LABONE INC/
Form DEFM14A
September 16, 2005

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SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement.	o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).
þ	Definitive Proxy Statement.		
o	Definitive Additional Materials.		
o	Soliciting Material Pursuant to Rule 14a-12.		

LAB*ONE*, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

o No fee required.

þ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies: common stock, par value $0.01 per share

2) Aggregate number of securities to which transaction applies:
17,500,766 shares of common stock and 1,610,212 options to purchase common stock

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): þ

The filing fee was determined based upon the sum of (A) 17,500,766 shares of common stock multiplied by $43.90 per share and (B) options to purchase 1,610,212 shares of common stock multiplied by $20.17 per share (which is the difference between $43.90 and the weighted average exercise price per share). In accordance with Exchange Act Rules 14a-6(a) and 0-11(c), the filing fee was determined by calculating a fee of $117.70 per $1,000,000.00 of the aggregate merger consideration of $800,761,603.44.

4) Proposed maximum aggregate value of transaction: $800,761,603.44

5) Total fee paid: $94,249.65

þ Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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September 16, 2005

Dear Shareholder:

You are cordially invited to attend a special meeting of shareholders of Lab*One,* Inc. (Lab*One*) to be held on October 27, 2005 at 9:00 a.m., local time, at Lab*One* s corporate headquarters at 10101 Renner Boulevard, Lenexa, Kansas 66219.

At the special meeting, you will be asked to consider and vote upon a proposal to approve an Agreement and Plan of Merger, dated as of August 8, 2005, that we entered into with Quest Diagnostics Incorporated and its wholly-owned subsidiary, Fountain, Inc. Under the merger agreement, Quest Diagnostics will acquire Lab*One* by means of a merger of Fountain, Inc. with and into Lab*One.* As a result of the merger, each issued and outstanding share of Lab*One* common stock (other than dissenting shares) will be converted into the right to receive $43.90 in cash, without interest and less applicable tax withholding.

The Board of Directors of Lab*One* has approved the merger agreement and determined that the merger is advisable and in the best interests of Lab*One* and its shareholders, and unanimously recommends that you vote FOR the approval of the merger agreement.

Your vote is important. The affirmative vote of the holders of at least two-thirds of the outstanding shares of Lab*One* s common stock entitled to vote at the special meeting is required to approve the merger agreement. All of the directors and executive officers of Lab*One*, owning an aggregate of 134,227 shares, or 0.8% of outstanding shares, as of September 15, 2005, have indicated that they intend to vote for approval of the merger agreement.

Shareholders are urged to read carefully the accompanying proxy statement, which contains a detailed description of the merger and related matters. You may also obtain more information about Lab*One* from documents we have filed with the Securities and Exchange Commission.

Whether or not you plan to attend the special meeting personally, please complete, sign and date the enclosed proxy card and mail it as soon as possible in the enclosed postage-paid envelope, or cast your vote via the Internet or telephone as soon as possible. If you attend the special meeting, you may vote in person if you wish, even if you have previously submitted your proxy. If you receive more than one proxy card because you own shares that are registered differently, please vote all of your shares on all of your proxy cards. **You should not send in the certificates for your shares of common stock until you receive specific instructions at a later date.**

We thank you for your prompt attention to this matter and appreciate your support.

Sincerely,

W. Thomas Grant, II
Chairman of the Board, President and
Chief Executive Officer

The accompanying proxy statement is dated September 16, 2005 and is first being mailed to Lab*One* shareholders on or about September 22, 2005.

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LAB*ONE*, INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To Be Held October 27, 2005

To the Shareholders of Lab*One*, Inc.:

A Special Meeting of Shareholders of Lab*One*, Inc. (Lab*One*) will be held at 10101 Renner Boulevard, Lenexa, Kansas on October 27, 2005, at 9:00 a.m. local time, for the following purposes:

1. To consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of August 8, 2005, by and among Lab*One*, Inc., Quest Diagnostics Incorporated and Fountain, Inc. pursuant to which, upon the merger becoming effective, each share of common stock, par value $0.01 per share, of Lab*One* (other than shares held in treasury by Lab*One*, shares owned by Lab*One* subsidiaries, shares owned by Quest Diagnostics, Inc., or Fountain, Inc. or by shareholders who are entitled to and properly demand dissenter s rights in compliance with all of the required procedures under Missouri law) will be converted into the right to receive $43.90 in cash, without interest;

2. To consider and vote upon any proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes for approval of the merger agreement at the special meeting; and

3. To transact such other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

The Board of Directors has fixed the close of business on September 15, 2005 as the record date for the determination of shareholders entitled to receive notice of and to vote at the special meeting and any postponements and adjournments thereof. A list of shareholders entitled to vote at the special meeting will be available for examination by Lab*One* s shareholders for any purpose germane to the special meeting (i) at the special meeting upon the request of a Lab*One* shareholder or (ii) for a period of ten (10) days prior to the special meeting during ordinary business hours at Lab*One* s principal executive offices at 10101 Renner Boulevard, Lenexa, Kansas 66219.

Holders of Lab*One* s common stock entitled to vote on the proposal to approve the merger agreement who do not vote in favor thereof have the right to receive payment of the fair value of their shares upon compliance with the provisions of Section 351.455 of the General and Business Corporation Law of Missouri (the MGBCL), the full text of which is included as Appendix C to the proxy statement attached to this Notice of Special Meeting of Shareholders. For a summary of the dissenters rights of Lab*One* s shareholders, see THE MERGER Dissenters Rights in the proxy statement. Failure to comply strictly with the procedures set forth in Section 351.455 of the MGBCL will cause a shareholder to lose dissenters rights.

You are cordially invited to attend the special meeting. However, whether or not you plan to be personally present at the special meeting, please complete, sign and date the enclosed proxy card and promptly return it in the envelope provided or vote via the Internet or telephone, as specified on the proxy card. If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote in favor of approval of the merger agreement and in favor of any proposal to adjourn the special meeting, if necessary. If you fail to return your proxy card, do not vote via the Internet or telephone and do not attend the special meeting and vote in person, or fail to instruct your broker or bank how to vote your shares if your shares are held in street name , it will have the same effect as a vote against the approval of the merger agreement, but will not affect the outcome of the vote regarding the adjournment of the special meeting, if necessary. No postage is necessary if mailed in the United States. If you are a shareholder of record and attend the meeting, you may revoke your proxy by voting in person.

By Order of the Board of Directors,

W. Thomas Grant, II
Chairman of the Board, President and
Chief Executive Officer

Lenexa, Kansas
September 16, 2005

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LAB*ONE*, INC.
PROXY STATEMENT
SPECIAL MEETING OF SHAREHOLDERS
October 27, 2005
QUESTIONS AND ANSWERS ABOUT THE MERGER

The following questions and answers are provided for your convenience and briefly address some commonly asked questions about the merger and the special meeting of Lab*One* shareholders. These questions and answers may not address all questions that may be important to you as a Lab*One* shareholder. Please also consult the more detailed information contained elsewhere in this proxy statement, the appendices to this proxy statement, and the documents referred to in this proxy statement.

Except as otherwise specifically noted in this proxy statement or as the context otherwise requires, we, our, us and similar words in this proxy statement refer to Lab*One*, Inc. and its subsidiaries. In addition, we sometimes refer to Lab*One*, Inc. as Lab*One* or the Company . We refer to Quest Diagnostics Incorporated as Quest Diagnostics and to Fountain, Inc. as Fountain.

Q: What am I being asked to vote on?

A: You are being asked to vote upon a proposal to approve a merger agreement that provides for the proposed acquisition of Lab*One* by Quest Diagnostics, and to grant the persons named as proxies discretionary authority to vote to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are not sufficient votes to approve the merger agreement. The proposed acquisition would be accomplished through a merger of Fountain, a wholly-owned subsidiary of Quest Diagnostics, with and into Lab*One*.

Q: Where and when is the special meeting?

A: The special meeting will take place at Lab*One* s corporate headquarters at 10101 Renner Boulevard, Lenexa, Kansas 66219, on October 27, 2005, at 9:00 a.m. local time.

Q: What will Lab*One* s shareholders receive in the merger?

A: As a result of the merger, our shareholders will receive $43.90 in cash, without interest and less any applicable tax withholding, for each share of Lab*One* common stock they own (other than dissenting shares). See THE MERGER AGREEMENT Merger Consideration.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully and to consider how the merger affects you. Then just mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible, or vote via the Internet or telephone, so that your shares can be voted at the special meeting of our shareholders. If you hold your shares in street name , follow the instructions from your broker on how to vote your shares. Please do not send in your stock certificates with your proxy.

Q: How does Lab*One* s board of directors recommend I vote?

A: At a meeting held on August 5, 2005, Lab*One* s board of directors unanimously approved the merger agreement and declared the merger agreement and the merger advisable and in the best interests of Lab*One* and its shareholders. Our board of directors unanimously recommends that you vote FOR approval of the merger agreement and FOR approval of the proposal to grant discretionary authority to the persons named as proxies to vote to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies. See THE MERGER

Recommendation of Lab*One* s Board and Reasons for the Merger.

Q: What vote of shareholders is required to approve the merger agreement?

A: Approval of the merger agreement requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of Lab*One* s common stock entitled to vote at the special meeting.

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The proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the shares represented in person or by proxy at the special meeting entitled to vote thereon.

Q: How are votes counted?

A: For the proposal relating to the merger agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not count as votes cast on the proposal relating to the adoption of the merger agreement, but will count for the purpose of determining whether a quorum is present at the special meeting. As a result, if you ABSTAIN, it has the same effect as if you vote AGAINST the adoption of the merger agreement.

For the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not count as votes cast on the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies, but will count for the purpose of determining whether a quorum is present at the special meeting. As a result, if you ABSTAIN, it has the same effect as if you vote AGAINST adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

If you sign your proxy card without indicating your vote, your votes will be voted FOR the adoption of the merger agreement, and FOR adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

A broker non-vote generally occurs when a broker, bank or other nominee holding shares on your behalf does not vote on a proposal because the nominee has not yet received your instructions and lacks discretionary power to vote the shares. Broker non-votes will not count as votes cast on a proposal, but will count for purposes of determining whether a quorum is present at the special meeting.

As a result, broker non-votes will have the same effect as a vote against the adoption of the merger agreement. Broker non-votes will not affect the outcome of the vote on the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Q: Who is entitled to vote at the special meeting?

A: Only shareholders of record as of the close of business on September 15, 2005 are entitled to receive notice of the special meeting and to vote the shares of our common stock that they held at that time at the special meeting, or at any adjournments or postponements of the special meeting.

Q: May I vote in person?

A: Yes. If your shares are not held in street name through a broker or bank you may attend the special meeting and vote your shares in person, rather than signing and returning your proxy card or voting via the Internet or telephone. If your shares are held in street name, you must get a proxy from your broker or bank in order to attend the special meeting and vote those shares.

Q: May I vote via the Internet or telephone?

A: Yes. If your shares are not held in street name through a broker or bank, you may submit a proxy authorizing the voting of your shares over the Internet at www.proxyvote.com or telephonically by calling (800) 690-6903. Proxies submitted via the Internet or telephone must be received by 11:59 p.m. Eastern time on October 26, 2005.

You must have the enclosed proxy card available, and follow the instructions on such proxy card, in order to submit a proxy via the Internet or telephone.

Q: How will my proxy be voted?

A: If proxies are properly dated, executed and returned, the shares they represent will be voted at the special meeting in accordance with the instructions of the shareholder. If no specific instructions are given, the shares will be voted as follows:

FOR the approval of the merger agreement;

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FOR the grant of discretionary authority to the persons named as proxies to vote to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Q: What happens if I do not return my proxy card, do not vote via the Internet or telephone and do not attend the special meeting and vote in person?

A: Approval of the merger agreement requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of our common stock entitled to vote at the special meeting. Therefore, if you do not return your proxy card, or vote via the Internet or telephone, or attend the special meeting and vote in person, or instruct your broker or bank how to vote your shares if your shares are held in street name, it will have the same effect as if you voted against the merger. The approval of any proposal to adjourn the special meeting requires the affirmative vote of the holders of a majority of the shares of our common stock represented in person or by proxy at the special meeting and entitled to vote thereon. If you do not vote your shares in person or by proxy, it will not affect the outcome of the vote on this matter.

Q: May I change my vote after I have submitted my proxy?

A: Yes. You may change your vote at any time before your proxy card is voted at the special meeting. If your shares are registered in your name, you can do this in one of four ways.

First, you can deliver to D. F. King & Co., Inc., a written notice bearing a date later than your previously submitted proxy stating that you would like to revoke your proxy.

Second, you can complete, execute and deliver to D. F. King & Co., Inc., a new, later dated proxy card for the same shares.

Third, you can log onto the Internet website specified on your proxy card in the same manner you would do to submit your proxy electronically or by calling the telephone number specified on your proxy card (in each case if you are eligible to do so) and follow the instructions on the proxy card.

Fourth, you can attend the special meeting and vote in person. Your attendance alone will not revoke your proxy.

Any written notice of revocation or subsequent proxy should be delivered to D. F. King & Co., Inc. or hand delivered to D. F. King & Co., Inc., 48 Wall Street, New York, New York 10005, at or before the taking of the vote at the special meeting. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions. See THE SPECIAL MEETING Proxies.

Q: If my broker holds my shares in street name, will my broker vote my shares for me?

A: Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares following the procedure provided by your broker. Without instructions, your shares will not be voted, which will have the same effect as if you voted against approval of the merger agreement. Broker non-votes will have no effect on the proposal to grant the persons named as proxies discretionary authority to vote to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies. See THE SPECIAL MEETING Proxies.

Q: What should I do if I receive more than one set of voting materials?

A:

You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. If you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a shareholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return (or vote via the Internet or telephone with respect to) each proxy card and voting instruction card that you receive to ensure that all of your shares are voted.

Q: What happens if I sell my shares of Lab*One* common stock before the special meeting?

A: The record date for the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you transfer your shares of Lab*One* common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will transfer the right to receive the merger consideration.

Q: Will the merger be taxable to me?

A: Generally, yes. The receipt of cash pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes, and may also be a taxable transaction under applicable state, local or foreign income or other tax laws. Generally, for U.S. federal income tax purposes, a shareholder will recognize gain or loss equal to the difference between the amount of cash received by the shareholder in the merger and the shareholder s adjusted basis in the shares of Lab*One* common stock converted into cash in the merger. If the shares of Lab*One* common stock are held by a shareholder as capital assets, gain or loss recognized by such shareholder will be capital gain or loss, which will be long term capital gain or loss if the shareholder s holding period for the shares of Lab*One* common stock exceeds one year. Because individual circumstances may differ, you should consult your own tax advisor to determine the particular tax effects to you. See THE MERGER Certain U.S. Federal Income Tax Consequences.

Q: Am I entitled to dissenters rights?

A: Yes. As a holder of Lab*One* common stock, you are entitled to dissenters rights under the General and Business Corporation Law of Missouri in connection with the merger if you meet certain conditions. These conditions are described in this proxy statement under the caption THE MERGER Dissenters Rights.

Q: Should I send in my Lab*One* stock certificates now?

A: No. Shortly after the merger is completed, you will receive written instructions for exchanging your shares of our common stock for the merger consideration. If your shares are held in street name by your broker, you will receive instructions from your broker as to how to effect the surrender of your street name shares and receive the merger consideration for those shares. DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.

Q: Who can help answer my questions?

A: If you would like additional copies, without charge, of this proxy statement or if you have more questions about the merger, including the procedures for voting your shares, you should contact:

D. F. King & Co., Inc.
48 Wall Street
New York, New York 10005
(212) 269-5550 Banks and Brokers (collect calls)
(888) 567-1626 All others (toll-free)

SUMMARY TERM SHEET

This summary highlights selected information from this proxy statement and may not contain all of the information that may be important to you. For a more complete understanding of the merger and related transactions and the other information contained in this proxy statement, you should read carefully this entire proxy statement and the appendices to this proxy statement. A copy of the Agreement and Plan of Merger, dated as of August 8, 2005, by and among Quest Diagnostics, Fountain and Lab*One* is attached as Appendix A to this proxy statement. For instructions on obtaining more information concerning us, see WHERE YOU CAN FIND MORE INFORMATION on page 49.

