Company has accounted for this transaction as a sale of royalty rights and recognized a pre-tax gain of $474 million, net of transaction costs, associated with this sale.

Sale of Enterix

In September 2013, the Company completed the sale of Enterix and recorded a pre-tax loss of approximately $40 million associated with the sale, which is included in other operating expense (income), net. The Enterix business has not been

reclassified to discontinued operations due to the level of continuing involvement in the Enterix business subsequent to its sale. The continuing involvement relates to a minimum purchase agreement between the acquiror of the Enterix business and the Company.

Sale of HemoCue

In April 2013, the Company completed the sale of HemoCue and recorded an after-tax gain of $14 million (including foreign currency translation adjustments, partially offset by income tax expense and transaction costs), which is included in discontinued operations in 2013. For further details regarding the sale of HemoCue, see Note 19.

Sale of OralDNA

The Company completed the sale of OralDNA in December 2012. For further details regarding the sale of OralDNA, see Note 19.

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7. FAIR VALUE MEASUREMENTS

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

		Basis of Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets / Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
December 31, 2013	Total	Level 1	Level 2	Level 3
Assets:				
Trading securities	$50	$50	$—	$—
Cash surrender value of life insurance policies	29	—	29	—
Put Option	4	—	—	4
Forward starting interest rate swaps	2	—	2	—
Total	$85	$50	$31	$4
Liabilities:				
Deferred compensation liabilities	$84	$—	$84	$—
Interest rate swaps	34	—	34	—
Call option	8	—	—	8
Total	$126	$—	$118	$8
December 31, 2012				
Assets:				
Trading securities	$52	$52	$—	$—
Cash surrender value of life insurance policies	25	—	25	—
Interest rate swaps	1	—	1	—
Available-for-sale equity securities	1	—	—	1
Total	$79	$52	$26	$1
Liabilities:				
Deferred compensation liabilities	$82	$—	$82	$—
Interest rate swaps	3	—	3	—
Total	$85	$—	$85	$—

The Company offers certain employees the opportunity to participate in non-qualified supplemental deferred compensation plans. A participant's deferrals, together with Company matching credits, are invested in a variety of

participant-directed stock and bond mutual funds that are classified as trading securities. Changes in the fair value of these securities are measured using quoted prices in active markets based on the market price per unit multiplied by the number of units held exclusive of any transaction costs. A corresponding adjustment for changes in fair value of the trading securities is also reflected in the changes in fair value of the deferred compensation obligation. The deferred compensation liabilities are classified within Level 2 because their inputs are derived principally from observable market data by correlation to the trading securities.

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

The fair value measurements of the Company's interest rate swaps and forward starting swaps are model-derived valuations as of a given date in which all significant inputs are observable in active markets including certain financial information and certain assumptions regarding past, present and future market conditions.

Investment in available-for-sale equity securities consists of the revaluation of an existing investment in unregistered common shares of a publicly-held company. This investment was classified within Level 3 because the unregistered securities contained restrictions on their sale, and therefore, the fair value measurement reflected a discount for the effect of the restriction.

In connection with the acquisition of certain businesses of UMass, the Company granted to UMass a call option and UMass granted to the Company a put option for UMass to acquire an 18.90% equity interest in a newly formed entity. The put and call options are derivative instruments that have a remaining vesting period of approximately 15 months and their fair values have been measured using a combination of discounted cash flows and the Black-Scholes-Merton option pricing model (See Note 5).

The following table provides a reconciliation of the beginning and ending balances of assets and liabilities using significant unobservable inputs:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Available-for-Sale Equity Securities	Put Option Derivative Asset	Total
Balance, December 31, 2012	$1	$—	$1
Purchases, additions and issuances	—	8	8
Total gains (losses) - realized/ unrealized:			
Included in earnings	—	(4)	(4)
Included in other comprehensive income (loss)	(1)	—	(1)
Transfers in and out of Level 3	—	—	—
Balance, December 31, 2013	$—	$4	$4

Call Option Derivative Liability

Balance, December 31, 2012	$—
Purchases, additions and issuances	11
Total (gains) losses - realized/ unrealized:	
Included in earnings	(3)
Transfers in and out of Level 3	—
Balance, December 31, 2013	$8

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The unrealized gains and losses included in earnings for the year ended December 31, 2013 are reported in other non-operating income.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value based on the short maturities of these instruments. At December 31, 2013, the fair value of the Company’s debt was estimated at $3.5 billion, which exceeded the carrying value by $184 million. At December 31, 2012, the fair value of the Company's debt was estimated at $3.8 billion, which exceeded the carrying value by $481 million. Principally all of the Company's debt is classified within Level 1 of the fair value hierarchy because the fair value of the debt is estimated based on rates currently offered to the Company with identical terms and maturities, using quoted active market prices and yields, taking into account the underlying terms of the debt instruments.

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

		Basis of Fair Value Measurements			
		Quoted Prices in Active Markets for Identical Assets / Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs	Total Loss
December 31, 2012		Level 1	Level 2	Level 3	
Net assets held for sale	$312	$—	$312	$—	$78

In connection with the Company's agreement to sell HemoCue and upon classification of this business as discontinued operations during the fourth quarter of 2012, net assets held for sale with a carrying amount of $390 million were written down to their fair value of $317 million, less estimated costs to sell of $5 million (or $312 million), resulting in a loss of $78 million. This charge was included in income (loss) from discontinued operations, net of taxes. Net assets held for sale at December 31, 2012, were classified within Level 2 and were measured based upon the estimated proceeds associated with the agreement to sell HemoCue.

8. TAXES ON INCOME

The Company's pre-tax income from continuing operations consisted of $1.3 billion, $1.1 billion and $836 million from U.S. operations and $19 million, $18 million and $13 million from foreign operations for the years ended December 31, 2013, 2012 and 2011, respectively.

For the year ended December 31, 2013, pre-tax income from continuing operations in the U.S., income tax expense and the effective tax rate, including the state and local income tax rate, net of federal benefit, were impacted by the gain on sale of royalty rights. For further details regarding the sale of royalty rights, see Note 6.

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The components of income tax expense for 2013, 2012 and 2011 were as follows:

	2013	2012	2011
Current:			
Federal	$417	$332	$266
State and local	59	61	60
Foreign	4	3	3
Deferred:			
Federal	27	13	37
State and local	(6)	(6)	(11)
Foreign	(1)	(1)	—
Total	$500	$402	$355

A reconciliation of the federal statutory rate to the Company's effective tax rate for 2013, 2012 and 2011 was as follows:

	2013	2012	2011
Tax provision at statutory rate	35.0 %	35.0 %	35.0 %
State and local income taxes, net of federal benefit	2.8	3.4	3.7
Impact of foreign operations	(0.3)	(0.3)	—
Tax credits	(0.4)	(0.2)	(0.5)
Charge associated with settlement of certain legal claims (see Note 18), a portion for which a tax benefit has not been recorded	—	—	5.2
Transaction costs associated with business acquisitions (see Note 5), a portion for which a tax benefit has not been recorded	—	—	0.3
Non-deductible expenses, primarily meals and entertainment expenses	0.3	0.3	0.3
Impact of noncontrolling interests	(1.0)	(1.3)	(1.2)
Other, net	0.7	0.7	(1.0)
Effective tax rate	37.1 %	37.6 %	41.8 %

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets (liabilities) at December 31, 2013 and 2012 were as follows:

	2013	2012
Current deferred tax assets:		
Accounts receivable reserves	$85	$91
Liabilities not currently deductible	63	83
Total current deferred tax assets	$148	$174
Non-current deferred tax assets (liabilities):		
Liabilities not currently deductible	$144	$140

Stock-based compensation	43	58
Capitalized R&D expense	6	11
Net operating loss carryforwards, net of valuation allowance	114	104
Depreciation and amortization	(475)	(485)
Total non-current deferred tax liabilities, net	$(168)	$(172)

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At December 31, 2013 and 2012, non-current deferred tax assets of $24 million and $15 million, respectively, are recorded in other long-term assets in the consolidated balance sheet. At December 31, 2013 and 2012, non-current deferred tax liabilities of $192 million and $187 million, respectively, are included in other long-term liabilities in the consolidated balance sheet.

As of December 31, 2013, the Company had estimated net operating loss carryforwards for federal and state income tax purposes of $180 million and $1.2 billion, respectively, which expire at various dates through 2033. Estimated net operating loss carryforwards for foreign income tax purposes are $37 million at December 31, 2013, some of which can be carried forward indefinitely while others expire at various dates through 2022. As of December 31, 2013 and 2012, deferred tax assets associated with net operating loss carryforwards of $140 million and $137 million, respectively, have each been reduced by valuation allowances of $34 million and $32 million, respectively.

Income taxes payable including those classified in other long-term liabilities in the consolidated balance sheets at December 31, 2013 and 2012, were $157 million and $251 million, respectively.

The total amount of unrecognized tax benefits as of and for the years ended December 31, 2013, 2012 and 2011 consisted of the following:

	2013	2012	2011
Balance, beginning of year	$199	$195	$152
Additions:			
For tax positions of current year	11	12	63
For tax positions of prior years	12	10	9
Reductions:			
Changes in judgment	(23)	(2)	(13)
Expirations of statutes of limitations	(2)	(6)	(3)
Settlements	(29)	(10)	(13)
Balance, end of year	$168	$199	$195

The contingent liabilities for tax positions primarily relate to uncertainties associated with the realization of tax benefits derived from the allocation of income and expense among state jurisdictions, the characterization and timing of certain tax deductions associated with business combinations, income and expenses associated with certain intercompany licensing arrangements, certain tax credits and the deductibility of certain settlement payments.

The total amount of unrecognized tax benefits as of December 31, 2013, that, if recognized, would affect the effective income tax rate from continuing operations is $136 million. Based upon the expiration of statutes of limitations, settlements and/or the conclusion of tax examinations, the Company believes it is reasonably possible that the total amount of unrecognized tax benefits may decrease by up to $3 million within the next twelve months.

Accruals for interest expense on contingent tax liabilities are classified in income tax expense in the consolidated statements of operations. Accruals for penalties have historically been immaterial. Interest expense included in income tax expense in each of the years ended December 31, 2013, 2012 and 2011 was approximately $3 million. As of both December 31, 2013 and 2012, the Company has approximately $13 million accrued, net of the benefit of a federal and state deduction, for the payment of interest on uncertain tax positions.

The recognition and measurement of certain tax benefits includes estimates and judgment by management and inherently involves subjectivity. Changes in estimates may create volatility in the Company's effective tax rate in future periods and may be due to settlements with various tax authorities (either favorable or unfavorable), the expiration of the statute of limitations on some tax positions and obtaining new information about particular tax positions that may cause management to change its estimates.

