

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

SEAFIELD CAPITAL CORP

CIK: **830158** | IRS No.: **431039532** | State of Incorporation: **MO** | Fiscal Year End: **1231**
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 1993

OR

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

For the transition period from _____ to _____

Commission file number 0-16946

SEAFIELD CAPITAL CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Missouri

43-1039532

(State or other jurisdiction
of organization)

IRS Employer Incorporation
or Identification Number)

P. O. Box 410949
2600 Grand Ave., Suite 500
Kansas City, Missouri

64141

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (816) 842-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
None

Name of each exchange
on which registered
Not Applicable

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$1 per share and common stock rights coupled therewith.

(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Approximate aggregate market value of voting stock held by non-affiliates of Registrant: \$236,826,486 (based on closing price as of February 1, 1994)

Number of shares outstanding of only class of Registrant's common stock as of February 1, 1994: \$1 par value common - 6,357,758

Documents incorporated by reference:

Portions of Registrant's Proxy Statement for use in connection with the Annual Meeting of Shareholders to be held on May 11, 1994 is incorporated by reference into Part III of this report, to the extent set forth therein, if such Proxy Statement is filed with the Securities and Exchange Commission on or before April 30, 1994. If such Proxy Statement is not filed by such date, the information required to be presented in Part III will be filed as an amendment to this report. The exhibits for this Form 10-K are listed in Item 14.

PART I.

ITEM 1. BUSINESS.

Seafield Capital Corporation (Seafield or the Registrant), a Missouri corporation, is a holding company whose subsidiaries operate primarily in the healthcare and insurance services areas. This is the third full year of operations under a new strategic business focus since insurance operations were discontinued during 1990. Various operating subsidiaries of Seafield provide insurance laboratory testing, insurance policy administration and underwriting services, insurance premium finance services, advanced cancer care, distribution of radiopharmaceuticals and related services for nuclear medicine. In addition, Seafield has investments in early-stage healthcare services companies. Seafield, either directly or through subsidiaries, also holds interests in real estate, energy investments, and marketable securities. See Item 7 and Note 6 of Notes to Consolidated Financial Statements for additional segment information. Seafield had 18 employees as of December 31, 1993. None of the employees is represented by a labor union and Seafield believes its relations with employees are good.

INSURANCE SERVICES

The following operating businesses are considered to be in the insurance services segment: LabOne, Inc., Agency Premium Resource, Inc. and International Underwriting Services, Inc.

LABONE, INC.

The Registrant's laboratory testing activities are conducted through LabOne,

Inc. (LabOne), a subsidiary which was 82% owned by the Registrant and 18% publicly held at December 31, 1993. LabOne is a publicly-traded stock (NASDAQ-LABS). LabOne, together with its wholly-owned subsidiary Head Office Reference Laboratory Limited (hereinafter collectively referred to as LabOne), is the largest provider of laboratory testing services to the insurance industry in the United States and Canada.

LabOne is currently engaged primarily in a single line of business, laboratory testing of insurance policy applicants. The tests performed by LabOne are specifically designed to assist an insurance company in objectively evaluating the mortality and morbidity risks posed by policy applicants. LabOne presently provides its testing services to insurance companies in the United States and Canada, primarily on individual life insurance policy applicants. LabOne also provides testing services on individual and group medical and disability policies. LabOne's testing services consist of certain specimen profiles that provide insurance companies with specific information that may indicate liver or kidney disorders, diabetes, the risk of cardiovascular disease, bacterial or viral infections and other health risks. LabOne also offers tests to detect the presence of antibodies to human immunodeficiency virus (HIV), nicotine, cocaine and certain medications associated with life-threatening medical conditions that may not be revealed by a routine physical examination.

In 1993, the company announced its intentions to expand into the clinical laboratory testing market. The name of this subsidiary was changed to LabOne, Inc., and two separate marketing divisions were formed to focus on the specific laboratory testing needs of the insurance and clinical markets.

The Home Office Reference Laboratory division continues to operate as a provider of risk-appraisal laboratory testing services to the insurance industry. A new division, Center for Laboratory Services (CLS), will market diagnostic laboratory testing services to the healthcare industry. The purpose of this reorganization is intended to further the corporation's diversification objectives to enter the clinical laboratory testing market and to remain the leader in the insurance laboratory testing market. LabOne anticipates that it will begin testing for the clinical market during second quarter 1994.

LabOne - Industry Overview (Insurance Testing Market)

In order to establish the appropriate level of premium payments or to determine whether to issue a policy, an insurance company requires objective means of evaluating the insurance risk posed by policy applicants. Because decisions of this type are based on statistical probabilities of mortality and morbidity, an insurance company generally requires quantitative data reflecting the applicant's general health. Standardized laboratory testing, tailored to the needs of the insurance industry and reported in a uniform format, provides an insurance company with an efficient means of evaluating the mortality and morbidity risks posed by policy applicants. The use of standardized urinalysis and blood testing has proven a cost-effective alternative to individualized physician examinations, which utilize varying testing procedures and reports.

Standardized laboratory testing can also be used to verify responses in a policy application to such questions as whether the applicant is a user of

tobacco products, certain controlled substances or certain prescription drugs. Insurance companies generally offer a premium discount for nonsmokers and often rely on testing to determine whether an applicant is a user of tobacco products. Use of cocaine has been associated with increased risk of accidental death and cardiovascular disorders, and as a result of the increasing abuse in the United States and Canada, insurance companies are testing a greater number of policy applicants to detect its presence. Therapeutic drug testing also detects the presence of certain prescription drugs that are being used by an applicant to treat a life-threatening medical condition that may not be revealed by a physical examination.

LabOne - Services Provided

Since LabOne's inception, its urinalyses and blood profile tests have proven to be a reliable and objective means of determining mortality and morbidity risks. While medical and traditional clinical laboratory procedures and reports may vary, LabOne performs standardized testing tailored to the needs of the insurance industry. Results are communicated to clients, generally within 24 hours of receipt of the specimen. Communication options are selected by each client company depending upon its specific needs.

Specimens are normally collected from individual insurance applicants by independent paramedical personnel using LabOne's custom-designed collection kits and containers. These kits and containers are then delivered to LabOne's laboratories via overnight delivery services or mail, coded for identification and processed according to each client's specifications. Results are then generally transmitted to the insurance company's underwriting department that same evening. LabOne offers a core group of urine tests, controlled substance tests, insurance-oriented blood chemistry profiles, and a series of AIDS-related tests. The following table summarizes LabOne's sales from such tests, and from other operations (primarily the sale of specimen collection kits):

Year ended December 31,	1993	1992	1991	1990	1989
	(In thousands)				
Blood chemistry profiles	\$ 19,853	21,470	22,411	26,804	29,400
AIDS-related tests	14,766	16,280	17,840	18,690	18,571
Urinalyses	10,200	10,666	10,698	11,298	11,434
Controlled substance tests	12,702	14,359	13,649	13,685	12,413
Other	11,857	11,662	11,141	10,292	9,516
	\$ 69,378	74,437	75,739	80,769	81,334

Of the wide availability of tests performed by LabOne, the following is a description of the tests most commonly performed by LabOne:

I. Blood Chemistry Profiles

LabOne's insurance-oriented blood chemistry profiles provide data for an insurance company to determine an applicant's risk for developing cardiovascular disease and to detect the presence of kidney disorders,

alcoholic liver disease, glucose intolerance or other disorders. The Full Blood Profile consists of the following sub profiles:

- Lipid profile - designed to assess the risk of cardiovascular disease.
- Blood glucose profile - designed to assess risk for diabetes.
- Hepatic profile - designed to measure certain liver enzymes.
- Renal profile - designed to measure blood urea nitrogen and creatinine.

LabOne also offers lower-priced blood profiles: the Flex Profile, Miniprofile and the Microprofile. These options enhance LabOne's marketing efforts in the medical, disability and group insurance testing markets as well as provide a more economical series of tests for lower face amount life insurance policies. Although the Miniprofile and Flex Profile do not include all of the tests included in the Full Blood Profile, they still provide certain key risk assessment factors. The Microprofile, a finger-stick blood collection method, is an option for applicants who, for personal or medical reasons, are averse to traditional venipuncture blood collection. In addition to the laboratory cost savings of the Microprofile test compared to the Full Blood Profile, clients generally are offered a reduced drawing fee for this collection procedure by the paramedical company. During 1993, LabOne also added the Dried Blood Profile. This profile offers a limited selection of tests and is an alternative to the Microprofile.

II. AIDS - Related Tests

LabOne offers an HIV antibody test, as a supplement to the basic blood chemistry profile. Specimens are tested using Food and Drug Administration (FDA)-approved screening and confirmation tests. A series of confirmatory tests are performed on all repeatedly reactive ELISA samples. All HIV antibody and Western Blot results are reported to insurance company clients according to Centers for Disease Control (CDC) protocol. For those jurisdictions where HIV antibody testing is prohibited for insurance purposes, most clients have requested that LabOne perform a beta-2 microglobulin profile as an alternative test (see LabOne's Legislation and Regulation section for more information regarding AIDS-related testing).

III. Urinalyses

Urinalyses have historically been an important component of LabOne's business. Urine specimens are routinely tested for levels of glucose, albumin, proteins, red blood cells, white blood cells and granular and hyaline casts. A level above or below the normal range may suggest disease, infection or organ dysfunction. Specific gravity tests are performed on specimens with excessive urinary proteins to assess kidney function.

Through urinalysis, LabOne can also determine the presence of certain prescription drugs, including antihypertensive medications, oral diabetic medications and cardiovascular disease medications (beta blockers). These tests are important to insurers, because the presence of certain prescription drugs may indicate medical disorders that may not be revealed by a routine physical examination. The nicotine screen, performed with more than 95% of all urinalyses, measures the amount of cotinine (the metabolized form of nicotine) present in a urine specimen. This test is particularly important to the

insurance industry since most companies offer substantial premium discounts for nonsmokers.

IV. Controlled Substance Tests

LabOne offers tests for controlled substances, primarily cocaine, in response to the serious mortality, health and accident risks posed by the use of controlled substances. These tests are designed to detect the presence of cocaine and other drugs of abuse in urine. As a confirmatory test, all initially positive drug screens are verified by the gas chromatography/mass spectrometry method. Controlled substance tests have become a vital underwriting tool, and during 1993, a cocaine screen or full drug screen was performed on more than 85% of all urine specimens.

LabOne - Operations

LabOne's operations are designed to facilitate the testing of a large number of specimens and to report the results to insurance company clients, generally within 24 hours of receipt of specimens. LabOne has an internally developed, custom-designed, laboratory processing system (the MEGA System). The MEGA System enables each client company to customize its own testing and reflex requirements by state, age, type and amount of insurance, or virtually any other parameter that may satisfy its particular needs. It is a centralized network system that provides an automated link between LabOne's testing equipment, data processing equipment and the client's computer systems. This system offers LabOne's clients the ability to customize their testing activities under circumstances where uniform testing of all policy applicants may not be desired. In 1993, LabOne's information systems staff completed a major revision of its business processing system, the core of LabOne's computer systems. This revision affects every area of LabOne's operation, allowing LabOne to respond more quickly and efficiently to client requests.

LabOne, as the result of the number of tests it has performed over the past several years, has compiled and maintains a large statistical database of test results. These summary statistics are useful to the actuarial and underwriting departments of a client in comparing that client's test results to the results obtained by LabOne's entire client base. Company-specific and industry-wide reports are frequently distributed to clients on subjects such as coronary risk analysis, cholesterol and drugs of abuse. LabOne considers the confidentiality of its test results to be of primary importance and has established procedures to ensure that results of tests are communicated only to the insurance company that requested the tests. All positive results for the HIV antibody, beta-2 microglobulin and controlled substance tests are forwarded separately to a client-authorized individual, such as its medical director.

LabOne - Quality Assurance

The quality assurance department ensures that accurate and reliable test results are released to clients. This is accomplished by incorporating both internal and external quality assurance programs in each area of the laboratory. In addition, quality assurance specialists share the responsibility with all LabOne employees of an ongoing commitment to quality. Internal quality programs are designed to identify opportunities for improvement in laboratory

services. These programs ensure reliable and confidential test results and are outlined below.

- Procedure manuals in all areas of the laboratory help maintain uniformity and accuracy, and meet regulatory guidelines.
- Tests on control samples with known results are performed frequently to maintain and verify accuracy in the testing process.
- Complete documentation provides record keeping for employee reference and meets regulatory requirements.
- All employees are thoroughly trained to meet standards mandated by OSHA in order to maintain a safe work environment.
- Superblind(trademark) controls are used to challenge every aspect of service at LabOne.
- Specimens requiring special handling are evaluated and verified by control analysis personnel.
- A computer edit program is used to review and verify clinically abnormal results, and all positive HIV antibody and drugs-of-abuse records.

As an external quality assurance program, LabOne participates in a number of proficiency programs established by the College of American Pathologists, the American Association of Bioanalysts and the Centers for Disease Control.

LabOne is also involved in monthly peer-group review programs for hematology, flow cytometry and chemistry. These programs compare LabOne with laboratories across the nation that use similar reagents and instrumentation. LabOne is accredited by the College of American Pathologists. In addition, LabOne is licensed under the Clinical Laboratory Improvement Amendments (CLIA) of 1988, and has additional licenses for HIV and substance abuse testing from the state of Kansas. Furthermore, LabOne's Drug Enforcement Agency license allows its laboratory to legally perform analytical research pertaining to drugs of abuse.

These internal and external quality assurance procedures illustrate LabOne's commitment to both clients and to employees. Through these programs, LabOne's clients can be assured of reliable test results, and LabOne's employees can be assured of a quality work environment.

LabOne - Technology Development

Among its many responsibilities, the technology development department evaluates many new commercially available tests and technologies and compares them to competing products in order to select the most accurate laboratory procedures for the insurance industry's needs. LabOne continues to offer new tests to the insurance industry. New products introduced in 1993 included carbohydrate-deficient transferrin (CDT), microalbumin, beta-human chorionic gonadotropin (HCG), thiocyanate, dried blood profile, dried blood HIV and serum cotinine. The impact of these new products on LabOne's future results of operations is not expected to be material. In 1993, LabOne completed the

development of automated screening for certain therapeutic drugs in urine. Total technology development expenditures are not considered significant to LabOne as a whole.

LabOne - Sales and Marketing

LabOne's client base currently consists of insurance companies in the United States and Canada. LabOne believes that its ability to provide prompt and accurate results on a cost-effective basis and its responsiveness to customer needs have been important factors in maintaining existing business. All of LabOne's sales representatives have prior business experience in the insurance industry or clinical laboratory-related fields. These representatives call on major clients several times each year, usually meeting with a medical director or vice president of underwriting. An important part of LabOne's marketing effort is directed toward providing its existing clients and prospects with information pertaining to the actuarial benefits of, and trends in, laboratory testing. LabOne's sales representatives and its senior management also attend underwriters' and medical directors' meetings sponsored by the insurance industry.

The marketing efforts of LabOne's representatives are augmented by reinsurance sales representatives employed by Business Men's Assurance Company of America (BMA). These representatives market LabOne's testing services in connection with their reinsurance sales activities on behalf of BMA. The BMA reinsurance sales representatives generally direct their sales efforts to an insurance company's chief executive officer and its actuarial officers, thereby complementing the activities of LabOne's sales representatives by directing their sales efforts to another constituency within an insurance company's organization. LabOne intends to continue its practice of coordinating its sales efforts with those of BMA.

LabOne - Legislation and Regulation

In the past, legislation has been introduced in several states that, if enacted, may restrict or ban all AIDS-related testing for insurance purposes in those states. The introduction of legislation to restrict or ban all AIDS-related testing does not ensure its passage into law. There can be no assurance, however, that such legislation will not be enacted in the future.

The FDA is attempting to exert broader regulatory control over LabOne's business and all testing laboratories. See Item 7- Management's Discussion And Analysis Of Financial Condition And Results Of Operations - Insurance Services Trends for a discussion of this subject.

A few states have enacted legislation or regulations which have had the effect of reducing or eliminating the volume of laboratory tests requested by medical insurers in those states. It is likely that the trend will continue as more states enact legislation relating to health care and medical insurance.

LabOne - Competition

The insurance laboratory testing industry has become increasingly competitive. Most of the competition has come from privately or insurance company-owned or

controlled laboratories that are primarily focused on the insurance industry. The number of laboratories actively marketing to insurance companies has declined from at least a dozen three years ago to approximately six today. Although the number of competitors has decreased, the degree of competition has not diminished. The primary focus of the competition has been on pricing and service. This continued competition has resulted in a decrease in LabOne's average price per test. It is anticipated that prices will continue to decline in 1994. Additionally, competition has come from national or multi-regional clinical laboratories that have historically focused their efforts on servicing hospitals, physicians and other healthcare providers.

Although competition has dramatically increased in the past few years, LabOne has maintained its position as the market leader. LabOne believes its leading position in the insurance laboratory testing market is due in part to its focused commitment of resources to the life and health insurance industry. LabOne has continued to maintain its market leadership through the client relationships that it has developed over its 20-year history, its reputation for providing quality products and services at competitive prices, and its battery of tests which are tailored specifically to insurance companies' needs.

LabOne - New and Foreign Markets

Clinical Testing Market

In August 1993, LabOne announced a plan to diversify into the clinical testing market. As a result of this diversification, LabOne is in the process of implementing substantially all of the tests offered to the clinical market. Clinical testing is expected to commence during the second quarter of 1994. The financial impact of LabOne's expansion into this market cannot be determined at this time.

Foreign Markets

In 1977, LabOne opened a subsidiary in Toronto, Canada. Head Office Reference Laboratory Limited is the leader in providing laboratory testing services to the Canadian insurance industry. In 1993, LabOne opened a small office near London to provide laboratory testing services to insurance companies in the United Kingdom. LabOne is currently evaluating its alternatives in this foreign market.

LabOne - Employees

As of March 2, 1994, LabOne had 508 full-time employees, representing a decrease of 21 employees from the same time in 1993. None of LabOne's employees is represented by a labor union. LabOne believes its relations with employees are good.

AGENCY PREMIUM RESOURCE, INC.

Agency Premium Resource, Inc. (APR) is an insurance premium finance company serving independent insurance agents in 18 states. APR provides premium financing for the commercial customers of these independent insurance agents. The Registrant has a 95% ownership position in APR. The insurance premium

finance services operations experienced growth and profitability during 1993. Approximately \$61.5 million in new premium finance business was booked during 1993 compared to \$40 million in 1992. The number of contracts written in 1993 increased to 10,277 from 6,465 in 1992. The Independent Insurance Agents of Kansas, Missouri, Indiana, and Minnesota endorse APR to their membership. APR's wholly-owned subsidiary, Agency Services, Inc., is an information resource company which provides motor vehicle reports and other employment background screening reports to multiple industries.

In July 1993, APR entered into an extendable two-year agreement whereby it can sell undivided interests in a designated pool of accounts receivable on an ongoing basis. As collections reduce accounts receivable in the pool, additional sales may be made up to the maximum. The maximum allowable amount of receivables to be sold is \$22 million. During 1993, \$19 million of receivables were sold. See Note 5 of Notes to Consolidated Financial Statements for additional information regarding securitization of receivables.

INTERNATIONAL UNDERWRITING SERVICES, INC.

International Underwriting Services, Inc. (IUS), a development-stage company, offers turnkey life insurance underwriting and policy administration services. The Registrant has an 80% ownership position in IUS. This subsidiary offers client companies fixed price alternatives to traditional insurance policy processing through which policy issue and underwriting expenses are reduced. In addition, IUS has developed a new underwriting service called Tele-Direct Underwriting. This service is a computer assisted, intelligent underwriting system where the customer deals directly by phone with the underwriter. These expense reductions allow insurers to be more competitive and cost-effective in the marketing of low-cost term life insurance, which the client company may not achieve internally on a profitable basis.

HEALTHCARE SERVICES

The following operating businesses are considered to be in the healthcare services segment: Response Technologies, Inc. and Pyramid Diagnostic Services, Inc.

RESPONSE TECHNOLOGIES, INC.

The Registrant owns approximately 59% of Response Technologies, Inc. (Response). Response's common stock trades on the American Stock Exchange under the symbol RTK. In October 1990, the Registrant entered into an equity financing agreement with Response which included a series of purchases of Response's common stock and warrants for the purchase of additional shares of common stock. The Registrant exercised its final warrants in 1992. The Registrant participated in Response's rights offering to shareholders in June 1993 and purchased an additional 1,873,500 shares for a total of 20,608,500 shares owned at December 31, 1993. Assuming maximum dilution from Response's present stock options, warrants and convertible securities, the Registrant's ownership position in Response would decrease to approximately 56% from the approximate 59% position of current shares outstanding.

Response is a provider of advanced cancer treatments and related services, principally on an outpatient basis, through treatment centers owned and operated by Response. The centers, known as IMPACT (IMPLementing Advanced Cancer Treatments) Centers, are staffed by experienced oncology nurses, pharmacists, laboratory technologists, and other support personnel to deliver outpatient services under the direction of practicing oncologists. The primary treatments provided by the Centers involve intensive levels of chemotherapy supported by a combination of autologous peripheral blood stem cell products and bone marrow growth factors to support the patient's immune system. The Centers also provide home pharmacy services, such as pain medications, antibiotics and nutritional support; outpatient infusional services; blood banking services; and specialized nursing and laboratory services for its patients.

Response evaluates, adapts and develops treatment programs for various types of cancer. The treatment programs, or protocols, are developed by physicians associated with Response and independent physician advisors, frequently based upon the results of clinical trials performed by various university and government programs. Response does not engage in basic research.

The protocols which Response provides involve very high doses of chemotherapy. Intensification of chemotherapy doses can result in improved survival rates for patients suffering from certain types of cancer. One of the major side effects of this treatment is damage to the patient's bone marrow which then impairs the immune system. Currently, many providers of high-dose chemotherapy treatments support the immune system through autologous bone marrow transplantation. Rather than utilize standard bone marrow transplant procedures, the IMPACT Center protocols involve support with stem cells collected from the peripheral blood of the patient prior to the administration of high-dose chemotherapy. The process of stem cell support begins by administering certain chemotherapy drugs and growth factors to promote the growth of bone marrow stem cells and their release into the peripheral bloodstream. The stem cells are then harvested by leukapheresis, a process involving the use of a blood cell separating machine, and cryo-preserved. After the administration of high-dose chemotherapy, the stem cells are reinfused into the patient, whereby the cells reengraft into bone marrow and restore the production of infection-fighting white blood cells.

Response believes that its use of non-surgical stem cell support of the bone marrow in place of a standard marrow transplant provides several major advantages. Response's experience indicates that patients participating in an IMPACT Center protocol will require a hospital stay of approximately 10-15 days. Conventional bone marrow transplants may require a hospital stay of 25-35 days. Because a significant amount of patient preparation and treatment is accomplished in an outpatient setting, Response estimates the cost of its procedure, including hospitalization, to be approximately \$75,000. Virtually all references to the cost of this widely publicized procedure by other providers places the cost in excess of \$100,000. Response also believes, based upon statistical analysis of its clinical data, that the mortality rate associated with stem cell support is lower than with standard bone marrow support. Furthermore, Response believes patients generally favor stem cell support since the majority of the treatment is outpatient, and the procedures are less invasive than a traditional marrow transplant.

An important aspect to Response's treatments is the maintenance of a clinical trials program. Cancer care represents an evolving area of medicine in which there are few "cures", or a consensus as to the current best treatment approach. At the same time, improvements in advanced cancer management are continuously being realized. The mechanism to achieve such improvements is the use of a clinical trials program, involving carefully planned, uniform treatment regimens administered to a statistically significant group of patients. The monitoring of side effects and outcomes of these treatments provides a rational means of improving future treatment regimens and predicting which patients are most likely to benefit from the treatments. This is the approach to cancer care advocated by the National Cancer Institute, universities, and many cancer practitioners.

Response's target population is patients with diseases proven to be chemo-sensitive. Intensification of chemotherapy doses in many instances results in dramatic improved disease response and improved health outcomes for patients. Accordingly, while Response's treatment procedures are developmental by design, they are not regarded as experimental.

Response - Customers and Markets

The science involved in the treatment of cancer is undergoing significant advances, particularly as a result of continuing pharmaceutical developments. Because of significant existing demands on the private oncologist's time, it can be difficult for a practicing oncologist to stay abreast of advanced technology and develop the necessary support services to utilize the technology in an efficient, organized treatment program. Response hopes to fulfill the needs of leading oncology groups by identifying the most promising technologies and organizing delivery systems to treat patients with these technologies through its IMPACT Centers.

Each oncologist who agrees to become associated with an IMPACT Center enters into an agreement with Response whereby the oncologist provides medical direction to Response's employees in the IMPACT Center, participates in a quality assurance program, assists in credentials review of potential participating oncologists, makes rounds on patients being treated in the Center, and is available "on call" during treatment episodes. The medical directors of each Center are compensated on a fixed fee basis for their services. Response does not employ practicing oncologists.

Response regards itself as an extension of an oncologist's practice since the IMPACT Centers provide support facilities to physicians. Response believes that a competitive advantage in attracting leading physicians is achieved in its ability to provide advanced cancer treatment technologies that might not otherwise be efficiently available to the physicians. Response does not market its services to patients or the general public, but relies on the medical directors and payors to refer suitable patients for treatment.

Response - Current Operations - The IMPACT Centers

A typical IMPACT Center maintains a licensed pharmacy, laboratory, blood bank, and patient treatment facilities to provide the high-dose protocols and other support services to the private practicing oncologists. The Centers are

equipped to prepare and administer chemotherapy; mobilize, harvest, process and cryo-preserve stem cells; reinfuse stem cells; transfuse blood products and administer IV fluids; and provide home pharmacy care. The staffing of the Centers consists of registered nurses and pharmacists, pharmaceutical technicians and medical laboratory technologists. Each Center occupies approximately 3,000 square feet. Response also operates a central reference laboratory in Memphis which evaluates stem cell harvests by flow cytometry and other assays.

Response developed and opened its first IMPACT Center in November 1989 in Memphis. As of February 15, 1994, Response has twenty-eight IMPACT Centers located in sixteen states. Response intends to develop a nationwide network of Centers over the next several years with anticipated openings of six Centers per year. Negotiations are currently in process with a number of oncology groups in other cities, and Response intends to aggressively pursue growth opportunities. Such further expansion as anticipated by management is dependent upon Response's ability to attract oncologists to serve as medical directors, find suitable employees, arrange adequate financing, and obtain proper licensure.

Response - Government Regulation

Response's services are subject to federal and state licensing requirements in each of the states in which it operates. In order to maintain such licensure, Response must comply with applicable regulations and is subject to periodic compliance inspections by healthcare regulators. Response is, to the best of its knowledge, in compliance with all material applicable state and federal licensing requirements.

