

QUEST DIAGNOSTICS INC  
Form DEF 14A  
April 02, 2010  
UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934**

Filed by the Registrant  T  
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**Quest Diagnostics Incorporated**

(Name of Registrant as Specified in its Charter)

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

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**Notice of 2010 Annual Meeting of Shareholders  
Quest Diagnostics Incorporated  
Three Giralda Farms  
Madison, New Jersey  
May 6, 2010, 10:30 a.m. local time**

April 5, 2010

Dear Fellow Shareholder:

It is my pleasure to invite you to attend Quest Diagnostics 2010 Annual Meeting of Shareholders. At the meeting, we will:

elect three members of  
the Board of Directors;

consider ratifying the  
appointment of  
PricewaterhouseCoopers  
LLP as our independent  
registered public  
accounting firm for  
2010; and

transact such other  
business as may properly  
come before the meeting.

Our Board of Directors recommends that you vote **FOR** the election of directors and the ratification of the appointment of the accounting firm.

Attendance at the meeting is limited to shareholders of record at the close of business on March 8, 2010, or their duly appointed proxy holder.

We enclose our proxy statement, our annual report and a proxy card. *Your vote is very important.* Whether or not you plan to attend the meeting, I urge you to vote your shares. Most shareholders may vote via mail, telephone or the Internet. Instructions on how to vote are included with your proxy card and these proxy materials. Please submit your proxy promptly.

Thank you for your continued support of Quest Diagnostics.

Sincerely,

Surya N. Mohapatra, Ph.D.  
*Chairman, President and  
Chief Executive Officer*

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**PROXY STATEMENT**

**QUEST DIAGNOSTICS INCORPORATED**

**Three Giralda Farms  
Madison, New Jersey 07940  
(973) 520-2700**

**INFORMATION ABOUT OUR 2010 ANNUAL MEETING**

This proxy statement and form of proxy and voting instructions are being mailed starting on or about April 5, 2010.

**Who is soliciting my vote?**

The Board of Directors (the Board of Directors or the Board ) of Quest Diagnostics Incorporated, a Delaware corporation ( Quest Diagnostics, the Company, we or our ), is soliciting your vote for our 2010 annual meeting.

**What will I vote on?**

You are being asked to vote on:

election of three directors  
for a three-year term; and

ratification of the  
appointment of  
PricewaterhouseCoopers  
LLP ( PwC ) as our  
independent registered  
public accounting firm  
for 2010.

**Who can vote at the annual meeting?**

Holders of our common stock as of the close of business on the record date will be entitled to vote at the annual meeting and at any adjournment or postponement of the annual meeting. March 8, 2010 is the record date.

**How many votes can be cast by all shareholders?**

On the record date, there were 179,519,454 shares of our common stock outstanding, each of which is entitled to one vote for each matter to be voted on at the annual meeting.

**How many votes must be present to hold the annual meeting?**

We need a majority of the votes that may be cast, present in person or represented by proxy, to hold the annual meeting. We urge you to vote by proxy even if you plan to attend the annual meeting. That will help us to know as soon as possible that sufficient votes will be present to hold the annual meeting.

**How do I vote if I am a holder of record (that is, I hold my shares in my name with the Company's transfer agent)?**

If you are a holder of record, you may vote by submitting your proxy via mail, telephone or the Internet or by attending the annual meeting and voting in person. If you choose to submit your proxy by mail, simply mark, sign and date your proxy card and return it in the enclosed postage pre-paid envelope. You can also submit your proxy by calling 1-888-693-8683. If you choose to submit your proxy on the Internet, go to [www.cesvote.com](http://www.cesvote.com). The directions for telephone and Internet proxy submission are on your proxy card. If you return a signed proxy card without indicating your vote, your shares will be voted according to the Board's recommendation.

**How do I vote if I hold my shares in street name (that is, through a broker, bank or other holder of record)?**

If you hold your shares in street name, please follow the voting instructions forwarded to you by your bank, broker or other holder of record. If you want to vote in person at the annual meeting, you must obtain a legal proxy from your broker, bank or other holder of record authorizing you to vote and bring the proxy to the annual meeting. Please note that if you hold your shares in street name, you must cast your vote if you want your shares to count in the election of directors. In the past, if you did not indicate how you wanted your shares voted

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in the election of directors, New York Stock Exchange member brokers were allowed to vote those shares on your behalf in the election of directors in their discretion. Recent regulatory changes eliminate a broker's ability to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you do not instruct your broker how to vote in the election of directors, no vote will be cast on your behalf. Brokers continue, however, to have discretion to vote uninstructed shares on the ratification of the appointment of our independent registered public accounting firm.

**How many votes will be required to elect directors?**

Each director will be elected by a majority of votes cast with respect to such director. A majority of votes cast means that the number of votes cast for a director nominee exceeds the number of votes cast against that director nominee. Under Delaware law, if the director is not elected at the annual meeting, the director will continue to serve on the Board as a holdover director. As required by the Company's by-laws, each director nominee has submitted an irrevocable letter of resignation as director that becomes effective if he or she is not elected by the shareholders and the Board accepts the resignation. If a director is not elected, the Governance Committee will consider the director's resignation and recommend to the Board whether to accept or reject the resignation or take other action. The Board will decide whether to accept or reject the resignation or take other action and publicly disclose its decision and, if it rejects the resignation, the rationale behind the decision, within 120 days after the election results are certified.

**How many votes will be required to adopt the other proposals?**

The ratification of PwC's appointment requires the affirmative vote of a majority of the shares of common stock represented at the annual meeting and entitled to vote thereon.

**Can I change or revoke my proxy?**

Yes. You may revoke your proxy at any time before your shares are voted by:

submitting a  
later proxy,  
including by  
telephone or the  
Internet;

delivering a  
written  
revocation  
notice to  
William J.  
O'Shaughnessy,  
Jr., Corporate  
Secretary,  
Quest  
Diagnostics  
Incorporated,  
Three Giralda  
Farms,  
Madison, New  
Jersey 07940;  
or



voting in person  
at the annual  
meeting.

**What if I vote to abstain?**

Shares voting  abstain for any nominee for director will be excluded entirely from the vote and will have no effect on the election of that nominee. Shares voting  abstain on any other proposal will be counted as present for purposes of that proposal and will have the effect of a vote against the proposal.

**What happens if I do not vote?**

If you are a record holder and do not vote your shares, your shares will not be voted.

If you hold your shares in street name, you must cast your vote if you want your shares to count in the election of directors. In the past, if you did not indicate how you wanted your shares voted in the election of directors, New York Stock Exchange member brokers were allowed to vote those shares on your behalf in the election of directors in their discretion. Recent regulatory changes eliminate a broker's ability to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you do not instruct your broker how to vote in the election of directors, no vote will be cast on your behalf. Brokers continue, however, to have discretion to vote uninstructed shares on the ratification of the appointment of our independent registered public accounting firm.

If you are a participant in the Quest Diagnostics Profit Sharing Plan and you do not submit voting instructions in respect of shares held on your behalf in that plan, then, except as otherwise required by law, the plan trustee will vote your shares in the same proportion as the voting instructions that it receives from other participants in that plan. If you hold shares in the Company's Employee Stock Purchase Plan and you do not submit voting instructions in respect of shares held in that plan, those shares will not be voted.

**What if there is voting on other matters?**

We do not know of any other matters that may be presented for action at the meeting other than those described in this proxy statement. If any other matter properly is brought before the meeting, the proxy holders will have the discretion to vote on those matters for you.

**How can I attend the annual meeting?**

Only shareholders as of the record date (or their proxy holders) may attend the annual meeting. All shareholders seeking admission to the meeting must present photo identification. If you hold your shares in street name, to gain admission to the meeting you also must provide proof of ownership of your shares as of the record date. Proof of ownership may be a letter or account statement from your broker or bank.

**What happens if the annual meeting is postponed or adjourned?**

Your proxy will still be valid and may be voted at the postponed or adjourned annual meeting. You will still be able to change or revoke your proxy until it is voted.

**Who will pay the expenses incurred in connection with the solicitation of my vote?**

The Company pays the cost of preparing proxy materials and soliciting your vote. Our directors, officers and employees, who will receive no additional compensation for soliciting, may solicit proxies on our behalf by telephone, mail, electronic or facsimile transmission, in person or by other means of communication. We also have hired D. F. King & Co., Inc. to solicit proxies and for these services we will pay an estimated fee of \$10,000, plus expenses.

**Whom should I call with other questions?**

If you have additional questions about this proxy statement or the annual meeting or would like additional copies of this document or our 2009 Annual Report on Form 10-K, please contact Investor Relations, Quest Diagnostics Incorporated, 3 Giralda Farms, Madison, N.J. 07940; email address: [Investor@QuestDiagnostics.com](mailto:Investor@QuestDiagnostics.com).

**MATTER TO BE CONSIDERED AT THE ANNUAL MEETING**

**Proposal No. 1 Election of Directors**

The Company's Restated Certificate of Incorporation requires that the Company have at least three but not more than twelve directors, as the Board determines from time to time. The Board presently consists of nine directors divided into three classes, each with three-year terms. At this meeting, three directors are seeking re-election for a three-year term expiring in 2013. The biographies of each of the nominees and continuing directors below contain information regarding the person's service as a director of the Company, business experience, other director positions and the experience, qualifications, attributes and skills that led the Board to conclude as of the date of this proxy statement that the person should serve as a director of the Company.

***Nominees for Election***

Based on the recommendation of the Governance Committee, the Board nominated three individuals to serve as directors for a term expiring at the 2013 annual meeting. Each nominee is currently a director of the Company. The Board believes that each nominee possesses the qualities and experience that nominees should possess in accordance with the Company's Corporate Governance Guidelines, which set forth the Board's philosophy regarding Board composition and identify key qualifications and other considerations (the relevant portion of the Company's Corporate Governance Guidelines is set forth below in the section entitled "Information About Our Corporate Governance Board

Nomination Process. ) Each nominee has consented to serve if elected. The terms of these three directors seeking re-election expire at the adjournment of the 2010 annual meeting.

**Directors with Terms Expiring at the 2010 Annual Meeting**

**John C. Baldwin, M.D.**, 61, is Senior Advisor for Health Affairs to the Texas Tech University System and a tenured professor. He oversees health research, education, and accreditation issues for the university. From 2007 to 2009, he served as President of Texas Tech University Health Sciences Center. From 2005 to 2007, he was President and Chief Executive Officer of CBR Institute for Biomedical Research. From 1998 to 2005, Dr. Baldwin was the Associate Provost for Health Affairs at Dartmouth College and Professor of Surgery at Dartmouth Medical School. From 1994 to 1998, Dr. Baldwin was the head of the surgical programs at Baylor College of Medicine and its affiliated hospitals. Dr. Baldwin was also the Governor of the American College of Surgeons from 1991 through 1997 and the President of the International Society of Cardiothoracic Surgeons in 1999. Dr. Baldwin has served as the Vice-Chair of the Board of Overseers of Harvard University. Dr. Baldwin served as a director of Massey Energy Company from 2004 until 2006. He has been a director of Quest Diagnostics since May 2004. Dr. Baldwin has extensive executive experience, including in strategic planning, with major organizations, and extensive experience with healthcare issues and the operation of the U.S. healthcare system, including as a practicing physician.

**Surya N. Mohapatra, Ph.D.**, 60, is Chairman of the Board, President and Chief Executive Officer of Quest Diagnostics. Prior to joining the Company in February 1999 as Senior Vice President and Chief Operating Officer, he was Senior Vice President of Picker International, a worldwide leader in advanced medical imaging technologies, where he served in various executive positions during his 18-year tenure. Dr. Mohapatra was appointed President and Chief Operating Officer of the Company in June 1999, Chief Executive Officer in May 2004, and Chairman of the Board in December 2004. Dr. Mohapatra also is a director of ITT Corporation. Dr. Mohapatra served as a director of Vasogen, Inc. from 2002 to 2006. He has been a director of Quest Diagnostics since October 2002. Dr. Mohapatra has experience at Quest Diagnostics, including as President and Chief Executive Officer, that provides him unique insights into the Company's operations, challenges and opportunities, and he has extensive executive experience in international operations and medical diagnostics.

**Gary M. Pfeiffer**, 60, retired in 2006 as the Senior Vice President and Chief Financial Officer of E.I. du Pont de Nemours and Company. He joined DuPont in 1974, where he held positions of increasing responsibility in finance and international operations, as well as in various DuPont divisions. Mr. Pfeiffer served as Secretary of Finance for the state of Delaware from January through June 2009. Mr. Pfeiffer is a director of InterNAP Network Services Corporation and the non-executive chair of the board of Talbots, Inc. Mr. Pfeiffer has been a director of Quest Diagnostics since December 2004. He has extensive executive experience, including in corporate finance, accounting, international operations, and strategic planning, with a multinational corporation operating in complex industries.

*Directors Continuing in Office*

**Directors with Terms Expiring at the 2011 Annual Meeting**

**William F. Buehler**, 70, retired in 2001 as Vice Chairman of Xerox Corporation, which he joined in 1991. At Xerox, Mr. Buehler was responsible for five business groups: Production Systems, Office Document Products, Document Services, Channels and Supplies. He also oversaw Corporate Strategic Services, Business Development and Systems Software and Architecture. Prior to joining Xerox, Mr. Buehler spent 27 years with AT&T, primarily in sales, marketing and general management positions. Mr. Buehler is a director of A.O. Smith Corporation. Mr. Buehler has been a director of Quest Diagnostics since July 1998. He has extensive executive experience, including in sales, marketing and strategic planning, with multinational corporations operating in complex industries.

**Rosanne Haggerty**, 49, is the founder and President of Common Ground Community, a not-for-profit organization that develops strategies to end homelessness in New York City. Prior to founding Common Ground Community in 1990, she was the coordinator of housing development at Brooklyn Catholic Charities. Ms. Haggerty is a 2001 MacArthur Foundation Fellow. Ms. Haggerty has been a director of Quest Diagnostics since February 2002. She has extensive entrepreneurial and executive experience, including in strategic planning and social responsibility issues, with a not-for profit entity operating in a complex environment.

**Daniel C. Stanzione, Ph.D.**, 64, retired from Lucent Technologies Incorporated in 2000 and is President Emeritus of Bell Laboratories and an independent consultant. Dr. Stanzione began his career in 1972 with Bell Laboratories, where he led the teams working on the first microprocessors and digital signal processors. He was appointed President of Network Systems, Lucent's largest business unit, in 1996 and was appointed Chief Operating Officer of Lucent in 1997. Dr. Stanzione is a director of InterNAP Network Services Corporation, where he serves as non-executive chairman of the board. Dr. Stanzione served as a director of Avaya Inc. from 2000 until 2007. He has been a director of Quest Diagnostics since January 1997. Dr. Stanzione has extensive executive experience, including in general management and strategic planning, with multinational corporations operating in complex industries.

**Directors with Terms Expiring at the 2012 Annual Meeting**

**Jenne K. Britell, Ph.D.**, 67, joined Brock Capital Group LLC in March 2010 as a Senior Managing Director, advising companies and investors regarding strategy, acquisitions and asset deployment, including in connection with financial services. From 2001 to 2009, she was the Chairman and Chief Executive Officer of Structured Ventures, Inc., which advised domestic and foreign companies on financial services products and strategy. From 1996 to 2000, she was a senior officer of GE Capital, serving as President of GE Capital Global Commercial & Mortgage Banking and Executive Vice President of GE Capital Global Consumer Finance from 1999 to 2000 and serving as President and Chief Executive Officer of GE Capital Central and Eastern Europe from 1998 to mid-1999. Dr. Britell is the non-executive chair of United Rentals, Inc. and a director of Crown Holdings, Inc. She is a trustee of the Fox Chase Cancer Center and a director of the U.S. Russia Foundation for Entrepreneurship and the Rule of Law. Dr. Britell served as a director of Lincoln National Corporation from 2001 to 2006, of West Pharmaceuticals Corporation from 2005 until 2008 and of Aames Investment Corporation from 2001 until 2006. She has been a director of Quest Diagnostics since August 2005. She has extensive executive and advisory experience, including in corporate finance, capital markets, international business and strategic planning, with multinational corporations operating in complex, regulated industries.

**Gail R. Wilensky, Ph.D.**, 66, is a Senior Fellow at Project HOPE, an international non-profit health foundation, which she joined in 1993. From 2008 through 2009, Dr. Wilensky served as President of the Defense Health Board, an advisory board in the Department of Defense. From 1997 to 2001, she was the chair of the Medicare Payment Advisory Commission. From 1995 to 1997, she chaired the Physician Payment Review Commission. In 1992 and 1993, Dr. Wilensky served as a deputy assistant to the President of the United States for policy development relating to health and welfare issues. From 1990 to 1992, she was the administrator of the Health Care Financing Administration where she directed the Medicare and Medicaid programs. Dr. Wilensky is a director of Cephalon Inc., SRA International, Inc. and UnitedHealthcare Corporation. She served as a director of Manor Care Inc. from 1998 until 2007 and of Gentiva Health Services, Inc. from 2000 until 2009. Dr. Wilensky also served as a Commissioner of the World Health Organization's Commission on the Social Determinants of Health and as the Non-Department Co-Chair of the Defense Department's Task Force on the Future of Military Health Care. She has been a director of Quest Diagnostics since January 1997. Dr. Wilensky has extensive experience, including in strategic planning, as a senior advisor to the U.S. government and private enterprises regarding healthcare issues and the operation of the U.S. healthcare system.