In the regular course of business, various federal, state, local and foreign tax authorities conduct examinations of the Company's income tax filings and the Company generally remains subject to examination until the statute of limitations expires

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for the respective jurisdiction. The Internal Revenue Service ("IRS") has completed its examinations of the Company's consolidated federal income tax returns up through and including the 2009 tax year; however, the Company is currently appealing several proposed tax adjustments for its 2008 and 2009 tax years. At this time, the Company does not believe that there will be any material additional payments beyond its recorded contingent liability reserves that may be required as a result of these tax audits. As of December 31, 2013, a summary of the tax years that remain subject to examination, or that are under appeal, for the Company's major jurisdictions are:

United States - federal	2008 - 2013
United States - various states	2005 - 2013

9. SUPPLEMENTAL CASH FLOW & OTHER DATA

Supplemental cash flow data for the years ended December 31, 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Depreciation expense	$204	$207	$214
Amortization expense	79	80	67
Interest paid	167	163	162
Income taxes paid	568	305	285
Assets acquired under capital leases	13	6	8
Businesses acquired:			
Fair value of assets acquired	280	51	1,560
Fair value of liabilities assumed	16	—	148
Fair value of net assets acquired	264	51	1,412
Merger consideration paid (payable)	(50)	—	(1)
Cash paid for business acquisitions	214	51	1,411
Less: Cash acquired	1	—	112
Business acquisitions, net of cash acquired	$213	$51	$1,299

Supplemental continuing operations data for the statement of operations for the years ended December 31, 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Depreciation expense	$203	$204	$211
Interest expense	(162)	(168)	(172)
Interest income	3	3	2

Interest expense, net	$(159)	$(165)	$(170)

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10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Land	$30	$28
Buildings and improvements	365	353
Laboratory equipment, furniture and fixtures	1,248	1,212
Leasehold improvements	452	436
Computer software developed or obtained for internal use	581	521
Construction-in-progress	130	74
	2,806	2,624
Less: Accumulated depreciation and amortization	(2,001)	(1,868)
Total	$805	$756

11. GOODWILL AND INTANGIBLE ASSETS

The changes in goodwill for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Balance, beginning of year	$5,536	$5,796
Goodwill acquired during the year	150	28
Goodwill impairment and write-off associated with sale of businesses during the year	(37)	(85)
Reclassification to non-current assets held for sale	—	(219)
Increase related to foreign currency translation	—	16
Balance, end of year	$5,649	$5,536

Approximately 90% of the Company’s goodwill as of December 31, 2013 and 2012 was associated with its DIS business.

For the year ended December 31, 2013, goodwill acquired was principally associated with the UMass, ATN, Dignity and ConVerge acquisitions. Goodwill acquired associated with the UMass, ATN and Dignity acquisitions, totaling $131 million, is deductible for tax purposes. Goodwill acquired associated with the ConVerge acquisition totaled $19 million, of which $4 million is deductible for tax purposes. These acquisitions also resulted in $108 million of intangible assets, principally comprised of customer-related intangibles. For the year ended December 31, 2012, goodwill acquired was principally associated with the acquisition of S.E.D., which is deductible for tax purposes. This acquisition resulted in $19 million of intangible assets, principally comprised of customer-related intangibles. See Note 5 for further details regarding acquisitions.

For the year ended December 31, 2013, the $37 million of goodwill written-off was associated with the sale of Enterix.

For the year ended December 31, 2012, goodwill impairment was associated with the agreement to sell HemoCue and the write-off of goodwill was associated with the sale of OralDNA. For further details regarding the sale of Enterix, see Note 6. For further details regarding goodwill included in non-current assets held for sale as of December 31, 2012, see Note 19.

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Intangible assets at December 31, 2013 and 2012 consisted of the following:

	Weighted Average Amort-ization Period (Years)	December 31, 2013			December 31, 2012		
		Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Amortizing intangible assets:							
Customer-related intangibles	18	$670	$(210)	$460	$567	$(173)	$394
Non-compete agreements	4	43	(27)	16	38	(17)	21
Technology	14	119	(28)	91	131	(25)	106
Other	8	141	(57)	84	142	(38)	104
Total	16	973	(322)	651	878	(253)	625
Intangible assets not subject to amortization:							
Tradenames		244	—	244	246	—	246
Other		1	—	1	1	—	1
Total intangible assets		$1,218	$(322)	$896	$1,125	$(253)	$872

Amortization expense related to intangible assets was $79 million, $75 million and $61 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The estimated amortization expense related to amortizable intangible assets for each of the five succeeding fiscal years and thereafter as of December 31, 2013 is as follows:

Year Ending December 31,	
2014	$77
2015	66
2016	60
2017	57
2018	50
Thereafter	341
Total	$651

For the year ended December 31, 2013, intangible assets associated with the sale of Enterix with a net book value of $6 million (original cost of $14 million and accumulated amortization of $8 million) were written-off. For further details regarding the sale of Enterix, see Note 6. In December 2012, $219 million of goodwill and $111 million of

intangible assets, net were reclassified to non-current assets held for sale in the consolidated balance sheets. For further discussion regarding assets held for sale, see Note 19.

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12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Trade accounts payable	$258	$204
Accrued wages and benefits	283	335
Income taxes payable	7	78
Accrued interest	61	61
Accrued expenses	311	338
Total	$920	$1,016

13. DEBT

Current portion of long-term debt at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Current portion of long-term debt	$212	$10
Short-term weighted average interest rates	1.17 %	0.98 %

Long-term debt at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Floating Rate Senior Notes due March 2014	$200	$200
5.45% Senior Notes due November 2015	500	499
3.20% Senior Notes due April 2016	307	311
6.40% Senior Notes due July 2017	375	375
4.75% Senior Notes due January 2020	520	544
4.70% Senior Notes due April 2021	533	547
6.95% Senior Notes due July 2037	421	421
5.75% Senior Notes due January 2040	439	439
Other	37	28
Total long-term debt	3,332	3,364
Less: current portion of long-term debt	212	10
Total long-term debt, net of current portion	$3,120	$3,354

Secured Receivables Credit Facility

The Company has a $525 million secured receivables credit facility (the “Secured Receivables Credit Facility”) which was renewed in December 2013 and matures on December 5, 2014. Interest on the Secured Receivables Credit

Facility is based on rates that are intended to approximate commercial paper rates for highly-rated issuers. At December 31, 2013 and 2012, the Company's borrowing rate under the Secured Receivables Credit Facility was 0.86% and 0.97%, respectively. Borrowings under the Secured Receivables Credit Facility are collateralized by certain domestic receivables. At both December 31, 2013 and 2012, there were no outstanding borrowings under the Secured Receivables Credit Facility.

Senior Unsecured Revolving Credit Facility

In September 2011, the Company entered into a $750 million senior unsecured revolving credit facility (the "Credit Facility") which replaced the Company's then existing $750 million senior unsecured revolving credit facility that was scheduled to mature in May 2012. Under the Credit Facility, the Company can issue letters of credit totaling $150 million, which reduce the available borrowing capacity. At December 31, 2013, letters of credit totaling less than $1 million were issued under the Credit Facility. Interest on the Credit Facility, which matures in September 2016, is based on certain published rates plus an applicable margin that will vary over a range from 75 basis points to 175 basis points based on changes in the Company's public debt ratings. At the option of the Company, it may elect to lock into LIBOR-based interest rates for periods up to six months. Interest on any outstanding amounts not covered under LIBOR-based interest rate contracts is based on an alternate base rate, which is calculated by reference to the prime rate, the federal funds rate or an adjusted LIBOR rate. At both December 31, 2013 and 2012, the Company's borrowing rate for LIBOR-based loans under the Credit Facility was LIBOR plus 1.125%. The Credit Facility contains various covenants, including the maintenance of certain financial ratios, which could impact the Company's ability to, among other things, incur additional indebtedness. At both December 31, 2013 and 2012, there were no outstanding borrowings under the Credit Facility.

2011 Senior Notes Offering

In March 2011, the Company completed a $1.25 billion senior notes offering (the "2011 Senior Notes") that was sold in four tranches: (a) $200 million aggregate principal amount of three-month LIBOR plus 0.85% floating rate senior notes due March 24, 2014, (b) $300 million aggregate principal amount of 3.20% senior notes due April 1, 2016, (c) $550 million aggregate principal amount of 4.70% senior notes due April 1, 2021, and (d) $200 million aggregate principal amount of 5.75% senior notes due January 30, 2040. The Senior Notes due 2040 were a reopening of the $250 million aggregate principal amount of 5.75% senior notes due 2040 that were originally issued on November 17, 2009. The three-month LIBOR on the floating rate senior notes at December 31, 2013 and 2012 was 0.25% and 0.31%, respectively. These senior notes are unsecured obligations of the Company and rank equally with the Company's other senior unsecured obligations. None of the Company's senior notes have a sinking fund requirement.

The Company used $750 million of the net proceeds from the 2011 Senior Notes to fund the purchase price and related transaction costs associated with its acquisition of Athena, which closed on April 4, 2011 (see Note 5), and $485 million of the net proceeds, together with $90 million of cash on hand, to repay outstanding indebtedness under the Company's senior unsecured revolving credit facility and its secured receivables credit facility.

Term Loan due 2012

The Term Loan due 2012 matured on May 31, 2012 and required principal repayments of $280 million on both March 31, 2012 and May 31, 2012. Interest under the Term Loan due 2012 was based on certain published rates plus an applicable margin that varied over a range from 40 basis points to 125 basis points based on changes in the Company's public debt ratings. Interest on any outstanding amounts not covered under LIBOR-based interest rate contracts was based on an alternate base rate, which was calculated by reference to the prime rate or federal funds rate. During 2012, the Company's borrowing rate for LIBOR-based loans was LIBOR plus 0.40%.

