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LABONE INC/
Form POS AM
May 16, 2005

As filed with the Securities and Exchange Commission on May 16, 2005
Registration No. 333-118919

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Post-Effective
Amendment No. 2
to
FORM S-3
REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

LABONE, INC.
(Exact name of registrant as specified in its charter)

Missouri	43-1039532
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10101 Renner Boulevard
Lenexa, Kansas 66219
(913) 888-1770
(Address, including zip code, and telephone number, including area code, of
registrant's principal executive offices)

Joseph C. Benage
Executive Vice President, General Counsel and Secretary
LabOne, Inc.
10101 Renner Boulevard
Lenexa, Kansas 66219
(913) 888-1770
(Name, address, including zip code, and telephone number, including area code,
of agent for service)

Copy to:

James S. Swenson, Esq.
Stinson Morrison Hecker LLP
1201 Walnut
Suite 2800
Kansas City, Missouri 64106
(816) 691-2600

Approximate date of commencement of proposed sale to the public: From
time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered
pursuant to dividend or interest reinvestment plans, please check the
following box. []

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED May 16, 2005

PROSPECTUS

[GRAPHIC OMITTED]

LabOne, Inc.

\$103,500,000

Principal Amount of 3.50% Convertible Senior Debentures Due 2034

Common Stock Issuable upon Conversion of the Debentures

We issued and sold \$103,500,000 aggregate principal amount of 3.50% Convertible Senior Debentures Due 2034 in a private offering completed in July 2004. This prospectus may be used by selling security holders to sell the Debentures and common stock issuable upon conversion of the Debentures. The shares of common stock include preferred stock purchase rights attached to the common stock under our stockholder rights plan. We will not receive any proceeds from the offering of these securities by the selling security

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holders.

The Debentures are our senior unsecured obligations and will rank equally in right of payment with all of our other existing and future obligations that are unsecured and unsubordinated. We will pay interest on the Debentures on June 15 and December 15 of each year, beginning December 15, 2004.

Each \$1,000 principal amount of the Debentures will be convertible at the security holder's option prior to stated maturity only under the following circumstances:

- o during any fiscal quarter commencing after September 30, 2004, if the closing sale price of our common stock for at least 20 trading days in the 30 trading-day period ending on the last trading day of the preceding fiscal quarter exceeds 130% of the conversion price on that 30th trading day; or
- o subject to certain exceptions, during the five business day period after any five consecutive trading-day period in which the trading price per Debenture for each day of such measurement period was less than 98% of the product of the closing sale price of our common stock and the conversion rate then in effect; or
- o if we have called the Debentures for redemption; or
- o upon the occurrence of certain specified corporate transactions.

The initial conversion rate is 25.4463 shares of our common stock per \$1,000 principal amount of Debentures (equivalent to a conversion price of approximately \$39.30 per share), subject to adjustment upon certain events. Upon conversion, we will deliver cash equal to the lesser of the aggregate principal amount of Debentures to be converted and our conversion obligation, and common stock in respect of the remainder, if any, of our conversion obligation. If certain corporate transactions occur on or prior to June 15, 2009, we will increase the conversion rate by a number of additional shares of common stock as described in this prospectus.

The Debentures mature on June 15, 2034. We may redeem some or all of the Debentures for cash on or after June 20, 2009. You may require us to repurchase for cash all or a portion of your Debentures on June 15, 2011, June 15, 2014 and June 15, 2024 or, subject to specified exceptions, upon a designated event (as defined in this prospectus) at a purchase price of 100% of the principal amount of the Debentures, plus accrued but unpaid interest, including liquidated damages, if any.

We do not presently intend to apply for listing of the Debentures on any securities exchange or for inclusion of the Debentures on any automated quotation system. The Debentures are eligible for designation in the PORTAL(R) Market of NASD, Inc. Debentures sold using this prospectus, however, will no longer be eligible for trading in the PORTAL(R) Market. Shares of our common stock are traded on The Nasdaq National Market under the symbol "LABS". The last reported sale price of our common stock on May 13, 2005 was \$36.95 per share.

Investing in these securities involves risks. See "Risk Factors" beginning on page 8.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is

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a criminal offense.

The date of this prospectus is _____, 2005.

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ABOUT THIS PROSPECTUS

This prospectus is part of a resale registration statement that we have filed with the Securities and Exchange Commission using a "shelf" registration process. Under this prospectus, as it may be amended or supplemented from time to time, the selling security holders may sell some or all of the securities described in this prospectus in one or more transactions from time to time.

You should rely only on the information contained or incorporated by reference in this prospectus and any prospectus supplement. We have not authorized anyone else to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus and any prospectus supplement, as well as the information we file with the Securities and Exchange Commission and incorporate by reference in this prospectus or any prospectus supplement, is accurate only as of the date of the documents containing the information. The securities covered by this prospectus are not offered in any jurisdiction where offers to sell, or solicitations of offers to purchase, such securities are unlawful.

In this prospectus, unless the context otherwise requires, the terms "LabOne, Inc.," "company," "we," "us" and "our" refer only to LabOne, Inc. and not our subsidiaries, except that, for purposes of the information under "Summary-- Our Business" below and "Risk Factors-- Risks Related to Our Business", the terms "LabOne, Inc.," "company," "we," "us" and "our" refer to LabOne, Inc. and its subsidiaries unless the context otherwise requires. Investors should be aware that LabOne, Inc.'s subsidiaries are not guaranteeing the Debentures.

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FORWARD-LOOKING STATEMENTS

This prospectus, any prospectus supplement and the documents incorporated by reference may contain "forward-looking statements," including, but not limited to, statements of plans and objectives, statements of future economic performance and statements of assumptions underlying such statements, and statements of the company's or management's intentions, hopes, beliefs, expectations or predictions of the future. In particular, forward-looking statements include, but are not limited to, statements relating to the following:

- o our ability to implement our growth strategy;
- o our ability to integrate newly acquired companies;
- o our ability to deliver high quality, timely test results; and
- o our ability to maintain competitive pricing.

Forward-looking statements are not guarantees of future performance or results. Forward-looking statements are based on estimates, forecasts and assumptions involving risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed or implied in such forward-looking statements. The uncertainties, risks and assumptions referred to above include, but are not limited to, the following:

- o general economic, financial and market conditions and the duration and extent of any future economic downturns;
- o the cost of borrowing, availability of credit and terms of and compliance with debt covenants;
- o changes in economic conditions;
- o renewal of sources of funding as they expire and the availability of replacement funding;
- o technological changes that could reduce the demand for the services we provide;
- o our ability to effectively compete for market share;
- o our ability to generate growth;

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- o retention of key executives and personnel;
- o the collectibility of receivables and adequacy of our allowance for credit losses;
- o changes in laws and regulations to which we are subject;
- o the outlook for markets we serve; and
- o the other risks and uncertainties as are described under "Risk Factors" in this prospectus, and as may be detailed under "Risk Factors" or "Factors Affecting Future Performance" or otherwise from time to time in our public filings with the Securities and Exchange Commission.

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All of our forward-looking statements, whether written or oral, are expressly qualified by these cautionary statements and any other cautionary statements that may accompany such forward-looking statements. In addition, except to fulfill our obligations under applicable securities laws, we disclaim any obligation to update any forward-looking statements.

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SUMMARY

The following summary is not intended to be a complete description of the matters covered in this prospectus and is subject to and is qualified in its entirety by the more detailed information and historical consolidated financial statements, including the notes to those financial statements, appearing elsewhere or incorporated by reference in this prospectus. Investors should carefully consider the information set forth under "Risk Factors."

Our Business

We are a diagnostic services provider. The services and information we and our subsidiaries provide include: risk assessment information services for the life insurance industry; diagnostic health care testing; and substance abuse testing services and related employee qualification products. Our business plan is to be the premier provider of certified and accredited, cost effective laboratory and information services to life and health insurance companies, employers, third party administrators ("TPAs"), government agencies, hospitals, physician practices and occupational health clinics.

Our risk assessment services comprise underwriting support services to the life insurance industry including teleunderwriting, specimen collection and paramedical examinations, laboratory testing, and other insurance risk assessment services including medical record retrieval, motor vehicle reports, inspections and credit checks. The laboratory tests performed and data gathered by us are specifically designed to assist an insurance company in objectively evaluating the mortality and morbidity risks posed by policy applicants. The majority of the testing is performed on specimens of individual life insurance policy applicants, but also includes specimens of individuals applying for individual and group medical and disability policies.

Our clinical services include laboratory testing services for the healthcare industry as an aid in the diagnosis and treatment of patients. We operate highly automated and centralized laboratory facilities, which we believe give us significant economic advantages over other laboratory competitors. We market our healthcare services to managed care companies, insurance companies, self-insured groups, hospitals and physicians and provide management services for hospital based laboratories.

Our clinical services also include substance abuse testing provided to employers to support their drug free workplace programs. We are certified by the Substance Abuse and Mental Health Services Administration ("SAMHSA") to perform substance abuse testing services for federally regulated employers and currently market these services throughout the country to both regulated and nonregulated employers. Additionally, we can provide background checks, social security number verification and other pre-employment data required by employers. Our rapid turnaround times and multiple testing options help

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clients structure programs that best meet their needs, reduce downtime for affected employees and meet mandated drug screening guidelines.

On January 4, 2004, we acquired, for \$43.9 million in cash, substantially all of the assets associated with the core laboratory operations of The Health Alliance of Greater Cincinnati (the "Health Alliance"). The core laboratory operations acquired provide outreach laboratory testing services for physicians in the Greater Cincinnati area and reference laboratory testing for the six hospitals affiliated with the Health Alliance. In connection with the acquisition, we entered into a long-term service agreement to provide reference testing to the Health Alliance hospitals and management of their six immediate response laboratories. The service agreement has an initial term of five years and is automatically renewable for a further two years at the expiration of the initial term or each renewal term, unless either party gives written notice of non-renewal at least 90 days prior to the end of the applicable term. The acquisition was financed through our existing line of credit.

