

LABORATORY CORP OF AMERICA HOLDINGS
Form 10-Q
October 31, 2011

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

FORM 10-Q

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

For the quarterly period ended September 30, 2011
OR

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

For the transition period from _____ to _____

Commission file number 1-11353

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

Delaware
(State or other jurisdiction of incorporation or
organization)

13-3757370
(I.R.S. Employer Identification No.)

358 South Main Street,
Burlington, North Carolina
(Address of principal executive offices)

27215
(Zip Code)

(Registrant's telephone number, including area code) 336-229-1127

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

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

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

Large accelerated filer

Accelerated Filer

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares outstanding of the issuer's common stock is 99.1 million shares, net of treasury stock as of October 24, 2011.

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PART I – FINANCIAL INFORMATION

Item 1. – Financial Statements

LABORATORY CORPORATION OF AMERICA HOLDINGS AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)

(unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$85.8	\$230.7
Accounts receivable, net of allowance for doubtful accounts of \$192.4 and \$149.2 at September 30, 2011 and December 31, 2010, respectively	718.7	655.6
Supplies inventories	103.8	103.4
Prepaid expenses and other	78.4	95.7
Deferred income taxes	85.9	58.4
Total current assets	1,072.6	1,143.8
Property, plant and equipment, net	577.4	586.9
Goodwill, net	2,641.4	2,601.3
Intangible assets, net	1,592.7	1,674.1
Joint venture partnerships and equity method investments	75.4	78.5
Other assets, net	93.7	103.2
Total assets	\$6,053.2	\$6,187.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$222.9	\$257.8
Accrued expenses and other	404.3	352.9
Noncontrolling interest	140.7	148.1
Short-term borrowings and current portion of long-term debt	214.3	361.7
Total current liabilities	982.2	1,120.5
Long-term debt, less current portion	1,769.3	1,826.7
Deferred income taxes and other tax liabilities	569.8	602.3
Other liabilities	169.0	151.4
Total liabilities	3,490.3	3,700.9
Commitments and contingent liabilities	--	--
Noncontrolling interest	19.6	20.6
Shareholders' equity		
Common stock, 99.7 and 102.4 shares outstanding at September 30, 2011 and December 31, 2010, respectively	11.9	12.2
Additional paid-in capital	--	53.9

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Retained earnings	3,402.2	3,246.6
Less common stock held in treasury	(940.9)	(934.9)
Accumulated other comprehensive income	70.1	88.5
Total shareholders' equity	2,543.3	2,466.3
Total liabilities and shareholders' equity	\$6,053.2	\$6,187.8

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net sales	\$1,404.5	\$1,276.5	\$4,176.2	\$3,708.5
Cost of sales	836.0	748.8	2,451.1	2,140.3
Gross profit	568.5	527.7	1,725.1	1,568.2
Selling, general and administrative expenses	283.8	270.5	889.3	761.9
Amortization of intangibles and other assets	21.2	18.0	64.6	53.1
Restructuring and other special charges	24.1	3.9	70.3	13.2
Operating income	239.4	235.3	700.9	740.0
Other income (expenses):				
Interest expense	(20.3)	(21.6)	(65.3)	(50.7)
Equity method income, net	2.5	4.2	6.6	12.6
Investment income	0.2	0.3	0.7	0.8
Other, net	(1.7)	(1.6)	(1.8)	(3.0)
Earnings before income taxes	220.1	216.6	641.1	699.7
Provision for income taxes	82.5	73.5	246.2	263.2
Net earnings	137.6	143.1	394.9	436.5
Less: Net earnings attributable to the noncontrolling interest	(3.3)	(3.1)	(10.6)	(10.1)
Net earnings attributable to Laboratory Corporation of America Holdings	\$134.3	\$140.0	\$384.3	\$426.4
Basic earnings per common share	\$1.34	\$1.37	\$3.82	\$4.12
Diluted earnings per common share	\$1.31	\$1.34	\$3.76	\$4.05

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

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

(in millions)