**John B. Ziegler**, 64, retired in January 2006 as the President, Worldwide Consumer Healthcare, of GlaxoSmithKline plc (the parent of SmithKline Beecham plc). Mr. Ziegler joined SmithKline Beecham in 1991 as the head of SB Consumer Healthcare - North American Division. He was Executive Vice President of SmithKline Beecham from 1996 to 1998 and became President, Worldwide Consumer Healthcare in 1998. He has been a director of Quest Diagnostics since May 2000. Mr. Ziegler has been recommended by SmithKline Beecham for nomination as a director of Quest Diagnostics pursuant to the Stockholders Agreement with SmithKline Beecham. See Related Person Transactions GlaxoSmithKline on page 14. He has extensive executive experience, including in sales, marketing, strategic planning and international operations, with multinational corporations operating in the healthcare industry.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH NOMINEE FOR DIRECTOR. PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR THESE NOMINEES UNLESS OTHERWISE INSTRUCTED.**

## INFORMATION ABOUT OUR CORPORATE GOVERNANCE

### Governance Practices

The Board of Directors believes that good corporate governance is important. The Board has adopted a set of Corporate Governance Guidelines to enhance its own effectiveness and to demonstrate its commitment to strong corporate governance for the Company. The Board reviews these Guidelines from time to time for possible revision, including to respond to changing regulatory requirements, evolving practices and the concerns of our shareholders. The Company also has adopted a Code of Business Ethics applicable to all directors, officers and employees. The Corporate Governance Guidelines and Code of Business Ethics are published on our corporate governance website at [www.QuestDiagnostics.com/governance](http://www.QuestDiagnostics.com/governance). Additional highlights of our corporate governance practices are described below.

### Director Independence

The Board of Directors assesses annually the independence of each director in accordance with the Company's Corporate Governance Guidelines and New York Stock Exchange listing standards. The independence guidelines in the Company's Corporate Governance Guidelines are consistent with the independence requirements in the New York Stock Exchange listing standards and include guidelines as to categories of relationships that are considered not material for purposes of director independence. Our Corporate Governance Guidelines are available on our corporate governance website at [www.QuestDiagnostics.com/governance](http://www.QuestDiagnostics.com/governance).

The Board has determined that a substantial majority (eight of nine) of our directors is independent. Each member, including the chair, of each of the Audit and Finance Committee, the Compensation Committee, the Governance Committee and the Quality, Safety & Compliance Committee qualifies as independent. The Board has determined the following directors to be independent: John C. Baldwin, Jenne K. Britell, William F. Buehler, Rosanne Haggerty, Gary M. Pfeiffer, Daniel C. Stanzione, Gail R. Wilensky and John B. Ziegler. Surya N. Mohapatra, the Chairman of the Board, President and Chief Executive Officer of the Company, is not independent because he is a Company officer.

In considering the independence of Mr. Ziegler, the Board considered that prior to January 31, 2006, when he retired from GlaxoSmithKline, Mr. Ziegler was President, Worldwide Consumer Healthcare of GlaxoSmithKline, which beneficially owned approximately 17% of the Company's outstanding common stock as of February 15, 2010. The Board also considered that Mr. Ziegler has been recommended by SmithKline Beecham for nomination as a director of the Company, and the Company's relationship with GlaxoSmithKline, including the transactions between the Company and GlaxoSmithKline during 2009. For a discussion of the Company's relationship with GlaxoSmithKline, including transactions between the Company and GlaxoSmithKline during 2009, see [Related Person Transactions GlaxoSmithKline](#) on page 14. Mr. Ziegler was not involved with the negotiation of any of these arrangements or transactions.

### Shareholder Access

Shareholders and any other person may communicate with the Board by sending an email to our Lead Independent Director at [LeadIndependentDirector@QuestDiagnostics.com](mailto:LeadIndependentDirector@QuestDiagnostics.com) or by writing to the full Board or any individual director or any group or committee of directors, c/o Corporate Secretary, Three Giralda Farms, Madison, New Jersey 07940. Communications

received at the email address are automatically routed to our Lead Independent Director with a copy to our General Counsel and Corporate Secretary. The Lead Independent Director determines whether any such communication should be distributed to other members of the Board. All communications received by the Corporate Secretary addressed as set forth above, other than communications unrelated to the duties and responsibilities of the Board of Directors, are forwarded to the intended directors.

The Audit and Finance Committee established a procedure whereby complaints and concerns with respect to accounting, internal controls and auditing matters may be submitted to the Audit and Finance Committee. All communications received by a director relating to the Company's accounting, internal controls or auditing matters are immediately forwarded to the Chairman of the Audit and Finance Committee and are investigated and responded to in accordance with the procedures established by the Audit and Finance Committee. In addition, the Company has established a hotline (known as CHEQline)



pursuant to which employees can anonymously report accounting, internal controls and financial irregularities (as well as compliance concerns on other laws).

Our policy is, where practical, to schedule the annual shareholders meeting on a day on which we also schedule a regular Board meeting. This year, we have scheduled a regular Board meeting on the date of the annual meeting. We encourage our directors to attend each annual shareholders meeting and expect that all of our directors will attend the annual meeting this year. 7 of our 9 directors attended the 2009 annual

shareholders  
meeting.

### **Board Nomination Process**

The Governance Committee is responsible for reviewing with the Board, on an annual basis, the composition of the Board as a whole and whether the Company is being well served by the directors, taking into account each director's independence, skills, experience, availability for service to the Company and other factors the Governance Committee deems appropriate. The Governance Committee is responsible for recommending director nominees to the Board, including renomination of persons who are already directors. The Governance Committee does not set specific, minimum qualifications that nominees must meet in order for the Governance Committee to recommend them to the Board, but rather believes that each nominee

should be evaluated based on his or her own merits, taking into account the Company's needs and the composition of the Board.

Recommendations are made by the Governance Committee in accordance with the Company's Corporate Governance Guidelines, which set forth the Board's philosophy regarding Board composition and identify key qualifications and other considerations.

The Governance Committee believes that the Board should be comprised of individuals whose backgrounds and experience complement those of other Board members, and also considers whether a prospective nominee promotes a diversity of talent, skill, expertise, background, perspective and experience, including with respect to age, gender, ethnicity, place of residence and specialized

experience. The Governance Committee does not assign specific weights to particular criteria and nominees are not required to possess any particular attribute. The key qualifications and other considerations set forth in the Company's Corporate Governance Guidelines are set forth below.

Qualifications:

< Reputation for highest ethical standards and integrity consistent with Quest Diagnostics values of Quality, Integrity, Innovation, Accountability, Collaboration and Leadership; and

< Relevant experience such as:

Chief Executive Officer or Chief Operating Officer (or similar responsibilities) current or past;

Demonstrated expertise in business function(s) such as sales, operations, finance, strategy, legal or human resources; or

Medical practitioner and/or science and health thought leader.

Other considerations:

- < Independence;
- < Prior experience as a director or executive officer of a public company;
- < Number of current board positions and other time commitments; and
- < Overall range of skills, experience and seniority represented by the Board as a whole.

The Governance Committee considers suggestions from many sources, including shareholders, regarding possible candidates for director. Shareholders may recommend candidates for consideration as director by sending an email to our Lead Independent Director at

LeadIndependentDirector@QuestDiagnostics.com  
or writing to the full Board or any independent  
Board member, c/o Corporate Secretary, Three  
Giralda Farms, Madison, New Jersey 07940. The  
recommendation should contain the proposed  
nominee's name, biographical information and  
relationship to the shareholder. The Governance  
Committee evaluates shareholder  
recommendations for director candidates in the  
same manner as other director candidate  
recommendations. Shareholders may also  
nominate director candidates. See Information  
About Our 2011

Annual Meeting on page 44 for information regarding the process and deadline for shareholders to submit director nominations for the 2011 annual meeting.

When the Governance Committee identifies a need to add a new Board member, the Governance Committee identifies candidates by seeking input from Board members and considering recommendations for nominees submitted by other sources, including shareholders. The Governance Committee may also hire third-party search firms to assist in identifying and evaluating candidates for nomination. After the Governance Committee ranks the candidates, the Chairman of the Board, President and Chief Executive Officer, the Lead Independent Director and other

Board members interview the candidates selected by the Governance Committee. Members of senior management also may interview candidates. After the interview process, the Governance Committee re-assesses the candidates and then makes its recommendation for director candidates to the Board, which determines which candidates are nominated for election by the shareholders or elected by the Board.

#### **Board Practices**

Non-management directors meet privately in executive sessions with the Lead Independent Director presiding at all regularly scheduled meetings. Independent directors meet privately in executive sessions at least once per year with the Lead Independent Director presiding.



The Board performs an annual assessment of its structure and performance, including reviewing the Board's activities against those set out in its Corporate Governance Guidelines and committee charters and making recommendations for changes or improvements in practices or structure.

The Board reviews annually senior management succession planning and reviews Company policies for the development of management personnel.

Independent directors have unlimited access to officers and employees of the Company.

Directors are regularly updated by senior management, our independent registered public accounting firm and compensation consultants on

changes in the Company's businesses, its markets and best practices in general. Directors also are offered the opportunity to attend director education programs offered by third parties.

Independent directors receive a significant portion of their annual compensation in equity to further align their interests with the interests of our shareholders.

The Board and each committee have access to independent legal, financial or other advisors as they deem necessary, without obtaining management approval, but no committee may engage the Company's independent registered public accounting firm to perform any services without the approval of the Audit and Finance Committee.

In considering committee assignments for directors, the

Governance  
Committee  
considers the  
rotation of  
committee chairs  
and members with  
a view toward  
balancing the  
benefits derived  
from continuity  
against the  
benefits derived  
from the diversity  
of experience and  
viewpoints of the  
various directors.

Committees report  
on their activities  
to the Board at  
each Board  
meeting.

Materials related  
to agenda items  
are provided to  
directors  
sufficiently in  
advance of  
meetings to allow  
the directors to  
prepare for  
discussion of the  
items.

#### **Board Committees**

In order to fulfill its responsibilities, the Board has delegated certain authority to its committees. There are five standing committees. During 2009, the Board held 7 meetings. Each of our directors attended at least 75% of the total number of meetings of the Board and the committees on which he or she served. Any director may attend meetings of any committee of which the director is not a member. The following table shows the membership of each of the committees since the 2009 annual shareholders meeting and the number of meetings held by each committee in 2009.

	Audit and Finance	Compensation	Governance	Quality, Safety & Compliance	Executive
John C. Baldwin, M.D					
Jenne K. Britell, Ph.D					
William F. Buehler					
Rosanne Haggerty					
Surya N. Mohapatra, Ph.D.					
Gary M. Pfeiffer					
Daniel C. Stanzione, Ph.D.					
Gail R. Wilensky, Ph.D.					
John B. Ziegler					
Number of meetings	13	9	4	6	0

For each year, a schedule of Board meetings is established before the year begins. Committee meetings are generally scheduled for the day before, or the day of, meetings of the full Board. The Board and each committee also hold such additional meetings as the Board or committee, respectively, determines necessary or appropriate.

A brief description of each of the Board committees and their functions is set forth below. Additional information about the committees can be found in their charters, which are available on our corporate governance website at [www.QuestDiagnostics.com/governance](http://www.QuestDiagnostics.com/governance).

### **Audit and Finance Committee**

The Audit and Finance Committee:

Assists the Board in monitoring the quality and integrity of the financial statements and financial reporting procedures of the Company and the Company's compliance with legal and regulatory requirements.

Oversees management's accounting for the Company's financial results and reviews the

timeliness and adequacy of the reporting of those results and related judgments.

Oversees the internal audit function and makes inquiry into the audits of the Company's books performed internally and by the outside independent registered public accounting firm.

Appoints the independent registered public accounting firm, monitors its qualifications, independence and performance, approves its compensation and pre-approves the services it performs.

Reviews with the Company's independent registered public accounting firm, and informs the Board of, any significant accounting matters, including critical accounting policies and judgments.

Advises and makes recommendations with regard to

certain financing transactions and other significant financial policies and actions.

Establishes procedures for the receipt, retention and treatment of complaints relating to accounting, internal accounting controls, and for the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters.

Reviews and reports to the Board on the Company's management of its financial resources.

Reviews annually its performance.

The Board has determined that Jenne K. Britell and Gary M. Pfeiffer qualify as audit committee financial experts as defined by the Securities and Exchange Commission. For descriptions of the experience of Dr. Britell and Mr. Pfeiffer, see Proposal No. 1 Election of Directors beginning on page 3.

## Compensation Committee

The Compensation Committee:

Reports to the Board with respect to the performance of the Chief Executive Officer and reviews and approves the compensation of the Chief Executive Officer based on the directors evaluation of the Chief Executive Officer and the Company's financial performance, competitive compensation data and other factors.

Oversees the performance of other executive officers and annually reviews and approves their annual base salary, annual incentive compensation and long-term incentive compensation.

Annually reviews and recommends to the Board the compensation of the Company's non-employee directors.

Administers, or makes recommendations to the Board regarding, the equity-based, incentive compensation and retirement plans, policies and programs of the Company. The Committee may delegate the administration of plans, policies and programs as appropriate, including to executive officers of the Company and to the Company's Human Resources department.

Supports the Board in the senior management succession planning process.

Reviews and approves, for executive officers, employment agreements, severance benefits and other special benefits.

Reviews annually its performance.

For a discussion of the role of executive officers and compensation consultants in connection with determining or recommending executive compensation, see "Compensation Discussion and Analysis" on page 18.

### **Governance Committee**

The Governance Committee:



Identifies individuals qualified to become Board members, and reviews and recommends possible candidates for Board membership, taking into account such criteria as independence, diversity, age, skills, occupation and experience in the context of the needs of the Board.

Reviews the structure of the Board, its committee structure and overall size.

Monitors developments in corporate governance.

Reviews the Company's Corporate Governance Guidelines and recommends to the Board such changes to the Guidelines, if any, as the Committee may determine.

Recommends for Board

approval  
assignments of  
directors to  
Board  
committees.

Reviews  
relationships  
and transactions  
of directors,  
executive  
officers and  
senior financial  
officers for  
possible  
conflicts of  
interest.

Monitors  
compliance  
with the  
Company's  
Code of  
Business  
Ethics.

Reviews and  
approves  
transactions or  
proposed  
transactions in  
which a related  
person is likely  
to have a direct  
or indirect  
material interest  
pursuant to the  
Company's  
Statement of  
Policy and  
Procedures for  
the Review and  
Approval of  
Related Person  
Transactions.

Oversees the  
Board and each  
Board  
committee in  
their annual

self-evaluation.

Reviews  
annually its  
performance.

**Quality, Safety & Compliance Committee**

The Quality, Safety & Compliance Committee:

Reviews the  
Company's  
policies,  
programs and  
performance  
relating to  
billing  
compliance,  
environmental  
health and  
safety, equal  
opportunity  
employment  
practices,  
fraud and  
abuse, and  
medical  
quality  
assurance.

Reviews the organization, responsibilities, plans, results, budget and staffing of the Company's Compliance Department, and reviews significant reports to management, or summaries thereof, regarding the Company's compliance policies, practices, procedures and programs and management's responses thereto.

Monitors significant external and internal investigations of the Company's business as they relate to possible violations of law by the Company or its directors, officers, employees or agents.

Monitors significant regulatory, legislative and legal developments affecting the

Company's  
business.

Monitors  
material legal  
and medical  
quality matters  
and compliance  
with legal and  
regulatory  
requirements,  
and reports to  
the Audit and  
Finance  
Committee  
regarding the  
same.

Reviews  
annually its  
performance.

**Executive Committee**

The Executive Committee:

May act for  
the Board,  
except with  
respect to  
certain  
major  
corporate  
matters,  
such as  
mergers,  
election of  
directors,  
removal of  
directors or  
the Chief  
Executive  
Officer,  
amendment  
of the  
Company's  
charter or  
by-laws,  
declaration  
of dividends  
and matters

delegated to  
other Board  
committees.

### **Board Leadership Structure and Role in Risk Oversight**

The Board operates under the leadership of our Chairman. At this time, the Board has determined that the Company's President and Chief Executive Officer is best positioned to serve as Chairman. The Board believes that this leadership structure is in the best interest of the Company and its shareholders for the following reasons.

The President and Chief Executive Officer has primary responsibility for managing the Company on a daily basis. By serving as Chairman, the President and Chief Executive Officer helps ensure that key business issues and other important matters are brought to the Board's attention.

We have numerous mechanisms in place to promote the appropriate level of independence and oversight in Board decisions:

Our Corporate  
Governance  
Guidelines

provide that at least a majority of the Company's directors shall be independent. At this time eight of nine directors are independent, and all the members of the Audit and Finance, Compensation, Governance and Quality, Safety and Compliance Committees also are independent.

The Board and each of its committees have complete access to management and the authority to retain independent advisors, as they deem appropriate.

The independent directors review the performance of the President and Chief Executive Officer annually.

We have published procedures for

interested parties, including shareholders, to communicate with our directors.

We also have a Lead Independent Director. The Board believes that having a Lead Independent Director helps the administration and organization of the Board and facilitates the effective conduct of its duties, including the activities of the independent directors. Daniel C. Stanzione, Ph.D. currently serves as the Lead Independent Director. The principal responsibilities of the Lead Independent Director are to:

Preside over any executive session of the non-management directors or the independent directors;



Participate with  
the Chairman and  
Chief Executive  
Officer in the  
preparation of the  
agendas for  
Board meetings;

Serve as a  
member of the  
Executive  
Committee;

Coordinate providing timely feedback from the directors to the Chairman and Chief Executive Officer;

Serve as the principal contact for shareholder communications with the Board; and

Monitor, and if appropriate discuss with other directors, communications received from shareholders and others.

The Board retains the flexibility to revise our leadership structure if, in the exercise of its fiduciary duty, the Board determines that a different structure is appropriate.

The Board plays an active role in overseeing the Company's key risks and has considered its role in risk oversight in determining the Company's current leadership structure. The Company's management is responsible for managing the risks, which it does through a committee of senior managers that leads the Company's enterprise risk management program. The Board has delegated to its Audit and Finance Committee primary responsibility for overseeing that program. The Audit and Finance Committee receives periodic updates regarding the program. In addition, the Board's Quality, Safety and Compliance Committee reviews the adequacy and effectiveness of policies and programs to ensure the Company's compliance with laws and regulations applicable to its business (other than securities and accounting laws and regulations, which the Audit and Finance Committee oversees), and regularly receives reports regarding these topics. Each of these committees regularly updates the Board regarding its activities. In addition, each

year the full Board of Directors reviews the enterprise risk management program.