The law regulating healthcare providers varies among states. Accordingly, Response approaches its planning for additional IMPACT Centers on a state by state basis in order to determine whether the institution and operation of an IMPACT Center is feasible under the laws of the target state. Healthcare regulation is a rapidly evolving area of law. There can be no assurance that Response's ability to open or operate IMPACT Centers will not be adversely affected by changes in applicable federal or state law (such as certificate of need laws) or by administrative interpretation of existing law.

At December 31, 1993, Response's IMPACT Centers in Dayton, Ohio and Grand Rapids, Michigan were being reviewed for possible noncompliance with certificate of need regulations in those states. In both cases Response is disputing the review due to a "grandfathering" clause in the law. If Response is unsuccessful in the dispute, the Centers will be required to cease services. The financial impact, however, would not be material to the operations or financial position of Response.

Some protocols which Response may desire to implement at the IMPACT Centers may be subject to regulatory approval by the FDA due to the drugs or combination of drugs used in the protocols. In most instances, such approval will be sought by manufacturers of the drugs; however, Response may occasionally participate in such an approval process.

The majority of patients referred to the Centers are covered by a third party

insurer. Response receives very little of its revenue from Medicare since patients eligible for Medicare generally are not medically eligible for high-dose treatment protocols.

Response believes that its method of compensating its medical directors complies with state and federal anti-kickback and similar regulations. Specifically, medical directors are compensated on a fixed-fee basis which is renegotiated no more frequently than annually. While Response believes that it has taken appropriate precautions with respect to establishing such fees, there is no assurance that Response will not be determined to be in violation of existing or future government regulations. In the event Response is determined to be in violation of any such regulation, it would attempt to restructure its medical director payments in a manner which complies with the regulation.

Response - Competition

Response is not aware of any other organization operating IMPACT Centers or comparable facilities. However, there are many other firms that separately provide components of the services offered in the IMPACT Centers. Additionally, university-based hospitals provide many of the services which Response offers. Competition among hospitals in the United States is particularly strong at the present time, and many hospitals are seeking new sources of revenue. It is possible that hospitals in areas where IMPACT Centers are located will decide to institute new services in order to compete with the IMPACT Centers.

Response - Business History and Past Operations

Response was incorporated in Tennessee in 1984 under the name of Biotherapeutics Incorporated and began operations in 1985 performing patient-funded biotherapy research for advanced cancers. From inception through February 1989, Response developed a nationwide system of 15 laboratories which provided these biotherapy research services. During fiscal 1989, after Response had suffered losses since incorporation of over \$30 million, management concluded that Response's operations would not become profitable because, among other reasons, its strategy of selling research services directly to patients was not widely accepted by physicians and other healthcare providers. As a result, management adopted a plan of restructuring and reorganization of Response's business operations. The plan of restructuring and reorganization involved a redirection of Response's efforts away from laboratory operations and patient funded research services to clinical support services for oncologists through the operation of the IMPACT Centers.

Response - Liability Exposure

Like all companies operating in the healthcare industry, Response faces an inherent risk of exposure to liability claims. While Response has taken what it believes to be appropriate precautions, there can be no assurance that it will avoid significant liability exposure. Response has obtained liability insurance, but there can be no assurance that it will be able to continue to obtain coverage at affordable rates or that such coverage will be adequate in the event of a successful liability claim. Since inception, Response has not incurred any professional or general liability claims or losses, and as of December 31, 1993, Response was not aware of any pending claims.

Response - Employees

As of February 15, 1994, Response employed 201 full-time employees. The employees are not covered by any collective bargaining agreements. Response believes that employee relations are good.

PYRAMID DIAGNOSTIC SERVICES, INC.

The Registrant acquired in December 1992 its second investment in a healthcare operating subsidiary with the purchase of a 51% interest in Pyramid Diagnostic Services, Inc. (Pyramid). The original \$4 million purchase price included newly-issued shares, thereby providing expansion financing to Pyramid. During 1993, the Registrant acquired an additional 18% ownership position in Pyramid. Pyramid's four pharmacies distribute radiopharmaceuticals and related services to nuclear medicine departments, clinics and hospitals. Pyramid anticipates opening approximately four new pharmacies annually. The financial results of Pyramid were consolidated in 1993. See Note 1 of Notes to Consolidated Financial Statements for additional information.

OTHER BUSINESSES

BMA RESOURCES, INC.

BMA Resources, Inc. (Resources) holds the Registrant's energy investments. No new energy investments are being made, and it is the Registrant's intent to maximize cash flow from Resources to be deployed in healthcare and insurance services. The investments include oil and gas working interests, oil and gas partnerships and a stock investment in an unconsolidated affiliate. The oil and gas working interests primarily consist of interests in East Texas gas wells. East Texas activity will concentrate on production and development only, with no exploration activity. The partnership activity is focused on Gulf Coast offshore oil and gas exploration and development activity. Resources, through partnerships, has leasehold positions in the Gulf of Mexico, in addition to proven reserves.

Resources has an approximate 30% equity interest in GTG, Inc. which owns a patented process to convert natural gas into heavier hydrocarbons, including fuels and industrial waxes. With a completed proof of concept, GTG is pursuing commercialization of the process.

TENENBAUM & ASSOCIATES, INC.

Tenenbaum & Associates, Inc. (TAI) is a full service real estate, personal property and sales and use tax consulting firm providing tax consulting services on a contingency basis. TAI's core business is commercial real estate. During the latter part of 1991, in an effort to offset the cyclical nature of its core business, TAI entered into joint marketing agreements to provide personal property and sales and use tax consulting services. TAI benefits from these arrangements through revenue-sharing in exchange for its national marketing services. TAI also targeted the industrial real estate market to augment sales from an ailing commercial real estate industry.

CAMELLIA CITY TELECASTERS, INC.

Camellia City Telecasters, Inc. (Camellia) is a wholly-owned subsidiary. Having sold the majority of its television assets during 1989, Camellia is currently inactive.

DISCONTINUED OPERATIONS

REAL ESTATE

The Registrant holds real estate through a wholly-owned subsidiary, Scout Development Corporation. Real estate holdings as of December 31, 1993 consisted of approximately 1,500 acres of partially developed and undeveloped land in 9 locations, three residential development projects, a multi-story parking garage, a community shopping center and commercial buildings. Real estate assets are located in the following states: California, Colorado, Florida, Kansas, Missouri, Nevada, New Mexico, Oklahoma, Texas, and Wyoming, all of which are listed for sale.

In June 1992, the Registrant's board of directors approved a plan for the discontinuance of real estate operations. During 1990, Seafield indicated that it planned to substantially decrease its commitments in real estate development activities. Since then, management had observed that the overall real estate environment indicated continuing signs of weakness. After reviewing sales activity and appraisals in 1992, the Registrant believed it was an appropriate time to discontinue real estate operations and sell the remaining real estate assets as soon as practicable. See Item 7 and Note 13 of the Notes to Consolidated Financial Statements for additional information on discontinued real estate operations.

INSURANCE

Individual insurance, group insurance and reinsurance operations were discontinued in 1990, when the Registrant sold 95% of the issued and outstanding shares of common stock of the Registrant's wholly-owned life insurance subsidiary. A \$32.2 million after-tax gain was recorded during 1990 on the sale of insurance operations.

The Registrant finalized the sale of the remaining 5% interest in its former insurance subsidiary to an affiliate of the purchaser on June 30, 1992. The Registrant received \$12.8 million cash resulting in a 1992 after-tax gain of \$4.3 million which is included in the consolidated financial statements as gain on disposal of discontinued insurance operations. The sale of the remaining interest consisted of shares which had been pledged to serve as collateral under a mortgage guaranty provision contained in the 1990 Sales Agreement. Concurrent with the sale of the final 5% interest, the Registrant was released from mortgage guarantees which originally totaled approximately \$16 million. See Item 7 and Note 13 of Notes to Consolidated Financial Statements for additional information on discontinued insurance operations.

TELEVISION

Television broadcasting operations, which were discontinued during 1989, consisted of Camellia and Centennial Broadcasting Corporation (Centennial). Camellia sold its broadcasting assets during 1989 which resulted in an after-tax gain of \$19.6 million. The sale of Centennial stock resulted in a \$6.3 million gain on sale of television operations in 1990.

* * *

The following listing shows the Registrant and each subsidiary corporation of which the Registrant owns a majority interest, together with the ownership percentage and state or country of incorporation.

SEAFIELD CAPITAL CORPORATION (Missouri)	
LabOne, Inc. (Delaware)	82%
Head Office Reference Laboratory, Ltd. (Canada)	100%
Response Technologies, Inc. (Tennessee)	59%
Agency Premium Resource, Inc. (Kansas)	95%
Agency Services, Inc. (Kansas)	100%
International Underwriting Services, Inc. (Illinois)	80%
Pyramid Diagnostic Services, Inc. (Delaware)	69%
BMA Resources, Inc. (Missouri)	100%
Tenenbaum & Associates, Inc. (Missouri)	79%
Camellia City Telecasters, Inc. (California)	100%
Scout Development Corporation (Missouri)	100%
Scout Development Corporation of New Mexico (Missouri)	100%
Carousel Apartment Homes, Inc. (Georgia)	100%

ITEM 2. PROPERTIES.

Properties of Registrant

Registrant has a long-term lease for approximately 13,674 square feet of office space at 2600 Grand at the Crown Center complex in Kansas City, Missouri. This lease is for a ten year term which began April 1, 1992. Registrant's real estate subsidiary holds diversified types of properties for sale or investment purposes in various geographical locations. In certain cases projects are developed on a joint venture basis with one or more joint venture partners. Title to property in such cases may be held jointly with such partners or in the name of the venture. Rights and obligations with respect to such properties are governed by the terms of the joint venture agreement. Registrant's real estate is described in greater detail in Item 1 and Schedule XI. The Registrant and subsidiaries lease office space, equipment, land and buildings under various noncancelable leases expiring through 1999. See Note 8 of the Notes to Consolidated Financial Statements for additional information.

ITEM 3. LEGAL PROCEEDINGS.

A lawsuit was initiated in 1986 by the Registrant's former insurance subsidiary

against an architectural and engineering firm and a construction firm to recover costs incurred to remove and replace the facade on the former home office building. Because the costs had been incurred prior to any discussions regarding a sale of the insurance company, Registrant negotiated with the buyer for an assignment of the cause of action from the insurance company. Thus, any recovery will be for the benefit of the Registrant and all costs incurred in connection with the litigation will be paid by the Registrant. Any ultimate recovery will be recognized as income when received and would be subject to income taxes. In September 1993, the Missouri Court of Appeals reversed a \$5.7 million judgement granted in 1992 in favor of the Registrant. Trial counsel was authorized to seek a rehearing by the Court of Appeals, and failing that, a review by the Missouri Supreme Court. The Court of Appeals notified counsel in November 1993 that it would rehear the case without oral arguments or further briefs.

In 1990, the Registrant's former insurance subsidiary was joined in an existing lawsuit by the Federal Deposit Insurance Corporation (FDIC) as successor to Sunbelt Service Corporation. The FDIC alleged that the insurance subsidiary was obligated under a repurchase agreement in the approximate amount of \$6 million. At a mediation proceeding in January 1994, the FDIC agreed to dismiss its claims against Seafield with prejudice.

In 1988, a lawsuit was initiated against the Registrant's former insurance subsidiary by its former partners in the Quail Run real estate project in Santa Fe, New Mexico. The plaintiffs seek approximately \$11 million in actual damages and unspecified punitive damages based upon alleged breaches of contract and fiduciary duty and economic compulsion, all arising out of the purchase of the plaintiffs' interest in the project. In November 1993, the Appeals Court overturned a partial summary judgment granted in favor of the Registrant in 1992. Thus, all issues in the case will be presented at trial which has been set for July 1994.

Because the Quail Run project was retained by Registrant in connection with the sale of its former insurance subsidiary, Registrant is defending the lawsuit under an indemnification arrangement with the purchaser of the former insurance subsidiary; all costs incurred and any judgements rendered in favor of the plaintiff in connection with this litigation will be for the account of the Registrant.

In the opinion of management, after consultation with legal counsel and based upon current available information, none of these lawsuits is expected to have a significant impact on the consolidated financial statements of the Registrant. See Note 3 of Notes to Consolidated Financial Statements for additional information concerning contingencies.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS.

NONE.

ITEM 4A. EXECUTIVE OFFICERS OF REGISTRANT.

Following is a list of all executive officers of Registrant as of March 1, 1994, together with certain related information. There are no arrangements or understandings among any such persons and any other persons pursuant to which any was selected as an officer. All such persons serve at the discretion of the board of directors.

Name	Age	Position with Registrant	Served as Executive Officer with Registrant Since
S.K. Fitzwater	47	Vice President, Chief Accounting Officer and Secretary (see note 1 below)	1990
W.T. Grant II	43	Chairman and Chief Executive Officer (see note 2 below)	1980
P.A. Jacobs	52	President and Chief Operating Officer (see note 3 below)	1980
J.R. Seward	41	Executive Vice President and Chief Financial Officer (see note 4 below)	1989
B. H. Hood	48	Chairman, President and Chief Executive Officer of LabOne, Inc. (see note 5 below)	1993
W.H. West, M.D.	46	Chairman and Chief Executive Officer of Response Technologies, Inc. (see note 6 below)	1993

Except as noted below, each executive officer of Registrant has held the executive position noted with Registrant or similar positions with its former insurance subsidiary as his or her principal occupation for the last five years.

1. Steven K. Fitzwater has been Vice President and Chief Accounting Officer since August 1990. Effective April 1, 1993, he assumed the additional duties of Secretary of the Registrant. Formerly he was Director of Financial Accounting.
2. William T. Grant II became Chairman of the Board and Chief Executive Officer in May 1993. He had been President and Chief Executive Officer since 1986.
3. P. Anthony Jacobs became President and Chief Operating Officer in May 1993. He had been Executive Vice President and Chief Operating Officer since 1990 and was Executive Vice President-Investments from 1988-90.
4. James R. Seward became Executive Vice President and Chief Financial Officer in May 1993. He had been Senior Vice President and Chief Financial Officer since August 1990. He was Vice President - Special Equities from October 1988 until July 1990 and Manager of Special Equities from July 1984 to October 1988.

5. LabOne, Inc. is 82% owned by the Registrant. The Registrant's board of directors has designated Mr. Hood as an Executive Officer of the Registrant because LabOne was determined to constitute a principal business unit of the Registrant. Mr. Hood is not a corporate officer of the Registrant. Mr. Hood has held his LabOne position for the past four months. Mr. Hood was an independent consultant to major clinical testing laboratories from June 1992 to August 1993. From May 1990 to May 1992, Mr. Hood was President and Chief Executive Officer of Unilab Corporation d/b/a/ MetWest, Inc. From 1974 to 1988, Mr. Hood served in various management positions for International Clinical Laboratories (ICL), becoming a regional officer in 1980, a corporate officer in 1984, and a member of its board of directors in 1986.

6. Response Technologies, Inc. (Response) is 59% owned by the Registrant. Effective February 1993, the Registrant's board of directors designated Dr. West as an Executive Officer of the Registrant because Response was determined to constitute a principal business unit of the Registrant. Dr. West is not a corporate officer of the Registrant. Prior to January 1993, Dr. West was President and Chief Executive Officer of Response.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Registrant's common stock is traded in the national over-the-counter market and is listed in the NASDAQ National Market System maintained by the National Association of Securities Dealers. As of February 1, 1994, the outstanding shares were held by 2,117 stockholders of record. High and low sales prices for each quarter of 1993 and 1992 are included in the table of quarterly financial data in Note 14 of the Notes to Consolidated Financial Statements. Also set forth in the table are quarterly dividends paid per share. Registrant's payment of future dividends will be at the discretion of its board of directors and can be expected to be dependent upon a number of factors, including future earnings, financial condition, cash needs and general business conditions. The dividend-paying capabilities of subsidiaries may be restricted as to their transfer to the parent company.

ITEM 6. SELECTED FINANCIAL DATA

December 31,	1993	1992	1991	1990	1989

(In thousands except share amounts)					
REVENUES	\$ 129,867	111,332	85,240	85,009	82,356
=====					

OPERATING EARNINGS
Earnings from continuing

operations	\$	5,618	4,168	7,909	6,657	10,295
Discontinued operations (net of taxes):						
Earnings (loss) from discontinued operations:						
Real estate		--	(7,214)	(2,464)	(27,946)	(3,321)
Television		--	--	--	--	(1,373)
Insurance		--	--	--	11,872	18,195
Gain on disposal of discontinued operations:						
Television		--	--	--	6,262	19,584
Insurance		--	4,265	--	32,220	--
Cumulative effect to January 1, 1992 of change in method of accounting for income taxes		--	3,352	--	--	--
Net earnings	\$	5,618	4,571	5,445	29,065	43,380

=====						
PER SHARE OF COMMON STOCK						
Earnings from continuing operations	\$	.82	.55	.94	.71	1.06
Discontinued operations (net of taxes):						
Earnings (loss) from discontinued operations:						
Real estate		--	(.95)	(.29)	(2.96)	(.34)
Television		--	--	--	--	(.14)
Insurance		--	--	--	1.26	1.88
Gain on disposal of discontinued operations:						
Television		--	--	--	.66	2.02
Insurance		--	.56	--	3.41	--
Cumulative effect of accounting change		--	.44	--	--	--
Net earnings	\$	.82	.60	.65	3.08	4.48

Cash dividends	\$	1.20	1.20	1.20	4.90	1.20
Book value	\$	33.52	34.00	34.61	33.72	35.93
Average shares outstanding during the year		6,847,559	8,429,565	9,686,695		
			7,589,043	9,443,438		
Shares outstanding end of year		6,733,245	7,727,850	9,706,228		
			6,706,165	8,909,546		
Total assets	\$	274,293	280,514	317,089	340,864	370,144
Long-term debt	\$	18	1,013	2,902	1,054	--

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

RESULTS OF OPERATIONS

Introductory remarks about results of operations

When the process of transforming Seafield Capital Corporation (Seafield or the Registrant) from an insurance company to a holding company with a new focus began in late 1990, Seafield's principal assets consisted of a significant amount of cash, a holdover portfolio of real estate investments which could not be sold with the insurance company, interests in several venture capital investments, and a majority ownership of LabOne, Inc. The strategy of Seafield is deployment of resources into developing businesses that provide services to the healthcare and insurance industries. The sources of cash for these investments are the proceeds from the sale of the insurance company, gains on securities transactions, the discontinuance of the real estate operations and the sale of other assets that do not support the new strategic focus.

Insurance - discontinued operations

Individual insurance, group insurance and reinsurance operations were discontinued on July 31, 1990, when Seafield sold 95% of the issued and outstanding shares of common stock of Seafield's wholly-owned life insurance subsidiary. A \$32.2 million after-tax gain was recorded during 1990 on the sale of insurance operations.

Seafield finalized the sale of the remaining 5% interest in the former insurance subsidiary to an affiliate of the purchaser on June 30, 1992. Seafield received \$12.8 million cash resulting in a 1992 after-tax gain of \$4.3 million which is included in the consolidated financial statements as gain on disposal of discontinued insurance operations. The sale of the remaining interest consisted of shares which had been pledged to serve as collateral under a mortgage guaranty provision contained in the 1990 Sales Agreement. Concurrent with the sale of the final 5% interest, Seafield was released from mortgage guarantees which originally totaled approximately \$16 million.

Real Estate - discontinued operations

In June 1992, Seafield's board of directors approved a plan for the discontinuance of real estate operations. During 1990, Seafield indicated that it planned to substantially decrease its commitments in real estate development activities. Since then, management had observed that the overall real estate environment indicated continuing signs of weakness. After reviewing sales activity and appraisals in 1992, Seafield believed it was an appropriate time to discontinue real estate operations and sell the remaining real estate assets as soon as practicable.

As a result of the decision to discontinue real estate, a \$6 million after-tax provision for estimated write-downs and costs through final disposition was included in the 1992 financial statements as a loss from discontinued real estate operations. Real estate's net assets have decreased from approximately \$80 million at discontinuance to \$52.6 million at December 31, 1993. Net cash proceeds of approximately \$27 million have been generated from real estate

since its discontinuance at June 30, 1992. See Note 13 of Notes to Consolidated Financial Statements for additional information concerning discontinued real estate operations.

In 1993, real estate sales included the sale of: 84 residential units or lots in Florida, New Mexico, and Texas (\$15.9 million), land in Tennessee (\$360,000) and a partnership interest in an apartment complex in Georgia (\$850,000). In 1992, real estate sales included the sale of: 30 acres of Texas land (\$484,000), 1 commercial lot in Wyoming (\$589,000), an interest in 3 acres of Hawaii land (\$10.1 million), 122 residential units or lots in Florida, New Mexico, and Texas (\$16.6 million) and 3 lots, one model home and one partially completed home at the ocean front property in Florida (\$5.9 million). In 1991, real estate sales consisted of 66 residential units or lots (\$15.6 million) and 127 acres of land in Texas (\$2.1 million).

Remaining real estate holdings include residential land, undeveloped land, single-family housing, and commercial structures located in the following states: California, Colorado, Florida, Kansas, Missouri, Nevada, New Mexico, Oklahoma, Texas and Wyoming, all of which are listed for sale.

Insurance Services Segment

The following businesses are considered to be in the insurance services segment: laboratory testing for the life and health insurance industries, underwriting and policy administration services and insurance premium finance services. Seafield's interest in an employee benefit consulting services entity was sold during 1992.

LabOne, Inc. (LabOne) an 82% owned subsidiary of Seafield, is a publicly-traded company (NASDAQ-LABS). In 1993, LabOne announced its intentions to expand into the clinical laboratory testing market. With a name change from Home Office Reference Laboratory, Inc. to LabOne, Inc. on February 21, 1994, separate marketing divisions were formed to focus on the specific laboratory testing needs of the insurance and clinical markets.

A Home Office Reference Laboratory (HORL) division will continue to operate as a provider of risk-appraisal laboratory testing services to the insurance industry. A new division, Center for Laboratory Services (CLS), will market diagnostic laboratory testing services to the healthcare industry. This reorganization is intended to further the corporation's diversification objectives to enter the clinical laboratory testing market and remain the leader in the insurance laboratory testing market. LabOne anticipates that testing for the clinical market will begin during the second quarter 1994, depending primarily upon the length of the sales cycle and initial customer acceptance of CLS services.

LabOne offers a core group of urine tests, controlled substance tests, insurance-oriented blood chemistry profiles, and a series of AIDS-related tests. LabOne's revenues decreased approximately 7% in 1993 to \$69.4 million from \$74.4 million in 1992 due primarily to an 8% decrease in laboratory revenue. Laboratory testing revenues were lower as the result of fewer applicants tested and a 5% decrease in the average revenue per applicant. Average revenue per applicant was lower primarily due to a decrease in prices

as a result of continued competitive pressures. The total volume of applicants tested decreased primarily due to a decline in the number of medical insurance applicants tested. The number of medical insurance applicants tested as a percentage of total applicants tested declined from 9% in 1992 to 6% in 1993.

LabOne's revenues were 2% lower in 1992. Although the total unit volume of tests performed in 1992 increased by approximately 5%, revenues decreased as a result of an 8% decline in the average revenue per applicant tested. Average revenue per applicant was lower primarily due to a decrease in unit prices as a result of continued competitive pressures and a shift in product mix toward less expensive testing options.

LabOne's cost of sales decreased 5% in 1993. This is primarily due to lower depreciation, materials and supplies and product licensing expenses. Materials and supplies expense decreased as a result of fewer tests performed, lower costs of certain test supplies and fewer specimen collection kits sold. Selling, general and administrative expenses were slightly lower than 1992.

The insurance premium finance services operation experienced continued growth in both profitability and book of business. New premiums financed totaled \$61.5 million in 1993, \$40 million in 1992 and \$24.4 million in 1991. The number of contracts written in 1993 was 10,277 compared to 6,465 and 3,248 in 1992 and 1991, respectively. In July 1993, Seafield's 95% owned subsidiary entered into an extendable two-year agreement whereby it can sell undivided interests in a designated pool of accounts receivable on an ongoing basis. As collections reduce accounts receivable in the pool, additional sales may be made up to the maximum. The maximum allowable amount of receivables to be sold is \$22 million. During 1993, \$19 million of receivables were sold with \$10.5 million used for retirement of debt which was partially guaranteed by Seafield. See Note 5 of Notes to Consolidated Financial Statements for additional information regarding securitization of receivables.

The underwriting and policy administration services business was negatively impacted by a merger and liquidation of two major customers late in 1992. While this subsidiary did not achieve profitability in 1993, new business development is positive with the signing of ten new client companies. This signifies acceptance of the company's new product for the underwriting and service of life insurance policies. It takes several months before customer policies obtain state approvals and before production becomes significant.

Healthcare Services Segment

Two businesses are included in the healthcare services segment. One provides advanced cancer treatment services, and the other distributes radiopharmaceuticals and performs related nuclear medicine services.

Response Technologies, Inc. (Response), a 59%-owned subsidiary of Seafield, is a publicly-traded company (AMEX-RTK). Response is a provider of advanced cancer treatments and related services, principally on an outpatient basis, through treatment centers operated by Response. The centers, known as IMPACT (IMplementing Advanced Cancer Treatments) Centers, are staffed by experienced oncology nurses, pharmacists, laboratory technologists and other support personnel to deliver outpatient services under the direction of private

practicing oncologists. The primary treatments provided by the Centers involve high-dose chemotherapy coupled with support of the patient's immune system through the use of autologous peripheral blood stem cell reinfusion. The Centers also provide home pharmacy and outpatient infusional services for its patients. As of December 31, 1993, Response had twenty-eight IMPACT Centers located in sixteen states.

An initial investment in Response was made in October 1990. On November 1, 1991, Seafield exercised warrants which increased its ownership position in Response to approximately 52% from 44%. Seafield exercised its remaining warrants in May 1992, resulting in Seafield owning a total of 18,735,000 shares at an average cost of \$0.57 per share. Seafield participated in Response's rights offering to shareholders on June 12, 1993 and purchased an additional 1,873,500 shares at a cost of \$2.75 per share. At December 31, 1993, Seafield owned 20,608,500 shares of Response at an average cost of \$0.77 per share. Assuming maximum dilution from Response's present stock options, warrants and convertible securities, Seafield's ownership position in Response would decrease to approximately 56% from the approximate 59% position of current shares outstanding.

With a majority ownership position, the financial results of Response in 1993 and 1992 have been consolidated in Seafield's financial statements while only November and December were consolidated during 1991. Response recorded net earnings (loss) of \$700,000, \$591,000, and (\$828,000) for the years ended December 31, 1993, 1992 and 1991, respectively. Net revenues increased \$9.8 million, or 35%, in 1993 and \$16.7 million, or 149%, in 1992. The increases are attributable to the establishment of new IMPACT Centers (six during 1993 and ten during 1992) and the maturation of operations of existing Centers.