On March 1, 2004, we acquired substantially all of the net assets of the drug testing division, Northwest Toxicology, of NWT Inc. for \$12.2 million in cash, subject to post-closing adjustments, if any, to beginning working capital. The acquisition was financed through our existing line of credit.

In connection with our acquisition of the core laboratory operations of the Health Alliance, we entered into a lease for the Health Alliance's laboratory facility in Cincinnati, Ohio. This facility is approximately 71,500 square feet. The payments under the lease are \$1,071,810 per year. We plan to move the Cincinnati laboratory to a new facility located in Cincinnati, Ohio. The construction of this facility began in the summer of 2004, and we plan to occupy the space in

July 2005. This facility is anticipated to cost approximately \$24 million for land acquisition and construction and to be furnished and equipped with laboratory testing equipment and technology. We anticipate that this facility will provide improved backup and disaster recovery capabilities and better turnaround times for specimens from the eastern region of the United States. We also anticipate that the new facility will provide us with a platform to expand our clinical business in the eastern region of the United States and will increase our anatomic pathology capabilities.

Our strategy for growth is to (a) continue organic growth in all business segments by maintaining a superior level of service at competitive prices, improved marketing and expanded service offerings to clients; (b) expand managed care relationships; (c) acquire additional laboratory testing and other related businesses; (d) maintain existing competitive advantages of strategically located centralized laboratory facilities, logistics, service and quality levels, and insurance relationships and service offerings; and (e) expand electronic data connectivity capabilities with clients.

Risk Factors

You should read the "Risk Factors" section, beginning on page 8, to understand the risks associated with an investment in our securities.

Our Company

Our principal executive offices are located at 10101 Renner Blvd., Lenexa, Kansas 66219. Our telephone number is (800) 873-8845. Our corporate website is www.labone.com. The information on our website does not constitute part of

this prospectus.

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THE OFFERING

The following summary contains basic information about the Debentures and is not intended to be complete . It may not contain all of the information that may be important to you. For a more complete description of the Debentures, see the section of this prospectus entitled "Description of Debentures." For purposes of the description of Debentures contained in this prospectus, the terms "LabOne, Inc.," "company," "we " "us" and "our" refer only to LabOne, Inc. and not our subsidiaries, unless the context otherwise requires.

Selling Security Holders.....	The securities to be offered and sold using this prospectus will be offered and sold by the selling security holders. See "Selling Security Holders".
Securities Offered.....	\$103,500,000 aggregate principal amount of 3.50% Convertible Senior Debentures Due 2034, including shares of our common stock issuable upon conversion of the Debentures.
Maturity Date.....	June 15, 2034, unless earlier converted, redeemed or repurchased.
Ranking.....	<p>The Debentures are senior unsecured obligations of LabOne, Inc. and rank equally in right of payment with our existing and future unsecured and unsubordinated indebtedness and other liabilities. As of March 31, 2005, our senior indebtedness totaled approximately \$113.3 million. The Debentures are effectively subordinated to any existing and future secured indebtedness of LabOne, Inc. to the extent of the assets securing such indebtedness.</p> <p>The Debentures are not guaranteed by any of our subsidiaries and, accordingly, the Debentures are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries, including liabilities to trade creditors.</p> <p>As of March 31, 2005, we had \$173.2 million of total liabilities comprised of \$9.8 million of senior secured indebtedness, \$103.5 million of senior unsecured indebtedness and \$59.9 million of other unsecured liabilities. This includes \$27.3 million of other unsecured liabilities belonging to non-guarantor subsidiaries. The</p>

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indenture under which the Debentures were issued does not restrict the incurrence of secured or unsecured debt by us or any of our subsidiaries.

Interest; Liquidated Damages.....

We will pay interest on the Debentures on June 15 and December 15 of each year, beginning December 15, 2004. Liquidated damages are payable in cash if we fail to comply with certain obligations set forth below under "Description of Debentures--Registration Rights".

Conversion Rights.....

You may convert your Debentures prior to stated maturity only under the following circumstances:

- o during any fiscal quarter commencing after September 30, 2004, if the closing sale price of our common stock for at least 20 trading days in the 30 trading-day period ending on the last trading day of the preceding fiscal quarter is more than 130% of the conversion price on that 30th trading day; or
- o during the five business-day period after any five consecutive trading-day period (the "measurement period") in which the trading price per Debenture for each day of such measurement period was less than 98% of the product of the closing sale price of our common stock on such day and the conversion rate in effect on such day; provided, however, you may not convert your Debentures in reliance on this provision after June 15, 2029 if on any trading day during the measurement period the closing sale price of our common stock is greater than or equal to the conversion price on such day but less than or equal to 130% of the conversion price on such day; or
- o if we have called the Debentures for redemption; or
- o upon the occurrence of specified corporate transactions described under "Description of Debentures--Conversion Rights."

The conversion rate for each \$1,000 principal amount of Debentures is

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25.4463 shares of our common stock. This represents an initial conversion price of approximately \$39.30 per share of common stock. As described in this prospectus, the conversion rate may be adjusted for certain reasons.

Upon conversion, we will deliver cash equal to the lesser of the aggregate principal amount of Debentures to be converted and our total conversion obligation, and shares of our common stock in respect of the remainder, if any, of our conversion obligation. See "Description of Debentures--Conversion Rights--Payment Upon Conversion."

You will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion. Instead, any such amounts will be deemed paid by the cash and the common stock, if any, received by you on conversion. You will, however, receive accrued and unpaid liquidated damages, if any, to the conversion date.

If you elect to convert your Debentures in connection with certain corporate transactions that occur on or prior to June 15, 2009, we will increase the conversion rate by a number of additional shares of common stock upon conversion as described under "Description of Debentures--Conversion Rights--General."

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Your ability to convert your Debentures into cash and shares of our common stock, if any, is subject to the limitations imposed by our current credit facility and by any limitations we may have in any other credit facilities or indebtedness we may incur in the future. Under our current credit facility, we are not permitted to pay any settlement amounts with respect to any conversion of Debentures if a default or event of default exists and is continuing under the credit facility. See "Description of Credit Facility" and "Description of Debentures--General."

Payment at Maturity.....

For each \$1,000 principal amount of the Debentures that you hold, you shall be entitled to receive \$1,000 at maturity, plus accrued and unpaid interest, if any, and accrued and unpaid liquidated damages, if any.

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Sinking Fund.....	None.
Optional Redemption by LabOne, Inc.....	We may not redeem the Debentures prior to June 20, 2009. Beginning on June 20, 2009, we may redeem the Debentures for cash at any time as a whole, or from time to time in part, upon at least 30 days but not more than 60 days notice by mail to the trustee and the holders of Debentures at a redemption price equal to the principal amount of the Debentures redeemed, plus accrued and unpaid interest, if any, and accrued and unpaid liquidated damages, if any, to the redemption date. If the redemption date falls between a record date and an interest payment date, any interest payable on such redemption date (including liquidated damages, if any) will be paid to the holder of record on the record date immediately preceding such redemption date.
Repurchase of Debentures by LabOne, Inc. at the Option of the Holder.....	<p>You may require us to repurchase all or a portion of your Debentures on June 15, 2011, June 15, 2014 and June 15, 2024 at a price equal to 100% of the principal amount of the Debentures plus accrued and unpaid interest, if any, and accrued and unpaid liquidated damages, if any, to the date of repurchase. If the repurchase date falls between a record date and an interest payment date, any interest payable on such repurchase date (including liquidated damages, if any) will be paid to the holder of record on the record date immediately preceding such repurchase date.</p> <p>Our ability to repurchase Debentures for cash on a repurchase date is subject to important limitations, including limitations imposed by our current credit facility and by any limitations we may have in any other credit facilities or indebtedness we may incur in the future. Under the terms of our current credit facility, we are not permitted to repurchase any Debentures that might be delivered by holders of Debentures seeking to exercise the repurchase right described above. In addition, our ability to repurchase the Debentures for cash may be limited by restrictions on the ability of LabOne, Inc. to obtain funds for such repurchase and the terms of our then existing borrowing agreements.</p>

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Designated Event Put.....

If a designated event (as described under "Description of Debentures--Repurchase at Option of the Holder Upon a Designated Event") occurs prior to June 15, 2034, you may require us to purchase all or part of your Debentures at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the designated event repurchase date. If the designated event repurchase date falls between a record date and an interest payment date, any interest payable on such designated event repurchase date (including liquidated damages, if any) will be paid to the holder of record on the record date immediately preceding such designated event repurchase date.

As described above under "--Repurchase of Debentures by LabOne, Inc. at the Option of the Holder", our ability to repurchase Debentures for cash is subject to important limitations, including limitations imposed by our current credit facility and by any limitations we may have in any other credit facilities or indebtedness we may incur in the future. Under the terms of our current credit facility, we are prohibited from repurchasing any Debentures that might be delivered by holders of Debentures seeking to exercise their designated put right if a default or event of default exists and is continuing under the facility. In addition, the occurrence of a designated event that constitutes a change of control is an event of default under our current credit facility and could cause an event of default under, or be prohibited or limited by the terms of, our then existing borrowing arrangements.

United States Federal Income Tax Considerations.....

We and each holder of Debentures agree to treat the Debentures as debt instruments for U.S. federal income tax purposes. Based on this treatment, a U.S. Holder of a Debenture will be required to report interest paid on a Debenture as ordinary interest income at the time it accrues or is received in accordance with the Holder's method of accounting for federal income tax purposes. We believe that the Debentures were issued without original issue discount for federal income tax purposes. See "United States Federal Income Tax Considerations--Contingent

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Payment Debt Instrument Regulations." Further, upon a sale, exchange, conversion, repurchase or redemption of a Debenture, you will be required to recognize gain or loss equal to the difference between your amount realized (which will include the value of any common stock received if you exercise your conversion rights) and your adjusted tax basis in the Debenture, with any such gain (and with all or a portion of any such loss) being classified as capital gain except to the extent of any accrued interest taxed as ordinary income. You should consult your tax advisor as to the United States federal, state and local (as well as foreign) tax consequences of acquiring, owning and disposing of the Debentures. See "United States Federal Income Tax Considerations."

