

PROXYMED INC /FT LAUDERDALE/

Form S-4/A

February 02, 2004

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As filed with the Securities and Exchange Commission on February 2, 2004

Registration Statement No. 333-111024

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**Pre-Effective Amendment  
No. 2 to**

**Form S-4**

**REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

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**ProxyMed, Inc.**

*(Exact name of registrant as specified in its charter)*

**Florida**  
*(State or other jurisdiction of  
incorporation or organization)*

**7374**  
*(Primary Standard Industrial  
Classification Code Number)*

**65-0202059**  
*(I.R.S. Employer  
Identification Number)*

**2555 Davie Road, Suite 110**

**Fort Lauderdale, Florida 33317  
(954) 473-1001**  
*(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)*

**Michael K. Hoover**

**Chairman and Chief Executive Officer  
2555 Davie Road, Suite 110  
Fort Lauderdale, Florida 33317  
(954) 473-1001**  
*(Name, address, including zip code, and telephone number,  
including area code, of agent for service)*

***Copies to:***

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective time of the merger described herein.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box.

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

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

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

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February 2, 2004

Dear ProxyMed and PlanVista Shareholders:

On behalf of the boards of directors of ProxyMed, Inc. and PlanVista Corporation, we are pleased to deliver our joint proxy statement/prospectus for the proposed merger involving ProxyMed and PlanVista. We are seeking the approval of both ProxyMed and PlanVista shareholders with respect to this transaction.

Based on the number of shares of PlanVista common stock outstanding on January 29, 2004, upon completion of the merger, holders of PlanVista common stock will be entitled to receive 0.0835 of a share of ProxyMed common stock for each share of PlanVista common stock then held by them. Based on the number of shares of PlanVista series C preferred stock outstanding on January 29, 2004, upon completion of the merger, holders of PlanVista's series C preferred stock will be entitled to receive 51.53 shares of ProxyMed common stock for each share of PlanVista series C preferred stock then held by them. The total number of shares that PlanVista common and preferred stockholders will actually receive in the merger is subject to adjustment in the event PlanVista issues more shares of its common or preferred stock prior to the closing of the merger or in certain other events more fully described in the accompanying proxy statement/prospectus.

The shares of ProxyMed common stock issued to PlanVista stockholders in connection with the merger are expected to represent approximately 34.67% of the outstanding shares of ProxyMed common stock immediately following the consummation of the merger, based on the number of shares of ProxyMed and PlanVista common stock outstanding on January 29, 2004, and as adjusted for the number of shares to be issued by ProxyMed in a private equity offering that will be consummated at the same time as the merger. ProxyMed common stock is traded on the Nasdaq National Market under the trading symbol *PILL*. On January 29, 2004, the closing sale price of ProxyMed common stock was \$18.49 as reported on the Nasdaq National Market.

For ProxyMed and PlanVista to complete the merger, ProxyMed shareholders must vote (i) to approve the issuance of shares of ProxyMed common stock in connection with the merger; (ii) to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, the proceeds of which are being used by ProxyMed in connection with the merger; and (iii) to approve the amendment to ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares, and PlanVista stockholders must vote to adopt the merger agreement. Each of ProxyMed and PlanVista will hold a special meeting of shareholders to obtain these and in the case of ProxyMed, other approvals.

The boards of directors of ProxyMed and PlanVista strongly recommend the merger and believe that the combination of the two companies is advisable and in the best interest of their respective shareholders based upon the months of analysis, investigation and deliberation conducted by both ProxyMed and PlanVista.

We encourage you to read this joint proxy statement/prospectus for important information about the merger and the special meetings of ProxyMed and PlanVista. **In particular, you should carefully consider the discussion in the section of this joint proxy statement/prospectus entitled *Risk Factors* beginning on page 22.**

Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the special meetings of shareholders of ProxyMed and PlanVista, please take the time to vote by completing and mailing the enclosed proxy card and returning it in the preaddressed envelope provided as soon as possible.

Sincerely,

MICHAEL K. HOOVER  
*Chairman and CEO of ProxyMed, Inc.*

Sincerely,

PHILLIP S. DINGLE  
*Chairman and CEO of PlanVista Corporation*

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or determined that this joint proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense. This joint proxy statement/prospectus is dated February 2, 2004, and is first being mailed to the shareholders of ProxyMed and PlanVista on or about February 5, 2004.

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**PROXYMED, INC.**

**2555 Davie Road, Suite 110**

**Fort Lauderdale, Florida 33317  
(954) 473-1001**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**To Be Held on March 1, 2004**

To the shareholders of ProxyMed:

NOTICE IS HEREBY GIVEN that a special meeting of the shareholders of ProxyMed, Inc., a Florida corporation, will be held on March 1, 2004 at 10:00 a.m., local time, at ProxyMed's offices at 2555 Davie Road, Suite 110, Fort Lauderdale, Florida 33317, for the following purposes:

(1) To consider and vote upon a proposal to approve the issuance of shares of ProxyMed common stock to PlanVista stockholders pursuant to the Agreement and Plan of Merger, dated as of December 5, 2003, by and among ProxyMed, Planet Acquisition Corp., a wholly-owned subsidiary of ProxyMed, and PlanVista;

(2) To consider and vote upon a proposal to approve the issuance of shares of ProxyMed common stock in connection with the private equity offering being completed by ProxyMed in connection with the merger;

(3) To consider and vote upon a proposal to approve and adopt an amendment to ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares; and

(4) To consider and vote upon a proposal to amend the ProxyMed 2002 Stock Option Plan to increase the total number of shares available for issuance under such plan from 600,000 to 1,350,000.

The board of directors of ProxyMed is not aware of any other business that will be considered at the meeting.

These proposals are more fully described in the attached joint proxy statement/prospectus. Please give your careful attention to all of the information in the joint proxy statement/prospectus.

The board of directors of ProxyMed has fixed the close of business on January 26, 2004 as the record date for determining which ProxyMed shareholders of record are entitled to receive notice of, and to vote at, the ProxyMed special meeting and any adjournment or postponement thereof. Only holders of record of shares of ProxyMed common stock and ProxyMed series C preferred stock on the record date, or their proxies can vote at this special meeting or any adjournment(s) or postponement(s) that may take place. You should be prepared to present photo identification for admittance. In addition, if you are a record holder, your name will be verified against the list of record holders on the record date prior to being admitted to the meeting. If you do not provide photo identification or comply with the other procedures outlined above upon request, you may not be admitted to the special meeting. The special meeting will begin promptly at 10:00 a.m., local time. Check-in will begin at 9:00 a.m., local time, and you should allow ample time for the check-in procedures.

The amendment to ProxyMed's articles of incorporation to increase the number of authorized shares of ProxyMed common stock will require the affirmative vote of holders of at least a majority of the outstanding shares of ProxyMed common stock entitled to vote at the ProxyMed special meeting, including the shares of ProxyMed series C preferred stock entitled to vote as a class with the holders of

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ProxyMed common stock on an as converted basis. The issuances of the shares of ProxyMed common stock in connection with the ProxyMed private equity offering and the merger and the amendment to the ProxyMed 2002 Stock Option Plan to increase the number of shares available for issuance under such plan will each require the affirmative vote of a majority of the total shares cast at the ProxyMed special meeting, including the shares of ProxyMed series C preferred stock entitled to vote as a class with the holders of ProxyMed common stock on an as converted basis.

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy or voting instruction card as soon as possible. For specific instructions on how to vote your shares, please refer to the section of this joint proxy statement/prospectus entitled "The Special Meeting of ProxyMed Shareholders" beginning on page 45 and the instructions on the enclosed proxy card or voting instruction card. If you are a stockholder of record and you send in your proxy and then decide to attend the special meeting to vote your shares in person, you may still do so. If you need any assistance in the voting of your proxy, please contact Judson E. Schmid at (800)997-7699 (call toll-free) or (954)473-1001 (call collect).

By Order of the Board of Directors,

MICHAEL K. HOOVER  
*Chairman and Chief Executive Officer*  
of ProxyMed, Inc.

February 2, 2004  
Fort Lauderdale, Florida

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**PLANVISTA CORPORATION**

**4010 Boy Scout Boulevard, Suite 200**

**Tampa, Florida 33607  
(813) 353-2300**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held on March 1, 2004**

To the stockholders of PlanVista:

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of PlanVista Corporation, a Delaware corporation, will be held on March 1, 2004 at 10:00 a.m., local time, at the Marriott Westshore located at 1001 North Westshore Boulevard, Tampa, Florida 33607, for the following purpose:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of December 5, 2003, among PlanVista, ProxyMed and Planet Acquisition Corp.

The board of directors of PlanVista is not aware of any other business that will be considered at the meeting.

These proposals are described more fully in the attached joint proxy statement/ prospectus. Please give your careful attention to all of the information in the joint proxy statement/ prospectus.

The board of directors of PlanVista has fixed the close of business on January 26, 2004 as the record date for determining which PlanVista stockholders of record are entitled to receive notice of, and to vote at, the PlanVista special meeting and any adjournment or postponement thereof. Only stockholders of record of PlanVista common stock and PlanVista series C preferred stock on the record date, or their proxies can vote at this special meeting or any adjournment(s) or postponement(s) that may take place. You should be prepared to present photo identification for admittance. In addition, if you are a record holder or hold your shares through PlanVista's Employee Stock Purchase Plan, your name will be verified against the list of record holders or plan participants on the record date prior to being admitted to the meeting. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the special meeting. The special meeting will begin promptly at 10:00 a.m., local time. Check-in will begin at 9:00 a.m., local time, and you should allow ample time for the check-in procedures.

Adoption of the merger agreement requires the affirmative vote of a majority of the votes entitled to be cast by the holders of the shares of PlanVista's common stock and PlanVista series C preferred stock outstanding on the record date. Additionally, it is a condition to PlanVista's obligation to consummate the merger that the holders of a majority of the outstanding shares of PlanVista common stock voting at the PlanVista stockholders meeting and not taking into account any votes cast by holders of the series C preferred stock, by Commonwealth Associates, L.P., or any affiliates or officers or directors thereof, or by any director or executive officer of PlanVista, vote to adopt the merger agreement.

PlanVista stockholders have the right to dissent from the merger and obtain payment in cash for the fair value of their shares of PlanVista common stock or PlanVista series C preferred stock under applicable provisions of Delaware law. In order to perfect and exercise appraisal rights, PlanVista stockholders must give written demand for appraisal of their shares to PlanVista before the taking of the vote on the merger at the special meeting and must not vote in favor of the merger. A copy of the applicable Delaware statutory provisions is included as Annex D of the attached joint proxy statement/ prospectus, and a

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summary of these provisions can be found under the section entitled "The Merger Appraisal Rights" beginning on page 89 of the attached joint proxy statement/prospectus.

YOUR VOTE IS IMPORTANT. Whether or not you expect to attend the special meeting in person, you are urged to complete, sign, date and return the enclosed proxy card or voting instruction card as soon as possible. Instructions for voting your shares are included on the enclosed proxy or voting instruction card. For specific instructions on how to vote your shares, please refer to the section of this joint proxy statement/prospectus entitled "The Special Meeting of PlanVista Stockholders" beginning on page 52. If you are a stockholder of record and you send in your proxy and then decide to attend the special meeting to vote your shares in person, you may still do so. If you need any assistance in the voting of your proxy, please contact Bennett Marks at (813) 353-2300 (call collect).

By Order of the Board of Directors,

PHILLIP S. DINGLE  
*Chairman and CEO of PlanVista Corporation*

February 2, 2004  
Tampa, Florida

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

The following questions and answers are intended to address briefly some commonly asked questions regarding the ProxyMed and PlanVista special meetings, and in particular, the merger. These questions and answers may not address all questions that may be important to you as a ProxyMed or PlanVista shareholder. Please refer to the more detailed information contained elsewhere in this joint proxy statement/prospectus and the annexes attached to this joint proxy statement/prospectus.

**Q: Why am I Receiving This Joint Proxy Statement/ Prospectus?**

A: ProxyMed and PlanVista have agreed to merge pursuant to the terms of a merger agreement that is described in this joint proxy statement/prospectus. A copy of the merger agreement is attached as Annex A. For specific information regarding the merger agreement, please refer to the section entitled "The Merger Agreement" beginning on page 94 of this joint proxy statement/prospectus.

To complete the merger, ProxyMed shareholders must approve the issuance of shares of ProxyMed common stock in connection with the merger, the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and the amendment to ProxyMed's articles of incorporation to increase the number of shares of common stock that ProxyMed is authorized to issue from 13,333,333 1/3 shares to 30 million shares, and PlanVista stockholders must adopt the merger agreement, and all other conditions of the merger must be satisfied or waived.

In addition, ProxyMed shareholders are being asked to approve an amendment to the ProxyMed 2002 Stock Option Plan to increase the total number of shares of common stock available for issuance under such plan from 600,000 to 1,350,000. The vote by the ProxyMed shareholders on this proposal is not contingent upon the approval by the ProxyMed shareholders of the merger and will have no impact on whether the merger is approved by the ProxyMed shareholders.

ProxyMed and PlanVista will hold separate special meetings of their respective shareholders to obtain these approvals. This joint proxy statement/prospectus contains important information about the merger and the ProxyMed and PlanVista special shareholder meetings, and you should read it carefully. The enclosed voting materials allow you to vote your shares without attending your special meeting.

Your vote is important and you are encouraged to vote as soon as possible. For more specific information on how to vote, please see the questions and answers for ProxyMed and PlanVista shareholders below.

**GENERAL QUESTIONS AND ANSWERS ABOUT THE MERGER**

**Q: What is the Merger?**

A: In the merger, a wholly-owned subsidiary of ProxyMed, named Planet Acquisition Corp., will be merged with and into PlanVista. PlanVista will survive the merger as a wholly-owned subsidiary of ProxyMed and will not change its name. The time of filing of a certificate of merger in the office of the Secretary of State of the State of Delaware is referred to in this joint proxy statement/prospectus as the effective time of the merger.

For a more complete description of the merger, see the section entitled "The Merger" on page 56.

**Q: Why are ProxyMed and PlanVista Proposing the Merger?**

A: The boards of directors and managements of ProxyMed and PlanVista believe that the merger is in the best interests respectively of ProxyMed, PlanVista and their respective shareholders, customers and partners. Both companies believe that the merger will position the combined company as a leading electronic healthcare transaction processing services company with the ability to provide an innovative and comprehensive medical cost containment service and business process outsourcing

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platforms principally for insurance payers. After reviewing numerous strategic alternatives to address the opportunities and challenges facing ProxyMed and PlanVista, the boards of directors of both ProxyMed and PlanVista reached the same conclusion this merger represents the single best strategic alternative for ProxyMed's and PlanVista's respective business and is the strategy most likely to deliver increased value to ProxyMed's and PlanVista's respective shareholders. ProxyMed and PlanVista believe that potential benefits to the merger include:

combined technological resources that may allow the combined company to develop new services and greater functionality for existing services primarily for its payer customers;

greater marketing resources and financial strength that may present improved opportunities for marketing the service offerings of the combined company;

new sales opportunities that may result from combining the customer bases of ProxyMed and PlanVista; and

potential synergistic cost savings in the operations of running only one public company.

For a more complete description of the factors considered by the board of directors of ProxyMed underlying the recommendation of the ProxyMed board, please refer to the section of this joint proxy statement/prospectus entitled "The Merger - ProxyMed's Reasons for the Merger" beginning on page 61, and for a more complete description of the factors considered by the board of directors of PlanVista underlying the recommendation of the PlanVista board, please refer to the section of this joint proxy statement/prospectus entitled "The Merger - PlanVista's Reasons for the Merger" beginning on page 65.

### **Q: Are any Shareholders Already Committed to Voting in Favor of the Merger?**

A. Yes. Stockholders of PlanVista who collectively own approximately 96% of the series C preferred stock entitled to vote at the PlanVista special stockholders meeting have agreed to vote their shares of stock in favor of the proposal to adopt the merger agreement. These shares represent approximately 57.9% of the total shares entitled to vote in favor of the proposal to adopt the merger agreement. However, it is a condition to PlanVista's obligation to consummate the merger that the holders of a majority of the outstanding shares of PlanVista common stock voting at the PlanVista stockholders meeting and not taking into account any votes cast by holders of the series C preferred stock, including the holders of the shares already committed to vote in favor of the adoption of the merger agreement by Commonwealth Associates, L.P., or by any affiliates or officers or directors thereof, or by any director or executive officer of PlanVista, vote to adopt the merger agreement.

Shareholders of ProxyMed who collectively own approximately 23.1% of the outstanding shares of ProxyMed common stock outstanding on January 29, 2004 have agreed to vote their shares of ProxyMed common stock in favor of the proposals to issue shares of ProxyMed common stock pursuant to the merger agreement, to issue shares of ProxyMed common stock in connection with the ProxyMed private equity offering being conducted in connection with the merger, and to amend the articles of incorporation of ProxyMed to increase the number of authorized shares of common stock from 13,333,333 1/3 shares to 30 million shares.

For a more complete description of voting arrangements please refer to the sections of this joint proxy statement/prospectus entitled "Voting agreements - General Atlantic Partners Voting Agreement" beginning on page 110 and "Voting Agreements - PVC Funding Partners Voting Agreement" beginning on page 109. The full text of the General Atlantic Partners Voting Agreement is set forth in Annex E and the full text of the PVC Funding Partners Voting Agreement is set forth in Annex F.