Response's operating expenses increased \$9.5 million, or 47%, during 1993 and \$11.1 million, or 122%, during 1992. Operating expenses consist primarily of payroll costs, pharmaceutical and laboratory expenses, medical director fees, rent expense and other operational costs. These expenses are expected to display a high degree of variability in proportion to IMPACT Center revenue.

Response's operating expenses, as a percentage of net revenue, increased to 79% in 1993 from 73% in 1992, but decreased from 82% in 1991. The increase in 1993 is primarily attributable to an increase in lower margin revenue from pharmaceutical sales to physicians and infusional services. In addition, a large number of newer Centers were not yet profitable. The decrease in 1992 resulted from efficiency of operations as revenue increased and improved economies of scale.

Response's laboratory and pharmacy expense, which are largely variable costs tied to revenue growth, increased 48% during 1993 and 111% during 1992. Increases in Response's salaries and benefits, medical director fees and rent expense during 1993 and 1992 are due to the increase in the number of operating Centers: to 28 in 1993, 22 in 1992, and 12 in 1991. The medical directors of each Center are compensated on a fixed fee basis for their services.

Response's general and administrative costs increased 9% in 1993 and 73% in 1992. Salaries and benefits represent the largest component of general and administrative expenses. General and administrative costs as a percentage of

net revenues decreased to 8% in 1993 from 9% in 1992 and 14% in 1991. The decreases are the result of fixed expenses being spread over a larger revenue base, as well as management's ability to control such expenses during a period of rapid revenue growth.

Response's provision for doubtful accounts decreased \$1.1 million during 1993 but increased \$2.4 million from 1991 to 1992. The provision as a percentage of net revenue was 7%, 13% and 11% for the 12 months ended December 31, 1993, 1992 and 1991, respectively. The 1993 decrease is attributable to insurance pre-approval procedures implemented during the fourth quarter of 1992. This change provides important clarification of reimbursement expectations for most patients prior to commencing their treatment. Significant bad debt recoveries were also experienced during 1993. The increase from 1991 to 1992 was primarily attributable to the increase in revenue from the IMPACT Centers. Although Response is obtaining increased insurance pre-approval, the insurance industry is becoming more restrictive in its rates of reimbursement. Accordingly, Response's collection experience in 1993 may not be maintainable in future periods.

In 1992, Seafield acquired its second investment in a healthcare operating subsidiary with the December purchase of a 51% interest in Pyramid Diagnostic Services, Inc. (Pyramid). The original \$4 million purchase price included newly-issued shares, thereby providing expansion financing to Pyramid. During 1993, Seafield acquired an additional 18% ownership position in Pyramid. Pyramid's four pharmacies distribute radiopharmaceuticals and related services to nuclear medicine departments, clinics and hospitals. Pyramid anticipates opening approximately four new pharmacies annually. The financial results of Pyramid were consolidated with Seafield's in 1993. See Note 1 of Notes to Consolidated Financial Statements for additional information.

Other Segments

Seafield's oil and gas subsidiary contributed revenues of \$4.7 million in 1993, as compared to \$3.4 million in 1992 and \$2.5 million in 1991. The operating losses for this subsidiary resulted from increased oil and gas expense amortization exceeding the revenue increases. After retiring consolidated debt of approximately \$2.4 million in 1993, Seafield's cash flow from oil and gas investments was in excess of \$800,000. On January 1, 1993, Seafield increased its ownership position from 50% to 79% in a real estate, personal property, sales and use taxes consulting firm. Other revenues in 1993 included \$9.5 million from the tax consulting firm. Prior to 1993, this subsidiary was accounted for by the equity method. See Note 1 of Notes to Consolidated Financial Statements for additional information.

Other investments contributing earnings include venture capital and liquidity investments. The return on short-term investments is included in the investment income line in the consolidated statements of earnings. Investment income totaled \$10.2 million in 1993, \$3.4 million in 1992 and \$12.8 million in 1991. The decrease during 1992 in investment income resulted from fewer realized capital gains on investments, decreased amounts of invested funds and a pretax write off of \$4.3 million on a venture capital portfolio investment. During 1992, Seafield also wrote down its investment in another publicly-traded, venture capital portfolio investment by \$750,000 reflecting decreased market

price. Seafield sold this investment at carrying value during 1993. The 1992 decrease in other income reflects a 1991 gain on sale of the Company's airplane, while the 1993 amount reflects expected litigation costs. See Item 3 and Note 3 of Notes to Consolidated Financial Statements for additional litigation information. In 1992, the consolidated effective tax rate dropped to 44% due primarily to an increase in non-taxable interest income, non-recurring deductible items and reductions in non-deductible subsidiary losses.

Seafield has investments in two majority-owned entities that are publicly traded. At December 31, 1993, based on the market prices of publicly-traded shares of these two subsidiaries, pretax unrealized gains of approximately \$140 million on these investments were not reflected in either Seafield's book value or stockholders' equity.

LIQUIDITY AND CAPITAL RESOURCES

On December 31, 1993 at the holding company level, Seafield had available for operations approximately \$47.1 million in cash and short-term investments with an additional \$6.8 million in long-term securities. Seafield utilized \$13 million of its cash in January 1994 with the acquisition of 382,350 shares of Seafield common stock as treasury stock. On a consolidated basis, Seafield and its subsidiaries (primarily LabOne with \$42.4 million) had \$95.6 million in cash and short-term investments at December 31, 1993. Current assets totaled approximately \$140 million while current liabilities totaled \$20.9 million. Net cash provided by continuing operations decreased to \$18.9 million from \$22.9 million in 1992 reflecting the decrease in LabOne's insurance testing revenues, as previously discussed.

During 1992, Seafield conducted a "Dutch Auction" tender offer to purchase up to 2 million shares of Seafield stock. A total of 1,068,062 shares, about 14% of Seafield's stock outstanding prior to the tender offer, were purchased and retired. Cash totaling \$35.1 million was utilized to acquire the shares at a cost of \$32.90 per share including expenses of the transaction.

In August 1990, Seafield's board of directors rescinded a previous authorization and passed a new authorization of up to \$70 million for the acquisition of Seafield and LabOne common stock. Up to \$20 million of this authorization could be utilized to purchase LabOne stock.

At December 31, 1993, Seafield had \$4.6 million remaining of the \$50 million authorization for Seafield common stock. In January 1994, Seafield's board of directors approved an additional \$8.4 million authorization necessary to complete the acquisition of 382,350 shares for \$13 million. During 1993, treasury stock totaling 107,617 shares were issued for exercised options and 1,304,420 shares being held as treasury shares were retired.

Additionally, Seafield expended \$2 million to acquire 115,800 shares of LabOne in 1993. This resulted in a total of 1,418,000 shares of LabOne's stock acquired under the board authorization at a cost of \$16.6 million. In 1993, Seafield's board of directors approved an additional \$5 million for the purchase of LabOne's stock resulting in a remaining aggregate authorization of \$8.4 million at December 31, 1993.

Seafield is primarily a holding company. Sources of cash are investment income and sales, borrowings and dividends from subsidiaries. The dividend paying capabilities of subsidiaries may be restricted as to their transfer to the parent company. The primary uses of cash for Seafield are investments, subsidiary stock purchases and dividends to shareholders.

Seafield received a notice during 1992 of proposed adjustments from the Internal Revenue Service (IRS) with respect to 1986-87 federal income taxes. The amount of additional taxes proposed by the IRS was approximately \$17 million. Seafield filed a protest of the adjustments in 1992. The IRS has not yet responded to this protest. Seafield has also informally received proposed adjustments for 1988-1989 from the IRS. The amount of additional taxes proposed for these years is approximately \$6 million. Seafield filed a carryback claim for 1990 taxable losses with the IRS. These losses were carried back to 1987, and the tax refund generated by this carryback is approximately \$7.6 million. The refund, however, will not be acted on by the IRS until the IRS completes its review of the 1990 federal income taxes. This review began in late 1993, and will likely not be completed until 1995. Seafield believes it has meritorious defenses to many of the issues raised by the IRS and adequate accruals for income tax liabilities.

In 1988, LabOne's board of directors authorized up to \$25 million to enter the market from time to time for the purpose of acquiring shares of LabOne's common stock. As of December 31, 1993, LabOne had acquired 2,099,235 shares at a total cost of \$22.7 million. There were no shares purchased during 1993.

LabOne's first quarterly dividend was paid on December 30, 1991 with subsequent quarterly dividends paid during 1992 and 1993. As an 82% owner, Seafield received \$7.6 million of cash as dividends from LabOne in 1993. LabOne's working capital position increased by \$5.9 million to \$48.6 million at December 31, 1993 from \$42.7 million at December 31, 1992. This increase is the result of cash provided by operations exceeding the amount LabOne invested in capital asset additions and dividends paid. LabOne's cash and investments totaled \$43.9 million at December 31, 1993 and LabOne expects to fund working capital needs, capital additions, dividend payments and further treasury stock purchases, if any, from a combination of cash reserves, cash flow and short-term borrowings. LabOne had no short-term borrowings during 1993 and an unsecured \$1 million line of credit available for general corporate purposes with no debt restrictions.

During 1993, LabOne invested \$3.7 million in additional property, plant, and equipment while 1992's investment totaled \$3.1 million. Of the \$3.7 million spent in 1993, approximately \$2 million was for the diversification into the clinical testing market. Additional investments in property, plant and equipment in 1994 for general operating purposes and diversification into the clinical testing market are not expected to exceed the amount spent in 1993.

Response's working capital at December 31, 1993 was \$13 million with current assets of \$19.9 million and current liabilities of \$6.9 million. Cash and cash equivalents and short-term investments represent \$3.2 million of Response's current assets. As of December 31, 1993, Response has a \$5 million revolving bank line of credit secured by accounts receivable with \$2.4 million borrowed

under this line of credit at December 31, 1993.

On June 12, 1993, Response issued 2,117,887 shares of common stock pursuant to a rights offering to its shareholders of record on March 12, 1993. Each shareholder as of that date was issued a nontransferable right to purchase one share of common stock for every ten shares owned. The purchase price was \$2.75 per right, which was equal to 90% of the average closing price of the common stock for the ten trading days immediately prior to the record date. Seafield exercised 1,873,500 rights, its proportionate share. In addition, officers and directors of Response exercised approximately 108,000 rights. Net proceeds to Response amounted to \$5.8 million.

Response plans to develop approximately six new IMPACT centers per year. Management estimates that the opening of each new Center will require an initial capital investment ranging from \$200,000 to \$300,000 and working capital of \$400,000. The development of such new Centers is dependent upon several variables such as financing, identifying medical directors, and obtaining licenses.

No material commitment for capital expenditures existed as of December 31, 1993. Capital expenditures of \$1.5 million for the year ended December 31, 1993 were primarily associated with Response's opening of six new Centers and additional expenditures for existing Centers. Response is committed to future minimum lease payments under operating leases totaling \$4.5 million for administrative and operational facilities.

Insurance Services Trends

The following is LabOne's analysis of certain existing trends and changes in both the insurance industry and the insurance laboratory testing industry that have been identified as potentially affecting the future financial results of LabOne. Due to the potential for a rapid rate of change in any number of factors associated with the insurance laboratory testing industry, it is difficult to quantify with any degree of certainty LabOne's future volumes, sales or net earnings.

In the last several years, there has been a decline in the number of life insurance policies issued. Additionally, a few states have enacted legislation or regulations which have had the effect of reducing or eliminating the volume of laboratory tests requested by medical insurers in those states. It is likely that the trend will continue as more states enact legislation relating to healthcare and medical insurance. If these trends continue, management anticipates a decline in the total number of insurance applicants tested by LabOne in 1994 as compared to 1993.

The insurance laboratory testing industry continues to be increasingly competitive. Although the number of competitors has decreased, the degree of competition has not diminished. The primary focus of the competition has been on pricing and service. LabOne continues to maintain its market leadership by providing quality products and services at competitive prices. Management expects that prices will continue to decrease in 1994 due to competitive pressures.

Based upon the combined effect of declining volumes and decreasing prices, LabOne currently anticipates that revenues and net earnings related to insurance testing in 1994 may not exceed the level achieved in 1993.

In the 1992 10-K Annual Report, LabOne's management reported that the FDA was attempting to exert broader regulatory control over LabOne's business and all testing laboratories. The areas of increased control that could impact LabOne's business include: (1) whether FDA premarket approval may be required for LabOne's continued commercial distribution and use of a blood and urine specimen collection kit, (2) the FDA decision to require a premarket approval application by Epitepe, Inc. with respect to its OraSure (registered trademark) specimen collection kit for saliva-based HIV antibody testing, as to which device LabOne has a supply and distribution agreement with Epitepe, and (3) a draft FDA compliance policy guide stating that certain products routinely used by laboratories may require FDA approval or clearance. LabOne's management is not aware of any material developments in these areas affecting LabOne during 1993.

Healthcare Services Trends

It is generally anticipated that the healthcare industry will undergo significant reform in the coming years and it is difficult for Response to predict how it may be affected. There are several key factors which management believes may position Response to benefit from healthcare reform. First is Response's emphasis on cost reduction of advanced cancer treatments, primarily through a combination of the use of out-patient facilities and incorporation of the most recent technological advancements. Secondly, Response is emerging as a national healthcare provider focused on a uniform delivery of complex cancer technologies in the management of potentially curable cancers. Response's commitment to its clinical trials program provides an important mechanism to monitor treatment outcomes to improve future treatment regimens and to provide a means of objectively selecting patients most likely to benefit from such treatments. Finally, Response's growing national network of Centers will allow it to work in partnership with the insurance industry to manage these intensive and complex therapies in a cost-efficient manner.

Response intends to devote significant marketing efforts in 1994 to develop a new type of Center based within client hospitals. Response will provide turnkey assistance to the hospital, including protocols, data collection and analysis, employee training, reimbursement support and a nurse coordinator to manage the program. The hospital will bill insurers directly for patient services, with a per-patient management fee paid to Response. This arrangement will allow a hospital to gain greater utilization of its existing staff and facilities by offering high-dose chemotherapy treatments without incurring additional overhead. This type of Center requires nominal capital investment by Response.

New Accounting Standards

Seafield adopted Financial Accounting Standards Board Statement No. 106 - "Employer's Accounting for Postretirement Benefits Other Than Pensions" in 1993. The adoption of Statement No. 106 had no significant impact on Seafield's financial position or results of operations.

Seafield adopted Financial Accounting Standards Board Statement No. 115 - "Accounting for Certain Investments in Debt and Equity Securities" in 1993. The adoption of Statement No. 115 had no significant impact on Seafield's financial position or results of operations.

Seafield plans to adopt Financial Accounting Standards Board Statement No. 112 - "Employer's Accounting for Postemployment Benefits" in the first quarter of 1994. The adoption of Statement No. 112 is not expected to have any significant impact on Seafield's financial position or results of operations.

No other recently issued accounting standards presently exist which will require adoption in future periods.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See Item 14(a).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

Part III

ITEM 10. DIRECTORS OF THE REGISTRANT.

See Cross Reference Sheet, "Documents Incorporated by Reference."

ITEM 11. EXECUTIVE COMPENSATION.

See Cross Reference Sheet, "Documents Incorporated by Reference."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

See Cross Reference Sheet, "Documents Incorporated by Reference."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

See Cross Reference Sheet, "Documents Incorporated by Reference."

Cross Reference Sheet To Documents Incorporated By Reference PART III

Item 10. Directors and Executive Officers of the Company	Proxy Statement relating to Annual Meeting of Shareholders to be held May 11, 1994, under the caption "Election of Directors - Nominees and Directors whose terms expire in 1995 and 1996."
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Item 11. Executive Compensation	Proxy Statement relating to Annual Meeting of Shareholders to be held May 11, 1994, under
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the captions "Election of Directors."

- Item 12. Security Ownership of Certain Beneficial Owners and Management Proxy Statement relating to Annual Meeting of Shareholders to be held May 11, 1994, under the captions "Election of Directors - Security Ownership of Management and Security Ownership of Certain Beneficial Owners."
- Item 13. Certain Relationships and Related Transactions Proxy Statement relating to Annual Meeting of Shareholders to be held May 11, 1994, under the caption "Election of Directors - Certain Transactions."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) (1) Financial Statements

Independent Auditors' Report

Consolidated Balance Sheets - December 31, 1993 and 1992

Consolidated Statements of Earnings -
Years ended December 31, 1993, 1992 and 1991

Consolidated Statements of Stockholders' Equity -
Years ended December 31, 1993, 1992 and 1991

Consolidated Statements of Cash Flows -
Years ended December 31, 1993, 1992 and 1991

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules*

I. Marketable Securities - Years ended December 31, 1993 and 1992

VIII. Valuation and Qualifying Accounts and Reserves -
Years ended December 31, 1993, 1992 and 1991

IX. Short-term Borrowings -
Years ended December 31, 1993, 1992 and 1991

XI. Real Estate and Accumulated Depreciation - December 31, 1993

All other schedules are omitted because they are not applicable or the information is given in the financial statements or notes thereto.

* Portions of Registrant's Proxy Statement for use in connection with the Annual Meeting of Shareholders to be held on May 11, 1994 are incorporated by

reference into Part III of this report, if such Proxy Statement is filed with the Securities and Exchange Commission on or before April 30, 1994. If such Proxy Statement is not filed by such date, the information required to be presented in Part III will be filed as an amendment to this report.

(3) Exhibits required by Item 601 of Regulation S-K (see Index to Exhibits in paragraph (c) infra.)

(b) Reports on Form 8-K.
None.

(c) Index to Exhibits (Exhibits follow the Schedules);

3.1 Registrant's Articles of Incorporation, as amended (filed as Exhibit 3.1 to Amendment No. 1 to Registrant's Registration Statement on Form S-4, filed April 8, 1988 (File No. 33-20298) and incorporated herein by reference).

3.2 Amendment to Registrant's Articles of Incorporation, effective May 15, 1991, (filed as Exhibit 3(b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 0-16946) and incorporated herein by reference).

3.3 Registrant's Bylaws, as amended (filed as Exhibit 3(c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-16946) and incorporated herein by reference).

4.1 Form of Rights Agreement dated April 5, 1988, between Registrant and Morgan Shareholder Services Trust Company, as Rights Agent (filed as Exhibit 4.1 to Amendment No. 1 to Registrant's Registration Statement on Form S-4, filed April 8, 1988 (File No. 33-20298) and incorporated herein by reference).

4.2 Form of Certificate of Serial Designation of Series A Preferred Stock (filed as Exhibit 4.2 to Amendment No. 1 to Registrant's Registration Statement on Form S-4, filed April 8, 1988, (File No. 33-20298) and incorporated herein by reference).

4.3 Amendment No. 1 to the Rights Agreement, dated November 14, 1988, between Registrant and Morgan Shareholder Services Trust Company, as Rights Agent (filed as Exhibit 1 to the Registrant's current report on Form 8-K filed November 18, 1988 (File No. 0-16946) and incorporated herein by reference).

4.4 Amendment No. 2 to the Rights Agreement, dated May 15, 1991, between Registrant and First Chicago Trust Company of New York, as Rights Agent (filed as Exhibit 4(d) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 0-16946) and incorporated herein by reference).

4.5 Notice and Agreement Respecting Removal of Rights Agent and Appointment of Successor Rights Agent (filed as Exhibit 4(e) to

Registrant's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 0-16946) and incorporated herein by reference).

- 10.1 Registrant's 1984 Stock Option Incentive Plan, as amended (filed as Exhibit 10(b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990 (File No. 0-16946) and incorporated herein by reference). **
- 10.2 Amendment to Registrant's 1984 Stock Option Incentive Plan, effective August 17, 1992 (filed as Exhibit 10(b) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-16946) and incorporated herein by reference). **
- 10.3 Registrant's 1989 Stock Option and Incentive Plan (filed as Exhibit 28 to Registrant's Registration Statement on Form S-8 filed April 17, 1989 (File No. 33-28150) and incorporated herein by reference). **
- 10.4 Amendment to Registrant's 1989 Stock Option and Incentive Plan, effective February 20, 1991 (filed as Exhibit 10(d) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990 (File No. 0-16946) and incorporated herein by reference). **
- 10.5 Registrant's 1991 Non-Employee Directors' Stock Option Plan and form of Stock Option Agreement, effective May 15, 1991 (filed as Exhibit 10(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 0-16946) and incorporated herein by reference). ***
- 10.6 * Amendment No. 1 to Registrant's 1991 Non-Employee Directors' Stock Option Plan, dated November 10, 1993. ***
- 10.7 Registrant's Stock Purchase Plan, as amended (filed as Exhibit 10(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990 (File No. 0-16946) and incorporated herein by reference). ***
- 10.8 Amendment to Registrant's Stock Purchase Plan, effective May 15, 1991 (filed as Exhibit 10(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991 (File No. 0-16946) and incorporated herein by reference). ***
- 10.9 Amendment to Registrant's Stock Purchase Plan effective August 17, 1992 (filed as Exhibit 10(h) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-16946) and incorporated herein by reference). ***
- 10.10 Supplemental Retirement Agreement between the Registrant and P. Anthony Jacobs, President of Registrant (filed as Exhibit 10(i) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-16946) and incorporated herein by reference). **

- 10.11 Consulting Agreement, dated as of August 1, 1990, First Amendment to Consulting Agreement, dated as of January 1, 1992, and Second Amendment to Consulting Agreement, dated as of January 1, 1993, each between the Registrant and W.D. Grant, director of the Registrant (filed as Exhibit 10(j) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-16946) and incorporated herein by reference). ***
- 10.12 Form of Supplemental Retirement Agreement between the Registrant and senior executive officers (filed as Exhibit 10(k) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-16946) and incorporated herein by reference). **
- 10.13 Nonrecourse Promissory Note from William H. West, M.D., an executive officer of Registrant, to Registrant and related Stock Pledge Agreement, both dated July 21, 1992 (filed as Exhibit 10(l) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-16946) and incorporated herein by reference).
- 10.14 Form of Termination Compensation Agreement between the Registrant and senior executive officers (filed as Exhibit 10(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990 (File No. 0-16946) and incorporated herein by reference). **
- 10.15 Form of Indemnification Agreement between Registrant and its directors and executive officers (filed as Exhibit 10(i) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1989 (File No. 0-16946) and incorporated herein by reference).
- 10.16 Offer to Purchase shares of common stock of Registrant by Registrant, dated August 19, 1992 (filed as Exhibit (a)(1) to Registrant's Issuer Tender Offer Statement on Schedule 13E-4, filed August 19, 1992 (File No. 5-42600) and incorporated herein by reference).
- 10.17 * Services Agreement, dated January 1, 1993, among Registrant and LabOne, Inc., relating to services and other matters among the parties.
- 10.18 1985 Stock Option Plan of Response Technologies, Inc., as amended (filed as Exhibit 10(q) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-16946) and incorporated herein by reference). **
- 10.19 1990 Non-Qualified Stock Option Plan of Response Technologies, Inc. (filed as Exhibit 10(r) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-16946) and incorporated herein by reference). **

- 10.20 Employment Agreement between Response Technologies, Inc. and William H. West, M.D., dated January 1, 1992 (filed as Exhibit 10(s) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-16946) and incorporated herein by reference). **
- 10.21 * Long-Term Incentive Plan of LabOne, Inc., approved May 16, 1991 with amendments adopted May 21, 1993 and November 9, 1993. **
- 10.22 * Employment Agreement between LabOne, Inc. and Bert H. Hood, dated August 5, 1993 and amended November 9, 1993. **
- 10.23 * Employment Agreement between LabOne, Inc. and Kenneth A. Stelzer dated August 19, 1993 and amended November 12, 1993. **
- 10.24 Agreement, dated June 29, 1992, among Registrant, Generali-Assicurazioni Generali, S.p.A., Business Men's Assurance Company of America (BMA) and other parties relating to an assumption of pension liabilities, the sale by Registrant of BMA stock and the cancellation of a guarantee respecting certain of BMA's mortgage loans (filed as Exhibit 10(w) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-16946) and incorporated herein by reference).
- 13 Annual Report to Shareholders for the year ended December 31, 1993 - To be filed.
- 16.1 * Response Technologies, Inc. approval of KPMG Peat Marwick as Independent Auditors.
- 16.2 * Response Technologies, Inc. Form 8-K concerning a change of independent auditors, including comment letter from previous auditors, dated April 19, 1993.
- 16.3 * Independent Auditors' Report of Response Technologies, Inc. for the years ended 1992 and 1991.
- 21 Subsidiaries of Registrant (reference is made to Item 1 hereof).
- 23 * Consents of KPMG Peat Marwick with respect to Forms S-8.
- 99 Proxy Statement for Annual Shareholders meeting to be held May 11, 1994 - To be filed.

* These documents may be obtained by stockholders of Registrant upon written request to: Seafield Capital Corporation, P.O. Box 410949, Kansas City, Missouri 64141.

** Management Compensatory Plan

*** Non-Management Director Compensatory Plan

(d) Not Applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEAFIELD CAPITAL CORPORATION

By: /s/ W. Thomas Grant II

W. Thomas Grant II

Title: Chairman and Chief Executive
Officer and Director

Date: March 18, 1994

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons who serve Registrant in the capacities and on the dates indicated.

By: /s/ P. Anthony Jacobs

P. Anthony Jacobs

Title: President and Chief
Operating Officer
and Director

Date: March 18, 1994

By: /s James R. Seward

James R. Seward

Title: Executive Vice President,
Chief Financial Officer
and Director

Date: March 18, 1994

By: /s/ Steven K. Fitzwater

Steven K. Fitzwater

Title: Vice President, Chief
Accounting Officer and
Secretary

Date: March 18, 1994

/s/ W. D. Grant

W. D. Grant

Title: Director

Date: March 18, 1994

By: /s/ John H. Robinson, Jr.

John H. Robinson, Jr.

Title: Director

Date: March 18, 1994

By: /s/ David Kemper

David Kemper

Title: Director

Date: March 18, 1994

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders

Seafield Capital Corporation:

We have audited the consolidated financial statements of Seafield Capital Corporation and subsidiaries as listed in Item 14(a)(1). In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in Item 14(a)(2). These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits. We did not audit the financial statements of Response Technologies, Inc., a 59% owned subsidiary, which statements reflect total assets constituting 6% of consolidated assets in 1992 and total revenues constituting 25% and 3% of consolidated revenues in 1992 and 1991, respectively.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Seafield Capital Corporation and subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 1993, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 9 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" in 1992.