## **Related Person Transactions**

### ***Review and Approval of Related Person Transactions***

The Company has a written policy pursuant to which it evaluates proposed transactions involving a related person and the Company in which the amount involved exceeds \$120,000. A related person is any director or executive officer of the Company, any immediate family member of a director or executive officer, or any person who owns 5% or more of the Company's outstanding common stock. The office of the General Counsel is primarily responsible for the administration of the policy and for determining, based on the facts and circumstances, whether the Company or a related person has a direct or indirect material interest in the transaction. Certain transactions are defined not to be related person transactions under the policy.

The Governance Committee reviews any proposed transaction in which a related person has a direct or indirect material interest, except for any compensation arrangements involving an immediate family member of a director or an executive officer. In the event that the General Counsel becomes aware of a related person transaction not approved in advance, the General Counsel will arrange for the related person transaction to be reviewed and, if appropriate, ratified at the next regularly scheduled meeting of the Governance Committee. Any member of the Governance Committee who is a related person with respect to a transaction under review may not participate in any review, consideration or approval of the transaction.

In considering any related person transaction, the Governance Committee determines whether the transaction is fair to the Company. In considering a proposed transaction involving a director or the immediate family member of a director, the Governance Committee also assesses whether the proposed transaction could reasonably be expected to impact the independence of the director under the Company's Corporate Governance Guidelines, the New York Stock Exchange listing standards or other applicable rules.

Compensation arrangements involving an immediate family member of an executive officer are reviewed and approved by the Chief Executive Officer and the Vice President, Human Resources, unless such person is an immediate family member of the Chief Executive Officer, in which case the compensation arrangement is approved by the Compensation Committee. Compensation arrangements involving an immediate family member of a director are reviewed and approved by the Compensation Committee.

### *GlaxoSmithKline*

As of February 15, 2010, SB Holdings Capital Inc., a subsidiary of SmithKline Beecham Corporation ( SmithKline Beecham ), owns 30,755,151 shares of the Company s common stock. SmithKline Beecham, which is a subsidiary of GlaxoSmithKline plc. ( GSK ), obtained the shares on August 16, 1999 as partial consideration for its sale of SmithKline Beecham Clinical Laboratories, Inc. to the Company. In connection with the purchase, SmithKline Beecham agreed to indemnify Quest Diagnostics, on an after-tax basis, against certain matters primarily related to taxes and billing and professional liability claims.

At the closing of the acquisition, SmithKline Beecham and the Company entered into a stockholders agreement. During the term of the stockholders agreement, SmithKline Beecham has the right to designate two nominees to the Board (or, if required by UK Generally Accepted Accounting Principles, three nominees if the Board consists of more than ten directors) as long as SmithKline Beecham owns at least 20% of our outstanding common stock and one nominee to the Board as long as SmithKline Beecham owns at least 10% of our outstanding common stock. The stockholders agreement currently imposes limitations on the right of SmithKline Beecham to sell or vote its shares and prohibits SmithKline Beecham from acquiring in excess of 29.5% of our outstanding common stock.

Since the closing of the acquisition, SmithKline Beecham (or an affiliate) and the Company have been parties to a global clinical trials testing agreement under which the Company would serve as the primary or exclusive provider of SmithKline Beecham s clinical trials testing requirements. Effective January 1, 2008, SmithKline Beecham, together and on behalf of its affiliates, and the Company entered into a new agreement, which has a scheduled termination date of December 31, 2014, under which the Company will be the principal provider of central laboratory testing services to support GSK s clinical trials testing. In addition, on a selected basis, the Company may provide support for other early stage research and development activity. The new agreement was approved by the Board s Governance Committee pursuant to the Company s related person transaction policy. GSK pays the Company based upon a fee schedule attached to the agreement, subject to adjustment. Net revenues with respect to services provided to GSK under the clinical trials agreement were approximately \$72 million in 2009. This amount represents approximately one percent of the 2009 net revenues of the Company and less than one percent of the 2009 net revenues of GSK.

During 2009, the Company and GSK purchased additional goods and services from each other. These transactions were in the ordinary course of business and at prevailing market prices and were not material to either party.

Pursuant to its existing share repurchase authority, on March 19, 2009, the Company repurchased 4,511,657 shares of its common stock from SB Holdings Capital Inc., for an aggregate purchase price of \$200,000,013.31. The purchase price for the common stock reflected a negotiated discount to the volume-weighted average trading price of the common stock in a trading period preceding the purchase. In addition, during 2009, the Company and SmithKline Beecham extended the term of their existing stockholders agreement. Both the repurchase of the common stock from SB Holdings Capital Inc. and the extension of the term of the stockholders agreement were approved by the Board s Governance Committee pursuant to the Company s related person transaction policy.

### **STOCK OWNERSHIP INFORMATION**

We encourage our directors, officers and employees to own our common stock; owning our common stock aligns their interests with your interests as shareholders. The Board s stock ownership guidelines require each non-management director to own at least 6,000 shares of our common stock before the director can receive full cash settlement for his or her stock option exercises. The Company s stock ownership guidelines require officers to maintain a minimum ownership position in our common stock before they can receive full cash settlement for their stock option exercises. See also Compensation Discussion and Analysis beginning on page 18.

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The following table shows the number of shares of the Company's common stock beneficially owned by (1) each person who is known to the Company to own beneficially more than 5% of the Company's common stock, (2) each director of the Company and each nominee, (3) each named executive officer and (4) all directors, nominees and executive officers of the Company as a group. Information in the table regarding the Company's directors and executive officers is provided as of February 15, 2010.

Name	Number of Shares Beneficially Owned	Percentage of Class
GSK (1)	30,755,151	17.17 %
Barrow, Hanley, Mewhinney & Strauss, LLC (2)	10,038,476	5.60 %
BlackRock, Inc. (3)	10,052,172	5.61 %
Vanguard Windsor II Fund (4)	9,593,300	5.36 %
<b>Named Executive Officers (5)(6)(7)</b>		
Surya N. Mohapatra (8)	1,798,886	1.00
Robert A. Hagemann	711,698	*
Jon R. Cohen	15,179	*
Joan E. Miller	225,583	*
Michael E. Prevoznik	459,891	*
<b>Directors (5)(7)(9)</b>		
John C. Baldwin	54,888	*
Jenne K. Britell	31,221	*
William F. Buehler	105,186	*
Rosanne Haggerty	85,620	*
Gary M. Pfeiffer	44,888	*
Daniel C. Stanzione	121,112	*
Gail R. Wilensky	120,112	*
John B. Ziegler (10)	109,699	*
All directors and executive officers as a group (14 persons) (5, 6, 7, 8, 9, 10)	4,078,761	2.28 %

\* Less than 1%.

(1) The business address of GSK is 980 Great West Road, Brentford, Middlesex TW8 9GS England. The ownership information is based on the information

contained on a Schedule 13D amendment filed by GSK with the SEC on March 20, 2009. SB Holdings Capital Inc., a wholly owned subsidiary of GSK, holds the shares of record. The Schedule 13D also discloses that GSK has shared voting and dispositive power with respect to all of the shares owned by it.

- (2) The business address of Barrow, Hanley, Mewhinney & Strauss, LLC ( Barrow ) is 2200 Ross Avenue, 31<sup>st</sup> Floor, Dallas, TX 75201. Of the shares beneficially owned by Barrow, 8,413,702 shares were held by Barrow on behalf of Vanguard Windsor II Fund. The ownership information is based on the information contained on a

Schedule  
13G/A filed by  
Barrow with  
the SEC on  
February 9,  
2010 and  
additional  
information  
provided by  
Barrow.

- (3) The business address of BlackRock, Inc. is 40 East 52<sup>nd</sup> Street, New York, NY 10022. The ownership information is based on the information contained on a Schedule 13G filed by BlackRock, Inc. with the SEC on January 29, 2010.
- (4) The business address of Vanguard Windsor II Fund is 100 Vanguard Boulevard, Malvern, PA 19355. The ownership information is based on the information contained on a Schedule 13G filed by Vanguard with the SEC on February 4, 2010.

- (5) All directors and executive officers have sole voting power and sole dispositive power over all shares of common stock beneficially owned by them.
  
- (6) Includes shares of common stock which are subject to options issued under the Employee Long-Term Incentive Plan that are exercisable as of, or will become exercisable within 60 days of, February 15, 2010. Dr. Mohapatra, Mr. Hagemann, Mr. Prevoznik, Dr. Miller and Dr. Cohen have the right to purchase 1,525,056; 640,263; 419,195; 171,528 and 12,222 shares, respectively, pursuant to such options.
  
- (7) Does not include shares of common stock corresponding to unvested



restricted share units held by the directors and executive officers. Mr. Hagemann, Mr. Prevoznik, Dr. Miller and Dr. Cohen held 33,984; 16,534; 21,282; and 22,851 restricted share units, respectively, all of which were part of equity awards made in 2009 and February 2010 (Dr. Mohapatra's 2009 and February 2010 equity awards were in the form of restricted shares, which are included in the table above). Each nonemployee director held 2,779 restricted share units, except Dr. Britell, who held 4,446 restricted stock units (of which 1,667 were vested) and Mr. Ziegler, who held 5,001 restricted stock units (of which 2,222 were vested).

Includes 39,945 shares of common stock beneficially owned indirectly by Dr. Mohapatra as grantor/trustee of a qualified grantor retained annuity trust.

- (9) Includes options issued under the Long-Term Incentive Plan for Non-Employee Directors that are exercisable as of, or will become exercisable within 60 days of, February 15, 2010. Dr. Baldwin, Dr. Britell, Mr. Buehler, Ms. Haggerty, Mr. Pfeiffer, Dr. Stanzione, Dr. Wilensky and Mr. Ziegler have the right to purchase 49,332; 26,832; 89,332; 80,732; 39,332; 109,332; 109,332; and 99,663 shares, respectively, pursuant to such options.

- (10) Mr. Ziegler disclaims beneficial

ownership of  
the shares of  
common stock  
owned by GSK.

**2009 DIRECTORS COMPENSATION TABLE**

The following table sets forth the 2009 compensation of our non-employee directors. Dr. Mohapatra, the only employee director, received no additional compensation for serving as a director.

Director	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Option Awards \$(3)	Total (\$)
John C. Baldwin	64,250	85,934	120,962	271,146
Jenne K. Britell	65,750	85,934	120,962	272,646
William F. Buehler	65,000	85,934	120,962	271,896
Rosanne Haggerty	58,250	85,934	120,962	265,146
Gary M. Pfeiffer	103,250	85,934	120,962	310,146
Daniel C. Stanzione	104,000	85,934	120,962	310,896
Gail R. Wilensky	64,250	85,934	120,962	271,146
John B. Ziegler	62,000	85,934	120,962	268,896

(1) Includes amounts earned for 2009, including meeting fees for the fourth quarter of 2009 that were paid in January 2010. Does not include amounts paid in 2009 for 2008 meeting fees.

(2) The values in this column represent the aggregate grant date fair values of the awards. Each of our non-employee directors received a single award

of restricted share units on May 14, 2009, which was the date of our 2009 annual shareholders meeting.

Restricted share units reported in this column were valued based on the average of the high and low prices of our common stock on the grant date. As of December 31, 2009, each non-employee director held 2,779 restricted share units, except Dr. Britell who held 4,446 restricted share units and Mr. Ziegler who held 5,001 restricted share units.

- (3) The values in this column represent the aggregate grant date fair values of the awards. Each of our non-employee directors received a single award of stock options on

May 14, 2009, which was the date of our 2009 annual shareholders meeting. The assumptions made when calculating the amounts in this column for 2009 awards are found in footnote 13 to the Consolidated Financial Statements of Quest Diagnostics Incorporated and its Subsidiaries, as filed with the SEC on Form 10-K for 2009. As of December 31, 2009, each non-employee director held options to purchase the following number of shares of the Company's common stock: Dr. Baldwin: 66,000; Dr. Britell: 43,500; Mr. Buehler: 106,000; Ms. Haggerty: 97,400; Mr. Pfeiffer: 56,000; Dr. Stanzione:

126,000; Dr.  
Wilensky:  
126,000; and  
Mr. Ziegler:  
116,331.

### **Fees and Plans for Non-Employee Directors**

None of our non-employee directors receives any consulting or other non-director fees from the Company.

**Annual Cash Retainer Fees.** Non-employee directors receive an annual cash retainer fee of \$35,000, payable in quarterly installments of \$8,750.

**Meeting Fees.** Non-employee directors receive a meeting fee of \$1,500 for attending each Board or committee meeting at which a majority of directors attend in person and \$750 for attending a meeting at which a majority of directors attend by telephone. Each director who serves as committee chair receives an additional \$6,000 annual fee, except the Chair of the Audit and Finance Committee and the Lead Independent Director (who is also the Chair of the Governance Committee), each of whom receives an additional \$30,000 annual fee.

**Long-Term Incentive Plan for Non-Employee Directors.** Each non-employee director participates in the Company's Long-Term Incentive Plan for Non-Employee Directors ( Director Plan ). The Director Plan currently authorizes the grant of non-qualified stock options and/or a stock award (which may be in the form of shares or restricted share units) on the date of the annual shareholders meeting, in such proportions as the Board may determine, covering an aggregate of not more than 20,000 shares of the Company's common stock. If a person is appointed or elected as a director other than on the date of the annual shareholders meeting, the Board may grant to such director a prorated option and/or stock award, in such proportions as the Board may determine. The Director Plan also permits a one-time grant to a non-employee director of stock options and stock awards covering an aggregate of not more than 40,000 shares of common stock of the Company upon initial election to the Board. The annual option grants become exercisable, and annual restricted share units generally vest and convert to shares of our common stock, in three equal annual installments, beginning on the first anniversary of the grant date, regardless of whether the non-employee director remains a director.

A director may elect to receive annual retainer and meeting fees in stock options or stock awards in lieu of cash. The number of options issued in lieu of cash for the retainer and meeting fees is based on the estimated value of such options using the lattice-based option-valuation model for recognizing expense for financial statement reporting purposes. The number of shares issued in lieu of cash for the retainer and meeting fees is based on the fair market value of the stock on the date that the cash payment would

otherwise be made. Options granted in lieu of retainer and meeting fees vest immediately. Options granted in 2010 under the Director Plan, once vested, will be exercisable through the tenth anniversary of the date of grant even if the director's service on the Board terminates. The aggregate number of shares of the Company's common stock which may be issued pursuant to stock awards or the exercise of options granted under the Director Plan may not exceed 2,400,000 (subject to adjustments in certain circumstances). The exercise price of all stock options issued under the Director Plan is the fair market value of our common stock on the grant date.

***Deferred Compensation Plan for Directors.*** Under the Company's Deferred Compensation Plan for Non-Employee Directors, each non-employee director may elect to defer, until a date specified by the director or until the director's termination of service as a director, all or a portion of the director's cash compensation or any stock grants awarded pursuant to the Director Plan. Cash amounts deferred may be indexed to (i) a cash account under which amounts deferred earn interest, compounded quarterly, at the prime rate of Citibank, N.A. in effect on the first date of each calendar quarter or (ii) the Company's common stock.

***No Changes in Director Compensation Program for 2010.*** Based on the recommendation of the Compensation Committee, the Board has determined that there will be no change in the director compensation program for 2010.



## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

The Compensation Committee (the Committee), in consultation with senior management and outside consultants, determined 2009 executive compensation after considering, among other things, the Company's performance, the current challenging economic environment and the general market focus on executive pay. We believe that our compensation programs are balanced and reasonable. They focus on the long term and do not rely on highly leveraged incentives that encourage risky short-term behavior. Our equity programs, including the vesting features of our equity awards, combined with our senior management share retention and ownership guidelines, are designed to link executive compensation to long-term stock performance. Our performance share awards, which are generally based on a three-year performance period, reward longer term financial and operational performance. Our annual cash incentives reward the achievement of annual performance, operating and strategic goals (both financial and non-financial). Our executive compensation in 2009 reflects our strong financial results and that the Company is financially sound and well positioned for continued growth.

### Executive Compensation Philosophy and Components

The objectives of our executive compensation program are to attract and retain talented executives who have the skills and experience required to help us achieve our strategic objectives and advance the long-term interests of our shareholders. The compensation opportunity for our named executive officers is directly tied to corporate performance, both financial and non-financial results, and individual performance.

The principal components of compensation for our named executive officers are:

Base salary;

Annual  
performance-based  
cash incentives  
paid under the  
Senior  
Management  
Incentive Plan  
(SMIP);

Long-term  
incentive awards  
issued under the  
Employee  
Long-Term  
Incentive Plan  
(Employee Plan) in  
the form of stock  
options, restricted  
share units,  
restricted shares  
and performance  
shares;

Deferred compensation, including Company matching contributions or credits, under the tax-qualified Quest Diagnostics Profit Sharing Plan (401(k) Plan) and the non-qualified Supplemental Deferred Compensation Plan (SDCP); and

Retirement income for our Chief Executive Officer under a Supplemental Executive Retirement Plan (SERP).

Our executive compensation program is designed to:

Attract and retain talented executives;

Incent executives to achieve results that appropriately balance the short-term and the long-term interests of our shareholders, employees and customers;

Reward corporate and individual performance;

Support our business

strategy and  
financial  
objectives; and

Provide  
flexibility and  
responsiveness  
to changing  
business  
conditions, as  
well as the  
growth and  
diversification  
of the  
Company.