### **Q: May I Vote in Person?**

A. Yes. If you are a shareholder of record, you may attend your company's special meeting of shareholders and vote your shares in person rather than signing and returning your proxy card. If your

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shares are held in a brokerage account or if your shares are held by a bank or nominee (i.e., in street name), you must obtain a proxy from your broker or bank in order to attend your company's special meeting of shareholders and vote.

**Q: What will the Stockholders of PlanVista Receive in the Merger?**

A: Based on the number of shares of PlanVista common stock outstanding on January 29, 2004, upon completion of the merger, each share of PlanVista common stock then outstanding will be canceled and automatically converted into the right to receive 0.0835 of a share of ProxyMed common stock. This assumes that the PVC Funding Partners, LLC and Centra Benefit Services, Inc. debt is converted into PlanVista common stock prior to the merger. The total number of shares of ProxyMed common stock issuable as merger consideration is subject to a downward adjustment in the event that PlanVista's aggregate estimated transaction expenses in the merger exceed \$5,650,000. This would result in a reduction in the number of shares of ProxyMed common stock issuable to the holders of PlanVista common stock. The number of shares of ProxyMed common stock that each PlanVista common stockholder will receive as merger consideration will also be reduced if the amount owed by PlanVista to Commonwealth Associates Group Holdings, LLC pursuant to an advisory agreement with Commonwealth exceeds \$1,023,500 and the payment of the excess amount causes PlanVista's aggregate estimated transaction expenses in the merger to exceed \$5,650,000. PlanVista has agreed to pay such excess amount in shares of PlanVista common stock to be issued prior to the closing of the merger. The number of shares of ProxyMed common stock that each PlanVista common stockholder will receive will also be reduced if, under PlanVista's long-term incentive plan, certain bonuses to employees and a consultant exceed \$785,000 in the aggregate, as the excess amount of such bonus will be paid in shares of PlanVista common stock prior to the closing of the merger.

Based on the number of shares of PlanVista series C preferred stock outstanding on January 29, 2004, upon completion of the merger, holders of PlanVista's series C preferred stock will be entitled to receive 51.53 shares of ProxyMed common stock for each share of PlanVista series C preferred stock held by them. The total number of shares of ProxyMed common stock issuable as merger consideration is subject to a downward adjustment in the event that PlanVista's aggregate estimated transaction expenses in the merger exceed \$5,650,000. This would result in a reduction in the number of shares of ProxyMed common stock issuable to the holders of PlanVista series C preferred stock. PVC Funding Partners, LLC, the holder of 96% of the outstanding PlanVista series C preferred stock, has agreed not to convert its series C preferred stock into PlanVista common stock prior to the consummation of the merger. If any of the remaining PlanVista series C preferred stock are converted into PlanVista common stock prior to the closing of the merger, the number of ProxyMed shares allocated to the PlanVista common stockholders will be increased by the number of ProxyMed shares that the converting PlanVista series C preferred stockholders will receive upon consummation of the merger as a result of such conversion and the number of ProxyMed shares allocated to the remaining holders of the PlanVista series C preferred stock will be decreased by a like number.

Based on the market price of ProxyMed's common stock on January 29, 2004, PlanVista's common stockholders would receive approximately \$1.54 per share of their PlanVista common stock in the merger and the PlanVista series C preferred stockholders would receive approximately \$1.27 for each share of PlanVista common stock into which their shares of series C preferred stock are convertible. This assumes that PVC Funding Partners, LLC and Centra Benefit Services, Inc. debt is converted into PlanVista common stock prior to the merger.

PlanVista stockholders will receive cash for any fractional shares they would otherwise receive in the merger. The amount of cash for fractional shares will be calculated by multiplying the fractional share interest to which each such stockholder would be entitled by the average closing sale price of one share of ProxyMed common stock for the ten (10) most recent trading days that ProxyMed common stock has traded ending on the trading day one day prior to the closing date of the merger, as reported on the Nasdaq National Market.

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Following the completion of the merger and the private equity offering, current ProxyMed shareholders will own approximately 77% of ProxyMed and former PlanVista stockholders will own approximately 23% of ProxyMed, in each case on a fully diluted basis.

**Q: Will a Portion of the Shares Issued in the Merger be Placed in Escrow?**

A: No.

**Q: What Happens if I do not Return a Proxy or Voting Instruction Card or Otherwise Vote?**

A: Both companies urge you to vote at your company's special meeting.

*ProxyMed Shareholders.* If you abstain from voting or do not vote (either in person or by proxy), it will have the same effect as a vote against the proposal to amend ProxyMed's articles of incorporation to increase the number of shares of common stock ProxyMed is authorized to issue. If you abstain from voting or do not vote, it will have no effect (assuming a quorum is present and that the total votes cast is more than 50% of all ProxyMed common stock entitled to vote at the ProxyMed special meeting, including the shares of ProxyMed series C preferred stock entitled to vote as a class with the holders of ProxyMed common stock) in determining whether the amendment to the ProxyMed 2002 Stock Option Plan, the issuance of shares of ProxyMed common stock in connection with the merger or the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering will be approved. Brokers who hold shares of ProxyMed common stock in street name for customers who are the beneficial owners of those shares may not give a proxy to vote those shares without specific instructions from their customers. These non-voted shares are referred to as broker non-votes and will have no effect (assuming a quorum is present) in determining whether the issuance of shares of ProxyMed common stock in connection with the merger, the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, or the amendment to the ProxyMed 2002 Stock Option Plan will be approved. Such broker non-votes will have the same effect as a vote against the proposal to amend the ProxyMed articles of incorporation to increase the number of authorized shares of ProxyMed common stock. All shares of ProxyMed common stock and ProxyMed series C preferred stock represented at the ProxyMed special meeting, but not voting, including abstentions and broker non-votes, will be treated as present for determining the presence or absence of a quorum for all matters for consideration at the ProxyMed special meeting. If proxies are returned without indication as to how to vote, the ProxyMed common stock and ProxyMed series C preferred stock represented by each such proxy will be considered to be voted in favor of all matters for consideration at the ProxyMed special meeting.

*PlanVista Stockholders.* If you abstain from voting or do not vote (either in person or by proxy) it will have the same effect as a vote against the proposal to adopt the merger agreement. All shares of PlanVista common stock and PlanVista series C preferred stock represented at the PlanVista special meeting, but not voting, including abstentions and broker non-votes, will be treated as present for purposes of determining the presence or absence of a quorum for all matters for consideration at the PlanVista special meeting. If proxies are returned without indication as to how to vote, the PlanVista common stock and PlanVista series C preferred stock represented by each such proxy will be considered to be voted in favor of all matters for consideration at the PlanVista special meeting.

For a more complete description of the voting procedures, please refer to the sections of this joint proxy statement/ prospectus entitled "The Special Meeting of ProxyMed Shareholders" beginning on page 45 and "The Special Meeting of PlanVista Stockholders" beginning on page 52.

**Q: When will I be able to Sell My Shares?**

A: Upon completion of the merger, all shares of ProxyMed common stock received by PlanVista stockholders in connection with the merger will be tradable on the Nasdaq National Market. If a shareholder is considered an affiliate of PlanVista or ProxyMed under the Securities Act of 1933, as amended, in order to sell shares of ProxyMed common stock, that shareholder must comply with the

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resale provisions of Rule 145(d) under the Securities Act of 1933 or sell the shares as otherwise permitted under the Securities Act of 1933. For a more complete description of these restrictions, see the section entitled "The Merger - Restrictions on Resales of ProxyMed Common Stock by Affiliates" on page 92.

**Q: When do You Expect the Merger to be Completed?**

A: ProxyMed and PlanVista are working toward completing the merger as soon as practicable after the ProxyMed and PlanVista shareholders approve the proposals to be considered at their respective special meetings. The merger is subject to a number of conditions, however, including but not limited to obtaining shareholder approvals and regulatory approvals, and all closing conditions set forth in the merger agreement must be satisfied or waived. We hope to complete the merger on or about March 1, 2004.

**Q: Will I Recognize a Gain or Loss on the Transaction?**

A: ProxyMed and PlanVista expect that if the merger is completed, you will not recognize gain or loss for federal income tax purposes. You are urged to consult your own tax advisor to determine your particular tax consequences.

For a more complete description of the tax consequences of the merger, see the section entitled "The Merger - Material Federal Income Tax Considerations" on page 86.

**Q: What Should I do if I Receive More Than One Set of Voting Materials?**

A: Please complete, sign, date and return each proxy card or voting instruction card that you receive. You may receive more than one set of voting materials, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If your shares are held in more than one name, you will receive more than one proxy or voting instruction card. In addition, if you are a shareholder of both ProxyMed and PlanVista, you may receive one or more separate proxy or voting instruction cards for each company. If you are in this situation, please return proxy or instruction cards for both companies. Therefore, please sign, date and return each proxy or voting instruction card you receive, whether from ProxyMed or PlanVista.

**Q: May I Change my Vote?**

A: Yes. You may change your vote at any time before your proxy card is voted at your company's special meeting. You can do this in one of three ways. First, you can send a written, dated notice stating that you would like to revoke your proxy. Second, you can complete, date and submit a new proxy voting instruction card or later-dated voting instruction card. If you choose either of these two methods, you must submit your notice of revocation or your new proxy card or later-dated voting instruction card for ProxyMed shares to its corporate office as indicated on the special meeting notice and for PlanVista shares to its corporate office as indicated on the special meeting notice for delivery by February 26, 2004. Third, you can attend your company's special meeting and vote your shares in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions received from your broker to change those instructions.

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**Q: Whom Should I Contact with Questions?**

A: If you have more questions about the merger, you should contact:

ProxyMed, Inc.  
2555 Davie Road, Suite 110  
Fort Lauderdale, Florida 33317  
Attn: Judson E. Schmid  
Phone: (954) 473-1001

PlanVista Corporation  
4010 Boy Scout Boulevard,  
Suite 200  
Tampa, Florida 33607  
Attn: Bennett Marks  
Phone: (813) 353-2300

You may also obtain additional information about ProxyMed and PlanVista from documents filed with the Securities and Exchange Commission by following the instructions in the section entitled *Where You Can Find More Information* on page 216.

**QUESTIONS AND ANSWERS FOR PROXYMED SHAREHOLDERS**

**Q: When and Where is the ProxyMed Special Meeting?**

A: The ProxyMed special meeting will take place at ProxyMed's offices at 2555 Davie Road, Suite 110, Fort Lauderdale, Florida 33317, on March 1, 2004 at 10:00 a.m., local time.

**Q: How can I Obtain Admission to the ProxyMed Special Meeting?**

A: You are entitled to attend the special meeting only if you were a ProxyMed shareholder as of the close of business on January 26, 2004 or hold a valid proxy for the special meeting. You should be prepared to present photo identification for admittance. In addition, if you are a record holder, your name is subject to verification against the list of record holders on the record date prior to being admitted to the meeting. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the special meeting.

**Q: What Matters are ProxyMed Shareholders Being Asked to Approve at The ProxyMed Special Meeting?**

A: ProxyMed shareholders are being asked to vote **FOR**, at the ProxyMed special meeting: (1) approval of the proposal to issue shares of ProxyMed common stock pursuant to the merger agreement with PlanVista; (2) approval of the proposal to issue shares of ProxyMed common stock in connection with the ProxyMed private equity offering; (3) approval of the proposal to amend ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares; and (4) approval of the proposal to amend the ProxyMed 2002 Stock Option Plan to increase the number of shares available for issuance under such plan from 600,000 to 1,350,000.

No other business will be considered at the ProxyMed special meeting.

**Q: What is the ProxyMed Private Equity Offering?**

A: On December 5, 2003, pursuant to a stock purchase agreement, ProxyMed agreed to sell an aggregate of 1,691,229 shares of its common stock at a price of \$14.25 per share to General Atlantic Partners 77, L.P., GAP Coinvestment Partners II, L.P., GapStar, LLC, GAPCO GmbH & Co. KG., PVC Funding Partners, LLC, Comvest Venture Partners, L.P., Shea Ventures, LLC, and Robert Priddy. Upon closing of the transaction, ProxyMed will receive net proceeds of approximately \$24,100,000 in the private equity offering, which it intends to use in connection with the merger. Upon closing of the transaction, the purchasers will collectively acquire in the private equity offering approximately 14% of the outstanding shares of ProxyMed's common stock. ProxyMed granted the purchasers and certain of their transferees and affiliates certain demand and piggy back registration rights, pursuant to an

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amended and restated registration rights agreement. Each of the purchasers agrees not to, directly or indirectly, sell or otherwise dispose of any of the shares it receives in connection with the private equity offering and certain other shares owned by it or its affiliates prior to the first anniversary of the closing date, except to their respective affiliates, in an amount during any three month period that exceeds the volume limitations set forth in Rule 144(e) of the Securities Act of 1933, in connection with a sale of ProxyMed, unless approved in advance by ProxyMed's board of directors. We refer to this transaction as the ProxyMed private equity offering. You may also obtain additional information regarding the ProxyMed private equity offering in the section entitled "The Special Meeting of the ProxyMed Shareholders" beginning on page 45.

In connection with and subject to the closing, ProxyMed has agreed to contribute a portion of the proceeds from the ProxyMed private equity offering to PlanVista as an additional capital contribution in order to enable PlanVista to pay off in full PlanVista's debt to its lenders for whom Wachovia Bank acts as agent, in an aggregate amount of not more than \$18,000,000. ProxyMed has agreed to cause the letter of credit currently issued by Wachovia for the benefit of CG Insurance Services, Inc. to be (a) replaced with a letter of credit on another bank, (b) replaced with other satisfactory collateral, or (c) paid in full.

### **Q: How does the ProxyMed Board of Directors Recommend that I Vote?**

A: ProxyMed's board of directors recommends that ProxyMed shareholders vote FOR the proposal to approve the issuance of ProxyMed common stock to the PlanVista stockholders pursuant to the merger agreement; FOR the proposal to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering; FOR the proposal to amend ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares; and FOR the proposal to amend the ProxyMed 2002 Stock Option Plan to increase the number of shares available for issuance under such plan from 600,000 to 1,350,000. For a description of the reasons underlying the recommendations of the ProxyMed board of directors, please refer to the section of this joint proxy statement/ prospectus entitled "The Merger ProxyMed's Reasons for the Merger" beginning on page 61.

### **Q: Are There Risks I Should Consider in Deciding Whether to Vote for the Merger?**

A: Yes. Set forth under the heading "Risk Factors" beginning on page 22 of this joint proxy statement/ prospectus are a number of risk factors that you should consider carefully before voting.

### **Q: What Vote of ProxyMed Shareholders is Required to Approve the Issuance of Shares of ProxyMed Common Stock Pursuant to the Merger Agreement and the Issuance of Shares of ProxyMed Common Stock in Connection with the ProxyMed Private Equity Offering, the Amendment to ProxyMed's Articles of Incorporation to Increase the Number of Authorized Shares of ProxyMed Common Stock, and the Amendment to the ProxyMed 2002 Stock Option Plan to Increase the Number of Shares Available for Issuance under Such Plan?**

A: Approval of the proposals to issue shares of ProxyMed common stock pursuant to the merger agreement, to issue shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and to amend the ProxyMed 2002 Stock Option Plan to increase the number of shares available for issuance under such plan requires the presence, in person or by proxy, of the holders of a majority of the shares including the shares of series C preferred stock on an as converted basis, outstanding as of January 26, 2004, and the affirmative vote of a majority of the total votes cast at the special meeting so long as a quorum is present. Approval of the proposal to amend ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares requires the affirmative vote of holders of at least a majority of the outstanding shares of ProxyMed common stock entitled to vote at the ProxyMed special meeting, including the shares of ProxyMed series C preferred stock entitled to vote as a class with the holders of ProxyMed common stock on an as converted basis. For a more complete



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description of voting, please refer to the section of this joint proxy statement/ prospectus entitled "The Special Meeting of ProxyMed Shareholders" beginning on page 45.

**Q: Will There be Any Other Business Conducted?**

A: The only items of business to be considered at the special meeting are the proposals to authorize the issuance of shares of ProxyMed common stock in connection with PlanVista merger and the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, the proposal to amend ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares, and the proposal to amend the ProxyMed 2002 Stock Option Plan to increase the number of shares available for issuance under such plan from 600,000 to 1,350,000.

**Q: How do Shareholders Vote?**

A: If you are a ProxyMed shareholder of record, you may submit a proxy for ProxyMed's special meeting by completing, signing, dating and returning the proxy card in the pre-addressed envelope provided.

If you hold your shares of ProxyMed common stock or ProxyMed series C preferred stock in a brokerage account or if your shares are held in street name, you must provide the shareholder of record of your shares with instructions on how to vote your shares. Please check the voting instruction card included by your broker or nominee for directions on providing instructions to vote your shares and to see if you may use the telephone or the Internet to provide instructions on how to vote your shares.

If you are a shareholder of record, you may also vote at ProxyMed's special meeting. If you hold shares in street name, you may not vote in person at the special meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares.