KPMG Peat Marwick

Kansas City, Missouri
February 4, 1994

SEAFIELD CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31,

1993

1992

(in thousands)

ASSETS

Current assets:		
Cash and cash equivalents	\$ 15,491	2,246
Short-term investments	80,069	64,054
Accounts and notes receivable	32,296	36,177
Current income tax receivable	1,325	2,773
Deferred income tax assets	1,621	680
Other current assets	8,924	5,482
Current assets of discontinued real estate operations - net	336	2,243
	-----	-----
Total current assets	140,062	113,655
Securities and indebtedness of affiliates	310	2,320
Property, plant and equipment	27,767	30,825
Investments:		
Securities	8,274	22,513
Notes receivable	1,394	1,291
Oil and gas	8,381	14,913
Intangible assets	33,178	32,020
Other assets	2,667	92
Non-current assets of discontinued real estate operations - net	52,260	62,885
	-----	-----
	\$ 274,293	280,514
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 6,746	5,469
Notes payable	4,571	11,927
Other current liabilities	9,552	6,860
	-----	-----
Total current liabilities	20,869	24,256
Notes payable	18	1,013
Deferred income tax liabilities	723	6,414
Other liabilities	4,197	3,082
	-----	-----
Total liabilities	25,807	34,765
	-----	-----
Minority interests	22,816	17,743
	-----	-----
Stockholders' equity:		
Preferred stock of \$1 par value.		
Authorized 3,000,000 shares; none issued	--	--
Common stock of \$1 par value.		
Authorized 24,000,000 shares; issued		
7,500,000 shares (1992-8,804,420)	7,500	8,804
Paid-in capital	1,007	644
Equity adjustment from foreign currency translation	(350)	(438)
Retained earnings	235,583	275,944
	-----	-----

	243,740	284,954
Less cost of 766,755 shares of treasury stock (1992-2,098,255)	18,070	56,948
Total stockholders' equity	225,670	228,006
Commitments and contingencies		
	\$ 274,293	280,514

See accompanying notes to consolidated financial statements.

SEAFIELD CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

Year ended December 31,	1993	1992	1991
	(in thousands except per share amounts)		
REVENUES			
Insurance services	\$ 74,803	80,034	80,110
Healthcare services	40,882	27,870	2,655
Other	14,182	3,428	2,475
Total revenues	129,867	111,332	85,240
COSTS AND EXPENSES			
Insurance services	33,728	38,422	40,359
Healthcare services	37,203	23,902	2,497
Other	14,882	3,766	3,976
Selling, general and administrative	36,923	36,252	31,247
Earnings from operations	7,131	8,990	7,161
Investment income - net	10,197	3,358	12,765
Other income (expense)	(2,242)	360	1,753
Equity in losses of affiliates	(146)	(168)	(1,572)
Earnings before income taxes	14,940	12,540	20,107
Taxes on income (benefits):			
Current	9,373	6,708	8,472
Deferred	(2,382)	(1,217)	946
Total	6,991	5,491	9,418
Earnings before minority interests	7,949	7,049	10,689
Minority interests	2,331	2,881	2,780
Earnings from continuing operations	5,618	4,168	7,909
Loss from discontinued real			

estate operations	--	(7,214)	(2,464)
Gain on disposal of discontinued insurance operations	--	4,265	--
Cumulative effect to January 1, 1992 of change in method of accounting for income taxes	--	3,352	--
		-----	-----
NET EARNINGS	\$	5,618	4,571
		=====	=====
			5,445

Per share of common stock:

Earnings from continuing operations	\$	.82	.55	.94
Loss from discontinued real estate operations	--	(.95)	(.29)	
Gain on disposal of discontinued insurance operations	--	.56	--	
Cumulative effect of accounting change	--	.44	--	
		-----	-----	-----
NET EARNINGS	\$	.82	.60	.65
		=====	=====	=====

See accompanying notes to consolidated financial statements.

SEAFIELD CAPITAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

Year ended December 31,	1993	1992	1991
	(in thousands)		
Common stock:			
Balance, beginning of year	\$ 8,804	9,872	9,872
Retirement of stock	(1,304)	(1,068)	--
	-----	-----	-----
Balance, end of year	7,500	8,804	9,872
Paid-in capital:			
Balance, beginning of year	644	438	438
Exercise of stock options	363	206	--
	-----	-----	-----
Balance, end of year	1,007	644	438
Foreign currency translation:			
Balance, beginning of year	(438)	172	213
Net change during year	88	(610)	(41)
	-----	-----	-----
Balance, end of year	(350)	(438)	172
Retained earnings:			
Balance, beginning of year	275,944	314,407	319,080
Net earnings	5,618	4,571	5,445
Dividends declared*	(8,059)	(8,965)	(10,118)

Retirement of stock	(37,920)	(34,069)	--
Balance, end of year	235,583	275,944	314,407
Less treasury stock:			
Balance, beginning of year	56,948	57,406	29,186
Shares purchased (1993-80,537; 1992-1,235,925; 1991-1,181,696)	2,998	40,460	28,220
Shares issued (1993-107,617; 1992-214,240)	(2,652)	(5,781)	--
Shares retired (1993-1,304,420; 1992-1,068,062)	(39,224)	(35,137)	--
Balance, end of year	18,070	56,948	57,406
STOCKHOLDERS' EQUITY	\$ 225,670	228,006	267,483

*Dividends per share amounted to \$1.20 in 1993, 1992 and 1991.

See accompanying notes to consolidated financial statements.

SEAFIELD CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,	1993	1992	1991
	(in thousands)		
OPERATING ACTIVITIES			
Earnings from continuing operations	\$ 5,618	4,168	7,909
Adjustments to reconcile earnings from continuing operations to net cash provided by continuing operations:			
Depreciation and amortization	19,621	18,325	15,644
Equity in losses of affiliates	146	168	1,572
Earnings applicable to minority interests	2,331	2,881	2,780
Change in accounts receivable	(7,912)	(2,699)	(1,296)
Change in accounts payable	1,250	1,066	(409)
Income taxes	(1,681)	(2,901)	1,912
Other, net	(424)	1,894	(5,592)
Net cash provided by continuing operations	18,949	22,902	22,520
INVESTING ACTIVITIES			
Purchases of investments	(17,604)	(13,799)	(24,606)
Sales or maturities of investments	20,599	13,216	2,072
Proceeds of securitization	19,000	--	--
Additions to property, plant and equipment, net	(5,689)	(6,959)	(2,915)
Oil and gas investments	(55)	(2,007)	(3,470)

Short-term investments	(11,025)	(3,737)	39,251
Purchase of stock in consolidated subsidiaries	(2,365)	(3,350)	(9,192)
Investments in affiliates	89	(400)	(2,750)
Net cash provided from discontinued real estate operations	10,520	22,029	6,793
Net proceeds from discontinued insurance operations	--	12,800	--
Other, net	(731)	(1,751)	(107)
	-----	-----	-----
Net cash provided by investing activities	12,739	16,042	5,076
	-----	-----	-----
FINANCING ACTIVITIES			
Borrowings (payments) under line of credit agreements, net	(6,891)	5,615	743
Proceeds from long-term debt	168	--	2,877
Payment of principal on long-term debt	(3,843)	(2,262)	(68)
Dividends paid	(8,059)	(8,965)	(10,118)
Purchase of treasury stock/tender offer	--	(35,137)	(28,220)
Issuance of common stock	17	664	--
	-----	-----	-----
Net cash used by financing activities	(18,608)	(40,085)	(34,786)
	-----	-----	-----
Effect of foreign currency translation	165	(570)	(18)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	13,245	(1,711)	(7,208)
Cash and cash equivalents at beginning of year	2,246	3,957	11,165
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 15,491	2,246	3,957
	=====	=====	=====
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 539	685	652
	=====	=====	=====
Income taxes, net	\$ 5,726	6,274	8,238
	=====	=====	=====

SEAFIELD CAPITAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 1993, 1992 and 1991

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Seafield Capital Corporation (Seafield or the Company) and all majority-owned subsidiaries and joint ventures. Investments with ownerships of 20% to 50% are accounted for by the equity method. These equity investments are included in the Consolidated Balance Sheets under the asset caption "Securities and

indebtedness of affiliates," and the equity in losses is included in the Consolidated Statements of Earnings under the caption "Equity in losses of affiliates."

Two publicly traded subsidiaries are included in the consolidated financial statements of Seafield. LabOne, Inc. (LabOne) was formerly Home Office Reference Laboratory, Inc. and is 82% owned. Response Technologies, Inc. (Response) is 59% owned. The financial results of Response have been consolidated in Seafield's financial statements since November 1, 1991.

All significant intercompany transactions have been eliminated in consolidation. Certain 1992 and 1991 amounts have been reclassified for comparative purposes with no effect on net earnings.

In 1992, Seafield's board of directors approved a plan for the discontinuance of real estate operations. See note 13 for additional information on discontinued real estate operations.

In 1992, Seafield finalized the sale of the remaining 5% interest in its former insurance subsidiary and received \$12.8 million in cash. This resulted in an additional after-tax gain of \$4.3 million. Insurance operations have been presented separately as discontinued operations in the consolidated financial statements. See Note 13 for additional information on discontinued insurance operations.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits in banks and overnight investments that are stated at cost which approximates market value.

INVESTMENT SECURITIES

Investment securities are carried at approximate market value in 1993 and the lower of cost or market value in 1992. Investment securities consist of certificates of deposit, equity securities, debt securities and debt obligations of the U. S. government and state and political subdivisions. Short-term investments are securities with maturities of less than one year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost with depreciation provided over its useful life. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are included in the determination of net earnings. See Note 4 for additional information on depreciation.

OIL AND GAS INVESTMENTS

The Company's oil and gas investments are accounted for using the full cost method. All costs incurred in acquisition and development are capitalized. Depletion is computed on the units of production method based on all proved reserves. All general operating costs are expensed as incurred.

INTANGIBLE ASSETS

Goodwill, patents, antibodies, antigens and nicotine screening processes are recorded as intangible assets at their acquisition cost. These assets are amortized on a straight-line basis over their estimated remaining lives, except for patents which are amortized over 184 months at date of acquisition.

ACQUISITIONS

In December 1992, the Company acquired 51% of a radiopharmaceutical company. The balance sheet of this subsidiary was included in the Company's Consolidated Balance Sheets at December 31, 1992. On January 1, 1993, the Company increased its ownership of a property tax consulting subsidiary from 50% to 79%. Prior to 1993, this subsidiary was accounted for by the equity method. The proforma consolidated revenues, including these two subsidiaries, would have been \$122 million for 1992 and \$97 million for 1991. The results of operations for these subsidiaries are not material in relation to the Company's consolidated financial statements and additional proforma financial information has therefore not been presented.

FEDERAL INCOME TAXES

Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" required a change from the deferred method of accounting for income taxes of APB Opinion 11 to the asset and liability method of accounting for income taxes. Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates was recognized in income in the period that includes the enactment date.

Effective January 1, 1992, the Company adopted Statement 109 and recognized the cumulative effect of the change in accounting method of \$3.4 million as income in the Consolidated Statements of Earnings.

RECENTLY ISSUED ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 106 "Accounting for Postretirement Benefits Other Than Pensions" was implemented in 1993. The adoption of this standard had no significant impact on the Company's financial position or results of operations.

Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" is required to be implemented for the year ending December 31, 1994. Earlier implementation is permitted as of the end of a fiscal year for which annual financial statements had not previously been issued. Therefore, the Company implemented this accounting standard as of December 31, 1993 with no significant impact on the Company's financial position

or results of operations.

Statement of Financial Accounting Standards No. 112 "Employer's Accounting for Postemployment Benefits" is required to be implemented in the first quarter of 1994. This standard is not expected to have any significant impact on the Company's financial position or results of operations.

EARNINGS PER SHARE

Earnings per share of common stock are based on the weighted average number of shares of common stock outstanding and the common share equivalents of dilutive stock options: 1993 - 6,847,559, 1992 - 7,589,043 and 1991 - 8,429,565.

NOTE 2 - BENEFIT PLANS

Effective January 1, 1991, Seafield and certain subsidiaries established a savings plan qualifying under Section 401(k) of the Internal Revenue Code and a money purchase pension plan. All full-time employees who have worked 500 hours within the first six months of employment are eligible to participate in the plans. After the first 12-month period, eligibility is measured on a plan-year basis.

Participants in the 401(k) plan may contribute 2% to 10% of annual compensation. Seafield and the participating subsidiaries contribute for each participant an amount equal to 50% of the participant's contribution. A participant is immediately fully vested with respect to the participant's contributions. A participant is 100% vested with respect to the companies' contributions after five years of service. Both the participants' and the companies' contributions are invested by the trustees of the plan at the direction of the participants in any one or more of six investment funds, one of which is a Seafield Stock Fund. The matching contributions made by Seafield and the participating subsidiaries amounted to \$87,000 for 1993, \$71,000 for 1992 and \$65,000 for 1991.

The money purchase pension plan is a defined contribution plan under which Seafield and the participating subsidiaries contribute a percentage of a participant's annual compensation. The companies contribute an amount equal to 7% of base compensation up to the maximum social security wage base (\$57,600 in 1993, \$55,500 in 1992 and \$53,400 in 1991) and 12.7% of earnings in excess of this amount up to an annual limit (\$235,840 in 1993, \$228,860 in 1992 and \$222,220 in 1991). Participants become 100% vested after five years of service, normal retirement at age 65, or in the event of disability or death while employed by the companies. Contributions to this plan by Seafield and the participating subsidiaries were \$190,000 for 1993, \$139,000 for 1992 and \$105,000 for 1991.

Seafield has a stock purchase plan which is open to all non-employee directors of the Company and employees of the Company and participating subsidiaries who are designated by the chairman of the board. The directors may contribute an amount equal to all or part of their directors compensation. The designated employees may contribute the lesser of 10% of their salary or \$30,000. The Company matches each participant's contribution at a rate of 50%. Seafield

common stock is purchased on the open market each month and each participant receives as many shares as the participant's contribution, plus the Company's matching contribution, will purchase. No employees are presently designated to participate. The matching contributions made by Seafield amounted to \$44,000, \$51,000 and \$55,000 for the years ended December 31, 1993, 1992 and 1991, respectively.

LabOne, Response and certain other subsidiaries maintain profit sharing plans qualifying under Section 401(k) of the Internal Revenue Code. LabOne also has a defined contribution plan. These subsidiaries contributed \$1,702,000, \$1,444,000 and \$1,030,000 to the plans for the years ended December 31, 1993, 1992 and 1991, respectively.

NOTE 3 - COMMITMENTS AND CONTINGENCIES

Seafield received a notice during 1992 of proposed adjustments from the Internal Revenue Service (IRS) with respect to 1986-87 federal income taxes. The amount of additional taxes proposed by the IRS was approximately \$17 million. Seafield filed a protest of the adjustments in 1992. The IRS has not yet responded to this protest. Seafield has also informally received proposed adjustments for 1988-1989 from the IRS. The amount of additional taxes proposed for these years is approximately \$6 million. Seafield filed a carryback claim for 1990 taxable losses with the IRS. These losses were carried back to 1987, and the tax refund generated by this carryback is approximately \$7.6 million. The refund, however, will not be acted on by the IRS until the IRS completes its review of the 1990 federal income taxes. This review began in late 1993, and will likely not be completed until 1995. Seafield believes it has meritorious defenses to many of the issues raised by the IRS and adequate accruals for income tax liabilities.

A lawsuit was initiated in 1986 by Seafield's former insurance subsidiary against an architectural and engineering firm and a construction firm to recover costs incurred to remove and replace the facade on the former home office building. Because the costs had been incurred prior to any discussions regarding a sale of the insurance company, Seafield negotiated with the buyer for an assignment of the cause of action from the insurance company. Thus, any recovery will be for the benefit of Seafield and all costs incurred in connection with the litigation will be paid by Seafield. Any ultimate recovery will be recognized as income when received and would be subject to income taxes. In September 1993, the Missouri Court of Appeals reversed a \$5.7 million judgement granted in 1992 in favor of Seafield. Trial counsel was authorized to seek a rehearing by the Court of Appeals, and failing that, a review by the Missouri Supreme Court. The Court of Appeals notified counsel in November 1993 that it would rehear the case without oral arguments or further briefs.

In 1990, the former insurance subsidiary was joined in an existing lawsuit by the Federal Deposit Insurance Corporation (FDIC) as successor to Sunbelt Service Corporation. The FDIC alleged that the insurance subsidiary was obligated under a repurchase agreement in the approximate amount of \$6 million. At a mediation proceeding in January 1994, the FDIC agreed to dismiss its claims against Seafield with prejudice.

In 1988, a lawsuit was initiated against the former insurance subsidiary by its former partners in the Quail Run real estate project in Santa Fe, New Mexico. The plaintiffs seek approximately \$11 million in actual damages and unspecified punitive damages based upon alleged breaches of contract and fiduciary duty and economic compulsion, all arising out of the purchase of the plaintiffs' interest in the project. In November 1993, the Appeals Court overturned a partial summary judgement granted in favor of Seafield in 1992. Thus, all issues in the case will be presented at trial which has been set for July 1994.

Because the Quail Run project was retained by Seafield in connection with the sale of its former insurance subsidiary, Seafield is defending the lawsuit under an indemnification arrangement with the purchaser of the former subsidiary; all costs incurred and any judgements rendered in favor of the plaintiff in connection with this litigation will be for the account of Seafield.

In the opinion of management, after consultation with legal counsel and based upon current available information, none of these lawsuits is expected to have a significant impact on the consolidated financial statements of Seafield.

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT AND ACCOUNTS AND NOTES RECEIVABLE

A summary of property, plant and equipment is as follows:

	Rate of Depreciation	December 31, 1993 1992	

(In thousands)			
Property, plant and equipment	5% - 33%	\$ 65,083	61,168
Less accumulated depreciation		37,316	30,343
		-----	-----
		\$ 27,767	30,825
=====			

A summary of accounts and notes receivable is as follows:

	December 31, 1993 1992	

(In thousands)		
Accounts receivable	\$ 36,694	37,163
Notes receivable	1,585	2,690
Allowance for doubtful accounts	(4,589)	(2,385)

		33,690
Less current portion	32,296	37,468

		\$ 1,394
		1,291
=====		

Interest rates on notes receivable were 5% to 9% in 1993 and 1992. Seafield

has made a loan in the amount of \$500,000 to an officer of Response. The note, with an interest rate of 6.74%, is due in 1996.

NOTE 5 - SECURITIZATION OF RECEIVABLES

In July 1993, a 95% owned subsidiary of Seafield entered into an extendable two-year agreement whereby it can sell undivided interests in a designated pool of accounts receivable on an ongoing basis. The maximum allowable amount of receivables to be sold is \$22 million, subject to voluntary reduction by the purchaser to a minimum of \$12 million. As collections reduce accounts receivable in the pool, the purchaser permits the subsidiary to apply such collections to additional purchases up to the maximum. As of December 31, 1993, the subsidiary had securitized receivables of \$19 million. The net cash proceeds are reported as an investing activity in the accompanying Consolidated Statements of Cash Flows. The securitized receivables are reflected as a reduction of accounts receivable in the accompanying Consolidated Balance Sheets. The proceeds from the initial sale of receivable interests were used to retire bank debt and subordinated debts to Seafield and the subsidiary's chief executive officer.

The subsidiary did not record a gain or loss on the sales as the costs of receivables sold approximated the proceeds. At December 31, 1993, receivables of \$2.3 million are subordinated to undivided interests sold in the event of defaults or delinquencies with respect to the underlying receivables. A default reserve is required for the greater of 12% of the accounts receivable sold or an amount set forth by a formula based on preceding months' default ratios. The subsidiary continues to service the securitized receivables for which it receives a servicing fee.

NOTE 6 - SEGMENT DATA

The following table shows segment information from continuing operations:

Year ended December 31,	1993	1992	1991

(In thousands)			
REVENUES:			
Insurance services	\$ 74,803	80,034	80,110
Healthcare services	40,882	27,870	2,655
Other	14,182	3,428	2,475

Total revenues	\$ 129,867	111,332	85,240
=====			
OPERATING EARNINGS:			
Insurance services	\$ 15,441	17,844	15,909
Healthcare services	158	255	(131)
Other	(3,145)	(1,505)	(1,988)
Investment and miscellaneous income	8,616	1,971	13,690
Equity in losses of affiliates	(146)	(168)	(1,572)

Corporate expense	(5,738)	(5,643)	(5,463)
Interest expense	(246)	(214)	(338)

Earnings before income taxes and minority interests	14,940	12,540	20,107
Income taxes	(6,991)	(5,491)	(9,418)
Minority interests	(2,331)	(2,881)	(2,780)

Earnings from continuing operations	\$ 5,618	4,168	7,909
=====			

IDENTIFIABLE ASSETS:

Insurance services	\$ 101,945	114,591	106,673
Healthcare services	41,067	28,418	21,567
Net assets of discontinued operations	52,596	65,128	102,657
Other	78,685	72,377	86,192

Total identifiable assets	\$ 274,293	280,514	317,089
=====			

Operating earnings are revenues less expenses other than corporate and interest expense, net of intersegment transactions. Depreciation and amortization amounts for 1993, 1992 and 1991 were \$16,474,000, \$15,484,000 and \$13,863,000 respectively. Goodwill amortization for 1993, 1992 and 1991 was \$3,147,000, \$2,841,000 and \$1,781,000, respectively. In January 1994, approximately \$13 million of the \$78.7 million other identifiable assets was used to purchase 382,350 shares of Seafield common stock from an institutional shareholder in a single transaction.

Capital expenditures, depreciation and amortization expense for the significant segments are as follows:

	1993	1992	1991

Insurance services:			
Capital expenditures	\$ 1,877	3,243	2,749
=====			
Depreciation and amortization	\$ 9,255	9,899	9,378
=====			
Healthcare services:			
Capital expenditures	\$ 3,606	2,477	636
=====			
Depreciation and amortization	\$ 2,014	1,118	85
=====			

NOTE 7 - INCENTIVE STOCK OPTION PLAN

Seafield has three Stock Option Plans which provide for Qualified and Nonqualified Stock Options, Stock Appreciation Rights (SAR's) and restricted stock awards to key employees and directors. The plans entitle the grantee to purchase shares at prices ranging from 75% to 110% of the fair market value at date of grant during terms up to ten years. SAR's may be issued in tandem with

stock options and entitle the holder to elect to receive the appreciated value in cash. Restricted stock awards are rights to receive or retain shares in payment of compensation earned or to be earned. During 1993, restricted stock awards of 5,701 shares became vested and were issued. Restricted stock awards totaled 102,602 shares at December 31, 1993. The following presents a summary of stock options activity for the three years ended December 31, 1993:

	Number of Shares	Option Price

Outstanding December 31, 1990	834,050	\$ 23.250 - 43.250
Granted	278,500	21.500 - 23.500
Terminated or forfeited	27,597	21.500 - 31.000

Outstanding December 31, 1991	1,084,953	21.500 - 43.250
Granted	4,500	29.000 - 29.000
Exercised	324,240	21.500 - 31.000
Terminated or forfeited	11,500	21.500 - 31.000

Outstanding December 31, 1992	753,713	21.500 - 43.250
Granted	33,500	32.000 - 34.875
Exercised	107,617	21.500 - 31.000
Terminated or forfeited	46,335	21.500 - 43.250

Outstanding December 31, 1993	633,261	21.500 - 34.875
	=====	

Options for 477,155 shares were exercisable at December 31, 1993 and 143,335 shares were available to be awarded. The difference between the per share exercise price and the average cost per share of the treasury stock issued for stock options exercised increased paid-in capital by \$363,000 in 1993 and \$206,000 in 1992. Additionally, Seafield maintains a Stock Purchase Plan under which each participant's contribution is matched at a rate of 50%. Seafield common stock is purchased on the open market each month. Of the 100,000 shares registered under this plan, 72,794 shares were eligible for issuance at December 31, 1993.

NOTE 8 - LEASE COMMITMENTS

Seafield and subsidiaries lease office space, equipment, land and buildings under various, noncancelable leases expiring through 1999. Rental expense for these leases during 1993, 1992 and 1991 amounted to \$3,063,000, \$1,948,000 and \$1,634,000, respectively.

Future minimum lease payments under these agreements as of December 31, 1993:

Year	Amount

1994	\$ 3,160,000
1995	2,632,000

1996	2,119,000
1997	1,513,000
1998	902,000
Thereafter	876,000

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and Cash Equivalents, Short-term Investments, Accounts Receivable and Accounts Payable:

The carrying amount approximates fair value because of the short maturity of these instruments.

Investment Securities:

The fair values of some investments are estimated based on quoted market prices for these or similar investments. It was not practicable to estimate the fair value of an investment representing 8% of the issued preferred stock of an untraded company.

Notes Receivable and Notes Payable:

The fair values of notes receivable and notes payable were calculated by discounting scheduled cash flows using estimated market discount rates.

The estimated fair values of the Company's financial instruments are summarized as follows:

December 31,	1993		1992	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value

	(In thousands)			
Cash and cash equivalents	15,491	15,491	2,246	2,246
Short-term investments	80,069	80,069	64,054	64,054
Accounts receivable	32,155	32,155	34,800	34,800
Notes receivable	1,535	1,690	2,668	2,717
Investment securities				
Practicable to estimate				
fair value	7,259	10,634	21,498	31,043
Not practicable to estimate				
fair value	1,015	--	1,015	--
Accounts payable				
and other liabilities	20,495	20,060	15,411	14,893
Notes payable	4,589	4,589	12,940	13,051

Seafield has investments in two majority-owned entities that are publicly traded. At December 31, 1993, based on the market prices of publicly traded shares of these two subsidiaries, pretax unrealized gains of approximately \$140 million (\$20.78 per share) on these investments were not reflected in either Seafield's book value or stockholders' equity.

NOTE 10 - INCOME TAXES

Seafield and those subsidiaries which are eligible, file a consolidated U.S. federal income tax return. Prior to consolidation in Seafield's federal income tax return, various subsidiaries generated taxable losses of approximately \$6.5 million. These net operating loss carryforwards could only be utilized against future taxable income of the corporation which generated the loss. However, in 1992, \$4.1 million of these losses were reattributed to Seafield upon the disposition of the stock of the former employee benefits consulting services subsidiary. In 1993, Seafield utilized approximately \$1.6 million of these reattributed losses, thereby reducing income tax expense by \$534,000. The remainder of these net operating loss carryforwards will begin to expire in the year 2004.

During 1993 and 1992, Response utilized approximately \$1,374,000 and \$1,156,000 of available federal net operating loss carryforwards resulting in a tax benefit of \$522,000 and \$439,000, respectively. Response is not included in Seafield's consolidated federal income tax return. Response has remaining federal net operating loss carryforwards of approximately \$5.7 million which are limited by the Internal Revenue Code and are available to offset only \$475,000 of taxable income per year. These limited federal net operating losses are available annually until 2005. Response also has approximately \$885,000 of federal net operating loss carryforwards which are not limited as to their utilization. These begin to expire in 2005.