### **Setting Executive Compensation**

The Committee establishes the Company's general compensation philosophy in consultation with our Chief Executive Officer and Vice President of Human Resources. The Committee oversees our executive compensation program and regularly monitors our executive compensation to ensure adherence to our compensation philosophy. The Committee has engaged Towers Watson as its external compensation consultant. At the Committee's request, the consultant provides analyses and information regarding executive compensation trends and market practices, including, during 2009, an analysis of executive officer compensation and information regarding director compensation. The consultant also performed calculations

related to certain severance payments included in the tally sheets discussed below. In 2009, the consultant performed services for the Committee, but not for the Company.

### **Role of Executive Officers in Compensation Process**

The Chief Executive Officer recommends to the Committee individual compensation adjustments for the executive officers, other than himself, based on market data and Company and individual performance. He also recommends incentive compensation measures to align compensation with our corporate objectives. The Chief Executive Officer is present during the portions of Committee meetings in which compensation decisions regarding the named executive officers other than the Chief Executive Officer are reviewed and decided, but the Committee retains the final authority for all such decisions.

### **Competitive Pay Information**

For each named executive officer, the Committee annually reviews performance and approves all elements of compensation, including cash and equity awards, except for our broad-based employee benefit programs. After the Committee approves the compensation of our named executive officers, the Committee reports the compensation to the full Board.

To assist the Committee with its review, our Human Resources department, in consultation with the Committee's consultant, annually prepares analyses of each named executive officer's compensation, including tally sheets. The review includes current and prior year compensation information regarding base salary, target and paid annual incentive compensation, deferred compensation activity and balances, aggregate equity grant values, SERP benefits, perquisites, and all other compensation, as well as estimates of the amounts payable to each named executive officer upon termination of employment under various circumstances, including termination in connection with a change in control.

The compensation targets for, and compensation earned by, each named executive officer are analyzed relative to market data for comparable positions in a peer group. The peer group is used as a reference for all compensation comparisons except measuring payouts under our performance share awards, as discussed below. For several years until early 2009, the peer group had been comprised of the companies in the S&P 500 Healthcare Equipment and Services Index<sup>1</sup>, which includes Quest Diagnostics. Each company in that index is in the business of healthcare service, equipment or distribution. We used this peer group for purposes of the 2009 base salaries, annual incentive awards and long-term incentive awards.

We periodically review our peer group to determine if it continues to be appropriate for comparison purposes. In 2009, the Committee's consultant did a separate, independent analysis of our peer group. We determined, based on the consultant's recommendation, to adopt a revised peer group for compensation comparisons (except for purposes of measuring payouts under our older performance share awards). The new peer group consists of the following 17 companies in the healthcare services, equipment and distribution industries.

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<sup>1</sup> The companies in the Index as of December 31, 2008 were: Aetna Inc.; AmerisourceBergen Corp.; C.R. Bard, Inc.; Baxter International Inc.; Becton, Dickinson and Co.; Boston Scientific Corporation; CIGNA Corporation; Cardinal Health, Inc.; Coventry Health Care, Inc.; Covidien Ltd.; Quest Diagnostics Incorporated; DaVita Inc.; Dentsply International Inc.; Express Scripts, Inc.; Hospira, Inc.; Humana Inc.; Intuitive Surgical, Inc.; Laboratory Corp. of America Holdings; McKesson Corporation; Medco Health Solutions Inc.; Medtronic, Inc.; Patterson Companies,

Inc.; IMS Health, Inc.; St. Jude Medical; Stryker Corporation; Tenet Healthcare Corporation; UnitedHealth Group Inc.; Varian Medical Systems, Inc.; WellPoint, Inc.; and Zimmer Holdings, Inc.

C.R. Bard, Inc.	Hospira Inc.
Baxter International, Inc.	Laboratory Corp. of America Holdings
Beckman Coulter Inc.	Medtronic Inc.
Becton Dickinson & Co.	Omnicare Inc.
Boston Scientific Corp.	Owens & Minor Inc.
Covidien PLC	St. Jude Medical Inc.
Davita Inc.	Stryker Corp.
Express Scripts Inc.	Zimmer Holdings Inc.
Henry Schein, Inc.	

The Committee adopted the new peer group because it believes that the new peer group better reflects, among other things, industry characteristics, positioning, revenue and capitalization. The Committee used this peer group for purposes of the 2010 base salaries, annual incentive awards and long-term incentive awards, which will be discussed in the 2011 Compensation Discussion and Analysis.

For the named executive officers, the Committee establishes target compensation consistent with comparable positions in the peer group and provides our named executive officers with the opportunity to earn greater rewards for performance that exceeds established goals. For each named executive officer, the key elements of base salary, total cash compensation, and long-term incentives, as well as the mix of these elements of direct compensation, are compared, to the extent possible, with amounts received by executives holding similar positions at companies in our peer group. We adjust the comparisons to take account of different scope of job responsibility where appropriate. Specific consideration is given to the weighting of fixed and at-risk components of pay relative to the peer group. No single element of compensation is set without considering the total direct compensation of the named executive officers relative to the marketplace, as well as the impact of any change on the other components of our pay model. The economic value of each participant's prior equity awards at the date of grant is considered when setting annual compensation packages. We do not take into account realized or unrealized gains from previous equity awards in setting subsequent total compensation levels. Our practice is to establish base salary, annual cash incentive targets and equity grant levels and terms to deliver total direct compensation at market competitive levels, depending upon the named executive officer's responsibilities, expertise and experience, along with individual and Company performance. Consideration is also given to the criticality of retaining the executive. For 2009, the total direct compensation for the Chief Executive Officer was in the 77<sup>th</sup> percentile of the peer group, while the total direct compensation for the other named executive officers ranged from the 47<sup>th</sup> to 93<sup>rd</sup> percentile. The Committee believes that the total direct compensation for each named executive officer was appropriate in 2009 in light of the factors discussed above.

## **Pay Components**

### ***Base Salary***

We pay base salary to our executives to provide them a steady source of income for their exclusive services to the Company. The Committee annually reviews and approves base salaries for the named executive officers. Consistent with our executive compensation philosophy, base salaries are set at levels competitive with the peer group. The Committee determined base salary adjustments based on an assessment of our 2008 results and each named executive officer's position, performance, scope of responsibility, current salary level and market comparables. 2008 was a year of strong performance and continued progress in a challenging economic environment. Management's proactive steps and solid execution drove strong results. Earnings per share reported in our 2008 Annual Report on Form 10-K of \$3.23 increased 14% from 2007. Revenues of \$7.2 billion were up 8% compared to 2007. Cash from operations for 2008 increased to \$1.1 billion. Shareholder returns far exceeded those of the peer group. The Company closed out the year in a strong capital position, and made progress on strategic initiatives to position the Company for the long term.

After considering these factors, effective January 1, 2009, the Committee established the base salary for each named executive officer except Dr. Cohen as follows:

	Percentage Increase	2009 Base Salary (\$)
Dr. Surya N. Mohapatra	5.0 %	1,201,095
Robert A. Hagemann	4.5 %	541,009
Dr. Jon R. Cohen	N/A	412,500
Dr. Joan E. Miller	5.5 %	464,068
Michael E. Prevoznik	4.0 %	466,552

Dr. Cohen began employment with the Company March 30, 2009 and became an executive officer of the Company in December 2009. The Committee did not establish Dr. Cohen's 2009 base salary; Dr. Cohen's base salary was established in the normal course at the time Dr. Cohen commenced employment with the Company.

The total base salary paid to each named executive officer in 2009 is reported in the 2009 Summary Compensation Table on page 29.

### ***Annual Cash Incentive Compensation***

We generally pay annual incentives in accordance with the SMIP, which our shareholders approved at our 2003 annual shareholders meeting. The Committee selects a maximum of ten participants for inclusion in the SMIP each year. Pursuant to his employment agreement, Dr. Mohapatra, our Chief Executive Officer, must participate in the SMIP. Dr. Mohapatra's incentive target (expressed as a percentage of base salary) is specified in his employment agreement.

For 2009, we paid annual cash incentive compensation under the SMIP to all the named executive officers except Dr. Cohen, whose employment with the Company had not commenced when the Committee selected the SMIP participants for 2009. We paid annual cash incentive compensation to Dr. Cohen under a different compensation plan, the operation of which, as to Dr. Cohen, is described below.

For each named executive officer, the threshold, target and maximum performance criteria are established with payout opportunities set at zero, one-times (1x), and two-times (2x) target incentive, respectively. Rewards for performance levels between these levels are interpolated. All annual cash incentive payments to our named executive officers are subject to the achievement of specific performance goals and, if achieved, are scheduled to be paid on or before March 15th of the year following the completion of the performance year.

For 2009, the target incentives and payouts for the named executive officers are summarized below.

	2009 Target Incentive as a % of Salary	2009 Actual Performance as a % of Target	2009 Actual Performance as a % of Salary
Dr. Surya N. Mohapatra	150	130.4	195.6
Robert A. Hagemann	90	130.4	117.4
Dr. Jon Cohen	65	130.4	84.8
Dr. Joan E. Miller	65	112.7	73.2
Michael E. Prevoznik	65	130.4	84.8

Annual cash incentive payouts are based on performance against both financial and non-financial goals. The principal



financial goals relate to achieving revenue and earnings per share targets. In addition, payouts are based on performance against several strategic initiatives, comprised of both financial and non-financial goals. The following table summarizes the performance measures and the relative weights allocated to each measure for 2009 for each named executive officer. The Committee set the performance measures and relative weights for each named executive officer other than Dr. Cohen to reflect the executive's specific contribution to each particular performance measure.

## Weightings

Measure	Dr.				
	Mohapatra (%)	Mr. Hagemann (%)	Mr. Prevoznik (%)	Dr. Miller (%)	Dr. Cohen (%)
EPS from continuing operations	60	60	60	50	60
Revenue	20	20	20	20	20
Margin				15	
Strategic initiatives	20	20	20	15	20
Total	100	100	100	100	100

Dr. Cohen's performance measures and the weight allocated to those measures were established in the normal course when Dr. Cohen became employed by the Company.

Earnings per diluted share (EPS) from continuing operations and revenue are weighted heavily in order to provide the proper incentive to management to stimulate profitable growth. In calculating 2009 EPS from continuing operations, we made adjustments for the following predefined items: charges related to restructuring programs (-\$.025); a change in accounting rules (+\$.01); and gains or losses on extinguishment of debt (+\$.065). We made these adjustments to exclude the impact of certain unusual or nonrecurring items and to incent management to make decisions that are focused on long-term value creation.

The revenue targets for Dr. Mohapatra, Mr. Hagemann, Dr. Cohen and Mr. Prevoznik were based on the Company's consolidated revenue. The revenue and margin targets for Dr. Miller were based on areas of the business for which she has responsibility. Dr. Miller is Senior Vice President, Hospital and Pathology Services.

The targets and resulting payout factors for EPS from continuing operations and consolidated revenue for 2009 were:

Measure	Target (\$)	Actual Results (\$)	Payout Factor %
EPS from continuing operations	3.60	3.93	177
Consolidated revenue	7,467 million	7,453 million	95

The areas for which Dr. Miller has responsibility represent approximately 22% of our 2009 consolidated revenues. The payout factor for the revenue measure for the area for which Dr. Miller has responsibility was 25 percent. The payout factor for the margin measure for the area for which Dr. Miller has responsibility was 93 percent.

In 2009, four strategic initiatives were included as annual incentive goals. Each initiative was developed to deliver results during 2009 and position us for accelerated growth in revenues and earnings over the long term. The specific initiatives were set around the following four objectives:

- further
- enhance our
- laboratory
- testing
- quality
- assurance

program;

establish a  
platform in  
India for  
future  
growth;

increase  
customer  
adoption of  
our  
healthcare  
information  
technology;  
and

further  
enhance our  
leadership  
team.

All of the executive officers except Dr. Miller had the same four strategic objectives, and each strategic objective was assigned a 5 percent weighting. Dr. Miller's strategic objectives were the same as the others except that they did not include the initiative to establish a platform in India for future growth. Potential performance for each strategic initiative ranged from 0x to 2x. Performance against the four initiatives resulted in payouts factors ranging from 0 to 104 percent.

Overall, the Committee believes that the annual incentive payments made to our named executive officers for 2009 were consistent with the objectives of our executive compensation program. The following table sets forth, for each year since 2005, the average annual cash incentive payment as compared to target for the named executive officers then in office. We believe that the results indicate that the targets have been set at reasonable levels.

Year	Average Payment as Compared to Target (%)
2005	82
2006	148
2007	103
2008	112
2009	129

***Long-Term Incentive Awards***

We design our long-term incentive awards to:

Align  
management's  
compensation  
opportunities  
with the  
interests of  
our  
shareholders;

Provide  
long-term  
compensation  
opportunities  
consistent  
with market  
practice;

Incent and  
reward  
long-term  
value  
creation; and

Provide a  
retention  
incentive for  
key  
employees.

In determining the value of the long-term incentive component of each named executive officer's compensation, the Committee considers, without limitation:

The value of  
similar

incentive  
awards to  
executive  
officers in the  
peer group;  
and

The  
individual's  
scope of  
responsibility,  
performance  
and  
contribution to  
meeting the  
Company's  
objectives.

*Timing of Equity Awards*

It has been the Committee's practice to make annual equity grants at a meeting held shortly after we announce our prior year's earnings. The Committee also makes equity grants to new hires and promoted employees, and other grants in special cases, from time to time as appropriate.

The Committee has delegated to the Chief Executive Officer with the Vice President of Human Resources the authority to grant, under limited circumstances, equity grants to employees other than executive officers. Pursuant to this authority, they may award up to 20,000 options and 10,000 restricted or performance shares per quarter. In 2009, 1,875 options and 1,943 shares were granted under this authority.

In addition, based on the Committee's recommendation, the Board has authorized the Chief Executive Officer to designate employees as recipients of nonqualified stock options. The Chief Executive Officer may grant options to employees, other than executive officers, annually in amounts not exceeding 25,000 per employee and 100,000 in the aggregate. The grants must have an exercise price equal to fair market value on the grant date and other terms and conditions identical to the terms and conditions most recently approved by the Committee. In 2009, no options were granted pursuant to this authority.

Management regularly reports to the Committee grants under these two delegations of authority.

*Determination of February 2006 Performance Share Awards*

In March 2009, the Committee determined payment for performance share awards made in February 2006.

At the time of grant, the Committee established baselines, target performance levels, the comparator group and the measurement period. The performance measure was the compound annual growth rate of the Company's earnings per share from continuing operations (subject to adjustment for predefined items and calculated in accordance with the plan), compared to the annual growth rate of the earnings per share of the companies included in the S&P 500 Healthcare Index<sup>2</sup> (which is comprised of the Company's former peer group and the S&P 500 Pharmaceuticals, Biotechnology and Life Sciences Index). The measurement period was January 1, 2006 to December 31, 2008. The following chart shows the targeted performance levels (awards for performance between these percentiles are interpolated on a straight-line basis).

Performance Relative to Performance Share Comparator Group	Performance Shares Earned (as multiple of target number of shares)
Greater than or equal to 85th percentile	2X
Equal to 55th percentile	1X
Less than or equal to 25th percentile	0X

In calculating 2008 EPS from continuing operations, the Committee made adjustments for the following predefined items: charges related to restructuring programs (+\$.05). We made these adjustments to exclude the impact of certain unusual or nonrecurring items and to incent management to make decisions that are focused on long-term value creation.

The Committee determined that the compound annual growth rate in the Company's fully diluted earnings per share from continuing operations for the performance period was 9.36% and that the earnings multiple applicable to these awards during the performance period was 53% of target. Accordingly, the Committee approved payout of such awards using this multiple.

*Determination of February 2007 Performance Share Awards*

In March 2010, the Committee determined payment for performance share awards made in February 2007. The performance period for those awards ended on December 31, 2009. Payment for these awards will be discussed in the 2011 Compensation Discussion and Analysis.

*2009 Equity Awards*

In February 2009, the Committee awarded long-term compensation for 2009 to the named executive officers, resulting in the equity awards shown under "2009 Grants of Plan-Based Awards Table" on page 30. In considering the size of the award for each named executive officer, the Committee considered the factors described above, including the performance of the Company and the executive during 2008 and the competitive market for executive talent.

<sup>2</sup> The companies in the Index as of December 31, 2008 were: AmerisourceBergen Corp.; Abbott Laboratories; Aetna Inc.; Allergan, Inc.; Amgen, Inc.; Baxter International Inc.; C.R. Bard, Inc.; Becton, Dickinson and Co.; Biogen Idec Inc.; Bristol Myers Squibb Co.; Boston Scientific Corporation; Cardinal Health, Inc.; Celgene Corporation; Cephalon, Inc.; CIGNA Corporation; Covidien Ltd.; Coventry Health Care, Inc.; Quest Diagnostics Incorporated; DaVita Inc.; Dentsply International Inc.; Express Scripts, Inc.; Forest Laboratories, Inc.; Genzyme Corporation; Gilead Sciences, Inc.; Hospira, Inc.; Humana Inc.; Intuitive Surgical, Inc.; Johnson & Johnson; King Pharmaceuticals, Inc.; Laboratory Corp. of America Holdings; Life Technologies Corp.; Eli Lilly & Co.; McKesson Corporation; Medtronic, Inc.; Medco Health Solutions Inc.; Millipore Corporation; Merck & Co., Inc.; Mylan Inc.; Patterson Companies, Inc.; Pfizer Inc.; PerkinElmer, Inc.; IMS Health, Inc.; Schering- Plough Corporation; St. Jude Medical, Inc.; Stryker Corporation; Tenet Healthcare Corporation; Thermo Fisher Scientific Inc.; UnitedHealth Group Inc.; Varian Medical Systems, Inc.; Waters Corporation; WellPoint, Inc.; Watson Pharmaceuticals, Inc.; Wyeth; and Zimmer Holdings, Inc.