**Q: What Happens if I do not Indicate How to Vote on My Proxy or Voting Instruction Card?**

A: If you sign and send in your proxy or voting instruction card and do not indicate how you want to vote, your proxy will be counted as a vote FOR the issuance of shares of ProxyMed common stock in connection with the merger, a vote FOR the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, a vote FOR the amendment to ProxyMed's articles of incorporation to increase the number of authorized shares of ProxyMed common stock, and a vote FOR the amendment to the ProxyMed 2002 Stock Option Plan to increase the number of shares available for issuance under such plan.

**QUESTIONS AND ANSWERS FOR PLANVISTA STOCKHOLDERS**

**Q: When and Where is the PlanVista Special Meeting?**

A: The PlanVista special meeting will take place at the Marriott Westshore located at 1001 North Westshore Boulevard, Tampa, Florida 33607, on March 1, 2004 at 10:00 a.m., local time.

**Q: How can I Obtain Admission to the PlanVista Special Meeting?**

A: You are entitled to attend the special meeting only if you were a PlanVista stockholder as of the close of business on January 26, 2004 or hold a valid proxy for the special meeting. You should be prepared to present photo identification for admittance. In addition, if you are a record holder, your name is subject to verification against the list of record holders on the record date prior to being admitted to the meeting. If you do not provide photo identification and comply with the other procedures outlined above upon request, you will not be admitted to the special meeting.

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The special meeting will begin promptly at 10:00 a.m. local time. Check-in will begin at 9:00 a.m. local time, and you should allow ample time for check-in procedures.

**Q: What are the PlanVista Stockholders Being Asked to Vote Upon?**

A: The PlanVista stockholders are being asked to adopt the merger agreement.

**Q: Are There Risks I Should Consider in Deciding Whether to Vote for the Merger?**

A: Yes. Set forth under the heading *Risk Factors* beginning on page 22 of this joint proxy statement/ prospectus are a number of risk factors that you should consider carefully before voting.

**Q: How do Stockholders Vote?**

A: If you are a PlanVista stockholder of record, you may submit a proxy for PlanVista's special meeting by: completing, signing, dating and returning the proxy card in the pre-addressed envelope provided; using the telephone; or using the Internet. For specific instructions on how to use the telephone or the Internet to submit a proxy for the special meeting, please refer to the instructions on your proxy card. If you hold your shares of PlanVista common stock or PlanVista series C preferred stock in a brokerage account or if your shares are held in street name, you must provide the stockholder of record of your shares with instructions on how to vote your shares. Please check the voting instruction card included by your broker or nominee for directions on providing instructions to vote your shares and to see if you may use the telephone or the Internet to provide instructions on how to vote your shares.

If you are a stockholder of record, you may also vote at PlanVista's special meeting. If you hold shares in street name, you may not vote in person at the special meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares.

**Q: What Will Happen to PlanVista's Outstanding Stock Options Under Its Equity Compensation Plans?**

A: Options to purchase shares of PlanVista common stock will be canceled. At the effective time of the merger, the compensation committee of the board of directors of ProxyMed will grant to certain of the officers and employees of PlanVista identified by PlanVista's compensation committee options under ProxyMed's stock option plans to purchase an aggregate of 200,000 shares of ProxyMed common stock in individual amounts as determined by PlanVista's compensation committee and approved by ProxyMed's compensation committee. Those options will have an exercise price equal to the lower of the last reported sale price of ProxyMed's common stock on the Nasdaq National Market on the date of the merger or \$17.74 per share. All of those options will generally vest over a three-year period commencing on the grant date, such that two-thirds of each option will vest on the first anniversary of the grant date, and the remaining one-third of each option will vest on the third anniversary of the grant date.

**Q: How Does the Board of Directors of PlanVista Recommend that I Vote?**

A: After careful consideration, the PlanVista board of directors has unanimously (with the exception of Michael Falk, who abstained from voting) determined that the merger with ProxyMed is advisable, fair to and in the best interests of PlanVista and its stockholders and has approved the merger agreement and the merger. Accordingly, the PlanVista board of directors has declared the advisability of the merger and the merger agreement and recommends that PlanVista stockholders vote **FOR** the proposal to adopt the merger agreement. For a description of the reasons underlying the recommendation of the PlanVista board of directors with respect to the merger, please refer to the section of this joint proxy statement/ prospectus entitled *The Merger PlanVista's Reasons for the Merger* beginning on page 65.

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**Q: What Vote of PlanVista Stockholders is Required to Adopt the Merger Agreement?**

A: Under Delaware law, the adoption of the merger agreement requires the affirmative vote of a majority of the votes entitled to be cast by the holders of the shares of PlanVista common stock and PlanVista series C preferred stock outstanding on January 26, 2004. Additionally, it is a condition to PlanVista's obligation to consummate the merger that the holders of a majority of the outstanding shares of PlanVista common stock voting at the PlanVista stockholders meeting and not taking into account any votes cast by holders of the series C preferred stock, by Commonwealth Associates, L.P., or any affiliates or officers or directors thereof, or any director or executive officer of PlanVista, vote to adopt the merger agreement.

**Q: How Will Voting on any Other Business be Conducted?**

A: No other business will be conducted at the special meeting.

**Q: What Happens if I Do Not Indicate How to Vote on My Proxy Card?**

A: If you sign and send in your proxy card and do not indicate how you want to vote, your proxy will be counted as a vote FOR adoption of the merger agreement.

**Q: Should PlanVista Stockholders Send in their PlanVista Stock Certificates Now?**

A: No. You should not send in your stock certificate with your proxy. Following the merger, a letter of transmittal will be sent to PlanVista stockholders informing them where to deliver their PlanVista stock certificates in order to receive stock certificates representing ProxyMed common stock. You should not send in your PlanVista stock certificates prior to receiving this letter of transmittal.

**Q: Are PlanVista Stockholders Entitled to Appraisal Rights?**

A: Yes. Under Delaware law PlanVista stockholders may exercise appraisal rights in connection with the merger. The provisions of Delaware law governing appraisal rights are complex, and you should study them carefully if you wish to exercise appraisal rights. A stockholder may take actions that prevent that stockholder from successfully asserting these rights, and multiple steps must be taken to properly exercise and perfect the rights. A copy of Section 262 of the General Corporation Law of the State of Delaware, is attached to this joint proxy statement/ prospectus as Annex D.

For a more complete description of the appraisal rights, please refer to the section of this joint proxy statement/ prospectus entitled The Merger Appraisal Rights beginning on page 89.

**Q: What are the Federal Income Tax Consequences of the Merger to PlanVista Stockholders?**

A: ProxyMed and PlanVista each expect the merger to qualify as a reorganization for United States federal income tax purposes. If the merger qualifies as a reorganization for United States federal income tax purposes, PlanVista stockholders will recognize gain or loss on the receipt of cash in lieu of a fractional share or the receipt of cash as a result of the exercise of appraisal rights.

We urge you to consult your own tax advisor for a full understanding of the tax consequences of the merger to you.

For a more detailed description of the tax consequences of the merger, please refer to the section of this joint proxy statement/ prospectus entitled The Merger Material Federal Income Tax Considerations beginning on page 86.

**Q: Will PlanVista Stockholders be able to Trade the ProxyMed Common Stock Received in Connection with the Merger?**

A: The shares of ProxyMed common stock issued in connection with the proposed merger will be freely tradable, unless you are an affiliate of PlanVista (as defined in the Securities Act of 1933), and will

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be listed on the Nasdaq National Market under the symbol PILL. If you are an affiliate of PlanVista, you will be required to comply with applicable restrictions of Rule 145 of the Securities Act of 1933 in order to resell shares of ProxyMed common stock you receive in the merger.

**Q: What do I Need to do Now?**

A: PlanVista stockholders should mail their completed and signed proxy card in the enclosed postage-paid envelope addressed to PlanVista's corporate headquarters to the attention of the secretary, as soon as possible.

Please carefully review this joint proxy statement/prospectus and vote the proxy card or voting instruction card you receive or, if available, vote by Internet or telephone as soon as possible so that your shares may be represented at the special meeting of stockholders of PlanVista.

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**SUMMARY**

This summary, together with the preceding Questions and Answers section, highlights selected information from this joint proxy statement/prospectus and may not contain all of the information about the merger that is important to you. To understand the merger fully and for a more complete description of the terms of the merger, you should read carefully this entire document and the documents to which ProxyMed and PlanVista have referred you. See **Where You Can Find More Information** on page 216. ProxyMed and PlanVista have included page references parenthetically to direct you to a more complete description of the topics in this summary.

**The Companies**

**PROXYMED, INC.**

2555 Davie Road, Suite 110  
Fort Lauderdale, Florida 33317  
Phone: (954) 473-1001

ProxyMed, incorporated in Florida in 1989, is an electronic healthcare transaction processing services company providing connectivity services and related value-add products to physician offices, payers, medical laboratories, pharmacies and other healthcare institutions. Unlike ProxyMed's competitors, ProxyMed maintains an open electronic network for electronic transactions with no equity ownership in businesses engaged in the front-end (i.e., physician practice management software system vendors and other physician desk top vendors) or in the back-end (i.e., payers, laboratories and pharmacies). ProxyMed's business strategy is to leverage ProxyMed's leadership position in connectivity services in order to establish ProxyMed as the premier provider of automated financial, clinical and administrative transaction services primarily between small physician offices (offices with one to nine physicians) and payers, clinical laboratories and pharmacies.

ProxyMed's electronic transaction processing services support a broad range of financial, clinical, and administrative transactions. To facilitate these services, ProxyMed operates Phoenix, ProxyMed's secure, proprietary national electronic information platform, which provides physicians and other healthcare providers with direct connectivity to one of the industry's largest list of payers, the industry's largest list of chain and independent pharmacies and the largest list of clinical laboratories. ProxyMed's products and services are provided from ProxyMed's operational facilities located in Fort Lauderdale, Florida; New Albany, Indiana; Santa Ana, California; Norcross, Georgia; and Sioux Falls, South Dakota. ProxyMed also operates its clinical computer network and portions of its financial and real time production computer networks from a secure, third-party co-location site in Atlanta, Georgia.

ProxyMed common stock is traded on the Nasdaq National Market (symbol: PILL).

**PLANET ACQUISITION CORP.**

2555 Davie Road, Suite 110  
Fort Lauderdale, Florida 33317  
Phone: (954) 473-1001

Planet Acquisition Corp. is a wholly-owned subsidiary of ProxyMed, formed solely to effect the merger with PlanVista, and Planet Acquisition Corp. has not conducted any business. Pursuant to the merger agreement Planet Acquisition Corp. will merge with and into PlanVista, and PlanVista will continue as the surviving corporation.

**PLANVISTA CORPORATION**

4010 Boy Scout Boulevard, Suite 200  
Tampa, Florida 33607  
Phone: (813) 353-2300

PlanVista, incorporated in Delaware in 1994, provides medical cost containment and business process outsourcing solutions for the medical insurance and managed care industries. PlanVista's customers include



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healthcare payers such as insurance carriers, self-insured employers, third party administrators, health maintenance organizations, sometimes referred to as HMO s, and other entities that pay claims on behalf of health plans. PlanVista also provides services for health care providers, including individual providers, preferred provider organizations, sometimes referred to as PPO s, and other provider groups.

PlanVista provides healthcare payers with access to its preferred provider network, known as the National Preferred Provider Network, which offers payers discounts on participating provider medical services. The National Preferred Provider Network is a network of networks, comprised of more than 30 local PPO networks and independent physician associations with which PlanVista contracts, as well as directly contracted independent providers in some cases. The National Preferred Provider Network includes approximately 400,000 physicians, 4,000 acute care hospitals, and 55,000 ancillary care providers. In addition to offering payers in-network discounts, PlanVista has added medical bill review and negotiation through key strategic alliances. PlanVista s cost containment customers also benefit from its advanced claims repricing and network and data management services.

PlanVista has leveraged its leading edge technology and management expertise to offer its clients network and data management outsourcing services that are independent of the National Preferred Provider Network access business. PlanVista s PayerServ business helps payers manage all of their network relationships, whether or not the payers also access the National Preferred Provider Network. PlanServ, PlanVista s other management offering, provides claims repricing and network and data management services that help PPOs support all of their payer relationships, not simply payer relationships that they maintain through National Preferred Provider Network.

During the second quarter of 2003, PlanVista entered into a joint marketing and distribution agreement with ProxyMed pursuant to which PlanVista has access to ProxyMed s significant payer customers for purposes of marketing PlanVista s services.

PlanVista common stock is traded on the Over-The-Counter Bulletin Board (symbol: PVST.OB).

## **The Merger**

In the merger, Planet Acquisition Corp., a wholly-owned subsidiary of ProxyMed, will merge with and into PlanVista, and as a result PlanVista will be the surviving corporation of the merger. If the merger becomes effective, based on the number of shares of PlanVista common stock outstanding on January 29, 2004, each share of PlanVista common stock then outstanding will be canceled and automatically converted into the right to receive 0.0835 of a share of ProxyMed common stock. This assumes that the PVC Funding Partners, LLC and Centra Benefit Services, Inc. debt is converted into PlanVista common stock prior to the merger. The total number of shares of ProxyMed common stock issuable as merger consideration is subject to a downward adjustment in the event that PlanVista s aggregate estimated transaction expenses in the merger exceed \$5,650,000. This would result in a reduction in the number of shares of ProxyMed common stock issuable to the holders of PlanVista common stock. The number of shares of ProxyMed common stock that each PlanVista common stockholder will receive as merger consideration will also be reduced if the amount owed by PlanVista to Commonwealth Associates Group Holdings, LLC pursuant to an advisory agreement with Commonwealth exceeds \$1,023,500 and the payment of the excess amount causes PlanVista s aggregate estimated transaction expenses in the merger to exceed \$5,650,000. PlanVista has agreed to pay such excess amount in shares of PlanVista common stock to be issued prior to the closing of the merger. The number of shares of ProxyMed common stock that each PlanVista common stockholder will receive will also be reduced if, under PlanVista s long-term incentive plan, certain bonuses to employees and a consultant exceed \$785,000 in the aggregate, as the excess amount of such bonus will be paid in shares of PlanVista common stock prior to the closing of the merger.

Based on the number of shares of PlanVista series C preferred stock outstanding on January 29, 2004, upon completion of the merger, holders of PlanVista s series C preferred stock will be entitled to receive 51.53 shares of ProxyMed common stock for each share of PlanVista series C preferred stock held by them. The total number of shares of ProxyMed common stock issuable as merger consideration is subject

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to a downward adjustment in the event that PlanVista's aggregate estimated transaction expenses in the merger exceed \$5,650,000. This would result in a reduction in the number of shares of ProxyMed common stock issuable to the holders of PlanVista series C preferred stock. PVC Funding Partners, LLC, the holder of 96% of the outstanding PlanVista series C preferred stock, has agreed not to convert its series C preferred stock into PlanVista common stock prior to the consummation of the merger. If any of the remaining PlanVista series C preferred stock are converted into PlanVista common stock prior to the closing of the merger, the number of ProxyMed shares allocated to the PlanVista common stockholders will be increased by the number of ProxyMed shares that the converting PlanVista series C preferred stockholders will receive upon consummation of the merger as a result of such conversion and the number of ProxyMed shares allocated to the remaining holders of the PlanVista series C preferred stock will be decreased by a like number.

*PlanVista stock options.* If the merger is consummated, each outstanding option to purchase PlanVista common stock will be canceled. At the effective time of the merger, the compensation committee of the board of directors of ProxyMed will grant to those officers and employees of PlanVista identified by PlanVista's compensation committee options under ProxyMed's stock option plans to purchase an aggregate of 200,000 shares of ProxyMed common stock in individual amounts as determined by PlanVista's compensation committee and approved by ProxyMed's compensation committee. Those options will have an exercise price equal to the lower of the last reported sale price of ProxyMed's common stock on the Nasdaq National Market on the date of the merger or \$17.74 per share. All of those options will generally vest over a three year period commencing on the grant date, such that two-thirds of each option will vest on the first anniversary of the grant date, and the remaining one-third of each option will vest on the third anniversary of the grant date.

*Ownership of ProxyMed after the merger and after the private equity offering.* Upon completion of the merger, PlanVista's outstanding stock is expected to be converted into ProxyMed common stock representing approximately 23% of the shares ProxyMed on a fully-converted basis and the current holders of ProxyMed's outstanding stock, options and warrants will retain approximately 77% of ProxyMed.

The Agreement and Plan of Merger, or merger agreement, is attached to this joint proxy statement/ prospectus as Annex A. ProxyMed and PlanVista encourage you to read the merger agreement carefully.

## **Reasons for the Merger**

The PlanVista board of directors approved the merger for a number of compelling business, financial and strategic reasons, including the following (please see the section entitled "The Merger" PlanVista's Reasons for the Merger" on page 65 for a more complete discussion).

Improved Growth Prospects with Larger Payers;

Improved Receptivity by Providers;

Combining the Service Offerings of the Two Companies Better Serves the Customers of Both;

Combined Technological Expertise Will Benefit Both Companies;

ProxyMed's Resources Will Aid in Sales Promotion;

Better Competitive Position;

Increased Competition;

Elimination of the Competitive Disadvantage Posed by the Uncertainties of PlanVista's Current Financial Structure;

Additional Cost-Savings and Benefits;

Resolves PlanVista's Refinancing Pressures;

Provides Improved Stockholder Liquidity;

Pricing;





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Requires Stockholder Approval; and

Common Stockholders Will Receive a Proportionately Higher Percentage of Consideration than Preferred Stockholders.