The components of the provision (benefit) for income taxes on income from continuing operations are as follows:

Year ended December 31,	Liability Method		Deferred Method
	1993	1992	1991

(In thousands)			
Current:			
Federal	\$ 6,638	4,388	6,469
State	1,424	1,350	1,164
Foreign	1,311	970	839
	-----	-----	-----
	9,373	6,708	8,472
	-----	-----	-----
Deferred:			
Federal	(1,867)	(944)	1,022
State	(426)	(180)	41
Foreign	(89)	(93)	(117)
	-----	-----	-----
	(2,382)	(1,217)	946
	-----	-----	-----
	\$ 6,991	5,491	9,418
	=====	=====	=====

Earnings before income taxes:			
Domestic	\$ 12,281	10,410	18,575
Foreign	2,659	2,130	1,532
	-----	-----	-----
	\$ 14,940	12,540	20,107
	=====	=====	=====

Deferred income taxes (benefits) under the liability method result from temporary differences between the bases of financial statement assets and liabilities and tax assets and liabilities. Under the deferred method, deferred income taxes (benefits) result from differences in the timing of recognition of income and expense for tax and financial statement purposes.

The components of the provision for deferred income taxes as provided under the deferred method for the year ended December 31, 1991 are as follows:

Year ended December 31,		Deferred Method 1991
-----	-----	-----
Undistributed earnings of investments not consolidated for tax	\$ 1,407	
Excess book depreciation	(435)	
Excess book oil and gas expenses	(203)	
Expenses deducted for tax	233	
Other, net	(56)	
	-----	-----
	\$ 946	
	=====	=====

The reconciliation of income tax attributable to continuing operations computed at federal statutory tax rates to income tax expense is:

		Liability Method	Deferred Method
		-----	-----
Year ended December 31,		1993	1992
			1991
-----		-----	-----
		(In thousands)	
Computed expected tax expense	\$ 5,079	4,264	6,836
State income taxes, net of federal benefit	806	772	758
Goodwill amortization	1,070	987	658
Tax exempt interest and dividends	(201)	(503)	(362)
Tax benefits not available for subsidiary losses	156	282	1,156
Other, net	530	(262)	171
Utilization of federal net operating loss	(768)	(201)	--
Foreign tax in excess of U.S. rate	319	152	201
	-----	-----	-----
Actual income tax expense	\$ 6,991	5,491	9,418

Effective rate 47% 44% 47%

Effective January 1, 1992, Seafield adopted FASB Statement No. 109, "Accounting For Income Taxes" (see also, Note 1 - "Federal Income Taxes"). This Statement requires the use of the liability method of accounting for income taxes. The cumulative effect of adopting FASB Statement No. 109 as of January 1, 1992 was to increase net earnings by \$3.4 million. Prior years' consolidated financial statements were not restated.

The significant components of deferred income tax assets and liabilities as of December 31, 1993 and 1992 are as follows:

Year ended December 31,	Liability Method			
	Current 1993	Non-current 1993	Current 1992	Non-current 1992
(In thousands)				
Deferred income tax assets:				
Valuation allowance on stock investments	\$ 255	19	--	531
Allowance on accounts receivable	994	--	715	--
Excess book expense accruals	629	326	402	185
Excess book accrued legal fees	572	27	--	--
Excess book amortization and depreciation	--	682	--	125
Excess book partnership expenses	57	259	109	366
Excess book oil and gas expenses	--	561	--	236
Alternative minimum tax credit	--	127	--	--
Other	19	350	--	100
Federal net operating loss carryforwards	--	3,868	--	5,284
State net operating loss carryforwards	80	1,062	70	463
Gross deferred income tax assets	2,606	7,281	1,296	7,290
Valuation allowance for deferred income tax assets	(802)	(5,058)	(616)	(5,714)
Net deferred income tax assets	1,804	2,223	680	1,576
Deferred income tax liabilities:				
Excess tax depreciation	--	(733)	--	(922)
Excess tax oil and gas expenses	--	(351)	--	(1,509)
Excess tax partnership expenses	--	(296)	--	(622)
Other, net	(183)	(1,566)	--	(4,937)

Total deferred income tax liabilities	(183)	(2,946)	--	(7,990)

Net deferred income tax assets (liabilities)	\$ 1,621	(723)	680	(6,414)
=====				

The valuation allowance as of January 1, 1992 was approximately \$7,255,000. The valuation allowance decreased by approximately \$470,000 and \$925,000 in 1993 and 1992, respectively.

NOTE 11 - INTANGIBLE ASSETS

The cost and accumulated amortization of intangible assets are as follows:

December 31,	1993	1992

	(In thousands)	
Goodwill - excess of cost over fair value of net assets acquired	\$ 43,191	37,698
Less accumulated amortization	13,034	9,886
	-----	-----
	30,157	27,812
	-----	-----
Laboratory patent, antibodies, antigens, and nicotine screens	11,845	11,845
Less accumulated amortization	9,541	8,416
	-----	-----
	2,304	3,429
	-----	-----
Other intangible assets	2,328	1,738
Less accumulated amortization	1,611	959
	-----	-----
	717	779
	-----	-----
Intangible assets, net of accumulated amortization	\$ 33,178	32,020
	=====	=====

Any excess of the cost over the fair value of the net assets purchased is being amortized on a straight line basis over 5 to 20 years. The laboratory patent process is being amortized over 184 months from date of acquisition while antibodies, antigens, and nicotine screens are being amortized over their estimated remaining useful lives.

NOTE 12 - NOTES PAYABLE

Notes payable are as follows:

December 31,

1993

1992

	Maturities Due Within One Year	Maturities Due After One Year	Maturities Due Within One Year	Maturities Due After One Year
(In thousands)				
Prime + 1% line of credit, secured by accounts receivable of \$14,680,000	\$ 2,420	--	970	--
Prime line of credit, secured by accounts receivable of \$2,061,000	2,030	--	--	--
Prime + 1% term loans	--	--	1,486	550
Prime revolving credit note	--	--	8,340	--
Prime + 3/4% term loans	--	--	1,018	454
Other	121	18	113	9
	\$ 4,571	18	11,927	1,013

Maturities of notes and mortgages payable at December 31, 1993, aggregate \$4,571,000 in 1994 and \$18,000 thereafter. Line of credit agreements totaled \$11 million at December 31, 1993. Available borrowings under these agreements amounted to \$4,450,000. Affiliates' debt at December 31, 1993 totaled \$1,042,000, of which \$475,000 was nonrecourse and \$567,000 arose under lines of credit. Seafield's prorata share of affiliates' debt was \$17,000 of nonrecourse debt and \$19,000 under lines of credit. The Consolidated Statements of Earnings include interest expense totaling \$527,000, \$587,000, and \$625,000 in 1993, 1992 and 1991, respectively.

NOTE 13 - DISCONTINUED OPERATIONS

Operations of Discontinued Real Estate Segment

In 1992, Seafield's board of directors approved a plan to discontinue real estate operations. The remaining real estate assets will be sold as soon as practicable. As a result of the decision to discontinue real estate, a \$6 million after-tax loss provision for estimated write-downs and costs through final disposition was included in the discontinued real estate's 1992 loss. The consolidated financial statements and notes thereto have been restated to reflect real estate as discontinued operations.

A summary of discontinued real estate operations follows:

Year ended December 31,	1993	1992	1991
(In thousands)			
Revenues	\$ 18,320	34,768	19,093

Loss	\$	--	(10,808)	(3,765)
Income tax benefits		--	(3,594)	(1,301)
Net loss	\$	--	(7,214)	(2,464)

Net Assets of Discontinued Real Estate Segment

A summary of the net assets of the discontinued real estate operations follows:

December 31,		1993	1992

(In thousands)			
Assets			
Current assets	\$	953	3,399
Real estate		38,053	45,691
Other non-current assets		15,360	18,357
		-----	-----
Total assets		54,366	67,447
		-----	-----
Liabilities			
Current liabilities		617	1,156
Non-current liabilities		1,153	1,163
		-----	-----
Total liabilities		1,770	2,319
		-----	-----
Net Assets	\$	52,596	65,128
		=====	=====

At December 31, 1993, real estate debt, which is all associated with projects which are less than 50% owned, totaled \$8.8 million, of which \$6.5 million was recourse debt.

Operations of Discontinued Insurance Segment

Seafield finalized the sale of its remaining 5% interest in a former insurance subsidiary in June 1992 and received \$12.8 million resulting in an after-tax gain of \$4.3 million. The shares representing the 5% interest had been pledged to serve as collateral under the mortgage guaranty provision contained in a 1990 sales agreement for 95% of the subsidiary. Concurrent with the sale of the final 5% interest, Seafield was released from mortgage guarantees which originally totaled approximately \$16 million.

NOTE 14 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized 1993 quarterly financial data is as follows:

Mar. 31, Jun. 30, Sep. 30, Dec. 31,

Quarter Ended	1993	1993	1993	1993

(In thousands except per share amounts)				
Revenues	\$ 31,106	32,342	33,651	32,768
=====				
Net earnings	\$ 872	909	1,285	2,552
=====				
Net earnings per share	\$.13	.13	.19	.37
=====				
Dividends paid per share	\$.30	.30	.30	.30
=====				
Stock prices:				
High	\$ 35 3/4	31 1/2	35 1/4	39 1/2
Low	\$ 29	29 3/4	30 1/2	33

Summarized 1992 quarterly financial data is as follows:

Quarter Ended	Mar. 31, 1992	Jun. 30, 1992	Sep. 30, 1992	Dec. 31, 1992

(In thousands except per share amounts)				
Revenues	\$ 27,312	27,913	28,538	27,569
=====				
Earnings (loss) from continuing operations	1,467	2,835	(202)	68
Discontinued operations (net of taxes):				
Loss from discontinued real estate operations	(744)	(6,470)	--	--
Gain on disposal of discontinued insurance operations	--	4,265	--	--
Cumulative effect to January 1, 1992 of change in method of accounting for income taxes	3,352	--	--	--

Net earnings (loss)	\$ 4,075	630	(202)	68
=====				
Per share:				
Earnings (loss) from continuing operations	\$.18	.36	(.03)	.01
Discontinued operations (net of taxes):				
Loss from discontinued real estate operations	(.09)	(.82)	--	--
Gain on disposal of discontinued insurance operations	--	.54	--	--

Cumulative effect of accounting change	.43	--	--	--
Net earnings (loss)	\$.52	.08	(.03)	.01
Dividends paid per share	\$.30	.30	.30	.30
Stock prices:				
High	\$ 32 1/4	29 1/2	32	35 1/4
Low	\$ 25 1/4	25 1/4	26 1/4	28

See Note 13 of Notes to Consolidated Financial Statements for a description of discontinued operations which affected the results of operations for the quarters shown above. Quarterly earnings per share amounts may not add to the annual earnings per share amounts due to the effect of common stock equivalents and the timing of treasury stock purchases and net earnings.

SEAFIELD CAPITAL CORPORATION AND SUBSIDIARIES
Schedule I
Marketable Securities - Other Investments

December 31, 1993	Cost	Market Value	Amount at Which Shown in Balance Sheet
		(In thousands)	
U.S. government securities States, municipalities and political subdivisions	\$ 29,883	29,878	29,880
Canadian government notes	13,215	12,980	12,885
Common stock (A)	2,230	2,230	2,230
Oclassen Pharmaceuticals, Inc.	8,991	12,794	11,423
Norian Corporation	2,500	2,500	2,500
Student Loan Marketing Assoc.	1,015	1,015	1,015
Money market instruments	1,001	1,001	1,001
Real estate investment trust	26,939	26,939	26,939
	453	470	470
	\$ 86,227	89,807	88,343
December 31, 1992			
U.S. government securities States, municipalities and political subdivisions	\$ 16,787	16,812	16,787
Canadian government notes	16,271	16,123	16,158
British investment trust	4,484	4,484	4,484
Common stock (A)	138	147	138
	10,888	22,986	18,446

Oclassen Pharmaceuticals, Inc.	2,500	2,500	2,500
Physicians Computer Network, Inc.	2,000	501	1,250
Norian Corporation	1,015	1,015	1,015
Money market instruments	25,562	25,562	25,562
Real estate investment trust	227	224	227

	\$ 79,872	90,354	86,567
	=====		

(A) Common stocks held in various portfolios with investment decisions made by the fund managers. No single issue exceeds 2% of total assets.

SEAFIELD CAPITAL CORPORATION AND SUBSIDIARIES
Schedule VIII
Valuation and Qualifying Accounts and Reserves

Description	Balance at Beginning of Year	Additions		Deductions*	Balance at End of Year
		Charged to Costs and Expenses	Charged to Other Accounts- Describe		

(In thousands)					
Year ended December 31, 1993					
Accounts and notes receivable - allowance for doubtful accounts	2,385	3,068	--	864	4,589
Year ended December 31, 1992					
Accounts and notes receivable - allowance for doubtful accounts	1,493	3,695	--	2,803	2,385
Year ended December 31, 1991					
Accounts and notes receivable - allowance for doubtful accounts	1,264	1,280	--	1,051	1,493

* Uncollectible accounts written-off

SEAFIELD CAPITAL CORPORATION AND SUBSIDIARIES
Schedule IX
Short-term Borrowings

Notes Payable to Banks for Borrowings

December 31,	1993	1992	1991
----- (Dollars in thousands)			
Balance at end of year	\$ 4,479	\$ 12,911	\$ 7,162
Weighted average interest rate on balance at end of year	6.57%	6.35%	7.36%
Maximum amount outstanding during the year	\$ 18,669	\$ 15,499	\$ 8,828
Average amount outstanding during the year	\$ 11,963	\$ 10,934	\$ 5,955
Weighted average interest rate during the year	6.07%	6.66%	9.05%

Notes payable to banks represent obligations payable under several credit agreements to various banks. Borrowings are arranged on an as needed basis at various terms.

Average amount outstanding during the period is computed by dividing the total of daily outstanding principal balances by 365.

Average interest rate for the year is computed by dividing the actual short-term interest expense by the average short-term debt outstanding.

SEAFIELD CAPITAL CORPORATION AND SUBSIDIARIES
Schedule XI
Real Estate and Accumulated Depreciation
December 31, 1993
(Page 1 of 2)

Description	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount At Which Carried at Close of Period		
	Land	Buildings & Improve- ments	Improve- ments	Carrying Costs	Land	Buildings & Improve- ments	Total
----- (In thousands)							
Land Investments/ Developments:							
San Diego, CA	\$ 438	--	--	--	438	--	438
Houston, TX	6,158	49	983	1,548	4,613	--	4,613
Tulsa, OK	754	--	--	--	754	--	754

Ft Worth, TX	11,501	--	91	--	11,587	--	11,587
Ft Worth, TX	3,886	--	--	--	3,886	--	3,886
Ft Worth, TX	2,770	--	--	42	2,812	--	2,812
Ft Worth, TX	4,633	--	--	--	4,633	--	4,633
Ft Worth, TX	1,000	--	--	--	1,000	--	1,000

Parking:

Reno, NV	--	5,277	19	--	--	5,296	5,296
----------	----	-------	----	----	----	-------	-------

Residential:

Juno Beach, FL	8,400	--	23,806	2,228	1,940	4,070	6,010
Juno Beach, FL	5,340	--	5,577	390	582	--	582
Santa Fe, NM	4,576	--	46,268	14,325	2,074	20,721	22,795
	\$ 49,456	5,326	76,744	18,533	34,319	30,087	64,406

Reserves

(25,485)

Net real estate before depreciation

38,921

Accumulated depreciation

(868)

Net real estate

\$ 38,053

SEAFIELD CAPITAL CORPORATION AND SUBSIDIARIES
Schedule XI
Real Estate and Accumulated Depreciation
December 31, 1993
(Page 2 of 2)

Description	Reserves	Accum. Depr.	Tax Basis	Date of Constr.	Date Acquired	Depr. Life
(In thousands)						
Land Investments/ Developments						
San Diego, CA	--	--	438	--	1976	--
Houston, TX	890	--	4,168	--	1974	--
Tulsa, OK	272	--	754	--	1980	--
Ft Worth, TX	3,367	--	11,249	--	1986	--
Ft Worth, TX	2,476	--	3,886	--	1986	--
Ft Worth, TX	2,212	--	1,932	--	1984	--
Ft Worth, TX	3,553	--	3,531	--	1989	--
Ft Worth, TX	750	--	1,000	--	1986	--
Parking:						
Reno, NV	1,500	868	4,931	--	1989	20 years

Residential:						
Juno Beach, FL	4,100	--	3,368	1985	1983	--
Juno Beach, FL	--	--	1,251	1989	1983	--
Santa Fe, NM	6,365	--	16,615	1987	1985	--

	25,485	868	53,123			
	=====					

SEAFIELD CAPITAL CORPORATION AND SUBSIDIARIES
Schedule XI
Real Estate and Accumulated Depreciation
Reconciliation Between Years

A) Reconciliations of total real estate carrying value for the three years ended December 31, 1993 are as follows:

	1993	1992	1991

		(in thousands)	
Balance at beginning of year	\$ 46,346	79,151	86,941
Additions during year:			
Improvements	7,014	4,444	10,520
	-----	-----	-----
	53,360	83,595	97,461
Deductions during year:			
Value of real estate sold	14,439	28,249	14,511
Real estate exchanged for joint venture interests	--	--	3,643
Provision for loss on sale of real estate	--	9,000	--
Other	--	--	156
	-----	-----	-----
	14,439	37,249	18,310
	-----	-----	-----
Balance at close of year	\$ 38,921	46,346	79,151
	=====	=====	=====

B) Reconciliations of accumulated depreciation for the three years ended December 31, 1993 are as follows:

	1993	1992	1991

Balance at beginning of year	\$ 655	1,115	857
Additions during period - depreciation	213	257	258
	-----	-----	-----

	868	1,372	1,115
Deductions during period - accumulated depreciation of real estate sold	--	717	--

\$	868	655	1,115
	=====		

AMENDMENT No. 1
TO
1991 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

This Amendment No. 1 to the Seafield Capital Corporation 1991 Non-Employee Directors' Stock Option Plan is made this 10th day of November, 1993.

WHEREAS, Seafield Capital Corporation (the "Company") adopted its 1991 Non-Employee Directors' Stock Option Plan (the "Plan"), effective with the approval thereof by the Company's shareholders at the annual meeting of shareholders held May 15, 1991, and

WHEREAS, the Plan contains no provision concerning the payment of income taxes in respect of an Option exercise or the holder thereof, because the Company has no income tax withholding obligation with respect to Non-Employee Directors, and

WHEREAS, the Company's Board of Directors, including each of the Non-Employee Directors of the Company, now believes that it would be advisable to include a provision in the Plan pursuant to which certain shares of stock otherwise issuable upon the exercise of an Option would be withheld and not issued and the Company would make a federal income tax payment in respect of the Non-Employee Director exercising an Option,

NOW, THEREFORE, the Plan is hereby amended as follows:

1. The following provision shall be added to the Plan, immediately following Section 11 thereof:

"12. (a) Notwithstanding any other provision of this Plan, upon the exercise of an Option, a number of Shares with a Fair Market Value on the date of exercise equal to twenty-eight percent (28%) of the Fair Market Value on the date of exercise of all Shares with respect to which the Option is exercised shall be withheld by the Company and not issued to the holder of the Option; the number of Shares to be issued in respect of the option exercised shall be the number otherwise issuable pursuant to this Plan, less the number withheld pursuant to this Section 12(a).

"(b) In consideration of withholding Shares pursuant to subsection (a) above, the Company shall remit to the Internal Revenue Service, in respect of the Non-Employee Director who exercises an Option and said director's federal income tax liability for the year in which the Option is exercised, an amount equal to the Fair Market Value on the the Option is exercised of the number of Shares withheld pursuant to subsection (a) above."

2. Sections of the Plan subsequent to Section 11 shall be renumbered accordingly.

3. This Amendment No. 1 shall be effective May 10, 1994. It shall apply to all Option exercises after such date, whether or not the Options were granted before or are granted after the date of this Amendment No. 1. This Amendment No. 1 was approved by and consented to by all Non-Employee Directors holding Options as of the date hereof.

SERVICES AGREEMENT
BETWEEN
SEAFIELD CAPITAL CORPORATION
AND
HOME OFFICE REFERENCE LABORATORY, INC.

SERVICES AGREEMENT

THIS SERVICES AGREEMENT (the "Agreement") is made as of January 1, 1993, between Seafield Capital Corporation, a Missouri corporation ("Seafield"), and Home Office Reference Laboratory, Inc., a Delaware corporation ("HORL").

INTRODUCTION

A. Previously, Seafield (then named BMA Corporation), HORL and others were parties to a Services Agreement, dated as of July 31, 1990 (the "Previous Services Agreement"), pursuant to which Seafield was to provide to HORL and HORL was to purchase from Seafield certain services.

B. Contemporaneously, Seafield and HORL have entered into an agreement to terminate the Previous Services Agreement, except Section 7 relating to the Transition Agreement, and this Agreement in order to provide for the furnishing of services to HORL in the future by Seafield, the payment of fees and certain other matters.

ACCORDINGLY, the parties hereto agree as follows:

SECTION 1. EFFECTIVE DATE AND TERMINATION

1.1 Term. This Agreement shall become effective, without further action, on January 1, 1993 (the "Effective Date"). This Agreement shall remain in effect until December 31, 1993, and shall be renewed automatically for successive one-year terms (January 1-December 31) until terminated in accordance with Section 1.2.

1.2 Termination. The obligation of Seafield to provide services pursuant to Section 2 and the provisions of all other Sections of this Agreement other than Section 6 shall terminate on the earlier of (a) December 31 of the then current term of this Agreement, if 120 days or more prior thereto written notice is given by Seafield or HORL to the other of Seafield's or HORL's intention to terminate this Agreement, or (b) such date as the parties mutually agree to in writing.

SECTION 2. SERVICES

2.1 Administrative Services. Commencing on the Effective Date, and continuing for the period provided in Section 1, Seafield agrees to make available to

HORL, to the extent HORL may require, the following services:

(a) Seafield's corporate secretarial staff for assistance in organizational matters associated with shareholders' meetings and meetings of the board of directors.

(b) Seafield's treasury staff for financial and investment advice, including, without limitation, advice with respect to raising additional capital, cash management, risk management and investment opportunities.

(c) Seafield's management staff for assistance in assuring the compliance of qualified benefit plans with relevant government regulations.

2.2 Executive and Marketing Services. Commencing on the Effective Date, and continuing for the period provided in Section 1, Seafield agrees to make available to HORL, to the extent HORL may require, the services of Seafield's senior management to provide policy advice and to attend marketing and client development functions sponsored by HORL and others to promote HORL's laboratory testing services (the Administrative Services described in Section 2.1 hereof and the Executive and Marketing Services described in Section 2.2 hereof are collectively the "Services").

2.3 Limitation on Services. Notwithstanding anything else contained in this Section 2:

(a) The provisions of Sections 2.1 and 2.2 shall apply only to Services that are reasonably required by HORL.

(b) Seafield need not make available any Services to the extent that doing so would unreasonably interfere with the performance of services for Seafield by any employee of Seafield or would otherwise cause an unreasonable burden to Seafield.

SECTION 3. COST OF SERVICES

3.1 Prices and Billing for Services. HORL shall pay Seafield according to the following formula:

0.20% of sales less than \$50 million, plus
0.125% of sales of \$50 million or more, but less than \$100 million plus
0.0625% of sales of \$100 million or more.

The percentage fee shall be paid on or before the 45th day following the end of each calendar quarter. In addition, HORL shall reimburse Seafield on a timely basis for the amount of all direct travel expenses reasonably incurred by any Seafield employee in providing Services.

3.2 Outside Professional Services. In addition to amounts to be paid by HORL pursuant to Section 3.1, HORL shall reimburse Seafield for the amount of all reasonable expenses for outside professional services incurred by Seafield for the benefit of HORL, including, without limitation, public accounting, outside legal and outside marketing services.

SECTION 4. LIMITATION OF LIABILITY

The liability of Seafield to HORL for any loss or damage, whether direct or indirect, arising in connection with Seafield's providing Services to HORL

pursuant to Section 2 shall not exceed the highest amount paid or payable by HORL to Seafield for Services during any quarter in the year in which the act or omission that caused such loss or damage occurred. IN NO EVENT WILL SEAFIELD BE LIABLE TO HORL FOR INDIRECT, CONSEQUENTIAL OR INCIDENTAL DAMAGES, INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS OR DAMAGE TO OR LOSS OF USE OF ANY PROPERTY.

SECTION 5. FORCE MAJEURE

Seafield shall be excused for failure to provide the Services pursuant to Section 2 to the extent that such failure is directly or indirectly caused by an occurrence commonly known as force majeure, including, without limitation, delays arising from fire, earthquake, flood or other acts of God, acts or orders of a government, agency or instrumentality thereof, acts of a public enemy, riots, embargoes, strikes or other concerted acts of workers (whether of Seafield or other persons), casualties or accidents, failure or delay in deliveries of materials or transportation, shortage of cars, trucks, fuel, power, labor or materials, telecommunications failure or any other causes, circumstances or contingencies, within or without the United States of America, that are beyond the reasonable control of Seafield. Notwithstanding any events operating to excuse the performance by Seafield, this Agreement shall continue in full force for the remainder of its term.

SECTION 6. CONFIDENTIALITY

Except as otherwise required under applicable law, Seafield and HORL agree to maintain as confidential and not to disclose to any third party any and all information provided by one party to another or otherwise obtained by one party from another party in the performance of this Agreement. The provisions of this Section 6 shall survive the termination of this Agreement.

SECTION 7. ENFORCEMENT

HORL and Seafield acknowledge and agree that a remedy at law for any breach of Section 6 hereof would be inadequate, and each agrees and consents that temporary and permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provisions of such Section 6 hereof without the necessity of proof of actual damage. If the scope of any restriction contained in Section 6 hereof is too broad to permit enforcement of such restriction to its full extent, then such restriction shall be enforced to the maximum extent permitted by law, and HORL and Seafield each agrees and consents that such scope may be judicially modified accordingly in any proceeding brought to enforce such restrictions.

SECTION 8. MISCELLANEOUS

8.1 Notice. Any notice or other communication required or permitted hereunder shall be made in writing and shall be delivered personally, sent by certified or registered mail (postage prepaid), telegraphed or sent by facsimile transmission or telex, and shall be deemed given when so delivered personally, telegraphed, sent by facsimile transmission or telexed, or, if mailed, five

days after the date of deposit in the United States mails, addressed as follows or as specified hereafter in writing delivered as provided herein:

To Seafield: Seafield Capital Corporation
 2600 Grand - Suite 500
 Kansas City, Missouri 64108
 Attention: Chairman

To HORL: Home Office Reference Laboratory, Inc.
 10310 W. 84th Terrace
 Lenexa, Kansas 66214
 Attention: President

8.2 Governing Law. The validity, interpretation, enforceability and performance of this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Missouri.

8.3 Entire Agreement. The parties intend that the terms of this Agreement shall be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative or other legal proceeding involving this Agreement. Along with Section 7 of the Previous Services Agreement relating to the Transition Agreement (which is hereby incorporated herein by reference), this Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, undertakings, representations and agreements, if any, of the parties hereto.