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Fair Value Hedges

As further discussed in Note 14, the Company has hedged the risk of changes in fair value attributable to the variability in interest rates on a portion of certain senior notes through the use of interest rate swaps, which have been designated as fair value hedges. The carrying value of these senior notes have been increased (decreased) for changes in fair value of the related hedges and the amortization of the terminated hedges as of December 31, 2013 and 2012 as follows:

	Notional Amount Hedged	2013	2012
3.20% Senior Notes due April 2016	$200	$7	$11
4.75% Senior Notes due January 2020	350	24	49
4.70% Senior Notes due April 2021	400	(16)	(2)
		$15	$58

Maturities of Long-Term Debt

As of December 31, 2013, long-term debt maturing in each of the years subsequent to December 31, 2014 is as follows:

Year Ending December 31,	
2015	$515
2016	305
2017	379
2018	1
2019	—
Thereafter	1,925
Total maturities of long-term debt	3,125
Unamortized discount	(20)
Fair value basis adjustments attributable to hedged debt	15
Total long-term debt, net of current portion	$3,120

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14. FINANCIAL INSTRUMENTS

Interest Rate Derivatives – Cash Flow Hedges

During the fourth quarter of 2013, the Company entered into various forward starting interest rate swap agreements (the "Forward Starting Interest Rate Swap Agreements") for an aggregate notional amount of $100 million. The Forward Starting Interest Rate Swap Agreements have fixed interest rates ranging from 3.625% to 3.744%. The Forward Starting Interest Rate Swaps Agreements were 23 to 24 month forward agreements that covered a ten-year hedging period and were entered into to hedge part of the Company's interest rate exposure associated with forecasted new debt issuances related to the refinancing of certain debt maturing through 2016. Through time the Company has entered into various interest rate lock agreements and forward starting interest rate swap agreements to hedge part of the Company's interest rate exposure associated with the variability in future cash flows attributable to changes in interest rates. Prior to their maturity or settlement, the Company records derivative financial instruments, which have been designated as cash flow hedges, as either an asset or liability measured at their fair value. The effective portion of changes in the fair value of these derivatives represent deferred gains or losses that are recorded in accumulated other comprehensive (loss) income that are reclassified from accumulated other comprehensive (loss) income to the statement of operations in the same period or periods during which the hedged transaction affects earnings, which is when the Company recognizes interest expense on the hedged cash flows. The total net loss, net of taxes, recognized in accumulated other comprehensive (loss) income, related to the Company's cash flow hedges as of December 31, 2013 and 2012 was $5 million and $7 million, respectively. The loss recognized on the Company's cash flow hedges for the years ended December 31, 2013, 2012 and 2011, as a result of ineffectiveness, was not material. The net amount of deferred losses on cash flow hedges that is expected to be reclassified from accumulated other comprehensive (loss) income into earnings within the next twelve months is $1 million.

Interest Rate Derivatives – Fair Value Hedges

The Company maintains various fixed-to-variable interest rate swaps to convert a portion of the Company's long-term debt into variable interest rate debt. In prior years, the Company entered into various fixed-to-variable interest rate swap agreements with an aggregate notional amount of $550 million and variable interest rates based on six-month LIBOR plus 0.54% and one-month LIBOR plus 1.33%. These derivative financial instruments are accounted for as fair value hedges of a portion of the Senior Notes due 2016 and a portion of the Senior Notes due 2020. In July 2012, the Company monetized the value of these interest rate swap assets by terminating the hedging instruments. The asset value, including accrued interest through the date of termination, was $72 million and the amount to be amortized as a reduction of interest expense over the remaining terms of the hedged debt instruments was $65 million. Immediately after the termination of these interest rate swaps, the Company entered into new fixed-to-variable interest rate swap agreements on the same Senior Notes. The fixed-to-variable interest rate swap agreements that the Company entered into in July 2012 have an aggregate notional amount of $550 million and variable interest rates based on six-month LIBOR plus 2.3% and one-month LIBOR plus 3.6%. During the fourth quarter of 2012, the Company entered into additional fixed-to-variable interest rate swap agreements with an aggregate notional amount of $400 million and variable interest rates based on one-month LIBOR plus a spread ranging from 3.4% to 5.1%. These derivative financial instruments are accounted for as fair value hedges on a portion of the Senior Notes due 2015 and a portion of the Senior Notes due 2021. In November 2013, the Company terminated the interest rate swaps associated with the Senior Notes due 2015. The asset value of these interest rate swaps through the date of termination was not material. Concurrently with the termination of the interest rate swaps associated with the Senior Notes due 2015, the Company entered into additional fixed-to-variable interest rate swap agreements. The fixed-to-variable interest rate swap

agreements entered into in November 2013 have an aggregate notional amount of $200 million and variable interest rates based on one-month LIBOR plus a spread ranging from 2.45% to 2.46%. These derivative financial instruments are accounted for as fair value hedges on a portion of the Senior Notes due 2021.

The interest rate swaps associated with the Senior Notes due 2016, 2020 and 2021 are classified as liabilities with an aggregate fair value of $34 million at December 31, 2013. The interest rate swaps associated with the Senior Notes due 2016 were classified as assets with fair values of $1 million at December 31, 2012. The interest rate swaps associated with the Senior Notes due 2015, 2020 and 2021 were classified as liabilities with and aggregate fair value of $3 million at December 31, 2012. Since inception, the fair value hedges have been effective or highly effective; therefore, there is no impact on earnings for the years ended December 31, 2013, 2012 and 2011 as a result of hedge ineffectiveness.

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

	December 31, 2013		December 31, 2012	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
Derivatives Designated as Hedging Instruments				
Asset Derivatives:				
Interest rate swaps	Other assets	—	Other assets	$1
Forward starting interest rate swaps	Other assets	2		—
Liability Derivatives:				
Interest rate swaps	Other liabilities	34	Other liabilities	3
Derivatives Not Designated as Hedging Instruments				
Asset Derivatives:				
Put option	Other assets	4	Other assets	—
Liability Derivatives:				
Call option	Other liabilities	8	Other liabilities	—
Total Net Derivatives Liabilities		$(36)		(2)

15. PREFERRED STOCK AND COMMON STOCKHOLDERS’ EQUITY

Series Preferred Stock

Quest Diagnostics is authorized to issue up to 10 million shares of Series Preferred Stock, par value $1.00 per share. The Company's Board of Directors has the authority to issue such shares without stockholder approval and to determine the designations, preferences, rights and restrictions of such shares. No shares are currently outstanding.

Common Stock

On May 4, 2006, the Company's Restated Certificate of Incorporation was amended to increase the number of authorized shares of common stock, par value $0.01 per share, from 300 million shares to 600 million shares.

Changes in Accumulated Other Comprehensive (Loss) Income by Component

The market value adjustments represent unrealized holding gains (losses) on available-for-sale securities, net of taxes. The net deferred loss on cash flow hedges represents deferred losses on the Company’s interest rate related derivative financial instruments designated as cash flow hedges, net of amounts reclassified to interest expense (see Note 14). For the years ended December 31, 2013, 2012 and 2011, the tax effects related to the market valuation adjustments and deferred losses were not material. Foreign currency translation adjustments are not adjusted for income taxes since they relate to indefinite investments in non-U.S. subsidiaries.

Explanation of Responses:

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The changes in accumulated other comprehensive (loss) income by component for 2013, 2012 and 2011 were as follows:

	Foreign Currency Translation Adjustment	Market Value Adjustment	Deferred Loss	Other	Accumulated Other Comprehensive (Loss) Income
Balance, December 31, 2010	$14	$4	$(7)	$—	$11
Other comprehensive (loss) income before reclassifications	(13)	(3)	(2)	(1)	(19)
Amounts reclassified from accumulated other comprehensive (loss) income	—	—	1	(1)	—
Net current period other comprehensive (loss) income	(13)	(3)	(1)	(2)	(19)
Balance, December 31, 2011	1	1	(8)	(2)	(8)
Other comprehensive (loss) income before reclassifications	24	—	—	(3)	21
Amounts reclassified from accumulated other comprehensive (loss) income	—	—	1	—	1
Net current period other comprehensive (loss) income	24	—	1	(3)	22
Balance, December 31, 2012	25	1	(7)	(5)	14
Other comprehensive (loss) income before reclassifications	2	(1)	1	1	3
Amounts reclassified from accumulated other comprehensive (loss) income	(29)	—	1	3	(25)
Net current period other comprehensive (loss) income	(27)	(1)	2	4	(22)
Balance, December 31, 2013	$(2)	$—	$(5)	$(1)	$(8)

For the year ended December 31, 2013, principally all of the gross foreign currency adjustment was reclassified from accumulated other comprehensive (loss) income to income (loss) from discontinued operations, net of taxes due to the completed sale of HemoCue.

Dividends

During each of the quarters of 2013, the Company's Board of Directors declared a quarterly cash dividend of $0.30 per common share.

During each of the first three quarters in 2012, the Company's Board of Directors declared a quarterly cash dividend of $0.17 per common share, and in November 2012, declared an increase in the quarterly cash dividend from $0.17 per common share to $0.30 per common share.

During each of the first three quarters of 2011, the Company's Board of Directors declared a quarterly cash dividend of $0.10 per common share, and in October 2011, declared an increase in the quarterly cash dividend from $0.10 per common share to $0.17 per common share.

Share Repurchase Plan

In August 2013, the Company’s Board of Directors authorized the Company to repurchase an additional $1 billion of the Company’s common stock, increasing the total available authorization at that time to $1.3 billion. The share repurchase

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authorization has no set expiration or termination date. At December 31, 2013, $828 million remained available under the Company’s share repurchase authorization.

In January 2012, the Company’s Board of Directors authorized the Company to repurchase an additional $1 billion of the Company’s common stock, increasing the total available authorization at that time to $1.1 billion.

Share Repurchases

On April 19, 2013, the Company entered into an accelerated share repurchase agreement ("ASR") with a financial institution to repurchase $450 million of the Company’s common stock as part of the Company’s Common Stock repurchase program. The ASR was structured as a combination of two transactions: (1) a treasury stock repurchase and (2) a forward contract which permitted the Company to purchase shares immediately with the final purchase price of those shares determined by the volume weighted average price of the Company's common stock during the purchase period, less a fixed discount. Under the ASR, the Company paid $450 million to the financial institution and received 7.6 million shares of common stock, resulting in a final price per share of $59.46. The Company initially received 7.2 million shares of its common stock during the second quarter of 2013 and received an additional 0.4 million shares upon completion of the ASR during the third quarter of 2013. As of June 30, 2013, the Company recorded this transaction as an increase to treasury stock of $405 million, and recorded the remaining $45 million as a decrease to additional paid-in capital in the Company's consolidated balance sheets. Upon completion of the ASR in the third quarter of 2013, the Company reclassified the $45 million to treasury stock from additional paid-in capital on the consolidated balance sheets.

On September 4, 2013, the Company entered into an ASR with a financial institution to repurchase $350 million of the Company’s common stock as part of the Company’s Common Stock repurchase program. The ASR was structured as a combination of two transactions: (1) a treasury stock repurchase and (2) a forward contract which permitted the Company to purchase shares immediately with the final purchase price of those shares determined by the volume weighted average price of the Company's common stock during the purchase period, less a fixed discount. Under the ASR, the Company paid $350 million to the financial institution and received 5.8 million shares of common stock, resulting in a final price per share of $60.73. The Company initially received 4.7 million shares of its common stock during the third quarter of 2013 and received an additional 1.1 million shares upon completion of the ASR during the fourth quarter of 2013. As of September 30, 2013, the Company recorded this transaction as an increase to treasury stock of $280 million, and recorded the remaining $70 million as a decrease to additional paid-in capital in the Company's consolidated balance sheets. Upon completion of the ASR in the fourth quarter of 2013, the Company reclassified the $70 million to treasury stock from additional paid-in capital on the consolidated balance sheets.