(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
BALANCE AT DECEMBER						
31, 2009	\$12.5	\$36.7	\$2,927.9	\$(932.5)	\$ 61.5	\$ 2,106.1
Comprehensive earnings:						
Net earnings attributable to Laboratory Corporation of America Holdings	--	--	426.4	--	--	426.4
Other comprehensive earnings:						
Foreign currency translation adjustments	--	--	--	--	19.4	19.4
Interest rate swap adjustments	--	--	--	--	5.7	5.7
Tax effect of other comprehensive earnings adjustments	--	--	--	--	(8.4)	(8.4)
Comprehensive earnings						443.1
Issuance of common stock under employee stock plans	0.1	44.3	--	--	--	44.4
Surrender of restricted stock awards	--	--	--	(2.4)	--	(2.4)
Stock compensation	--	29.5	--	--	--	29.5
Value of noncontrolling interest put	--	(17.2)	--	--	--	(17.2)
Income tax benefit from stock options exercised	--	4.2	--	--	--	4.2
Purchase of common stock	(0.5)	(97.5)	(239.5)	--	--	(337.5)
BALANCE AT SEPTEMBER						
30, 2010	\$12.1	\$--	\$3,114.8	\$(934.9)	\$ 78.2	\$ 2,270.2
BALANCE AT DECEMBER						
31, 2010	\$12.2	\$53.9	\$3,246.6	\$(934.9)	\$ 88.5	\$ 2,466.3
Comprehensive earnings:						
Net earnings attributable to Laboratory Corporation of America Holdings	--	--	384.3	--	--	384.3

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Other comprehensive earnings:						
Foreign currency translation adjustments	--	--	--	--	(32.6)	(32.6)
Interest rate swap adjustments	--	--	--	--	2.4	2.4
Tax effect of other comprehensive earnings adjustments	--	--	--	--	11.8	11.8
Comprehensive earnings						365.9
Issuance of common stock under						
employee stock plans	0.1	111.2	--	--	--	111.3
Surrender of restricted stock and						
performance share awards	--	--	--	(6.0)	--	(6.0)
Conversion of zero-coupon convertible debt	0.1	36.1	--	--	--	36.2
Stock compensation	--	37.2	--	--	--	37.2
Income tax benefit from stock options exercised	--	10.2	--	--	--	10.2
Purchase of common stock	(0.5)	(248.6)	(228.7)	--	--	(477.8)
BALANCE AT						
SEPTEMBER 30, 2011	\$11.9	\$--	\$3,402.2	\$(940.9)	\$ 70.1	\$ 2,543.3

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

(unaudited)

	Nine Months Ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$394.9	\$436.5
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	173.6	150.7
Stock compensation	37.2	29.5
Loss on sale of assets	1.2	2.4
Accreted interest on zero-coupon subordinated notes	3.2	4.4
Cumulative earnings less than (in excess of) distribution from equity method investments	(0.3)	0.6
Deferred income taxes	(11.0)	(2.1)
Change in assets and liabilities (net of effects of acquisitions):		
Increase in accounts receivable (net)	(65.9)	(49.0)
(Increase) decrease in inventories	(0.9)	2.3
Decrease in prepaid expenses and other	10.5	11.4
Decrease in accounts payable	(40.8)	(8.9)
Increase in accrued expenses and other	75.3	46.6
Net cash provided by operating activities	577.0	624.4
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(115.6)	(93.3)
Proceeds from sale of assets	3.6	3.9
Deferred payments on acquisitions	(0.7)	(3.0)
Acquisition of licensing technology	--	(0.4)
Investments in equity affiliates	--	(10.0)
Acquisition of businesses, net of cash acquired	(46.3)	(219.7)
Net cash used for investing activities	(159.0)	(322.5)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	85.0	160.0
Payments on revolving credit facilities	(85.0)	(170.0)
Principal payments on term loan	(56.2)	(37.5)
Payments on zero-coupon subordinated notes	(150.6)	(5.0)
Payments on vendor-financed equipment	--	(1.3)
Payments on long-term debt	(0.8)	--
Payment of debt issuance costs	(0.5)	--
Proceeds from sale of interest in a consolidated subsidiary	--	137.5
Cash paid to acquire an interest in a consolidated subsidiary	--	(137.5)
Noncontrolling interest distributions	(5.8)	(8.5)
Excess tax benefits from stock based compensation	9.8	2.4
Net proceeds from issuance of stock to employees	111.3	44.4

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Purchase of common stock	(468.8)	(338.1)
Net cash used for financing activities	(561.6)	(353.6)
Effect of exchange rate changes on cash and cash equivalents	(1.3)	0.1
Net decrease in cash and cash equivalents	(144.9)	(51.6)
Cash and cash equivalents at beginning of period	230.7	148.5
Cash and cash equivalents at end of period	\$85.8	\$96.9