8.4 Amendment and Waivers. This Agreement may not be amended except upon the written consent of the parties hereto. By an instrument in writing, either party may waive compliance by the other party with any term or provision of this Agreement that such other party was or is obligated to comply with or perform; provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy or power hereunder shall operate as a waiver thereof. No partial exercise of any right, remedy or power hereunder shall preclude any other or further exercise thereof or the exercise of any other right, remedy or power provided herein or by law or in equity.

8.5 Severability. If any provision of this Agreement, or the application thereof to any person, place or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other persons, places and circumstances shall remain in full force and effect.

8.6 Counterparts. This Agreement may be executed in counterparts, each of which shall constitute one and the same instrument.

8.7 Interpretation of Agreement. The section and other headings used in this Agreement are for reference purposes only and shall not constitute a part

hereof or affect the meaning or interpretation of this Agreement. The term "person" shall include any individual, partnership, joint venture, corporation, trust, unincorporated organization, any other business entity and any government or any department or agency thereof, whether acting in an individual, fiduciary or other capacity. Whenever the context so requires, the use of the singular shall be deemed to include the plural and vice versa.

8.8 Further Assurances. Subject to the terms and conditions hereof, each party agrees to use its best efforts to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by this Agreement as expeditiously as practicable, including, without limitations, the performance of such further acts or the execution and delivery of any additional instruments or documents as any party may reasonably request in order to carry out the purposes of this Agreement and the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SEAFIELD CAPITAL CORPORATION

By: /s/ Tom Grant

Chairman

HOME OFFICE REFERENCE LABORATORY, INC.

By: /s/ Kenneth A. Stelzer

President

LabOne, Inc.
LONG-TERM INCENTIVE PLAN

1. Purpose.

The purpose of the LabOne, Inc. Long-Term Incentive Plan (the Plan) is to further the earnings of LabOne, Inc. (LabOne) and its subsidiaries (collectively the Company) by assisting the Company in attracting, retaining and motivating management employees and directors of high caliber and potential. The Plan provides for the award of long-term incentives to those officers, other key executives and directors who make substantial contributions to the Company by their loyalty, industry and invention.

2. Administration.

(a) Committee. The Plan shall be administered by a committee (the Committee) consisting of three or more members of the Board of Directors of LabOne (the Board of Directors), each of whom (i) shall be an Outside Director of LabOne, (ii) shall be a "disinterested person" within the meaning of Rule 16b-3(c) (2) (i) under the Securities and Exchange Act of 1934, as amended from time to time (the 1934 Act), or any successor rule of similar import, and (c) shall be selected from time to time by the Board of Directors. For purposes of the Plan, an "Outside Director" means a member of the Board of Directors who is not an employee of LabOne or any parent corporation or subsidiary corporation of LabOne (which terms, as used hereinafter, shall have the meanings ascribed thereto in Sections 424(e) and (f) of the Internal Revenue Code of 1986, as amended from time to time (the Code), or any amendment or substitute or successor thereto or regulation thereunder).

(b) Authority. The Committee shall have full and final authority in its discretion to interpret the provisions of the Plan and to decide all questions of fact arising in its application. Subject to the provisions hereof, the Committee shall have full and final authority in its discretion to determine the employees and directors to whom awards shall be made under the Plan; to determine the type of awards to be made and the amount, size and terms and conditions of each such award; to determine the time when awards shall be granted; to determine the provisions of each agreement evidencing an award; and to make all other determinations necessary or advisable for the administration of the Plan; provided, however, that the Committee shall have no authority or discretion with respect to awards to Outside Directors subsequent to June 1, 1991, which awards shall be made only as provided in paragraph 24 hereof.

3. Stock Subject to the Plan.

LabOne may grant awards under the Plan with respect to not more than a total of 1,800,000 shares of common stock of LabOne (Shares), subject, however, to adjustment as provided in paragraph 18 below. Such Shares may be authorized and unissued Shares or treasury Shares. Except as otherwise provided herein, any Shares subject to an option or right which for any reason is surrendered before exercise or expires or is terminated unexercised as to such Shares shall again be available for the granting of awards under the Plan. Similarly, if any Shares granted pursuant to restricted stock awards are forfeited, such

forfeited Shares shall again be available for the granting of awards under the Plan.

4. Eligibility to Receive Awards.

Persons eligible to receive awards under the Plan shall be limited to those officers, other key executive employees and directors of the Company who are in positions in which their decisions, actions and counsel have a significant impact upon the profitability and success of the Company. Each Outside Director as of June 1, 1991 received prior grants of Nonqualified Stock Options to purchase 22,000 Shares. Subsequent to June 1, 1991, no Outside Director shall be eligible to receive any additional award under the Plan, except as provided in paragraph 24 hereof.

5. Form of Awards.

Awards may be made from time to time by the Committee in the form of stock options to purchase Shares, stock appreciation rights, performance units, restricted stock, or any combination of the above. Stock options may be options which are intended to qualify as incentive stock options within the meaning of Section 422A(b) of the Code (Incentive Stock Options) or options which are not intended to so qualify (Nonqualified Stock Options).

6. Stock Options.

Stock options for the purchase of Shares shall be evidenced by written agreements in such form not inconsistent with the Plan as the Committee shall approve from time to time; provided, however, that the form of such agreements with respect to Nonqualified Stock Options granted to Outside Directors subsequent to June 1, 1991 shall be as specified in paragraph 24 hereof. Such agreements shall contain the terms and conditions applicable to the options, including in substance the following terms and conditions:

(a) Type of Option. Each option agreement shall identify the options represented thereby as Incentive Stock Options or Nonqualified Stock Options, as the case may be, and shall set forth the number of Shares subject to the options.

(b) Option Price. The option exercise price to be paid by the optionee to the Company for each Share purchased upon the exercise of an option shall be determined by the Committee, but shall in no event be less than the par value of a Share.

(c) Exercise Term. Each option agreement shall state the period or periods of time within which the option may be exercised, in whole or in part, as determined by the Committee and subject to such terms and conditions as are prescribed for such purpose by the Committee, provided that no Incentive Stock Option shall be exercisable after ten years, and no Nonqualified Stock Option shall be exercisable after ten years and one day, from the date of grant thereof. The Committee, in its discretion, may provide in the option agreement circumstances under which the option shall become immediately exercisable, in whole or in part, and, notwithstanding the foregoing, may accelerate the exercisability of any option, in whole or in part, at any time.

(d) Payment for Shares. The purchase price of the Shares with respect to which an option is exercised shall be payable in full at the time of exercise in cash, Shares at fair market value, or a combination thereof, as the Committee may determine and subject to such terms and conditions as may be prescribed by the Committee for such purpose. All optionees granted options at any time under the Plan, except Outside Directors granted options pursuant to paragraph 24, shall have the right, with the consent of, and subject to such

terms and conditions as may be established by, the Committee, to elect to pay all or a part of such purchase price by requesting the Company to reduce the number of Shares otherwise issuable to the optionee upon the exercise of the option by a number of Shares having a fair market value equal to such purchase price.

(e) Rights Upon Termination of Employment. In the event that an optionee ceases to be an employee or director of the Company for any cause other than Retirement (as defined below), death or Disability (as defined below), the optionee shall have the right to exercise the option during its term within a period of three months after such termination to the extent that the option was exercisable at the time of termination, or within such other period, and subject to such terms and conditions, as may be specified by the Committee. (As used herein, the term Retirement means retirement pursuant to the pension plan maintained by LabOne, as amended from time to time, and the term Retires has the corresponding meaning. As used herein, the term Disability means a condition that, in the judgment of the Committee, has rendered a grantee completely and presumably permanently unable to perform any and every duty of his regular occupation, and the term Disabled has the corresponding meaning.) In the event that an optionee Retires, dies or becomes Disabled prior to the expiration of his option and without having fully exercised his option, the optionee or his Beneficiary (as defined below) shall have the right to exercise the option during its term within a period of (i) one year after termination of employment due to Retirement, death or Disability, or (ii) one year after death if death occurs either within one year after termination of employment due to Retirement or Disability or within three months after termination of employment for other reasons, to the extent that the option was exercisable at the time of death or termination, or within such other period, and subject to such terms and conditions, as may be specified by the Committee. As used herein, the term Beneficiary means the person or persons designated in writing by the grantee as his Beneficiary with respect to an award under the Plan; or, in the absence of an effective designation or if the designated person or persons predecease the grantee, the grantee's Beneficiary shall be the person or persons who acquire by bequest or inheritance the grantee's rights in respect of an award. In order to be effective, a grantee's designation of a Beneficiary must be on file with the Committee before the grantee's death, but any such designation may be revoked and a new designation substituted therefor at any time before the grantee's death.

(f) Nontransferability. Each option agreement shall provide that the option is not transferable other than by will or by the laws of descent and distribution, and that during the lifetime of the optionee the option is exercisable only by him.

(g) Incentive Stock Options. In the case of an Incentive Stock Option, each option agreement shall contain such other terms, conditions and provisions as the Committee determines necessary or desirable in order to qualify such option as an incentive stock option (within the meaning of Section 422A(b) of the Code) including in substance, without limitation, the following:

(i) The purchase price of stock subject to an Incentive Stock Option shall be not less than 100 percent of the fair market value of such stock on the date the option is granted, as determined by the Committee.

(ii) The aggregate fair market value (determined as of the time the option is granted) of the stock with respect to which Incentive Stock Options are

exercisable for the first time by any optionee in any calendar year (under all plans of LabOne and its parent and subsidiary corporations) shall not exceed \$100,000.

(iii) No Incentive Stock Option shall be granted to any employee if at the time the option is granted the individual owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or of a parent corporation or subsidiary corporation of the Company, unless at the time such option is granted the option price is at least 110 percent of the fair market value (as determined by the Committee) of the stock subject to the option and such option by its terms is not exercisable after the expiration of five years from the date of grant.

(iv) Directors who are not employees of the Company shall not be eligible to receive Incentive Stock Options.

7. Stock Appreciation Rights.

Stock appreciation rights (SARs) shall be evidenced by written SAR agreements in such form not inconsistent with the Plan as the Committee shall approve from time to time. Such SAR agreements shall contain the terms and conditions applicable to the SARs, including in substance the following terms and conditions:

(a) Award. SARs may be granted in connection with a previously or contemporaneously granted stock option, or independently of a stock option. SARs shall entitle the grantee, subject to such terms and conditions as may be determined by the Committee, to receive upon exercise thereof all or a portion of the excess of (i) the fair market value at the time of exercise, as determined by the Committee, of a specified number of Shares with respect to which the SAR is exercised, over (ii) a specified price which shall not be less than 100 percent of the fair market value of the Shares at the time the SAR is granted, or, if the SAR is granted in connection with a previously issued stock option, not less than 100 percent of the fair market value of the Shares at the time such option was granted. Upon exercise of an SAR, the number of Shares reserved for issuance hereunder shall be reduced by the number of Shares covered by the SAR. Shares covered by an SAR shall not be used more than once to calculate the amount to be received pursuant to the exercise of the SAR.

(b) SARs Related to Stock Options. If an SAR is granted in relation to a stock option, (i) the SAR shall be exercisable only at such times, and by such persons, as the related option is exercisable; (ii) the grantee's right to exercise the related option shall be canceled if and to the extent that the Shares subject to the option are used to calculate the amount to be received upon the exercise of the related SAR; (iii) the grantee's right to exercise the related SAR shall be canceled if and to the extent that the Shares subject to the SAR are purchased upon the exercise of the related option; and (iv) the SAR shall not be transferable other than by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the grantee only by him.

(c) Term. Each SAR agreement shall state the period or periods of time within which the SAR may be exercised, in whole or in part, as determined by the Committee and subject to such terms and conditions as are prescribed for such purpose by the Committee, provided that no SAR shall be exercisable earlier than six months after the date of grant or later than ten years after the date of grant. The Committee may, in its discretion, provide in the SAR agreement circumstances under which the SARs shall become immediately

exercisable, in whole or in part, and may, notwithstanding the foregoing, accelerate the exercisability of any SAR, in whole or in part, at any time.

(d) Termination of Employment. SARs shall be exercisable only during the grantee's employment by the Company, except that, in the discretion of the Committee, an SAR may be made exercisable for up to three months after the grantee's employment (or tenure as a director) is terminated for any reason other than Retirement, death or Disability, and for up to one year after the grantee's employment (or tenure as a director) is terminated because of Retirement, death or Disability.

(e) Payment. Upon exercise of an SAR, payment shall be made in cash, in Shares at fair market value on the date of exercise, or, in a combination thereof, as the Committee may determine.

(f) Other Terms. SARs shall be granted in such manner and such form, and subject to such additional terms and conditions, as the Committee in its sole discretion deems necessary or desirable, including without limitation: (i) if granted in connection with an Incentive Stock Option, in order to satisfy any requirements set forth under Section 422A of the Code; or, (ii) in order to avoid any insider-trading liability in connection with an SAR under Section 16(b) of the 1934 Act.

8. Restricted Stock Awards.

Restricted stock awards under the Plan shall consist of Shares free of any purchase price or for such purchase price as may be established by the Committee, restricted against transfer, subject to forfeiture, and subject to such other terms and conditions (including attainment of performance objectives) as may be determined by the Committee. Restricted stock shall be evidenced by written restricted stock agreements in such form not inconsistent with the Plan as the Committee shall approve from time to time, which agreements shall contain the terms and conditions applicable to such awards, including in substance the following terms and conditions:

(a) Restriction Period. Restrictions shall be imposed for such period or periods as may be determined by the Committee. The Committee, in its discretion, may provide in the agreement circumstances under which the restricted stock shall become immediately transferable and nonforfeitable, or under which the restricted stock shall be forfeited, and, notwithstanding the foregoing, may accelerate the expiration of the restriction period imposed on any Shares at any time.

(b) Restrictions Upon Transfer. Restricted stock and the right to vote such Shares and to receive dividends thereon, may not be sold, assigned, transferred, exchanged, pledged, hypothecated, or otherwise encumbered, except as herein provided, during the restriction period applicable to such Shares. Notwithstanding the foregoing, and except as otherwise provided in the Plan, the grantee shall have all of the other rights of a stockholder, including, but not limited to, the right to receive dividends and the right to vote such Shares.

(c) Certificates. A certificate or certificates representing the number of restricted Shares granted shall be registered in the name of the grantee. The Committee, in its sole discretion, shall determine when the certificate or certificates shall be delivered to the grantee (or, in the event of the grantee's death, to his Beneficiary), may provide for the holding of such certificate or certificates in escrow or in custody by the Company or its designee pending their delivery to the grantee or Beneficiary, and may provide

for any appropriate legend to be borne by the certificate or certificates.

(d)Lapse of Restrictions. The Agreement shall specify the terms and conditions upon which any restrictions upon restricted stock awarded under the Plan shall expire, lapse, or be removed, as determined by the Committee. Upon the expiration, lapse, or removal of such restrictions, Shares free of the restrictive legend shall be issued to the grantee or his legal representative.

9. Performance Units.

Performance unit awards under the Plan shall entitle grantees to future payments based upon the achievement of pre-established long-term performance objectives and shall be evidenced by written performance unit agreements in such form not inconsistent with this Plan as the Committee shall approve from time to time. Such agreements shall contain the terms and conditions applicable to the performance unit awards, including in substance the following terms and conditions:

(a)Performance Period. The Committee shall establish with respect to each unit award a performance period of not fewer than two years.

(b)Unit Value. The Committee shall establish with respect to each unit award value for each unit which shall not thereafter change, or which may vary thereafter pursuant to criteria specified by the Committee.

(c)Performance Targets. The Committee shall establish with respect to each unit award maximum and minimum performance targets to be achieved during the applicable performance period. Achievement of maximum targets shall entitle grantees to payment with respect to the full value of a unit award. Grantees shall be entitled to payment with respect to a portion of a unit award according to the level of achievement of targets as specified by the Committee for performance which achieves or exceeds the minimum target but fails to achieve the maximum target.

(d)Performance Measures. Performance targets established by the Committee shall relate to corporate, division, or unit performance and may be established in terms of growth in gross revenue, earnings per share, ratios of earnings to equity or assets, or such other measures or standards as may be determined by the Committee in its discretion. Multiple targets may be used and may have the same or different weighting, and they may relate to absolute performance or relative performance measured against other companies or businesses.

(e)Adjustments. At any time prior to payment of a unit award, the Committee may adjust previously established performance targets or other terms and conditions, including the Company's or other corporations' financial performance for Plan purposes, to reflect major unforeseen events such as changes in laws, regulations or accounting practices, mergers, acquisitions or divestitures or other extraordinary, unusual or non-recurring items or events.

(f)Payment of Unit Awards. Following the conclusion of each performance period, the Committee shall determine the extent to which performance targets have been attained and any other terms and conditions satisfied for such period. The Committee shall determine what, if any, payment is due on the unit award and whether such payment shall be made in cash, Shares, or a combination thereof. Payment shall be made in a lump sum or installments, as determined by the Committee, commencing as promptly as practicable following the end of the performance period unless deferred subject to such terms and conditions and in such form as may be prescribed by the Committee.

(g)Termination of Employment. In the event that a grantee ceases to be employed by the Company prior to the end of the performance period by reason of

death, Disability, or Retirement with the consent of the Company, any unit award, to the extent earned under the applicable performance targets, shall be payable at the end of the performance period according to the portion of the performance period during which the grantee was employed by the Company, provided that the Committee shall have the power to provide for an appropriate settlement of a unit award before the end of the performance period. Upon any other termination of employment, participation shall terminate forthwith and all outstanding unit awards shall be canceled.

10. Loans and Supplemental Cash.

The Committee, in its sole discretion to further the purpose of the Plan, may provide for supplemental cash payments or loans to individuals in connection with all or any part of an award under the Plan. Supplemental cash payments shall be subject to such terms and conditions as shall be prescribed by the Committee at the time of grant, provided that in no event shall the amount of payment exceed:

(a) In the case of an option, the excess of the fair market value of a Share on the date of exercise over the option price multiplied by the number of Shares for which such option is exercised, or

(b) In the case of an SAR, performance unit, or restricted stock award, the value of the Shares and other consideration issued in payment of such award. Any loan shall be evidenced by a written loan agreement or other instrument in such form and containing such terms and conditions (including, without limitation, provisions for interest, payment schedules, collateral, forgiveness or acceleration) as the Committee may prescribe from time to time.

11. General Restrictions.

Each award under the Plan shall be subject to the requirement that if any time the Company shall determine that (i) the listing, registration or qualification of the Shares subject or related thereto upon any securities exchange or under any state or federal law, or (ii) the consent or approval of any regulatory body, or (iii) an agreement by the recipient of an award with respect to the disposition of Shares, or (iv) the satisfaction of withholding tax or other withholding liabilities is necessary or desirable as a condition of or in connection with the granting of such award or the issuance or purchase of Shares thereunder, such award shall not be consummated in whole or in part unless such listing, registration, qualification, consent, approval, agreement, or withholding shall have been effected or obtained free of any conditions not acceptable to the Company. Any such restriction affecting an award shall not extend the time within which the award may be exercised; and neither the Company nor its directors or officers nor the Committee shall have any obligation or liability to the grantee or to a Beneficiary with respect to any Shares with respect to which an award shall lapse or with respect to which the grant, issuance or purchase of Shares shall not be effected, because of any such restriction.

12. Single or Multiple Agreements.

Multiple awards, multiple forms of awards, or combinations thereof may be evidenced by a single agreement or multiple agreements, as determined by the Committee.

13. Rights of a Shareholder.

The recipient of any award under the Plan, unless otherwise provided by the Plan, shall have no rights as a shareholder with respect thereto unless and until certificates for Shares are issued to him, and the issuance of Shares

shall confer no retroactive right to dividends.

14. Rights to Terminate Employment.

Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any person the right to continue in the employment of the Company or affect any right which the Company may have to terminate the employment of such person.

15. Withholding.

(a) Prior to the issuance or transfer of Shares under the Plan, the recipient shall remit to the Company an amount sufficient to satisfy any Federal, state or local withholding tax requirements. The recipient may satisfy the withholding requirement in whole or in part by electing to have the Company withhold Shares having a value equal to the amount required to be withheld. The value of the Shares to be withheld shall be the fair market value, as determined by the Committee, of the stock on the date that the amount of tax to be withheld is determined (the Tax Date). Such Election must be made prior to the Tax Date, must comply with all applicable securities law and other legal requirements, as interpreted by the Committee, and may not be made unless approved by the Committee, in its discretion.

(b) Whenever payments to a grantee in respect of an award under the Plan are to be made in cash, such payments shall be net of the amount necessary to satisfy any Federal, state or local withholding tax requirements.

16. Non-Assignability.

No award under the Plan shall be assignable or transferable by the recipient thereof except by will or by the laws of descent and distribution or by such other means as the Committee may approve. During the life of the recipient, such award shall be exercisable only by such person or by such person's guardian or legal representative.

17. Non-Uniform Determinations.

The Committee's determinations under the Plan (including without limitation determinations of the persons to receive awards, the form, amount and timing of such awards, the terms and provisions of such awards and the agreements evidencing same, and the establishment of values and performance targets) need not be uniform and may be made selectively among persons who receive, or are eligible to receive, awards under the Plan, whether or not such persons are similarly situated (except Options granted to Outside Directors pursuant to paragraph 24 hereof).

18. Adjustments.

In the event of any change in the outstanding common stock of the Company, by reason of a stock dividend or distribution, recapitalization, merger, consolidation, reorganization, splitup, combination, exchange of Shares or the like, the Board of Directors, in its discretion, may adjust proportionately the number of Shares which may be issued under the Plan, the number of Shares subject to outstanding awards, and the option exercise price of each outstanding option, and may make such other changes in outstanding options, SARs, performance units and restricted stock awards, as it deems equitable in its absolute discretion to prevent dilution or enlargement of the rights of grantees; provided, however, that the number and option exercise price with respect to the Shares subject to outstanding options granted to Outside Directors prior to June 1, 1991, and the number and option exercise price with respect to the Shares subject to future Options to be granted to Outside Directors pursuant to paragraph 24, shall be subject to adjustment only as set

forth in paragraph 24. Fractional Shares resulting from any such adjustments shall be eliminated.

19. Amendment.

The Board of Directors may terminate, amend, modify or suspend the Plan at any time, except that the Board shall not, without the authorization of the holders of a majority of Company's outstanding Shares, increase the maximum number of Shares which may be issued under the Plan (other than increases pursuant to paragraph 18 hereof), extend the last date on which awards may be granted under the Plan, extend the date on which the Plan expires, change the class of persons eligible to receive awards, or change the minimum option price. No termination, modification, amendment or suspension of the Plan shall adversely affect the rights of any grantee or Beneficiary under an award previously granted, unless the grantee or Beneficiary shall consent; but it shall be conclusively presumed that any adjustment pursuant to paragraph 18 hereof does not adversely affect any such right. In no event shall the provisions relating to the timing, amount and exercise price of Options provided for in paragraph 24 of the Plan be amended more than once every six months, other than to comport with changes in the Code, Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

20. Effect on Other Plans.

Participation in this Plan shall not affect a grantee's eligibility to participate in any other benefit or incentive plan of the Company. Any awards made pursuant to this Plan shall not be used in determining the benefits provided under any other plan of the Company unless specifically provided therein.

21. Effective Date and Duration of Plan.

The Plan shall become effective when adopted by the Board of Directors, provided that the Plan is approved by the holders of a majority of the outstanding Shares on the date of its adoption by the Board or before the first anniversary of that date. Unless it is sooner terminated in accordance with paragraph 19 hereof, the Plan shall remain in effect until all awards under the Plan have been satisfied by the issuance of Shares or the payment of cash or have expired or otherwise terminated, but no award shall be granted more than ten years after the earlier of the date the Plan is adopted by the Board of Directors or is approved by the Company's shareholders.

22. Unfunded Plan.

The Plan shall be unfunded, except to the extent otherwise provided in accordance with Section 8 hereof. Neither the Company nor any affiliate shall be required to segregate any assets that may be represented by stock options, SARs, or performance units, and neither the Company nor any affiliate shall be deemed to be a trustee of any amounts to be paid under any stock option, SAR or performance unit. Any liability of the Company or any affiliate to pay any grantee or Beneficiary with respect to an option, SAR or performance unit shall be based solely upon any contractual obligations created pursuant to the provisions of the Plan; no such obligations will be deemed to be secured by a pledge or encumbrance on any property of the Company or an affiliate.

23. Governing Law.

The Plan shall be construed and its provisions enforced and administered in accordance with the laws of the State of Delaware except to the extent that such laws may be superseded by any Federal law.

24. Outside Directors' Options.

(a) Grant of Nonqualified Stock Options. At each annual meeting of stockholders of LabOne commencing with the year 1993, each person who is for the first time elected to serve as an Outside Director at such annual meeting of stockholders, excluding any Outside Director elected at any prior annual meeting of stockholders of LabOne, shall automatically receive a one-time grant of Nonqualified Stock Option to purchase 22,000 Shares (the Option), such grant to be effective as of the date of such annual meeting of stockholders; provided, however, that any Outside Director shall not be entitled to receive and shall not be granted an Option if he does not continue to serve as an Outside Director immediately following such annual meeting of stockholders.

(b) Option Price. The Option exercise price to be paid by each such Outside Director for each Share purchased upon the exercise of the Option shall be one hundred percent (100%) of the fair market value of the Shares on the date the Option is granted. Fair market value for purposes of this paragraph 24 shall be deemed to be the average of the high and low sales prices for the Shares on the National Association of Securities Dealers Automated Quotations System as of the date the Option is granted, or if no sales of Shares shall have been reported on that date, as of the next preceding date on which a sale of Shares was reported.

(c) Vesting Schedule. Each Option granted to an Outside Director may be exercised with respect to twenty percent (20%) of the Shares subject to the Option after one year from the date of grant, an additional twenty percent (20%) of the Shares subject to the Option after two years from the date of grant, an additional twenty percent (20%) of the Shares subject to the Option after three years from the date of grant, an additional twenty percent (20%) of the Shares subject to the Option after four years from the date of grant and an additional twenty percent (20%) of the Shares subject to the Option after five years from the date of grant.