In short, the PlanVista board of directors believes that the merger offers PlanVista's stockholders, customers and employees, a unique opportunity to realize the benefits created by combining the two companies.

The ProxyMed board of directors believes that the merger presents ProxyMed with an opportunity to expand its current claims processing transaction services into a comprehensive and innovative end-to-end claim processing and adjudication solution for its insurance payer customers. ProxyMed's board of directors also approved the merger for the following reasons:

Entry into New Line of Business;

New End-To-End Service Offering;

Increased Sales Opportunities With Payers;

Strengthened Business Ties With Select Customers;

Expanded Technological Capabilities;

Operating Cost Reductions; and

Enhanced Public Profile.

In short, the ProxyMed board of directors believes that the merger offers ProxyMed's shareholders, customers, and employees an attractive and compelling opportunity to expand its business and product and service offerings.

Despite the foregoing, the potential benefits of the merger may not be achieved. See the sections entitled "Risk Factors - Risks Related to the Merger" on page 22, "The Merger - ProxyMed Reasons for the Merger" on page 61 and "The Merger - PlanVista Reasons for the Merger" on page 65.

**Risk Factors**

The "Risk Factors" should be considered carefully by ProxyMed shareholders in evaluating whether to approve the proposal to amend ProxyMed's articles of incorporation and the proposals to issue ProxyMed common stock pursuant to the merger agreement and in connection with the ProxyMed private equity offering, and by PlanVista stockholders in evaluating whether to adopt the merger agreement. These risk factors should be considered along with any additional risk factors in the periodic reports of ProxyMed and PlanVista filed with the Securities and Exchange Commission and any other information included in this joint proxy statement/prospectus.

**Recommendations of the ProxyMed Board of Directors**

After careful consideration, the ProxyMed board of directors determined that the merger and the other proposals are advisable and in the best interests of ProxyMed and its shareholders, and unanimously, except for abstentions, recommends that ProxyMed shareholders vote FOR the proposal to issue ProxyMed common stock pursuant to the merger agreement, FOR the proposal to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, FOR the proposal to amend ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares, and FOR the proposal to amend the ProxyMed 2002 Stock Option Plan to increase the number of shares available for issuance under such plan from 600,000 to 1,350,000.

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### **Recommendations of the PlanVista Board of Directors**

After careful consideration, the PlanVista board of directors determined that the merger is advisable and in the best interests of PlanVista and its stockholders, and approved the merger agreement. The PlanVista board of directors recommends that the PlanVista stockholders vote FOR the proposal to adopt the merger agreement.

### **Special Meeting of ProxyMed Shareholders**

You can vote at the ProxyMed special meeting if you owned ProxyMed common stock or ProxyMed series C preferred stock at the close of business on January 26, 2004, the record date for the ProxyMed special meeting. On that date, there were 6,784,118 shares of ProxyMed common stock and 2,000 shares of ProxyMed series C preferred stock outstanding and entitled to vote. You can cast one vote for each share of ProxyMed common stock and each share of ProxyMed series C preferred stock that you owned on that date. Approval of the proposal to amend ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares requires the affirmative vote of a majority of the outstanding shares of ProxyMed's common stock and ProxyMed series C preferred stock. Approval of the proposals to issue shares of ProxyMed common stock pursuant to the merger agreement, to issue shares of ProxyMed common stock in connection with the ProxyMed private equity offering, which are sometimes referred to hereinafter as the issuance proposals, and the proposal to amend the ProxyMed 2002 Stock Option Plan to increase the number of shares available for issuance under such plan from 600,000 to 1,350,000 requires the affirmative vote of a majority of the total votes cast at the special meeting by holders of ProxyMed's common stock outstanding as of the record date, including the shares of ProxyMed series C preferred stock entitled to vote as a class with the holders of ProxyMed common stock, provided that a quorum is present. As of the ProxyMed record date, ProxyMed's named executive officers, directors and entities affiliated with them owned, in the aggregate, approximately 38% of ProxyMed's outstanding common stock and ProxyMed series C preferred stock.

### **Special Meeting of PlanVista Stockholders**

You can vote at the PlanVista special meeting if you owned PlanVista common stock or PlanVista series C preferred stock at the close of business on January 26, 2004, the record date for the PlanVista special meeting. On that date, there were 17,085,892 shares of PlanVista common stock and 34,413 shares of PlanVista series C preferred stock outstanding and entitled to vote. Approval of the proposal to adopt the merger agreement, which is sometimes referred to hereafter as the merger proposal, requires the affirmative vote of a majority of the votes entitled to be cast by the holders of the shares of PlanVista common stock and PlanVista series C preferred stock. Additionally, it is a condition to PlanVista's obligation to consummate the merger that the holders of a majority of the outstanding shares of PlanVista common stock voting at the PlanVista stockholders meeting and not taking into account any votes cast by holders of the series C preferred stock, by Commonwealth Associates, L.P., or any affiliates or officers or directors thereof, or any director or executive officer of PlanVista, vote to adopt the merger agreement. As of the PlanVista record date, PlanVista's executive officers, directors and entities affiliated with them owned, in the aggregate, approximately 2.4% of PlanVista's outstanding common stock and 96% of PlanVista's outstanding series C preferred stock.

### **Voting Agreements**

Certain ProxyMed shareholders holding approximately 23.1% of the outstanding shares of ProxyMed common stock as of the record date have entered into voting agreements with PlanVista and ProxyMed agreeing to vote all the shares of ProxyMed common stock they own in favor of the issuances proposals and the amendment to ProxyMed's articles of incorporation.

Certain PlanVista stockholders holding less than 1% of the outstanding shares of PlanVista common stock and 96% of the outstanding shares of PlanVista series C preferred stock have entered into voting

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agreements with ProxyMed and PlanVista. The voting agreements require these stockholders to vote all of the shares of PlanVista common stock and PlanVista series C preferred stock they own in favor of the adoption of the merger agreement.

For a more detailed description of the voting agreements, please refer to the section of this joint proxy statement/prospectus entitled "Voting Agreements" beginning on page 109 and Annexes E and F. We urge you to read these voting agreements carefully.

### **Opinion of ProxyMed's Financial Advisor**

On December 4, 2003, William Blair & Company, L.L.C. delivered its oral opinion, and subsequently confirmed in writing to the ProxyMed board of directors that, as of such date and based upon and subject to the various considerations set forth in its opinion, the consideration to be paid by ProxyMed in the merger was fair, from a financial point of view, to ProxyMed. William Blair & Company, L.L.C. provided its opinion to the ProxyMed board of directors in connection with the board's consideration of the merger. The William Blair & Company, L.L.C. opinion is not a recommendation as to how any ProxyMed shareholder should vote with respect to the proposal to approve the issuance of shares of ProxyMed common stock in connection with the merger.

The full text of the written opinion of William Blair & Company, L.L.C., which sets forth assumptions made, matters considered and limitations on the review undertaken in connection with its opinion, is attached to this joint proxy statement/prospectus as Annex B. Shareholders of ProxyMed are urged to read the opinion carefully and in its entirety.

### **Opinion of PlanVista's Financial Advisor**

Peter J. Solomon Company, L.P. has delivered a written opinion, dated December 5, 2003, to the board of directors of PlanVista stating that, as of that date and subject to the various considerations set forth in its opinion, the consideration to be received by the holders of PlanVista common stock (other than Commonwealth Associates Group Holdings, LLC and its affiliates and associates) in connection with the merger was fair from a financial point of view. The full text of this opinion is attached to this joint proxy statement/prospectus as Annex C. Holders of PlanVista common stock (other than Commonwealth Associates Group Holdings, LLC and its affiliates and associates) are urged to read the opinion carefully in its entirety to understand the procedures followed, assumptions made, matters considered and limitations on the review undertaken by Peter J. Solomon Company, L.P. in providing its opinion. The opinion of Peter J. Solomon Company, L.P. is directed to the board of directors of PlanVista and does not constitute a recommendation as to how any PlanVista stockholder should vote with respect to any matter relating to the merger.

### **Interests of Certain Persons in the Merger**

Some directors and executive officers of ProxyMed have particular interests in the proposed merger.

When ProxyMed shareholders consider the recommendation of the ProxyMed board of directors that they vote in favor of (i) the issuance of ProxyMed common stock pursuant to the merger agreement, (ii) the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and (iii) the amendment to ProxyMed's articles of incorporation, ProxyMed shareholders should be aware that some ProxyMed directors and executive officers may have interests in the merger that may be different from, or in addition to, their interests as shareholders of ProxyMed. These include interests and potential claims arising in connection with:

the retention of all ProxyMed directors to serve on the board of directors of ProxyMed;

the retention of the officers of ProxyMed to serve as officers of ProxyMed;

the possible granting of options to the officers and directors of ProxyMed;

the service of one of the ProxyMed directors on the board of directors of PlanVista; and

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the sale of ProxyMed common stock in connection with the private equity offering at a price below the trading price on the date that the Stock Purchase Agreement was entered into by ProxyMed.

The ProxyMed board of directors was aware of these interests during its deliberations of the merits of the merger and in determining to recommend to ProxyMed shareholders that they vote for the proposal to approve the issuance of ProxyMed common stock pursuant to the merger agreement, the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and the amendment to ProxyMed's articles of incorporation. As a result, Michael Falk abstained from voting on the proposal to approve the issuance of the shares of ProxyMed common stock in connection with the merger, the proposal to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and the proposal to amend ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares, and Braden Kelly abstained from voting on the proposal to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering.

Some directors and executive officers of PlanVista have particular interests in the proposed merger.

When PlanVista stockholders consider the recommendation of the PlanVista board of directors that they vote in favor of adoption of the merger agreement, PlanVista stockholders should be aware that some PlanVista directors and executive officers may have interests in the merger that may be different from, or in addition to, their interests as stockholders of PlanVista. These interests include:

the agreement of ProxyMed to issue stock options to certain officers and directors of PlanVista following the merger;

employment arrangements that ProxyMed has entered into with Phillip S. Dingle, the Chairman and Chief Executive Officer of PlanVista and Jeffrey L. Markle, the President and Chief Operating Officer of PlanVista, pursuant to which Mr. Dingle and Mr. Markle will continue to serve as officers of PlanVista and ProxyMed following the merger;

significant cash bonuses that will be payable to Mr. Dingle and Mr. Markle upon consummation of the merger;

significant cash bonuses that will be payable to numerous PlanVista employees, including executive officers, under PlanVista's Incentive and Retention Program;

PlanVista's directors' and officers' insurance coverage and continuing indemnification arrangements;

the service of one of the PlanVista directors on the board of directors of ProxyMed; and

the appointment of one independent director of PlanVista selected by PlanVista and one additional independent director, who is not affiliated with ProxyMed or PlanVista identified by the PlanVista board of directors, and who is reasonably acceptable to ProxyMed, to serve on the board of directors of ProxyMed.

The PlanVista board of directors was aware of and considered these potentially conflicting interests when they approved the merger agreement. As a result, Michael Falk abstained from voting on the proposal to adopt the merger agreement.

*Michael Falk is a director and beneficial owner of securities of both PlanVista and ProxyMed and controls Commonwealth Associates Group Holdings, LLC, one of PlanVista's advisors and its controlling shareholder.*

Michael Falk serves as one of the four directors of PlanVista designated by the PlanVista series C preferred stockholders. Mr. Falk is also the beneficial owner of the PlanVista series C preferred stock owned by PVC Funding Partners, LLC. He is a controlling owner of Commonwealth Associates Group Holdings, LLC, which is the managing member of PVC Funding Partners, LLC which owns 96% of the outstanding PlanVista series C preferred stock and represents 57.9% of the combined voting power of the common stock and series C preferred stock of PlanVista. Commonwealth Associates Group Holdings,

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LLC acted as one of PlanVista's investment advisers in connection with the merger and will receive upon consummation of the merger an investment advisory fee of approximately \$1,398,500, subject to among other things, the price of the ProxyMed common stock at the effective time of the merger. For more information on Mr. Falk's ownership in PlanVista, please see the section entitled the Security Ownership of Certain Beneficial Owners and Management of PlanVista beginning on page 191.

Mr. Falk is also a director of ProxyMed. He is the beneficial owner of 434,568 shares of ProxyMed common stock. Mr. Falk will also be the beneficial owner of 287,720 shares issued in connection with the private equity offering. For more information on Mr. Falk's ownership in ProxyMed, please see the section entitled the Security Ownership of Certain Beneficial Owners and Management of ProxyMed beginning on page 152.

Mr. Falk abstained from voting on the proposal to approve the issuance of the shares of ProxyMed common stock in connection with the merger, the proposal to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and the proposal to amend ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares and on the proposal for PlanVista to adopt the merger agreement. These interests may create potential conflicts of interest.

*Harold Blue, a former director and officer of ProxyMed and current director of PlanVista, owes ProxyMed approximately \$186,000.*

Mr. Blue serves as one of the four PlanVista directors designated by the PlanVista series C preferred stockholders and serves at the pleasure of Mr. Falk by reason of his control of PVC Funding Partners, LLC.

In April 1997, ProxyMed made loans totaling \$350,000 to Harold Blue, ProxyMed's former chairman of the board and chief executive officer. The funds were advanced pursuant to two demand promissory notes in the principal amounts of \$290,000 and \$60,000, respectively, each bearing interest at a rate of 7 3/4% per annum. On June 30, 2000, ProxyMed amended the terms of these notes whereby interest on the notes ceased to accrue subsequent to July 1, 2000 and the loan plus accrued interest, totaling \$435,900 at June 30, 2000, would be payable in a balloon payment in December 2001. In December 2001, a payment of \$250,000 was received from Mr. Blue and applied against the outstanding balance of the loans. ProxyMed agreed to refinance the remaining \$185,983 balance and a new promissory note was executed by Mr. Blue. The note is collateralized with options to purchase 10,000 shares of common stock granted to Mr. Blue under the ProxyMed stock option plans along with additional warrants granted to Mr. Blue from various other public companies. In January 2002, Mr. Blue resigned from ProxyMed's board of directors and the remaining board members agreed to extend the exercise period of the stock options held as collateral for the note in an effort to maximize the potential for repayment. In June 2003, ProxyMed amended the promissory note executed in June 2000 by Mr. Blue. The amendment extended the maturity date of the promissory note for an additional twelve months to December 31, 2004 and also allowed Mr. Blue to offset any principal owed with certain amounts payable to Mr. Blue by ProxyMed as a result of a finder's fee arrangement with ProxyMed.

Mr. Blue also serves as the President and Chief Operating officer of Commonwealth Associates Group Holdings, LLC, which is controlled by Michael Falk. Commonwealth Associates Group Holdings, LLC acted as one of PlanVista's investment advisers in connection with the transaction and will receive upon consummation of the merger an investment advisory fee of approximately \$1,398,500, subject to among other things, the price of the ProxyMed common stock at the effective time of the merger. Mr. Blue will receive a part of this fee.

***Other Interested Directors and Officers***

Richard Corbin and Gary Mansfield serve as two of the four PlanVista directors designated by the PlanVista series C preferred stockholders and as such serve at the pleasure of Mr. Falk by reason of his

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control of PVC Funding Partners, LLC. From 1995 to 1998, Gary Mansfield was a director of ProxyMed, and from 1993 to 1998, he was an executive officer of ProxyMed.

James K. Murray, III, a director of PlanVista, is a limited liability member of PVC Funding Partners, LLC.

A. Thomas Hardy, Senior Vice President of ProxyMed, and Edwin M. Cooperman, a ProxyMed director, each own minority interests in certain entities affiliated with Commonwealth Associates Group Holdings, LLC.

From 1993 to 2000, Bennett Marks, the current Chief Financial Officer of PlanVista, was the Executive Vice President-Finance, Chief Financial Officer and director of ProxyMed.

William L. Bennett, a current director of PlanVista, will become a director of ProxyMed following the merger. Following the consummation of the merger, PlanVista will continue to be obligated under a promissory note issued to William Bennett in the amount of \$250,000.

## **Conditions to the Completion of the Merger**

The completion of the merger is subject to the prior satisfaction or waiver of a number of conditions, including the following:

the merger agreement must be adopted by the stockholders of PlanVista;

the issuance of the shares of ProxyMed common stock to be issued in connection with the merger, the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and the amendment to ProxyMed's articles of incorporation must all be approved by ProxyMed's shareholders;

ProxyMed's registration statement, of which this joint proxy statement/ prospectus is a part, must be effective, no stop order suspending its effectiveness may be in effect and no proceedings for suspending its effectiveness shall have been issued and no proceeding for that purpose, and no similar proceeding related to the joint proxy statement/ prospectus, shall have been initiated or threatened in writing by the Securities and Exchange Commission;

no governmental entity shall have enacted or issued any law, regulation or order that is in effect and has the effect of making the merger illegal or otherwise prohibiting the closing;

all required material governmental consents and approvals shall have been obtained;

all waiting periods under the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended, if applicable, must have expired or been terminated;

the shares of ProxyMed common stock to be issued in the merger must have been approved for listing on the Nasdaq National Market, subject to notice of issuance;

no governmental entity will have commenced or threatened in writing any proceeding preventing the merger or requiring ProxyMed to make certain divestitures;

the representations and warranties of each party in the merger agreement must be true and correct, subject to various qualifications;

the parties must have complied in all material respects with their respective agreements in the merger agreement;

no material adverse effect with respect to either ProxyMed or PlanVista shall have occurred since the date of the merger agreement;

the merger agreement shall have been adopted by holders of at least a majority of the outstanding shares of PlanVista common stock voting at the PlanVista stockholders meeting and not taking into account any votes cast by holders of the series C preferred stock, by





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L.P., or any affiliates or officers or directors thereof, or any director or executive officer of PlanVista; and

holders of not more than ten percent (10%) of PlanVista's issued and outstanding common stock shall have demanded appraisal of their shares of PlanVista common stock under the Delaware General Corporation Law.