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Use of Proceeds.....

We will not receive any proceeds from the sale by any selling security holder of Debentures or shares of common stock issued upon conversion of Debentures.

Form of Debentures.....

The Debentures were issued in fully registered form in denominations of \$1,000 principal amount and integral multiples thereof. The Debentures are represented by one or more global Debentures, deposited with the trustee as custodian for The Depository Trust Company and registered in the name of Cede & Co., DTC's nominee. Beneficial interests in any of the Debentures are shown on, and transfers are effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities except in limited circumstances. See "Description of Debentures--Form, Denomination and Registration."

Absence of a Public Market for the Debentures; Trading.....

The Debentures are designated for inclusion in the PORTAL(R) Market of NASD, Inc. Debentures sold using this prospectus, however, will not longer be eligible for trading in the PORTAL(R) Market. We do not presently intend to list the Debentures on any national securities exchange or include them in any automated quotation system. We cannot assure you that any active or liquid market will develop for the Debentures. See "Plan of Distribution."

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Trading of Common Stock..... Our common stock is traded on the Nasdaq National Market under the symbol "LABS".

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RISK FACTORS

This section describes risks involved in purchasing our securities, including the Debentures and our common stock. Before you invest in our securities, you should consider carefully the following risks, in addition to the other information presented elsewhere in this prospectus and the documents incorporated by reference into this prospectus, in evaluating us and our business. Any of the following risks could seriously harm our business and financial results and cause the value of our securities to decline, which in turn could cause you to lose all or part of your investment. For purposes of the information below under the section, "Risk Factors--Risks Related to Our Business", the terms "LabOne, Inc.," "company," "we," "us" and "our" refer to LabOne, Inc. and its subsidiaries unless the context otherwise requires. You should be aware that our subsidiaries will not guarantee the Debentures.

Risks Related to Our Business

IF WE CANNOT EFFECTIVELY IMPLEMENT OUR GROWTH STRATEGY, THIS WOULD MATERIALLY ADVERSELY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS.

Our growth strategy assumes we will expand managed care relationships and acquire additional laboratory testing or other related businesses. We cannot assure that we will be able to obtain additional network approvals or identify laboratory testing or other related service companies to acquire or otherwise negotiate acceptable terms with respect to any transaction.

INTEGRATION OF ACQUIRED BUSINESSES MAY BE MORE DIFFICULT THAN ANTICIPATED AND MAY NOT RESULT IN ANTICIPATED BENEFITS.

We may have difficulty integrating acquired businesses with existing operations, retaining key customers or vendors or retaining key personnel of the acquired businesses. The acquisition and integration of acquired businesses require the dedication of significant management resources that could adversely affect business activities or customer service. We have not fully completed the integration of the operations of the Health Alliance and Northwest Toxicology, and we may not be able to realize all or any of the benefits expected to result from such integration, either in monetary terms or in a timely manner.

A MATERIAL DELAY IN THE COMMENCEMENT OF OPERATIONS IN THE NEW CINCINNATI FACILITY WOULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

We anticipate that we will begin operations in our new Cincinnati facility in early July 2005. Any construction or other cause of material delay in the commencement of operations in the new Cincinnati facility would adversely affect our results of operations.

OUR USE OF EQUITY SECURITIES TO MAKE STRATEGIC ACQUISITIONS OR ALLIANCES MAY BE DILUTIVE TO OUR EXISTING EQUITY HOLDERS.

To facilitate our acquisition of businesses or strategic alliances, we may issue equity securities, including common stock. These issuances could be

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dilutive to our existing shareholders.

MANY OF OUR CUSTOMER AND PAYOR CONTRACTS ARE TERMINABLE AT WILL OR ON SHORT NOTICE FOR ANY REASON.

We derive a significant portion of revenue from services contracts and contracts with managed care payors. Many contracts are terminable at will or on short notice by customers and payors. Our other contracts may be terminated or are subject to significant penalties if performance standards are not met. Competition, interruption or deterioration in services or a change in management or ownership of a customer or payor could result in a customer's decision to stop using our services in whole or in part or to a payor's decision to terminate our in-network status. Termination of these contracts could also indirectly result in loss of a large base of physicians in an area, which could adversely affect our results of operations and financial condition.

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LOWER PRICES OFFERED BY COMPETITORS MAY UNDERCUT OUR COMPETITIVE ADVANTAGES AND REDUCE PROFITS.

Some competitors in the life insurance risk assessment business are offering lower prices. If these competitors continue to reduce prices and customers refuse to pay higher prices for our services, revenues and/or profits may be reduced. Increased competition from other providers of risk assessment, laboratory testing or other related services may materially harm our business and results of operations.

WE HAVE NUMEROUS COMPETITORS, INCLUDING TWO LARGER NATIONAL LABORATORY COMPANIES WITH SIGNIFICANTLY GREATER FINANCIAL AND TECHNICAL RESOURCES.

These national laboratory companies have national and regional contracts with managed care networks, some on an exclusive basis. They also have exclusive arrangements for the distribution of certain esoteric tests applicable to the clinical market. The strategies and other efforts of competitors, if successful, may erode our customer base, limit our access to users and payors of laboratory services, reduce our existing and future sources of revenue and access to local and regional markets, and cause us to reduce prices or increase marketing and other costs of doing business, each of which could have a material adverse effect on our business and results of operations.

ANY ADVERSE CHANGE IN THE NUMBER AND TYPES OF TESTS ORDERED BY LIFE INSURANCE COMPANIES COULD REDUCE PROFITS.

Currently, our largest and most profitable business segment is providing risk assessment services to the life insurance industry. The level of demand for these services is influenced by a number of factors, including:

- o the number of life insurance applications underwritten,
- o the policy amount thresholds at which insurance companies order testing and other services,
- o the type and costs of tests and other services requested,
- o testing and specimen collection innovations, and
- o the extent to which insurance companies may create in-house testing facilities and provide in-house underwriting services.

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These factors are beyond our control. Any adverse change in life insurance industry demand for testing or other services provided by us could significantly reduce our profits.

EFFORTS BY MANAGED-CARE ORGANIZATIONS, MEDICARE, MEDICAID, INSURANCE COMPANIES AND OTHER PAYORS TO REDUCE THE COST AND UTILIZATION OF HEALTH CARE SERVICES COULD ADVERSELY EFFECT OUR RESULTS OF OPERATIONS.

If these efforts, which include ongoing efforts to reform the TennCare Program from which we directly and indirectly derive significant revenues, result in reductions in the price or use of health care services, including our laboratory testing or other services, this could adversely affect our results of clinical laboratory operations.

OUR SUBSTANCE ABUSE TESTING BUSINESS IS SENSITIVE TO GENERAL ECONOMIC CONDITIONS AND LEVELS OF HIRING AND EMPLOYMENT.

The marketing of our substance abuse testing services is primarily directed at Fortune 1000 companies, occupational health clinics and TPAs. This substance abuse testing business is sensitive to general economic conditions and levels of hiring and employment.

IMPAIRMENT OF GOODWILL ON OUR BOOKS COULD DEPRESS THE STOCK PRICE.

As of March 31, 2005, we had \$138.5 million of goodwill, including \$23.6 million from our merger with Lab Holdings, Inc. in 1999, recorded on our balance sheet. If this goodwill is impaired in the future, we would be required to take a non-cash charge to earnings. This could depress the market price of our stock if investors focus on net earnings as opposed to other financial measures.

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OUR FAILURE TO PROVIDE ACCURATE LABORATORY TEST RESULTS AND OTHER DATA OR FOLLOW ACCEPTED PROCEDURES MAY RESULT IN CLAIMS THAT MAY NOT BE COVERED BY INSURANCE.

Clients rely on the accuracy of our testing and other services to make significant insurance, treatment and employment decisions. In addition, federal and state laws regulate the disclosure of specimen testing results and other nonpublic personal information. If we do not provide accurate test results using accepted scientific methods, or do not provide other data accurately, we could incur significant liability. We have insurance to cover these types of claims, but cannot assure that this coverage is adequate or will continue to be available at reasonable prices.

OUR BUSINESS COULD BE HARMED BY DISRUPTIONS IN EXPRESS DELIVERY SERVICES.

We generally rely on express couriers to transport specimens to our laboratories quickly and safely. A disruption in these couriers' businesses resulting from a labor dispute, natural disaster, malicious human act or other event could harm our business and results of operations.

THE DEVELOPMENT OF MORE ATTRACTIVE ON-SITE RAPID ASSAY TESTS MAY REDUCE DEMAND FOR LABORATORY TESTING SERVICES.

We serve customers through laboratory-based testing facilities. Although

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there are on-site rapid assay testing products available in the marketplace, rapid assays have not achieved broad market acceptance due to the high cost of such assays, liability concerns, regulatory limitations, less accurate testing results and the absence of a broad testing menu. If more competitive assays become available, such products could be substituted for laboratory-based testing and have an adverse impact on our business and results of operations.

OUR BUSINESS AND RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED IF OUR PRIMARY TESTING FACILITY IN LENEXA, KANSAS OR ANY OF OUR OTHER TESTING FACILITIES ARE TEMPORARILY SHUT DOWN OR SEVERELY DAMAGED BECAUSE OF A NATURAL DISASTER, TELECOMMUNICATIONS FAILURE OR OTHER SERIOUS EVENT.

We carry business interruption insurance to compensate for losses that might occur, but we cannot provide assurance that this insurance coverage will be enough to compensate for damages resulting from any such disruption to business.

OUR ORGANIZATIONAL DOCUMENTS AND OTHER AGREEMENTS CONTAIN RESTRICTIONS THAT MIGHT PREVENT A TAKEOVER OR CHANGE IN MANAGEMENT.

Provisions of our articles of incorporation and by-laws might have the effect of discouraging a potential acquirer from attempting a takeover on terms that some shareholders might favor, reducing the opportunity for shareholders to sell shares at a premium over then-prevailing market prices and preventing or frustrating attempts to replace or remove current management. These provisions include:

- o a fair price provision,
- o a requirement that the board of directors be classified,
- o the authorization of a "blank check" preferred stock to be issued at the discretion of the board of directors, and
- o a requirement that we receive advance notice of shareholder nominees for director and shareholder proposals.