In addition to the ASRs previously discussed, the Company repurchased shares of its common stock on the open market. For the year ended December 31, 2013, the Company repurchased an additional 4.1 million shares of its common stock at an average price of $57.63 per share for a total of $237 million.

For the year ended December 31, 2012, the Company repurchased 3.4 million shares of its common stock at an average price of $58.31 per share for a total of $200 million.

For the year ended December 31, 2011, the Company repurchased 17.3 million shares of its common stock at an average price of $54.05 per share for $935 million, including 15.4 million shares purchased in the first quarter from SB Holdings Capitial Inc., a wholly-owned subsidiary of GlaxoSmithKline plc., at an average price of $54.30 per

share for a total of $835 million.

For the years ended December 31, 2013, 2012 and 2011 the Company reissued 3 million shares, 4 million shares and 4 million shares, respectively, for employee benefit plans.

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16. STOCK OWNERSHIP AND COMPENSATION PLANS

Employee and Non-employee Directors Stock Ownership Programs

In 2005, the Company established the ELTIP to replace the Company's prior Employee Equity Participation Programs established in 1999 (the "1999 EEPP"). At the Company's annual shareholders' meeting in May 2012, the shareholders approved certain amendments to the ELTIP including: (i) increasing the number of shares available for award under the ELTIP by approximately 7 million shares; (ii) limiting the number of shares subject to stock options or SARs that may be awarded to an individual during any fiscal year to 2,000,000; (iii) limiting the number of shares subject to stock awards that may be awarded to an individual during any fiscal year to 1,000,000; (iv) prohibiting the exchange of stock options or SARs for cash; and (v) extending the term of the ELTIP until the date of the 2022 annual shareholders' meeting.

The ELTIP provides for three types of awards: (a) stock options, (b) stock appreciation rights and (c) stock awards. The ELTIP provides for the grant to eligible employees of either non-qualified or incentive stock options, or both, to purchase shares of Company common stock at an exercise price no less than the fair market value of the Company's common stock on the date of grant. The stock options are subject to forfeiture if employment terminates prior to the end of the vesting period prescribed by the Board of Directors. Grants of stock appreciation rights allow eligible employees to receive a payment based on the appreciation of Company common stock in cash, shares of Company common stock or a combination thereof. The stock appreciation rights are granted at an exercise price no less than the fair market value of the Company's common stock on the date of grant. Stock options and stock appreciation rights granted under the ELTIP expire on the date designated by the Board of Directors but in no event more than ten years from date of grant. No stock appreciation rights have been granted under the ELTIP or the 1999 EEPP. The ELTIP allows eligible employees to receive awards of shares, or the right to receive shares, of Company common stock, the equivalent value in cash or a combination thereof. These shares are generally earned on achievement of financial performance goals and are subject to forfeiture if employment terminates prior to the end of the vesting period prescribed by the Board of Directors. For performance share unit awards, the actual amount of performance share awards earned is based on the achievement of the performance goals specified in the awards. Key executive, managerial and technical employees are eligible to participate in the ELTIP. The provisions of the 1999 EEPP were similar to those outlined above for the ELTIP. Certain options granted under the 1999 EEPP remain outstanding.

The maximum number of shares of Company common stock that may be optioned or granted under the ELTIP is approximately 60 million shares.

In 2005, the Company established the DLTIP, to replace the Company's prior plan established in 1998. At the Company's annual shareholders' meeting in May 2009, the shareholders approved certain amendments to the DLTIP including: (i) increasing the number of shares available for award under the DLTIP by 0.4 million shares; (ii) increasing the maximum term that the Board of Directors may establish for awards of stock options from seven to ten years, beginning with awards in 2009; and (iii) extending the term of the DLTIP until the date of the 2019 annual shareholders' meeting.

The DLTIP provides for the grant to non-employee directors of non-qualified stock options to purchase shares of Company common stock at an exercise price no less than the fair market value of the Company's common stock on the date of grant. The DLTIP also permits awards of restricted stock and restricted stock units to non-employee directors. Stock options granted under the DLTIP expire on the date designated by the Board of Directors but in no

event more than ten years from date of grant, and generally become exercisable in three equal annual installments beginning on the first anniversary date of the grant of the option regardless of whether the optionee remains a director of the Company. The maximum number of shares that may be issued under the DLTIP is 2.4 million shares. For the years ended December 31, 2013, 2012 and 2011, grants under the DLTIP totaled 75 thousand shares, 72 thousand shares and 60 thousand shares, respectively.

In general, the Company's practice has been to issue shares related to its stock-based compensation program from shares of its common stock held in treasury. See Note 15 for further information regarding the Company's share repurchase program.

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The fair value of each stock option award granted was estimated on the date of grant using a lattice-based option-valuation model. The expected volatility under the lattice-based option-valuation model was based on the current and the historical implied volatilities from traded options of the Company's common stock. The dividend yield was based on the approved annual dividend rate in effect and current market price of the underlying common stock at the time of grant. The risk-free interest rate of each stock option granted was based on the U.S. Treasury yield curve in effect at the time of grant for bonds with maturities ranging from 1 month to 10 years. The expected holding period of the options granted was estimated using the historical exercise behavior of employees. The weighted average assumptions used in valuing options granted in the periods presented are:

	2013	2012	2011
Weighted average fair value of options at grant date	$12.64	$15.87	$18.08
Expected volatility	25.8%	27%	27.2%
Dividend yield	1.4%	0.9%	0.8%
Risk-free interest rate	1.1% - 1.3%	1.3% - 1.5%	2.7% - 3.1%
Expected holding period, in years	5.5 - 6.7	6.7 - 7.5	6.8 - 7.6

The fair value of restricted stock awards and performance share units is the average market price of the Company's common stock at the date of grant.

Transactions under the stock option plans for 2013 were as follows:

	Shares (in millions)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding, beginning of year	7.8	$51.68		
Options granted	1.6	56.78		
Options exercised	(2.8)	49.19		
Options forfeited and canceled	(0.3)	49.69		
Options outstanding, end of year	6.3	$54.20	6.2	$10
Exercisable, end of year	3.8	$52.39	2.6	$10
Vested and expected to vest, end of year	6.1	$54.16	6.2	$10

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing common stock price on the last trading day of 2013 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2013. This amount changes based on the fair market value of the Company's common stock. Total intrinsic value of options exercised in 2013, 2012 and 2011 was $32 million, $45 million and $43 million, respectively.

As of December 31, 2013, there was $10 million of unrecognized stock-based compensation cost related to stock options which is expected to be recognized over a weighted average period of 1.9 years.

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The following summarizes the activity relative to stock awards, including restricted stock awards, restricted stock units and performance share units, for 2013, 2012 and 2011:

	2013		2012		2011	
	Shares (in millions)	Weighted Average Grant Date Fair Value	Shares (in millions)	Weighted Average Grant Date Fair Value	Shares (in millions)	Weighted Average Grant Date Fair Value
Shares outstanding, beginning of year	1.2	$56.84	2.0	$54.61	2.1	$51.54
Shares granted	0.8	56.79	0.8	57.78	0.9	56.81
Shares vested	(0.5)	56.25	(0.9)	52.62	(0.9)	48.93
Shares forfeited and canceled	(0.1)	56.92	(0.1)	57.09	(0.1)	55.47
Adjustment to estimate of performance share units to be earned	(0.7)	56.84	(0.6)	57.06	—	53.23
Shares outstanding, end of year	0.7	$57.20	1.2	$56.84	2.0	$54.61

As of December 31, 2013, there was $14 million of unrecognized stock-based compensation cost related to nonvested stock awards, which is expected to be recognized over a weighted average period of 1.9 years. Total fair value of shares vested was $28 million, $53 million and $53 million for the years ended December 31, 2013, 2012 and 2011, respectively. The amount of unrecognized stock-based compensation cost is subject to change based on revisions, if any, to management's best estimates of the achievement of the performance goals specified in such awards and the resulting number of shares that will be earned at the end of the performance periods.

For the years ended December 31, 2013, 2012 and 2011, stock-based compensation expense totaled $28 million, $50 million and $72 million, respectively. Income tax benefits related to stock-based compensation expense totaled $11 million, $19 million and $28 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Employee Stock Purchase Plan

Under the Company's Employee Stock Purchase Plan (“ESPP”), substantially all employees can elect to have up to 10% of their annual wages withheld to purchase Quest Diagnostics common stock. The purchase price of the stock is 85% of the market price of the Company's common stock on the last business day of each calendar month. Under the ESPP, the maximum number of shares of Quest Diagnostics common stock which may be purchased by eligible employees is 5 million. Approximately 404, 406 and 425 thousand shares of common stock were purchased by eligible employees in 2013, 2012 and 2011, respectively.

Defined Contribution Plans

The Company maintained qualified defined contribution plans covering substantially all of its employees. Prior to 2012, the Company matched employee contributions up to a maximum of 6%. As of January 1, 2012, the maximum Company matching contribution was reduced from 6% to 5% of eligible employee compensation. The Company's

expense for contributions to its defined contribution plans aggregated $71 million, $73 million and $82 million for 2013, 2012 and 2011, respectively.

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Supplemental Deferred Compensation Plans

The Company has a supplemental deferred compensation plan that is an unfunded, non-qualified plan that provides for certain management and highly compensated employees to defer up to 50% of their salary in excess of their defined contribution plan limits and for certain eligible employees, up to 95% of their variable incentive compensation. Prior to 2012, the Company matched employee contributions up to a maximum of 6%. As of January 1, 2012, the maximum Company matching contribution was reduced from 6% to 5% of eligible employee compensation. The compensation deferred under this plan, together with Company matching amounts, are credited with earnings or losses measured by the mirrored rate of return on investments elected by plan participants. Each plan participant is fully vested in all deferred compensation, Company match and earnings credited to their account. The Company maintained another unfunded, non-qualified supplemental deferred compensation plan that was not material. The amounts accrued under the Company's deferred compensation plans were $50 million and $52 million at December 31, 2013 and 2012, respectively. Although the Company is currently contributing all participant deferrals and matching amounts to trusts, the funds in these trusts, totaling $50 million and $52 million at December 31, 2013 and 2012, respectively, are general assets of the Company and are subject to any claims of the Company's creditors.