The Companies

LabOne, Inc. (see page 13)

Lab*One*, Inc.
10101 Renner Boulevard
Lenexa, Kansas 66219
Telephone: (913) 888-1770

Headquartered in the Greater Kansas City area, we are a diagnostic services provider. The services and information we provide include risk assessment information services for the insurance industry; diagnostic healthcare testing to physicians, hospitals, managed care organizations and employers; and drug testing services and related employee qualification products to employers and the government.

Quest Diagnostics Incorporated and Fountain, Inc. (see page 13)

Quest Diagnostics Incorporated
1290 Wall Street
West Lyndhurst, New Jersey 07071
Telephone: (210) 393-5000

Quest Diagnostics is a provider of diagnostic testing, information and services through its nation-wide network of laboratories and patient service centers. Quest Diagnostics provides interpretive consultation through its medical and scientific staff. Quest Diagnostics is also a provider of esoteric testing, including gene-based testing and testing for drugs of abuse, and anatomic pathology services and testing for clinical trials.

Fountain, a wholly-owned subsidiary of Quest Diagnostics, was organized under the laws of Missouri solely for the purpose of entering into the merger agreement with us and completing the merger and has not conducted any business operations.

The Special Meeting

General (see page 13)

This proxy statement is furnished to our shareholders for use at the special meeting of shareholders called to consider and vote upon (1) the proposal to approve the merger agreement and (2) upon any proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are not sufficient votes to approve the merger agreement. The special meeting will be held at 9:00 a.m. local time on October 27, 2005 at our corporate headquarters at 10101 Renner Boulevard, Lenexa, Kansas 66219.

Record Date and Quorum Requirement (see pages 13 and 14)

We have set the close of business on September 15, 2005 as the record date for determining those shareholders who are entitled to notice of and to vote at the special meeting. There were 17,500,766 shares of our common stock outstanding at the close of business on that date.

A majority of the shares of our common stock issued and outstanding and entitled to vote at the special meeting must be present in person or represented by proxy to constitute a quorum for transacting business at the special meeting.

Vote Required (see page 14)

The approval of the merger agreement requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of our common stock entitled to vote at the special meeting. **If you do not return your proxy card, or vote via the Internet or telephone, or attend the special meeting and vote in person, or instruct your broker or bank how to vote your shares if your shares are held in street name , it will have the same effect as if you voted against the merger agreement.**

The approval of any proposal to adjourn the special meeting requires the affirmative vote of the holders of a majority of the shares of our common stock represented in person or by proxy at the special meeting and entitled to vote thereon. If you do not vote your shares, it will not affect the outcome of the vote on this matter.

The Merger

The Merger (see page 15)

The merger agreement provides for the acquisition by Quest Diagnostics of us through the merger of its wholly-owned subsidiary, Fountain, with and into us. After the merger, Lab*One* will be the surviving corporation and Quest Diagnostics will own all of our common stock.

What You Will Receive in the Merger (see page 35)

Unless you seek dissenters rights, you will be entitled to receive $43.90 in cash, without interest and subject to applicable tax withholding, in exchange for each share of our common stock you own at the time of the merger.

Expected Time for Completing the Merger (see page 15)

We are working to complete the merger as soon as practicable, but we must first satisfy the conditions to the completion of the merger set forth in the merger agreement. We presently expect to complete the merger in the fourth quarter of 2005. However, we cannot provide you absolute assurance of when or if the merger will occur.

The Board of Directors Recommends That You Vote For the Merger Agreement (see page 20)

After careful consideration, our board of directors has unanimously approved the merger agreement and has determined that the merger agreement and merger are advisable and in the best interests of us and our shareholders. **Our directors unanimously recommend that you vote FOR the approval of the merger agreement and FOR the approval to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes for approval of the merger agreement at the special meeting.**

Reasons for the Merger (see page 20)

Our board of directors considered a number of factors in reaching its determination to approve the merger agreement. See THE MERGER Recommendation of Lab*One* s Board and Reasons for the Merger .

Opinion of Financial Advisor (see page 22)

In connection with the merger, we retained J.P. Morgan Securities Inc. (referred to herein as JPMorgan), as our financial advisor. In deciding to approve the merger, our board of directors considered

the oral opinion of JPMorgan provided to the board of directors on August 5, 2005 (subsequently confirmed in writing on August 6, 2005) that, as of the date of the opinion and based upon and subject to the considerations described in its opinion and such other matters as JPMorgan considered relevant, the consideration to be received by the holders of common stock in the proposed merger was fair, from a financial point of view, to such holders.

The full text of the written opinion of JPMorgan, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by JPMorgan in connection with the opinion, is attached to this proxy statement as Appendix B and incorporated in this document by reference. JPMorgan provided its opinion for the information and assistance of our board of directors in connection with its consideration of the transaction contemplated by the merger agreement. The JPMorgan opinion is not a recommendation as to how any holder of common stock should vote with respect to the merger or any other matter. Pursuant to the terms of our engagement letter with JPMorgan, we agreed to pay the fees described below under THE MERGER Opinion of Lab*One* s Financial Advisor , part of which was due to JPMorgan upon delivery of JPMorgan s opinion and the balance of which is due upon closing of the transaction contemplated by the merger agreement.

Interests of Our Directors and Executive Officers in the Merger (see page 28)

When considering the recommendation by our board of directors in favor of the merger, you should be aware that our directors and executive officers have interests in the merger that are different from, or in addition to, your interests, including the following:

- our directors and executive officers will have their unvested stock options accelerated and their vested and unvested stock options cashed out in connection with the merger, meaning that they will receive cash payments for each share underlying their options equal to the excess of $43.90 per share over the exercise price per share of their options, subject to any required withholding for taxes;

- two of our executive officers will be entitled to cash severance payments under certain change of control severance agreements upon the effective time of the merger;

- five of our executive officers have entered into new employment arrangements with the surviving corporation subject to consummation of the merger; and

- certain indemnification and liability insurance arrangements for our current and former directors and officers will be continued for six years following the effective time of the merger if the merger is completed.

Our board of directors was aware of these interests and considered them, among other matters, in making its recommendation to our shareholders to approve the merger agreement.

Market Prices and Dividends (see page 46)

The closing price of a share of our common stock on August 5, 2005, which was the trading day immediately preceding our announcement that we had entered into the merger agreement, was $37.64 per share.

We did not pay dividends on our common stock during 2005, 2004 or 2003.

Treatment of Outstanding Stock Options (see page 36)

At the effective time of the merger, each outstanding stock option will become fully vested and exercisable. All stock options will be cancelled at the effective time of the merger. The holder of each stock option will generally be entitled to receive, in full satisfaction of the rights of such holder with respect to such stock option, an amount for each share subject to the stock option equal to the excess of the merger consideration of $43.90 per share over the exercise price per share, less any withholding taxes.

Holders of options pursuant to our 2001 Long-Term Incentive Plan will be required to complete a notice of exercise in order to receive the cash payable at the effective time of the merger. All amounts payable will be paid at or as soon as practicable following the effective time of the merger, without interest and subject to applicable tax withholding.

Conditions to Completion of the Merger (see page 42)

Quest Diagnostics , Fountain s and our respective obligations to consummate the merger are subject to the satisfaction of the following conditions:

- approval of the merger agreement and the merger by our shareholders;
- the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act; and
- the absence of any law, rule, injunction, judgment, decree or order prohibiting the merger.

In addition, we are not obligated to effect the merger unless certain conditions have been satisfied or waived in writing, including the following:

- the representations and warranties of Quest Diagnostics and Fountain set forth in the merger agreement that are qualified as to materiality must be true and correct, and those that are not so qualified must be true and correct in all material respects, in each case as of the date of the merger agreement and as of the effective time of the merger (except representations and warranties that by their terms speak as of a specified date); except where any failure of such representations and warranties to be true and correct, individually or in the aggregate, would not prohibit or materially delay the consummation of the merger or prevent Quest Diagnostics or Fountain from performing their obligations under the merger agreement;
- Quest Diagnostics and Fountain s representation and warranty that Quest Diagnostics will have sufficient funds as of the effective time of the merger to consummate the merger and to pay the merger consideration and amounts required to cash-out outstanding stock options must be true and correct as of the effective time of the merger; and
- Quest Diagnostics and Fountain must have complied in all material respects with all of their covenants and agreements under the merger agreement to be complied with prior to the effective time of the merger.

In addition, Quest Diagnostics and Fountain are not obligated to complete the merger unless certain conditions are satisfied or waived in writing, including the following:

- the representations and warranties by us set forth in the merger agreement that are qualified as to materiality or material adverse effect must be true and correct, and those that are not so qualified must be true and correct in all material respects, in each case as of the date of the merger agreement and as of the effective time of the merger (except representations and warranties that by their terms speak as of a specified date); except where any failure of such representations and warranties to be true and correct, either individually or in the aggregate, would not have a material adverse effect;
- we must have complied in all material respects with all of our covenants and agreements under the merger agreement to be complied with prior to the effective time of the merger; and
- a demand for fair value of dissenting shares of our common stock must not have been perfected, asserted or demanded with respect to more than 10% of the aggregate number of our outstanding shares of common stock.

No Solicitation by Us (see page 40)

The merger agreement contains restrictions on our ability to solicit or engage in discussions or negotiations with a third party regarding an acquisition proposal. Notwithstanding these restrictions, under certain limited circumstances, our board of directors may respond to an unsolicited written bona fide acquisition proposal and may terminate the merger agreement and enter into a definitive agreement with respect to a superior proposal.

Termination of the Merger Agreement (see page 44)

Quest Diagnostics and we can terminate the merger agreement under certain circumstances, even after the shareholders of Lab*One* have approved the merger agreement, including:

by mutual written consent of Quest Diagnostics and us;

if the merger has not been completed by April 7, 2006, which date may be extended to August 8, 2006 under certain circumstances, by Quest Diagnostics, as long as the failure to complete the merger was not caused by the failure of Quest Diagnostics to fulfill any obligation under the merger agreement, or by us, as long as the failure to complete the merger was not caused by the failure of the Company to fulfill any obligation under the merger agreement;

by either Quest Diagnostics or us if there is any law or order prohibiting completion of the merger, and such order shall have become final and nonappealable;

by Quest Diagnostics, in the event of any breach by us of any representation, warranty or covenant that would cause any condition to Quest Diagnostics obligation to complete the merger to not be satisfied, which breach is not cured in accordance with the merger agreement;

by us, in the event of any breach by Quest Diagnostics or Fountain of any representation, warranty or covenant that would cause any condition to our obligation to complete the merger to not be satisfied, which breach is not cured in accordance with the merger agreement;

by Quest Diagnostics if, at any time prior to the date of the special meeting, our board of directors shall have (i) effected a change in the company recommendation regarding the merger or (ii) approved or recommended, or proposed to approve or recommend, any competing transaction;

by Quest Diagnostics or us if, upon a vote taken at the special meeting or any postponement or adjournment of the special meeting, the merger agreement is not approved by the holders of at least two-thirds of the outstanding shares of our common stock entitled to vote thereon; or

by us, at any time prior to obtaining shareholder approval of the merger agreement, in order to enter into a definitive agreement with respect to a superior proposal in accordance with the merger agreement.

Termination Fees and Expenses (see page 45)

The merger agreement requires that we pay Quest Diagnostics a $26.5 million termination fee if:

1. (a) Quest Diagnostics terminates the merger agreement because our board of directors effects a change in the company recommendation regarding the merger prior to the date of the special meeting, and

(b) we enter into a definitive agreement, within 12 months after such termination, relating to a competing transaction and such transaction is thereafter consummated; or

2. (a) Quest Diagnostics or we terminate the merger agreement because, upon a vote taken at the special meeting or any postponement or adjournment of the special meeting, the merger agreement is not approved by the holders of at least two-thirds of the outstanding shares of our common stock entitled to vote thereon,

(b) prior to the vote by our shareholders on the merger agreement, a competing transaction is publicly announced and not withdrawn, or otherwise becomes publicly known after the date of the merger agreement, and

(c) we enter into a definitive agreement, within 12 months after such termination, relating to a competing transaction and such transaction is thereafter consummated; or

3. we terminate the merger agreement in order to enter into a definitive agreement with respect to a superior proposal in accordance with the merger agreement; or

4. Quest Diagnostics terminates the merger agreement because prior to the date of the special meeting our board of directors shall have approved or recommended, or proposed to approve or recommend, any competing transaction.

The merger agreement also requires that we reimburse Quest Diagnostics for reasonable out-of-pocket expenses, up to a maximum of $3.5 million, if: (a) Quest Diagnostics terminates the merger agreement as a result of any breach by us of any representation, warranty or covenant in the merger agreement that would cause any condition to Quest Diagnostics obligation to complete the merger to not be satisfied, which breach is not cured in accordance with the merger agreement; or (b) Quest Diagnostics terminates the merger agreement because our board of directors shall have effected a change in the company recommendation regarding the merger prior to the date of the special meeting.

The termination fee payable pursuant to Item 1 above will be reduced by the amount of any expenses of Quest Diagnostics required to be reimbursed by us under the merger agreement.

Regulatory Approvals (see page 31)

Completion of the merger is subject to expiration or termination of the waiting period under the HSR Act. The merger cannot proceed in the absence of expiration or early termination of the waiting period. Lab*One* and Quest Diagnostics filed notification and report forms under the HSR Act with the Federal Trade Commission, which we refer to as the FTC, and the Antitrust Division of the Department of Justice on August 19, 2005. On September 13, 2005, Quest Diagnostics withdrew its notification and report form and refiled it on that same day in order to provide additional time to the FTC for its review of the merger. At any time before or after completion of the merger, notwithstanding the expiration or early termination of the waiting period under the HSR Act, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the completion of the merger or seeking divestiture of substantial assets of us or Quest Diagnostics. The consummation of the merger is subject to the condition that there be no law, rule, injunction, judgment, decree or order prohibiting the merger.

Except as noted above with respect to the required filings under the HSR Act and the filing of articles of merger in Missouri at or before the effective date of the merger, we are unaware of any material, federal, state or foreign regulatory requirements or approvals required for the execution of the merger agreement or completion of the merger.

Certain U.S. Federal Income Tax Consequences (see page 32)

The receipt of cash by U.S. holders in exchange for shares of our common stock in the merger will generally be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local, foreign or other tax laws. Generally, this means you will recognize taxable gain or loss equal to the difference, if any, between (1) the cash you receive in the merger and (2) your adjusted tax basis in your shares. See THE MERGER Certain Material U.S. Federal Income Tax Consequences for a more detailed discussion of certain material U.S. federal income tax consequences of the merger. **Tax matters are very complicated and the tax consequences of the merger to you depend on the facts of your own situation. You should consult your own tax advisor for a full understanding of the tax consequences of the transaction to you.**

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Dissenters Rights (see page 33)

Shareholders of record are entitled to exercise dissenters rights if they do not vote in favor of the merger agreement and if they comply with the procedures set forth in Section 351.455 of the General and Business Corporation Law of Missouri, which we refer to as the MGBCL. A copy of Section 351.455 of the MGBCL is attached to this proxy statement as Appendix C.

Employee Benefits (see page 41)

Under the merger agreement, Quest Diagnostics has agreed that, for a period of one year after the effective time of the merger, it will honor (without modification in a manner adverse to the participants therein) all of our and our subsidiaries existing employee contracts, agreements, arrangements, policies, plans and commitments, excluding any requirement that contributions be paid in employer stock; provided that Quest Diagnostics may transfer some or all of our and our subsidiaries employees to the applicable employee benefit arrangements of Quest Diagnostics and its subsidiaries during the one-year period, as long as the employees who are transferred receive benefits under the arrangements that are not less favorable than the benefits provided to similarly situated employees of Quest Diagnostics and its subsidiaries.