**Termination of the Merger Agreement**

Before completion of the merger, and subject to certain qualifications, the merger agreement may be terminated under any of the following circumstances:

by mutual consent duly authorized by the boards of directors of ProxyMed and PlanVista;

by ProxyMed or PlanVista, if the merger is not completed by April 30, 2004, except that the right to terminate the merger agreement under this provision is not available to any party whose action or failure to act has been a principal cause of or resulted in the failure of the merger to occur on or by April 30, 2004, and this action or failure to act constitutes a material breach of the merger agreement;

by ProxyMed or PlanVista, if a governmental authority has issued a final nonappealable order, decree or ruling or taken any other action, in any case having the effect of permanently enjoining, restraining or prohibiting the merger;

by ProxyMed or PlanVista, if the merger is not approved by the stockholders of PlanVista, except that the right to terminate the merger agreement under this provision is not available to PlanVista where the failure to obtain stockholder approval was caused by an action or failure to act by PlanVista that constitutes a breach of the merger agreement;

by ProxyMed or PlanVista, if the issuance of shares of ProxyMed common stock in the merger, the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and the amendment to ProxyMed's articles of incorporation shall not have been approved by ProxyMed's shareholders, except that the right to terminate the merger agreement under this provision is not available to ProxyMed if the failure to obtain shareholder approval was caused by an action or failure to act by ProxyMed that constitutes a breach of the merger agreement;

by ProxyMed at any time prior to the adoption and approval of the merger agreement and the merger by the required vote of stockholders of PlanVista, if a triggering event with respect to PlanVista occurs (each of these events is further described under the section of this joint proxy statement/ prospectus entitled "The Merger Agreement - Termination of the Merger Agreement" beginning on page 106);

by PlanVista at any time prior to the approval of the issuance of shares of ProxyMed common stock in the merger by the required vote of shareholders of ProxyMed, if a triggering event with respect to ProxyMed occurs (each of these events is further described under the section of this joint proxy statement/ prospectus entitled "The Merger Agreement - Termination of the Merger Agreement" beginning on page 106);

by PlanVista upon a breach of any representation, warranty, covenant or agreement on the part of ProxyMed, or if any of ProxyMed's representations or warranties have become untrue, so that the corresponding condition to closing the merger would not be met, or if a material adverse effect with respect to ProxyMed shall have occurred; however, if the breach or inaccuracy or material adverse effect on ProxyMed is curable and ProxyMed continues to exercise all reasonable efforts to cure the breach or inaccuracy or material adverse effect, then PlanVista may not terminate the merger agreement if, in the case of a breach or inaccuracy, it is cured within 30 days after delivery of the notice of breach or inaccuracy or, in the case of a material adverse effect on ProxyMed, it is cured within 45 days after delivery of the notice of material adverse effect, or if PlanVista has materially breached the merger agreement;

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by ProxyMed upon a breach of any representation, warranty, covenant or agreement on the part of PlanVista under the merger agreement, or if any of PlanVista's representations or warranties have become untrue, so that the corresponding condition to closing the merger would not be met, or if a material adverse effect shall have occurred; however, if the breach or inaccuracy or material adverse effect on PlanVista is curable and PlanVista continues to exercise all reasonable efforts to cure the breach or inaccuracy or material adverse effect, then ProxyMed may not terminate the merger agreement if, in the case of a breach or inaccuracy, it is cured within 30 days after delivery of the notice of breach or inaccuracy or, in the case of a material adverse effect on PlanVista, it is cured within 45 days after delivery of the notice of material adverse effect, or if ProxyMed has materially breached the merger agreement;

by PlanVista in respect of a superior offer (as defined below); or

by PlanVista or ProxyMed, if either party does not mail the joint proxy statement/ prospectus to its respective shareholders by February 12, 2004, provided that each party has used all commercially reasonable efforts to mail the proxy by such date.

### **Expenses and Termination Fees**

All fees and expenses incurred in connection with the merger agreement shall be paid by the party incurring such expenses whether or not the merger is consummated; provided, however, that ProxyMed and PlanVista shall share equally (i) all fees and expenses, other than attorneys and accountants' fees and expenses, incurred in relation to the printing and filing with the SEC of this joint proxy statement/ prospectus (including any preliminary materials related thereto) and this registration statement (including financial statements and exhibits) and any amendments or supplements thereto and (ii) the filing fee(s) for the antitrust filings, if any.

#### ***PlanVista Fees***

PlanVista has agreed to pay ProxyMed a termination fee equal to \$2,000,000 in immediately available funds in the event that the merger agreement is terminated:

by ProxyMed at any time prior to approval of the merger by PlanVista's stockholders because a triggering event has occurred with respect to PlanVista;

by PlanVista because of a superior offer; or

as a result of the failure of PlanVista to obtain the PlanVista stockholder approval of the merger if prior to termination of the merger agreement, an acquisition proposal (see page 101) with respect to PlanVista was publicly disclosed and within twelve months following the termination of the merger agreement, either an acquisition with respect to PlanVista was consummated, or PlanVista enters into a contract providing for an acquisition which is later consummated, whether during or after such twelve-month period.

PlanVista has agreed to immediately reimburse ProxyMed for all the transaction expenses incurred by ProxyMed, up to a maximum of \$500,000, in the event that PlanVista obtains stockholder approval of the adoption of the merger agreement, but does not obtain approval by a majority of the outstanding shares of PlanVista common stock voting at the PlanVista stockholders meeting and not taking into account any votes cast by holders of the series C preferred stock, by Commonwealth Associates, L.P., or any affiliates or officers or directors thereof, or any director or executive officer of PlanVista, and PlanVista does not waive such condition to closing.

### **No Solicitation of Transactions**

Until the merger is completed or the merger agreement is terminated, PlanVista has agreed not to take any action with regard to an acquisition proposal, as described on page 101 of this joint proxy statement/ prospectus, unless it receives an unsolicited acquisition proposal prior to its stockholders

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meeting and its board of directors concludes in good faith that such acquisition proposal is reasonably likely to result in a superior offer, as described on page 102 of this joint proxy statement/ prospectus. If PlanVista receives an acquisition proposal which its board of directors considers to be a superior offer PlanVista may, subject to the conditions specified on page 101 of this joint proxy statement/ prospectus, furnish non-public information regarding itself and may enter into discussions with the person who made the acquisition proposal.

PlanVista has agreed to inform ProxyMed promptly as to any acquisition proposal, or request for non-public information, or any inquiry that it reasonably believes would lead to an acquisition proposal. PlanVista has agreed to inform ProxyMed of the status and details of any acquisition proposal. PlanVista has agreed to provide to ProxyMed a copy of all written and other materials provided to it in connection with any acquisition proposal request or inquiry.

## **Accounting Treatment of the Merger**

ProxyMed intends to account for the merger using the purchase method of accounting for business combinations, with ProxyMed being considered the acquirer of PlanVista, in conformity with accounting principles generally accepted in the United States of America. This means that ProxyMed will allocate the purchase price to the fair value of assets, including identifiable intangible assets acquired and liabilities assumed from PlanVista at the effective time of the merger, with the excess purchase price being recorded as goodwill. Under the purchase method of accounting, goodwill is not amortized but is tested for impairment at the time of the acquisition and at least annually thereafter.

## **Directors and Executive Officers of ProxyMed Following the Merger**

At the effective time of the merger, ProxyMed's board of directors shall appoint one independent director of PlanVista selected by PlanVista and one additional independent director, who is not affiliated with ProxyMed or PlanVista identified by the PlanVista board of directors, and who is reasonably acceptable to ProxyMed, to serve on the board of directors of ProxyMed. William L. Bennett, a current independent director of PlanVista, will be appointed to serve as a director of ProxyMed following the merger.

## **Appraisal Rights**

Under Delaware law, PlanVista stockholders are entitled to appraisal rights with respect to the merger and, if the merger is completed and they perfect their appraisal rights, to receive payment in cash for the fair value of their shares of PlanVista stock. In general, to preserve their appraisal rights, PlanVista stockholders who wish to exercise these rights must:

deliver a written demand for appraisal to PlanVista at or before the time the vote is taken at the PlanVista special meeting;

not vote their shares for adoption of the merger agreement;

continuously hold their shares of PlanVista stock from the date they make the demand for appraisal through the closing of the merger; and

comply with the other procedures set forth in Section 262 of the Delaware General Corporation Law.

The text of Section 262 of the Delaware General Corporation Law governing appraisal rights is attached to this joint proxy statement/prospectus as Annex D. Your failure to comply with the procedures described in Annex D will result in the loss of appraisal rights. We urge you to read the text of Section 262 governing appraisal rights carefully.

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### **Comparison of Shareholder Rights**

The rights of stockholders of PlanVista as shareholders of ProxyMed after the merger will be governed by ProxyMed's existing amended and restated articles of incorporation and its existing amended and restated bylaws, as such documents may be amended in the future. Those rights significantly differ from the current rights of PlanVista stockholders under PlanVista's certificate of incorporation and bylaws.

### **Market Price Information**

Shares of ProxyMed common stock are listed on the Nasdaq National Market. On December 5, 2003, the last full trading day prior to the public announcement of the proposed merger, ProxyMed's common stock closed at \$16.01 per share. On January 29, 2004, the latest practicable date before the printing of this joint proxy statement/prospectus, ProxyMed's common stock closed at \$18.49 per share. The common stock of PlanVista is traded on the Over-The-Counter Bulletin Board. On December 5, 2003, the last full trading day prior to the public announcement of the proposed merger, PlanVista's common stock closed at \$1.90 per share. On January 29, 2004, the latest practicable date before the printing of this joint proxy statement/prospectus, PlanVista's common stock closed at \$1.56 per share. The companies urge you to obtain current market quotations for ProxyMed common stock.

### **Listing of ProxyMed Common Stock and Deregistration of PlanVista Common Stock**

ProxyMed's common stock is currently traded on the Nasdaq National Market under the symbol **PILL**. The ProxyMed common stock to be issued in the merger will be listed for trading on the Nasdaq National Market.

If the merger is completed, PlanVista common stock will cease to be traded on the Over-The-Counter Bulletin Board and will be deregistered under the Securities and Exchange Act of 1934, and PlanVista will no longer file periodic reports with the Securities and Exchange Commission.

### **Restrictions on the Ability to Sell ProxyMed Common Stock**

All shares of ProxyMed common stock to be received by PlanVista stockholders in connection with the merger will be freely transferable unless the holder is an affiliate of either PlanVista or ProxyMed under the Securities Act of 1933 or has otherwise agreed to restrictions on their ability to transfer their shares of ProxyMed stock.

### **Material Federal Income Tax Considerations**

The merger generally is intended to qualify as a tax-free transaction and it is a condition to the merger that ProxyMed and PlanVista each receive legal opinions from counsel to the effect that the merger will constitute a reorganization within the meaning of 368(a) of the Internal Revenue Code. Assuming the merger qualifies as a reorganization, PlanVista stockholders who realize a loss as a result of the merger will not be allowed to recognize such loss for U.S. federal income tax purposes, and PlanVista stockholders who recognize a gain as a result of the exchange of PlanVista common stock for shares of ProxyMed common stock (and cash received in lieu of fractional shares) will be required to recognize such gain for U.S. federal income tax purposes but only to the extent of the cash received.

Tax matters are very complicated, and the tax consequences of the merger to you will depend on the facts of your own situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you.

THIS SUMMARY MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. YOU SHOULD CAREFULLY READ THIS ENTIRE DOCUMENT AND THE OTHER DOCUMENTS INCLUDED ELSEWHERE IN THIS JOINT PROXY STATEMENT/ PROSPECTUS FOR A MORE COMPLETE UNDERSTANDING OF THE MERGER. IN PARTICULAR, YOU SHOULD READ THE DOCUMENTS ATTACHED TO THIS JOINT

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PROXY STATEMENT/ PROSPECTUS, INCLUDING THE MERGER AGREEMENT, WHICH IS ATTACHED TO THIS JOINT PROXY STATEMENT/ PROSPECTUS AS ANNEX A.

**ProxyMed and PlanVista Comparative Historical and Pro Forma Per Share Data**

The following table reflects the historical cash dividends declared per share, net income (loss) and book value per share of ProxyMed common stock and the historical cash dividends declared per share, net income (loss) and book value per share of PlanVista common stock in comparison with unaudited pro forma cash dividends declared per share, net loss and book value per share after giving effect to the pending merger of ProxyMed and PlanVista. The information in the following table should be read in conjunction with the unaudited pro forma combined condensed consolidated financial statements and the ProxyMed historical consolidated financial statements and the PlanVista historical consolidated financial statements included elsewhere in this joint proxy statement/ prospectus. The pro forma information is presented for illustrative purposes only. You should not rely on the pro forma financial data as an indication of the combined financial position or results of operations of future periods or the results that actually would have been realized had the entities been a single entity during the period or as of the date presented.

The historical book value per share information presented is computed by dividing total shareholders' equity for each of ProxyMed or PlanVista by the number of shares of ProxyMed or PlanVista common stock, respectively, outstanding as of the respective balance sheet date.

The pro forma combined net loss per share information is computed by dividing the pro forma combined net income (loss) by the sum of ProxyMed's weighted average common shares outstanding during each period and the number of shares of ProxyMed common stock to be issued in connection with the proposed merger and the \$24.1 million private equity offering, as if both transactions had been consummated on January 1, 2002.

The unaudited pro forma combined condensed consolidated book value per ProxyMed share is computed by dividing total pro forma combined shareholders' equity by the pro forma number of shares of ProxyMed common stock outstanding at September 30, 2003 assuming the merger and the \$24.1 million private equity offering had occurred on that date.

	<b>Year Ended December 31, 2002</b>	<b>Nine Months Ended September 30, 2003</b>
<b>PROXYMED HISTORICAL:</b>		
Cash dividends declared per common share	\$	\$
Basic net income (loss) per common share	\$ 0.21	\$ 0.59
Diluted net income (loss) per common share	\$ 0.21	\$ 0.58
Book value per common share at the end of the period	\$ 7.48	\$ 7.66
<b>PLANVISTA HISTORICAL:</b>		
Cash dividends declared per common share	\$	\$
Basic and diluted net income per share applicable to common stockholders	\$(2.72)	\$(2.90)
Book value per common share at the end of the period	\$(5.99)	\$(8.47)

**Table of Contents****Unaudited Pro Forma Combined Per Share Data**

	Year Ended December 31, 2002	Nine Months Ended September 30, 2003
<b>PROXYMED AND PLANVISTA PRO FORMA COMBINED:</b>		
Pro forma combined cash dividends per common share	\$	\$
Pro forma basic and diluted combined net loss per common share	\$(2.25)	\$ (0.02)
Pro forma combined book value per share as of the end of the period	\$	\$ 10.51

**SUMMARY SELECTED HISTORICAL FINANCIAL DATA****Selected Historical Financial Information of ProxyMed**

The following table sets forth ProxyMed's selected consolidated financial data for each of the five years ended December 31, 2002 and the nine month periods ended September 30, 2003 and 2002, respectively. Such information has been prepared from the audited consolidated financial statements and the unaudited consolidated financial statements of ProxyMed. You should read this information together with the consolidated financial statements and other financial information contained elsewhere in this joint proxy statement/ prospectus.