The Company also offers certain employees the opportunity to participate in a non-qualified deferred compensation program. Eligible participants are allowed to defer up to $20 thousand of eligible compensation per year. The Company matches employee contributions equal to 25%, up to a maximum of $5 thousand per plan year. A participant's deferrals, together with Company matching credits, are “invested” at the direction of the employee in a hypothetical portfolio of investments which are tracked by an administrator. Each participant is fully vested in their deferred compensation and vest in Company matching contributions over a four-year period at 25% per year. The amounts accrued under this plan were $34 million and $30 million at December 31, 2013 and 2012, respectively. The Company purchases life insurance policies, with the Company named as beneficiary of the policies, for the purpose of funding the program's liability. The cash surrender value of such life insurance policies was $29 million and $25 million at December 31, 2013 and 2012, respectively.

For the years ended December 31, 2013, 2012 and 2011, the Company's expense for matching contributions to these plans were not material.

17. RELATED PARTY TRANSACTIONS

At December 31, 2010, GSK beneficially owned approximately 18% of the outstanding shares of Quest Diagnostics common stock. On January 31, 2011, the Company agreed to repurchase from SB Holdings Capital Inc., a wholly-owned subsidiary of GSK, approximately one-half of GSK's ownership interest in the Company, or 15.4 million shares of the Company's common stock, at a purchase price of $54.30 per share for $835 million (the “Repurchase”).

In a separate transaction on January 31, 2011, GSK agreed to sell in an underwritten offering to the public, its remaining ownership interest in the Company, or 15.4 million shares of the Company's common stock (the “Offering”). The Company did not sell any shares of common stock in the Offering, which closed on February 4, 2011, and did not receive any of the proceeds. Subsequent to the Repurchase and the Offering, GSK no longer beneficially owned any shares of Quest Diagnostics common stock.

18. COMMITMENTS AND CONTINGENCIES

Letter of Credit Lines and Contractual Obligations

The Company has a line of credit with a financial institution totaling $85 million for the issuance of letters of credit (the "Letter of Credit Line"). The Letter of Credit Line, which is renewed annually, matures on November 18, 2014.

In support of its risk management program, to ensure the Company's performance or payment to third parties, $59 million in letters of credit were outstanding at December 31, 2013. The letters of credit primarily represent collateral for current and future automobile liability and workers' compensation loss payments.

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Minimum rental commitments under noncancelable operating leases, primarily real estate, in effect at December 31, 2013 are as follows:

Year Ending December 31,	
2014	$ 189
2015	149
2016	107
2017	72
2018	43
2019 and thereafter	174
Minimum lease payments	734
Noncancelable sub-lease income	—
Net minimum lease payments	$ 734

Operating lease rental expense for 2013, 2012 and 2011 totaled $223 million, $211 million and $218 million, respectively. Rent expense associated with operating leases that include scheduled rent increases and tenant incentives, such as rent holidays, is recorded on a straight-line basis over the term of the lease.

The Company has certain noncancelable commitments to purchase products or services from various suppliers, mainly for consulting and other service agreements, and standing orders to purchase reagents and other laboratory supplies. At December 31, 2013, the approximate total future purchase commitments are $279 million, of which $88 million are expected to be incurred in 2014, $110 million are expected to be incurred in 2015 through 2016 and the balance thereafter.

Contingent Lease Obligations

The Company remains subject to contingent obligations under certain real estate leases that were entered into by certain predecessor companies of a subsidiary prior to the Company's acquisition of the subsidiary. While over the course of many years, the title to the properties and interest in the subject leases have been transferred to third parties and the subject leases have been amended several times by such third parties, the lessors have not formally released the subsidiary predecessor companies from their original obligations under the leases and therefore remain contingently liable in the event of default. The remaining terms of the lease obligations and the Company's corresponding indemnifications range from 10 to 34 years. The lease payments under certain leases are subject to market value adjustments and contingent rental payments and therefore, the total contingent obligations under the leases cannot be precisely determined but are likely to total several hundred million dollars. A claim against the Company would be made only upon the current lessee's default and after a series of claims and corresponding defaults by third parties that precede the Company in the order of liability. The Company also has certain indemnification rights from other parties to recover losses in the event of default on the lease obligations. The Company believes that the likelihood of its performance under these contingent obligations is remote and no liability has been recorded for any potential payments under the contingent lease obligations.

Settlements

On May 9, 2011, the Company announced an agreement in principle to settle, and on May 19, 2011, the Company finalized a settlement of, a qui tam case filed by a competitor under the California False Claims Act in California state court (the "California Lawsuit") related to the Company's billing practices to Medi-Cal, the California Medicaid program. While denying liability, in order to avoid the uncertainty, expense and risks of litigation, the Company agreed to resolve these matters for $241 million. As a result of the agreement in principle, the Company recorded a pre-tax charge to earnings in the first quarter of 2011 of $236 million (the "Medi-Cal charge"), which represented the cost to resolve the matters noted above and related claims, less amounts previously reserved for related matters. The Company funded the $241 million payment in the second quarter of 2011 with cash on hand and borrowings under its existing credit facilities.

In June 2013, a putative class action entitled Mt. Lookout Chiropractic Center Inc. v. Quest Diagnostics Incorporated, et al. was filed against the Company, two of its subsidiaries and others in state court in Illinois. The complaint alleged that the defendants violated the federal Telephone Consumer Protection Act by sending fax advertisements without permission and

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without the required opt-out notice, and sought monetary damages and injunctive relief. The parties settled the matter and the court approved the settlement.

Legal Matters

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

In addition to the matters described below, in the normal course of business, we have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our activities as a provider of diagnostic testing, information and services. These legal actions may include lawsuits alleging negligence or other similar legal claims. These actions could involve claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages, and could have an adverse impact on our client base and reputation.

We are also involved, from time to time, in other reviews, investigations and proceedings by governmental agencies regarding our business, including, among other matters, operational matters, which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. The number of these reviews, investigations and proceedings has increased in recent years with regard to many firms in the healthcare services industry, including our Company.

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

In November 2010, a putative class action entitled Seibert v. Quest Diagnostics Incorporated, et al. was filed against the Company and certain former officers of the Company in New Jersey state court, on behalf of the Company's sales people nationwide who were over forty years old and who either resigned or were terminated after being placed on a performance improvement plan. The complaint alleges that the defendants' conduct violates the New Jersey Law Against Discrimination ("NJLAD"), and seeks, among other things, unspecified damages. The defendants removed the complaint to the United States District Court for the District of New Jersey. The plaintiffs filed an amended complaint that added claims under ERISA. The Company filed a motion seeking to limit the application of the NJLAD to only those members of the purported class who worked in New Jersey and to dismiss the individual defendants. The motion was granted. The only remaining NJLAD claim is that of the named plaintiff. Both parties have filed summary judgment motions. The defendants' motion was granted in part, but denied as to an ERISA claim, and the plaintiff's motion was denied. The plaintiff’s motion for class certification of the ERISA claim is pending.

In 2010, a purported class action entitled In re Celera Corp. Securities Litigation was filed in the United States District Court for the Northern District of California against Celera Corporation and certain of its directors and current and

former officers. An amended complaint filed in October 2010 alleges that from April 2008 through July 22, 2009, the defendants made false and misleading statements regarding Celera's business and financial results with an intent to defraud investors. The complaint was further amended in 2011 to add allegations regarding a financial restatement. The amended complaint seeks unspecified damages on behalf of an alleged class of purchasers of Celera's stock during the period in which the alleged misrepresentations were made. The Company's motion to dismiss the complaint was denied.

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

In January 2012, a putative class action entitled Beery v. Quest Diagnostics Incorporated was filed in the United States District Court for the District of New Jersey against the Company and a subsidiary, on behalf of all female sales representatives

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employed by the defendants from February 17, 2010 to the present. The amended complaint alleges that the defendants discriminate against these female sales representatives on account of their gender, in violation of the federal civil rights and equal pay acts, and seeks, among other things, injunctive relief and monetary damages. The Company's motion to compel arbitration was granted and the case was dismissed. In the arbitration, the plaintiffs requested to proceed on a class basis. The Company objected to the plaintiffs' request.

In September 2009, the Company received a subpoena from the Michigan Attorney General's Office seeking documents relating to the Company's pricing and billing practices as they relate to Michigan's Medicaid program. The Company cooperated with the requests. In January 2012, the State of Michigan intervened as a plaintiff in a civil lawsuit, Michigan ex rel. Hunter Laboratories LLC v. Quest Diagnostics Incorporated, et al., filed in Michigan Superior Court. The suit, originally filed by a competitor laboratory, alleges that the Company overcharged Michigan's Medicaid program. The Company's motion to dismiss the complaint was denied.

In June 2010, the Company received a subpoena from the Florida Attorney General's Office seeking documents relating to the Company's pricing and billing practices as they relate to Florida’s Medicaid program. The Company cooperated with the requests. In November 2013, the State of Florida intervened as a plaintiff in a civil lawsuit, Florida ex rel. Hunter Laboratories LLC v. Quest Diagnostics Incorporated, et al., filed in Florida Circuit Court. The suit, originally filed by a competitor laboratory, alleges that the Company overcharged Florida’s Medicaid program. Hunter Laboratories LLC filed similar lawsuits in Georgia, Massachusetts, Nevada and Virginia; in each of those lawsuits, the state attorney general’s office has not intervened.

In July 2013, Biotechnology Value Fund, L.P. and others filed a lawsuit in the United States District Court for the Northern District of California against the Company, Celera, former directors of Celera and Credit Suisse Securities (USA) LLC (“Credit Suisse”) alleging, among other things, federal securities laws violations and breach of fiduciary duty claims against Celera, its directors and Credit Suisse. The defendants’ motion to dismiss the complaint was granted. The plaintiffs are seeking leave to file an amended complaint.

In October 2013, the Company commenced a lawsuit in the U.S. District Court for the Central District of California seeking a declaration that the Company’s BRCA1 and 2 tests do not infringe several patents of Myriad Genetics, Inc., or that the patents are invalid. Later that month, Myriad and its partners commenced a lawsuit in the U.S. District Court for the Central District of Utah against the Company alleging that the Company’s BRCA 1 and 2 tests infringed Myriad’s patents. Myriad moved to dismiss the Company’s lawsuit and to transfer all cases involving its BRCA 1 and 2 patents to the federal court in Utah. The Company opposes Myriad’s motions and has filed motions to dismiss, stay or transfer to the federal court in California Myriad’s lawsuit.

In addition, the Company and certain of its subsidiaries have received a subpoena from the Department of Health and Human Services Office of Inspector General and is cooperating with its request.

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

potential liability.