Where to Find More Information (see page 49)

If you have more questions about the merger or would like additional copies of this proxy statement, you should contact:

D. F. King & Co., Inc.
48 Wall Street
New York, New York 10005
(212) 269-5550 Banks and Brokers (collect calls)
(888) 567-1626 All others (toll-free)

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company s future prospects and make informed investment decisions.

This proxy statement, and the documents to which we refer you in this proxy statement, may include forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact may be deemed to be forward-looking statements. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, income or loss, earnings or loss per share, capital expenditures, the payment or non-payment of dividends, capital structure and other financial items, (ii) statements of plans and objectives of our management or board of directors, including plans or objectives relating to our products or services, (iii) statements of future economic performance, and (iv) statements of assumptions underlying the statements described in (i), (ii) and (iii). Forward-looking statements can often be identified by the use of forward-looking terminology, such as anticipate, estimate, expect, project, intend, plan, believe, target strategy, goal and words and terms of similar substance. Our forward-looking statements are based on management s current views about future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at which, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management s good faith belief with respect to future events, and is subject to risks and uncertainties that could cause our actual performance or results to differ materially from those expressed in the statements. Important factors that could cause such differences include, but are not limited to: whether we are able to complete the merger; effects of the announcement and pendency of the merger on our business; whether we are fully successful in implementing our financial and operational initiatives; industry competition, conditions, performance and consolidation; legislative and/or regulatory developments; the effects of adverse general economic conditions, both within the U.S. and globally; any adverse economic or operational repercussions from terrorist activities, any government response thereto and any future terrorist activities, war or other armed conflicts; changes in fuel prices; changes in labor costs; labor stoppages; the outcome of claims and litigation; natural events such as severe weather, floods and earthquakes; and other factors described in our filings with the Securities and Exchange Commission.

We caution you not to place undue reliance on our forward-looking statements, which speak only as of the date of this proxy statement. Except as required by law, we are under no obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements made in this proxy statement or elsewhere, whether as a result of new information, future events or otherwise.

For additional information about factors that could cause actual results to differ materially from those described in the forward-looking statements, please see the filings and reports that we make with the Securities and Exchange Commission as described under Where You Can Find More Information.

THE COMPANIES

Lab*One*, Inc.

Headquartered in the Greater Kansas City area, we are a diagnostic services provider. We provide: risk assessment information services for the insurance industry; diagnostic healthcare testing to physicians, hospitals, managed care organizations and employers; and drug testing services and related employee qualification products to employers and the government. Our principal executive offices are located at 10101 Renner Boulevard, Lenexa, Kansas 66219, and our telephone number is (913) 888-1770.

Quest Diagnostics Incorporated and Fountain, Inc.

Quest Diagnostics is a provider of diagnostic testing, information and services through its nation-wide network of laboratories and patient service centers. Quest Diagnostics also is a provider of esoteric testing, including gene-based testing and testing for drugs of abuse, and anatomic pathology services and testing for clinical trials. Quest Diagnostics principal executive offices are located at 1290 Wall Street West, Lyndhurst, New Jersey 07071, and its telephone number is (201) 393-5000.

Fountain, a wholly-owned subsidiary of Quest Diagnostics, was organized under the laws of Missouri solely for the purpose of entering into the merger agreement with us and completing the merger and has not conducted any business operations.

THE SPECIAL MEETING

Date, Time and Place of the Special Meeting

This proxy statement is being furnished to shareholders in connection with the solicitation of proxies by our board of directors for use at the special meeting of shareholders to be held on October 27, 2005 at our corporate headquarters at 10101 Renner Boulevard, Lenexa, Kansas 66219, at 9:00 a.m., local time, and at any adjournments or postponements thereof.

This proxy statement and the accompanying form of proxy are first being mailed by us to our shareholders on or about September 22, 2005.

Matters to Be Considered at the Special Meeting

At the special meeting, our shareholders will be asked to vote on the following proposals:

- to approve the merger agreement,
- to approve any proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are insufficient votes at the time of the special meeting to approve the merger agreement, and
- to conduct any other business that properly comes before the special meeting or any adjournments or postponements of the special meeting.

Record Date for the Special Meeting

Our board of directors has fixed the close of business on September 15, 2005 as the record date for determination of the shareholders entitled to notice of, and to vote at, the special meeting. On the record date, there were 17,500,766 shares of our common stock outstanding, held by approximately 1,581 holders of record. At the special meeting, each holder of our common stock will have one vote for each share of our common stock held.

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Quorum

If a majority of the shares of our common stock issued and outstanding and entitled to vote at the special meeting is represented either in person or by proxy at the special meeting, a quorum will be present at the special meeting. Shares represented in person or by proxy and for which the holder has abstained from voting will be counted as present at the special meeting for purposes of determining the presence or absence of a quorum.

A broker who holds shares in nominee or street name for a customer who is the beneficial owner of those shares is prohibited from giving a proxy to vote those shares on the matters to be considered and voted upon at the special meeting without specific instructions from such customer with respect to such matters. These so-called broker non-votes will be counted as present at the special meeting for purposes of determining whether a quorum exists.

Votes Required for Approval

Approval of the merger agreement requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of our common stock entitled to vote at the special meeting. Abstentions and broker non-votes will have the same effect as votes **against** the proposal to approve the merger agreement.

Approval of any proposal to adjourn the special meeting requires the affirmative vote of the holders of a majority of the shares of our common stock represented in person or by proxy at the special meeting and entitled to vote on the proposal. Abstentions on this matter will have the effect of negative votes. Broker non-votes will not affect the outcome of the vote on this matter because these votes will not be considered present and entitled to vote for this purpose.

Recommendation of the Board of Directors

Our directors unanimously recommend that you vote FOR approval of the merger agreement.

Our directors unanimously recommend that you vote FOR approval of the grant of discretionary authority to the persons named as proxies to vote to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Proxies

All shares of our common stock represented by properly executed proxies received before or at the special meeting will, unless revoked, be voted in accordance with the instructions indicated on those proxies. **If you execute your proxy but make no specification, your proxy will be voted FOR approval of the merger agreement and FOR approval of the grant of discretionary authority to the persons named as proxies to vote to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.** You are urged to complete and sign the proxy card enclosed with this proxy statement and mail it promptly in the enclosed postage prepaid envelope, or to vote via the Internet or telephone. **If you do not return your proxy card, or vote via the Internet or telephone, or attend the special meeting and vote in person, or instruct your broker or bank how to vote your shares if your shares are held in street name , it will have the same effect as if you voted against the merger agreement.**

We do not expect that any other matters will be brought before the special meeting. If, however, other matters are properly presented, the persons named as proxies will vote the shares represented by properly executed proxies in accordance with their judgment with respect to those matters.

If you are a holder of record, you may revoke your proxy at any time before it is voted by:

- delivering to D. F. King & Co., Inc. a written notice bearing a date later than the proxy stating that you would like to revoke your proxy;

- completing, executing and delivering to D. F. King & Co., Inc. a new, later dated proxy card for the same shares;

logging onto the Internet website specified on your proxy card in the same manner you would do to submit your proxy electronically or by calling the telephone number specified on your proxy card (in each case if you are eligible to do so) and following the instructions on the proxy card; or

attending the special meeting and voting in person. Your attendance alone will not revoke your proxy.

If your shares are held by a bank, broker or other nominee, you will need to contact such third party for instructions to revoke your proxy.

Shareholders who do not vote in favor of the proposal to approve the merger agreement and who otherwise comply with applicable statutory procedures of the MGBCL summarized elsewhere in this proxy statement will be entitled to seek appraisal of the fair value of their common stock under Section 351.455 of the MGBCL. See THE MERGER Dissenters Rights.

Solicitation of Proxies

We will bear the cost of soliciting proxies for the special meeting and of printing and mailing this proxy statement. In addition to solicitation by mail, our directors, officers and other employees, without additional compensation, may solicit proxies in person, or by telephone, telecopy or other means of electronic communication. We will request brokerage houses and other custodians, nominees and fiduciaries to send the proxy materials to beneficial owners, and we will, upon written request, reimburse those brokerage houses and custodians for their reasonable expenses in so doing. We urge shareholders to mail completed proxies without delay or vote via the Internet or telephone, as specified on the proxy card.

We have retained D. F. King & Co., Inc., a proxy solicitation firm, for assistance in connection with the solicitation of proxies for the special meeting at an anticipated cost not to exceed $7,500, plus reimbursement of reasonable out-of-pocket expenses for such items as mailing, copying, phone calls, faxes and other related items. In addition, we have agreed to indemnify D. F. King & Co., Inc. against any losses arising out of that firm s proxy soliciting services on our behalf.

Stock Certificates

Please do not send your common stock certificates with your proxy cards. Promptly after the merger is completed, the paying agent for the merger will send a transmittal letter to you with instructions for surrendering your stock certificates in exchange for the $43.90 per share cash payment, without interest and subject to applicable tax withholding.

THE MERGER

The discussion under the sections of this proxy statement entitled The Merger and The Merger Agreement summarizes certain terms of the merger. This summary may not contain all the information that is important to you. We strongly encourage you to read carefully the merger agreement in its entirety, a copy of which is attached as Appendix A to this proxy statement.

Background of the Merger

On February 28, 2005, W. Thomas Grant II, our Chairman, President and Chief Executive Officer, was contacted by Surya N. Mohapatra, Ph.D., the Chairman, President and Chief Executive Officer of Quest Diagnostics. Dr. Mohapatra asked to meet with Mr. Grant when they both would be attending professional meetings in New York. At a dinner meeting on March 15, 2005, Dr. Mohapatra informed Mr. Grant that Quest Diagnostics was potentially interested in acquiring us and requested the opportunity to conduct due diligence to determine whether Quest Diagnostics would be interested in pursuing such a transaction. Mr. Grant responded that we were not seeking a sale, but that he would consult with his management team regarding the indication of interest. Mr. Grant informed Dr. Mohapatra later by telephone that a written indication of interest from Quest Diagnostics stating a potential price range and

the form of consideration would be needed prior to taking Quest Diagnostics request to our board of directors.

Quest Diagnostics provided to us a written, non-binding indication of interest dated March 24, 2005 indicating its preliminary interest, subject to various conditions, in acquiring all of our outstanding stock for cash at a price in the range of $40 $42 per share, and requesting an exclusivity period for a limited duration in order to conduct due diligence. After receiving the indication of interest, Mr. Grant discussed the indication of interest with members of management and our outside counsel and individually with our directors. Based upon these discussions, Mr. Grant called a meeting of the executive committee of the board of directors to discuss procedures for responding to the indication of interest, including retention of a financial adviser and the timing of a meeting of the full board of directors. Based on these discussions, management determined to consider retaining JPMorgan as financial adviser, based upon JPMorgan s experience in the industry and the existing relationship between us and an affiliate of JPMorgan as lead lender on our existing senior credit facility. Thereafter, we contacted JPMorgan to determine what the terms of their engagement would be if we retained them.

On March 25, 2005, a meeting of the executive committee of the board of directors was held in Kansas City, Missouri. At the meeting, the executive committee determined that a meeting of the full board should be held promptly to consider the indication of interest and authorized our officers to retain JPMorgan to act as financial adviser to the board in evaluating the indication of interest from Quest Diagnostics.

On March 31, 2005, a special meeting of the board of directors was held in Kansas City, Missouri. At that meeting, (a) members of management made presentations to the board regarding our business segments and financial performance, (b) representatives of JPMorgan made a presentation regarding, among other things, various financial analyses of us and Quest Diagnostics indication of interest, and (c) our outside legal counsel, Stinson Morrison Hecker LLP, gave an oral presentation describing the fiduciary duties of the directors in responding to an acquisition proposal and other matters relating to a possible sale transaction. The directors discussed whether we should engage in discussions with Quest Diagnostics concerning a possible sale transaction, actively solicit third parties with respect to a possible sale transaction or continue to pursue our long-term strategy as an independent company. The board also discussed possible negotiating strategies designed to improve the proposed offering price. Prior to making any determinations, the directors decided to meet again on April 5, 2005, following the receipt of further requested information and analysis from management and from the outside legal and financial advisers. The next day, Stinson Morrison Hecker LLP distributed to the directors a detailed memorandum describing the fiduciary duties of the directors in responding to an acquisition proposal and other matters relating to a possible sale transaction.

On April 5, 2005, a special meeting of our board of directors was held in Overland Park, Kansas. After presentations regarding our business by members of management, the directors continued their discussion of our possible response to the indication of interest by Quest Diagnostics. The directors determined that public disclosure of a potential sale transaction without a high degree of confidence that it would be consummated would not be in our best interests. In addition, Quest Diagnostics had conditioned its willingness to proceed with negotiations on maintaining the confidentiality of those negotiations and entering into an exclusivity agreement for a limited period. Accordingly, the directors determined that the negotiations with Quest Diagnostics would remain confidential until they were either terminated or led to a definitive acquisition agreement with limited conditions to closing that would increase the likelihood of consummating the acquisition. However, in view of the need to protect our best interests by not having a premature public announcement or an auction in advance of signing, the board recognized the need to ensure that it could hold discussions with, and provide confidential information to, third parties subsequent to the execution of any definitive acquisition agreement where it could reasonably be expected that such discussions would lead to a superior offer. Similarly, the board recognized the need for any definitive acquisition agreement with Quest Diagnostics to include a so-called fiduciary-out that would give us the right to terminate that agreement if we entered into a definitive acquisition agreement with a third party for a superior offer in consideration of paying Quest Diagnostics a reasonable termination fee that would

not be preclusive of such third party interest. The board also recognized the need for any exclusivity agreement to include a form of fiduciary out. The board unanimously authorized Mr. Grant to contact Dr. Mohapatra and inform him that we would be willing to enter into an exclusivity agreement with Quest Diagnostics for a limited duration, with a full fiduciary-out, if Quest Diagnostics was willing to pursue a transaction at a price of not less than $44 per share, assuming satisfactory due diligence was completed, and with adequate confidentiality protections for us and provisions limiting the risk to us of delay and non-consummation of any possible transaction.

On April 13, 2005, Mr. Grant, John W. McCarty, our Chief Financial Officer, and Michael J. Asselta, our Chief Operating Officer, met with Dr. Mohapatra and other members of senior management of Quest Diagnostics in Overland Park Kansas. During this meeting, we described each of our business segments and the potential benefits to customers and cost savings which could potentially be produced by combining the two companies. At the onset of the meeting, the parties executed a Confidentiality Agreement which included customary standstill provisions that prohibited attempts to acquire our stock or assets, or to conduct a proxy contest, without approval of our board.

On April 15, 2005, we sent a draft of an Exclusive Negotiating Agreement to Quest Diagnostics that required Quest Diagnostics to provide its non-binding assent to certain terms of any acquisition, including a price per share of not less than $44 and specified conditions to closing. On April 21, 2005, a representative of Quest Diagnostics contacted Joseph C. Benage, our General Counsel, to inform us that Quest Diagnostics would not give its non-binding assent to the terms attached to the Exclusive Negotiating Agreement at that stage of the parties discussion, but would proceed with negotiations and due diligence without an exclusivity agreement.

On April 22, 2005, Quest Diagnostics provided a letter to us stating that it believed it could reach the price level of $44 per share, subject to due diligence, and provided a generalized response to our view on potential contractual terms and conditions. We then determined that we would allow Quest Diagnostics to conduct due diligence that excluded certain sensitive information, and that a second level of due diligence providing access to such information would be permitted only after we were comfortable with Quest Diagnostics views on price, the more significant contractual terms and conditions as well as termination rights.

