QUEST DIAGNOSTICS INC
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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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Check the appropriate box:

£ Preliminary Proxy Statement
T Definitive Proxy Statement
£ Definitive Additional Materials
£ Soliciting Material Pursuant to § 240.14a-12

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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. 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 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.

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. 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.

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 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.

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.

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 %
Named Executive Officers (5)(6)(7)		
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	*
Directors (5)(7)(9)		
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, 31st 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 52nd 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).

(8)

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[1], 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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[1] 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 77th percentile of the peer group, while the total direct compensation for the other named executive officers ranged from the 47th to 93rd 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.

Measure	Weightings				
	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[2] (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.

[2] 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 ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensatio ($)(6)
Surya N. Mohapatra	2009	1,201,095	4,899,840	2,347,208	2,349,341	1,567,670	109,630
Chairman, President and	2008	1,143,868	4,544,794	1,978,504	1,915,693	1,630,230	109,246
Chief Executive Officer	2007	1,094,610	2,960,781	4,282,498	1,669,007	1,089,000	116,772
Robert A. Hagemann	2009	541,009	2,037,044	975,806	634,928		65,122
Senior Vice President	2008	517,713	1,889,438	989,252	520,224		71,254
and Chief Financial	2007	495,419	1,184,237	1,713,009	453,234		69,042
Officer							
Jon R. Cohen	2009	412,500	1,339,436	609,204	349,635		
Senior Vice President and Chief Medical Officer							
Joan E. Miller	2009	464,068	1,211,188	580,211	339,802		37,998

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		