In addition, we have a shareholder rights plan, which grants shareholders other than the acquiring person the right to purchase common stock at one-half of market price if any person becomes the beneficial owner of 15% or more of the outstanding shares of common stock, subject to exceptions set forth in the plan.

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WE ARE DEPENDENT ON OUR ABILITY TO ATTRACT AND RETAIN MANAGEMENT AND OPERATIONS PERSONNEL.

Our success is dependent upon our ability to attract and retain qualified and experienced management and operations personnel. There can be no assurance that we will be able to attract and retain key personnel in the future. Any failure by us to attract and retain qualified personnel may have a material adverse effect on our results of operations. Our current Chief Financial Officer, John W. McCarty, has announced his intention to resign. We have entered into a Transition Services Agreement which, as amended, provides that the effective date of Mr. McCarty's resignation shall be the later of (i) June 30, 2005 and (ii) the date on which Mr. McCarty's successor has assumed the responsibilities of chief financial officer of LabOne; provided, however, that

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LabOne in its discretion may elect to extend the effective date of Mr. McCarty's resignation for up to thirty days. We are currently engaged in a search for a successor and have retained an executive search firm to assist in the search.

FAILURE TO TIMELY OR ACCURATELY BILL FOR OUR SERVICES COULD HAVE A MATERIAL ADVERSE IMPACT ON OUR NET REVENUES AND BAD DEBT EXPENSE.

Billing for laboratory services is extremely complicated. We provide testing services to a broad range of health care providers. Depending on the billing arrangement and applicable law, we must bill various payors, such as patients, insurance companies, Medicare, Medicaid, doctors and employer groups, all of which have different billing requirements. Additionally, auditing for compliance with applicable laws and regulations as well as internal compliance policies and procedures add further complexity to the billing process. Among many other factors complicating billing are:

- o pricing differences between our fee schedules and the reimbursement rates of the payors;
- o disputes with payors as to which party is responsible for payment; and
- o disparity in coverage and information requirements among various carriers.

We incur significant additional costs as a result of our participation in Medicare and Medicaid programs, as billing and reimbursement for clinical laboratory testing is subject to considerable and complex federal and state regulations. These additional costs include those related to: (1) complexity added to billing processes; (2) training and education of employees and customers; (3) compliance and legal costs; and (4) costs related to, among other factors, medical necessity denials and advanced beneficiary notices. Compliance with applicable laws and regulations, as well as internal compliance policies and procedures, adds further complexity and costs to the billing process. Changes in laws and regulations could negatively impact our ability to bill clients. The Center for Medicare and Medicaid Services, or CMS (formerly the Health Care Financing Administration), establishes procedures and continuously evaluates and implements changes in the reimbursement process.

Missing or incorrect information on requisitions adds complexity to and slows the billing process, creates backlogs of unbilled requisitions, and generally increases the aging of accounts receivable. When all issues relating to the missing or incorrect information are not resolved in a timely manner, the related receivables are written off to the allowance for doubtful accounts.

COMPLIANCE WITH THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT ("HIPAA") "STANDARD TRANSACTIONS" REGULATIONS, SECURITY REGULATIONS AND PRIVACY REGULATIONS MAY INCREASE OUR COSTS.

Pursuant to HIPAA, the Secretary of the Department of Health and Human Services, or HHS, has issued final regulations designed to improve the efficiency and effectiveness of the health care system by facilitating the electronic exchange of information in certain financial and administrative transactions while protecting the privacy and security of the information exchanged. Three principal regulations have been issued in final form: standards for electronic transactions, security regulations and privacy regulations.

The regulations on electronic transactions, which we refer to as the

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transaction standards, establish uniform standards for electronic transactions and code sets, including the electronic transactions and code sets used for claims, remittance advices, enrollment and eligibility. The HIPAA transaction standards are complex, and certain components of the regulations may be subject to differences in interpretation by payers. As a result of inconsistent application and interpretation of transaction standards by payers, or our inability to obtain certain billing information not usually

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provided by physicians, we could face increased costs and complexity, a temporary disruption in receipt of revenue, and ongoing reductions in reimbursements and net revenues.

The final HIPAA security regulations, which establish detailed requirements for safeguarding electronic patient information, were published on February 20, 2003 and became effective on April 21, 2003, although health care providers were allowed until April 20, 2005 to comply with these regulations. We believe that we are in compliance with the security regulations.

The HIPAA privacy regulations, which fully came into effect in April 2003, establish comprehensive federal standards with respect to the uses and disclosures of protected health information by health plans, health care providers and health care clearinghouses. We have implemented the HIPAA privacy regulations, as required by law.

Compliance with the HIPAA requirements may require significant capital and personnel resources from all health care organizations. While we believe our total costs to comply with HIPAA will not be material to our operations or cash flow, additional customer requirements resulting from different interpretations of the current regulations could impose significant additional costs on us.

FAILURE IN OUR INFORMATION TECHNOLOGY SYSTEMS, INCLUDING FAILURES RESULTING FROM OUR SYSTEMS CONVERSIONS, COULD SIGNIFICANTLY INCREASE TURNAROUND TIME AND OTHERWISE DISRUPT OUR OPERATIONS, WHICH COULD REDUCE OUR CUSTOMER BASE AND RESULT IN LOST NET REVENUES.

Information systems are used extensively in virtually all aspects of our business, including laboratory testing, billing, customer service, logistics and management of medical data. Our success depends, in part, on the continued and uninterrupted performance of our information technology, or IT, systems. Computer systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, malicious human acts and natural disasters. Moreover, despite network security measures, some servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. During the third quarter of 2004, our internal auditors identified a reportable condition in the design and operation of general computer controls related to program changes and access security. The condition was not considered a material weakness. We believe that these issues concerning program changes and access security have been remediated. Despite the precautionary measures we have taken to prevent unanticipated problems that could affect our IT systems, sustained or repeated system failures that interrupt our ability to process test orders, deliver test results or perform tests in a timely manner or breaches of our network security could adversely affect our reputation and result in a loss of customers and net revenues.

FDA REGULATION OF LABORATORY/DEVELOPED TESTING COULD LEAD TO INCREASED

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COSTS AND DELAY IN INTRODUCING NEW TESTS.

The FDA has regulatory responsibility over instruments, test kits, reagents and other devices used by clinical laboratories. In the past, the FDA has claimed regulatory authority over laboratory-developed tests, but has exercised enforcement discretion in not regulating tests performed by high complexity CLIA-certified laboratories. If in the future the FDA were to increase its regulation of the reagents used in laboratory-developed testing, it could lead to substantial business interruption and increased costs and delays in introducing new tests.

IF WE FAIL TO COMPLY WITH APPLICABLE LAWS AND REGULATIONS, WE COULD SUFFER FINES AND PENALTIES, BE REQUIRED TO MAKE SIGNIFICANT CHANGES TO OUR OPERATIONS AND LOSE MATERIAL LICENSES.

We are subject to extensive and frequently changing federal, state and local laws and regulations. We are licensed under the Clinical Laboratory Improvement Amendments of 1988 ("CLIA"), and we are certified by SAMHSA to perform testing to detect drug use in federal employees and in workers governed by federal regulations. Legislative provisions relating to health care fraud and abuse give federal enforcement personnel substantial funding, powers and remedies to pursue suspected fraud and abuse. While we believe that we are in material compliance with applicable laws, many of the regulations applicable to us, including those relating to billing and reimbursement of tests and those relating to relationships with physicians and hospitals, are vague or indefinite and have not been interpreted by the courts. They may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require us to make changes in our operations, including our billing practices. If we fail to comply with applicable laws

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and regulations, we could suffer civil and criminal fines and penalties, including the loss of licenses or our ability to participate in Medicare, Medicaid and other federal and state health care programs.

OUR TESTS AND BUSINESS PROCESSES MAY INFRINGE ON THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS, WHICH COULD CAUSE US TO ENGAGE IN COSTLY LITIGATION, PAY SUBSTANTIAL DAMAGES OR PROHIBIT US FROM SELLING CERTAIN OF OUR TESTS.

While we use commercially reasonable efforts to license technology, intellectual property and systems not owned or developed by us, other companies or individuals, including our competitors, may obtain patents or other property rights that would prevent, limit or interfere with our ability to develop, perform or sell our tests or operate our business. As a result, we may be involved in intellectual property litigation and we may be found to infringe on the proprietary rights of others, which could force us to do one or more of the following:

- o cease developing, performing or selling products or services that incorporate the challenged intellectual property;
- o obtain and pay for licenses from the holder of the infringed intellectual property right;
- o redesign or reengineer our tests;
- o change our business processes; or
- o pay substantial damages, court costs and attorneys' fees, including

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potentially increased damages for any infringement held to be willful.

Patents generally are not issued until several years after an application is filed. The possibility that, before a patent is issued to a third party, we may be performing a test or other activity covered by the patent is not a defense to an infringement claim. Thus, even tests that we develop could become the subject of infringement claims if a third party obtains a patent covering those tests.

Infringement and other intellectual property claims, regardless of their merit, can be expensive and time-consuming to litigate. In addition, any requirement to reengineer our tests or change our business processes could substantially increase costs, force an interruption in product sales or delay new test releases.

CHANGES IN SECURITIES LAWS AND REGULATIONS HAVE INCREASED OUR COSTS AND COULD DIMINISH OUR PROFITABILITY.

We are subject to significant new regulatory requirements regarding public disclosure, corporate governance and compliance practices. These new legal requirements include the Sarbanes-Oxley Act of 2002 ("SOX"), together with new rules implemented by the SEC and NASDAQ. These additional rules and regulations have increased our legal, accounting and compliance costs. For example, during 2004 we incurred substantial costs and expended significant resources to comply with the new regulations promulgated under Section 404 of SOX regarding internal control over financial reporting. Section 404 requires management to report on the effectiveness of internal control over financial reporting and requires our registered public accountant to attest to this report. If we are not able to meet the requirements of Section 404 of SOX, or if we or our directors or officers are not in compliance with securities laws or SEC or NASDAQ rules, we may incur further costs and spend further management time to meet the requirements and may also suffer adverse effects as a result of such failure.