Beginning on May 4, 2005 and continuing until May 24, 2005, representatives of Quest Diagnostics and its financial and legal advisers conducted due diligence regarding us at the offices of Stinson Morrison Hecker LLP, in Kansas City, Missouri.

On May 19, 2005, Quest Diagnostics and we began discussing an agreement that we had with one of our managed care customers. Quest Diagnostics expressed concern that the agreement might be interpreted to require that Quest Diagnostics become subject to the same terms as those applicable to us upon acquisition of us. Although we had doubts as to Quest Diagnostics interpretation, discussions were subsequently held between us and the managed care company to resolve the issue either through a negotiated settlement or binding arbitration.

On May 20, 2005, Quest Diagnostics provided to us a first draft of a merger agreement. From May 20, 2005 until June 9, 2005, Quest Diagnostics and we engaged in discussions with respect to the provisions in the draft relating to conditions to closing, regulatory approvals and termination of the agreement.

On May 21, 2005, Dr. Mohapatra and a member of senior management of Quest Diagnostics met in Kansas City, Missouri individually with members of our senior management to discuss our service offerings, management philosophies, and potential employment with Quest Diagnostics should a transaction be consummated. Term sheets setting forth the proposed terms of their employment with Quest Diagnostics were distributed to Mr. Grant, Mr. Asselta, Gregg R. Sadler, our Executive Vice President and President Insurance Services Division, and L. Patrick James, M.D., our Executive Vice President Laboratory and Pathology Services. Dr. Mohapatra also discussed the status of the transaction with Messrs. Grant, Asselta, McCarty and Benage.

On June 6, 2005, the executive committee of the board of directors met at our headquarters in Lenexa, Kansas to discuss the status of negotiations of the provisions of the merger agreement relating to conditions to closing, regulatory approvals and termination rights under the agreement. On June 7, 2005, we sent to Quest Diagnostics our requested revisions to the specified provisions of Quest Diagnostics May 20, 2005 draft of the merger agreement.

On June 8, 2005, Quest Diagnostics informed us that it was unwilling to proceed with an acquisition of us until it had completed the second level of due diligence to its satisfaction and unless, among other things, the interpretation of the managed care contract described above was resolved to its satisfaction.

On June 10, 2005, a special meeting of our board of directors was held via teleconference. The directors discussed the dispute with the managed care company and Quest Diagnostics position that it would not proceed with a transaction with us unless the interpretation of that agreement was satisfactorily resolved. Management reported that it appeared that a quick resolution of the dispute was unlikely and that any formal dispute resolution under the managed care contract could take up to six months or longer. The board determined that formal discussions with Quest Diagnostics regarding a sale should cease due to management s view that a quick resolution appeared unlikely.

On July 6, 2005, Mr. Grant discussed with the members of the executive committee the terms of a settlement offer received from the managed care company that would require the payment of a settlement amount by us. Mr. Grant communicated management s view that we should not pay the settlement amount unless the payment was made in the context of completing a transaction for the sale of Lab*One.* After discussion, the executive committee members authorized Mr. Grant to communicate the settlement offer to Quest Diagnostics and determine how we could be protected from making the settlement payment if a possible sale transaction with Quest Diagnostics was not consummated.

On July 7, 2005, Mr. Grant called Dr. Mohapatra and they discussed the status of the negotiations with the managed care company and how a settlement with the managed care company might be structured in the context of a possible sale transaction between Quest Diagnostics and us. Mr. Grant communicated the results of these discussions to the members of our board of directors, and Quest Diagnostics and we then recommenced negotiations of a possible sale transaction. Between July 8, 2005 and July 11, 2005, Mr. Grant had additional conversations with members of senior management of Quest Diagnostics, including Dr. Mohapatra, regarding how a settlement might be structured in the context of a possible sale transaction.

On July 11, 2005, we contacted the managed care company concerning its settlement offer and thereafter continued discussions with the managed care company.

On July 11, 2005, we engaged Fried, Frank, Harris, Shriver & Jacobson, LLP, which had previously been engaged as outside legal counsel with respect to antitrust matters, as special outside legal counsel to assist in any future merger negotiations.

On July 12, 2005, we provided Quest Diagnostics with our requested revisions to Quest Diagnostics May 20, 2005 draft of the merger agreement. On July 13 and 14, 2005, representatives of Quest Diagnostics and us and our respective outside legal counsels met in the New York offices of Shearman and Sterling LLP, outside legal counsel to Quest Diagnostics, to negotiate the terms of the merger agreement. During the meeting on July 13, 2005, representatives of our senior management discussed with representatives of Quest Diagnostics senior management the concept of possibly adjusting the purchase price per share based on the amount of the settlement payment to the managed care company. Thereafter, until the substantive terms of the definitive merger agreement were completed on August 5, 2005, the representatives of the parties continued to negotiate the terms of the merger agreement by telephone and through written communications, and several drafts of the merger agreement were exchanged.

Beginning on July 12, 2005 and continuing until July 15, 2005, representatives of Quest Diagnostics conducted additional due diligence regarding us at the offices of Stinson Morrison Hecker LLP in Kansas City, Missouri.

On July 14, 2005, the parties reached an understanding on the bases upon which the second level of due diligence would be permitted.

On July 19, 2005, a special meeting of our board of directors was held via teleconference. Management described to the directors the status of negotiations with Quest Diagnostics and the status of the negotiations with the managed care company. A representative of JPMorgan then joined the meeting and reviewed with directors, among other things, the recent performance of our stock price and other relevant matters concerning valuation of our stock.

On July 25 and 26, 2005, our representatives met with representatives of the managed care company to negotiate a settlement of the dispute. Thereafter the parties continued their negotiations by telephone and through written correspondence until a final resolution was reached on August 5, 2005.

On July 31, 2005, a special meeting of the board of directors was held in Mission Hills, Kansas. Fried, Frank, Harris, Shriver & Jacobson LLP provided an additional review of the directors fiduciary duties in connection with a possible transaction with Quest Diagnostics as well as a review of the proposed merger agreement. Representatives of JPMorgan made a presentation regarding, among other matters, the economics of the proposed transaction and their valuation analysis of our stock. The representatives concluded that subject to reviewing the terms of the final merger agreement and changes in market conditions prior to final board approval, JPMorgan would be in a position to issue an opinion, based upon and subject to the considerations described in its opinion and other matters as JPMorgan considered relevant, that the consideration to be received by the holders of common stock in the proposed merger was fair, from a financial point of view, to such holders. Management reviewed with the directors the recent performance of our businesses and the bases for their recommendation to approve the proposed transaction.

During the week of August 1, 2005, the representatives of the parties continued to negotiate the terms of the merger agreement, including the purchase price per share, the amount of the termination fee and reimbursed expenses and the terms and conditions pursuant to which those amounts would be paid. Ultimately, and subject to the approval of each party s board of directors, the parties agreed upon a purchase price of $43.90, a termination fee of $26.5 million and an expense cap of $3.5 million.

During the week of August 1, 2005, Quest Diagnostics reached agreement on the terms of their employment by the surviving corporation with Messrs. Grant, Asselta, Sadler and James and with Philip A. Spencer, our Executive Vice President Healthcare Marketing. Also during the week of August 1, 2005, Quest Diagnostics continued its due diligence review of us.

On August 5, 2005, a special meeting of our board of directors was held via teleconference. The directors reviewed the changes made to the merger agreement since the prior meeting of the directors. JPMorgan presented a summary of its financial analyses relating to the proposed merger and responded to questions posed by our board of directors. In connection with the deliberation by our board of directors, JPMorgan provided its oral opinion (subsequently confirmed in writing) that, as of the date of the opinion and based upon and subject to the considerations described in JPMorgan s written opinion and such other matters as JPMorgan considered relevant, the consideration to be received by the holders of common stock in the proposed merger was fair, from a financial point of view, to such holders. The directors reviewed information regarding the compensation to be received and employment arrangements to be entered into by the executive officers in connection with the merger. Following further discussion, the directors, among other things, unanimously approved the merger agreement, determined that the merger agreement and the merger were advisable and in the best interests of us and our shareholders, directed that the merger agreement be submitted for approval of our shareholders and recommended that our shareholders vote in favor of the approval of the merger agreement. JPMorgan confirmed its opinion in writing on August 6, 2005.

On August 6, 2005, the board of directors of Quest Diagnostics unanimously approved the merger agreement.

The merger agreement was signed by the parties effective August 8, 2005, and before the commencement of trading on Nasdaq on August 8, 2005, Quest Diagnostics and we issued a joint press release announcing the execution of the merger agreement.

Recommendation of Lab*One* s Board and Reasons for the Merger

Our board of directors believes the terms of the merger agreement are advisable and in the best interests of us and our shareholders. Accordingly, at the meeting of our board of directors on August 5, 2005, our directors unanimously approved the merger agreement. The directors unanimously recommend that our shareholders vote FOR approval of the merger agreement.

In the course of reaching its determination, our board of directors consulted with legal counsel with respect to its legal duties and the terms of the merger agreement. In addition, our board of directors consulted with its financial advisor with respect to the financial aspects and fairness of the transaction from a financial point of view, and with senior management regarding, among other things, financial aspects, operational matters and strategic alternatives. The terms of the merger agreement are the result of arm s length negotiations.

In reaching its determination that the merger is advisable to, and in the best interests of, our shareholders, our board of directors considered a number of factors, including, without limitation, the following:

- the presentations and views expressed by our management regarding, among other things: (1) our financial condition, results of operations, cash flows, business and prospects; (2) the likelihood of achieving maximum long-term value on a stand-alone basis; (3) the strategic alternatives available to us and the associated advantages and disadvantages; and (4) the recommendation by our management to approve the merger agreement;

- the range of potential values if we remained independent and the execution and other risks inherent in remaining independent and achieving our strategic plan, including business, market and competitive risks, pricing pressures due to, among other things, consolidation in the life insurance industry and risks that our risk assessment business would be valued at lower multiples than our other faster-growing businesses;

- the premium of the merger consideration of $43.90 per share to the closing price per share on the trading day immediately preceding our announcement of the merger agreement, $37.64, the average closing price per share price of our common stock for the previous one month, $39.39, the previous three months, $39.10, the previous six months, $36.94, and the previous twelve months, $33.65, as well as being greater than the trailing 52-week high, $40.75;

- the fact that the merger consideration to be paid is cash which provides certainty of value and immediate liquidity to our shareholders;

- the financial presentation of JPMorgan, and its oral opinion issued to the board of directors on August 5, 2005 (which was confirmed in writing on August 6, 2005) that based upon and subject to the considerations described in its written opinion and such other matters as JPMorgan considered relevant, the consideration to be received by the holders of common stock in the merger was fair, from a financial point of view, to such holders as described more fully below under Opinion of Lab*One* s Financial Advisor ;

- the terms and conditions of the merger agreement, including the parties representations, warranties and covenants, the conditions to their respective obligations and the limited ability of the parties to terminate the merger agreement;

- the likelihood that the merger would be consummated, in light of the experience, reputation and financial capability of Quest Diagnostics, the absence of any financing condition to the obligation of Quest Diagnostics to complete the merger, and the likelihood of obtaining required regulatory approvals;

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- the likelihood that a superior offer from another potential purchaser would be made was insufficient to justify seeking alternative proposals from any potential purchasers and risking not proceeding with the favorable transaction with Quest Diagnostics as well as risking the potential loss of customers and employees without a high degree of assurance that a transaction would be consummated;

- provisions in the merger agreement permitting our board of directors, in the exercise of its duties to us and our shareholders under applicable Missouri law, to furnish information and data, and enter into discussions and negotiations, in connection with a competing proposal that constitutes or may be reasonably expected to lead to a superior proposal (as defined in the merger agreement), subject to conditions specified in the merger agreement;

- provisions in the merger agreement permitting our board of directors, in the exercise of its duties to us and our shareholders under applicable Missouri law, to terminate the merger agreement in favor of a superior proposal or to provide the board of directors recommendation in favor of a competing transaction, taking into account that following such termination or recommendation, we must pay Quest Diagnostics a fee of $26.5 million which is within a range of termination fees that is customary for transactions of this type and size and is not expected to preclude a third party from making a competing transaction;

- the fact that the merger agreement would be subject to approval by the holders of at least two-thirds of our outstanding shares of our common stock; and

- the ability of shareholders who may not support the merger to obtain fair value for their shares if they properly perfect and exercise their dissenters rights under Section 351.455 of the MGBCL, which provides shareholders with the opportunity to exercise appraisal rights and to seek a judicial determination as to the fair value of their shares of common stock (see Dissenters Rights for information on how to exercise your appraisal rights).

In the course of its deliberations, our board of directors also considered a variety of potentially countervailing factors in its deliberations concerning the merger, including the following:

- the fact that we will no longer exist as an independent public company and our shareholders will forgo any future increase in our value that might result from our possible growth;

- the risks and contingencies related to the announcement and pendency of the merger, including the impact of the merger on our employees, customers and our relationships with third parties;

- the conditions to Quest Diagnostics obligation to complete the merger and the right of Quest Diagnostics to terminate the merger agreement in certain circumstances;

- the risk that the merger might not receive necessary regulatory approvals and clearances to complete the merger or that governmental authorities could attempt to condition the merger on one or more of the parties compliance with certain burdensome terms or conditions beyond those which Quest Diagnostics is required to undertake under the merger agreement;

- the fact that under the terms of the merger agreement, we cannot solicit other acquisition proposals and must pay to Quest Diagnostics a termination fee of $26.5 million, if the merger agreement is terminated under certain circumstances, which, in addition to being costly, might have the effect of discouraging other parties from proposing an alternative transaction that might be more advantageous to our shareholders than the merger;

- the fact that the merger consideration consists solely of cash and will therefore be taxable to our shareholders for U.S. federal income tax purposes;

the interests that certain of our directors and executive officers may have with respect to the merger, in addition to their interests as our shareholders generally, as described in THE MERGER Interests of Certain Persons in the Merger;

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- the fact that, pursuant to the merger agreement, we must generally conduct our business in the ordinary course and we are subject to a variety of other restrictions on the conduct of our business prior to closing of the merger or termination of the merger agreement, which may delay or prevent us from pursuing business opportunities that may arise or preclude actions that would be advisable if we were to remain an independent company;

- if the merger does not close, our officers and other employees will have expended extensive efforts attempting to complete the transaction and will have experienced significant distractions from their work during the pendency of the transaction; and

- we will have incurred substantial transaction costs in connection with the transaction and such costs will negatively impact our operating results.

Our board of directors concluded that these potential countervailing factors did not outweigh the benefits of the merger to us and our shareholders and that such factors were satisfactorily addressed by the amount of the merger consideration and the terms and conditions of the merger agreement.

As part of our board of directors consideration of the transaction, our board of directors was aware of, discussed with management and its financial advisor and considered the amount of cash held by us. As of June 30, 2005, we had cash, cash equivalents and short-term investments of approximately $24.3 million.

The preceding discussion is not meant to be an exhaustive description of the information and factors considered by our board of directors but is believed to address the material information and factors considered. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, our board of directors did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the various factors considered in reaching its determination. In considering the factors described above, individual members of the board may have given different weight to different factors.

Opinion of Lab*One* s Financial Advisor

Pursuant to an engagement letter dated April 5, 2005, Lab*One* retained JPMorgan as its financial advisor in connection with the proposed transaction and to render an opinion to the board of directors of Lab*One* as to the fairness, from a financial point of view, of the consideration to be received by the holders of Lab*One* common stock in the proposed merger. JPMorgan was selected by the board of directors based on JPMorgan s qualifications, reputation and substantial experience with transactions similar to the merger, as well as JPMorgan s familiarity with Lab*One*. JPMorgan rendered its oral opinion to the board of directors on August 5, 2005 (as subsequently confirmed in writing on August 6, 2005), that, as of that date, the consideration to be received by the holders of common stock in the proposed merger was fair, from a financial point of view, to those holders.