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

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

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

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

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

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

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

2. EARNINGS PER SHARE

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

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2011		2010		2011		2010	
	Income	Per Share	Income	Per Share	Income	Per Share	Income	Per Share
Basic earnings	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount

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per share:

Net earnings	\$134.3	100.6	\$1.34	\$140.0	102.1	\$1.37	\$384.3	100.5	\$3.82	\$426.4	103.4	\$4.12
Dilutive effect of employee stock options and awards	--	1.1	--	0.8	--	1.3	--	0.8	--	0.8	--	0.8
E f f e c t o f convertible debt, net of tax	--	0.5	--	1.2	--	0.5	--	0.5	--	1.2	--	1.2
Diluted earnings per share: Net earnings including impact of dilutive adjustments	\$134.3	102.2	\$1.31	\$140.0	104.1	\$1.34	\$384.3	102.3	\$3.76	\$426.4	105.4	\$4.05

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollars and shares in millions, except per share data)

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Stock options	1.5	4.3	1.3	4.1

3. NEW ACCOUNTING PRONOUNCEMENTS

In September 2011, the Financial Accounting Standards Board (“FASB”) issued authoritative guidance in connection with disclosures about an employer’s participation in a multiemployer plan. This literature requires that employers provide additional separate disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans. For employers that participate in multiemployer pension plans, the amendments in this guidance require an employer to provide additional quantitative and qualitative disclosures. The amended disclosures provide users with more detailed information about an employer’s involvement in multiemployer pension plans. The new guidance is effective for fiscal years ending after December 15, 2011, with early adoption permitted. The Company does not believe the adoption of the authoritative guidance for the year ending December 31, 2011 will have an impact on its consolidated financial statements other than potentially adding the new disclosures required by the guidance.

In September 2011, the FASB issued authoritative guidance to amend and simplify the rules related to testing goodwill for impairment. The revised guidance allows an entity to make an initial qualitative evaluation, based on the entity’s events and circumstances, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The results of this qualitative assessment determine whether it is necessary to perform the currently required two-step impairment test. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company is currently evaluating whether to adopt this guidance early for its fiscal year 2011 annual impairment test. Adoption of this guidance is not expected to have a material impact on the Company’s consolidated financial statements.

In July 2011, the FASB issued authoritative guidance on the presentation and disclosure of patient service revenue, provision for bad debts, and the allowance for doubtful accounts for certain health care entities. This literature was issued to provide greater transparency about a health care entity’s net patient service revenue and the related allowance for doubtful accounts. Specifically, this literature requires the provision for bad debts associated with patient service revenue to be separately displayed on the face of the statement of operations as a component of net revenue for health care entities that provide services regardless of a patient's ability to pay. The guidance also requires enhanced disclosures of significant changes in estimates in the provision for bad debts relating to patient services when an entity recognizes revenue regardless of a patient's ability to pay. This guidance is effective for fiscal years and interim periods beginning after December 15, 2011, with early adoption permitted. The Company does not believe the adoption of the authoritative guidance in the first quarter of 2012 will have an impact on its consolidated financial statements.

In June 2011, the FASB issued authoritative guidance on the presentation of comprehensive income. Specifically, this literature allows an entity to present components of net earnings and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive

statements. The authoritative guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in shareholders' equity. While the authoritative guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net earnings or other comprehensive income under current accounting guidance. The guidance is effective for fiscal years and interim periods beginning after December 15, 2011. The Company does not believe the adoption of the authoritative guidance in the first quarter of fiscal 2012 will have an impact on its consolidated financial position, results of operations or cash flows.

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In May 2011, the FASB issued authoritative guidance to achieve common fair value measurement and disclosure requirements between U.S. generally accepted accounting principles and International Financial Reporting Standards. This new literature amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. The guidance is effective for fiscal years and interim periods beginning after December 15, 2011. The Company does not believe the adoption of the authoritative guidance in the first quarter of fiscal 2012 will have an impact on its consolidated financial statements.

4. BUSINESS ACQUISITIONS

During the nine months ended September 30, 2011, the Company acquired various laboratories and related assets for approximately \$46.3 in cash (net of cash acquired). These acquisitions were made primarily to extend the Company's geographic reach in important market areas and/or enhance the Company's scientific differentiation and esoteric testing capabilities.

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

In addition, the Company has received a request for additional information (commonly referred to as a "Second Request") from the Federal Trade Commission ("FTC") in connection with the Company's proposed acquisition of Orchid. The Company has been cooperating with FTC staff since April 18, 2011, when the Company originally filed its required notification pursuant to the HSR Act. The Company intends to continue to cooperate with the FTC to obtain clearance as promptly as possible.