The Committee made two changes in the long-term incentive program for 2009. First, the Committee determined that new stock options should have a 10-year term, rather than a 7-year term. The change applied to options granted in February 2009, subject to approval by the Company's stockholders at the Company's 2009 annual stockholders meeting of an amendment to the Employee Long Term Incentive Plan to authorize options having a 10-year term. The Company's stockholders approved the proposed amendment, so the options granted to employees in 2009 have a 10-year term. Second, the Committee determined to change the form of the stock award for most employees to restricted share units (RSUs). The same change was made in 2008 for director awards, and primarily reflects administrative and tax considerations, as the Committee considers restricted shares and RSUs to be essentially economic equivalents.

The Committee maintained the mix of annual long-term incentive awards that it had authorized in 2008. Performance share awards continued to represent approximately 1/3 of the total value of the annual equity award, assuming the performance shares are ultimately earned at target. Performance shares encourage a long-term view and reinforce the link between financial results and rewards. The value that they provide depends on the level of achievement of predefined performance goals over the multi-year performance period. If minimum performance levels are not achieved, the performance shares are forfeited and provide no value.

The performance measure for our 2009 performance share awards is a targeted compound annual growth rate of our earnings per share from continuing operations over a three-year period based upon our strategic business plan. We followed the same approach in our 2008 performance share awards. We believe that a performance measure linked to the Company's goals makes it easier for our employees to track progress compared to one based on a peer group and therefore strengthens the incentive effect of the performance share awards.

The target performance shares subject to the 2009 performance share awards will be earned over a three-year period ending December 31, 2011 and will be paid out in shares of the Company's common stock at the end of the period to the extent that the performance level is achieved. The Committee established baselines, target performance levels and the measurement period. No performance shares will be earned if a specified minimum performance level is not achieved. For performance above the threshold level, payment will vary with actual performance achieved, up to a maximum payment of 2 times the target level. Determination of the shares payable pursuant to the 2009 performance share award will be made after the end of the performance period.

We also continued to use stock options as a component of our equity awards. Stock options align incentives with shareholder interests by rewarding appreciation in stock price. We believe that stock options are an appropriate incentive to motivate our employees. For 2009, stock options represented approximately 1/3 of the total value of the annual equity award. Stock options vest 33 and 1/3 percent on each of the first, second and third anniversaries of the grant date.

Approximately 1/3 of the total value of the annual equity award was delivered in the form of RSUs or restricted shares that vest as follows: 25% on each of the first and second anniversaries of the grant date and 50% on the third anniversary of the grant date. We believe that RSUs and restricted shares enhance executive retention across business cycles because they retain a portion of their value if our stock price declines from the grant date price. RSUs and restricted shares also foster an ownership culture, help motivate employees to perform at peak levels across business cycles and motivate increasing shareholder value. We included RSUs and restricted shares as a component in our 2009 equity awards because we believed that it would positively impact employee engagement and retention and that it aligns employee interests with the interests of our shareholders over the long term.

#### *Reload Options*

We have not granted options with a reload feature since 2002. Some outstanding options that we granted before 2002 contain a reload feature.





### ***Deferred Compensation***

All employees who satisfy certain service requirements, including the named executive officers, are entitled to participate in the 401(k) Plan, in which participants may defer a portion of their eligible cash compensation up to limits established by law. All the named executive officers except the Chief Executive Officer also are eligible to participate in the SDCP. The purposes of the 401(k) Plan and SDCP are to provide eligible employees an opportunity to save for their retirement and, through Company matching contributions and credits, to provide supplemental retirement income to help us compete in the market for talented employees. For additional information regarding the SDCP, see 2009 Nonqualified Deferred Compensation Table on page 35.

### ***SERP***

Dr. Mohapatra is the only named executive officer covered by a defined benefit plan. To enable us to secure the services of Dr. Mohapatra as our Chief Executive Officer, in December 2004 we established the SERP, which is an unfunded non-qualified plan, in connection with commitments made in Dr. Mohapatra's employment agreement. With the adoption of the SERP, Dr. Mohapatra waived his participation in the SDCP for 2005 and thereafter. His account balances for pre-2005 contributions continue to be invested under the SDCP. The Committee continues to believe that market conditions and the importance of maintaining Dr. Mohapatra's services as Chief Executive Officer make it appropriate for the Company to maintain the SERP for Dr. Mohapatra. For a description of the SERP, see 2009 Pension Benefits Table on page 34.

### ***Perquisites***

Perquisites represent a minor component of executive compensation. We provide perquisites that we believe are reasonable and competitive. In 2009, the named executive officers were entitled to receive tax and financial planning services, within certain limits. Pursuant to Dr. Mohapatra's employment agreement, the Company reimbursed him for driver and vehicle costs and the Company paid legal costs in connection with his employment agreement. Additionally, as part of the Company's security plan for Dr. Mohapatra, the Committee approved reimbursing Dr. Mohapatra for security for his residence, and encouraged Dr. Mohapatra and his family to use the Company aircraft for personal travel. These perquisites are disclosed in the 2009 Summary Compensation Table on page 29.

### ***Other Benefits***

As part of his or her total compensation package, each named executive officer is eligible to participate in our broad-based employee benefit plans, such as medical, dental, group life insurance and disability plans, the employee stock purchase plan and the 401(k) Plan. Each of these benefits is provided on the same basis as available to other exempt employees. Our benefits are designed to attract and retain talented employees and to provide them with competitive benefits.

### **Impact of Accounting and Tax Treatment on Executive Compensation**

Section 162(m) of the Code precludes a public corporation from taking a tax deduction for annual compensation in excess of \$1 million paid to its chief executive officer and the three most highly paid executive officers other than the chief financial officer, unless certain specific and detailed criteria are satisfied. The anticipated tax treatment to the Company and to the executive officers is taken into consideration in the review and establishment of all compensation programs and payments. Our general policy is to attempt to preserve the tax deductibility of compensation paid to our executive officers under existing tax laws, including annual cash incentive awards and the grants of equity awards. As tax laws change, the Committee will consider their implications.

In order to satisfy the requirements of Section 162(m), the SMIP limits the annual incentive award for each participant at 1% of the Company's Earnings (as defined in the SMIP) in the fiscal year. For 2009, the annual incentive award for

each SMIP participant was less than the maximum allowable incentive award payable under the SMIP.

Under his employment agreement, Dr. Mohapatra will receive a tax gross-up payment for any golden parachute excise tax consequences under Sections 280G and 4999 of the Internal Revenue Code. Schedule A participants in the Executive Officer Severance Plan also will receive tax gross-ups for any parachute excise tax consequences, unless a reduction of the parachute payments by not more than 5% would result in no excise tax being incurred. Schedule B participants in the Executive Officer Severance Plan are not eligible to receive a tax gross-up payment. Mr. Hagemann, Dr. Miller and Mr. Prevoznik are Schedule A participants, and Dr. Cohen is a Schedule B participant, in the Executive Officer Severance Plan.

See Note 13 of the Company's consolidated financial statements for the year ended December 31, 2009 for a discussion of the accounting treatment of executive compensation plans.

### **CEO Employment Agreement**

Dr. Mohapatra, our Chief Executive Officer, is the only named executive officer with an employment agreement with the Company. The Company entered into this employment agreement with Dr. Mohapatra in November 2003 to secure his services as Chief Executive Officer. The parties amended and restated the agreement on July 31, 2006, prior to the expiration of the initial term, to retain Dr. Mohapatra's continued service as Chief Executive Officer. The parties amended and restated the agreement again on November 7, 2008 to accommodate the final regulations under Section 409A of the Internal Revenue Code; the 2008 amendments did not increase or add benefits. The Committee continues to believe that market conditions and the importance of maintaining Dr. Mohapatra's services as Chief Executive Officer make it appropriate for the Company to maintain an employment agreement with Dr. Mohapatra. For a description of Dr. Mohapatra's agreement, see "Employment Agreement" on page 31 and "2009 Potential Payments Upon Termination or Change in Control - Dr. Mohapatra" on page 36. We filed a copy of Dr. Mohapatra's employment agreement with the Securities and Exchange Commission and it is an exhibit to our annual report on Form 10-K.

### **Termination and Change in Control Arrangements**

The Company's Executive Officer Severance Plan covers all named executive officers other than the Chief Executive Officer, whose severance provisions are established in his employment agreement. No named executive officer will receive any severance benefits solely as a result of a change of control, although Dr. Mohapatra has the right to terminate his employment and receive severance on certain change of control events.

For additional information, see "2009 Potential Payments upon Termination or Change in Control" on page 36.

We believe that the severance benefits provided to our named executive officers are consistent with market practice and are appropriate recruiting and retention tools. The named executive officers have agreed to non-competition and non-solicitation covenants for a period following termination of employment.

### **Executive Share Retention Guidelines and Hedging Policy**

In order to promote equity ownership and further align the interests of management with those of our shareholders, we adopted senior management share retention and ownership guidelines in 2005. Under these guidelines, each officer is expected to maintain a minimum ownership position before he or she can receive full cash settlement for option exercises. The minimum share ownership threshold for each named executive officer is as follows:

Named Executive Officer	Number of Shares
Dr. Surya N. Mohapatra	100,000
Robert A. Hagemann	40,000

Dr. Jon Cohen	40,000
Dr. Joan E. Miller	12,000
Michael E. Prevoznik	24,000

As of December 31, 2009, each named executive officer holds stock in excess of his or her stock ownership guideline, except for Dr. Cohen who only joined the Company in March 2009. The Committee periodically reviews these guidelines and may adjust them.

All employees and directors are also prohibited from entering into transactions that result in a financial benefit if our stock price declines, or any hedging transaction involving our stock, including but not limited to the use of financial derivatives (such as puts and calls), short sales or any similar transactions. In addition, our directors and executive officers, as well as certain other employees, may purchase or sell Company securities only during window periods of 30 calendar days that begin on the second business day following the issuance of our quarterly earnings releases.

#### **REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based on its review and discussions with management, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's annual report on Form 10-K for 2009.

#### COMPENSATION COMMITTEE

William F. Buehler, Chairman

Jenne K. Britell, Ph.D.

Gary M. Pfeiffer

Daniel C. Stanzione, Ph.D.

John B. Ziegler

**ADDITIONAL INFORMATION REGARDING EXECUTIVE COMPENSATION**

Management has reviewed the Company's significant compensation programs to identify any programs, individually or in combination, that it believes create risks that are reasonably likely to have a material adverse effect on the Company. In assessing the risk of plans that apply to our executive officers, we considered the risk guidelines suggested by the Center on Executive Compensation. In assessing the risk of our other significant compensation programs, we considered the plan designs, plan operation, plan controls, management oversight and review and competitive norms. We concluded that the programs do not encourage imprudent risk taking and that the risks arising from them are not reasonably likely to have a material adverse effect on the Company.

**2009 Summary Compensation Table**

The following table summarizes the compensation for 2009 for each named executive officer.

Name and Principal Position	Year	Salary (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(4)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) <sup>(5)</sup>	All Other Compensation (\$) <sup>(6)</sup>
Surya N. Mohapatra	2009	1,201,095	4,899,840	2,347,208	2,349,341	1,567,670	109,630
Chairman, President and Chief Executive Officer	2008	1,143,868	4,544,794	1,978,504	1,915,693	1,630,230	109,246
Robert A. Hagemann	2009	541,009	2,037,044	975,806	634,928		65,122
Senior Vice President and Chief Financial Officer	2008	517,713	1,889,438	989,252	520,224		71,254
Jon R. Cohen	2009	412,500	1,339,436	609,204	349,635		
Senior Vice President and Chief Medical Officer	2007	495,419	1,184,237	1,713,009	453,234		69,042
Joan E. Miller	2009	464,068	1,211,188	580,211	339,802		37,998

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Senior Vice President	2008	439,875	1,123,424	703,892	328,235	30,813
Hospital and Pathology Services	2007	394,746	595,925	855,951	265,817	31,000
Michael E. Prevoznik	2009	466,552	991,028	474,714	395,450	56,460
Senior Vice President	2008	448,607	919,216	627,792	325,566	53,347
and General Counsel	2007	429,289	571,247	826,275	283,642	57,197

(1) Includes amounts deferred by named executive officers into a tax-qualified 401(k) plan and the Supplemental Deferred Compensation Plan ( SDCP ) (see 2009 Nonqualified Deferred Compensation Table on page 35).

(2) The values in this column represent the aggregate grant date fair value of the performance share awards and restricted shares (restricted share units in 2009 in the



case of all named executive officers other than Dr. Mohapatra) granted. Restricted shares, restricted share units and performance shares reported in this column were valued based on the average of the high and low prices of our common stock on the grant date. Performance share awards are valued at target. If the performance share awards were valued at maximum, the amounts shown in the column would be:

Executive Officer	2007 (\$)	2008 (\$)	2009 (\$)
Surya N. Mohapatra	5,921,562	6,817,191	7,349,760
Robert A. Hagemann	2,368,474	2,834,157	3,055,566
Jon R. Cohen			2,009,154
Joan E. Miller	1,191,850	1,685,136	1,816,782
Michael E. Prevoznik	1,142,494	1,378,824	1,486,542

(3) The values in this column represent the aggregate grant date fair values of the awards. The

assumptions made when calculating the amounts in this column for 2009 and 2008 awards are found in footnote 13 to the Consolidated Financial Statements of Quest Diagnostics Incorporated and its Subsidiaries, as filed with the SEC on Form 10-K for 2009. The assumptions made when calculating the amounts in this column for 2007 awards are found in footnote 13 to the Consolidated Financial Statements of Quest Diagnostics Incorporated and its Subsidiaries, as filed with the SEC on Form 10-K for 2007.

- (4) The amounts in this column represent payments under the Senior Management

Incentive Plan (SMIP) (or, in the case of Dr. Cohen, payments under the incentive compensation plan in which he participated) in respect of the year earned and include amounts deferred under the SDCP. See the discussion regarding annual incentive compensation in

Compensation Discussion and Analysis on page 18 for further information regarding the performance measures.

- (5) Represents the increase in actuarial value of Dr. Mohapatra's accumulated benefit under the Supplemental Executive Retirement Plan (SERP).
- (6) All other compensation for 2009 consists of the following:



	Dr. Mohapatra (\$)	Mr. Hagemann (\$)	Dr. Cohen (\$)	Dr. Miller (\$)	Mr. Prevoznik (\$)
Matching contributions under Profit Sharing 401(k) Plan	14,190	14,700		14,700	14,700
Matching credits under Supplemental Deferred Compensation Plan	N/A	48,974		22,490	32,827
Tax and financial planning		1,448 <sup>(a)</sup>			8,933 <sup>(a)</sup>
Personal ground transportation	37,348 <sup>(b)</sup>				
Security costs	13,151 <sup>(c)</sup>				
Use of company aircraft	33,161 <sup>(d)</sup>				
Legal costs	11,780 <sup>(e)</sup>				
Other				808	
Totals	109,630	65,122		37,998	56,460

(a) Includes tax gross up of \$483 and \$2,978 for Mr. Hagemann and Mr. Prevoznik, respectively.

(b) Includes the following expenses attributable to Dr. Mohapatra's personal use of a company vehicle: (i) the portion of the vehicle lease cost (determined as a percentage of the total use of the vehicle); (ii) the invoiced expenses of the vehicle's driver and (iii) invoiced vehicle repair

and  
maintenance  
costs.

- (c) Represents security costs for Dr. Mohapatra's personal residence.
- (d) The value of the use of the Company aircraft is based on the variable costs that the Company incurred in connection with flight activity, and does not include the fixed costs of owning and operating the Company aircraft. The value was calculated based on the aggregate incremental cost to the Company of personal travel, including: landing, parking, and flight planning expenses; supplies and catering; aircraft fuel and oil expenses per hour of flight; maintenance, parts and labor

per hour of flight; customs, foreign permits and similar fees; passenger ground transportation; and aircraft repositioning costs.

- (e) Represents legal and related costs for Dr. Mohapatra.

### 2009 Grants of Plan-Based Awards Table

The following table provides information about plan-based awards granted to each named executive officer in 2009.

Name and Principal Position	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(3)</sup>
		Threshold (\$) <sup>(1)</sup>	Target (\$) <sup>(1)</sup>	Maximum (\$) <sup>(1)</sup>	Threshold (#) <sup>(2)</sup>	Target (#) <sup>(2)</sup>	Maximum (#) <sup>(2)</sup>	
Surya N. Mohapatra	2/11/2009		1,801,643	3,603,286		47,850	95,700	
Chairman, President and Chief Executive Officer	2/11/2009							47,850
Robert A. Hagemann	2/11/2009		486,908	973,816		19,893	39,786	
Senior Vice President and Chief Financial Officer	2/11/2009							19,893
Jon R. Cohen	5/13/2009		268,125	536,250		12,904	25,808	

Senior Vice President and Chief Medical Officer	5/13/2009					12,904
Joan E. Miller	2/11/2009	301,644	603,288	11,828	23,656	
Senior Vice President Hospital and Pathology Services	2/11/2009					11,828
Michael E. Prevoznik	2/11/2009	303,259	606,518	9,678	19,356	
Senior Vice President and General Counsel	2/11/2009					9,678

- (1) Amounts in these columns represent the threshold, target, and maximum awards set for the 2009 SMIP (except for Dr. Cohen, whose threshold, target and maximum awards were established under the incentive compensation plan in which he participated). Actual amount of award paid is included in the 2009 Summary Compensation Table on page 29 under the column titled Non-Equity Incentive Plan Compensation.



- (2) Amounts in these columns represent threshold, target, and maximum awards for performance shares granted in 2009 under the Employee Long-Term Incentive Plan. The performance period for the performance shares granted during 2009 ends December 31, 2011. No dividends are payable on performance shares until the shares are earned and vested following the end of the performance period. For further discussion of the performance metrics see Compensation Discussion and Analysis on page 18.
- (3) Amounts represent the number of restricted share units (restricted shares in the case of Dr. Mohapatra) granted in 2009 under the Employee Long-Term Incentive Plan. The restricted share units and the restricted shares vest 25% on February 11, 2010, 25% on February 11, 2011 and 50% February 11, 2012, except that the restricted share units awarded to Dr. Cohen vest 25% on

May 13, 2010, 25%  
on May 13, 2011  
and 50% on May 13,  
2012.