The full text of the written opinion delivered by JPMorgan to the board of directors, dated August 6, 2005, which sets forth the assumptions made, general procedures followed, matters considered and limitations on the scope of the review undertaken by JPMorgan in rendering its opinion, is attached as Appendix B to this document and is incorporated herein by reference. JPMorgan s opinion is directed to the board of directors of Lab*One* and addresses the fairness, from a financial point of view, to the holders of common stock of the consideration to be received by those holders in the merger. JPMorgan s opinion does not constitute a recommendation to any shareholders as to how to vote with respect to the proposed transaction. The shareholders are urged to read such opinion in its entirety. JPMorgan s opinion did not address the merits of the underlying decision by Lab*One* to engage in the merger. This summary is qualified in its entirety by reference to the full text of such opinion.

In arriving at its opinion, JPMorgan:

- reviewed a draft dated August 5, 2005 of the merger agreement;

- reviewed certain publicly available business and financial information concerning Lab*One* and the industries in which it operates;

compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies JPMorgan deemed relevant and the consideration received for such companies;

compared the financial and operating performance of Lab*One* with publicly available information concerning certain other companies JPMorgan deemed relevant and reviewed the current and historical market prices of the Lab*One* common stock and certain publicly traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared by the management of Lab*One* relating to its business; and

performed such other financial studies and analyses and considered such other information as JPMorgan deemed appropriate for the purposes of the JPMorgan opinion.

JPMorgan also held discussions with certain members of the management of Lab*One* with respect to certain aspects of the merger, and the past and current business operations of Lab*One*, the financial condition and future prospects and operations of Lab*One*, and other matters JPMorgan believed necessary or appropriate to JPMorgan s inquiry.

In giving its opinion, JPMorgan relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with JPMorgan by Lab*One* or otherwise reviewed by or for JPMorgan. JPMorgan did not conduct any valuation or appraisal of any assets or liabilities, nor did JPMorgan evaluate the solvency of Lab*One* or Quest Diagnostics under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to JPMorgan, JPMorgan assumed that such analyses and forecasts were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Lab*One* to which the analyses or forecasts relate. JPMorgan expressed no view as to such analyses or forecasts or the assumptions on which they were based. JPMorgan also assumed that the merger and other transactions contemplated by the merger agreement would be consummated as described in the merger agreement, and that the definitive merger agreement would not differ in any material respect from the draft thereof furnished to JPMorgan. JPMorgan relied, as to all legal matters relevant to rendering its opinion, upon the advice of its legal counsel. JPMorgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on Lab*One.*

JPMorgan s opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to JPMorgan as of, August 5, 2005. Subsequent developments may affect the JPMorgan opinion and JPMorgan does not have any obligation to update, revise, or reaffirm its opinion. JPMorgan s opinion is limited to the fairness, from a financial point of view, of the consideration to be received by the holders of common stock in the proposed merger and JPMorgan expressed no opinion as to the fairness of the merger to, or any consideration of, the holders of any other class of securities, creditors or other constituencies of Lab*One* or as to the underlying decision by Lab*One* to engage in the merger.

JPMorgan noted that it was not authorized to and did not solicit any expressions of interest from any other parties with respect to the sale of all or any part of Lab*One* or any other alternative transaction. Consequently, JPMorgan assumed that the terms of the merger are the most beneficial terms from Lab*One* s perspective that could under the circumstances be negotiated among the parties to the transaction and JPMorgan does not express any opinion as to whether any alternative transaction might produce consideration for Lab*One* s shareholders in an amount in excess of that contemplated in the merger.

The following is a brief summary of the material financial analyses performed by JPMorgan in connection with providing its opinion to the board of directors on August 5, 2005, as subsequently

confirmed in writing on August 6, 2005. Some of the summaries of the financial analyses include information presented in tabular format. To fully understand the financial analyses, the tables should be read together with the text of each summary. Considering the data set forth in the table without considering the narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses.

Historical Stock Price Analysis

JPMorgan reviewed the historical daily closing trading prices of the common stock for the 52 weeks ending August 4, 2005 and reviewed the average, lowest and highest values among this data set. The analysis indicated that the average, highest and lowest trading prices of the common stock for the 52 weeks ending August 4, 2005, were $33.62, $40.75 and $26.91, respectively. The price of the common stock as of August 4, 2005, was $38.41, which was 94.3% of the 52 week high of $40.75. The analysis indicated that the consideration to be received by the holders of common stock in the proposed merger represented:

- a premium of 14.3% based on the closing price of the common stock on August 4, 2005 of $38.41;
- a premium of 11.2% based on the 1-month average closing price as of August 4, 2005 of $39.47;
- a premium of 12.2% based on the 3-month average closing price as of August 4, 2005 of $39.13;
- a premium of 18.9% based on the 6-month average closing price as of August 4, 2005 of $36.94; and
- a premium of 30.6% based on the 1-year average closing price as of August 4, 2005 of $33.62.

Comparison of Trading Multiples

Using public SEC filings, company press releases, selected publicly available Wall Street equity research and brokerage firm estimates, and other publicly available information, JPMorgan compared financial information, financial ratios and public market valuation multiples for Lab*One* to corresponding measures for three publicly traded clinical laboratory testing companies. The companies reviewed in connection with this analysis were Quest Diagnostics, Laboratory Corporation of America Holdings and Bio-Reference Laboratories Inc.

Although none of the selected companies is directly comparable to Lab*One*, the companies were chosen because they are publicly traded companies with businesses and operations that, for purposes of the analysis, may be considered similar to certain operations of Lab*One*. The financial ratios and valuation multiples of Lab*One* and the selected companies were calculated using the closing prices of the common stock of Lab*One* and the selected companies on August 4, 2005.

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JPMorgan calculated the enterprise values of Lab*One* and the selected companies as multiples of the estimated earnings before interest, taxes, depreciation and amortization (excluding minority interest) (EBITDA) for the 2005 and 2006 calendar years for Lab*One* and the selected companies. The enterprise value of each company was calculated by JPMorgan as fully-diluted market capitalization of each company as of August 4, 2005 plus total debt less total cash and cash equivalents of each respective company as of the most recent relevant public SEC filing date for each company. JPMorgan also calculated the ratio of the stock price as of August 4, 2005 to the estimated earnings per share for each company for the 2005 and 2006 calendar years estimated and published by Wall Street equity research and brokerage firms. The following table presents the summary results of this analysis:

	Enterprise Value/2005E EBITDA	Price/2005E EPS	Enterprise Value/2006E EBITDA	Price/2006E EPS
Median	9.5x	17.8x	8.7x	16.1x
Mean	10.1x	19.5x	8.8x	16.2x
High	11.5x	23.4x	9.0x	16.9x
Low	9.3x	17.4x	8.5x	15.5x

In conducting its analysis, JPMorgan considered two sets of distinct financial projection cases for Lab*One* that were prepared by Lab*One* s management, referred to as Case A and Case B. Case B, which was Lab*One* s existing five-year plan, assumed higher estimated annual revenue growth rates for the projected years compared to Case A. Case B also assumed higher annual profits and margins than those used in Case A with higher capital expenditures and net working capital requirements. Following a review of Lab*One* s anticipated second quarter results and discussions with representatives of JPMorgan, management concluded that the growth assumptions in Case B may be optimistic in view of the recent historical financial performance of the risk assessment business and therefore prepared Case A as an additional case reflecting the possible continuation of trends implicit in such performance.

Based on this analysis and based on management s projected financial Case A, JPMorgan selected a range of multiples of:

enterprise value to estimated 2005 EBITDA of 9.0x to 10.5x;

enterprise value to estimated 2006 EBITDA of 8.0x to 9.0x;

stock price to estimated 2005 earnings per share of 17.0x to 21.0x; and

stock price to estimated 2006 earnings per share of 15.0x to 19.0x.

This range of multiples implied a range of equity value per share under Case A of $25.50 to $38.00 for Lab*One* (rounded to the nearest $0.25), based on management estimates of 2005 EBITDA and 2006 EBITDA of $74.6 million and $77.5 million, respectively, and of 2005 earnings per share and 2006 earnings per share of $1.72 and $1.69, respectively, and based on the fully diluted shares of Lab*One* common stock outstanding, including the common share equivalent of outstanding options calculated using the treasury method. For purposes of this analysis, since Lab*One* s convertible debt is not qualified for conversion into shares at the range of implied equity values per share outlined above, JPMorgan included the face value of the convertible debt as part of Lab*One* s total debt.

Based on the above analysis and based on management s projected financial Case B, JPMorgan also selected a range of multiples of:

enterprise value to estimated 2005 EBITDA of 9.5x to 11.0x;

enterprise value to estimated 2006 EBITDA of 8.5x to 9.5x;

current stock price to estimated 2005 earnings per share of 18.0x to 22.0x; and

current stock price to estimated earnings per share of 16.0x to 20.0x.

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This range of multiples implied a range of equity value per share under Case B of $31.00 to $40.00 for Lab*One* (rounded to the nearest $0.25), based on management estimates of 2005 EBITDA and 2006 EBITDA of $74.6 million and $86.6 million, respectively, and of 2005 earnings per share and 2006 earnings per share of $1.72 and $2.00, respectively, and based on the fully diluted shares of Lab*One* common stock outstanding, including the common share equivalent of outstanding options calculated using the treasury method. For purposes of this analysis, since Lab*One* s convertible debt is not uniformly qualified for conversion into shares within the range of implied equity values per share outlined above, JPMorgan included the face value of the convertible debt as part of Lab*One* s total debt for the range of implied equity values per share that was less than the conversion price of the convertible debt. For the range of implied equity values per share that was equal to or greater than the conversion price, JPMorgan included the face value of the convertible debt as part of Lab*One* s total debt and included the common share equivalent of the residual value of the convertible debt above its face value as part of Lab*One* s fully diluted shares outstanding.

Selected Historical Transactions Multiples Analysis

Using publicly available information, JPMorgan examined the following transactions involving US clinical laboratory testing companies:

Date Transaction Announced	Acquiror	Target
March 30, 2005	Laboratory Corp. of America Holdings	Esoterix, Inc.
December 14, 2004	Laboratory Corp. of America Holdings	US Pathology Labs, Inc.
December 9, 2002	Welsh Carson Anderson & Stowe	AmeriPath, Inc.
November 11, 2002	Laboratory Corp. of America Holdings	Dianon Systems, Inc.
April 2, 2002	Quest Diagnostics	UniLab Corporation
February 7, 2002	Quest Diagnostics	American Medical Laboratories, Inc.
June 28, 2001	Dianon Systems, Inc.	UroCor, Inc.
May 9, 2002	Laboratory Corp. of America Holdings	Dynacare Inc.
March 27, 2001	Laboratory Corp. of America Holdings	US Pathology Labs, Inc.

Based on public SEC filings, publicly available Wall Street equity research and brokerage firm reports, publicly available company press releases and other publicly available information, JPMorgan calculated the implied enterprise values of the target companies in the transactions as multiples of the latest 12 month EBITDA (excluding minority interests) for the target companies in the selected transactions.

The following table presents the summary results of this analysis:

	Enterprise Value/ LTM EBITDA
Median	12.5x
High	21.0x
Low	7.6x

Based on this analysis, JPMorgan selected a range of multiples of estimated EBITDA of the last 12 months of 12.5x to 14.5x for Lab*One*, which implied a range of equity value per share of $39.75 and $47.00 (rounded to the nearest $0.25) for Lab*One* based on last 12 month EBITDA for Lab*One* of $67.7 million as of June 30, 2005 and based on the fully diluted shares of Lab*One* common stock outstanding, including the common share equivalent of outstanding options calculated using the treasury method. For purposes of this analysis, since Lab*One* s convertible debt is qualified for conversion into shares at the range of implied equity values per share outlined above, JPMorgan

included the value of the common share equivalent of the convertible debt, including the value of additional shares to be issued as a

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result of an increase in the convertible debt s conversion rate resulting from the proposed merger, as part of Lab*One* s total debt.

None of the companies or the selected transactions used in the above analysis is identical to Lab*One* or the merger. Accordingly, an analysis of the results of the foregoing necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and the selected transactions and other factors that may have affected the selected transactions and/or affect the merger.

Discounted Cash Flow Analysis

JPMorgan calculated a range of discounted cash flows for Lab*One* using projections based on management forecasts and calculated a range of implied equity values per common share based on the sum of (i) the present value of projected, standalone, after-tax, unlevered free cash flows of Lab*One* after minority interests for fiscal periods from 2004 through fiscal year 2014 and (ii) the present value of the projected terminal value, based on an annual perpetuity revenue growth rate. JPMorgan calculated a range of values for Lab*One* by utilizing a cost of capital range of 9.75% to 10.25% and perpetuity revenue growth rate ranging from 3.25% to 3.75%. JPMorgan applied these ranges to both of the projected financial cases prepared by Lab*One* s management.

Based on the foregoing calculations and based on management s financial projection Case A, JPMorgan derived a range of illustrative values on an equity value per share basis, as of August 8, 2005, of $24.50 to $28.25 (rounded to the nearest $0.25) per share of common stock, based on the fully diluted shares of Lab*One* common stock outstanding, including the common share equivalent of outstanding options calculated using the treasury method. For purposes of this analysis, since Lab*One* s convertible debt is not qualified for conversion into shares at the range of implied equity values per share outlined above, JPMorgan included the face value of the convertible debt as part of Lab*One* s total debt.

Also based on the above calculations and based on management s financial projection Case B, JPMorgan derived a range of illustrative values on an equity value per share basis, as of August 8, 2005, of $44.00 to $50.00 (rounded to the nearest $0.25) per share of common stock, based on the fully diluted shares of Lab*One* common stock outstanding, including the common share equivalent of outstanding options calculated using the treasury method. For purposes of this analysis, since Lab*One* s convertible debt is qualified for conversion into shares at the range of implied equity values per share outlined above, JPMorgan included the face value of the convertible debt as part of Lab*One* s total debt and included the common share equivalent of the residual value of the convertible debt above its face value as part of Lab*One* s fully diluted shares outstanding.

Pursuant to an engagement letter dated April 5, 2005, between Lab*One* and JPMorgan, JPMorgan has acted as financial advisor to Lab*One* with respect to the proposed merger and Lab*One* will pay to JPMorgan a fee equal to 0.70% of the consideration payable to the shareholders of Lab*One* in the merger. The fee is payable in installments as follows: (i) an initial installment of $1 million was due upon delivery of the JPMorgan opinion and (ii) the balance shall be payable upon closing of the merger. Lab*One* will also indemnify JPMorgan for certain liabilities arising out of JPMorgan s engagement and reimburse JPMorgan for its reasonable expenses incurred up to a maximum of $50,000, unless otherwise agreed to by Lab*One*. JPMorgan and its affiliates have from time to time provided investment banking and commercial banking services to Lab*One*, including acting as bookrunning lead managing underwriter in connection with Lab*One* s offering of its convertible debt securities in 2004. JPMorgan s affiliate, JPMorgan Chase Bank, National Association, acts as administrative agent with respect to Lab*One* s revolving credit facility and is a lender to Quest Diagnostics. In the ordinary course of our businesses, JPMorgan and its affiliates may actively trade the debt and equity securities of Lab*One* or Quest Diagnostics for JPMorgan s own account or for the accounts of customers and, accordingly, JPMorgan may at any time hold long or short positions in such securities.

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Interests of Our Directors and Executive Officers in the Merger

In considering the recommendation of our board of directors regarding the merger, our shareholders should be aware that the directors and executive officers identified below have interests in the merger that differ from those of other shareholders, as described below. Our board of directors was aware of these interests and considered them, among other matters, in making its recommendation to approve the merger agreement. Our shareholders should take these benefits into account in deciding whether to vote for approval of the merger agreement.