CONVERSION OF OUR DEBENTURES MAY CAUSE US TO SEEK FINANCING ON UNFAVORABLE TERMS AND MAY BE DILUTIVE TO EXISTING STOCKHOLDERS.

Upon conversion of our outstanding debentures, we will deliver cash equal to the lesser of the aggregate principal amount of debentures to be converted and its conversion obligation, and common stock in respect of the remainder, if any, of its conversion obligation. Accordingly, upon conversion of the debentures, at their maturity or upon a repurchase request under their terms, a substantial cash payment will be due. If we have maximized our borrowing under our credit facility or incurred other substantial obligations, we may not have sufficient funds on hand or available through existing borrowing facilities to meet our obligations under the debentures. Additional financing may not be available to us on terms favorable to us, if at all, and could result in an event of default with respect to the debentures. If we issue common stock upon conversion of the debentures, the conversion of some or all of the debentures will dilute the ownership interests of existing stockholders. In addition, if a conversion of the debentures results from certain corporate transactions that occur on or prior to June 15, 2009, we will increase the conversion rate on debentures

converted in connection with such corporate transaction by a number of additional shares of common stock. The number of such additional shares of common stock will be determined based on the date on which the corporate transaction becomes effective and the price paid per share of our common stock in the corporate transaction. Any sales in the public market of the common stock

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issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the debentures may encourage short selling by market participants because the conversion of the debentures could depress the price of our common stock.

Risks Related to the Debentures

OUR CURRENT CREDIT FACILITY CONTAINS PROHIBITIONS ON OUR ABILITY TO MAKE PAYMENT OF SETTLEMENT AMOUNTS TO HOLDERS OF DEBENTURES UPON CONVERSION OF THE DEBENTURES UNDER CERTAIN CIRCUMSTANCES.

Your ability to convert your Debentures into cash and shares of our common stock, if any, is subject to the limitations imposed by our current credit facility and by any limitations we may have in any other credit facilities or indebtedness we may incur in the future. See "Description of Credit Facility". Under our current credit facility, we are not permitted to pay any settlement amounts with respect to any conversion of Debentures if a default or event of default exists and is continuing under the credit facility. The occurrence of a change of control constitutes an event of default under our current credit facility. Accordingly, we will be prohibited from paying any settlement amounts following the effective date of such a transaction unless we seek a waiver from our lenders or refinance the credit facility in connection with such change of control. For example, in the event of a change of control as described under "Description of Debentures--Repurchase of Debentures at the Option of Holders--Designated Event Put," or if we are unable to comply with certain financial ratios, unable to comply with other negative covenants or there occurs any other event of default, you will not be able to convert your Debentures.

OUR CURRENT CREDIT FACILITY CONTAINS RESTRICTIONS ON OUR ABILITY TO INCUR ADDITIONAL INDEBTEDNESS, ISSUE EQUITY OR ACQUIRE ADDITIONAL FINANCING WITHOUT LENDER CONSENT.

In addition, future credit facilities may have similar or more restrictive covenants. In the event that the maturity date or repurchase request occurs at a time when we have maximized our borrowing under existing facilities, we may not have sufficient funds on hand or available through existing borrowing facilities to meet our obligations under the Debentures. In such case, we could attempt to obtain the consent of the lenders under those arrangements to repay or purchase the Debentures or could attempt to refinance the borrowings that contain the restrictions. If we do not obtain the necessary consents or refinance these borrowings, we will be unable to repay or repurchase the Debentures. Failure by us to repay or repurchase the Debentures when required will result in an event of default with respect to the Debentures.

THE DEBENTURES WILL BE STRUCTURALLY SUBORDINATED TO INDEBTEDNESS AND LIABILITIES OF OUR SUBSIDIARIES.

Because we operate a portion of our business through subsidiaries, we derive some revenues from, and hold some of our assets through, those subsidiaries. In general, these subsidiaries are separate and distinct legal entities and will have no obligation to pay any amounts due on our debt securities, including the Debentures, or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or otherwise. Our right to receive any assets of any subsidiary in the event of a bankruptcy or liquidation of the subsidiary, and therefore the right of our creditors to participate in those assets, will be structurally subordinated to the claims of that subsidiary's creditors, including trade creditors, to the extent that we are not a creditor of such subsidiary. In addition, even where we are a creditor of a subsidiary, our rights as a creditor with respect to certain amounts are subordinated to other indebtedness of that subsidiary, including

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secured indebtedness to the extent of the assets securing such indebtedness. As of March 31, 2005, our subsidiaries had total liabilities of approximately \$21.9 million, excluding intercompany indebtedness.

THE DEBENTURES ARE UNSECURED, AND EXISTING AND FUTURE SECURED INDEBTEDNESS WILL RANK EFFECTIVELY SENIOR TO THE DEBENTURES.

The Debentures are unsecured and are effectively subordinated to our existing and future secured debt to the extent of the value of the assets that secure that indebtedness. Our existing credit facility is secured by a lien on substantially all of our assets. In addition, we may incur additional secured indebtedness.

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THE DEBENTURES DO NOT RESTRICT OUR ABILITY TO INCUR ADDITIONAL DEBT OR TO TAKE OTHER ACTION THAT COULD NEGATIVELY IMPACT HOLDERS OF THE DEBENTURES.

We are not restricted under the terms of the indenture and the Debentures from incurring additional indebtedness or securing indebtedness other than the Debentures. In addition, the Debentures do not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. Our ability to recapitalize, incur additional debt, secure existing or future debt and take a number of other actions that are not limited by the terms of the indenture and the Debentures could have the effect of diminishing our ability to make payments on the Debentures when due. In addition, we are not restricted from repurchasing subordinated indebtedness or common stock by the terms of the indenture and the Debentures.

At maturity, the entire outstanding principal amount of the Debentures will become due and payable by us. In addition, each holder of the Debentures may require us to repurchase all or a portion of that holder's Debentures on June 15, 2011, June 15, 2014 and June 15, 2024, or, if a "Designated Event," as defined in the indenture, occurs. A "Designated Event" that constitutes a change of control is an event of default under our current credit facility and also may constitute an event of default under, and result in the acceleration of the maturity of, indebtedness under another indenture or other indebtedness that we have or may incur in the future. Accordingly, at maturity or upon a repurchase request a substantial cash payment will be due. If we have maximized our borrowing under our current facility or incurred other substantial obligations, we may not have sufficient funds on hand or available through existing borrowing facilities to meet our obligations under the Debentures. In such case, we will need to seek additional financing. Additional financing may not be available to us on terms favorable to us, if at all. Failure by us to repay or repurchase the Debentures when required will result in an event of default with respect to the Debentures.

WE HAVE A SUBSTANTIAL AMOUNT OF INDEBTEDNESS, WHICH COULD ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE AND IMPACT OUR ABILITY TO MAKE PAYMENTS ON THE DEBENTURES.

As of March 31, 2005, we, including our subsidiaries, had total indebtedness of approximately \$113.3 million. Our level of indebtedness could have important consequences to the holders of the Debentures. For example, it:

- o may limit our ability to obtain additional financing for working capital, capital expenditures or general corporate purposes;

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- o will require us to dedicate a portion of our cash from operations to the payment of principal and interest on our debt, reducing the funds available to us for other purposes, including expansion through acquisitions, capital expenditures, marketing spending and expansion of our product offerings; and
- o may limit our flexibility to adjust to changing business and market conditions and make us more vulnerable to a downturn in general economic conditions as compared to our competitors.

Our ability to make scheduled payments or to refinance our obligations with respect to our indebtedness will depend on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control.

OUR STOCK PRICE, AND THEREFORE THE PRICE OF THE DEBENTURES, MAY BE SUBJECT TO SIGNIFICANT FLUCTUATIONS AND VOLATILITY.

The market price of the Debentures is expected to be significantly affected by the market price of our common stock. This may result in greater volatility in the trading value of the Debentures than would be expected for non-convertible debt securities that we issue. Among the factors that could affect our common stock price are those discussed above under "--Risks Related to Our Business", as well as:

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- o interest rate volatility;
- o variations in our operating results;
- o federal or state legislative, licensing or regulatory changes;
- o changes in revenue or earnings estimates or publication of research reports by analysts;
- o speculation in the press or investment community;
- o strategic actions by us or our competitors; o general market conditions; and
- o domestic and international factors unrelated to our performance.

In addition, the stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock and of the Debentures.

THE TRADING PRICES FOR THE DEBENTURES WILL BE DIRECTLY AFFECTED BY THE TRADING PRICES FOR OUR COMMON STOCK, WHICH ARE IMPOSSIBLE TO PREDICT.

The price of our common stock could be affected by possible sales of our common stock by investors who view the Debentures as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that may develop involving our common stock. The hedging or arbitrage could, in turn, affect the trading prices of the Debentures.

WE MAY ISSUE ADDITIONAL SHARES OF COMMON STOCK OR EQUITY-RELATED SECURITIES, WHICH COULD ADVERSELY AFFECT THE TRADING PRICE OF OUR COMMON STOCK AND THE VALUE OF THE DEBENTURES.

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We are not restricted from issuing common stock, preferred stock or securities convertible into or exchangeable for common stock, prior to maturity of the Debentures. If we issue additional shares of common stock or preferred stock or such convertible or exchangeable securities, the price of our common stock and, in turn, the price of the Debentures may be adversely affected.

THE CONDITIONAL CONVERSION FEATURE OF THE DEBENTURES COULD RESULT IN YOU NOT RECEIVING THE VALUE OF THE COMMON STOCK THAT MAY BE ISSUABLE UPON CONVERSION OF THE DEBENTURES.

The Debentures are convertible into cash and shares of common stock only if specific conditions are met. If the specific conditions for conversion are not met, you may not be able to receive the value of the common stock that may be issuable upon conversion of the Debentures.