Management cannot predict the outcome of such matters. Although management does not anticipate that the ultimate outcome of such matters will have a material adverse effect on the Company's financial condition, given the high degree of judgment involved in establishing loss estimates related to these types of matters, the outcome of such matters may be material to the Company's results of operations or cash flows in the period in which the impact of such matters is determined or paid.

These matters are in different stages. Some of these matters are in their early stages. Matters may involve responding to and cooperating with various government investigations and related subpoenas. As of December 31, 2013, the Company does not believe that any losses related to the Legal Matters described above are probable. While the Company believes that a reasonable possibility exists that losses may have been incurred related to the Legal Matters described above, based on the nature and status of these matters, potential losses, if any, cannot be estimated.

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Reserves for Legal Matters

Reserves for legal matters, other than those described above in "Legal Matters", totaled less than $5 million at both December 31, 2013 and 2012.

Reserves for General and Professional Liability Claims

As a general matter, providers of clinical testing services may be subject to lawsuits alleging negligence or other similar legal claims. These suits could involve claims for substantial damages. Any professional liability litigation could also have an adverse impact on the Company's client base and reputation. The Company maintains various liability insurance coverages for, among other things, claims that could result from providing, or failing to provide, clinical testing services, including inaccurate testing results, and other exposures. The Company's insurance coverage limits its maximum exposure on individual claims; however, the Company is essentially self-insured for a significant portion of these claims. Reserves for such matters, including those associated with both asserted and incurred but not reported claims, are established by considering actuarially determined losses based upon the Company's historical and projected loss experience. Such reserves totaled approximately $121 million and $110 million as of December 31, 2013 and 2012, respectively. Management believes that established reserves and present insurance coverage are sufficient to cover currently estimated exposures. Management cannot predict the outcome of any claims made against the Company. Although management does not anticipate that the ultimate outcome of any such proceedings or claims will have a material adverse effect on the Company's financial condition, given the high degree of judgment involved in establishing accruals for loss estimates related to these types of matters, the outcome may be material to the Company's results of operations or cash flows in the period in which the impact of such claims is determined or paid.

19. HELD FOR SALE AND DISCONTINUED OPERATIONS

During the fourth quarter of 2012, the Company committed to a plan to sell HemoCue. In February 2013, the Company entered into an agreement to sell HemoCue for approximately $300 million plus estimated cash on hand at closing and other customary working capital adjustments. The Company completed the sale of HemoCue in April 2013. The Company completed the sale of OralDNA in December 2012. As a result, the Company's 2012 results include charges in discontinued operations for the asset impairment associated with HemoCue and the loss on sale associated with OralDNA totaling $86 million. Discontinued operations also includes a $8 million income tax expense related to the re-valuation of deferred tax assets associated with HemoCue and a $4 million income tax benefit related to the remeasurement of deferred taxes associated with HemoCue as a result of an enacted income tax rate change in Sweden.

Income (loss) from discontinued operations, net of taxes for the year ended December 31, 2013 includes a gain of $14 million (including foreign currency translation adjustments, partially offset by income tax expense and transaction costs) associated with the sale of HemoCue. In addition, income (loss) from discontinued operations, net of taxes for the year ended December 31, 2013, includes discrete tax benefits of $20 million associated with favorable resolution of certain tax contingencies related to our NID business.

Results of operations for HemoCue and OralDNA have been reported as discontinued operations in the accompanying consolidated financial statements and related notes to consolidated financial statements for all periods presented. At December 31, 2012, the assets and liabilities of HemoCue have been reported as held for sale in the accompanying balance sheet.

Results of operations for NID have been reported as discontinued operations in the accompanying consolidated statements of operations and related disclosures for all periods presented. The Company began reporting NID as a discontinued operation in 2006 and will continue to report NID as a discontinued operation until uncertain tax benefits associated with NID are resolved.

On April 15, 2009, the Company finalized the resolution of the federal government investigation related to NID and entered into a final settlement agreement with the federal government. In the second quarter of 2009, the Company paid $268 million to settle the civil allegations. The Company also entered into a five-year corporate integrity agreement with the Office of Inspector General for the United States Department of Health and Human Services. In addition, NID pled guilty to a single count of felony misbranding and paid a $40 million fine. These payments totaling $308 million, which had been previously reserved, were funded out of cash on-hand and available credit facilities. During the third quarter of 2009, the Company

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED
(in millions unless otherwise indicated)

finalized separate settlement agreements with certain states and paid approximately $6 million, which had been previously reserved for.

Summarized financial information for the discontinued operations is set forth below:

	2013	2012	2011
Net revenues	$28	$117	$119
Income (loss) from discontinued operations before taxes	25	(74)	7
Income tax expense (benefit)	(10)	—	(5)
Income (loss) from discontinued operations, net of taxes	$35	$(74)	$12

The following table summarizes the HemoCue assets and liabilities held for sale in the consolidated balance sheets at December 31, 2012:

	2012
Assets held for sale:	
Cash and cash equivalents	$17
Accounts receivable, net	15
Inventories	5
Prepaid expenses and other current assets	3
Total current assets held for sale	40
Property, plant and equipment, net	24
Goodwill	219
Intangible assets, net	111
Total non-current assets held for sale	$354
Liabilities held for sale:	
Accounts payable and accrued expenses	$21
Current portion of long-term debt	1
Total current liabilities held for sale	22
Long-term debt	16
Other liabilities	44
Total non-current liabilities held for sale	$60

Continuing cash flows from discontinued operations were not material.

The remaining balance sheet information related to NID and OralDNA was not material at December 31, 2013 and 2012. The remaining balance sheet information related to HemoCue was not material at December 31, 2013.

20. BUSINESS SEGMENT INFORMATION

The clinical testing that the Company performs is an essential element in the delivery of healthcare services. Physicians use clinical testing to assist in detection, diagnosis, evaluation, monitoring and treatment of diseases and other medical conditions.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
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The Company's DIS business provides insights through clinical testing and related services that empower and enable patients, physicians, hospitals, integrated delivery networks, health plans, employers and others to make better healthcare decisions. The Company provides clinical testing, including routine testing, gene-based and esoteric testing, anatomic pathology services and drugs-of-abuse testing, as well as related services and insights. Customers of the DIS business include patients, physicians, hospitals, employers, governmental institutions and other commercial clinical laboratories. The DIS business accounted for greater than 90% of net revenues from continuing operations in 2013, 2012 and 2011.

All other operating segments are included in the Company's DS business and consist of its risk assessment services, clinical trials testing, diagnostic products and healthcare information technology. The Company's DS business offers a variety of solutions for life insurers, healthcare providers and others. The Company provides risk assessment services for the life insurance industry and also provides testing for clinical trials. In addition, the Company offers healthcare organizations and clinicians robust information technology solutions and diagnostic products, including test kits.

During the first quarter of 2013, the Company acquired certain operations of UMass. During the second quarter of 2013, the Company acquired the operations of ATN and Dignity. During the fourth quarter of 2013, the Company acquired the operations of ConVerge. The acquired operations of UMass, ATN, Dignity and ConVerge are included in the Company's DIS business. In addition, the Company completed the sale of Enterix in the third quarter of 2013, which is included in all other operating segments.

During the first quarter of 2012, the Company acquired the operations of S.E.D., which is included in the Company's DIS business.

During the second quarter of 2011, the Company acquired Athena and Celera. Athena is included in the Company's DIS business. The majority of Celera's operations are included in the Company's DIS business, with the remainder in all other operating segments.

On April 19, 2006, the Company decided to discontinue NID’s operations. The Company completed the sale of OralDNA in the fourth quarter of 2012 and completed the sale of HemoCue in the second quarter of 2013. The results of operations for NID, OralDNA and HemoCue have been classified as discontinued operations for all periods presented. See Note 19 for further details regarding discontinued operations.

At December 31, 2013, substantially all of the Company’s services are provided within the United States, and substantially all of the Company’s assets are located within the United States.

The following table is a summary of segment information for the years ended December 31, 2013, 2012 and 2011. Segment asset information is not presented since it is not used by the chief operating decision maker at the operating segment level. Operating earnings (loss) of each segment represents net revenues less directly identifiable expenses to arrive at operating income for the segment. Certain general operating expenses in 2012 and 2011 have been reclassified to conform to the current year presentation of the Company's businesses. General management and administrative corporate expenses, the amortization of intangibles assets, other miscellaneous operating income and expenses, the third quarter of 2013 pre-tax gain on sale of the ibrutinib royalty rights and pre-tax loss on sale of Enterix (see Note 6) and the Medi-Cal charge in the first quarter of 2011 of $236 million (see Note 18), are included in general corporate income (expenses), net. The accounting policies of the segments are the same as those of the Company as set forth in Note 2.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
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(in millions unless otherwise indicated)

	2013	2012	2011
Net revenues:			
DIS business (a)	$6,587	$6,820	$6,812
All other operating segments (a)	559	563	580
Total net revenues	$7,146	$7,383	$7,392
Operating earnings (loss):			
DIS business (a)	$1,201	$1,370	$1,380
All other operating segments (a)	76	67	73
General corporate income (expenses), net	198	(236)	(466)
Total operating income	1,475	1,201	987
Non-operating expenses, net	(127)	(133)	(138)
Income from continuing operations before taxes	1,348	1,068	849
Income tax expense	500	402	355
Income from continuing operations	848	666	494
Income (loss) from discontinued operations, net of taxes	35	(74)	12
Net income	883	592	506
Less: Net income attributable to noncontrolling interests	34	36	35
Net income attributable to Quest Diagnostics	$849	$556	$471

	2013	2012	2011
Depreciation and amortization:			
DIS business (a)	$189	$188	$195
All other operating segments (a)	12	13	13
General corporate	82	77	64
	283	278	272
Adjustments: Discontinued operations	—	9	9
Total depreciation and amortization	$283	$287	$281
Capital expenditures:			
DIS business (a)	$196	$145	$132
All other operating segments (a)	26	24	20
General corporate	9	11	7
	231	180	159
Adjustments: Discontinued operations	—	2	2
Total capital expenditures	$231	$182	$161

(a) - DIS excludes the results for OralDNA, and all other operating segments excludes the results of HemoCue, which met the criteria for discontinued operations at December 31, 2012 and, accordingly, are included in discontinued operations for all periods presented.

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21. SUBSEQUENT EVENTS

On January 22, 2014, the Company announced that it has entered into a definitive agreement under which it will acquire Solstas Lab Partners Group and its subsidiaries ("Solstas") for $570 million. Solstas is a full-service commercial laboratory based in Greensboro, North Carolina. Solstas operates in nine states throughout the Southeastern United States, including the Carolinas, Virginia, Tennessee, Georgia and Alabama. The Company expects to complete the acquisition in the first half of 2014, subject to regulatory approval and customary closing conditions.