Acceleration of Stock Options. At the effective time of the merger, each outstanding stock option will become fully vested and exercisable. All stock options will be cancelled at the effective time of the merger. The holder of each stock option will generally be entitled to receive, in full satisfaction of the rights of such holder with respect to such stock options, an amount in cash equal to the excess, if any, of the merger consideration of $43.90 per share over the exercise price per share of our common stock subject to such stock option, multiplied by the number of shares of our common stock subject to such stock option, less any withholding taxes. See THE MERGER AGREEMENT Treatment of Outstanding Stock Options.

The following table summarizes the vested and unvested options held by our executive officers and directors as of September 15, 2005, and the value of these options based on the difference between the merger consideration and the exercise price of those options:

Name	Shares Subject to Outstanding Options	Shares Subject to Exercisable Options	Value of Vested Options(1)	Value of Unvested Options(1)	Total Value of Options
Michael J. Asselta	175,000	69,000	$ 1,295,250	$ 2,071,000	$ 3,366,250
Joseph C. Benage	133,517	81,517	2,543,450	712,360	3,255,810
Jill L. Force	2,929	550	7,458	21,115	28,573
W. Thomas Grant, II	428,875	274,955	6,511,042	2,767,760	9,278,802
Troy L. Hartman	76,950	16,950	297,263	1,283,094	1,580,357
L. Patrick James	35,000	7,000	104,590	418,360	522,950
Lawrence N. Kugelman	1,632	0	0	9,135	9,135
John P. Mascotte	7,270	4,053	90,419	41,230	131,649
Kent J. McAllister	35,000	0	0	474,600	474,600
John W. McCarty	155,269	71,269	1,344,918	1,455,000	2,799,918
Gregg R. Sadler	124,769	74,769	1,828,724	920,000	2,748,724
James R. Seward	9,005	5,788	154,087	41,230	195,317
Philip A. Spencer	55,000	11,000	150,450	601,800	752,250
John E. Walker	9,695	6,478	167,714	41,230	208,945
TOTALS	1,249,911	623,329	$ 14,495,364	$ 10,857,915	$ 25,353,279

(1) The value of each option equals the amount by which the merger consideration of $43.90 per share exceeds the exercise price per share, multiplied by the number of shares of our common stock subject to the option.

Future Employment. Certain of our employees have entered into employment agreements with us on behalf of Quest Diagnostics which are contingent upon the approval of and the consummation of the merger. Each of those employment agreements was executed in connection with the merger agreement and will become effective only upon the closing of the merger and the execution by such executive officer of a non-competition, non-solicitation, non-disclosure and confidentiality agreement with Quest Diagnostics.

W. Thomas Grant, II Employment Agreement. Mr. Grant will serve as the Senior Vice President of the surviving corporation in the merger, reporting to the Chairman and Chief Executive Officer of Quest

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Diagnostics. Mr. Grant relinquished his right to approximately $1,360,000 of cash severance compensation to which he would be entitled under his current employment agreement by virtue of the merger in consideration of his new employment agreement.

Michael J. Asselta Employment Agreement. Mr. Asselta will serve as the Executive Director, Merger Integration of the surviving corporation, reporting to the regional vice president of Quest Diagnostics. Mr. Asselta relinquished his right to approximately $778,000 of cash severance compensation to which he would be entitled under his current employment agreement by virtue of the merger in consideration of his new employment agreement.

Philip A. Spencer Employment Agreement. Mr. Spencer will serve as Vice President, Sales of the surviving corporation, reporting to the Senior Vice President of the surviving corporation. Mr. Spencer relinquished his right to approximately $335,000 of cash severance compensation to which he would be entitled under his current employment agreement by virtue of the merger in consideration of his new employment agreement.

Gregg R. Sadler Employment Agreement. Mr. Sadler will serve as the Vice President, Insurance Services Group of the surviving corporation, reporting to the Senior Vice President of the surviving corporation. Mr. Sadler relinquished his right to approximately $700,000 of cash severance compensation to which he would be entitled by virtue of the merger under his current employment agreement in consideration of his new employment agreement.

L. Patrick James, M.D. Employment Agreement. Dr. James will serve as the Senior Managing Director of the surviving corporation, reporting to the regional vice president of Quest Diagnostics. Dr. James relinquished his right to approximately $300,000 of cash severance compensation to which he would be entitled by virtue of the merger under his current employment agreement in consideration of his new employment agreement.

The following table summarizes the salary, signing bonus, annual bonus and equity compensation that may be received by these executive officers pursuant to their new employment agreements.

Officer	Base Salary	Signing Bonus(1)	Maximum Annual Bonus for 2006(2)	Number of Options That May be Granted in 2006(3)	Value of Shares of Restricted Stock(4)
W. Thomas Grant, II	$ 365,000	$ 150,000	$ 403,000	70,000	$ 250,000
Michael J. Asselta	240,000	125,000	240,000	30,000	200,000
Philip A. Spencer	185,000	110,000	136,000	18,000	180,000
Gregg R. Sadler	210,000	125,000	157,500	12,000	200,000
L. Patrick James, M.D.	310,000	75,000	170,500	10,000	75,000

(1) The respective signing bonus is to be paid as soon as practicable after the effective date of the respective new employment agreement upon consummation of the merger.

(2) Each employee will be eligible under his new employment agreement for a special annual performance bonus for each of fiscal years 2006, 2007 and 2008, in the amount of $38,000 for Mr. Grant, 25% of base salary for Mr. Asselta, $25,000 for 2006, $18,900 for 2007 and $12,800 for 2008 for Mr. Spencer, 25% of base salary for Mr. Sadler, and 15% of base salary for Dr. James, based upon the achievement of performance metrics (as determined by Quest Diagnostics) relating to the effective integration and growth of the business for which the employee is responsible. For each employment period during the respective new employment agreement, the respective employee will be eligible for an annual bonus under the Quest Diagnostics Senior Management Incentive Plan not to exceed 100% of base salary for Mr. Grant, 75% of base salary for Mr. Asselta, 60% of base

salary for Mr. Spencer, 50% of base salary for Mr. Sadler, and 40% of base salary for Dr. James. In addition, Mr. Asselta is entitled to receive an additional bonus of $25,000 for each additional six-month

extension period of Mr. Asselta s initial employment term under his new employment agreement, up to and including four extension periods.

(3) Under the respective new employment agreements, the surviving corporation agrees to recommend to the Compensation Committee of the Board of Directors of Quest Diagnostics for fiscal year 2006 that it approve and grant to the respective employee an option to purchase the specified number of shares of Quest Diagnostics. The terms and conditions of the stock option shall be as set forth in the Quest Diagnostics Employee Long Term Incentive Plan and a stock option agreement to be entered into between Quest Diagnostics and the employee.

(4) Under the respective new employment agreements, the surviving corporation agrees to recommend to the Compensation Committee of the Board of Directors of Quest Diagnostics for fiscal year 2006 that it approve and grant to the respective employee restricted stock of Quest Diagnostics having a fair market value equal to the specified amount. The terms and conditions of the restricted stock shall be as set forth in the Quest Diagnostics Employee Long Term Incentive Plan and a restricted stock agreement to be entered into between Quest Diagnostics and the employee.

The terms of the new employment agreements are: three years from its effective date for Messrs. Grant, Spencer, Sadler and James, and two years from its effective date for Mr. Asselta. If the employment of any of Messrs. Grant, Spencer, Sadler or James under his new employment agreement is terminated due to the employee s death or disability, or by the surviving corporation without cause, the surviving corporation will be required to pay to the employee his earned and unpaid base salary plus a lump sum payment equal to $438,520 in the case of Mr. Grant, $325,000 in the case of Mr. Spencer, $676,878 in the case of Mr. Sadler and $300,000 in the case of Dr. James, less in each case the amount of his signing bonus and any special annual performance bonuses, if any, and the value of any restricted stock awarded to him and vested at the termination.

With respect to Mr. Asselta, if his employment is terminated under his new employment agreement due to his death or disability, or by the surviving corporation without cause, the surviving corporation will be required to pay Mr. Asselta his earned and unpaid base salary plus a lump sum payment equal to $662,359, less the amount of his signing bonus, any additional bonuses for any six-month extension, and any special annual performance bonuses, if any, and the value of any restricted stock awarded to Mr. Asselta and vested at the termination. Mr. Asselta may voluntarily resign upon sixty days notice following the second anniversary of his new employment agreement. In the event of such a resignation, Mr. Asselta will be entitled to the same severance compensation as described above with respect to termination due to Mr. Asselta s death or disability, or by the surviving corporation without cause. If his employment is terminated under his new employment agreement for cause, he will be entitled to the same severance compensation as described above less any actual damages suffered by the surviving corporation as a result of the behavior constituting cause, with certain exceptions.

In the event of any change of control of Quest Diagnostics following the merger, Messrs. Grant, Spencer and Sadler will have certain rights under Quest Diagnostics executive severance plan. Upon the expiration of the term of the employee s new employment agreement, the employee will become an at-will employee, although in the case of Messrs. Grant, Spencer and Sadler if he is terminated from employment thereafter, he will also have certain rights under Quest Diagnostics executive severance plan.

Severance Payments. Under the terms of their employment agreements, Joseph C. Benage, our Executive Vice President, General Counsel and Secretary, and John W. McCarty, our Executive Vice President and Chief Financial Officer, will be entitled to certain cash severance payments as a result of the merger. If the merger is consummated before November 17, 2005, Mr. Benage will be entitled to $861,816. If the merger is consummated on or after November 17, 2005 and prior to January 1, 2006, he will be entitled to receive $871,136. Mr. McCarty will receive $963,108 if the closing of the merger occurs at any time during 2005. Due to the operation of the formula for determining the amount of severance payments under their employment agreements, the amount of the severance payments payable to Messrs. Benage and McCarty will change if the merger is consummated in 2006.

Indemnification and Insurance. Under the merger agreement, Quest Diagnostics agrees that (a) the existing rights to indemnification of all of our directors and officers under our articles of incorporation or bylaws shall survive the merger and continue for a period of six years, (b) indemnification agreements between us and our directors and executive officers shall remain in full force and effect in accordance with their terms following the merger, (c) subject to certain conditions, Quest Diagnostics will maintain in effect for six years from the effective time of the merger directors and officers liability insurance with respect to matters existing or occurring prior to the effective time of the merger and (d) subject to certain conditions, Quest Diagnostics will provide indemnification for a period of six years to persons who, at or prior to the effective time, were officers or directors of us or any of our subsidiaries or served at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. See MERGER AGREEMENT Indemnification and Insurance.

Copies of the new employment agreements with Messrs. Grant, Asselta, Spencer, Sadler and James were filed as Exhibits 10.9 10.13 to our Current Report on Form 8-K filed with the Securities and Exchange Commission on August 8, 2005. See WHERE YOU CAN FIND MORE INFORMATION.

Regulatory Approvals

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act, and the rules promulgated thereunder by the Federal Trade Commission, which we refer to as the FTC, the merger cannot be completed until we and Quest Diagnostics file a notification and report form under the HSR Act and the applicable waiting period has expired or been terminated. We and Quest Diagnostics filed notification and report forms under the HSR Act with the FTC and the Antitrust Division of the Department of Justice on August 19, 2005. On September 13, 2005, Quest Diagnostics withdrew its notification and report form and refiled it on that same day in order to provide additional time to the FTC for its review of the merger. At any time before or after completion of the merger, notwithstanding the expiration or early termination of the waiting period under the HSR Act, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the completion of the merger or seeking divestiture of substantial assets of us or Quest Diagnostics. At any time before or after the completion of the merger, and notwithstanding the expiration or early termination of the waiting period under the HSR Act, any state could take such action under the antitrust laws as it deems necessary or desirable in the public interest. Such action could include seeking to enjoin the completion of the merger or seeking divestiture of substantial assets of us or Quest Diagnostics. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

While there can be no assurance that the merger will not be challenged by a governmental authority or private party on antitrust grounds, we and Quest Diagnostics believe that the merger can be effected in compliance with federal and state antitrust laws. Under the terms of the merger agreement, Quest Diagnostics has agreed to use its reasonable best efforts to eliminate, avoid or resolve any objection raised by any antitrust governmental authority, any suit challenging the merger under any antitrust or competition law or any other impediment to the merger under any anti-trust or competition law, so as to allow the parties to consummate the merger as promptly as practicable, subject to the limitations described in the next paragraph.

Under the merger agreement, Quest Diagnostics agreed to commit to and effect as promptly as practicable, by consent decree, hold separate orders, or otherwise, the sale, divestiture or disposition of such of its and its affiliates assets or operations, and/or of the assets or operations to be acquired by it pursuant to the merger, as is required to be sold, divested or disposed of, including entering into any agreements required to be entered into by any governmental authority in connection therewith, in order to obtain any required regulatory approval or to avoid the commencement of any suit or proceeding seeking or to avoid entry of any decree, order, judgment, injunction, temporary restraining order or other order that would have the effect of materially delaying or prohibiting the consummation of the merger. Quest Diagnostics, however, is not required to hold separate, sell, divest or dispose of any assets or operations owned by it or its affiliates or by us or our affiliates, which individually or collectively produced aggregate

revenues in calendar year 2004 in excess of the 2.5% of our consolidated revenues for 2004 (which amount is equal to $11.7 million), or hold separate, sell, divest or dispose of any full service laboratory.

Certain U.S. Federal Income Tax Consequences

The following is a discussion of certain U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of shares of our common stock. This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended (which we refer to as the Code), existing, proposed and temporary regulations promulgated thereunder, rulings, administrative pronouncements and judicial decisions, changes to which could materially affect the tax consequences described herein and could be made on a retroactive basis.

For purposes of this discussion, we use the term U.S. holder to mean a U.S. citizen or resident alien individual as defined in the Code, a corporation or entity taxable as a corporation, created or organized in or under the laws of the U.S. or any state thereof or the District of Columbia, an estate the income from which is includable in its gross income for U.S. federal income tax purposes without regard to its source, or a trust if either (A) both (1) a U.S. court is able to exercise primary supervision over the administration of the trust and (2) one or more U.S. persons have the authority to control all of the substantial decisions of the trust or (B) it has in effect a valid election to be treated as a domestic trust for U.S. federal income tax purposes. A non-U.S. holder is any holder that is not a U.S. holder.

This discussion assumes that you hold the shares of our common stock as a capital asset within the meaning of Section 1221 of the Code. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to you in light of your particular circumstances, or that may apply to you if you are subject to special treatment under the U.S. federal income tax laws (including, for example, regulated investment companies, persons who mark-to-market our common stock, S corporations, partnerships or other pass-through entities, dealers and certain traders in securities and currencies, financial institutions, insurance companies, tax-exempt entities, U.S. expatriates, holders that are not U.S. holders, investors who received our common stock upon conversion of securities or exercise of warrants or other rights to acquire common stock, persons who hold our common stock as part of a synthetic security, straddle, hedge, constructive sale, or a conversion or other integrated transaction, persons that have a functional currency other than the U.S. dollar, persons who are subject to the alternative minimum tax, investors in a pass-through or similar entity, persons who receive our common stock through the exercise of employee stock options or otherwise as compensation, or if you do not hold our common stock as a capital asset).

THIS U.S. FEDERAL INCOME TAX DISCUSSION IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT ADDRESS ALL TAX CONSIDERATIONS THAT MAY BE SIGNIFICANT TO YOU. YOU ARE URGED TO CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, FOREIGN OR OTHER TAX LAWS.

The receipt of cash in the merger by U.S. holders of shares of our common stock generally will be a taxable transaction for U.S. federal income tax purposes (and may also be a taxable transaction under applicable state, local and foreign tax laws). In general, for U.S. federal income tax purposes, a U.S. holder of shares of our common stock will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between (1) the merger consideration received in exchange for such shares and (2) the U.S. holder s adjusted tax basis in such shares. If the holding period in our shares surrendered is greater than one year as of the date of the merger, the gain or loss will be long-term capital gain or loss. The deductibility of a capital loss recognized on the exchange is subject to limitations. If you acquired different blocks of our stock at different times or different prices, you must determine your tax basis and holding period separately with respect to each block of our stock.