THERE MAY BE NO PUBLIC MARKET FOR THE DEBENTURES.

There has been no trading market for the Debentures. We do not presently intend to apply for listing of the Debentures on any securities exchange or any automated quotation system. Although certain of the initial purchasers of the Debentures have advised us that they currently intend to make a market in the Debentures, they are not obligated to do so and may discontinue their market-making activities at any time without notice. Consequently, we cannot be sure that any market for the Debentures will develop or, if one does develop, that it will be maintained. If an active market for the Debentures fails to develop or be sustained, the trading price and liquidity of the Debentures could be adversely affected.

IF YOU ARE ABLE TO RESELL YOUR DEBENTURES, MANY OTHER FACTORS MAY AFFECT THE PRICE YOU RECEIVE, WHICH MAY BE LOWER THAN YOU BELIEVE TO BE APPROPRIATE.

The price you receive will depend on many other factors that may vary over time, including:

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- o the number of potential buyers;
- o the level of liquidity of the Debentures;
- o ratings, if any, published by major credit rating agencies;
- o our financial performance;
- o the amount of indebtedness we have outstanding;
- o the level, direction and volatility of market interest rates generally;
- o the market for similar securities;
- o the redemption and repayment features of the Debentures to be sold; and
- o the time remaining to the maturity of your Debentures.

As a result of these factors, you may only be able to sell your Debentures at prices below those you believe to be appropriate, including prices below the price you paid for them.

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THE CONVERSION RATE OF THE DEBENTURES MAY NOT BE ADJUSTED FOR ALL DILUTIVE EVENTS.

The conversion rate of the Debentures is subject to adjustment for certain events, including, but not limited to, the issuance of stock dividends on our common stock, the issuance of rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness or assets, certain cash dividends and certain tender or exchange offers as described under "Description of Debentures--Conversion Rights--Conversion Rate Adjustments." The conversion rate will not be adjusted for other events, such as an issuance of common stock for cash, that may adversely affect the trading price of the Debentures or the common stock. There can be no assurance that an event that adversely affects the value of the Debentures, but does not result in an adjustment to the conversion rate, will not occur.

IF WE ADJUST THE CONVERSION RATE, YOU MAY HAVE TO PAY TAXES WITH RESPECT TO AMOUNTS THAT YOU DO NOT RECEIVE.

The conversion rate of the Debentures is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. See "Description of Debentures --Conversion Rights--Conversion Rate Adjustments." If the conversion rate is adjusted as a result of a distribution that is taxable to our common stock holders, such as a cash dividend, you will be required to include an amount in income for federal income tax purposes, notwithstanding the fact that you do not actually receive such distribution. If the conversion rate is increased at our discretion or in certain other circumstances, such increase also may be deemed to be the payment of a taxable dividend to you, notwithstanding the fact that you do not receive a cash payment. See "United States Federal Income Tax Considerations--Adjustment of Conversion Rate."

OUR REPORTED EARNINGS PER SHARE MAY BE MORE VOLATILE BECAUSE OF THE CONVERSION CONTINGENCY PROVISION OF THE DEBENTURES.

Holders of the Debentures may convert the Debentures into our common stock during any fiscal quarter commencing after September 30, 2004, if the closing sale price of our common stock for at least 20 trading days in the 30 trading-day period ending on the last trading day of the preceding fiscal quarter is more than 130% of the conversion price on that 30th trading day. Under existing application of accounting literature, until this contingency is met, the shares underlying the Debentures are not included in the calculation of reported earnings per share. Should this contingency be met, reported earnings per share would be expected to decrease as a result of the inclusion of the underlying shares in the earnings per share calculation. An increase in volatility in our stock price could cause this condition to be met in one quarter and not in a subsequent quarter, increasing the volatility of reported fully diluted earnings per share.

CONVERSION OF THE DEBENTURES MAY DILUTE THE OWNERSHIP INTEREST OF EXISTING STOCKHOLDERS, INCLUDING HOLDERS WHO HAD PREVIOUSLY CONVERTED THEIR DEBENTURES.

Upon conversion of the Debentures, we will deliver cash equal to the lesser of the aggregate principal amount of Debentures to be converted and our conversion obligation, and common stock in respect of the remainder, if any, of our

conversion obligation. If we issue common stock upon conversion of the Debentures, the conversion of some or all of the Debentures will dilute the

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ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Debentures may encourage short selling by market participants because the conversion of the Debentures could depress the price of our common stock.

IF YOU HOLD DEBENTURES, YOU WILL NOT BE ENTITLED TO ANY RIGHTS WITH RESPECT TO OUR COMMON STOCK, BUT YOU WILL BE SUBJECT TO ALL CHANGES MADE WITH RESPECT TO OUR COMMON STOCK.

If you hold Debentures, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will have rights with respect to our common stock only if and when we deliver shares of common stock to you upon conversion of your Debentures and, in limited cases, under the conversion rate adjustments applicable to the Debentures. For example, in the event that an amendment is proposed to our articles of incorporation or by-laws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of common stock to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

THE ADDITIONAL SHARES OF COMMON STOCK PAYABLE ON DEBENTURES CONVERTED IN CONNECTION WITH CERTAIN CORPORATE TRANSACTIONS MAY NOT ADEQUATELY COMPENSATE YOU FOR THE LOST OPTION TIME VALUE OF YOUR DEBENTURES AS A RESULT OF SUCH CORPORATE TRANSACTIONS.

If certain corporate transactions occur on or prior to June 15, 2009, we will increase the conversion rate on Debentures converted in connection with such corporate transaction by a number of additional shares of common stock. The number of such additional shares of common stock will be determined based on the date on which the corporate transaction becomes effective and the price paid per share of our common stock in the corporate transaction as described below under "Description of Debentures-Conversion Rights-General". While the increase in the conversion rate upon conversion is designed to compensate you for the lost option time value of your Debentures as a result of such corporate transactions, such increase is only an approximation of such lost value and may not adequately compensate you for such loss. In addition, if the corporate transaction occurs after June 15, 2009 or if the price paid per share of our common stock in the corporate transaction is less than the common stock price at the date of issuance, there will be no such increase in the conversion rate.

YOU SHOULD CONSIDER THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF OWNING DEBENTURES.

We are taking the position that the regulations pertaining to contingent payment debt instruments should not apply to the Debentures, because we believe that all the possible payment schedules under the Debentures are known and there is a single payment schedule that is significantly more likely than not to occur. However, the U.S. federal income tax characterization of the Debentures is uncertain and, thus, no assurance can be given that the Internal Revenue Service will not assert that the Debentures should be subject to the contingent debt regulations. Such an alternative characterization could affect the amount, timing and character of income, gain or loss in respect of an investment in the Debentures.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for

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the indicated periods.

Year Ended December 31,					Three Months Ended March 31,	
2000	2001	2002	2003	2004	2005	2004
1.48	1.12	2.87	4.20	6.46	7.17	6.50

For purposes of computing the ratios of earnings to fixed charges, earnings consist of income before taxes plus fixed charges, and fixed charges consist of interest expense, preferred stock dividends and the portion of rental expense under operating leases representative of an interest factor.

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USE OF PROCEEDS

The securities to be offered and sold using this prospectus will be offered and sold by the selling security holders. We will not receive any proceeds from the sale by the selling security holders of Debentures or shares of our common stock issued upon conversion thereof that are offered pursuant to this prospectus.

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DESCRIPTION OF CREDIT FACILITY

We have a \$175 million revolving credit agreement with a syndicate of banks with JPMorgan Chase Bank, as administrative agent and collateral agent, and Wachovia Bank, N.A., as syndication agent. As of March 31, 2005, approximately \$0.8 million was outstanding under the credit facility and, based upon the covenant for leverage capacity, approximately \$80.3 million of the remaining \$174.2 million was available for borrowing. In general, borrowings under the credit facility may be repaid at any time without penalty. The credit facility requires a commitment fee ranging from 0.375% to 0.5% on the unused portion of the commitment depending upon the ratio of our total indebtedness to our consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) for the most recent four consecutive fiscal quarters.

Borrowings under the credit facility bear interest at our option at either the Eurodollar rate or the alternate base rate. Interest accrues with respect to our Eurodollar rate borrowings at a rate equal to (a) the rate for dollar deposits with a comparable maturity by reference to the British Bankers' Association Interest Settlement Rates, plus (b) a margin ranging from 1.25% to 2.00%, depending upon the ratio of our total consolidated indebtedness to our consolidated EBITDA for the most recent four consecutive fiscal quarters. Interest accrues with respect to our alternate base rate borrowings at a rate equal to (i) the greater of JPMorgan Chase Bank's "prime rate" and the federal funds effective rate published by the Federal Reserve Bank of New York plus 0.5%, plus (ii) a margin ranging from 0.25% to 1.00%, depending upon the ratio of our total consolidated indebtedness to our consolidated EBITDA for the most recent four consecutive fiscal quarters.

The credit facility is secured by a lien on substantially all of our

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assets.

Under the terms of the credit facility, we must comply with certain financial covenants. A leverage covenant requires that the ratio of total indebtedness to the sum of four consecutive fiscal quarters of our consolidated EBITDA, as defined, be less than 3.00 times. An interest coverage covenant requires that the ratio of the sum of four consecutive quarters of consolidated EBITDA be at least 4.0 times the net interest expense, as defined, for those quarters. Other covenants limit annual cash capital expenditures to 30% of consolidated EBITDA and require the maintenance of a certain level of consolidated net worth.

The credit facility contains affirmative and negative covenants that are typical for a credit agreement of this type. The covenants in the credit facility include:

- o provision of financial and other information;
- o restrictions on the incurrence of additional debt;
- o restrictions on the granting of liens;
- o restrictions on certain fundamental corporate changes, including mergers and consolidations, liquidations and dissolutions;
- o restrictions on the disposition of our assets;
- o restrictions on making investments, loans and extending guarantees;
- o restrictions on transactions with affiliates that are not on an arms length basis; and
- o restrictions on making certain restricted payments and certain payments of indebtedness, including the payment to any person of indebtedness, cash or assets (other than common stock, warrants or rights to purchase common stock).