- (4) Amounts represent the number of stock options granted in 2009 under the Employee Long-Term Incentive Plan. The terms of Dr. Mohapatra's options are also subject to his employment agreement, as described on page 31. For information on vesting on termination of employment with severance benefits, see 2009 Potential Payments Upon Termination or Change in Control on page 36.
- (5) The exercise price is the average of the high and low sales price of the Company's common stock on the grant date.
- (6) Amounts represent the grant date fair market value of each award as determined pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock

Compensation.

**Narrative Disclosure to 2009 Summary Compensation Table and 2009 Grants of Plan-Based Awards Table**

Please see Compensation Discussion and Analysis, beginning on page 18, for additional information regarding the material terms of targets noted in the 2009 Summary Compensation Table, and regarding the amount of salary and bonus in proportion to total compensation.

**Key Terms of Equity Awards Granted in 2009.** Each option generally has a term of ten years, subject to earlier expiration upon termination of employment. Options generally vest ratably over a three-year period, performance shares generally vest on January 31 of the year following the end of the three-year performance period and restricted share units and restricted shares generally vest 25%, 25% and 50% on the first, second and third, respectively, anniversary of the grant date. Options, performance shares, restricted share units and restricted shares provide for monthly vesting prorated on termination of employment, except termination for cause. Dividend equivalents and dividends, respectively, are payable on the restricted share units and restricted shares in the same amounts, if any, as are paid on the Company's outstanding shares of common stock.

The consequences of a termination of employment under Dr. Mohapatra's equity awards are discussed below in the section entitled 2009 Potential Payments Upon Termination or Change in Control. For all other employees, including our named executive officers other than Dr. Mohapatra, upon termination of employment prior to the conclusion of the vesting period as a result of a separation that would entitle an employee to severance benefits, the employee would immediately vest in any outstanding options, performance shares and restricted share units that would have otherwise vested if the employee had remained employed for an additional twelve months. (Performance shares that vest in connection with termination of employment remain subject to the earn-out requirements based on Company performance during the performance period ending December 31, 2011.) The options, performance shares and restricted share units vest immediately under certain conditions such as a change of control or termination of employment by reason of death or disability. A change of control occurs if and when:

- (i) any person becomes the beneficial owner of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities; or
- (ii) a majority of the Company's directors are not continuing directors; or
- (iii) the Company consummates any of the

following transactions that are required to be approved by shareholders:

(a) a transaction in which the Company ceases to be an independent publicly-owned corporation, (b) the sale or other disposition of all or substantially all of the Company's assets or (c) a plan of partial or complete liquidation of the Company.

**Employment Agreement.** In November 2003, Dr. Mohapatra entered into a three-year employment agreement with the Company. On July 31, 2006, the Company and Dr. Mohapatra entered into an amendment and restatement of the employment agreement with a term ending on December 31, 2011. On November 7, 2008, the Company and Dr. Mohapatra entered into an amendment and restatement of the employment agreement (the Employment Agreement ) to respond to the final regulations under Section 409A of the Internal Revenue Code. The Employment Agreement as amended provides:

An annual base salary of no less than \$1,023,000. The Board of Directors or the Compensation Committee will review the base salary annually and adjust it to reflect (among other factors) increases generally granted to other senior executives of the Company and

Dr. Mohapatra's performance.

Effective January 1, 2007, an annual target cash bonus not less than 150% of base salary. The cash bonus is determined in accordance with the SMIP and its financial performance targets. The Board of Directors or the Compensation Committee will review the target bonus as a percentage of base salary annually for potential increase.

The participation by Dr. Mohapatra in all employee and welfare plans offered by the Company to its senior executive officers on a basis that is no less favorable than that made available to other senior executive officers.

Perquisites at least as favorable as those provided to other senior

executive  
officers of the  
Company.

Vesting in  
outstanding  
equity awards  
and payment of  
certain  
severance  
benefits as  
described in  
2009 Potential  
Payments  
Upon  
Termination or  
Change in  
Control on  
page 36.

The  
establishment  
of the SERP,  
the terms of  
which are  
described in  
2009 Pension  
Benefits Table  
on page 34.

Covenants not  
to compete or  
solicit  
customers or  
employees for  
one year  
following  
termination for  
any reason, or  
for 18 months  
if  
Dr. Mohapatra  
is receiving  
severance  
following a  
notice of  
non-renewal of  
the term of the  
Employment  
Agreement  
ending on  
December 31,  
2011.



Please see also the discussion under the heading 2009 Potential Payments Upon Termination or Change in Control beginning on page 36 for additional information regarding payments due to Dr. Mohapatra upon termination of employment.

**Outstanding Equity Awards at 2009 Fiscal Year-End**

The following table provides information regarding stock option and unvested stock awards held by each named executive officer at December 31, 2009.

Name and Principal Position	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable <sup>(1)</sup>	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(6)</sup>
Surya N. Mohapatra Chairman, President and Chief Executive Officer	2/13/2003	200,000		24.76	2/13/2013		
	4/17/2003	152,000		35.53	2/27/2012		
	2/19/2004	340,000		40.43	2/19/2014		
	2/22/2005	246,666		48.74	2/22/2012		
	2/15/2006	275,000		52.24	2/15/2013		
	2/12/2007	186,666	93,334	52.25	2/12/2014		
	2/14/2007	2,222	1,112	52.57	2/14/2014		
	3/4/2008	57,778	115,556	47.49	3/4/2015	35,888	2,166,917
2/11/2009		148,334	51.20	2/11/2019	47,850	2,889,183	
Robert A. Hagemann Senior Vice President and Chief Financial Officer	2/13/2003	100,000		24.76	2/13/2013		
	4/17/2003	68,000		35.53	2/27/2012		
	2/19/2004	140,000		40.43	2/19/2014		
	2/22/2005	100,000		48.74	2/22/2012		
	2/15/2006	113,334		52.24	2/15/2013		
	2/12/2007	75,556	37,778	52.25	2/12/2014		
	3/4/2008	28,889	57,778	47.49	3/4/2015	14,920	900,870
	2/11/2009		61,667	51.20	2/11/2019	19,893	1,201,139
5/13/2009		40,000	51.90	5/13/2019	12,904	779,144	

Jon R. Cohen Senior Vice President and Chief Medical Officer							
Joan E. Miller	2/22/2005	26,666		48.74	2/22/2012		
Senior Vice President	2/15/2006	33,334		52.24	2/15/2013		
Hospital and Pathology Services	2/12/2007	24,444	12,223	52.25	2/12/2014		
	8/16/2007	13,333	6,667	53.19	8/16/2014		
	3/4/2008	20,555	41,112	47.49	3/4/2015	8,871	535,631
	2/11/2009		36,667	51.20	2/11/2019	11,828	714,175
Michael E. Prevoznik	2/13/2003	72,000		24.76	2/13/2013		
Senior Vice President and General Counsel	4/17/2003	68,000		35.53	2/27/2012		
	2/19/2004	72,000		40.43	2/19/2014		
	2/22/2005	48,000		48.74	2/22/2012		
	2/15/2006	54,667		52.24	2/15/2013		
	2/12/2007	36,444	18,223	52.25	2/12/2014		
	3/4/2008	18,333	36,667	47.49	3/4/2015	7,259	438,298
	2/11/2009		30,000	51.20	2/11/2019	9,678	584,358

- (1) Each option generally vests in three equal installments on the first three anniversaries of the grant date, subject to earlier expiration following termination of employment. For employees

other than Dr. Mohapatra, option awards vest immediately under certain conditions such as a change of control or termination of employment by reason of death or disability. Dr. Mohapatra's options are subject to the terms described beginning on page 36.

- (2) Represents restricted shares (restricted share units in 2009 in the case of all named executive officers other than Dr. Mohapatra) awarded in 2009 and 2008. The awards generally vest 25% on the first anniversary of the grant date, 25% on the second anniversary of the grant date and 50% on the third anniversary of

the grant date.  
For employees  
other than Dr.  
Mohapatra,  
restricted share  
unit awards  
vest  
immediately  
under certain  
conditions  
such as a  
change of  
control or  
termination of  
employment  
by reason of  
death or  
disability. Dr.  
Mohapatra's  
restricted  
shares are  
subject to the  
terms  
described  
beginning on  
page 36.

- (3) Represents  
actual payout  
of  
performance  
shares  
awarded in  
2007 and  
earned based  
on the  
performance  
period that  
began on  
January 1,  
2007 and  
ended on  
December 31,  
2009. The  
number of  
shares issuable  
pursuant to the  
awards was  
not determined  
until March  
2010.

(4) Represents target performance shares awarded in 2008. The performance period began on January 1, 2008 and ends on December 31, 2010. If the performance goals are met, awards are made in stock in the first quarter following the end of the performance period.

(5) Represents target performance shares awarded in 2009. The performance period began on January 1, 2009 and ends on December 31, 2011. If the performance goals are met, awards are made in stock in the first quarter following the end of the performance period. Performance goals and calculation of

performance  
awards are  
described in  
Compensation  
Discussion and  
Analysis on  
page 18.

- (6) Represents fair  
market value  
of shares using  
the closing  
price on  
December 31,  
2009 of  
\$60.38.

**2009 Option Exercises and Stock Vested Table**

The following table provides information regarding exercises of stock options by each named executive officer who exercised options during 2009, including the number of shares of common stock acquired upon exercise and the aggregate amount realized by each named executive officer on such exercise. The table

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also provides information regarding restricted shares that vested during 2009 and performance share awards that vested on December 31, 2008 and were determined and paid during 2009, including the number of shares awarded and the value realized by each named executive officer as of December 31, 2008.

Name and Principal Position	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
Surya N. Mohapatra Chairman, President and Chief Executive Officer	174,120	4,560,488	11,962 <sup>(1)</sup> ) 29,150 <sup>(2)</sup> )	553,123 <sup>(1)</sup> ) 1,513,177 <sup>(2)</sup> )
Robert A. Hagemann Senior Vice President and Chief Financial Officer	81,218	2,085,296	41,112 <sup>(3)</sup> ) 4,973 <sup>(1)</sup> ) 12,014 <sup>(2)</sup> )	2,066,300 <sup>(3)</sup> ) 229,952 <sup>(1)</sup> ) 623,647 <sup>(2)</sup> )
Jon R. Cohen Senior Vice President and Chief Medical Officer			16,987 <sup>(3)</sup> )	853,599 <sup>(3)</sup> )
Joan E. Miller Senior Vice President Hospital and Pathology Services	87,800	1,965,572	2,957 <sup>(1)</sup> ) 3,534 <sup>(2)</sup> ) 6,491 <sup>(3)</sup> )	136,732 <sup>(1)</sup> ) 183,450 <sup>(2)</sup> ) 320,182 <sup>(3)</sup> )
Michael E. Prevoznik Senior Vice President and General Counsel	86,930	2,165,901	2,419 <sup>(1)</sup> ) 5,795 <sup>(2)</sup> ) 8,214 <sup>(3)</sup> )	111,855 <sup>(1)</sup> ) 300,818 <sup>(2)</sup> ) 412,673 <sup>(3)</sup> )

(1) Restricted shares that vested during 2009

(2) Performance share awards that vested on December 31, 2008 and were determined and paid



during  
2009.

- (3) Total of (1)  
and (2).

**2009 Pension Benefits Table**

The executive officers do not participate in a Company-sponsored tax-qualified defined benefit plan. Dr. Mohapatra is the only executive officer covered by a Company-sponsored nonqualified defined benefit plan.

On December 14, 2004, pursuant to the Company's employment agreement with Dr. Mohapatra, the Board adopted a Supplemental Executive Retirement Plan (the "SERP") covering Dr. Mohapatra. The SERP was amended on July 31, 2006 pursuant to an amendment and restatement of Dr. Mohapatra's employment agreement. See "Employment Agreement" on page 31. The SERP was amended again on November 7, 2008 to conform to the requirements of Section 409A of the Code and the regulations thereunder. Under the SERP, Dr. Mohapatra will be entitled to an annual retirement benefit equal to (1) 1.5% (or 2.2% for Years of Credited Service after July 31, 2006) times (2) the average of his final average compensation (base salary plus regular annual bonus) for the highest three complete consecutive calendar years in the last five complete calendar years prior to the date of his termination times (3) his Years of Credited Service. Under the SERP, "Years of Credited Service" is equal to 1.13 times the number of completed calendar months of employment with the Company, whether or not consecutive, divided by 12. If his employment is terminated by the Company other than for "cause" or is terminated by Dr. Mohapatra for "good reason" on or after he attains age 60 and before the date he attains age 62, then Dr. Mohapatra will be credited with additional months of Credited Service equal to the excess, if any, of (i) the number of months of severance benefits he is eligible to receive under the employment agreement (that is 24 months, or 36 months in the event of a change in control) over (ii) the number of months of service Dr. Mohapatra has completed from the date he attained age 60 through the date of termination of his employment. Dr. Mohapatra turned 60 years old during 2009.

If the benefit is payable before Dr. Mohapatra reaches age 62, the amount will be reduced by 0.5% for each month that the benefit starting date precedes Dr. Mohapatra's 62nd birthday, except in the case of termination upon death or disability, without Cause, for Good Reason or as a result of the Company's decision not to renew the employment agreement. Unless Dr. Mohapatra elects otherwise in compliance

with Section 409A of the Internal Revenue Code, his benefit will be payable in a lump sum. The benefits received by Dr. Mohapatra under the SERP are not subject to reduction for Social Security or to any other offset. In addition, with the adoption of the SERP, Dr. Mohapatra waived continuing participation in the Supplemental Deferred Compensation Plan ( SDCP ) for 2005 and thereafter.

The following table shows the present value of the accumulated benefit at December 31, 2009 for Dr. Mohapatra under the SERP based on the assumption that he remains in service until age 62, at which age there would not be any actuarial reduction in his benefit.

Name and Principal Position	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit (\$) <sup>(2)</sup>	Payments During Last Fiscal Year (\$)
Surya N. Mohapatra Chairman, President and Chief Executive Officer	SERP	12.3 <sup>(1)</sup>	7,224,890	

(1) Under the SERP, Dr. Mohapatra has 10 years and 11 months of service as of December 31, 2009. Pursuant to the terms of the SERP, the Years of Credited Service is 1.13 times his actual years of service (in each case prorated on a monthly basis). Approximately \$831,000 of the present value of accumulated benefit shown in the table is attributable to the enhancement of Dr. Mohapatra's credited service.

(2)

The present value of accumulated benefits was determined using December 31, 2009 as the measurement date and the following assumptions for financial reporting purposes: (i) discount rate equal to 5.75%; (ii) retirement age is assumed to be the unreduced retirement age as defined in the plan (age 62); and (iii) 1994 GAR unisex mortality.

#### **2009 Nonqualified Deferred Compensation Table**

The following table provides information regarding participation by the named executive officers in the SDCP, the Company's plan that provides for the deferral of compensation on a basis that is not tax-qualified. All named executive officers are eligible to participate in the SDCP, other than (for years 2005 and thereafter) Dr. Mohapatra. Under the SDCP, participants may defer up to 50% of their eligible cash compensation in excess of the Internal Revenue Service limit on compensation eligible for the 401(k) plan. In addition, participants may defer up to 95% of their annual incentive compensation in excess of the Internal Revenue Service limit on compensation eligible for the 401(k) plan. The Company provides a 100% matching credit on amounts deferred up to a maximum of 6% of eligible cash compensation. The SDCP is a non-qualified plan under the Internal Revenue Code and does not provide for guaranteed returns on plan contributions. A participant's deferrals, together with Company matching credits, are adjusted for earnings or losses measured by the rate of return on the notional investments available under the plan to which participants allocate their accounts. Participants may change investment elections, selecting from among investment options offered under the SDCP, on any business day. Distributions are made after termination of employment or on a date, selected by the participant, prior to the termination of employment.

Name and Principal Position	Executive Contributions in 2009 (\$) <sup>(1)</sup>	Registrant Contributions in 2009 (\$) <sup>(2)</sup>	Aggregate Earnings in 2009 (\$) <sup>(3)</sup>	Aggregate Balance at 12/31/09 (\$) <sup>(4)</sup>
Surya N. Mohapatra Chairman, President and Chief Executive Officer			471,129	2,921,517
Robert A. Hagemann Senior Vice President and Chief Financial Officer	535,089	48,974	670,932	3,276,544
Jon R. Cohen Senior Vice President and Chief Medical Officer				
Joan E. Miller Senior Vice President Hospital and Pathology Services	187,412	22,490	106,556	698,054
Michael E. Prevoznik Senior Vice President and General Counsel	82,211	32,827	265,034	1,613,104

(1) Amounts deferred under the SDCP at the election of the named executive officer. These amounts are included in the 2009 Summary Compensation Table on page 29 in 2009 salary and 2008 non-equity incentive plan compensation (payable in 2009).

(2) Company matching credits to the SDCP. These amounts are

included in the column All Other Compensation in the 2009 Summary Compensation Table on page 29.

- (3) Earnings (losses) on SDCP accounts. These earnings (losses) are not required to be reported as compensation in the 2009 Summary Compensation Table.
- (4) All amounts contributed by a named executive officer and by the Company in prior years have been reported in the summary compensation table in our previously filed proxy statements in the year earned, to the extent that the executive was named in such proxy statement and the amounts were so required to be reported in such tables.

## **2009 Potential Payments Upon Termination or Change in Control**

### ***Dr. Mohapatra***

Dr. Mohapatra is the only named executive officer who has an employment agreement with the Company. We describe the general terms of Dr. Mohapatra's Employment Agreement on page 31. Described below are the benefits payable to Dr. Mohapatra on termination of employment pursuant to the Employment Agreement, SERP and applicable stock option, restricted share and performance share awards.