	Nine Months Ended September 31,		Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
<b>STATEMENT OF OPERATIONS DATA:</b>							
Revenues	\$ 53,194	\$ 36,988	\$ 50,182	\$ 43,230	\$ 33,441	\$ 29,023	\$ 22,249
Operating income (loss)	\$ (3,021)	\$ 703	\$ 1,340	\$ (6,712)	\$ (23,460)	\$ (20,019)	\$ (11,087)
Income (loss) from continuing operations	\$ 1,200	\$ 1,219	\$ 1,950	\$ (6,798)	\$ (26,927)	\$ (20,120)	\$ (11,194)
Income (loss) from discontinued operations	\$	\$	\$	\$	\$ 241	\$ (1,714)	\$ (595)
Net income (loss) applicable to common shareholders	\$ 1,200	\$ 607	\$ 1,338	\$ (19,060)	\$ (48,052)	\$ (21,856)	\$ (11,788)
<b>PER SHARE DATA:</b>							
Basic and diluted net loss per share of common stock:							
Income (loss) from continuing operations	\$ 0.18	\$ 0.10	\$ 0.21	\$ (8.81)	\$ (37.03)	\$ (16.75)	\$ (10.73)
Income (loss) from discontinued operations	\$	\$	\$	\$	\$ 0.19	\$ (1.43)	\$ (0.57)
Net income (loss)	\$ 0.18	\$ 0.10	\$ 0.21	\$ (8.81)	\$ (36.84)	\$ (18.18)	\$ (11.30)
Diluted Weighted average common shares outstanding	6,815,247	6,282,258	6,396,893	2,162,352	1,304,342	1,202,136	1,043,558
<b>DIVIDEND DATA:</b>							
Dividends on common stock	\$	\$	\$	\$	\$	\$	\$

Dividends on cumulative preferred stock	\$	\$	\$	\$	1,665	\$	1,275	\$	22	\$
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	September 30,		December 31,				
	2003	2002	2002	2001	2000	1999	1998
<b>BALANCE SHEET DATA:</b>							
Working capital	\$ 14,714	\$ 29,140	\$ 8,749	\$ 9,393	\$ 12,156	\$ 12,580	\$ 7,565
Convertible notes	\$ 13,400	\$	\$ 13,400	\$	\$	\$	\$
Other long-term obligations	\$ 4,001	\$ 307	\$ 2,581	\$ 442	\$ 729	\$ 583	\$ 1,367
Total assets	\$ 81,810	\$ 56,136	\$ 88,704	\$ 35,882	\$ 27,666	\$ 44,773	\$ 46,903
Net assets of discontinued operations	\$	\$	\$	\$	\$	\$ 3,022	\$ 4,040
Stockholders equity	\$ 51,942	\$ 49,553	\$ 50,735	\$ 22,873	\$ 22,377	\$ 37,756	\$ 40,279

**Selected Historical Financial Information of PlanVista**

The following table sets forth PlanVista's selected historical consolidated financial data for each of the five years ended December 31, 2002, 2001, 2000, 1999, and 1998, and the nine month periods ended September 30, 2003 and 2002, respectively. Such information has been prepared from PlanVista's audited consolidated financial statements and its unaudited condensed consolidated financial statements. This information should be read in conjunction with the related consolidated financial statements and notes thereto appearing elsewhere in this joint proxy statement/prospectus.

	Nine Months Ended September 30		Year Ended December 31,				
	2003	2002	2002	2001(1)	2000(1)	1999(1)	1998(1)
(Unaudited)							
<b>STATEMENT OF OPERATIONS DATA:</b>							
(In thousands, except per share amounts)							
Operating revenue	\$ 23,954	\$ 24,746	\$ 33,141	\$ 32,918	\$ 26,964	\$ 18,691	\$ 10,024
Cost of operating revenue:							
Personnel expense	6,568	6,617	8,474	9,137	8,301	8,189	4,937
Network access fees	4,575	4,014	5,122	5,343	3,896	2,521	1,894
Other	4,191	4,353	5,826	6,521	4,288	4,013	4,058
Depreciation	425	384	528	467	303	723	247
Costs related to ProxyMed agreement	846						
Total cost of operating revenue	16,605	15,368	19,950	21,468	16,788	15,446	11,136
Bad debt expense	1,262	1,980	3,356	3,348	649	624	
Offering costs			1,213				
Amortization of goodwill				1,378	1,380	1,388	967
Loss on impairment of intangible assets					5,513		
Loss (gain) on sale of investments, net				2,503	(332)	(4,630)	(33,240)
Interest expense	2,032	4,649	5,628	12,098	10,489	7,737	5,540
Other (income) expense	(650)			(175)	868	(373)	11,921
Equity in loss of joint venture						208	



Income (loss) before (benefit) provision for income taxes, minority interest, discontinued operations, loss on sale of discontinued operations, extraordinary loss, and cumulative effect of change in accounting principle	4,705	2,749	2,994	(7,702)	(8,391)	(1,709)	13,700
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	Nine Months Ended September 30		Year Ended December 31,				
	2003	2002	2002	2001(1)	2000(1)	1999(1)	1998(1)
	(Unaudited)						
Net income (loss)	3,486	3,702	4,185	(45,221)	(104,477)	104	9,698
Preferred stock accretion and preferred stock dividend	(52,286)	(31,080)	(48,777)				
Loss (income) applicable to common stockholders	(48,800)	(27,378)	(44,592)	(45,221)	(104,477)	104	9,698
Basic and diluted net income (loss) per share from continuing operations before minority interest, discontinued operations, loss on sale of assets, extraordinary item, and cumulative effect of change in accounting principle	\$ 0.21	\$ 0.23	\$ 0.25	\$ (2.37)	\$ (0.37)	\$ (0.08)	\$ 0.55
Basic and diluted net (loss) income per share applicable to common stockholders	\$ (2.90)	\$ (1.68)	\$ (2.72)	\$ (3.11)	\$ (7.64)	\$ 0.01	\$ 0.67
Dividends declared per share of common stock						\$0.4125	
Average common shares outstanding:							
Basic	16,822	16,311	16,427	14,558	13,679	13,742	14,353
Diluted	16,822	16,311	16,427	14,558	13,679	13,922	14,584

	As of September 30,		As of December 31,				
	2003	2002	2002	2001(1)	2000(1)	1999(1)	1998(1)
<b>BALANCE SHEET DATA:</b>							
Working capital (deficit)	\$ (33,938)	\$ 1,170	\$ 1,178	\$ (7,901)	\$ (104,859)	\$ (44,329)	\$ (93,903)
Total assets	43,091	43,839	42,585	40,125	104,668	236,683	217,002
Total debt	44,420	45,701	45,544	76,086	66,038	95,762	97,322
Series C preferred stock (As Restated)	129,503	59,520(2)	77,217(2)				
Stockholders equity (deficit) (As Restated)	(143,682)	(78,393)(2)	(95,606)(2)	(53,290)	(20,340)	86,281	91,652

- (1) PlanVista has reclassified the business units sold in 2001 and 2000 as discontinued operations in the Consolidated Statements of Operations. During 2000, PlanVista sold its unemployment compensation, workers compensation, workers compensation managed care organization, and self-funded businesses. In 2001, PlanVista sold its third party administration and managing general underwriter business units.
- (2) Restated for the classification of the series C preferred stock as described in Note 18 to the audited consolidated financial statements.

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**Summary Selected Unaudited Pro Forma Combined Condensed Consolidated Financial Data**

The following summary selected unaudited pro forma combined condensed consolidated financial data gives effect to the proposed merger between ProxyMed and PlanVista using the purchase method of accounting for the business combination. The pro forma combined condensed consolidated financial data also gives effect to the \$24.1 million in capital being raised in a private placement by ProxyMed whereby such proceeds are being used to retire debt of PlanVista and provide for payment of certain expenses associated with the transaction. In addition, the pro forma combined condensed consolidated financial data also gives effect to the ProxyMed acquisition of MedUnite on December 31, 2002. This data should be read in conjunction with ProxyMed's unaudited pro forma combined condensed consolidated financial statements and related notes thereto, which you can find beginning on page 206 of this joint proxy statement/prospectus.

As of January 29, 2004, the pro forma combined condensed consolidated financial statements have been presented assuming an exchange ratio of 0.0835 shares of ProxyMed common stock in exchange for each share of PlanVista common stock and an exchange ratio of 51.53 shares of ProxyMed common stock in exchange for each share of PlanVista series C preferred stock pursuant to the merger agreement and shares of ProxyMed common stock in exchange for each share of PlanVista series C preferred stock pursuant to the merger agreement. This assumes that the PVC Funding Partners, LLC and Centra Benefit Services, Inc. debt is converted into PlanVista common stock prior to the merger.

There can be no assurance that ProxyMed and PlanVista will not incur charges in excess of those included in the pro forma adjustments related to the merger or that ProxyMed's management will be successful in its effort to integrate the operations of the companies.

The summary selected unaudited pro forma combined condensed consolidated financial data is derived from the unaudited pro forma combined condensed consolidated financial statements included elsewhere in this joint proxy statement/prospectus.

The unaudited pro forma combined condensed consolidated balance sheet data of ProxyMed gives effect to the proposed merger as if it had occurred on September 30, 2003, and combines the unaudited historical consolidated balance sheet of ProxyMed as of September 30, 2003, with the unaudited historical consolidated balance sheet of PlanVista as of September 30, 2003.

The unaudited pro forma combined condensed consolidated statement of operations data of ProxyMed gives effect to the proposed merger and that of MedUnite as if they had been consummated on January 1, 2002. The unaudited pro forma combined condensed consolidated statement of operations data of ProxyMed for the year ended December 31, 2002 combines the audited historical consolidated statement of operations of ProxyMed for the year ended December 31, 2002, the audited historical consolidated statement of operations of PlanVista for the year ended December 31, 2002 and the audited historical statement of operations of MedUnite. Under Article 11-02 of Regulation S-X, the operations of MedUnite, along with pro forma adjustments, are required to be presented when more than one transaction has occurred or is probable to occur. The pro forma adjustments for MedUnite were previously filed by ProxyMed under a Form 8-K on March 17, 2002.

The unaudited pro forma combined condensed consolidated statement of operations data of ProxyMed for the nine months ended September 30, 2003 combines the unaudited historical consolidated statement of operations of ProxyMed for the nine months ended September 30, 2003 with the unaudited historical consolidated statement of operations of PlanVista for the nine months ended September 30, 2003.

The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the proposed merger and the MedUnite merger had been consummated on January 1, 2002 or the financial position that would have occurred if the proposed merger had been consummated on September 30, 2003, nor is it necessarily indicative of future operating results or financial position. In regard to the ProxyMed/ PlanVista merger, pro forma adjustments are based upon information and assumptions available at the time of the filing of the registration statement of which this joint proxy statement/prospectus is a part. The pro forma information should be read in

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conjunction with the unaudited pro forma combined condensed consolidated financial statements and related notes thereto included elsewhere in this joint proxy statement/prospectus and with ProxyMed's and PlanVista's historical consolidated financial statements and related notes thereto included in this joint proxy statement/prospectus.

As part of the transaction, stock options of ProxyMed are being granted to certain PlanVista employees. Although the strike price of these options has been fixed at the lower of \$17.74 or the market price on the date the merger is consummated, no effect to any compensation expense (if any is needed) has been provided for in the pro forma statements of operations or the balance sheet. At the time such options are actually granted, compensatory charges, if incurred, would be reflected in the financial statements of ProxyMed.

Based on the preliminary valuation of identifiable amortizable intangible assets of PlanVista and allocation of the purchase price, the amortization expense associated with these assets is expected to be approximately \$4.1 million over the five years after the consummation of the acquisition. Such expense may have a material impact on the combined companies calculation of net income and earnings per share. A preliminary allocation of the cost of the merger has been made based upon currently available information and management's estimates. The actual allocation and its results on operations may differ significantly from the pro forma amounts included herein.

The impact of the merger on the overall effective tax rate of the combined company is uncertain. Although the combined company will attempt to optimize its overall effective tax rate and utilize all available net operating losses (subject to certain limitations), the pro forma tax provision reflects a full valuation allowance relative to net operating loss carryforwards and other net deferred tax assets.

	<b>Year Ended December 31, 2002</b>	<b>Nine Months Ended September 30, 2003</b>
<b>(In thousands, except per share data) (Unaudited)</b>		
<b>PRO FORMA COMBINED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS DATA:</b>		
Revenues	\$ 102,857	\$ 77,148
Loss before income taxes	\$ (25,461)	\$ (254)
Provision for income taxes	\$	\$
Net loss applicable to common stockholders	\$ (26,073)	\$ (254)
Basic and diluted net loss per common share	\$ (2.25)	\$ (0.02)
<b>At September 30, 2003</b>		
<b>PRO FORMA COMBINED CONDENSED CONSOLIDATED BALANCE SHEET DATA:</b>		
Working capital		\$ 13,084
Total assets		\$ 191,527
Total shareholders' equity		\$ 126,909

**Table of Contents****Comparative Per Share Market Price and Dividend Information****Recent Share Prices**

ProxyMed's common stock has been quoted on the Nasdaq National Market under the symbol PILL since its initial public offering in August, 1993. Since October 4, 2002, PlanVista's common stock has been quoted on the Over-The-Counter Bulletin Board under the symbol PVST.OB. Prior to that time, PlanVista's stock was traded on the New York Stock Exchange. PlanVista's New York Stock Exchange symbol was HPS from May 1995 until April 2001, when PlanVista changed its symbol to PVC in connection with the change of its corporate name from HealthPlan Services Corporation to PlanVista Corporation. The table below sets forth the high and low sales prices of ProxyMed common stock and PlanVista common stock for the periods indicated. The prices indicated below have been appropriately adjusted to give retroactive effect to all stock splits that have occurred through the date of this joint proxy statement/prospectus.

	ProxyMed Common Stock		PlanVista Common Stock	
	High	Low	High	Low
YEAR ENDING DECEMBER 31, 2004:				
First Quarter (through January 29, 2004)	\$ 18.83	\$ 17.06	\$ 1.65	\$ 1.35
YEAR ENDING DECEMBER 31, 2003:				
First Quarter	\$ 11.45	\$ 7.25	\$ 1.80	\$ 0.70
Second Quarter	\$ 13.25	\$ 7.08	\$ 2.05	\$ 0.75
Third Quarter	\$ 16.40	\$ 12.01	\$ 3.65	\$ 1.30
Fourth Quarter	\$ 17.64	\$ 14.55	\$ 3.35	\$ 1.07
YEAR ENDING DECEMBER 31, 2002:				
First Quarter	\$ 22.35	\$ 15.00	\$ 6.40	\$ 4.25
Second Quarter	\$ 21.99	\$ 17.21	\$ 6.30	\$ 3.40
Third Quarter	\$ 20.44	\$ 10.50	\$ 3.50	\$ 1.06
Fourth Quarter	\$ 15.95	\$ 9.48	\$ 2.50	\$ 0.73
YEAR ENDING DECEMBER 31, 2001:				
First Quarter	\$ 23.44	\$ 14.07	\$ 9.44	\$ 6.20
Second Quarter	\$ 17.55	\$ 10.05	\$ 8.35	\$ 6.60
Third Quarter	\$ 17.00	\$ 10.80	\$ 7.97	\$ 4.20
Fourth Quarter	\$ 22.35	\$ 11.25	\$ 5.83	\$ 4.14

ProxyMed share prices prior to the fourth quarter of 2001 have been adjusted to reflect a 1-for-15 reverse stock split effected on August 17, 2001.

The above table shows only historical comparisons and may not provide meaningful information to PlanVista stockholders in determining whether to approve the merger proposal or ProxyMed shareholders in determining whether to approve the charter amendment proposal or the issuance proposal. ProxyMed and PlanVista shareholders are urged to obtain current market quotations for ProxyMed and PlanVista common stock and to carefully review the other information contained in this joint proxy statement/prospectus in considering whether to adopt the merger agreement. Please refer to the section of this joint proxy statement/prospectus entitled "Where You Can Find More Information" beginning on page 216.

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The following table provides the closing prices per share of ProxyMed common stock as reported on the Nasdaq National Market, and of PlanVista common stock as reported on the Over-The-Counter Bulletin Board, in each case on December 5, 2003, the last full trading day preceding public announcement that ProxyMed and PlanVista had entered into the merger agreement, and January 29, 2004, the latest practicable date before the printing of this joint proxy statement/prospectus. This table also sets forth the equivalent price per share of PlanVista common stock on those dates, assuming that the PVC Funding Partners, LLC and Centra Benefit Services, Inc. debt is converted into PlanVista common stock prior to the merger.

	<b>ProxyMed Common Stock</b>	<b>PlanVista Common Stock</b>	<b>Equivalent Per Share Data(1)</b>
December 5, 2003	\$ 16.01	\$ 1.90	\$ 1.34
January 29, 2004	\$ 18.49	\$ 1.56	\$ 1.54

- (1) The equivalent per share data for PlanVista common stock has been determined by multiplying the closing price per share of ProxyMed common stock as of December 5, 2003 and January 29, 2004 by the applicable exchange ratio for common stock as of such dates of 0.0839 and 0.0835, respectively, assuming that the PVC Funding Partners, LLC and Centra Benefit Services, Inc. debt is converted into PlanVista common stock prior to the merger.

No assurance can be given as to the market prices of ProxyMed common stock or PlanVista common stock at any time before the consummation of the merger or as to the market price of ProxyMed common stock at any time after the merger. Because the number of shares of ProxyMed common stock to be issued in the merger is fixed, the exchange ratios will not be adjusted upward to compensate PlanVista stockholders for any decrease in the market price of ProxyMed common stock that could occur before the merger becomes effective. In the event the market price of ProxyMed common stock decreases or increases prior to the consummation of the merger, the value of the ProxyMed common stock to be received in the merger in exchange for PlanVista common stock and PlanVista series C preferred stock would correspondingly decrease or increase.

**Dividend Information**

Except for cash dividends paid by PlanVista in 1999, neither ProxyMed nor PlanVista has ever paid any cash dividends on their shares of common stock. Under the merger agreement, PlanVista has agreed not to pay cash dividends pending the completion of the merger, without the written consent of ProxyMed. Additionally, PlanVista's present lending agreement prohibits the payment of cash dividends. If the merger is not consummated, the PlanVista board of directors presently intends that it would continue its policy of retaining all earnings to finance the expansion of its business. The ProxyMed board of directors presently intends to retain all earnings for use in its business and has no present intention to pay cash dividends before or after the merger.