There are limitations on the deductibility of capital losses. Capital losses not offset by capital gains may be deducted against a non-corporate stockholder s ordinary income only up to a maximum annual

amount of $3,000, and non-corporate stockholders may carry forward unused capital losses. A corporate stockholder can deduct capital losses only to the extent of capital gains; unused capital losses may be carried back three years and forward five years.

Receipt of the merger consideration may also be a taxable transaction under applicable state, local and foreign tax laws.

Backup withholding at a rate of 28% will apply to all cash received by a shareholder under the merger, unless the shareholder provides a taxpayer identification number (social security number, in the case of individuals, or employer identification number, in the case of other shareholders), certifies that such a number is correct, and otherwise complies with the backup withholding tax rules. Each of our shareholders should complete and sign the Substitute Form W-9 included as part of the letter of transmittal and return it to the paying agent in order to provide the information and certification necessary to avoid backup withholding tax, unless an exemption applies and is established in a manner satisfactory to the paying agent. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against your U.S. federal income tax liability, if any, provided that you furnish the required information to the Internal Revenue Service in a timely manner. In addition, certain foreign persons such as certain nonresident aliens may establish an exemption from, or a reduced rate of, backup withholding by delivering the proper version of Form W-8.

Because individual circumstances may differ, you are encouraged to consult your own tax advisor as to the particular tax consequences of the merger to you, including the application and effect of state, local, foreign and other tax laws.

Dissenters Rights

Under Missouri law, holders of shares of our common stock are entitled to dissenters rights in connection with the merger. Any holder of shares of our common stock at the time of the merger who does not vote in favor of the merger may elect to receive payment of the fair value of the shares in cash in accordance with Section 351.455 of the General and Business Corporation Law of Missouri if the merger is consummated. However, Quest Diagnostics may elect not to consummate the merger if a demand for fair value of dissenting shares of our common stock has been perfected, asserted or demanded with respect to more than 10% of the aggregate number of our outstanding shares of common stock.

Any shareholder contemplating the exercise of the right to dissent should review carefully the provisions of Section 351.455 set forth in Appendix C to this proxy statement. A summary of the principal steps to be taken if the right to dissent is to be exercised is set forth below. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the full text of Section 351.455.

EACH STEP MUST BE TAKEN IN STRICT COMPLIANCE WITH THE APPLICABLE PROVISIONS OF SECTION 351.455 IN ORDER FOR HOLDERS OF SHARES OF OUR COMMON STOCK TO PERFECT DISSENTERS RIGHTS.

Under Missouri statutory law, a shareholder who dissents from the merger may, in certain circumstances and subject to certain limitations (as described below), demand the fair value of his or her shares. A shareholder s failure to vote against the proposal to approve the merger agreement will not, by itself, constitute a waiver or forfeiture by such shareholder of his or her dissenter s rights. However, in order to receive the fair value of those shares, the dissenting shareholder must take certain steps to perfect his or her dissenter s rights. In particular, the dissenting shareholder:

- must file with us, prior to or at the special meeting of shareholders, a written objection to the merger (if the shares were held by the shareholder as of the record date for the special meeting);

- must not vote in favor of the merger;

within 20 days after the merger is effected, make a written demand on the surviving corporation for payment of the fair value of his or her shares as of the day prior to the special meeting; and

must state, in such written demand, the number and class of the shares held by the dissenting shareholder.

Shareholders will not receive any notice with respect to the expiration of the 20 day period. Any shareholder failing to make a written demand within the 20 day period shall be conclusively presumed to have consented to the merger and shall be bound by the terms thereof. A vote against the merger does not constitute a demand as required under the statute. If, within 30 days after the effective date of the merger, the fair value of the dissenting shareholder s shares is agreed upon between the dissenting shareholder and the surviving corporation, payment for such shares must be made by the surviving corporation within 90 days after the effective date of the merger, upon the surrender of the dissenting shareholder s stock certificates representing his or her shares. Upon payment of the agreed value, the dissenting shareholder ceases to have any interest in the shares or in the surviving corporation.

If, within 30 days after the effective date of the merger, there is no such agreement as to the fair value of the dissenting shareholder s shares between the dissenting shareholder and the surviving corporation, then the dissenting shareholder may, within 60 days after the expiration of the 30 day period, file a petition in any court of competent jurisdiction specified in Section 351.455 asking for a finding and determination of the fair value of his or her shares as of the day prior to the special meeting of shareholders. The dissenting shareholder will be entitled to judgment against the surviving corporation for an amount equal to the fair value of his or her shares measured as of the day prior to the special meeting, together with interest thereon to the date of the judgment.

The judgment will only be payable upon and simultaneously with the surrender to the surviving corporation of the stock certificates representing the shares owned by the dissenting shareholder. Upon payment of the judgment, the shareholder will cease to have any interest in the shares or in the surviving corporation. Further, unless the dissenting shareholder files the petition with the court within the 60-day time limit described above, that shareholder and all persons claiming under that shareholder shall be conclusively presumed to have approved or ratified the merger and shall be bound by the terms thereof. The right of a dissenting shareholder to be paid the fair value of his or her shares as provided above ceases if and when we abandon the merger.

Source of Funds

The obligation of Quest Diagnostics to consummate the merger is not conditioned upon Quest Diagnostics obtaining financing. Approximately $934 million will be required to pay the aggregate merger consideration for shares of our common stock, to cash out outstanding stock options and to pay amounts to be paid with respect to our debentures. Quest Diagnostics has informed us that it presently expects to fund the cash requirements for the merger from a combination of available cash, borrowings under its existing credit facility and the issuance of new debt securities.

Delisting and Deregistration of Our Common Stock

If the merger is completed, our common stock will cease to be quoted on the Nasdaq National Market, will not be publicly traded and will be deregistered under the Securities Exchange Act of 1934, as amended.

Anticipated Accounting Treatment

Quest Diagnostics has informed us that it intends to account for the merger under the purchase method of accounting for financial accounting purposes.

Effect on Lab*One* Convertible Debentures

Upon consummation of the merger, the holders of the Company s 3.5% Convertible Senior Debentures in the aggregate principal amount of $103.5 million will have the right to receive such principal amount, plus a specified premium as a result of an increase of the conversion rate of the debentures, in an aggregate cash amount of approximately $132 million. In accordance with the terms of the indenture for the debentures, upon consummation of the merger, (a) the debentures may be converted, the right to receive cash and stock upon conversion will be changed into the right to receive cash, and the conversion rate will be increased as provided in the indenture for the debentures and (b) holders of debentures will have the right to require us to repurchase their debentures upon the terms and conditions set forth in the indenture for the debentures.

THE MERGER AGREEMENT

The following discussion summarizes certain provisions of the merger agreement. This summary may not contain all the information about the merger agreement that is important to you. We strongly encourage you to read carefully the merger agreement in its entirety, a copy of which is attached as Appendix A to this proxy statement.

Effective Time

We will file articles of merger with the Secretary of State of the State of Missouri as soon as practicable on or after the closing date, which will not be later than the fifth business day after satisfaction or waiver of the conditions to the closing of the merger as set forth in Article VIII of the merger agreement. The merger will become effective upon the issuance of a certificate of merger by the Secretary of State of the State of Missouri.

Merger Consideration

Each share of our common stock issued and outstanding immediately prior to the merger, at the effective time of the merger, will automatically be cancelled and will be converted into the right to receive $43.90 in cash, per share, without interest and subject to applicable tax withholding. After the merger is effective, each holder of a certificate representing any of these shares of our common stock who does not exercise dissenters rights will no longer have any rights with respect to the shares, except for the right to receive the merger consideration. Each share of our common stock held by us and any shares held by Quest Diagnostics or Fountain at the time of the merger will be cancelled without any payment.

Holders of shares of our common stock are entitled to assert dissenters rights instead of receiving the merger consideration. For a description of these dissenters rights, please refer to THE MERGER Dissenters Rights.

No Further Ownership Rights

After the effective time of the merger, each of our outstanding stock certificates held by you will represent only the right to receive the merger consideration. The merger consideration paid upon surrender of each certificate will be paid in full satisfaction of all rights pertaining to the shares of our common stock represented by that certificate.

Conversion of Shares; Procedures for Exchange of Certificates

Your right to receive $43.90 per share in cash, without interest and subject to applicable tax withholding, will occur automatically upon completion of the merger. Prior to the effective time of the merger, Fountain will designate a bank or trust company to act as paying agent under the merger agreement. Immediately after the effective time of the merger, Quest Diagnostics will deposit with the paying agent cash in an amount sufficient to enable the paying agent to pay the aggregate merger consideration to the holders of shares of our common stock.

Promptly after the effective time of the merger, but in no event later than three business days thereafter, Fountain will cause to be mailed to each record holder of shares a letter of transmittal and instructions for use in surrendering certificates in exchange for the merger consideration. No shareholder should surrender any certificates until the shareholder receives the letter of transmittal and other materials for such surrender. Upon surrender of a stock certificate for cancellation to the paying agent, together with a letter of transmittal, duly completed and validly executed, the holder of such certificate will be entitled to receive the merger consideration into which the number of shares of common stock previously represented by such stock certificate(s) shall have been converted pursuant to the merger agreement, without any interest thereon. The certificates so surrendered will be cancelled.

In the event of a transfer of ownership of shares of common stock which is not registered in our transfer records, payment may be made with respect to such shares to the transferee if the stock certificate representing such shares is presented to the paying agent, accompanied by all documents reasonably required by the paying agent to evidence such transfer and to evidence that any applicable stock transfer taxes relating to such transfer have been paid.

If your stock certificate has been lost, stolen or destroyed, the paying agent will deliver to you the applicable merger consideration for the shares represented by that certificate if:

- you make an affidavit claiming such certificate has been lost, stolen or destroyed; and

- if required by the surviving corporation, you post a bond in form and substance and with surety reasonably satisfactory to the surviving corporation.

Shareholders should not send their certificates now and should send them only pursuant to instructions set forth in the letters of transmittal to be mailed to shareholders promptly after the effective time of the merger. In all cases, the merger consideration will be provided only in accordance with the procedures set forth in this proxy statement and such letters of transmittal.

At the effective time of the merger, our share transfer books will be closed, and there will be no further registration of transfers of outstanding shares of our common stock. If, after the effective time of the merger, certificates are presented to the surviving corporation or the paying agent for transfer or any other reason, they will be cancelled and exchanged for the merger consideration.

None of the paying agent, Fountain or the surviving corporation will be liable to any person for any shares or cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. At any time after the nine month anniversary of the effective time of the merger, the surviving corporation may request the paying agent to deliver to it any funds made available to the paying agent which have not been disbursed to holders of our common stock. Any shareholders who have not complied with the above described procedures to receive payment of the merger consideration during such nine month period may thereafter look only to the surviving corporation and Quest Diagnostics for payment of the merger consideration to which they are entitled.

Treatment of Outstanding Stock Options

At the effective time of the merger, each outstanding stock option will become fully vested and exercisable. All stock options will be cancelled at the effective time of the merger. The holder of each stock option will generally be entitled to receive, in full satisfaction of the rights of such holder with respect to such stock option, an amount for each share subject to the stock option equal to the excess of the merger consideration of $43.90 per share over the exercise price per share, less any applicable tax withholding. Holders of options under our 2001 Long-Term Incentive Plan will be required to complete a notice of exercise in order to receive the cash payable at the effective time of the merger. All amounts payable will be paid at or as soon as practicable following the effective time of the merger, without interest. As of August 8, 2005 there were outstanding options to purchase 1,610,812 shares of our common stock with an exercise price per share that is less than $43.90, the per share merger consideration.

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Representations and Warranties

The merger agreement contains various representations and warranties by us as of specific dates. The statements embodied in those representations and warranties were made only for purposes of the merger agreement among Quest Diagnostics, Fountain and us, and are subject to important qualifications and limitations agreed upon by such parties in connection with negotiating the terms of the merger agreement. In addition, the representations and warranties may be subject to standards of materiality different from those generally applicable to shareholders and may have been made for the purpose of allocating risk between us and Quest Diagnostics rather than establishing the matters addressed in the representations and warranties as matters of fact. All of the representations and warranties will expire at the effective time of the merger. These representations and warranties relate to, among other things:

- corporate organization and existence, good standing and corporate power to operate our businesses;
- our articles of incorporation and our bylaws;
- our capitalization;
- the authority and power to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;
- the absence of certain violations of or conflicts with our organizational documents, applicable law or certain agreements as a result of entering into the merger agreement and consummating the merger;
- required consents and approvals of governmental entities in connection with the merger;
- compliance with laws and permits;
- reports and financial statements filed with the SEC;
- our internal control over financial reporting and disclosure controls and procedures;
- the absence of certain changes or events since March 31, 2005, concerning us and our subsidiaries, including the absence of a material adverse effect (as defined under Conditions to the Completion of the Merger below);
- pending or threatened litigation and outstanding court orders against us;
- our compensation arrangements and benefit plans;
- employment and labor matters;
- the accuracy of information in this proxy statement;
- real property owned and leased by us;
- our intellectual property;
- tax matters;
- environmental matters;

the inapplicability of our rights agreement to the merger agreement and the merger;

certain listed contracts;

our insurance policies;

transactions with our affiliates;

our customers and suppliers;

the absence of undisclosed broker s fees; and

our receipt of a fairness opinion from JPMorgan.

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The merger agreement also contains representations and warranties by Quest Diagnostics and Fountain that are subject, in some cases, to specified exceptions and qualifications. The representations and warranties relate to, among other things:

- corporate organization and existence, good standing and corporate power to operate its businesses;
- the authority and power to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;
- the absence of any violation of or conflict with their organizational documents, applicable law or certain agreements as a result of entering into the merger agreement and consummating the merger;
- required consents and approvals of governmental entities as a result of the merger;
- the accuracy and completeness of information they have supplied for inclusion in this proxy statement;
- the sufficiency as of the effective time of the merger of available funds to pay the merger consideration and amounts required to cash-out stock options;
- the absence of undisclosed broker s fees; and
- non-ownership of our capital stock by Quest Diagnostics and Fountain.

Conduct of Business Pending the Merger

Under the merger agreement, we have agreed that prior to the effective time of the merger, subject to certain exceptions, unless we obtain Quest Diagnostics prior written agreement (which agreement shall not be unreasonably withheld or delayed), we will conduct our business in all material respects in the ordinary course and consistent with past practice, and use our reasonable best efforts to preserve substantially intact our business organization, to keep available the services of our current officers, employees and consultants, and to preserve our current relationships with customers, suppliers and other persons with which we have significant business relations. In addition, we have also agreed that until the effective time of the merger, unless expressly contemplated or set forth in the merger agreement (and the disclosure schedule incorporated therein) or with Quest Diagnostics prior written consent (which consent shall not be unreasonably withheld or delayed), we will not, among other things, do or propose to do any of the following:

- amend or otherwise change our articles of incorporation or bylaws;
- issue, sell, grant or encumber any shares or options of our capital stock, or any other ownership interest in us (except for the issuance of shares of common stock upon exercise of outstanding stock options or upon conversion of the debentures);
- sell, pledge or encumber any of our assets;
- authorize, declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to our capital stock;
- reclassify, combine, split, subdivide or redeem, or purchase or otherwise acquire, directly or indirectly, any of our capital stock, other than in connection with the exercise of employee stock options or the purchase of stock from the minority shareholders of one of our subsidiaries;
- acquire any business, corporation, partnership, other business organization or any division thereof;

incur, repay, assume or guarantee any indebtedness for borrowed money or issue any debt securities in excess of specified amounts and in the ordinary course of business consistent with past practice;

enter into any contract or agreement that requires payments in excess of specified amounts;

make or authorize any capital expenditures with respect to 2005 outside of our 2005 capital expenditures budget in excess of specified amounts, and make or authorize any capital expenditures with respect to 2006 in excess of specified amounts;

increase the compensation or benefits of our directors, officers or employees, except increases in the ordinary course of business and consistent with past practice of salaries or wages of employees who are not officers or directors;

grant any severance or termination pay to any of our directors, officers, or employees;

enter into any employment or severance agreement (other than employment offer letters which do not provide for severance on termination provisions) with any of our directors, officers or employees;

establish, adopt or amend any collective bargaining, bonus, compensation or stock option or other benefit plan for our directors, officers or employees;

change any of our accounting principles, policies or procedures, other than as required by GAAP or applicable law;

make, revoke or change any tax election or method of tax accounting, settle any material tax liability, consent to any material tax claim or assessment, or waive the statute of limitations for any material tax claim or assessment;

pay, discharge or satisfy any claim, liability or obligation, other than in the ordinary course of business and consistent with past practice;

amend or modify in any material respect or consent to the termination of any listed contract, other than in the ordinary course of business and consistent with past practice;

settle any material litigation;

sell, transfer, or grant any license or sublicense with respect to any of our material intellectual property other than in the ordinary course of business and consistent with past practice; or

announce an intention, enter into any formal or informal agreement, or otherwise make a commitment, to do any of the foregoing.