In addition, the covenant restricting certain payments and the repayment of indebtedness will preclude us from paying any settlement amounts upon conversion of the Debentures or repurchasing Debentures upon the exercise thereof of a designated event put right if a default or event of default exists and is continuing under the credit facility.

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See "Description of Debentures--Conversion Rights--Conversion Upon Specified Corporate Transactions--Certain Distributions".

Events of default under the credit facility are typical for a credit agreement of this type and include, without limitation:

- o the non-payment of amounts owed under the credit facility;
- o material breaches of representations and warranties;
- o failure to comply with the provisions of the credit agreement;
- o cross default with other indebtedness of more than \$3 million;
- o certain events of bankruptcy and insolvency; and

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- o a change of control.

Under the credit facility, we are not permitted to pay any settlement amounts with respect to any conversion of Debentures if there is a default or event of default under the credit facility. For example, if we are unable to meet the financial ratios described above, unable to comply with the other negative or affirmative covenants described above or there occurs any other event of default, such as a "change of control" as described under "Description of Debentures--Repurchase of Debentures at the Option of Holders--Designated Event Put," under the credit facility, you will not be able to convert your Debentures.

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DESCRIPTION OF DEBENTURES

We issued \$103,500,000 in aggregate principal amount of the Debentures under an indenture, dated as of June 25, 2004, between us and Wells Fargo Bank, National Association, a national banking association duly organized under the laws of the United States of America, as trustee. Initially, Wells Fargo Bank, National Association will also act as paying agent and conversion agent for the Debentures. Both the Debentures and the shares of common stock issuable upon conversion of the Debentures are covered by a registration rights agreement.

The following description is only a summary of the material provisions of the Debentures, the indenture and the registration rights agreement. This summary is subject to and is qualified by reference to all of the provisions of the Debentures and the indenture, and to all of the provisions of the registration rights agreement. We urge you to read these documents in their entirety because they, and not this description, define your rights as holders of the Debentures. You may request a copy of the indenture and the registration rights agreement from the trustee. In addition, we have incorporated by reference the indenture, the form of Debenture and the registration rights agreement as exhibits to the registration statement on Form S-3 of which this prospectus is a part.

When we refer to "LabOne, Inc.," "we," "our" or "us" in this "Description of Debentures", we refer only to LabOne, Inc., a Missouri corporation, and not our subsidiaries.

Brief Description of the Debentures

The Debentures:

- o bear interest at a rate of 3.50% per annum, payable on each June 15 and December 15, beginning December 15, 2004;
- o are senior unsecured obligations of LabOne, Inc., ranking equally with all of our existing and future unsecured and unsubordinated indebtedness (including indebtedness to our subsidiaries);
- o are not guaranteed by any of our subsidiaries, and consequently are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries;
- o are effectively subordinated to any existing and future secured indebtedness of LabOne, Inc. to the extent of the assets securing such indebtedness;

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- o are convertible initially at a conversion rate of 25.4463 shares of our common stock per \$1,000 principal amount of Debentures (equivalent to an initial conversion price of approximately \$39.30 per share), under the conditions and subject to such adjustments as are described under "--Conversion Rights", and are subject to settlement upon conversion in cash and shares of common stock, if any, as described under "--Conversions Rights";
- o are redeemable at our option in whole or in part beginning on June 20, 2009 upon the terms set forth under "--Optional Redemption by Us";
- o are subject to repurchase by us at your option on June 15, 2011, June 15, 2014 and June 15, 2024 or upon a designated event with respect to LabOne, Inc., upon the terms and at the repurchase price set forth below under "--Repurchase of Debentures at the Option of Holders";
- o are due on June 15, 2034, unless earlier converted, redeemed by us at our option or repurchased by us at your option; and
- o benefit from the provisions of a registration rights agreement and bear liquidated damages if we fail to comply with certain of our obligations under such agreement as set forth under "-- Registration Rights."

The indenture does not contain any financial covenants and does not restrict us from paying dividends, incurring additional indebtedness or issuing or repurchasing our securities. The indenture also does not protect you in the event of a highly leveraged transaction or a change of control of LabOne, Inc., except to the extent described under "--Repurchase of Debentures at the Option of Holders--Designated Event Put" below.

No sinking fund is provided for the Debentures and the Debentures will not be subject to defeasance.

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The Debentures were issued only in registered form, without coupons, in denominations of \$1,000 principal amount and integral multiples thereof. The Debentures were issued in the form of one or more global Debentures deposited with the trustee as custodian for The Depository Trust Company ("DTC"), and registered in the name of Cede & Co. as DTC's nominee. For information regarding conversion, registration of transfer and exchange of global Debentures, see "--Form, Denomination and Registration." We will make all payments on global Debentures to the DTC in immediately available funds.

Definitive Debentures will only be issued under the limited circumstances described under "--Form, Denomination and Registration." In the event definitive Debentures are issued, you may present definitive Debentures for conversion and registration of transfer and exchange at our office or agency in New York, New York, which shall initially be the principal corporate trust office of the trustee currently located at 55 Water Street, New York, New York 10041. No service charge will be made for any registration of transfer or exchange of Debentures, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Interest

The Debentures bear interest at a rate of 3.50% per annum from June 25, 2004. We will pay interest semiannually on June 15 and December 15 of each year, beginning December 15, 2004, to the holders of record at the close of business on the preceding June 1 and December 1, respectively. There is one

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exception to the preceding sentence: In general, we will not pay accrued and unpaid interest on any Debentures that are tendered for conversion. Instead, accrued interest will be deemed paid by the cash and common stock, if any, received by holders on conversion. You will receive, however, accrued and unpaid liquidated damages, if any, to, but not including, the conversion date, provided that if you convert some or all of your Debentures into common stock when there exists a registration default, you will not be entitled to receive liquidated damages on such common stock, but will receive additional shares upon conversion, as set forth under "Payments Upon Conversion" below. However, if you surrender Debentures for conversion after a record date for an interest payment but prior to the corresponding interest payment date, you will receive on that interest payment date accrued and unpaid interest on those Debentures, notwithstanding your conversion of those Debentures prior to that interest payment date, because you will have been the holder of record on the corresponding record date. If that occurs, at the time you surrender Debentures for conversion, you must pay to us an amount equal to the interest that has accrued and that will be paid on the related interest payment date. No such payment need be made (1) if we have specified a redemption date that is after a record date for an interest payment but on or prior to the corresponding interest payment date, (2) if we have specified a designated event repurchase date that is after a record date for an interest payment but on or prior to the corresponding interest payment date or (3) to the extent of any overdue interest, if any overdue interest exists, at the time of conversion with respect to the Debentures converted.

Except as provided below, we will pay interest on:

- o global Debentures to DTC in immediately available funds;
- o any definitive Debentures having an aggregate principal amount of \$5,000,000 or less by check mailed to the holders of those Debentures; and
- o any definitive Debentures having an aggregate principal amount of more than \$5,000,000 by wire transfer in immediately available funds if requested by the holders of those Debentures at least five business days prior to the payment date.

At maturity we will pay interest on the definitive Debentures at our office or agency in New York, New York, which initially will be the principal corporate trust office of the trustee presently located at 55 Water Street, New York, New York 10041.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

If any interest payment date of a Debenture falls on a day that is not a business day, such interest payment date will be postponed to the next succeeding business day without any interest or other payment in respect of the delay. The term "business day" means, with respect to any Debenture, any day other than a Saturday, a Sunday or a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to close.

Conversion Rights

General

Subject to the conditions and during the periods described below, you may

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convert any outstanding Debentures, initially at a conversion rate of 25.4463 shares of our common stock per \$1,000 principal amount of the Debentures (equal to an initial conversion price of approximately \$39.30 per share). The conversion rate and the corresponding conversion price in effect at any given time will be subject to adjustments as described below. You may convert Debentures with denominations of \$1,000 principal amount and integral multiples thereof.

Your ability to convert your Debentures into cash and shares of our common stock, if any, is subject to the limitations imposed by our current credit facility and by any limitation we may have in any other credit facilities or indebtedness we may incur in the future. Under our current credit facility, we are not permitted to pay any settlement amounts with respect to any conversion of Debentures if a default or event of default exists and is continuing under the credit facility. For example, if we are unable to meet certain financial ratios, unable to comply with other negative covenants or there occurs any other event of default, such as a "change of control" as described under "Repurchase of Debentures at the Option of Holders--Designated Event Put," under the credit facility, you will not be able to convert your Debentures. See "Description of Credit Facility."

If you have the right to convert your Debentures and you have exercised your right to require us to repurchase your Debentures in the circumstances described under "--Repurchase of Debentures at the Option of Holders," you may convert your Debentures only if you withdraw your repurchase notice or designated event repurchase notice and convert your Debentures prior to the close of business on the repurchase date or designated event repurchase date, as applicable.

If you elect to convert your Debentures in connection with certain corporate transactions as described under "--Conversion Upon Specified Corporate Transactions--Certain Corporate Transactions" that occur on or prior to June 15, 2009 and 10% or more of the consideration for the common stock in the corporate transaction consists of cash, securities or other property that is not traded or scheduled to be traded immediately following such transaction on a U.S. national securities exchange or the Nasdaq National Market, we will increase the conversion rate for the Debentures surrendered for conversion by a number of additional shares (the "additional shares") as described below.

The number of additional shares will be determined by reference to the table below, based on the date on which the corporate transaction becomes effective (the "effective date") and the price (the "stock price") paid per share of our common stock in the corporate transaction. If holders of our common stock receive only cash in the corporate transaction, the stock price shall be the cash amount paid per share. Otherwise, the stock price shall be the average of the closing sale prices of our common stock on the five trading days prior to but not including the effective date of the corporate transaction.

The stock prices set forth in the first row of the table below (i.e., column headers) will be adjusted as of any date on which the conversion rate of the Debentures is adjusted, as described below under "--Conversion Rate Adjustments." The adjusted stock prices will equal the stock prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the conversion rate as so adjusted. The number of additional shares will be adjusted in the same manner as the conversion rate as set forth under "--Conversion Rate Adjustments."