Upon a termination by death or disability, Dr. Mohapatra (or his estate) is entitled to receive a pro rata target bonus for the year of termination payable in a lump sum following termination of employment and three years of salary and target bonus and his target annual bonus award (including the stock and cash components) earned during employment but unpaid, which amounts are payable in a lump sum in the case of death and in equal monthly installments in the case of disability (offset in the case of disability by certain disability benefits, to the extent permitted under Section 409A of the Internal Revenue Code). Also, Dr. Mohapatra and his eligible dependents would remain covered under employee and welfare plans offered by the Company to its senior executive officers ( Benefit Plans ) for three years in the case of death and until the earlier of the third anniversary of the date of termination and the date on which Dr. Mohapatra obtains comparable coverage from subsequent employment in the case of disability. In addition, Dr. Mohapatra (or, following his death, his surviving spouse) would be entitled to pension benefits under the SERP, and the reduction in benefits that would normally apply if Dr. Mohapatra terminates employment before age 62 would not apply.

If the Company terminates Dr. Mohapatra's employment without cause, or if Dr. Mohapatra resigns for good reason or upon non-renewal of the Employment Agreement by the Company prior to 2012, Dr. Mohapatra is entitled to receive (1) salary and target bonus payable in equal monthly installments for two years; (2) any unpaid target annual bonus award (including the stock and cash components) earned during

employment; (3) continued coverage for Dr. Mohapatra and his eligible dependents under the Benefit Plans until the earlier of the second anniversary of the date of termination and the date on which he obtains comparable coverage from subsequent employment; and (4) pension benefits under the SERP (without application of the reduction in benefits that would normally apply if Dr. Mohapatra terminates employment before age 62). If Dr. Mohapatra's termination is within 90 days prior to or two years following a change in control, the benefit coverage period shall be three years rather than two years, and the payment under clause (1) above will equal three (rather than two) times base salary and target bonus, payable in 24 monthly installments (or, if the termination occurs following a change in control that qualifies as a change in control event for purposes of Section 409A of the Internal Revenue Code, payable in a lump sum in lieu of monthly installments). If Dr. Mohapatra becomes entitled to severance for a termination that occurs within 90 days prior to or two years following a change in control and the severance is paid in monthly installments, then the Company is required to fund a trust in the amount of the aggregate severance due (including for this purpose any pro-rata target bonus); the trust must be funded no later than the date the first severance payment is due. Dr. Mohapatra also shall be entitled to gross-up payments for excise taxes, if applicable. No severance benefits are payable solely on a change of control except to the extent that Dr. Mohapatra's employment is terminated as described above. However, certain change of control transactions would constitute good reason entitling Dr. Mohapatra to terminate his employment and receive severance benefits.

Upon a change in control, all of Dr. Mohapatra's outstanding equity awards immediately vest; upon a termination by death, all outstanding stock options, earned shares of incentive stock and other awards granted by the Company to Dr. Mohapatra immediately vest; upon a termination for disability, all outstanding stock options and restricted shares immediately vest and earned performance shares will be issued; upon a termination without cause by the Company or by Dr. Mohapatra for good reason, all outstanding stock options, restricted shares and earned performance shares continue to vest until the second anniversary of such termination (or the third anniversary if such termination is within 90 days prior to or two years following a change in control); and upon a termination as a result of non-renewal of the Employment Agreement following the expiration of the term of the Employment Agreement on December 31, 2011, all outstanding stock options, restricted shares and earned performance shares continue to vest for 24 months (or 36 months if such termination occurs within 90 days prior to or two years following a change in control). In all such cases, vested stock options remain exercisable for their original term.

The Employment Agreement defines the following terms as follows:

cause means (1)  
conviction of  
Dr. Mohapatra  
for a felony or  
(2) his  
commission of  
fraud or theft  
against, or  
embezzlement  
from, the  
Company.

disability means  
the inability of  
Dr. Mohapatra,  
due to physical  
or mental  
incapacity, to  
substantially

perform his duties for the Company for a period exceeding 120 consecutive days.

good reason generally includes, without Dr. Mohapatra's prior written consent (except in the case of a change in control, as described below), (1) a material reduction in his position, duties, responsibilities, and status with the Company, (2) his removal from the position of President and Chief Executive Officer or as Chairman of the Board, (3) any change in his title, (4) relocation more than 75 miles commuting distance from Teterboro, New Jersey, Lyndhurst, New Jersey or New York, New York, (5) a reduction in base salary, annual target bonus opportunity or



benefits, (6) a change in control (whether or not Dr. Mohapatra consents), (7) a material breach by the Company of the Employment Agreement, (8) any adverse change to the SERP or (9) a failure by the Company to secure written assumption of the Employment Agreement by a successor of the Company after a merger, consolidation or transfer of substantially all of its assets.

change in control generally includes (1) shareholder approval of a sale or disposition of all or substantially all of the Company's assets or business or a plan of partial or complete liquidation, (2) shareholder approval of (i) a merger or consolidation in which Dr. Mohapatra will

not be the chief executive officer of the surviving entity (if it is a publicly traded company) or of its publicly traded parent (if any) or (ii) a merger or consolidation in which the Company's shareholders immediately prior to such transaction hold less than 50% of the voting power of the resulting entity (and, in the case of any transaction described in clause (1) or (2), the transaction is completed substantially in accordance with the terms approved by the shareholders and Dr. Mohapatra is not required to be

identified in any United States securities law filing solely as a result of being a person or member of a group that is effecting the transaction), (3) the acquisition by any third party of at least 40% of the voting power of the outstanding shares of capital of the Company in a transaction not covered by clause (2) following which the Company ceases to be an independent public company or there is material diminution of Dr. Mohapatra's position, duties or responsibilities, a breach of the Employment Agreement or an event giving rise to a good reason for termination by Dr. Mohapatra, or (4) during any period of not more than two consecutive years, individuals who at the beginning of such period were the Board of Directors and

new directors  
(other than new  
directors  
designated by a  
party who has  
entered into an  
agreement with  
the Company to  
effect a  
transaction  
described in (1),  
(2) or (3) above)  
whose election  
was approved in  
a Board  
resolution by  
Dr. Mohapatra  
or whose  
election by the  
Board or  
nomination for  
election by the  
shareholders  
was approved  
by at least a  
majority of the  
directors still in  
office who  
either were  
directors at the  
beginning of the  
period or whose  
election or  
nomination was  
previously  
approved as  
described  
above, cease for  
any reason to  
constitute at  
least a majority  
of the Board.

If we terminate Dr. Mohapatra's employment for cause, or if Dr. Mohapatra voluntarily terminates employment other than for good reason, Dr. Mohapatra is not entitled to any severance benefits. In the case of a termination for cause, Dr. Mohapatra would forfeit all equity awards as of his termination date, including vested awards. In the case of a voluntary termination not for good reason, he would remain entitled to exercise vested stock options, to receive vested and earned restricted shares and performance shares, and to immediate vesting of a pro-rata portion (based on the date of his termination) of his unvested equity awards. Dr. Mohapatra is vested in his SERP and would retain that benefit notwithstanding his termination. In addition, on any termination Dr. Mohapatra is entitled to receive benefits available generally to exempt employees, such as distributions under the 401(k) plan and SDCP. For Dr. Mohapatra's account balances under the SDCP, see 2009 Nonqualified Deferred Compensation Table on page 35.

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The following table provides information concerning the potential payments to Dr. Mohapatra under his Employment Agreement, SERP and applicable stock option, restricted share and performance share awards for the circumstances listed in the table assuming a December 31, 2009 termination date and using the closing price of the Company's common stock as of December 31, 2009, which was \$60.38.

Executive Benefits and Payments Upon Termination	Death (\$)	Disability (\$)	Involuntary Termination Without Cause by the Company or by the Executive for Good Reason No change in control (\$)	Involuntary Termination Without Cause by the Company or by the Executive for Good Reason Change in control (\$)
<b>Compensation:</b>				
Cash Compensation	9,008,213 <sup>(1)</sup>	9,008,213 <sup>(1)</sup>	6,005,475 <sup>(2)</sup>	9,008,213 <sup>(1)</sup>
Long Term Incentives				
Accelerated Vesting of Stock Options (3)	2,042,340	2,042,340	1,966,688	2,042,340
Accelerated Vesting of Performance Shares (4)	3,049,673	3,049,673	2,969,488	5,890,685
Accelerated Vesting of Restricted Shares (5)	3,912,428	3,912,428	3,671,703	3,912,428
<b>Benefits:</b>				
SERP (6)	<sup>(7)</sup>	2,004,650	2,004,650	2,919,120
Benefits (includes medical, life, disability, and 401(k) match) (8)	210,000	210,000	140,000	210,000
280G Tax Gross-up	N/A	N/A	N/A	11,311,864 <sup>(9)</sup>
<b>Total</b>	<b>18,222,654</b>	<b>20,227,304</b>	<b>16,758,004</b>	<b>35,294,650</b>

(1) Represents three times base salary and target annual incentive per the terms of the Employment Agreement. Excludes annual incentive compensation under the SMIP payable

in respect of  
2009 but  
unpaid as of  
December 31,  
2009 (the  
amount of the  
annual  
incentive  
compensation  
under the  
SMIP for 2009  
is set forth in  
the 2009  
Summary  
Compensation  
Table on page  
29). The cash  
severance is  
paid in a lump  
sum within 30  
days following  
the date of  
termination,  
except in the  
case of  
disability,  
termination  
within 90 days  
prior to a  
change in  
control or  
termination  
upon or within  
2 years  
following

a change in control that does not qualify as a change in control event under Section 409A of the Internal Revenue Code, in all of which cases it is paid in monthly installments. Any cash payments made to Dr. Mohapatra upon termination due to disability shall be reduced by the cash payments received by Dr. Mohapatra from the Company's disability benefit plans or under the Social Security disability insurance program to the extent permitted under Section 409A.

- (2) Represents two times base salary and target annual incentive per the terms of the Employment Agreement. Excludes

annual  
incentive  
compensation  
under the  
SMIP payable  
in respect of  
2009 but  
unpaid as of  
December 31,  
2009 (the  
amount of the  
annual  
incentive  
compensation  
under the  
SMIP for 2009  
is set forth in  
the 2009  
Summary  
Compensation  
Table on page  
29). The cash  
severance is  
paid in  
monthly  
installments.

- (3) Represents the value of accelerated in the money stock options using the year end closing share price of \$60.38, excluding options that would have been vested as a result of monthly proration on a voluntary termination without any right to severance benefits.

(4)



Represents the value of accelerated performance shares using the year end closing share price of \$60.38, excluding performance shares that would have been vested as a result of monthly proration on a voluntary termination without any right to severance benefits.

Performance shares for the performance period ended December 31, 2009 are based on shares actually earned; performance shares for performance periods ending subsequent to December 31, 2009 are based on target, except that in the case of a change in control they are based on estimated shares payable as of December 31, 2009.

- (5) Represents the value of accelerated restricted shares using the year end closing price of \$60.38, excluding restricted shares that would have been vested as a result of monthly proration on a voluntary termination without any right to severance benefits.
- (6) Represents the present value of benefits payable under the SERP assuming that Dr. Mohapatra's employment terminated on December 31, 2009, excluding benefits payable upon a voluntary termination that does not trigger payment of severance benefits. The amount reported under the column Disability is based on the assumption

that the Company terminated Dr. Mohapatra's employment as of December 31, 2009 due to disability (as defined in Dr. Mohapatra's employment agreement). If termination for disability were initiated by Dr. Mohapatra, the incremental benefit under the SERP would be approximately \$679,000. The assumptions used for calculating benefits payable under the SERP are: lump sum rate equal to 6.17%; and 1994 GAR unisex mortality.

- (7) In accordance with the terms of the SERP describing death in active service, the benefit payable to Dr. Mohapatra's surviving spouse is calculated as 50% of the amount that Dr. Mohapatra

would have received had he retired on the date of death with no reduction for early retirement, selected the 50% Joint and Survivor Annuity option, and then died. Because the amount payable to Dr. Mohapatra's surviving spouse is less than the benefit payable upon a voluntary termination without any right to severance benefits, the amount shown is zero.

- (8) Represents the estimated cost of continuation of Benefit Plans as described in the Employment Agreement for three years (two years in the case of involuntary termination with no change in control).
- (9) The tax gross-up was

calculated on the assumption that Dr. Mohapatra's cash severance would be paid in a lump sum. Payment in installments over 24 months under the circumstances described in footnote 1 above would reduce the amount of the gross-up by approximately \$47,126.

***Other Named Executive Officers***

Except for Dr. Mohapatra's benefits described above, the named executive officers are not entitled to any benefits upon death or disability beyond what is available to other exempt employees, including vesting in stock options, restricted shares, restricted share units and earned performance shares, life insurance benefits and benefits under the Company's disability plans and distributions under the 401(k) plan and SDCP. For the account balances of each named executive officer under the SDCP, see 2009 Nonqualified Deferred Compensation Table on page 35.

The Company's Executive Officer Severance Plan (the Severance Plan) covers all named executive officers except Dr. Mohapatra, whose severance provisions are established in his Employment Agreement.

The Severance Plan provides the named executive officers, except Dr. Mohapatra, with the following severance benefits in connection with a qualifying termination. A qualifying termination is defined in the Severance Plan to mean a termination of employment: (1) prior to a change in control, by the Company other than for cause; and (2) after a change in control, by the Company other than for cause or by the executive officer for good reason.

Unless the qualifying termination occurs in connection with a change in control, the severance benefit for Schedule A participants in the Severance Plan generally is a lump sum equal to two times the executive officer's annual base salary at the annual rate in effect on the date of termination of employment plus two times the annual award of variable compensation at the most recent target level. For Schedule B participants, the severance benefit multiplier is one times, rather than two times, annual base salary plus annual target award of variable compensation. Mr. Hagemann, Dr. Miller and Mr. Prevoznik are Schedule A participants, and Dr. Cohen is a Schedule B participant, in the Severance Plan.

The executive officer and eligible dependents would also be entitled to coverage under the Company's group medical and life insurance benefit programs on the same terms the Company provides to similarly situated executives for up to 18 months (in the case of Schedule A participants) or up to 12 months (in the case of Schedule B participants) following termination of employment. In addition, the executive officer is entitled to receive outplacement assistance for one year and a lump sum payment equal to the amount of any matching contributions or credits made by the Company to the Company's 401(k) plan and the SDCP on behalf of the executive officer during the year preceding termination.

Generally, executive officers are not entitled to cash severance benefits on a change of control but stock options, restricted share and performance share grants vest on a change of control (as defined under Key Terms of Equity Awards Granted in 2009 on page 31), death or disability. However, the cash payments due on an involuntary termination by the Company without cause or by the named executive officer for good reason are increased if the termination occurs in connection with a change of control.

If the qualifying termination occurs during the 24-month period following a change in control, or under certain conditions during the 6-month period prior to a change in control in anticipation thereof, the severance benefit for Schedule A participants in the Severance Plan will be a lump sum equal to three times the executive officer's annual base salary and three times the annual award of variable compensation at the most recent target level. For Schedule B participants, the multiplier is two times, rather than three times, the relevant amount. In addition, the executive officer would receive a prorated lump sum payment equal to the target incentive award for the year of termination. The executive officer and eligible dependents would be entitled to coverage under the Company's group medical and life insurance programs for up to 18 months (Schedule A participants) or up to 12 months (Schedule B participants) following termination of employment. In addition, the executive officer is entitled to receive outplacement assistance for one year and a lump sum payment equal to the amount of any matching contributions or credits made by the Company to the Company's 401(k) plan and the SDCP on behalf of the executive officer during the year preceding termination. Schedule A participants, but not Schedule B participants, are also entitled to receive a tax gross-up payment for any parachute excise tax incurred unless a reduction by not more than 5% of the portion of the payment considered to be parachute payments would result in no excise tax being incurred.

If an executive officer terminates employment with rights to receive severance, other than in the case of a change of control, the executive officer would immediately vest in any outstanding options, restricted share and performance share grants that would have otherwise vested if the executive officer had remained employed for an additional twelve months.

The Severance Plan defines the following terms as follows:

Cause means the executive officer s (1) willful and continued failure to perform duties, (2) willfully engaging in illegal conduct or gross misconduct, (3) engaging in conduct or misconduct that materially harms the reputation or financial position of the Company, (4) obstruction or failure to cooperate with any investigations, (5) commission of a felony, or (6) being found liable in any SEC or other civil or criminal securities law action.

Change in control generally includes the following: (1) the acquisition by a person of 40% or more of the voting stock of the Company, (2) a merger or similar form of corporate

transaction

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unless more than 50% of the total voting power of the resulting corporation is represented by Company voting securities that were outstanding immediately prior to the transaction, (3) a majority of our Board of Directors is replaced with directors who are not approved or recommended by the current board, or (4) the Company's shareholders approve a complete liquidation or dissolution or the sale of substantially all of the assets of the Company to an unaffiliated entity.

Good reason includes (1) any material adverse changes in the duties, responsibilities or status of the executive officer, (2) a material reduction in base salary or

annual performance incentive target or equity incentive compensation target opportunities, (3) relocation more than 50 miles from the executive officer's original location and which increases the executive officer's commute by more than 50 miles, (4) the Company's failure to continue any significant compensation and benefit plans or (5) the Company's failure to obtain the assumption of the Company's obligations from any successor.

The following table provides information regarding the potential payments that would become payable to each named executive officer listed below on an involuntary termination not for cause and not in connection with a change in control. The table assumes a December 31, 2009 termination date and assumes the closing price of the Company's common stock as of December 31, 2009, which was \$60.38.