Indemnification and Insurance

Under the merger agreement, Quest Diagnostics agrees that the existing rights to indemnification of all of our directors or officers under our articles of incorporation or bylaws shall survive the merger for a period of six years. In addition, indemnification agreements between us and our directors and executive officers shall remain in full force and effect in accordance with their terms following the merger.

Quest Diagnostics also agrees to maintain in effect for six years from the effective time of the merger directors and officers liability insurance with respect to matters existing or occurring prior to the effective time of the merger. Quest Diagnostics may substitute policies of at least the same coverage containing terms and conditions that are not, in the aggregate, less favorable to any beneficiary thereof. Quest Diagnostics, however, shall not be required to pay more than an amount equal to 300% of current annual premiums paid by us for such insurance. If the amount of the premiums necessary to maintain or procure such insurance coverage exceeds such maximum amount, Quest Diagnostics is required to maintain or procure, for such six-year period, the most advantageous policies of directors and officers insurance obtainable for a premium equal to that maximum amount.

In addition, under the merger agreement, Quest Diagnostics is required for six years from and after the effective time of the merger, to indemnify and hold harmless (and release from any liability to the surviving corporation or any of their respective subsidiaries) the persons who, at or prior to the effective time of the merger, were officers or directors of us or any of our subsidiaries or served at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other

enterprise against all expenses (including reimbursement for reasonable fees and expenses incurred in advance of the final disposition of any action, suit or proceeding), losses, claims, damages, judgments, fines and amounts paid in settlement to the fullest extent permitted by the MGBCL as of the date of the merger agreement (assuming the MGBCL were applicable).

No Solicitation by Us

Subject to the exceptions described below, we have agreed to certain restrictions on our ability to solicit, negotiate and enter into acquisition transactions with third parties. We have agreed that we will not, and agreed that we will instruct and use our reasonable best efforts to cause our and our subsidiaries directors, officers, employees, agents, advisors and other representatives (including any investment banker, attorney or accountant retained by us or any subsidiary) not to, directly or indirectly:

solicit, initiate or knowingly encourage (including by way of furnishing nonpublic information), or take any other action to knowingly facilitate, any inquiries or the making of any proposal or offer (including any proposal or offer to our shareholders) that constitutes, or may reasonably be expected to lead to, any competing transaction,

enter into or maintain or continue discussions or negotiations with any person or entity in furtherance of such inquiries or to obtain a proposal or offer for a competing transaction,

agree to, approve, endorse or recommend any competing transaction or enter into any letter of intent or other contract, agreement or commitment contemplating or otherwise relating to any competing transaction, or

authorize or permit any of the officers, directors or employees of us or any subsidiary, or any investment banker, financial advisor, attorney, accountant or other representative retained by us or any subsidiary, to take any such action.

Subject to the exceptions described below, we have also agreed not to withdraw or modify, or propose to withdraw or modify, in a manner adverse to Quest Diagnostics or Fountain, the approval or recommendation of the merger agreement or the merger by our board of directors.

Notwithstanding these agreements, prior to obtaining shareholder approval of the merger agreement, we may, in response to an unsolicited, written, bona fide proposal or offer regarding a competing transaction, (a) furnish information to the third party making the proposal or offer, and enter into and conduct discussions and negotiations with such third party, regarding the proposal or offer, and (b) release the third party from, or waive any provision of, any confidentiality or standstill agreement to which it is a party to the extent reasonably necessary to permit the third party to make and pursue the proposal or offer, if, prior to doing so, our board of directors shall have:

determined, in its good faith judgment (after having received the advice of its financial advisor and outside legal counsel (who may be our regularly engaged independent legal counsel)), that the proposal or offer constitutes or may be reasonably expected to lead to a superior proposal,

determined, in its good faith judgment after consultation with independent legal counsel (that may be our regularly engaged independent legal counsel), that a failure to furnish such information, enter into such discussions and negotiations or release or waive such provisions would be inconsistent with its fiduciary duties to us or our shareholders under applicable law,

provided prior written notice to Quest Diagnostics of our intent to furnish information to, or enter into discussions with, the third party, and

obtained from the third party an executed confidentiality agreement on terms no less favorable to us in all material respects than those contained in the confidentiality agreement with Quest Diagnostics, with certain exceptions.

In addition, if our board of directors determines, in its good faith judgment (after having received the advice of its financial advisor and outside legal counsel (who may be our regularly engaged independent

legal counsel)), that an unsolicited, written, bona fide offer from a third party constitutes a superior proposal, then we may terminate the merger agreement and enter into an agreement with the third party with respect to the superior proposal, if:

prior to doing so, our board of directors shall have determined in its good faith judgment after consultation with independent legal counsel (who may be our regularly engaged independent legal counsel), that a failure to take any such action would be inconsistent with its fiduciary duties to us or our shareholders under applicable law;

prior to entering into an agreement for a superior proposal, we notify Quest Diagnostics in writing at least three business days prior to doing so, of our intention to enter into the agreement, specifying its material terms and identifying the person making the superior proposal, and Quest Diagnostics does not make, within three business days of receipt of the written notification, an offer that our board of directors determines in good faith (after having received the advice of its financial advisor and outside legal counsel (who may be our regularly engaged independent legal counsel)) is at least as favorable from a financial point of view to our shareholders as the superior proposal; and

we pay a $26.5 million termination fee to Quest Diagnostics simultaneous with termination of the merger agreement.

In addition, subject to termination fee requirements described under Termination Fees and Expenses , our board of directors may change its recommendation regarding the merger agreement and the merger if it determines, in its good faith judgment after consultation with independent legal counsel (who may be our regularly engaged independent legal counsel), that to do otherwise would be inconsistent with its fiduciary duties to us or our shareholders under applicable law.

A competing transaction is defined in the merger agreement as any of the following: (i) any merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or other similar transaction involving us; (ii) any sale, lease, exchange, transfer or other disposition of all of our consolidated assets, or a portion thereof having an aggregate value equal to 15% or more of our market capitalization or generating 15% or more of our consolidated revenue for the fiscal year ended December 31, 2004; (iii) any sale, exchange, transfer or other disposition of 15% or more of any class of our equity securities; or (iv) any tender offer or exchange offer that, if consummated, would result in any person beneficially owning 15% or more of any class of our equity securities.

A superior proposal is defined in the merger agreement as an unsolicited written bona fide offer made by a third party to consummate any competing transaction (i) that is on terms that our board of directors determines in its good faith judgment (after consultation with its financial advisor and after taking into account all the terms and conditions of the contemplated transaction) are more favorable to our shareholders (in their capacity as shareholders) from a financial point of view than the merger agreement (taking into account any alterations to that merger agreement agreed to in writing by Quest Diagnostics in response thereto in accordance with the merger agreement), (ii) that is not conditioned upon receipt of requisite financing or for which financing, to the extent required, is then committed and (iii) that our board of directors determines in its good faith (after consultation with its financial advisor and outside legal counsel (who may be our regularly engaged independent legal counsel)) is reasonably capable of being consummated; except that for purposes of this definition the reference to 15% in clauses (ii), (iii) and (iv) of the definition of competing transaction shall be deemed to be a reference to 50%.

Employee Benefits

Under the merger agreement, Quest Diagnostics has agreed that, for a period of one year after the merger, it will honor (without modification in a manner adverse to the participants therein) all of our and our subsidiaries existing employee contracts, agreements, arrangements, policies, plans and commitments, excluding any requirement that contributions be paid in employer stock; provided that Quest Diagnostics may transfer some or all of our and our subsidiaries employees to the applicable employee benefit

arrangements of Quest Diagnostics and its subsidiaries during the one-year period, as long as the employees who are transferred receive benefits under the arrangements that are not less favorable than the benefits provided to similarly situated employees of Quest Diagnostics and its subsidiaries.

Under the merger agreement, our and our subsidiaries employees will receive credit for service accrued prior to the merger (a) for purposes of eligibility to participate and vesting (but not for benefit accruals) under the employee benefit arrangements of Quest Diagnostics and its subsidiaries that may be extended to the employees, except as may cause a duplication of benefits, and (b) for purposes of determining the level of benefits under any vacation or severance plan following the merger established or maintained by Quest Diagnostics or any of its subsidiaries that is extended to the employees. Quest Diagnostics and its subsidiaries have agreed to waive any limitations on benefits relating to any pre-existing conditions to the same extent such limitations are waived under any comparable plan of Quest Diagnostics and its subsidiaries and to recognize, for purposes of annual deductible, co-payment and out-of-pocket limits under its medical and dental plans, deductible, co-payment and out-of-pocket expenses paid by our and our subsidiaries employees in the respective plan year in which the merger occurs. The merger agreement provides that following the merger, all of our and our subsidiaries employees shall be entitled to all unused vacation time accrued as of the effective time of the merger.

Other Covenants

The merger agreement contains a number of other covenants, including covenants:

- requiring us to hold a special meeting and to use our reasonable best efforts to obtain shareholder approval of the merger agreement, subject to the provisions of the merger agreement;
- governing the parties obligations with respect to the preparation and filing with the Securities and Exchange Commission of this proxy statement;
- requiring us to provide Quest Diagnostics and Fountain with reasonable access during normal business hours to our and our subsidiaries officers, employees, agents, properties, offices, plants and other facilities, books and records, subject to certain exceptions;
- requiring the parties to give prompt notice of matters that reasonably could be expected to cause any representation or warranty contained in the merger agreement to be untrue or inaccurate in any material respect, of any failure of any party to comply with any covenant under the merger agreement and of any other material development relating to us or our subsidiaries;
- requiring the parties to use their reasonable best efforts to obtain all consents or approvals required from third parties other than governmental authorities in order to consummate the merger as promptly as practicable;
- requiring Quest Diagnostics to cause Fountain to perform its obligations under the merger agreement and to consummate the merger and to unconditionally guarantee the full and complete performance by Fountain and the surviving corporation of their obligations under the merger agreement; and
- requiring the parties to use their reasonable best efforts to consult with each other before issuing any press release or otherwise making any public statements with respect to the merger agreement or the merger.

Conditions to the Completion of the Merger

Our, Quest Diagnostics and Fountain s respective obligations to consummate the merger are subject to the satisfaction of the following conditions:

- approval of the merger agreement by our shareholders in accordance with Missouri law and our articles of incorporation;

- the expiration or termination of the waiting period under the HSR Act; and

- the absence of any law, rule, injunction, judgment, decree or order prohibiting the merger.

In addition, we are not obligated to effect the merger unless the following conditions have been satisfied or waived in writing:

- the representations and warranties of Quest Diagnostics and Fountain set forth in the merger agreement that are qualified as to materiality must be true and correct, and those that are not so qualified must be true and correct in all material respects, in each case as of the date of the merger agreement and as of the effective time of the merger (except that the accuracy of representations and warranties that by their terms speak as of a specified date will be determined as of such date); except where any failure of such representations and warranties to be true and correct, individually or in the aggregate, would not prohibit or materially delay the consummation of the merger or prevent Quest Diagnostics or Fountain from performing their obligations under the merger agreement;

- Quest Diagnostics and Fountain s representation and warranty that Quest Diagnostics will have sufficient funds as of the effective time of the merger to consummate the merger and to pay the merger consideration and amounts required to cash-out outstanding stock options must be true and correct as of the effective time of the merger;

- Quest Diagnostics and Fountain must have complied in all material respects with all of their covenants and agreements under the merger agreement to be complied with prior to the effective time of the merger; and

- Quest Diagnostics and Fountain must have delivered to us a certificate dated as of the closing date of the merger and signed by a duly authorized officer certifying that the conditions in the three preceding bullet points have been satisfied.

In addition, Quest Diagnostics and Fountain are not obligated to complete the merger unless the following conditions are satisfied or waived in writing:

- the representations and warranties by us set forth in the merger agreement that are qualified as to materiality or material adverse effect must be true and correct, and those that are not so qualified must be true and correct in all material respects, in each case as of the date of the merger agreement and as of the effective time of the merger (except that the accuracy of representations and warranties that by their terms speak as of a specified date will be determined as of such date); except where any failure of such representations and warranties to be true and correct, either individually or in the aggregate, would not have a material adverse effect;

- we must have complied in all material respects with all of our covenants and agreements under the merger agreement to be complied with prior to the effective time of the merger;

- we must have delivered to Quest Diagnostics and Fountain a certificate dated as of the closing date of the merger and signed by a duly authorized officer certifying that the conditions in the two preceding bullet points have been satisfied; and

- a demand for fair value of dissenting shares of our common stock must not have been perfected, asserted or demanded with respect to more than 10% of the aggregate number of our outstanding shares of common stock.

The merger agreement provides that a material adverse effect means any event, circumstance or change that, individually or in the aggregate with all other events, circumstances or changes, has, or is reasonably likely to (i) have a materially adverse effect on our business, condition (financial or otherwise) or results of operations, or (ii) prevent or materially delay our ability to consummate the transactions contemplated by the merger agreement; except that the definition of material adverse effect shall not include any event, circumstance, change or effect resulting from or relating to (A) changes in general U.S. economic conditions or changes in the general economic conditions in the geographic areas in which

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we operate, so long as in any such case we are not materially disproportionately affected relative to other entities that operate in such geographic areas, (B) changes affecting the industries within which we operate, so long as in any such case we are not materially disproportionately affected relative to other industry participants, (C) changes in any applicable law, (D) the execution or public announcement of the merger agreement or the transactions contemplated hereby, (E) actions expressly required to be taken us pursuant to the terms of the merger agreement, or (F) any act of terrorism or war (whether or not threatened, pending or declared).

Termination

Quest Diagnostics and we can terminate the merger agreement under certain circumstances, including:

by mutual written consent of Quest Diagnostics and us;

by either Quest Diagnostics or us, if the merger has not been completed by April 7, 2006 for any reason, except that if (1) the merger is not completed by April 7, 2006 because all applicable waiting periods under the HSR Act have not expired or been terminated or because an order (other than a final and nonappealable order) has been entered by a governmental authority which enjoins completion of the merger, and (2) all other conditions to the merger have been satisfied, the permitted termination date may be extended until August 8, 2006 by either Quest Diagnostics or us, as long as the failure to complete the merger was not caused by the failure of Quest Diagnostics or us, as the case may be, to fulfill any obligation under the merger agreement.

by either Quest Diagnostics or us if any governmental authority shall have enacted, issued, promulgated, enforced or entered any law or order prohibiting completion of the merger, and such order shall have become final and nonappealable;

by Quest Diagnostics, in the event of any breach by us of any representation, warranty or covenant that would cause any condition to Quest Diagnostics obligation to complete the merger to not be satisfied, which breach, if capable of cure, shall not have been cured within ten business days of receipt by us of written notice from Quest Diagnostics specifying su