On January 30, 2014, the Company announced that its Board of Directors authorized an increase in the quarterly cash dividend for the first quarter of 2014 from $0.30 per common share to $0.33 per common share, representing a 10% increase in the dividend rate.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
Quarterly Operating Results (unaudited)
(in millions, except per share data)

2013 (a)	First Quarter (b)	Second Quarter (c)	Third Quarter (d)	Fourth Quarter (e)	Total Year
Net revenues	$1,787	$1,815	$1,788	$1,756	$7,146
Gross profit	695	721	699	705	2,820
Income from continuing operations	124	161	412	151	848
Income from discontinued operations, net of taxes	20	13	2	—	35
Net income	144	174	414	151	883
Less: Net income attributable to noncontrolling interests	8	9	9	8	34
Net income attributable to Quest Diagnostics	$136	$165	$405	$143	$849
Amounts attributable to Quest Diagnostics' stockholders:					
Income from continuing operations	$116	$152	$403	$143	$814
Income from discontinued operations, net of taxes	20	13	2	—	35
Net income	$136	$165	$405	$143	$849
Earnings per share attributable to Quest Diagnostics' stockholders - basic:					
Income from continuing operations	$0.73	$0.99	$2.68	$0.98	$5.35
Income (loss) from discontinued operations	0.13	0.08	0.02	(0.01)	0.23
Net income	$0.86	$1.07	$2.70	$0.97	$5.58
Earnings per share attributable to Quest Diagnostics' stockholders - diluted:					
Income from continuing operations	$0.72	$0.99	$2.66	$0.97	$5.31
Income from discontinued operations	0.13	0.08	0.02	—	0.23
Net income	$0.85	$1.07	$2.68	$0.97	$5.54

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
Quarterly Operating Results (unaudited)
(in millions, except per share data)

2012 (a)	First Quarter (f)	Second Quarter (g)	Third Quarter (h)	Fourth Quarter (i) (j)	Total Year
Net revenues	$1,909	$1,878	$1,822	$1,774	$7,383
Gross profit	800	776	741	701	3,018
Income from continuing operations	165	184	167	150	666
Income (loss) from discontinued operations, net of taxes	3	2	5	(84)	(74)
Net income	168	186	172	66	592
Less: Net income attributable to noncontrolling interests	9	8	9	10	36
Net income attributable to Quest Diagnostics	$159	$178	$163	$56	$556
Amounts attributable to Quest Diagnostics' stockholders:					
Income from continuing operations	$156	$176	$158	$140	$630
Income (loss) from discontinued operations, net of taxes	3	2	5	(84)	(74)
Net income	$159	$178	$163	$56	$556
Earnings per share attributable to Quest Diagnostics' stockholders - basic:					
Income from continuing operations	$0.98	$1.10	$0.99	$0.88	$3.96
Income (loss) from discontinued operations	0.02	0.02	0.03	(0.53)	(0.47)
Net income	$1.00	$1.12	$1.02	$0.35	$3.49
Earnings per share attributable to Quest Diagnostics' stockholders - diluted:					
Income from continuing operations	$0.97	$1.09	$0.98	$0.87	$3.92
Income (loss) from discontinued operations	0.02	0.02	0.03	(0.53)	(0.46)
Net income	$0.99	$1.11	$1.01	$0.34	$3.46

(a) In December 2012, the Company committed to a plan to sell HemoCue and completed the sale of OralDNA. During the third quarter of 2006, the Company completed its wind down of NID and classified the operations of NID as discontinued operations. Results of operations have been prepared to report the results of HemoCue, OralDNA and NID as discontinued operations for all periods presented (see Note 19).

(b) Includes pre-tax charges of $45 million, primarily associated with workforce reductions and professional fees incurred in connection with further restructuring and integrating the Company. Of these costs, $18 million and $27 million were included in cost of services and selling, general and administrative expenses, respectively.

(c) Includes pre-tax charges of $19 million, primarily associated with workforce reductions and professional fees incurred in connection with further restructuring and integrating the Company. Of these costs, $7 million and $12

million were included in cost of services and selling, general and administrative expenses, respectively. Income (loss) from discontinued operations, net of taxes includes a gain on the sale of HemoCue of $14 million (see Note 19).

(d) Includes pre-tax charges of $39 million, primarily associated with workforce reductions and professional fees incurred in connection with further restructuring and integrating the Company. Of these costs, $11 million and $28 million were included in cost of services and selling, general and administrative expenses, respectively. Also includes pre-tax gain on sale of royalty rights of $474 million and the pre-tax loss of $40 million associated with the sale of the Enterix (see Note 6).

(e) Includes pre-tax charges of $12 million, primarily associated with workforce reductions and professional fees incurred in connection with further restructuring and integrating the Company. Of these costs, $7 million and $5 million were included in cost of services and selling, general and administrative expenses, respectively.

(f) Includes pre-tax charges of $13 million, primarily associated with professional fees incurred in connection with further restructuring and integrating the Company. Of these costs, $4 million and $9 million were included in cost of services and selling, general and administrative expenses, respectively. Also includes pre-tax charges of $7 million, principally representing severance and other separation benefits as well as accelerated vesting of certain equity awards in connection with the succession of the Company's prior CEO.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
Quarterly Operating Results (unaudited)
(in millions, except per share data)

(g) Includes pre-tax charges of $13 million, primarily associated with professional fees and workforce reductions incurred in connection with further restructuring and integrating the Company. Of these costs, $5 million and $8 million were included in cost of services and selling, general and administrative expenses, respectively. Also includes pre-tax charges of $3 million, principally representing severance and other separation benefits as well as accelerated vesting of certain equity awards in connection with the succession of the Company's prior CEO.

(h) Includes pre-tax charges of $44 million, primarily associated with workforce reductions and professional fees incurred in connection with further restructuring and integrating the Company. Of these costs, $20 million and $24 million were included in cost of services and selling, general and administrative expenses, respectively.

(i) Includes pre-tax charges of $36 million, primarily associated with workforce reductions and professional fees incurred in connection with further restructuring and integrating the Company. Of these costs, $23 million and $13 million were included in cost of services and selling, general and administrative expenses, respectively. In addition, management estimates that the impact of severe weather during the fourth quarter adversely affected operating income by $16 million.

(j) Includes related charges in discontinued operations for the asset impairment associated with HemoCue and the loss on sale associated with OralDNA totaling $86 million. Discontinued operations also includes an $8 million income tax expense related to the re-valuation of deferred tax assets associated with HemoCue and a $4 million income tax benefit related to the remeasurement of deferred taxes associated with HemoCue as a result of an enacted income tax rate change in Sweden.

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QUEST DIAGNOSTICS INCORPORATED AND SUBSIDIARIES
SCHEDULE II - VALUATION ACCOUNTS AND RESERVES
(in millions)

	Balance at 1-1-13	Provision for Doubtful Accounts	Net Deductions and Other		Balance at 12-31-13
Year Ended December 31, 2013					
Doubtful accounts and allowances	$236	$270	$270	(a)	$236
	Balance at 1-1-12	Provision for Doubtful Accounts	Net Deductions and Other		Balance at 12-31-12
Year Ended December 31, 2012					
Doubtful accounts and allowances	$237	$269	$270	(a)	$236
	Balance at 1-1-11	Provision for Doubtful Accounts	Net Deductions and Other		Balance at 12-31-11
Year Ended December 31, 2011					
Doubtful accounts and allowances	$229	$280	$272	(a)	$237

(a) Primarily represents the write-off of accounts receivable, net of recoveries.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
EXHIBITS TO FORM 10-K
For the fiscal year ended December 31, 2013
Commission File No. 001-12215
QUEST DIAGNOSTICS INCORPORATED

Exhibit Number	Description
3.1	Restated Certificate of Incorporation (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: May 21, 2013) and incorporated herein by reference) (Commission File Number 001-12215)
3.2	Amended and Restated By-Laws of the Company (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: October 10, 2013) and incorporated herein by reference) (Commission File Number 001-12215)
4.1	Form of 5.45% Exchange Senior Note due 2015, including the form of guarantee endorsed thereon (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: November 1, 2005) and incorporated herein by reference) (Commission File Number 001-12215)
4.2	Form of 6.40% Senior Note due 2017, including the form of guarantee endorsed thereon (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: June 19, 2007) and incorporated herein by reference) (Commission file Number 001-12215)
4.3	Form of 6.95% Senior Note due 2037, including the form of guarantee endorsed thereon (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: June 19, 2007) and incorporated herein by reference) (Commission file Number 001-12215)
4.4	Form of 4.750% Senior Note due 2020, including the form of guarantee endorsed thereon (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: November 17, 2009) and incorporated herein by reference) (Commission file Number 001-12215)
4.5	Form of 5.750% Senior Note due 2040, including the form of guarantee endorsed thereon (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: November 17, 2009) and incorporated herein by reference) (Commission file Number 001-12215)
4.6	Form of 3.200% Senior Note due 2016, including the form of guarantee endorsed thereon (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: March 21, 2011) and incorporated herein by reference) (Commission File Number 001-12215)
4.7	Form of 4.700% Senior Note due 2021, including the form of guarantee endorsed thereon (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: March 21, 2011) and incorporated herein by reference) (Commission File Number 001-12215)
4.8	Form of Floating Rate Senior Note due 2014, including the form of guarantee endorsed thereon (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: March 21, 2011) and incorporated herein by reference) (Commission File Number 001-12215)

4.9	Indenture dated as of June 27, 2001, among the Company, the Subsidiary Guarantors, and the Trustee (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: June 27, 2001) and incorporated herein by reference) (Commission File Number 001-12215)
4.10	First Supplemental Indenture, dated as of June 27, 2001, among the Company, the Subsidiary Guarantors, and The Bank of New York (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: June 27, 2001) and incorporated herein by reference) (Commission File Number 001-12215)