5. NONCONTROLLING INTEREST PUTS

The partnership units of the holders of the noncontrolling interest in the Ontario, Canada ("Ontario") joint venture were acquired by the Company on February 8, 2010 for \$137.5. On February 17, 2010, the Company completed a transaction to sell the units acquired from the previous noncontrolling interest holder to a new Canadian partner for the same price. As a result of this transaction, the Company recorded a component of noncontrolling interest in other liabilities and a component in mezzanine equity. Upon the completion of these two transactions, the Company's financial ownership percentage in the joint venture partnership remained unchanged at 85.6%. Concurrent with the sale to the new partner, the partnership agreement for the Ontario joint venture was amended and restated with substantially the same terms as the previous agreement. The combined contractual value of these puts, in excess of the current noncontrolling interest of \$28.4, totals \$131.9 at September 30, 2011. At September 30, 2011, \$140.7 has been classified as a current liability in the Company's condensed consolidated balance sheet as the noncontrolling interest

that acquired these units has the ability to put its units in the partnership to the Company on December 31, 2011.

On October 14, 2011, the Company issued notice to a noncontrolling interest holder in the Ontario joint venture of its intent to purchase the holder's partnership units in accordance with the terms of the joint venture's partnership agreement. The purchase price as outlined in the partnership agreement is C\$147.8 plus certain adjustments relating to cash distribution hold backs made to finance recent business acquisitions and capital expenditures. The Company anticipates that the transaction will close on November 28, 2011 and once completed will bring the Company's percentage interest owned to 98.2%.

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(dollars and shares in millions, except per share data)

Net sales of the Ontario joint venture for the nine month and three month periods ended September 30, 2011 were \$230.7 (CN\$225.4) and \$75.8 (CN\$74.2), respectively, and \$207.6 (CN\$215.1) and \$67.6 (CN\$70.3) for the nine month and three month periods ended September 30, 2010, respectively.

6. RESTRUCTURING AND OTHER SPECIAL CHARGES

During the first nine months of 2011, the Company recorded net restructuring charges of \$39.1. Of this amount, \$21.1 related to severance and other personnel costs, and \$21.3 primarily related to facility-related costs associated with the ongoing integration of certain acquisitions including Genzyme Genetics* and Westcliff. These charges were offset by restructuring credits of \$3.3 resulting from the reversal of unused severance and facility closure liabilities. In addition, the Company recorded fixed assets impairment charges of \$16.4 primarily related to equipment and leasehold improvements in closed facilities. The Company also recorded a special charge of \$14.8 related to a write-off of certain assets and liabilities related to an investment made in a prior year.

During the first nine months of 2010, the Company recorded net restructuring charges of \$7.0 primarily related to work force reductions and the closing of redundant and underutilized facilities. The majority of these costs related to severance and other employee costs and contractual obligations associated with leased facilities and other facility related costs. Of this amount, \$8.0 related to severance and other employee costs in connection with certain work force reductions and \$3.2 related to contractual obligations associated with leased facilities and other facility related costs. The Company also reduced its prior facility related restructuring accruals by \$4.2 as a result of changes in cost estimates on the restructuring initiatives. In addition, the Company recorded a special charge of \$6.2 related to the write-off of development costs incurred on systems abandoned during the first nine months of 2010.

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

7. RESTRUCTURING RESERVES

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

	Severance and Other Employee Costs	Lease and Other Facility Costs	Total
Balance as of December 31, 2010	\$4.9	\$12.9	\$17.8
Restructuring charges	21.1	21.3	42.4
Reduction of prior restructuring accruals	(2.4)	(0.9)	(3.3)
Cash payments and other adjustments	(12.0)	(6.0)	(18.0)
Balance as of September 30, 2011	\$11.6	\$27.3	\$38.9
Current			\$24.0
Non-current			14.9
			\$38.9

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

8. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the nine-month period ended September 30, 2011 and for the year ended December 31, 2010 are as follows:

	September 30, 2011	December 31, 2010
Balance as of January 1	\$ 2,601.3	\$ 1,897.1
Goodwill acquired during the period	46.0	704.4
Adjustments to goodwill	(5.9)	(0.2)
Balance at end of period	\$ 2,641.4	\$ 2,601.3

The components of identifiable intangible assets are as follows:

	September 30, 2011		December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	\$1,163.9	\$ (412.9)		