**Number of Shareholders**

As of January 26, 2004, there were approximately 301 shareholders of record of ProxyMed's common stock and approximately 4 shareholders of record of ProxyMed series C preferred stock. As of January 26, 2004, there were approximately 357 stockholders of record of PlanVista's common stock and approximately 8 stockholders of record of PlanVista series C preferred stock.

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**RISK FACTORS**

In addition to the risks described in each company's reports on Forms 10-K and 10-Q relating to each company as an independent business, you should carefully consider the following matters in deciding whether to vote in favor of the merger. These matters have been grouped under three separate headings: Risks Related to the Merger, which discusses the risks of combining ProxyMed's and PlanVista's companies, risks under the merger agreement and potential conflicts of interest, among other things, Industry and Business Risks Related to ProxyMed and Its Business, which discusses the risks of ProxyMed's industry and ProxyMed's business and Industry and Business Risks Related to PlanVista and Its Business, which discusses the risks of PlanVista's industry and PlanVista's business. If any of these risks actually materialize, the business, financial condition or prospects of ProxyMed and PlanVista may be seriously harmed. In such case, the market price of ProxyMed common stock may decline and you may lose all or part of your investment. See Cautionary Statement Concerning Forward-Looking Statements on page 45.

**Risks Related to the Merger**

The merger involves risk for ProxyMed and PlanVista shareholders. PlanVista stockholders will be choosing to invest in ProxyMed common stock by voting in favor of the merger. In addition to other information included in this joint proxy statement/prospectus, including the matters addressed in the section of this joint proxy statement/prospectus entitled Cautionary Statements Concerning Forward-Looking Statements beginning on page 45, you should carefully consider the following risks before deciding whether to vote in favor of adoption of the merger agreement, in the case of PlanVista stockholders, or for the amendment to the articles of incorporation, the issuance of shares of ProxyMed common stock pursuant to the merger agreement and the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, in the case of ProxyMed shareholders. Additional risks and uncertainties not presently known to ProxyMed or PlanVista or that are not currently believed to be important to you may also adversely affect the merger and ProxyMed following the merger.

***ProxyMed and PlanVista May Be Unable to Obtain the Shareholder Approvals Required to Complete the Merger.***

The closing of the merger is subject to certain approvals by the shareholders of PlanVista and ProxyMed, which might not be obtained. The issuance of shares of ProxyMed common stock pursuant to the merger agreement and the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering require the affirmative vote of a majority of the total votes cast at the ProxyMed special meeting, including the shares of ProxyMed series C preferred stock entitled to vote as a class with the holders of ProxyMed common stock, provided a quorum is present at the meeting. The amendment to ProxyMed's articles of incorporation requires the affirmative vote of the holders of at least a majority of the outstanding shares of ProxyMed common stock entitled to vote at the ProxyMed special meeting, including the shares of ProxyMed series C preferred stock entitled to vote as a class on an as converted basis, with the holders of ProxyMed common stock. Adoption of the merger agreement by PlanVista requires the affirmative vote of a majority of the PlanVista common shares and series C preferred stock outstanding. If any of these shareholder approvals are not obtained, the conditions to the closing of the merger will not be satisfied and the closing of the merger will not occur. Additionally, it is a condition to PlanVista's obligations to consummate the merger that a majority of the common stock represented at the PlanVista meeting and not taking into account any votes cast by holders of the series C preferred stock, by Commonwealth Associates, L.P., or any affiliates or officers or directors thereof, or any director or executive officer of PlanVista, be voted in favor of the adoption of the merger agreement.

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***The Number of Shares That PlanVista Stockholders Will Be Entitled to Receive Is Fixed; If the Market Price of ProxyMed's Common Stock Declines, the Value of the ProxyMed Common Stock Being Issued to PlanVista Stockholders Will Be Reduced.***

Upon the closing of the merger, each holder of shares of PlanVista stock will be entitled to receive a fixed number (which will be less than one) of shares of ProxyMed common stock for each share of PlanVista stock held by such stockholder at the closing of the merger. The market value of ProxyMed's shares fluctuates based upon general market and economic conditions, ProxyMed's business and prospects and other factors. Because the value of the consideration being paid to the PlanVista stockholders in the merger depends on the value of ProxyMed's common stock at the closing, the exact value of the consideration that PlanVista stockholders will be entitled to receive in the merger cannot now be determined. Additionally, any issuances of PlanVista common stock prior to the closing, including issuances of common stock in connection with (i) the conversion of the promissory note in favor of PVC Funding Partners, LLC, (ii) the conversion of the promissory notes and warrants in favor of Centra Benefits Services, Inc., (iii) PlanVista's make-whole obligation to HealthPlan Holdings, Inc., (iv) the exercise of outstanding stock options, (v) the payment of certain fees to Commonwealth Associates Group Holdings, LLC in shares of common stock, and (vi) the payment of incentive bonus payments of PlanVista in shares of common stock, would result in an increase in the total number of shares of PlanVista common stock outstanding prior to the effective time of the merger and thereby result in a decrease in the number of shares each PlanVista shareholder will be entitled to receive. Accordingly, even if the market price of the PlanVista stock increases prior to the merger, PlanVista stockholders will not be entitled to additional compensation.

There will be no upward adjustment to the exchange ratio (except for reclassifications to reflect the effect of any stock split, reverse stock split, stock dividend, reorganization, recapitalization, reclassification or other like change with respect to ProxyMed common stock or PlanVista common stock), and the parties do not have the right to terminate the merger agreement based upon changes in the market price of either ProxyMed common stock or PlanVista common stock. The total number of shares of ProxyMed common stock issuable as merger consideration is subject to a downward adjustment in the event certain fees, expenses and other obligations of PlanVista arising as a result of the merger exceed a specified amount. In the event that the amount owed by PlanVista to Commonwealth Associates Group Holdings, LLC pursuant to the advisory agreement exceeds a fixed amount, Commonwealth Associates Group Holdings, LLC has agreed to accept payment for any excess fees in shares of PlanVista common stock to be issued by PlanVista prior to the closing of the merger. Such shares of PlanVista common stock will be valued at the price per share that the holders of PlanVista common stock will be realizing as a result of the issuance of ProxyMed common stock in the merger. Accordingly, if ProxyMed's stock price decreases or if certain fees, expenses and other obligations of PlanVista exceed a specified amount, PlanVista's stockholders will receive less in value for their shares of PlanVista stock.

***Some of the Directors and Executive Officers of ProxyMed and PlanVista Have Interests and Arrangements That Could Have Affected Their Decisions to Support or Approve the Transaction.***

All ProxyMed officers and directors and all PlanVista officers will continue to serve their respective company as of the closing date of the merger with the exception of Bennett Marks, PlanVista's Chief Financial Officer.

*Michael Falk is a director and beneficial owner of securities of both PlanVista and ProxyMed and controls Commonwealth Associates Group Holdings, LLC, one of PlanVista's advisors and its controlling shareholder.*

Michael Falk serves as one of the four directors of PlanVista designated by the PlanVista series C preferred stockholders. Mr. Falk is also the beneficial owner of the PlanVista series C preferred stock owned by PVC Funding Partners, LLC. He is a controlling owner of Commonwealth Associates Group Holdings, LLC, which is the managing member of PVC Funding Partners, LLC which owns 96% of the outstanding PlanVista series C preferred stock and represents 57.9% of the combined voting power of the



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common stock and series C preferred stock of PlanVista. Commonwealth Associates Group Holdings, LLC acted as one of PlanVista's investment advisers in connection with the merger and will receive upon consummation of the merger an investment advisory fee of approximately \$1,398,500, subject to among other things, the price of the ProxyMed common stock at the effective time of the merger. For more information on Mr. Falk's ownership in PlanVista, please see the section entitled the Security Ownership of Certain Beneficial Owners and Management of PlanVista beginning on page 191.

Mr. Falk is also a director of ProxyMed. He is the beneficial owner of 434,568 shares of ProxyMed common stock. Mr. Falk will also be the beneficial owner of 287,720 shares issued in connection with the private equity offering. For more information on Mr. Falk's ownership in ProxyMed, please see the section entitled the Security Ownership of Certain Beneficial Owners and Management of ProxyMed beginning on page 152.

Mr. Falk abstained from voting on the proposal to approve the issuance of the shares of ProxyMed common stock in connection with the merger, the proposal to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and the proposal to amend ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares and on the proposal for PlanVista to adopt the merger agreement. These interests may create potential conflicts of interest.

*Harold Blue, a former director and officer of ProxyMed and current director of PlanVista, owes ProxyMed approximately \$186,000.*

Mr. Blue serves as one of the four PlanVista directors designated by the PlanVista series C preferred stockholders and serves at the pleasure of Mr. Falk by reason of his control of PVC Funding Partners, LLC.

In April 1997, ProxyMed made loans totaling \$350,000 to Harold Blue, ProxyMed's former chairman of the board and chief executive officer. The funds were advanced pursuant to two demand promissory notes in the principal amounts of \$290,000 and \$60,000, respectively, each bearing interest at a rate of 7 3/4% per annum. On June 30, 2000, ProxyMed amended the terms of these notes whereby interest on the notes ceased to accrue subsequent to July 1, 2000 and the loan plus accrued interest, totaling \$435,900 at June 30, 2000, would be payable in a balloon payment in December 2001. In December 2001, a payment of \$250,000 was received from Mr. Blue and applied against the outstanding balance of the loans. ProxyMed agreed to refinance the remaining \$185,983 balance and a new promissory note was executed by Mr. Blue. The note is collateralized with options to purchase 10,000 shares of common stock granted to Mr. Blue under the ProxyMed stock option plans along with additional warrants granted to Mr. Blue from various other public companies. In January 2002, Mr. Blue resigned from ProxyMed's board of directors and the remaining board members agreed to extend the exercise period of the stock options held as collateral for the note in an effort to maximize the potential for repayment. In June 2003, ProxyMed amended the promissory note executed in June 2000 by Mr. Blue. The amendment extended the maturity date of the promissory note for an additional twelve months to December 31, 2004 and also allowed Mr. Blue to offset any principal owed with certain amounts payable to Mr. Blue by ProxyMed as a result of a finder's fee arrangement with ProxyMed.

Mr. Blue also serves as the President and Chief Operating officer of Commonwealth Associates Group Holdings, LLC, which is controlled by Michael Falk. Commonwealth Associates Group Holdings, LLC acted as one of PlanVista's investment advisers in connection with the transaction and will receive upon consummation of the merger an investment advisory fee of approximately \$1,398,500, subject to among other things, the price of the ProxyMed common stock at the effective time of the merger. Mr. Blue will receive a part of this fee.

***Other Interested Directors and Officers***

Richard Corbin and Gary Mansfield serve as two of the four PlanVista directors designated by the PlanVista series C preferred stockholders and as such serve at the pleasure of Mr. Falk by reason of his

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control of PVC Funding Partners, LLC. From 1995 to 1998, Gary Mansfield was a director of ProxyMed and from 1993 to 1998, he was an executive officer of ProxyMed.

James K. Murray, III, a director of PlanVista, is a limited liability member of PVC Funding Partners, LLC.

A. Thomas Hardy, Senior Vice President of ProxyMed, and Edwin M. Cooperman, a ProxyMed director, each own minority interests in certain entities affiliated with Commonwealth Associates Group Holdings, LLC.

From 1993 to 2000, Bennett Marks was the Executive Vice President-Finance, Chief Financial Officer and director of ProxyMed.

William L. Bennett, a current director of PlanVista, will become a director of ProxyMed following the merger. Following the consummation of the merger, PlanVista will continue to be obligated under a promissory note issued to William Bennett in the amount of \$250,000.

Following the consummation of the merger, PlanVista will continue to be obligated under a promissory note issued to John Race, a former director of PlanVista, in the amount of \$250,000.

The directors and executive officers of PlanVista will receive continuing indemnification against certain liabilities and some of the directors and executive officers of PlanVista hold PlanVista stock options that potentially provide them with interests in the merger. At the effective time of the merger, ProxyMed's board of directors will appoint William L. Bennett, an independent director of PlanVista selected by PlanVista and one additional independent director, who is not affiliated with ProxyMed or PlanVista, identified by the PlanVista board of directors, and who is reasonably acceptable to ProxyMed, to serve on the board of directors of ProxyMed. In addition Phillip S. Dingle and Jeffrey L. Markle have each entered into employment arrangements with ProxyMed, and James T. Kearns, Robert A. Martin, David C. Reilly and Richard L. Lungen have each entered into employment arrangements with PlanVista. Each of these agreements becomes effective upon the consummation of the merger. Under the agreements, these individuals are entitled to receive compensation and benefits. For more information on these employment arrangements, see *The Merger* Interests of Certain Persons in the Merger beginning on page 81.

***The Stock Prices and Businesses of ProxyMed and PlanVista May Be Adversely Affected If the Merger Is Not Completed.***

If the merger is not completed, the market prices of ProxyMed common stock and PlanVista common stock may decline. In addition, ProxyMed's and PlanVista's businesses and operations may be harmed to the extent that customers, suppliers and others believe that the companies cannot effectively compete in the marketplace without the transaction, or there is customer or employee uncertainty surrounding the future direction of the product and service offerings and strategy of ProxyMed or PlanVista on a stand alone basis. Completion of the merger is subject to several closing conditions, including obtaining requisite regulatory and shareholder approvals, and ProxyMed and PlanVista may be unable to obtain such approvals on a timely basis or at all. If the transaction is not completed, ProxyMed would not derive the strategic benefits expected to result from the transaction. ProxyMed and PlanVista will also be required to pay significant costs incurred in connection with the transaction, including legal, accounting and financial advisory fees, whether or not the transaction is completed. Moreover, under specified circumstances described in this joint proxy statement/ prospectus and the merger agreement, PlanVista may be required to pay ProxyMed a termination fee of up to \$2.0 million pursuant to the merger agreement, in connection with the termination of the merger agreement.

***The Success of the Existing Commercial Relationship Between ProxyMed and PlanVista and the Future Profitability of the Relationship May Be Adversely Affected If the Merger Is Not Completed.***

In June 2003, ProxyMed and PlanVista entered into a joint marketing and distribution agreement to provide ProxyMed's electronic healthcare transaction processing services and PlanVista's network access

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and repricing service product as an integrated package to existing and prospective payer customers. The success of the joint marketing and distribution arrangement may be harmed to the extent that customers, suppliers, and others believe that the companies cannot effectively compete in the marketplace without the transaction or that the companies cannot work together effectively in marketing and selling their integrated products.

### ***Although We Expect that the Merger Will Result in Benefits to the Combined Company, the Combined Company May Not Realize Those Benefits Because of Integration and Other Challenges.***

Any failure of the combined company to meet the challenges involved in integrating the operations of ProxyMed and PlanVista successfully or to realize any of the anticipated benefits or synergies of the merger could seriously harm the results of the combined company. Realizing the benefits of the merger will depend in part on the ability of the combined company to overcome significant challenges, including timely, efficient and successful execution of post-merger strategies, including:

integrating and combining certain of the operations of the two companies;

retaining and assimilating the key personnel of each company;

retaining existing customers of each company and attracting new customers;

retaining strategic partners of each company and attracting new strategic partners; and

creating and maintaining uniform standards, controls, procedures, policies and information.

The risks related to the execution of these post-merger strategies include:

the potential disruption of the combined company's on-going business and distraction of its management;

the difficulty inherent in combining product offerings and coordinating sales and marketing efforts to effectively communicate the capabilities of the combined company;

the potential need to demonstrate to customers that the merger will not result in adverse changes in customer service standards or business; and

the impairment of relationships with employees, suppliers and customers as a result of any integration of new management personnel.

### ***The Significant Costs Associated with the Merger May Not Prove to Be Justified in Light of the Benefits Ultimately Realized and Could Adversely Affect Future Liquidity and Operating Results.***

ProxyMed estimates that it will incur direct transaction costs of approximately \$1,550,000 associated with the merger, which will be included as a part of the total purchase cost for accounting purposes. In addition, PlanVista estimates that it will incur direct transaction costs estimated to be \$5,650,000, which will be expensed as incurred for accounting purposes. These numbers are estimates that are subject to increase. A portion of the PlanVista costs will be determined upon the closing. ProxyMed and PlanVista believe the combined entity may incur charges to operations, which are not currently reasonably estimable, in the quarter in which the merger is completed or the following quarters, to reflect costs associated with integrating certain operations of the two companies. The combined company may incur additional material charges in subsequent quarters to reflect additional costs associated with the merger. The significant costs associated with the merger may not prove to be justified in light of the benefits ultimately realized and could adversely affect future liquidity and operating results.

### ***Charges to Earnings May Adversely Affect the Market Value of the Combined Company's Common Stock Following the Merger.***

In accordance with accounting principles generally accepted in the United States of America, the combined company will account for the merger using the purchase method of accounting, which will result

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in charges to earnings that could have a material adverse effect on the market value of ProxyMed common stock following the closing of the merger. Under the purchase method of accounting, the combined company will allocate the total estimated purchase price to PlanVista's net tangible assets, amortizable intangible assets, and intangible assets with indefinite lives based on their fair values as of the date of the closing of the merger, and record the excess of the purchase price over those fair values as goodwill. ProxyMed will incur additional depreciation and amortization expense over the useful lives of certain of the net tangible and intangible assets acquired in connection with the merger. In addition, to the extent the value of goodwill or intangible assets with indefinite lives becomes impaired, ProxyMed may be required to incur material charges relating to the impairment of those assets. These depreciation, amortization and potential impairment charges could have a material adverse effect on ProxyMed's results of operations.