(d) Other Terms and Conditions. Each Option granted to an Outside Director shall be subject to all of the other terms and conditions set forth in the form of Stock Option Agreement adopted by the Committee and approved by the Board of Directors on March 22, 1991; provided, however, that in the event of any change in the Shares of the Company, by reason of a stock dividend or distribution, recapitalization, merger, consolidation, reorganization, split-up, combination, exchange of Shares or the like, thereafter the number of Shares subject to outstanding options granted to Outside Directors prior to June 1, 1991 and the number of Shares subject to future Options to be granted to Outside Directors pursuant to the provisions of this paragraph 24 shall be increased or decreased, as the case may be, in direct proportion to the increase or decrease in the number of Shares by reason of such change (provided that fractional Shares resulting from any such adjustment shall be eliminated), and the exercise price per Share of any such outstanding option or Option shall, in the case of an increase in the number of Shares, be proportionately reduced, and in the case of a decrease in the number of Shares, shall be proportionately increased; and provided further, however, that each Outside Director granted an Option at any time under the Plan shall have the right to elect to pay all or a part of the purchase price of the Shares with respect to which the Option is exercised by requesting the Company to reduce the number of Shares otherwise issuable to the Outside Director upon the exercise of the Option by a number of Shares having a fair market value equal to such purchase

price.

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of August 5, 1993, and as amended as of November 9, 1993, by and between Home Office Reference Laboratory, Inc., with offices in Lenexa, Kansas (hereinafter referred to as "HORL") and Bert H. Hood, a resident of the State of Texas (hereinafter referred to as "Officer");

WITNESSETH:

WHEREAS, HORL desires Officer to manage the operations, financial affairs and strategic direction of HORL, serving as Chairman of the Board and as a member of the Executive Committee of the Board of Directors; and

WHEREAS, it is the intention and desire of the parties to enter into a formal agreement whereby two principal purposes will be served, to wit:

A. HORL will have the benefit of the substantial expertise of Officer for at least the period covered by this Agreement; and

B. Officer will manage and be responsible for the operations, financial affairs and strategic direction of HORL during the term hereinafter defined and will be motivated by the compensation as set forth herein;

NOW, THEREFORE, in consideration of the employment of Officer by HORL and of the mutual promises, covenants, representations and warranties contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

SECTION I

EMPLOYMENT AND TERM

1.1 Employment. HORL hereby employs Officer and Officer hereby accepts such employment and agrees to perform the duties described in Section 2 of this Agreement.

1.2 Term.

(a) Base Term. The term of employment shall commence on the date hereof and shall continue for a period of three (3) years therefrom (the "Base Term"), or until terminated as otherwise provided herein.

(b) Termination Subsequent to Change in Control. Notwithstanding any other provision of this Agreement to the contrary, in the event that (i) a change of control of HORL shall occur at any time during which Officer is in the full-time employment of HORL or its successor and (ii) within one (1) year after such a change in control, Officer's employment with HORL or its successor

is terminated by HORL or its successor for any reason other than permanent disability, death or normal retirement, or is voluntarily terminated by Officer for any reason at his sole discretion, HORL will promptly pay to Officer as termination compensation the lump sum amount described below.

The lump sum compensation payable shall be equal to three (3) times the average annual compensation includable in Officer's gross income for the most recent five (5) taxable years ending before the date of the change in control. If Officer has been an employee of HORL for less than 5 years, Officer's lump sum payment shall be equal to 3 times the average annual compensation includable in Officer's gross income based on the portion of the 5 year period during which Officer performed services for HORL. To the extent that any amount required to be paid hereunder would constitute an "excess parachute payment" within the meaning of Section 280G(b) of the Internal Revenue Code of 1986, that excess amount need not be paid.

For purposes of this Section 1.2(b), a "change of control" shall be deemed to have taken place if there shall have occurred (i) the sale or other disposition resulting in the transfer of legal or beneficial ownership of, or the right to vote, more than fifty percent (50%) of the outstanding capital stock of HORL to one or more third-party purchasers unaffiliated with Seafield Capital Corporation, its shareholders or affiliates (as the term "affiliate" is defined in Rule 12b-2 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934), except in connection with an underwritten public offering of the common stock of HORL, (ii) a merger or consolidation of HORL with or into any entity other than Seafield Capital Corporation or its affiliates, (iii) a sale or other transfer of substantially all of the assets of HORL to any person or entity other than Seafield Capital Corporation or its affiliates, (iv) the sale or other disposition resulting in the transfer of legal or beneficial ownership of, or the right to vote, more than fifty percent (50%) of the outstanding capital stock of Seafield Capital Corporation to one or more third-party purchasers (other than the affiliates of Seafield Capital Corporation), except in connection with an underwritten public offering of the common stock of Seafield Capital Corporation, (v) a merger or consolidation of Seafield Capital Corporation with or into any entity other than the affiliates of Seafield Capital Corporation, or (vi) a sale or other transfer of substantially all of the assets of Seafield Capital Corporation to any person or entity other than the affiliates of Seafield Capital Corporation.

In the event of termination of employment under the circumstances described above, HORL shall pay to Officer the installments of his base salary through the date of termination of employment, any annual incentive bonus for the previous year if such has been approved but not paid and the lump sum amount as termination compensation described above, and any remaining term of this Agreement shall be cancelled. Such payments to Officer and the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will constitute the entire obligation of HORL to Officer with respect to such termination, and will also constitute full settlement of any claim under law or in equity that Officer might otherwise assert against HORL or any of its employees on account of such termination.

(c) Annual Extension. Commencing on the third anniversary of this Agreement and on each succeeding anniversary thereafter, unless HORL notifies Officer in accordance with the immediately following sentence that Officer's employment under this Agreement will not be extended, this Agreement and Officer's employment under this Agreement shall automatically and without further action be extended for one (1) year from such anniversary on the same terms and conditions as are set forth herein. If HORL elects not to extend Officer's employment under this Agreement as provided in the preceding sentence, it shall do so by notifying Officer in writing at least sixty (60) days prior to the applicable anniversary date of this Agreement. If HORL elects not to extend Officer's employment under this Agreement as provided above, such election shall be treated as a termination of Officer without cause within the meaning of Section 9.1(e) of this Agreement and HORL shall pay to Officer, in addition to any other sums which may be due to Officer, the lump sum severance payment provided for in Section 9.1(e).

SECTION 2

DUTIES

2.1 General Duties. Officer shall serve HORL in the capacities of Chairman of the Board of Directors and as a member of the Board of Directors and of the Executive Committee of the Board of Directors of HORL and shall perform such duties and responsibilities as are customarily performed by persons acting in such capacities. Officer shall be responsible for (i) maintaining and expanding the insurance laboratory testing business currently conducted by HORL, (ii) establishing, directing, administering and coordinating the acquisition and growth objectives of HORL, including, without limitation, diversification into the clinical laboratory testing business, as assistance to and in accordance with the policies and objectives established by the Board of Directors, and (iii) the performance of such other duties in relation to HORL consistent with Officer's position as Chairman of the Board of Directors of HORL as shall from time to time be assigned to Officer by the Board of Directors.

2.2 Full Time. During the term hereof, Officer agrees to devote his full time, attention and skill to the performance of his duties as Chairman of the Board of Directors of HORL.

2.3 Best Efforts. Officer agrees that he will at all times faithfully, industriously and to the best of his ability, experience and talents, perform all of the duties that may be required of and from him by the Board of Directors as described above.

2.4 Indemnification and D & O Insurance. HORL shall provide to Officer coverage under HORL's director and officer liability insurance and indemnification rights, whether provided by HORL or Seafield Capital Corporation or otherwise, as fully and to the same extent as the same are provided to other directors and top level executive officers of HORL.

SECTION 3

BASE SALARY

3.1 Annual Base Salary. HORL shall pay Officer, and Officer shall accept from HORL in full payment for Officer's full time services hereunder, compensation at the rate of Two Hundred Thousand Dollars (\$200,000) per annum, payable monthly in periodic equal installments during the year. Such salary shall be reviewed from time to time, but not less often than annually, by the Board of Directors of HORL and will be subject to such increases, but not decreases, as the Board of Directors of HORL may determine, having due regard for the efforts of Officer and the results, both financial and otherwise, of HORL's operations during Officer's tenure as Chairman of the Board of Directors.

3.2 Reimbursement of Expenses. HORL shall reimburse Officer for such reasonable out-of-pocket expenses as are incurred by Officer in order to render the services contemplated hereunder.

3.3 Tax Withholdings. HORL shall deduct from the compensation payable to Officer all federal, state, and local income tax, social security, FICA, FUTA and other withholdings as required by law.

SECTION 4

BONUSES AND FRINGE BENEFITS

4.1 Signing Bonus. As an incentive to induce Officer to enter into this Agreement, HORL shall pay Officer upon his execution of this Agreement a signing bonus of Sixty Thousand Dollars (\$60,000).

4.2 Annual Incentive Bonus. During the term hereof, Officer shall be eligible to receive an annual incentive bonus based upon the performance of HORL in relation to pre-determined financial goals established by the Compensation Committee of the Board of Directors of HORL after consultation with Officer. Bonuses for less than a full year of service may be granted at the discretion of the Compensation Committee.

4.3 Annual Vacation. Officer shall be entitled to an annual vacation period of four weeks, non-cumulative.

4.4 Stock Option. Simultaneously with the execution and delivery of this Agreement, the Long-Term Incentive Plan Committee of the Board of Directors of HORL has granted to Officer under the HORL Long-Term Incentive Plan a Non-Qualified Stock Option Agreement of even date herewith, in the form which is attached as Exhibit A hereto, for Two Hundred Thousand (200,000) shares of the common stock of HORL.

4.5 Purchase of Texas Residence. To assist Officer in relocating his personal residence from Irving, Texas to the Greater Kansas City area, HORL shall cause Officer's personal residence in Irving, Texas to be purchased for a purchase price net to Officer equal to the average of the fair market values of

Officer's personal residence established by two (2) independent appraisers satisfactory to HORL and to Officer.

4.6 Other Fringe Benefits. Officer shall be entitled to participate in such fringe benefit programs as HORL may make available from time to time to executive employees, which shall include reasonable hospital and major medical insurance coverage, long term disability and life insurance in amounts and on terms no less favorable than those provided to other executive officers of HORL. Further, HORL will provide Officer, at HORL's option, with an automobile of a type in keeping with his executive position, or with an automobile allowance sufficient as a substitute therefor.

SECTION 5

NON-COMPETITION

5.1 Restrictive Covenants. In consideration for Officer's employment with HORL and in further consideration for the compensation provided to Officer in Sections 3 and 4 hereof, Officer agrees that during the term of his employment pursuant to this Agreement, and for a period of two (2) years after the termination for any reason of his employment pursuant to this Agreement, he will not, without the prior written consent of HORL, directly or indirectly, individually or in concert with others, or through the medium of any other corporation, partnership, syndicate, association, joint venture, or other entity or as an employee, officer, director, agent, consultant or affiliate, compete with HORL, within the hereinafter described region, in (i) the urine or blood chemistry testing or analysis business for the insurance industry, or (ii) the urine or blood chemistry container or other supply business for the insurance industry, or (iii) any other business engaged in by HORL as of the date of the termination of Officer's employment with HORL, and Officer will not solicit or accept any such business described in any of subparts (i) through (iii) above and which competes with HORL from any customer who is served by HORL as of the date of the termination of Officer's employment pursuant hereto, or cause or induce any present or future employee of HORL to leave the employ of HORL to accept employment with Officer or with any such entity or person. The region referred to above shall consist of any territory in which HORL or any of its representatives or agents, as of the date of the termination of Officer's employment pursuant hereto, provides, sells, offers for sale or solicits the sale of urine or blood chemistry testing or analysis, or urine or blood chemistry containers or other supplies related thereto, or other services or products. HORL and Officer agree that in the event that any provision of this Section 5.1 is void or constitutes an unreasonable restriction against Officer, such provision shall not be rendered void, but shall apply with respect to such time or territory or to such other extent as may constitute a reasonable restriction under the circumstances. The foregoing provisions shall not prohibit Officer from owning not more than 3% of the total shares of all classes of stock outstanding of any publicly held company.

5.2 Injunctive Relief. HORL shall be entitled to appropriate injunctive relief in any court of competent jurisdiction to enforce its rights under Sections 5, 6, 7 and 8 of this Agreement, in addition to any other rights and

remedies available to HORL at law or in equity, it being agreed that any violation of Sections 5, 6, 7 or 8 of this Agreement by Officer is reasonably likely to cause irreparable damage to HORL which will be difficult or impossible to value in monetary damages.

5.3 Charitable Activities. Nothing in this Section 5 shall be construed as preventing Officer from engaging in charitable, professional, religious or civic activities such as serving on a school board, or as a member of or officer of a professional organization, provided such activity or organization does not compete directly with HORL.

SECTION 6

CONFIDENTIAL INFORMATION

6.1 Confidentiality. During the term of and at any time after the termination of this Agreement, Officer will hold in trust and confidence and will not divulge, disclose or convey to any person, firm, corporation or other entity and will keep secret and confidential all trade secrets, proprietary information and confidential information heretofore or hereafter acquired by him concerning HORL, Head Office Reference Laboratory Ltd., or Seafield Capital Corporation, and will not use for himself or others the same in any manner, except to the extent that such information should become no longer a trade secret, proprietary or confidential. Such trade secrets, proprietary information and confidential information shall be deemed to include, but shall not be limited to, information, whether written or not:

(a) of a technical nature, such as but not limited to, technology, inventions, discoveries, improvements, processes, formulae, ideas, know-how, methods, compositions, computer software programs or research projects, including the identity of research organizations and researchers,

(b) of a business nature, such as but not limited to information concerning costs, profits, supplies, suppliers, marketing, sales or lists of customers, and

(c) pertaining to future developments, such as but not limited to information concerning research and development or future marketing methods.

The restrictions contained above shall not apply to:

(i) information which at the time of disclosure by HORL to Officer is in the public domain; or

(ii) information which at the time of disclosure by HORL to Officer constituted confidential information hereunder, but which thereafter becomes part of the public domain by publication or otherwise through no fault of Officer.

SECTION 7

DEVELOPMENTS

7.1 Developments. Officer will promptly disclose to HORL (in form satisfactory to HORL) all information, technology, inventions, discoveries, improvements, processes, formulae, ideas, know-how, methods, compositions, research projects, computer software programs and developments, whether or not patentable or copyrightable (collectively "Information"), that Officer by himself or in conjunction with any other person or entity conceives, makes, develops or acquires during the term of this Agreement, and that:

(a) are or relate or pertain to the assets, properties, or existing or contemplated business or research activities or HORL, or

(b) are suggested by, arise out of or result from, directly or indirectly, Officer's association with HORL, or

(c) arise out of or result, directly or indirectly, in part or fully, from the use of HORL's time, labor, materials facilities or other resources (collectively "Developments").

Any Information fitting within any of the descriptions contained in subsections (a), (b) or (c) of this Section 7.1 that is disclosed to any other person, firm or other entity by Officer or used in any manner by Officer within one (1) year following the termination of this Agreement shall be presumed to have been conceived, made, developed or acquired during the term of this Agreement and, thus, to constitute a Development.

7.2 Assignment to HORL. Officer hereby assigns, transfers and conveys to HORL all of his right, title and interest in and to any and all such Developments, which Developments shall become and remain the sole and exclusive property of HORL. At any time and from time to time, upon the request of HORL, Officer will execute and deliver any and all instruments, documents and papers, give evidence and do any and all other acts which, in the reasonable opinion of counsel for HORL, are or may be necessary or desirable to document such transfer, or to enable HORL to file and process applications for and to acquire, maintain and enforce any and all patents, trademarks, registrations or copyrights with respect to any such Developments, or to obtain any extension, validation, re-issue, continuance or renewal of any such patent, trademark or copyright. HORL will be responsible for the preparation of any such instruments, documents and papers and for the implementation of any such proceedings and will reimburse Officer for all reasonable expenses incurred by him in compliance with the provisions of this paragraph.

SECTION 8

PROPERTY OF HORL

8.1 All correspondence, notes, recordings, documents and other materials and reproductions thereof pertaining to any aspect of the business of HORL shall be the property of and shall be delivered to and retained by HORL upon termination of this Agreement.

TERMINATION

9.1 Termination. Officer's employment pursuant to this Agreement shall terminate upon the occurrence of any of the following events:

(a) Death. In the event that Officer dies during the term of this Agreement, HORL shall pay to his executors or administrators an amount equal to the installments of his base salary payable for the month in which he dies and any annual incentive bonus for the previous year if such has been approved but not paid, and such payments, together with the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will constitute the entire obligation of HORL to Officer and will also constitute full settlement of any claim under law or in equity that Officer's executors, heirs or assigns or any other person claiming under or through him might otherwise assert against HORL or any of its employees on account of his death.

(b) Disability. In the event that Officer continues unable to fully perform his duties and responsibilities hereunder by reason of illness, injury or mental or physical disability or incapacity for ninety (90) consecutive days, during which time he shall continue to be compensated for monthly installments of base salary and any annual incentive bonus for the previous year if such has been approved but not paid, Officer's employment pursuant to this Agreement may be terminated by HORL, and such payments, together with the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will constitute the entire obligation of HORL to Officer and will also constitute full settlement of any claim under law or in equity that Officer might otherwise assert against HORL or any of its employees on account of such termination. Officer agrees, in the event of any dispute under this Section 9.1, to submit to a physical examination by a reputable licensed physician selected by HORL and to accept HORL's decision based on the results thereof.

(c) Voluntary Termination. Officer's employment may be voluntarily terminated upon Officer giving sixty (60) days' prior written notice to HORL. In the event Officer voluntarily terminates his employment, HORL shall pay to Officer an amount equal to his base salary payable through the date of termination of employment and any annual incentive bonus for the previous year if such has been approved but not paid, and such payments, together with the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will constitute the entire obligation of HORL to Officer and will also constitute full settlement of any claim under law or in equity that Officer might otherwise assert against HORL or any of its employees on account of his termination.

(d) Termination for Cause. Officer's employment may be terminated by HORL at any time for cause. In the event that Officer is terminated by HORL for cause, HORL shall pay to Officer his base salary which may have accrued to the

date of termination and any annual incentive bonus for the previous year if such has been approved but not paid, and such payments, together with the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will constitute the entire obligation of HORL to Officer and will also constitute full settlement of any claim under law or in equity that Officer might otherwise assert against HORL or any of its employees on account of his termination. Only the following actions, failures or events by or affecting Officer shall constitute "cause" for termination of Officer by HORL (i) willful and continued failure by Officer to substantially perform his duties provided herein after a written demand for substantial performance is delivered to Officer by the Board of Directors of HORL, which demand identifies with reasonable specificity the manner in which Officer has not substantially performed his duties, and Officer fails to comply with such demand within a reasonable time; (ii) the engaging by Officer of gross misconduct or gross negligence materially injurious to HORL; (iii) Officer's conviction of having committed a felony; or (iv) HORL's fiscal year earnings from operations (excluding investment income and provision for income taxes) determined in accordance with generally accepted accounting principles (excluding extraordinary, unusual or nonrecurring gains or losses), shall be less than \$14,000,000. Notwithstanding the foregoing, Officer shall not be deemed to have been terminated by HORL for cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors of HORL finding that, in the good faith opinion of the Board of Directors, HORL has cause for the termination of employment of Officer as set forth in any of clauses (i) through (iv) above and specifying the particulars thereof in reasonable detail. The findings of the Board of Directors shall not be binding on the arbitrators or other finders of fact in connection with any litigation or dispute arising out of this Agreement.

(e) Termination Without Cause. In the event that HORL terminates Officer's employment for reasons other than death, disability, or cause as listed in subsection (d) above, then in addition to any other sums to which Officer may be entitled under this Agreement, HORL shall pay to Officer, on or before the last day of employment, a lump sum severance payment equal to (i) the installments of base salary due for the balance of the then current term of this Agreement, plus (ii) the annual base salary payable to Officer by HORL immediately prior to termination of employment, which payments, together with the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will constitute the entire obligation of HORL to Officer and will also constitute full settlement of any claim under law or in equity that Officer might otherwise assert against HORL or any of its employees on account of his termination.

SECTION 10

SURVIVAL

10.1 Notwithstanding the termination of Officer's employment pursuant to the

provisions of Section 9 hereof, or the expiration of the term of this Agreement, Officer's obligations under Sections 5, 6, 7 and 8 hereof, the provisions for injunctive relief against Officer in Sections 5.2 and 12.2 hereof and the provisions for arbitration in Section 12.1 hereof shall continue in full force and effect. Any right, power or obligation imposed or conferred upon HORL or the Board of Directors of HORL by the terms of this Agreement shall inure to the benefit of and be binding upon any person or entity into which HORL is consolidated or merged and the Board of Directors or other governing body of any such corporation or other entity.

SECTION 11

ASSISTANCE IN LITIGATION

11.1 Officer shall, upon reasonable notice, furnish such information and assistance to HORL as may reasonably be required by HORL in connection with any litigation in which HORL or any of its subsidiaries or affiliates is or may become a party.

SECTION 12

ARBITRATION

12.1 Methods. Except as provided in Section 12.2 below, any difference, controversy, claim or dispute between the parties arising out of this Agreement, or the breach thereof, shall be settled by binding arbitration before a panel of three arbitrators selected as follows: each party shall select one neutral arbitrator from the American Arbitration Association's approved list of arbitrators. The two arbitrators so selected by the parties shall select a third neutral arbitrator and the three so selected shall settle the dispute under the duly promulgated Commercial Arbitration Rules of the American Arbitration Association or its successor. The arbitration shall be conducted in Lenexa, Kansas. The award of the arbitrators may be entered as a judgment in any Court in the State of Kansas or in any court having jurisdiction thereof.

12.2 Injunctive Relief. Notwithstanding Section 12.1 above, HORL shall be entitled to seek judicial injunctive relief to enforce its rights under Sections 5, 6, 7 and 8 of this Agreement as provided in Section 5.2 hereof.

SECTION 13

MISCELLANEOUS

13.1 Assignment by Officer. This is a personal Agreement on the part of Officer and may not be sold, assigned, transferred or conveyed by Officer. This Agreement may not be sold, assigned, transferred or conveyed by HORL except in connection with a merger, consolidation or sale of all or substantially all of the assets of HORL and then only to the successor to HORL's operations.

13.2 Entire Agreement. This Agreement contains the entire agreement among the

parties hereto and there are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, among the parties as to the subject matter covered.

13.3 Severability. Should any part of this Agreement be declared invalid for any reason, such invalidity shall not affect the validity of any remaining portion hereof and such remaining portion shall continue in full force and effect as if this Agreement had been originally executed without including the invalid part.

13.4 Governing Law. This Agreement and its performance shall be interpreted and construed in accordance with the laws of the State of Kansas.

13.5 Titles. Titles and captions in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

13.6 Amendments. No changes, alterations, modifications, additions, or qualifications to the terms of this Agreement shall be made or be binding unless made in writing and executed by the parties in the same manner as the Agreement.

13.7 No Waiver. Failure by either party to enforce any right granted by this Agreement shall not constitute a waiver of such right and waiver of any provision of this Agreement shall not constitute a waiver of any other provision.

13.8 Notices. Any notice, instrument or communication required or permitted under this Agreement shall be deemed to have been effectively given and made if in writing and when served by personal delivery to the party for whom it is intended, or three business days after being deposited, postage prepaid, registered or certified mail, return receipt requested, in the United States mail, addressed to the party for whom it is intended at the following addresses, or at such other addresses as the party to be notified may have designated in writing to the other:

Officer: Bert H. Hood
1621 Cottonwood Valley Circle
Irving, Texas 75038

HORL: Home Office Reference Laboratory
10310 W. 84th Terrace
Lenexa, Kansas 66214
Attn: Board of Directors

13.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first above written.

HOME OFFICE REFERENCE LABORATORY, INC.

By:

W. Thomas Grant II

Bert H. Hood

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of August 19, 1993, and as amended as of November 12, 1993, by and between Home Office Reference Laboratory, Inc., with offices in Lenexa, Kansas (hereinafter referred to as "HORL") and Kenneth A. Stelzer, a resident of the State of Kansas (hereinafter referred to as "Officer");

WITNESSETH:

WHEREAS, Officer and HORL are presently parties to an Employment Agreement, dated August 3, 1983, and a Termination Compensation Agreement, dated February 28, 1990;

WHEREAS, HORL wishes to offer additional consideration to Officer to induce Officer to continue in the employment of HORL; and

WHEREAS, it is the intention and desire of the parties to enter into a formal agreement whereby three principal purposes will be served, to wit:

A. The present Employment Agreement and Termination Compensation Agreement between the parties will be cancelled in their entirety and this Employment Agreement will be substituted in their place and stead; and

B. HORL will have the benefit of the substantial expertise of Officer for at least the period covered by this Agreement; and

C. Officer will serve HORL during the term hereinafter defined and will be motivated by the additional consideration set forth herein;

NOW, THEREFORE, in consideration of the employment of Officer by HORL and of the mutual promises, covenants, representations and warranties contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree that the present Employment Agreement and Termination Compensation Agreement between the parties are hereby cancelled in their entirety and the following Employment Agreement (the "Agreement") is hereby substituted in their place and stead:

SECTION I

EMPLOYMENT AND TERM

1.1 Employment. HORL hereby employs Officer and Officer hereby accepts such employment and agrees to perform the duties described in Section 2 of this Agreement.

1.2 Term.

(a) Base Term. The term of employment shall commence on the date of this Amendment to Employment Agreement and shall continue for a period of two (2) years therefrom (the "Base Term"), or until terminated as otherwise provided herein.

(b) Termination Subsequent to Change in Control. Notwithstanding any other provision of this Agreement to the contrary, in the event that (i) a change of control of HORL shall occur at any time during which Officer is in the full-time employment of HORL or its successor and (ii) within one (1) year after such a change in control, Officer's employment with HORL or its successor is terminated by HORL or its successor for any reason other than permanent disability, death or normal retirement, or is voluntarily terminated by Officer for any reason at his sole discretion, HORL will promptly pay to Officer as termination compensation the lump sum amount described below.

The lump sum compensation payable shall be equal to three (3) times the average annual compensation includable in Officer's gross income for the most recent five (5) taxable years ending before the date of the change in control. If Officer has been an employee of HORL for less than 5 years, Officer's lump sum payment shall be equal to 3 times the average annual compensation includable in Officer's gross income based on the portion of the 5 year period during which Officer performed services for HORL. To the extent that any amount required to be paid hereunder would constitute an "excess parachute payment" within the meaning of Section 280G(b) of the Internal Revenue Code of 1986, that excess amount need not be paid.

For purposes of this Section 1.2(b), a "change of control" shall be deemed to have taken place if there shall have occurred (i) the sale or other disposition resulting in the transfer of legal or beneficial ownership of, or the right to vote, more than fifty percent (50%) of the outstanding capital stock of HORL to one or more third-party purchasers unaffiliated with Seafield Capital Corporation, its shareholders or affiliates (as the term "affiliate" is defined in Rule 12b-2 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934), except in connection with an underwritten public offering of the common stock of HORL, (ii) a merger or consolidation of HORL with or into any entity other than Seafield Capital Corporation or its affiliates, or (iii) a sale or other transfer of substantially all of the assets of HORL to any person or entity other than Seafield Capital Corporation or its affiliates.