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4.11	Second Supplemental Indenture, dated as of November 26, 2001, among the Company, the Subsidiary Guarantors, and The Bank of New York (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: November 26, 2001) and incorporated herein by reference) (Commission File Number 001-12215)
4.12	Third Supplemental Indenture, dated as of April 4, 2002, among the Company, the Additional Subsidiary Guarantors, and The Bank of New York (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: April 1, 2002) and incorporated herein by reference) (Commission File Number 001-12215)
4.13	Fourth Supplemental Indenture dated as of March 19, 2003, among Unilab Corporation (f/k/a Quest Diagnostics Newco Incorporated), the Company, The Bank of New York, and the Subsidiary Guarantors (filed as an Exhibit to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2003 and incorporated herein by reference) (Commission File Number 001-12215)
4.14	Fifth Supplemental Indenture dated as of April 16, 2004, among Unilab Acquisition Corporation (d/b/a FNA Clinics of America), the Company, The Bank of New York, and the Subsidiary Guarantors (filed as an Exhibit to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference) (Commission File Number 001-12215)
4.15	Sixth Supplemental Indenture dated as of October 31, 2005, among the Company, The Bank of New York, and the Subsidiary Guarantors (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: October 31, 2005) and incorporated herein by reference) (Commission File Number 001-12215)
4.16	Seventh Supplemental Indenture dated as of November 21, 2005, among the Company, The Bank of New York, and the Subsidiary Guarantors (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: November 21, 2005) and incorporated herein by reference) (Commission File Number 001-12215)
4.17	Eighth Supplemental Indenture dated as of July 31, 2006, among the Company, The Bank of New York, and the Subsidiary Guarantors (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: July 31, 2006) and incorporated herein by reference) (Commission File Number 001-12215)
4.18	Ninth Supplemental Indenture dated as of September 30, 2006, among the Company, The Bank of New York, and the Subsidiary Guarantors (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: September 30, 2006) and incorporated herein by reference) (Commission File Number 001-12215)
4.19	Tenth Supplemental Indenture dated as of June 22, 2007, among the Company, The Bank of New York, and the Subsidiary Guarantors (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: June 19, 2007) and incorporated herein by reference) (Commission File Number 001-12215)
4.20	Eleventh Supplemental Indenture dated as of June 22, 2007, among the Company, The Bank of New York, and the Additional Subsidiary Guarantors (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: June 19, 2007) and incorporated herein by reference) (Commission File Number 001-12215)
4.21	

	Twelfth Supplemental Indenture dated as of June 25, 2007, among the Company, The Bank of New York, and the Additional Subsidiary Guarantors (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: June 19, 2007) and incorporated herein by reference) (Commission File Number 001-12215)
4.22	Thirteenth Supplemental Indenture dated as of November 17, 2009, among the Company, The Bank of New York, and the Subsidiary Guarantors (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: November 17, 2009) and incorporated herein by reference) (Commission File Number 001-12215)
4.23	Fourteenth Supplemental Indenture dated as of March 24, 2011, among the Company, The Bank of New York, and the Subsidiary Guarantors (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: March 21, 2011) and incorporated herein by reference) (Commission File Number 001-12215)

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4.24	Fifteenth Supplemental Indenture dated as of November 30, 2011, among the Company, The Bank of New York Mellon Trust Company, N.A., as successor trustee to The Bank of New York, and the Subsidiary Guarantors (filed as an Exhibit to the Company's 2011 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.1	Fourth Amended and Restated Credit and Security Agreement dated as of June 11, 2008, among Quest Diagnostics Receivables Inc., as Borrower, the Company, as Servicer, each of the lenders party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as Administrative Agent (filed as an Exhibit to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference) (Commission File Number 001-12215)
10.2	Amendment No. 1 dated as of December 12, 2008 to Fourth Amended and Restated Credit and Security Agreement dated as of June 11, 2008, among Quest Diagnostics Receivables Inc., as Borrower, the Company, as Servicer, each of the lenders party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as Administrative Agent (filed as an Exhibit to the Company's 2008 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.3	Amendment No. 2 dated as of December 11, 2009 to Fourth Amended and Restated Credit and Security Agreement dated as of June 11, 2008 among Quest Diagnostics Receivables Inc., as Borrower, the Company, as Servicer, each of the lenders party thereto and The Bank of Tokyo-Mitsubishi, UFJ, Ltd., New York Branch, as Administrative Agent (filed as an Exhibit to the Company's 2009 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.4	Amendment No. 3 dated as of December 10, 2010 to Fourth Amended and Restated Credit and Security Agreement dated as of June 11, 2008 among Quest Diagnostics Receivables Inc., as Borrower, the Company, as Servicer, each of the lenders party thereto and The Bank of Tokyo-Mitsubishi, UFJ, Ltd., New York Branch as Administrative Agent (filed as an Exhibit to the Company's 2010 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.5	Amendment No. 4 dated as of December 9, 2011 to Fourth Amended and Restated Credit and Security Agreement dated as of June 11, 2008 among Quest Diagnostics Receivables Inc., as Borrower, the Company, as Servicer, each of the lenders party thereto and The Bank of Tokyo-Mitsubishi, UFJ, Ltd., New York Branch as Administrative Agent (filed as an Exhibit to the Company's 2011 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.6	Amendment No. 5 dated as of December 7, 2012 to Fourth Amended and Restated Credit and Security Agreement dated as of June 11, 2008 among Quest Diagnostics Receivables Inc., as Borrower, the Company, as Servicer, each of the lenders party thereto and The Bank of Tokyo-Mitsubishi, UFJ, Ltd., New York Branch as Administrative Agent (filed as an Exhibit to the Company's 2012 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.7*	Amendment No. 6 dated as of October 23, 2013 to Fourth Amended and Restated Credit and Security Agreement dated as of June 11, 2008 among Quest Diagnostics Receivables Inc., as Borrower, the Company, as Servicer, each of the lenders party thereto and The Bank of Tokyo-Mitsubishi, UFJ, Ltd., New York Branch as Administrative Agent
10.8*	Amendment No. 7 dated as of December 6, 2013 to Fourth Amended and Restated Credit and Security Agreement dated as of June 11, 2008 among Quest Diagnostics Receivables Inc., as Borrower, the Company, as Servicer, each of the lenders party thereto and The Bank of Tokyo-Mitsubishi, UFJ, Ltd.,

	New York Branch as Administrative Agent
10.9	Third Amended and Restated Receivables Sale Agreement dated as of December 12, 2008, among the Company, its subsidiaries who are or become a seller thereunder, as the Sellers, and Quest Diagnostics Receivables Inc., as the Buyer (filed as an Exhibit to the Company's 2008 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.10	Amended and Restated Employee Stock Purchase Plan (filed as an Exhibit to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2007 and incorporated herein by reference) (Commission File Number 001-12215)

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10.11*‡	Amended and Restated Quest Diagnostics Incorporated Employee Long-Term Incentive Plan as amended February 14, 2014
10.12*‡	Amended and Restated Quest Diagnostics Incorporated Long-Term Incentive Plan for Non-Employee Directors as amended February 14, 2014
10.13‡	Amended and Restated Deferred Compensation Plan For Directors as amended October 31, 2008 (filed as an Exhibit to the Company's 2008 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.14‡	Form of Equity Award Agreement dated as of February 25, 2013 (filed as an Exhibit to the Company's quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and incorporated herein by reference) (Commission File Number 001-12215)
10.15‡	Form of Equity Award Agreement dated as of August 19, 2013 (filed as an Exhibit to the Company's quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and incorporated herein by reference) (Commission File Number 001-12215)
10.16‡	Supplemental Deferred Compensation Plan (Post 2004) amended December 22, 2008 (filed as an Exhibit to the Company's 2008 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.17‡	Amendment No. 1 dated November 27, 2012 to Quest Diagnostics Incorporated Supplemental Deferred Compensation Plan (Post 2004) amended December 22, 2008 (filed as an Exhibit to the Company's 2012 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.18‡	Quest Diagnostics Supplemental Deferred Compensation Plan (Pre-2005) amended and restated November 27, 2012 (filed as an Exhibit to the Company's 2012 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.19‡	Senior Management Incentive Plan (filed as Appendix A to the Company's Definitive Proxy Statement dated March 28, 2003 and incorporated herein by reference) (Commission File Number 001-12215)
10.20‡	Amended and Restated Quest Diagnostics Incorporated Executive Officer Severance Plan (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: August 20, 2013) and incorporated herein by reference) (Commission File Number 001-12215)
10.21‡	AmeriPath Group Holdings, Inc. 2006 Stock Option and Restricted Stock Purchase Plan (filed as an Exhibit to the Company's registration statement on Form S-8 and incorporated herein by reference) (Commission File Number 333-143889)
10.22‡	Amendment dated as of August 17, 2007 to the AmeriPath Group Holdings, Inc. 2006 Stock Option and Restricted Stock Purchase Plan (filed as an Exhibit to the Company's 2007 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.23	The Profit Sharing Plan of Quest Diagnostics Incorporated, Amended and Restated effective as of January 1, 2012 (filed as an Exhibit to the Company's 2012 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)

10.24	401(k) Savings Plan of Quest Diagnostics Incorporated, Amended and Restated effective as of January 1, 2012 (filed as an Exhibit to the Company's 2012 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.25‡	Form of Non-Employee Director Equity Award Agreement (filed as an Exhibit to the Company's 2011 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)

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10.26‡	Form of Non-Employee Director Elective Option Award Agreement (filed as an Exhibit to the Company's 2011 annual report on Form 10-K and incorporated herein by reference) (Commission File Number 001-12215)
10.27‡	Employment Agreement between the Company and Kathy Ordoñez, dated as of March 17, 2011 (filed as an Exhibit to the Company's Schedule TO on March 28, 2011 and incorporated herein by reference) (Commission File Number 001-12215)
10.28‡	Employment Agreement between Stephen H. Rusckowski and the Company, dated April 3, 2012 (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: April 9, 2012) and incorporated herein by reference) (Commission File Number 001-12215)
10.29‡	Consulting Agreement between the Company and Robert A. Hagemann dated July 31, 2013 (filed as an Exhibit to the Company's current report on Form 8-K (Date of Report: July 29, 2013) and incorporated herein by reference) (Commission File Number 001-12215)
10.30*‡	Aircraft Timesharing Agreement dated as of December 17, 2013 between the Company and Stephen H. Rusckowski
11.1	Statement re: Computation of Earnings Per Common Share (the calculation of per share earnings is in Part II, Item 8, Note 3 to the consolidated financial statements (Earnings Per Share) and is omitted in accordance with Item 601(b)(11) of Regulation S-K)
21.1*	Subsidiaries of Quest Diagnostics Incorporated
23.1*	Consent of PricewaterhouseCoopers LLP
24.1*	Power of Attorney (included on signature page)
31.1*	Rule 13a-14(a) Certification of Chief Executive Officer
31.2*	Rule 13a-14(a) Certification of Chief Financial Officer
32.1**	Section 1350 Certification of Chief Executive Officer
32.2**	Section 1350 Certification of Chief Financial Officer
101.INS*	dgx-20131231.xml
101.SCH*	dgx-20131231.xsd
101.CAL*	dgx-20131231_cal.xml
101.DEF*	dgx-20131231_def.xml
101.LAB*	dgx-20131231_lab.xml
101.PRE*	dgx-20131231_pre.xml

*	Filed herewith.

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** Furnished herewith.

‡ Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K pursuant to Item 15(b) of Form 10-K.

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