The following table sets forth the hypothetical stock price and number of additional shares to be received per \$1,000 principal amount of Debentures:

Effective Date	Stock Price										
	\$29.11	\$35.00	\$40.00	\$45.00	\$50.00	\$55.00	\$60.00	\$65.00	\$70.00	\$75.00	\$80.00
June 15, 2004	9.4	6.6	5.1	4.1	3.4	2.8	2.4	2.0	1.8	1.6	1.4
June 15, 2005	9.1	6.3	4.7	3.7	3.0	2.4	2.1	1.8	1.5	1.3	1.2
June 15, 2006	8.8	5.8	4.2	3.2	2.5	2.0	1.6	1.4	1.2	1.0	0.9
June 15, 2007	8.5	5.2	3.5	3.2	1.9	1.4	1.1	0.9	0.8	0.7	0.6
June 15, 2008	7.9	4.2	2.5	1.5	1.0	0.7	0.5	0.4	0.4	0.3	0.3
June 15, 2009	7.8	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The stock prices and additional share amounts set forth above are based upon a common stock price of \$29.11 at June 21, 2004 and an initial conversion price of \$39.30. The maximum amount of additional shares payable is 9.4 per \$1,000 principal amount of Debentures.

Notwithstanding the foregoing, in no event will the total number of shares of common stock issuable upon conversion exceed 34.3525 per \$1,000 principal amount of Debentures or 2,633,692 shares of our common stock in the aggregate, whichever is less, subject to adjustments in the same manner as the conversion rate as set forth under "-Conversion Rate Adjustments."

The exact stock prices and effective dates may not be set forth in the table above, in which case:

- o If the stock price is between two stock price amounts in the table or the effective date is between two effective dates in the table, the number of additional shares will be determined by a straight-line interpolation between the number of additional shares set forth for the higher and lower stock price amounts and the two dates, as applicable, based on a 365-day year.
- o If the stock price is equal to or in excess of \$100.00 per share (subject to adjustment), no additional shares will be issued upon conversion.
- o If the stock price is less than \$29.11 per share (subject to adjustment), no additional shares will be issued upon conversion.

You may surrender Debentures for conversion prior to the stated maturity only under the following circumstances:

Conversion Upon Satisfaction of Market Price Condition

You may surrender any of your Debentures for conversion during any fiscal quarter (and only during such fiscal quarter) commencing after September 30,

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2004 if the closing sale price of our common stock for at least 20 trading days in the 30 trading-day period ending on the last trading day of the preceding fiscal quarter is more than 130% of the conversion price as of that 30th trading day.

The "closing sale price" of our common stock on any date means the closing price per share (or if no closing price is reported, the average of the closing bid and ask prices or, if there is more than one closing bid or ask price, the average of the average closing bid and the average closing ask prices) as reported in composite transactions for the principal United States securities exchange on which our common stock is traded or, if our common stock is not listed on a United States national or regional securities exchange, the closing price as reported by the National Association of Securities Dealers Automated Quotation system or by the National Quotation Bureau Incorporated. In the absence of such a quotation, we will determine the closing sale price on the basis we consider appropriate.

Conversion Upon Satisfaction of Trading Price Condition

You may surrender any of your Debentures for conversion during the five business-day period after any five consecutive trading-day period (the "measurement period") in which the trading price per Debenture for each day of such measurement period was less than 98% of the product of the closing sale price of our common stock on such day

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and the conversion rate in effect on such day; provided, however, you may not convert your Debentures in reliance on this provision after June 15, 2029 if on any trading day during the measurement period the closing sale price of our common stock is greater than or equal to the conversion price on such day but less than or equal to 130% of the conversion price on such day.

The "trading price" of a Debenture on any date of determination means the average of the secondary market bid quotations obtained by the trustee for \$2,000,000 principal amount of the Debentures at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers we select; provided, that if three such bids cannot reasonably be obtained by the trustee, but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by the trustee, that one bid shall be used. If the trustee cannot reasonably obtain at least one bid for \$2,000,000 principal amount of the Debentures from a nationally recognized securities dealer on such date of determination, then the trading price per \$1,000 principal amount of Debentures for such date of determination will be deemed to be 97.9% of the "closing sale price" per share of our common stock on such date multiplied by the conversion rate on such date.

The trustee shall have no obligation to determine the trading price of the Debentures unless we have requested such determination; and we shall have no obligation to make such request unless a holder provides us with reasonable evidence that the trading price per \$1,000 principal amount of the Debentures would be less than 98% of the product of the closing sale price of our common stock and the conversion rate in effect; at which time, we shall instruct the trustee to determine the trading price of the Debentures beginning on the next trading day and on each successive trading day until the trading price is greater than or equal to 98% of the product of the closing sale price of our common stock and the conversion rate in effect.

Conversion Upon Notice of Redemption

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You may surrender for conversion any of your Debentures that have been called for redemption at any time prior to the close of business on the business day prior to the redemption date, even if the Debentures are not otherwise convertible at that time.

Conversion Upon Specified Corporate Transactions

(1) Certain Distributions

In the event:

- o we distribute to all or substantially all holders of our common stock rights or warrants entitling them to purchase, for a period expiring within 60 days, common stock at less than the closing sale price of the common stock on the business day immediately preceding the announcement of such distribution, or
- o we elect to distribute to all holders of our common stock, cash or other assets, debt securities or certain rights or warrants to purchase our securities, which distribution has a per share value exceeding 10% of the closing sale price of our common stock on the business day preceding the announcement date for the distribution, then

at least 20 days prior to the ex-dividend date for the distribution, we must notify the holders of the Debentures and the trustee of the occurrence of such event. Once we have given that notice, holders may surrender their Debentures for conversion at any time until the earlier of the close of business on the business day immediately prior to the ex-dividend date or the date of our announcement that the distribution will not take place.

Under the terms of our current credit facility, we are prohibited from making certain restricted payments, including the payment to any person of indebtedness, cash or assets (other than common stock, warrants or rights to purchase common stock). Any such restricted payment we make will be an event of default under our credit facility and accordingly we will be prohibited from paying any settlement amounts in connection with a conversion of Debentures under the circumstances described in the bullet points above. See "Description of Credit Facility."

(2) Certain Corporate Transactions

If:

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- o a "change of control" occurs pursuant to clause (1) of the definition thereof set forth under "--Repurchase of the Debentures at the Option of Holders--Designated Event Put" below, or
- o a "change of control" occurs pursuant to clause (3) of the definition thereof occurs pursuant to which our common stock would be converted into cash, securities or other property (regardless of whether a holder has the right to put the Debentures as described under "--Repurchase of the Debentures at the Option of Holders--Designated Event Put"), then

a holder may surrender Debentures for conversion at any time from and after the effective date of the transaction until the designated event repurchase date. We will notify holders and the trustee at the same time we publicly announce such transaction (but in no event less than 15 days prior to the

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effective date of such transaction). The occurrence of a change of control constitutes an event of default under our current credit facility. Accordingly, we will be prohibited from making any settlement payments following the effective date of the transaction unless we seek a waiver from our lenders or refinance the credit facility in connection with such change of control.

If you elect to convert your Debentures in connection with the transactions described above on or prior to June 15, 2009 and 10% or more of the consideration for the common stock in the corporate transaction consists of cash, securities or other property that is not traded or scheduled to be traded immediately following such transaction on a U.S. national securities exchange or the Nasdaq National Market, we will increase the conversion rate by the additional shares as described above under "--Conversion Rights--General."

If we are a party to a consolidation, merger or binding share exchange pursuant to which our common stock is converted into cash, securities or other property, then at the effective time of the transaction, the right to convert a Debenture into common stock will be changed into a right to convert the Debenture into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted such Debentures immediately prior to the transaction (assuming the Debentures are convertible into shares of our common stock at the conversion rate in effect and not settled in cash and common stock as set forth under "--Payments Upon Conversion" below).

If the transaction described in the bullet points above occurs, the holder can, subject to certain conditions, require us to repurchase all or a portion of its Debentures as described under "--Repurchase of Debentures at the Option of Holders--Designated Event Put."

Conversion Procedures

By delivering to the holder cash and the number of shares issuable upon conversion, if any, as set forth below under "--Payment Upon Conversion," together with a cash payment in lieu of any fractional shares, we will satisfy our obligation with respect to the Debentures. That is, accrued interest, if any, will be deemed to be paid in full rather than canceled, extinguished or forfeited. You will receive, however, accrued and unpaid liquidated damages to, but not including, the conversion date, provided that if you convert some or all of your Debentures into common stock when there exists a registration default, you will not be entitled to receive liquidated damages on such common stock, but will receive additional shares upon conversion, as set forth under "Payments Upon Conversion" below.

You will not be required to pay any taxes or duties relating to the issuance or delivery of any of our common stock if you exercise your conversion rights, but you will be required to pay any tax or duty which may be payable relating to any transfer involved in the issuance or delivery of the common stock in a name other than your own. Certificates representing shares of common stock will be issued or delivered only after all applicable taxes and duties, if any, payable by you have been paid.

To convert a definitive Debenture, you must:

- o complete the conversion notice on the back of the Debentures (or a facsimile thereof);
- o deliver the completed conversion notice and the Debentures to be converted to the specified office of the conversion agent;

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- o pay all funds required, if any, relating to interest on the Debentures to be converted to which you are not entitled, as described in "--Interest;" and

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- o pay all taxes or duties payable by you, if any, as described above.

To convert interests in a global Debenture, you must comply with the last two bullets above and deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program.

The "conversion date" will be the date on which all of the foregoing requirements have been satisfied. The Debentures will be deemed to have been converted immediately prior to the close of business on the conversion date. Payments of cash and, if shares of common stock are to be delivered, a certificate will be delivered to you, or a book-entry transfer through DTC will be made, for the number of shares of common stock as set forth below under "--Payment Upon Conversion" (and cash in lieu of any fractional shares).

Payment Upon Conversion

In connection with any conversion we will deliver to holders in respect of each \$1