Name	Cash Compensation (\$) <sup>(1)</sup>	Accelerated Vesting of Stock Options (\$) <sup>(2)</sup>	Accelerated Vesting of Performance Shares (\$) <sup>(3)</sup>	Accelerated Vesting of Restricted Stock (\$) <sup>(4)</sup>	Benefits (\$) <sup>(5)</sup>	Total (\$)
Robert A. Hagemann	2,055,834	612,278	800,760	825,787	130,000	4,424,659
Jon R. Cohen	907,500	113,072	259,755	194,786	50,000	1,525,113
Joan E. Miller	1,531,424	425,702	476,157	490,995	100,000	3,024,278

Michael E. Prevoznik	1,539,622	352,824	389,572	401,774	100,000	2,783,792
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- (1) Represents two times or one times (depending on whether the executive is a Schedule A or Schedule B participant in the Severance Plan) the sum of base salary plus the target annual incentive, payable at the same time annual incentives are ordinarily paid to similarly situated executives.
- (2) Represents the value of accelerated in the money stock options that would have vested if the executive had remained employed through December 31, 2010, excluding options that would have vested as a result of monthly proration on a voluntary

termination without any right to severance benefits. Options are valued using the year-end closing share price of \$60.38.

- (3) Represents the value of accelerated performance shares that would have vested if the executive had remained employed through December 31, 2010, excluding performance shares that would have vested as a result of monthly proration on a voluntary termination without any right to severance benefits. Performance shares for performance periods ending subsequent to December 31, 2009 are based on target. Performance shares are

valued using the year-end closing share price of \$60.38.

- (4) Represents the value of accelerated restricted shares that would have vested if the executive had remained employed through December 31, 2010, excluding restricted shares that would have vested as a result of monthly proration on a voluntary termination without any right to severance benefits. Restricted shares are valued using the year-end closing share price of \$60.38.
- (5) Includes the cost of group medical and life insurance coverage to the participant to the same extent as the Company

pays for such coverage for similarly situated executives. Also includes estimated cost of outplacement services for one year and an amount, payable in a lump sum, equal to any matching contributions or credits made by the Company on behalf of the participant to the 401(k) plan and the SDCP during the year preceding the date of termination.

The following table provides information regarding the potential payments that would become payable to each named executive officer listed below on a termination for good reason or an involuntary termination not for cause in connection with a change in control. The table assumes a December 31, 2009 termination date and assumes the closing price of the Company's common stock as of December 31, 2009, which was \$60.38.

Name	Cash Compensation (\$) <sup>(1)</sup>	Accelerated Vesting of Stock Options (\$) <sup>(2)</sup>	Accelerated Vesting of Performance Shares (\$) <sup>(3)</sup>	Accelerated Vesting of Restricted Stock (\$) <sup>(4)</sup>	Benefits (\$) <sup>(5)</sup>	280G Tax Gross Up (\$)	Total (\$)
Robert A. Hagemann	3,083,751	925,537	2,449,086	1,626,637	130,000	3,564,260	11,779,2
Jon R. Cohen	1,815,000	273,251	1,082,252	665,569	50,000	N/A	3,886,0
Joan E. Miller	2,297,137	622,842	1,456,219	967,167	100,000	2,336,002	7,779,3
Michael E. Prevoznik	2,309,432	519,002	1,191,478	791,280	100,000	0	4,911,3

(1) Represents three times or two times (depending on whether the executive is a Schedule A or Schedule B participant in the Severance Plan) the sum of base salary and target annual incentive. Excludes annual incentive compensation payable in respect of 2009 but unpaid as of December 31, 2009 (the amount of the annual incentive compensation for 2009 is set forth in the 2009 Summary Compensation

Table on page 29).

- (2) Represents the value of accelerated in the money stock options using the year end closing share price of \$60.38, excluding options that would have been vested as a result of monthly proration on a voluntary termination without any right to severance benefits. All outstanding stock options vest upon a change in control.
- (3) Represents the value of accelerated performance shares using the year end closing share price of \$60.38, excluding performance shares that would have been vested as a result of monthly proration on a voluntary termination without any



right to  
severance  
benefits.  
Performance  
shares for  
performance  
periods ending  
subsequent to  
December 31,  
2009 are based  
on the  
estimated  
shares payable  
as of  
December 31,  
2009. All  
outstanding  
performance  
share awards  
vest upon a  
change in  
control.

- (4) Represents the  
value of  
accelerated  
restricted  
shares using  
the year end  
closing share  
price of  
\$60.38,  
excluding  
restricted  
shares that  
would have  
vested as a  
result of  
monthly  
proration on a  
voluntary  
termination  
without any  
right to  
severance  
benefits. All  
outstanding  
restricted share  
awards vest  
upon a change  
in control.

- (5) Includes the cost of group medical and life insurance coverage to the participant to the same extent as the Company pays for such coverage for similarly situated executives. Also includes estimated cost of outplacement services for one year and an amount, payable in a lump sum, equal to any matching contributions made by the Company on behalf of the participant to the 401(k) plan and the SDCP during the year preceding the date of termination.

The named executive officers are not entitled to any severance benefits under the Severance Plan on a voluntary termination unless the voluntary termination is in connection with a change in control and is for good reason. In the case of any termination (other than for termination for cause), each named executive officer is entitled to exercise vested stock options, to receive vested and earned restricted shares and performance shares, and to immediate vesting of a pro-rata portion (based on the date of the officer's termination) of the officer's unvested equity awards. In addition, on any termination, each named executive officer is entitled to receive benefits available generally to exempt employees, such as distributions under the 401(k) plan and SDCP. For the account balances of each named executive officer under the SDCP, see 2009 Nonqualified Deferred Compensation Table on page 35.

#### **ADDITIONAL MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING**

##### **Proposal No. 2 Ratification of Appointment of the Company's Independent Registered Public Accounting Firm**

The Audit and Finance Committee has appointed PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for 2010 and presents this appointment to the shareholders for ratification. The Committee is not bound by the vote results and may change the appointment at any time if it determines that a change would be in the best interest of the Company and its shareholders. Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

It is the Committee's policy to pre-approve audit or non-audit services provided by the Company's independent registered public accounting firm. The Committee delegated to its chair the authority to pre-approve these services, subject to certain dollar limitations. All such approvals are communicated to the Committee at its next scheduled meeting.

### **Fees and Services of PricewaterhouseCoopers LLP**

Aggregate fees for professional services rendered for the Company by PricewaterhouseCoopers LLP for the years ended December 31, 2009 and 2008 were:

	<b>2009 (\$)</b>	<b>2008 (\$)</b>
Audit Fees	3,146,379	3,305,104
Audit Related Fees	6,000	70,850
Tax Fees	74,672	113,570
All Other Fees	1,605	3,201
Total Fees	3,228,656	3,492,725

*Audit Fees* were for services including professional services rendered for the audits of the Company's consolidated financial statements; statutory audits and subsidiary audits; issuance of comfort letters related to financing transactions; assistance with review of documents filed with the SEC; and professional services rendered for the audit of the Company's internal control over financial reporting.

*Audit Related Fees* were for assurance and related services related to employee benefit plans.

*Tax Fees* were for services related to tax compliance, including preparation of tax returns and claims for refunds. Such services are primarily for non-U.S. tax matters. *Tax Fees* also include services related to tax planning and tax advice, including assistance with and representation before U.S. and certain non-U.S. tax authorities, of \$14,190 and \$66,386 in 2009 and 2008, respectively. None of these fees related to tax planning for any of the Company's executive officers.

*All Other Fees* were for software licenses related to access to on-line technical accounting and reporting resource materials.

### **Report of The Audit and Finance Committee**

The primary purpose of the Audit and Finance Committee of the Board of Directors is (1) to assist in the Board's oversight of (a) the quality and integrity of the Company's financial statements and related disclosures, (b) the Company's compliance with legal and regulatory requirements, (c) the independent registered public accounting firm's qualifications and independence, and (d) the performance of the Company's internal audit function and independent registered public accounting firm, and (2) to provide advice to the Board on financing activities and other financial matters. The Board of Directors has adopted a written charter setting out the Committee's functions. The charter is available at [www.QuestDiagnostics.com/governance](http://www.QuestDiagnostics.com/governance).

The Audit and Finance Committee meets with management periodically to consider the adequacy of the Company's internal control over financial reporting and the objectivity of its financial reporting. The Committee also regularly meets privately with the Company's independent registered public accounting firm and with the appropriate Company personnel and internal auditors to discuss these matters. The Company's internal auditors and independent registered public accounting firm have unrestricted access to the Committee. In addition, as part of the Committee's finance

activities, the Committee reviews the Company's financing plans and other significant financial policies and actions, and makes recommendations to the Board to approve certain actions. The Committee also appoints the independent registered public accounting firm and periodically reviews the firm's performance and independence from management and pre-approves all audit and non-audit services, if any, provided by the independent registered public accounting firm.

Management is responsible for the Company's financial statements and the overall reporting process, including the effectiveness of the Company's system of internal control over financial reporting. Management also is responsible for maintaining the Company's accounting and financial reporting principles

and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations.

The independent registered public accounting firm audits the annual financial statements prepared by management, expresses an opinion as to whether those financial statements fairly present, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America and discusses with the Committee any issues they believe should be raised. The independent registered public accounting firm also annually audits the effectiveness of internal control over financial reporting. In the performance of its oversight role, the Committee reviewed the Company's audited financial statements and met with both management and PricewaterhouseCoopers LLP, the independent registered public accounting firm, to discuss those financial statements. The members of the Committee are not full-time Company employees and are not, and do not represent to be, performing the functions of auditors or accountants. Management represented to the Committee that the financial statements were prepared in accordance with generally accepted accounting principles.

Management completed its documentation, testing and evaluation of the adequacy of the Company's system of internal control over financial reporting as of December 31, 2009, as required by Section 404 of the Sarbanes-Oxley Act of 2002 and its related rules and regulations. The Committee was apprised of the progress of the evaluation by both management and PricewaterhouseCoopers LLP, and provided oversight and advice to management during this process. At the conclusion of this process, management reviewed with the Committee its report on the effectiveness of the Company's internal control over financial reporting.

The Committee has discussed with PricewaterhouseCoopers LLP the matters required to be discussed by the Securities and Exchange Commission, the New York Stock Exchange, and AU Section 380, as adopted by the Public Company Accounting Oversight Board. The Committee has received from and discussed with PricewaterhouseCoopers LLP the written disclosure and the letter required by Public Company Accounting Oversight Board rules, and has discussed the independence of PricewaterhouseCoopers LLP from the Company with PricewaterhouseCoopers LLP. In addition, the Committee reviewed all services provided by PricewaterhouseCoopers LLP to the Company, and the corresponding fees, in considering whether non-audit services were compatible with maintaining PricewaterhouseCoopers LLP's independence from the Company and concluded that the non-audit services provided by PricewaterhouseCoopers LLP were compatible with maintaining the independence of PricewaterhouseCoopers LLP.

Based on these reviews and discussions, the Committee recommended to the Board of Directors, and the Board has approved, the inclusion of Quest Diagnostics' audited financial statements for the fiscal year ended December 31, 2009 in the Company's Annual Report on Form 10-K. We also appointed PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the Company's fiscal year ended December 31, 2010 and are presenting the appointment to the shareholders for ratification.

#### Audit and Finance Committee Members

Gary M. Pfeiffer, Chairman  
John C. Baldwin, M.D.  
Jenne K. Britell, Ph.D.  
Daniel C. Stanzone, Ph.D.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2010. PROXIES SOLICITED BY THE BOARD WILL BE VOTED FOR THIS PROPOSAL UNLESS OTHERWISE INSTRUCTED.**

**INFORMATION ABOUT OUR 2011 ANNUAL MEETING**

Shareholders intending to present a proposal at the 2011 annual meeting and have it included in the Company's proxy statement for that meeting must submit the proposal in writing to William J.

O Shaughnessy, Jr., Corporate Secretary, Three Giralda Farms, Madison, New Jersey 07940. We must receive your proposal by the close of business on December 6, 2010.

Shareholders intending to present a proposal at the 2011 annual meeting, but not to include the proposal in the Company's proxy statement, or to nominate a person for director, must comply with the requirements set forth in our by-laws. The by-laws require, among other things, that our Corporate Secretary receive written notice from the record shareholder of intent to present such proposal or nomination no more than 120 days and no less than 90 days prior to the anniversary of the preceding year's annual meeting. Therefore, the Company must receive notice of such a proposal or nomination for the 2011 annual meeting no earlier than January 6, 2011 and no later than February 5, 2011. The notice must contain the information required by the by-laws, a copy of which is available on our corporate governance website at [www.QuestDiagnostics.com/governance](http://www.QuestDiagnostics.com/governance) or upon request from our Corporate Secretary.

## **OTHER INFORMATION**

### ***Consent to electronic delivery of annual meeting material.***

This proxy statement and the annual report are available on our website at [www.QuestDiagnostics.com/investor](http://www.QuestDiagnostics.com/investor). You can save the Company postage and printing expense by consenting to access these documents over the Internet. If you consent, you will receive notice next year when these documents are available with instructions on how to view them and submit voting instructions. If you are a shareholder of record, you may elect this service by marking the appropriate box on your proxy card or by following the instructions provided if you submit your proxy by telephone or the Internet. If you hold your shares through a bank, broker or other holder of record, contact the record holder for information regarding electronic delivery of materials. Your consent to electronic delivery of materials will remain in effect until you revoke it. If you choose electronic delivery, you may incur costs, such as cable, telephone and Internet access charges, for which you will be responsible.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on May 6, 2010: Our proxy statement and our annual report on Form 10-K for the year ended December 31, 2009 are available on our website at [www.QuestDiagnostics.com/investor](http://www.QuestDiagnostics.com/investor).**



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Corporate Election Services  
P. O. Box 1150  
Pittsburgh, PA 15230

**PLEASE SUBMIT YOUR PROXY BY PHONE OR  
BY INTERNET, OR RETURN THIS CARD AFTER  
SIGNING AND DATING IT.**

**Vote by Telephone**

**Toll-free** via touch-tone  
phone: **1-888-693-8683**  
Have your proxy card and  
follow instructions.

**Vote by Internet**

Go to  
**www.cesvote.com**  
Have your proxy card and  
follow instructions.

**Vote by Mail**

Return your proxy  
in the **postage-paid**  
envelope provided.

**IMPORTANT**

**If you hold shares in a Quest Diagnostics employee benefit plan, your vote for such shares  
must be received by 11:59 p.m. EDT on May 3, 2010, to assure that it is counted.**

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è If voting by mail, please sign and date the card below and fold and detach card at perforation before mailing. è

The Board of Directors of Quest Diagnostics Incorporated  
recommends a vote FOR the nominees listed below.

The Board of Directors of Quest Diagnostics Incorporated  
recommends a vote FOR Proposal 2.

- |                          |                       |                       |                       |
|--------------------------|-----------------------|-----------------------|-----------------------|
| 1. Election of Directors | <b>FOR</b>            | <b>AGAINST</b>        | <b>ABSTAIN</b>        |
| (1) John C. Baldwin      | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (2) Surya N. Mohapatra   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| (3) Gary M. Pfeiffer     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

- |   |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
| 2. To ratify the appointment of PricewaterhouseCoopers LLP<br>as our independent registered public accounting firm for<br>2010. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
|   | <b>FOR</b>            | <b>AGAINST</b>        | <b>ABSTAIN</b>        |

- By checking this box, I consent to access future shareholder communications (e.g., annual reports, proxy statements and related proxy materials) over the Internet, as described in the proxy statement and the accompanying notice.

Signature

Signature (if held jointly)

Date: \_\_\_\_\_, 2010

**IMPORTANT** Please sign exactly as imprinted (do not print). When signing on behalf of a corporation, partnership, estate or trust, indicate title or capacity of person signing. If shares are held jointly, each holder must sign.

**Notice of 2010 Annual Meeting of Shareholders  
QUEST DIAGNOSTICS INCORPORATED  
Three Giralda Farms  
Madison, New Jersey  
May 6, 2010, 10:30 a.m. local time**

At the meeting we plan to:

elect three members of the Board of Directors;

consider ratifying the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2010; and

transact such other business as may properly come before the meeting.

**ELECTRONIC ACCESS TO FUTURE DOCUMENTS NOW AVAILABLE**

If you are a registered holder of shares, you have the option to access future shareholder communications (e.g., annual reports, proxy statements and related proxy materials) over the Internet instead of receiving those documents in print. There is no cost to you for this service other than any charges you may incur from your Internet provider, telephone or cable company. Once you give your consent, it will remain in effect until you inform us otherwise. To give your consent to access materials electronically, follow the prompts when you vote by telephone or over the Internet, or check the box on the reverse side of this card when submitting your proxy by mail.

**SHAREHOLDER INFORMATION**

If you are a registered shareholder and have questions regarding your Quest Diagnostics Incorporated stock, you may contact our transfer agent and registrar as follows:

Computershare  
250 Royall Street  
Canton, MA 02021  
Toll free telephone 800-622-6757  
Email address: web.queries@computershare.com

ê If voting by mail, please sign and date the card below and fold and detach card at perforation before mailing. ê

**QUEST DIAGNOSTICS INCORPORATED**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints Michael E. Prevoznik and William J. O Shaughnessy, Jr., and each of them, proxies with full power of substitution, to represent and to vote on behalf of the undersigned all the shares of common stock of Quest Diagnostics Incorporated that the undersigned is entitled in any capacity to vote if personally present at the 2010 Annual Meeting of Shareholders to be held on Thursday, May 6, 2010, and at any adjournments or postponements thereof, in accordance with the instructions set forth on the reverse and with the same effect as though the undersigned were present in person and voting such shares. The proxies are authorized in their discretion to vote for the election of a person to the Board of Directors if any nominee named herein becomes unable to serve or for good cause will not serve, upon all matters incident to the conduct of the meeting, and upon such other business as may come before the meeting.

**THIS PROXY WILL BE VOTED AS DIRECTED. IF THIS PROXY IS SIGNED, BUT NO DIRECTION IS MADE, IT WILL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATION OF THE BOARD OF DIRECTORS OF QUEST DIAGNOSTICS INCORPORATED.**

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