In the event of termination of employment under the circumstances described above, HORL shall pay to Officer the installments of his base salary through the date of termination of employment, any annual incentive bonus for the previous year if such has been approved but not paid and the lump sum amount as termination compensation described above, and any remaining term of this Agreement shall be cancelled. Such payments to Officer and the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will constitute the entire obligation of HORL to Officer with respect to such termination, and will also constitute full settlement of any claim under law or in equity that

Officer might otherwise assert against HORL or any of its employees on account of such termination.

(c) Annual Extension. Commencing on the second anniversary of this Agreement and on each succeeding anniversary thereafter, unless HORL notifies Officer in accordance with the immediately following sentence that Officer's employment under this Agreement will not be extended, this Agreement and Officer's employment under this Agreement shall automatically and without further action be extended for one (1) year from such anniversary on the same terms and conditions as are set forth herein. If HORL elects not to extend Officer's employment under this Agreement as provided in the preceding sentence, it shall do so by notifying Officer in writing at least sixty (60) days prior to the applicable anniversary date of this Agreement. If HORL elects not to extend Officer's employment under this Agreement as provided above, such election shall be treated as a termination of Officer without cause within the meaning of Section 9.1(e) of this Agreement and HORL shall pay to Officer, in addition to any other sums which may be due to Officer, the lump sum severance payment provided for in Section 9.1(e).

SECTION 2

DUTIES

2.1 General Duties. Stelzer herewith resigns as President and Chief Executive Officer of HORL. Subject to the approval of the Board of Directors, Stelzer shall serve as Vice-Chairman of the Board of Directors. Stelzer shall also serve as President of a new division of HORL. Such division shall, among other things, market HORL's insurance testing services and products outside of the United States.

Stelzer shall serve HORL by performing the duties generally required to market HORL's products and services outside of the United States. In addition, Stelzer shall continue to maintain contacts with insurance company customers and perform marketing duties for HORL to help maintain present customers and obtain new customers with respect to HORL's insurance testing products and services in the United States. Without limitation, these duties will require attendance at industry meetings and customer functions. These duties may change from time to time at the direction of the Board of Directors or the Chairman of the Board of Directors.

2.2 Full Time. During the term hereof, Officer agrees to devote his full time, attention and skill to the performance of the foregoing duties.

2.3 Best Efforts. Officer agrees that he will at all times faithfully, industriously and to the best of his ability, experience and talents, perform all of the duties that may be required of him as described above.

2.4 Indemnification and D & O Insurance. HORL shall provide to Officer coverage under HORL's director and officer liability insurance and indemnification By-laws, as fully and to the same extent as the same are provided to similar executive officers of HORL.

SECTION 3

BASE SALARY

3.1 Annual Base Salary. HORL shall pay Officer, and Officer shall accept from HORL in full payment for Officer's full time services hereunder, compensation at the rate of One Hundred Eighty-One Thousand One Hundred Dollars (\$181,100) per annum, payable monthly in periodic equal installments during the year. Such salary shall be reviewed from time to time, but not less often than annually, by the Board of Directors of HORL and will be subject to such increases, but not decreases, as the Board of Directors of HORL may determine, having due regard for the efforts of Officer and the results, both financial and otherwise, of HORL's operations during Officer's tenure.

3.2 Reimbursement of Expenses. HORL shall reimburse Officer for such reasonable out-of-pocket expenses as are incurred by Officer in order to render the services contemplated hereunder.

3.3 Tax Withholdings. HORL shall deduct from the compensation payable to Officer all federal, state, and local income tax, social security, FICA, FUTA and other withholdings as required by law.

SECTION 4

BONUSES AND FRINGE BENEFITS

4.1 Annual Incentive Bonus. During the term hereof, Officer shall be eligible to receive an annual incentive bonus based upon the performance of HORL in relation to pre-determined financial goals established by the Compensation Committee of the Board of Directors of HORL. Bonuses for less than a full year of service may be granted at the discretion of the Compensation Committee.

4.2 Existing Stock Options. Officer and HORL are parties to existing Stock Option Agreements entered into prior to the date hereof ("Existing Stock Option Agreements") which provide in Section 3(b) thereof that the stock options granted thereby are immediately exercisable upon the occurrence of a Change of Control of Seafield Capital Corporation, BMA Corporation or an affiliate thereof. By executing this Agreement, Officer and HORL agree that the provisions of Section 3(b) of said Existing Stock Option Agreements are hereby cancelled and shall be of no further force or effect and that the following Sections 3(b), (c) and (d) shall be substituted in lieu thereof in said Existing Stock Option Agreements:

"(b) Notwithstanding the provisions of Section 3(a) above, the Option may be immediately exercised with respect to all of the Shares specified in Section 1, above, (i) upon the occurrence of a Change of Control, or (ii) upon the termination of Optionee's employment by HORL without cause.

(c) A "Change of Control" means the occurrence of any of the following events:

(i) the sale or other disposition resulting in the transfer of legal or beneficial ownership of, or the right to vote, more than fifty percent (50%) of the outstanding capital stock of HORL to one or more third-party purchasers unaffiliated with Seafield Capital Corporation, its shareholders or affiliates (as the term "affiliate" is defined in Rule 12b-2 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934), except in connection with an underwritten public offering of the common stock of HORL;

(ii) a merger or consolidation of HORL with or into any entity other than Seafield Capital Corporation or its affiliates; or

(iii) a sale or other transfer of substantially all of the assets of HORL to any person or entity other than Seafield Capital Corporation or its affiliates.

(d) A "termination of Optionee's employment by HORL without cause" shall occur in the event that Optionee's employment is terminated by HORL for any reason other than the following actions, failures or events by or affecting Optionee which shall constitute "cause" for termination of Optionee by HORL:

(i) willful and continued failure by Optionee to substantially perform his duties provided in the Employment Agreement between Optionee and HORL, dated , 1993, after a written demand for substantial performance is delivered to Optionee by the Board of Directors of HORL, which demand identifies with reasonable specificity the manner in which Optionee has not substantially performed his duties, and Optionee fails to comply with such demand within a reasonable time;

(ii) the engaging by Optionee of gross misconduct or gross negligence materially injurious to HORL;

(iii) Optionee's conviction of having committed a felony; or

(iv) HORL's fiscal year earnings from operations (excluding investment income and provision for income taxes) determined in accordance with generally accepted accounting principles (excluding extraordinary, unusual or nonrecurring gains or losses), shall be less than \$14,000,000.

Notwithstanding the foregoing, Optionee shall not be deemed to have been terminated by HORL for cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors of HORL finding that, in the good faith opinion of the Board of Directors, HORL has cause for the termination of employment of Optionee as set forth in any of clauses (i) through (iv) above and specifying the particulars thereof in reasonable detail. The findings of the Board of Directors shall not be binding on the arbitrators or other finders of fact in connection with any litigation or dispute arising out of this Agreement."

4.3 Other Fringe Benefits. Officer shall be entitled to an annual vacation

consistent with HORL's vacation policies for similar executive officers and to participate in such fringe benefit programs as HORL may make available from time to time to similar executive officers, which shall include reasonable hospital and major medical insurance coverage, long term disability and life insurance in amounts and on terms no less favorable than those provided to similar executive officers of HORL.

SECTION 5

NON-COMPETITION

5.1 Restrictive Covenants. In consideration for Officer's employment with HORL and in further consideration for the compensation provided to Officer in Sections 3 and 4 hereof, Officer agrees that during the term of his employment pursuant to this Agreement, and for a period of two (2) years after the termination for any reason of his employment pursuant to this Agreement, he will not, without the prior written consent of HORL, directly or indirectly, individually or in concert with others, or through the medium of any other corporation, partnership, syndicate, association, joint venture, or other entity or as an employee, officer, director, agent, consultant or affiliate, compete with HORL, within the hereinafter described region, in (i) the urine or blood chemistry testing or analysis business for the insurance industry, or (ii) the urine or blood chemistry container or other supply business for the insurance industry, or (iii) any other business engaged in by HORL as of the date of the termination of Officer's employment with HORL, and Officer will not solicit or accept any such business described in any of subparts (i) through (iii) above and which competes with HORL from any customer who is served by HORL as of the date of the termination of Officer's employment pursuant hereto, or cause or induce any present or future employee of HORL to leave the employ of HORL to accept employment with Officer or with any such entity or person. The region referred to above shall consist of any territory in which HORL or any of its representatives or agents, as of the date of the termination of Officer's employment pursuant hereto, provides, sells, offers for sale or solicits the sale of urine or blood chemistry testing or analysis, or urine or blood chemistry containers or other supplies related thereto, or other services or products. HORL and Officer agree that in the event that any provision of this Section 5.1 is void or constitutes an unreasonable restriction against Officer, such provision shall not be rendered void, but shall apply with respect to such time or territory or to such other extent as may constitute a reasonable restriction under the circumstances. The foregoing provisions shall not prohibit Officer from owning not more than 3% of the total shares of all classes of stock outstanding of any publicly held company.

5.2 Injunctive Relief. HORL shall be entitled to appropriate injunctive relief in any court of competent jurisdiction to enforce its rights under Sections 5, 6, 7 and 8 of this Agreement, in addition to any other rights and remedies available to HORL at law or in equity, it being agreed that any violation of Sections 5, 6, 7 or 8 of this Agreement by Officer is reasonably likely to cause irreparable damage to HORL which will be difficult or impossible to value in monetary damages.

5.3 Charitable Activities. Nothing in this Section 5 shall be construed as preventing Officer from engaging in charitable, professional, religious or civic activities such as serving on a school board, or as a member of or officer of a professional organization, provided such activity or organization does not compete directly with HORL.

SECTION 6

CONFIDENTIAL INFORMATION

6.1 Confidentiality. During the term of and at any time after the termination of this Agreement, Officer will hold in trust and confidence and will not divulge, disclose or convey to any person, firm, corporation or other entity and will keep secret and confidential all trade secrets, proprietary information and confidential information heretofore or hereafter acquired by him concerning HORL, Head Office Reference Laboratory Ltd., or Seafield Capital Corporation, and will not use for himself or others the same in any manner, except to the extent that such information should become no longer a trade secret, proprietary or confidential. Such trade secrets, proprietary information and confidential information shall be deemed to include, but shall not be limited to, information, whether written or not:

(a) of a technical nature, such as but not limited to, technology, inventions, discoveries, improvements, processes, formulae, ideas, know-how, methods, compositions, computer software programs or research projects, including the identity of research organizations and researchers,

(b) of a business nature, such as but not limited to information concerning costs, profits, supplies, suppliers, marketing, sales or lists of customers, and

(c) pertaining to future developments, such as but not limited to information concerning research and development or future marketing methods.

The restrictions contained above shall not apply to:

(i) information which at the time of disclosure by HORL to Officer is in the public domain; or

(ii) information which at the time of disclosure by HORL to Officer constituted confidential information hereunder, but which thereafter becomes part of the public domain by publication or otherwise through no fault of Officer.

SECTION 7

DEVELOPMENTS

7.1 Developments. Officer will promptly disclose to HORL (in form satisfactory to HORL) all information, technology, inventions, discoveries, improvements, processes, formulae, ideas, know-how, methods, compositions,

research projects, computer software programs and developments, whether or not patentable or copyrightable (collectively "Information"), that Officer by himself or in conjunction with any other person or entity conceives, makes, develops or acquires during the term of this Agreement, and that:

(a) are or relate or pertain to the assets, properties, or existing or contemplated business or research activities or HORL, or

(b) are suggested by, arise out of or result from, directly or indirectly, Officer's association with HORL, or

(c) arise out of or result, directly or indirectly, in part or fully, from the use of HORL's time, labor, materials facilities or other resources (collectively "Developments").

Any Information fitting within any of the descriptions contained in subsections (a), (b) or (c) of this Section 7.1 that is disclosed to any other person, firm or other entity by Officer or used in any manner by Officer within one (1) year following the termination of this Agreement shall be presumed to have been conceived, made, developed or acquired during the term of this Agreement and, thus, to constitute a Development.

7.2 Assignment to HORL. Officer hereby assigns, transfers and conveys to HORL all of his right, title and interest in and to any and all such Developments, which Developments shall become and remain the sole and exclusive property of HORL. At any time and from time to time, upon the request of HORL, Officer will execute and deliver any and all instruments, documents and papers, give evidence and do any and all other acts which, in the reasonable opinion of counsel for HORL, are or may be necessary or desirable to document such transfer, or to enable HORL to file and process applications for and to acquire, maintain and enforce any and all patents, trademarks, registrations or copyrights with respect to any such Developments, or to obtain any extension, validation, re-issue, continuance or renewal of any such patent, trademark or copyright. HORL will be responsible for the preparation of any such instruments, documents and papers and for the implementation of any such proceedings and will reimburse Officer for all reasonable expenses incurred by him in compliance with the provisions of this paragraph.

SECTION 8

PROPERTY OF HORL

8.1 All correspondence, notes, recordings, documents and other materials and reproductions thereof pertaining to any aspect of the business of HORL shall be the property of and shall be delivered to and retained by HORL upon termination of this Agreement.

SECTION 9

TERMINATION

9.1 Termination. Officer's employment pursuant to this Agreement shall terminate upon the occurrence of any of the following events:

(a) Death. In the event that Officer dies during the term of this Agreement, HORL shall pay to his executors or administrators an amount equal to the installments of his base salary payable for the month in which he dies and any annual incentive bonus for the previous year if such has been approved but not paid, and such payments, together with the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will constitute the entire obligation of HORL to Officer and will also constitute full settlement of any claim under law or in equity that Officer's executors, heirs or assigns or any other person claiming under or through him might otherwise assert against HORL or any of its employees on account of his death.

(b) Disability. In the event that Officer continues unable to fully perform his duties and responsibilities hereunder by reason of illness, injury or mental or physical disability or incapacity for ninety (90) consecutive days, during which time he shall continue to be compensated for monthly installments of base salary and any annual incentive bonus for the previous year if such has been approved but not paid, Officer's employment pursuant to this Agreement may be terminated by HORL, and such payments, together with the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will constitute the entire obligation of HORL to Officer and will also constitute full settlement of any claim under law or in equity that Officer might otherwise assert against HORL or any of its employees on account of such termination. Officer agrees, in the event of any dispute under this Section 9.1, to submit to a physical examination by a reputable licensed physician selected by HORL and to accept HORL's decision based on the results thereof.

(c) Voluntary Termination. Officer's employment may be voluntarily terminated upon Officer giving sixty (60) days' prior written notice to HORL. In the event Officer voluntarily terminates his employment, HORL shall pay to Officer an amount equal to his base salary payable through the date of termination of employment and any annual incentive bonus for the previous year if such has been approved but not paid, and such payments, together with the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will constitute the entire obligation of HORL to Officer and will also constitute full settlement of any claim under law or in equity that Officer might otherwise assert against HORL or any of its employees on account of his termination.

(d) Termination for Cause. Officer's employment may be terminated by HORL at any time for cause. In the event that Officer is terminated by HORL for cause, HORL shall pay to Officer his base salary which may have accrued to the date of termination and any annual incentive bonus for the previous year if such has been approved but not paid, and such payments, together with the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will

constitute the entire obligation of HORL to Officer and will also constitute full settlement of any claim under law or in equity that Officer might otherwise assert against HORL or any of its employees on account of his termination. Only the following actions, failures or events by or affecting Officer shall constitute "cause" for termination of Officer by HORL (i) willful and continued failure by Officer to substantially perform his duties provided herein after a written demand for substantial performance is delivered to Officer by the Board of Directors of HORL, which demand identifies with reasonable specificity the manner in which Officer has not substantially performed his duties, and Officer fails to comply with such demand within a reasonable time; (ii) the engaging by Officer of gross misconduct or gross negligence materially injurious to HORL; (iii) Officer's conviction of having committed a felony; or (iv) HORL's fiscal year earnings from operations (excluding investment income and provision for income taxes) determined in accordance with generally accepted accounting principles (excluding extraordinary, unusual or nonrecurring gains or losses), shall be less than \$14,000,000. Notwithstanding the foregoing, Officer shall not be deemed to have been terminated by HORL for cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors of HORL finding that, in the good faith opinion of the Board of Directors, HORL has cause for the termination of employment of Officer as set forth in any of clauses (i) through (iv) above and specifying the particulars thereof in reasonable detail. The findings of the Board of Directors shall not be binding on the arbitrators or other finders of fact in connection with any litigation or dispute arising out of this Agreement.

(e) Termination Without Cause. In the event that HORL terminates Officer's employment for reasons other than death, disability, or cause as listed in subsection (d) above, then in addition to any other sums to which Officer may be entitled under this Agreement, HORL shall pay to Officer, on or before the last day of employment, a lump sum severance payment equal to (i) the installments of base salary due for the balance of the then current term of this Agreement, plus (ii) fifty percent (50%) of the annual base salary payable to Officer by HORL immediately prior to termination of employment, which payments, together with the arrangements provided for by any stock option or other agreement between HORL and Officer in effect at the time and by any other applicable plan of HORL will constitute the entire obligation of HORL to Officer and will also constitute full settlement of any claim under law or in equity that Officer might otherwise assert against HORL or any of its employees on account of his termination.

SECTION 10

SURVIVAL

10.1 Notwithstanding the termination of Officer's employment pursuant to the provisions of Section 9 hereof, or the expiration of the term of this Agreement, Officer's obligations under Sections 5, 6, 7 and 8 hereof, the provisions for injunctive relief against Officer in Sections 5.2 and 12.2 hereof and the provisions for arbitration in Section 12.1 hereof shall continue

in full force and effect. Any right, power or obligation imposed or conferred upon HORL or the Board of Directors of HORL by the terms of this Agreement shall inure to the benefit of and be binding upon any person or entity into which HORL is consolidated or merged and the Board of Directors or other governing body of any such corporation or other entity.

SECTION 11

ASSISTANCE IN LITIGATION

11.1 Officer shall, upon reasonable notice, furnish such information and assistance to HORL as may reasonably be required by HORL in connection with any litigation in which HORL or any of its subsidiaries or affiliates is or may become a party.

SECTION 12

ARBITRATION

12.1 Methods. Except as provided in Section 12.2 below, any difference, controversy, claim or dispute between the parties arising out of this Agreement, or the breach thereof, shall be settled by binding arbitration before a panel of three arbitrators selected as follows: each party shall select one neutral arbitrator from the American Arbitration Association's approved list of arbitrators. The two arbitrators so selected by the parties shall select a third neutral arbitrator and the three so selected shall settle the dispute under the duly promulgated Commercial Arbitration Rules of the American Arbitration Association or its successor. The arbitration shall be conducted in Lenexa, Kansas. The award of the arbitrators may be entered as a judgment in any Court in the State of Kansas or in any court having jurisdiction thereof.

12.2 Injunctive Relief. Notwithstanding Section 12.1 above, HORL shall be entitled to seek judicial injunctive relief to enforce its rights under Sections 5, 6, 7 and 8 of this Agreement as provided in Section 5.2 hereof.

SECTION 13

MISCELLANEOUS

13.1 Assignment by Officer. This is a personal Agreement on the part of Officer and may not be sold, assigned, transferred or conveyed by Officer. This Agreement may not be sold, assigned, transferred or conveyed by HORL except in connection with a merger, consolidation or sale of all or substantially all of the assets of HORL and then only to the successor to HORL's operations.

13.2 Entire Agreement. This Agreement contains the entire agreement among the parties hereto and there are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, among the parties as to the subject matter covered.

13.3 Severability. Should any part of this Agreement be declared invalid for any reason, such invalidity shall not affect the validity of any remaining portion hereof and such remaining portion shall continue in full force and effect as if this Agreement had been originally executed without including the invalid part.

13.4 Governing Law. This Agreement and its performance shall be interpreted and construed in accordance with the laws of the State of Kansas.

13.5 Titles. Titles and captions in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

13.6 Amendments. No changes, alterations, modifications, additions, or qualifications to the terms of this Agreement shall be made or be binding unless made in writing and executed by the parties in the same manner as the Agreement.

13.7 No Waiver. Failure by either party to enforce any right granted by this Agreement shall not constitute a waiver of such right and waiver of any provision of this Agreement shall not constitute a waiver of any other provision.

13.8 Notices. Any notice, instrument or communication required or permitted under this Agreement shall be deemed to have been effectively given and made if in writing and when served by personal delivery to the party for whom it is intended, or three business days after being deposited, postage prepaid, registered or certified mail, return receipt requested, in the United States mail, addressed to the party for whom it is intended at the following addresses, or at such other addresses as the party to be notified may have designated in writing to the other:

Officer: Kenneth A. Stelzer

HORL: Home Office Reference Laboratory
10310 W. 84th Terrace
Lenexa, Kansas 66214
Attn: Chairman of the Board of Directors

13.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first above written.

HOME OFFICE REFERENCE LABORATORY, INC.

By:

Chairman of the Board of Directors

Kenneth A. Stelzer

RESPONSE TECHNOLOGIES, INC. APPROVAL OF
KPMG PEAT MARWICK AS INDEPENDENT AUDITORS

The following was contained in the Response Technologies, Inc. proxy statement dated May 10, 1993 pursuant to Item 304 of Regulation S-K.

"The Board of Directors has appointed KPMG Peat Marwick ("Peat") as independent auditors of the Company for the fiscal year ended December 31, 1993, subject to approval by the shareholders. Effective April 16, 1993, the Company decided not to rehire its prior certifying accountants, Ernst & Young ("E&Y") and retained as its new certifying accountants, Peat. The decision to change accountants was approved by the Company's Audit Committee and the Board of Directors.

E&Y has served as the Company's independent auditors since 1984. While the Company feels that it has always maintained an excellent relationship with E&Y, the Company decided to change to Peat because Peat is Seafield's independent auditors.

E&Y's report on the Company's statements during the year ended and eight month period ended December 31, 1992 and 1991, respectively, and the year ended April 30, 1991 contained no adverse opinion or a disclaimer of opinions, and was not qualified as to uncertainty, audit scope or accounting principles. No opinion was obtained on any subsequent interim periods preceding the effective date. During the year ended and eight month period ended December 31, 1992 and 1991, respectively, and the year ended April 30, 1991 and the subsequent interim period, there were no disagreements between the Company and E&Y on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of E&Y, would have caused it to make a reference to the subject matter of the disagreements in connection with its reports.

None of the "reportable events" described in Item 304(a)(1)(v) occurred with respect to the Company within the year ended December 31, 1992, the eight month period ended December 31, 1991, and the year ended April 30, 1991, and the subsequent interim period.

During the year ended and eight month period ended December 31, 1992 and 1991, respectively and the year ended April 30, 1991 and the subsequent interim period, the Company did not consult Peat regarding any of the matters or events set forth in Item 304 (a)(2)(i) or (ii) of Regulation S-K."

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d) of the
Securities and Exchange Act of 1934

April 19, 1993

Date of Report (Date of earliest event reported)

Response Technologies, Inc.

(Exact name of registrant as specified in charter)

Tennessee

33-5016

62-1212264

(State or other
jurisdiction of
incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

1775 Moriah Woods Blvd. Memphis, Tennessee 38117

(Address of principal executive offices)

(901) 683-0212

(Registrant's telephone number, including area code)

=====
Item 4. Changes in Registrant's Certifying Accountant:

a. Effective April 16, 1993, Response Technologies, Inc ("RTI") dismissed its prior certifying accountants, Ernst & Young ("E&Y") and retained as its new certifying accountants, KPMG Peat Marwick. E&Y's report on RTI's financial statements during the year ended December 31, 1992, the eight month period ended December 31, 1991, and the year ended April 30, 1991, and all subsequent interim periods preceding the date hereof, contained no adverse opinion or a disclaimer of opinions, and was not qualified as to uncertainty, audit scope or accounting principles. The decision to change accountants was approved by RTI's Board of Directors.

During the year ended December 31, 1992, the eight month period ended December 31, 1991, and the year ended April 30, 1991, and the subsequent interim period to the date hereof, there were no disagreements between RTI and E&Y on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of E&Y, would have caused it to make a reference to the subject matter of the disagreements in connection with its reports.

None of the "reportable events" described in Item 304(a)(1)(v) occurred with respect to RTI within the year ended December 31, 1992, the eight month period ended December 31, 1991, and the year ended April 30, 1991, and the subsequent interim period to the date hereof.

b. Effective April 16, 1993, RTI engaged KPMG Peat Marwick as its principal accountants. During the year ended December 31, 1992, the eight month period ended December 31, 1991, and the year ended April 30, 1991, and the subsequent interim period to the date hereof, RTI did not consult KPMG Peat Marwick regarding any of the matters of events set forth in Item 304(a)(2)(i) or (ii) of Regulation S-K.

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Response Technologies, Inc.

By:

Joseph T. Clark
President

April 19, 1993

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8

AMENDMENT TO APPLICATION OR REPORT
FILED PURSUANT TO SECTION 12, 13, OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Response Technologies, Inc.

(Exact name of registrant as specified in charter)

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its

Current Report dated as of April 19, 1993 on Form 8-K as set forth in the pages attached hereto;

(List all such items, financial statements, exhibits or other portions amended)

Item 4 is amended to add the response letter of Ernst & Young attached hereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

Response Technologies, Inc.

(Registrant)

By:

Bonnie M. Wehby
Controller and
Principal Accounting
Officer

April 27, 1993

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ERNST & YOUNG
NationsBank Plaza
414 Union Street, Suite 2100
Nashville, Tennessee 37219-1779
Phone: 615 252-2000

EXHIBIT I TO FORM 8-K

April 23, 1993

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Gentlemen:

We have read Item 4 of Form 8-K dated April 19, 1993, of Response Technologies, Inc. and are in agreement with the statements contained in the

first through third paragraphs on page two therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

Report of Independent Auditors

Board of Directors
Response Technologies, Inc.

We have audited the accompanying consolidated balance sheet of Response Technologies, Inc. and subsidiaries as of December 31, 1992, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year ended and the eight-month period ended December 31, 1992 and 1991, respectively, and the year ended April 30, 1991. Our audits also included the financial statement schedules listed in the Index at Item 14(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Response Technologies, Inc. and subsidiaries at December 31, 1992, and the consolidated results of their operations and their cash flows for the year ended and the eight-month period ended December 31, 1992 and 1991, respectively, and the year ended April 30, 1991, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note F to the financial statements, in 1992 the Company changed its method of accounting for income taxes.

Ernst & Young

Nashville, Tennessee
January 19, 1993

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Seafield Capital Corporation

We consent to incorporation by reference in the Registration Statements (Nos. 33-20298 and 33-28150) on Form S-8 of Seafield Capital Corporation of our report dated February 4, 1994 relating to the consolidated balance sheets of Seafield Capital Corporation and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of earnings, stockholders' equity and cash flows and related schedules for each of the years in the three-year period ended December 31, 1993, which report appears in the December 31, 1993 annual report on Form 10-K of Seafield Capital Corporation.

KPMG Peat Marwick

Kansas City, Missouri
March 18, 1994