***In Order to Be Successful, the Combined Company Must Retain and Motivate Key Employees, Which Will Be More Difficult in Light of Uncertainty Regarding the Merger, and Failure to Do So Could Seriously Harm the Combined Company.***

In order to be successful, the combined company must retain and motivate executives and other key employees, including those in managerial, sales and technical positions. Employees of ProxyMed or PlanVista may experience uncertainty about their future role with the combined company until or after strategies with regard to the combined company are announced or executed. These circumstances may adversely affect the combined company's ability to attract and retain key management, sales and technical personnel. The combined company also must continue to motivate employees and keep them focused on the strategies and goals of the combined company, which may be particularly difficult because of the potential distractions of the merger.

***Resales of ProxyMed Common Stock Following the Merger May Cause the Market Price of ProxyMed's Common Stock to Decrease.***

As of January 29, 2004, ProxyMed had 6,784,118 shares of common stock outstanding, and an aggregate of 3,633,775 shares of ProxyMed common stock were issuable upon the conversion, redemption or exercise, as applicable, of ProxyMed convertible debt, preferred stock and warrants and the exercise of outstanding employee or director stock options. ProxyMed expects that it will issue 3,600,000 shares of ProxyMed common stock in connection with the merger, 200,000 stock options and 1,691,229 shares of ProxyMed common stock in connection with the ProxyMed private equity offering. The issuance of these new shares of ProxyMed common stock and the sale of additional shares of ProxyMed common stock that may become eligible for sale in the public market from time to time upon exercise of options or other rights will increase the total number of shares of ProxyMed common stock outstanding. This increase will be substantial. Additionally, in connection with the ProxyMed private equity offering, ProxyMed has agreed to grant General Atlantic Partners 74, L.P., General Atlantic Partners 77, L.P., GAP Coinvestment Partners II, L.P., GapStar, LLC, GAPCO GmbH & Co. KG., PVC Funding Partners, LLC, Comvest Venture Partners, L.P., Shea Ventures, L.P., and Robert Priddy certain demand and "piggy back" registration rights, pursuant to an amended and restated registration rights agreement. Sales of a significant number of shares of ProxyMed common stock could have the effect of depressing the market price for ProxyMed common stock.

***ProxyMed Will Have More Indebtedness After the Merger.***

ProxyMed's debt outstanding as of December 31, 2003 was approximately \$17.2 million. ProxyMed's pro forma debt outstanding as of September 30, 2003, after giving effect to the merger (as described in "Unaudited Pro Forma Combined Condensed Financial Information") would have been approximately \$44 million on a consolidated basis. As a result of this increase in debt, demands on ProxyMed's cash

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resources will increase after the merger, which could have important effects on an investment in ProxyMed common stock. For example, the increased levels of indebtedness could, among other things:

adversely affect the cost and availability of funds from commercial lenders, debt financing transactions and other sources;

reduce funds available for capital investment; and

create competitive disadvantages compared to other companies with lower debt levels.

In connection with the merger, ProxyMed will be refinancing PlanVista's obligation to PVC Funding Partners, LLC in the principal amount of \$20,500,000, as well as PlanVista's other obligations to HealthPlan Holdings, Inc. If ProxyMed is unable to refinance these obligations or obtain the funding necessary to repay these obligations on or before May 2005, it could have a material adverse effect on ProxyMed's business, financial condition and results of operations.

***ProxyMed and PlanVista May Lose Customers as a Result of the Merger.***

Whether or not the merger is completed, the announcement of the merger may cause disruptions, including potential loss of customers and other business partners, in the business of ProxyMed or PlanVista, which could have material or adverse effects on each company's or the combined company's business and operations.

In addition, whether or not the merger is completed, ProxyMed's and PlanVista's customers, licensors and other business partners, in response to the announcement of the merger, may adversely change or terminate their relationships with either company or the combined company, which could have a material adverse effect on the business of the company concerned. Certain of ProxyMed's or PlanVista's current or potential customers may cancel or defer requests for each company's services. In addition, customers of both companies may expect preferential pricing as a result of the merger or the announcement of the merger. The announcement of the merger may also adversely affect the companies' ability to attract new customers.

***The Merger May Be Completed Even Though Material Adverse Changes May Result from the Announcement of the Merger, Industry-Wide Changes and Other Causes.***

In general, either party may refuse to complete the offer or the merger if there is a material adverse change affecting the other party before the closing. Certain types of changes, however, will not prevent the completion of the merger, even if they would have a material adverse effect on ProxyMed or PlanVista, including:

changes in general economic or financial market conditions;

changes in conditions generally affecting the industry in which the company operates;

any litigation or other similar proceeding arising out of or in connection with the merger or the merger agreement;

changes in the market price or trading volume of ProxyMed or PlanVista capital stock or any failure of ProxyMed or PlanVista to meet published revenue or earnings projections, not excluding any underlying effects which is attributable to any of the foregoing and may have caused such failure to meet revenue or earnings projections;

compliance with express terms and conditions of the merger agreement;

the announcement or the pendency of the merger or any other transaction contemplated by the merger agreement;

any election of PlanVista stockholders seeking appraisal of their shares in accordance with Delaware General Corporation Law; or

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any change in accounting requirements or principles or any change in applicable laws, rules or regulations or the interpretation thereof.

If material adverse changes occur but ProxyMed and PlanVista still complete the merger, ProxyMed's stock price may suffer. This in turn may reduce the value of the merger to PlanVista stockholders.

### ***The Pro Forma Financial Statements Are Not an Indicator of the Combined Company's Financial Condition or Results of Operations Following the Merger.***

The pro forma financial statements contained in this joint proxy statement/prospectus are not an indicator of the combined company's financial condition or results of operations following the merger for several reasons. The pro forma financial statements have been derived from the historical financial statements of ProxyMed and PlanVista and many adjustments and assumptions have been made regarding the combined company after giving effect to the merger. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with complete accuracy. As a result, the actual financial condition and results of operations of the combined company following the merger may not be consistent with, or evident from, these pro forma financial statements.

In addition, the actual earnings per share of the combined company following the merger may decrease below that reflected in the pro forma financial information, which is lower than historical results of ProxyMed, for several reasons. The assumptions used in preparing the pro forma financial information may not prove to be accurate and other factors may affect the combined company's actual earnings per share following the merger. See the section entitled "Unaudited Pro Forma Combined Condensed Financial Information" beginning on page 206. Any potential decline in ProxyMed's earnings per share may cause significant variations in the stock price of the combined company.

### ***The Effective Tax Rate of the Combined Company Is Uncertain as It Will Be the Result of Numerous Factors Including Each Company's Ability to Use Its Net Operating Tax Losses.***

The impact of the merger on the overall effective tax rate of the combined company is uncertain as it is the result of a variety of factors including the net effect of each company's specific tax rates and circumstances prior to the merger. PlanVista has been able to utilize certain net operating losses to reduce its effective tax rate, in compliance with applicable tax laws. Following the merger, such net operating losses will be subject to further restrictions and will likely not be able to be deducted by the combined entity at the same rate as PlanVista had prior to the merger for purposes of reducing the effective tax rate of the combined company. Although the combined company will attempt to optimize its overall effective tax rate, it is impossible to predict the effective tax rate of the combined company accurately. The combination of the operations of ProxyMed and PlanVista may result in an overall effective tax rate for the combined company that is higher than ProxyMed's currently reported tax rate, and it is possible that the effective tax rate of ProxyMed and PlanVista as a combined company may exceed the weighted average of the pre-merger tax rates of ProxyMed and PlanVista.

## **INDUSTRY AND BUSINESS RISKS RELATED TO PROXYMED AND ITS BUSINESS**

If the merger is successfully completed, holders of PlanVista stock will become holders of ProxyMed common stock. ProxyMed's business differs from PlanVista's business, and ProxyMed's results of operations, as well as the price of ProxyMed common stock, may be affected by factors different than those affecting PlanVista's results of operations and the price of PlanVista common stock before the merger.

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***ProxyMed's Business Will Suffer if ProxyMed Fails to Successfully Integrate into Its Business the Customers, Products, and Technology of the Companies It Acquires.***

ProxyMed has undertaken several acquisitions in the past few years as part of a business strategy to expand its business, and ProxyMed may continue in the future to acquire businesses, assets, services, products, and technologies from other persons or entities. During fiscal 2002, ProxyMed completed the acquisition of all of the outstanding stock of KenCom Communications & Services, Inc. and MedUnite, Inc. in May and December, respectively. In addition, ProxyMed acquired substantially all of the assets of MDIP, Inc. in August 2002 and the physician customer base of Claimsnet.com in September 2002. The anticipated efficiencies and other benefits to be derived from these acquisitions and future acquisitions may not be realized if ProxyMed is unable to successfully integrate the acquired businesses into ProxyMed's operations, including customers, personnel, product lines, and technology. ProxyMed is currently in the process of integrating into ProxyMed's operations, the customers, products, personnel and technology of MedUnite. There is no guaranty that ProxyMed will be able to successfully integrate MedUnite or any future acquired businesses into ProxyMed's operations. Integration of acquired businesses can be expensive, time consuming, and may strain ProxyMed's resources. Integration may divert management's focus and attention from other business concerns and expose ProxyMed to unforeseen liabilities and risks. ProxyMed may also lose key employees, strategic partners, and customers as a result of ProxyMed's inability to successfully integrate in a timely manner or as a result of relationships the acquired businesses may have with ProxyMed's competitors or the competitors of ProxyMed's customers and strategic partners. Some challenges that ProxyMed faces in successfully integrating PlanVista, MedUnite and other acquired businesses into ProxyMed's operations include:

- conflicts or potential conflicts with customers, suppliers, and strategic partners;
- integration of platforms, product lines, networks, and other technology;
- the migration of new customers and products to ProxyMed's existing network;
- the ability to cross-sell products and services to ProxyMed's new and existing customer base;
- retention of key personnel;
- consolidation of accounting, operational and administrative functions;
- coordinating new product and process development;
- increasing the scope, geographic diversity and complexity of operations;
- difficulties in consolidating facilities and transferring processes and know-how; and
- other difficulties in the assimilation of acquired operations, technologies or products.

***Government Regulation and New Legislation May Have a Negative Impact on ProxyMed's Business and Results of Operations.***

As discussed below under the caption, "Healthcare and Privacy Related Legislation", the healthcare industry is highly regulated and is subject to extensive and frequently changing federal and state healthcare laws. Several state and federal laws govern the collection, dissemination, use and confidentiality of patient health care information. Final HIPAA rules on standards governing privacy of patient health care information were published in 2000. The implementation deadline for HIPAA's privacy related regulations was April 14, 2003. Although ProxyMed has undertaken several measures, including the adoption of policies and procedures for the handling of patient healthcare information, to ensure compliance with the privacy measures by the deadline and believes that ProxyMed is in compliance, the privacy regulations are broad in scope, and will require constant vigilance for ongoing compliance. ProxyMed cannot guarantee that ProxyMed, ProxyMed's business partners or customers are or will be in compliance in the future.

HIPAA also mandates the use of standard transactions, standard identifiers, security and other provisions for electronic claims transactions. The deadline for compliance with the transaction code set





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aspects of HIPAA was October 16, 2003. However, covered entities, including ProxyMed and its physician and payer customers, may continue to process non-compliant transactions after October 16, 2003 so long as that covered entity is compliant with the contingency planning guidelines provided by the Center for Medicare and Medicaid Services. A substantial number of ProxyMed's transactions, including those related to its acquisition of MedUnite, on behalf of its physician and payer customers are currently being processed in a non-HIPAA compliant manner in accordance with ProxyMed's contingency plan.

ProxyMed expects, but cannot guarantee, that it will be able to complete the migration of these transactions into a HIPAA-compliant format on ProxyMed's Phoenix<sup>TM</sup> platform in an accurate and timely manner, and in close coordination with its physician and payer customers. ProxyMed may be subject to complaints by its customers with regard to the accuracy and timeliness of this migration, which complaints may lead to demands for credits from, or termination of contracts with, ProxyMed.

ProxyMed's contracts with customers, strategic partners, providers, payers and other healthcare entities may mandate that ProxyMed's products and services be HIPAA compliant. If ProxyMed's products and services are not in compliance with HIPAA or any other alternative guidelines issued by the Center for Medicare and Medicaid Services on or before the deadline and on an ongoing basis thereafter, ProxyMed's customers, strategic partners, and other healthcare providers with whom it contracts may terminate their contracts with ProxyMed or sue ProxyMed for breach of contract. Additionally, ProxyMed's revenues may be reduced as some of ProxyMed's non-compliant payer partners may be forced to accept paper-based transactions for which transactions ProxyMed may not be the recipient for processing. ProxyMed may be also subject to penalties for non-compliance by federal and state government agencies, and patients who believe that their confidential health information has been misused or improperly disclosed may have certain causes of action under applicable state privacy or HIPAA-like laws against ProxyMed, ProxyMed's partners, or customers.

### ***ProxyMed's Networks May Not Be Able to Scale to Support ProxyMed's Continued Rapid Growth, and ProxyMed's Network Integration Efforts May Not Be as Successful or Timely as ProxyMed Expects.***

ProxyMed's goal is to operate Phoenix<sup>TM</sup>, its secure proprietary national electronic information platform, as one consolidated network that will provide for cost efficient scalability as ProxyMed continues to grow ProxyMed's customer base and transaction volumes. ProxyMed has a network upgrade project underway to enhance the scalability aspects of Phoenix<sup>TM</sup> as well as to integrate the transaction processing platforms that ProxyMed has acquired. If ProxyMed's network upgrade and integration projects are not completed on a timely basis, this could have a detrimental effect on ProxyMed's ability to process transactions efficiently and could result in lost customers and revenues.

### ***While ProxyMed Generated Positive Earnings in This Past Fiscal Year and in the Nine Months Ended September 30, 2003, ProxyMed Has Incurred Losses in the Past. There Is No Assurance That ProxyMed Will Continue to Generate Positive Earnings in the Future and This Could Have a Detrimental Effect on the Market Price of ProxyMed's Stock.***

While 2002 was ProxyMed's first full year of positive earnings, ProxyMed has incurred substantial losses, including losses of \$19.1 million and \$48.1 million for the fiscal years ended December 31, 2001 and 2000, respectively. As of December 31, 2002 and September 30, 2003, ProxyMed had accumulated deficits of \$95.3 million and \$94.1 million, respectively. While ProxyMed believes that ProxyMed's business model supports earnings growth in the future, various factors that may result in loss of customers and related revenues or increased and unforeseen expenses could cause ProxyMed to fall short of ProxyMed's financial goals. Such shortfall could have a detrimental effect on the market price of ProxyMed's stock and ProxyMed's liquidity and operations.

### ***The Acceptance of Electronic Transaction Processing in the Healthcare Industry Is Still in Its Early Stages; Thus, the Future of ProxyMed's Business Is Uncertain.***

ProxyMed's strategy anticipates that electronic processing of healthcare transactions, including transactions involving clinical as well as financial information, will become more widespread and that

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providers and third-party payers increasingly will use electronic transaction processing networks for the processing and transmission of data. Electronic transmission of healthcare transactions (and, in particular, the use of the Internet to transmit them) is still developing, and complexities in the nature and types of transactions which must be processed have hindered, to some degree, the development and acceptance of electronic transaction processing in this industry. While HIPAA and other government enacted legislation might be a catalyst for the use of the electronic processing of healthcare transactions, ProxyMed cannot assure that continued conversion from paper and phone-based transaction processing to electronic transaction processing in the healthcare industry, using proprietary physician management systems or the Internet, will occur.

### ***Businesses ProxyMed Acquires May Have Undisclosed Liabilities That May Have a Negative Impact on ProxyMed's Results of Operations and Require Unanticipated Expense.***

In pursuing ProxyMed's acquisition strategy, ProxyMed's investigations of the acquisition candidates may fail to discover undisclosed liabilities of the acquisition candidates. If ProxyMed acquires a company having undisclosed liabilities, as a successor owner ProxyMed may be responsible for such undisclosed liabilities. ProxyMed tries to minimize ProxyMed's exposure to such liabilities by conducting appropriate due diligence, by requiring audited financial statements, by in some cases obtaining indemnification from the seller of the acquired companies, by in some cases deferring payment of a portion of the purchase price as security for the indemnification or by acquiring only specified assets. However, ProxyMed cannot insure that it will be able to obtain indemnifications or that they will be enforceable, collectible or sufficient in amount, scope or duration to fully offset any undisclosed liabilities arising from ProxyMed's acquisitions. PlanVista will not be indemnifying ProxyMed in connection with the merger. In connection with the MedUnite acquisition, ProxyMed has only limited indemnification rights that may not be sufficient in amount or scope to offset losses resulting from unknown and undisclosed liabilities. Furthermore, the introduction of new products and services from acquired companies such as MedUnite may have a greater risk of undetected or unknown errors, bugs, or liabilities than ProxyMed's historic products.

### ***ProxyMed's Business and Future Success May Depend on ProxyMed's Ability to Cross-Sell ProxyMed's Products and Services.***

ProxyMed's ability to generate revenue and growth depends on ProxyMed's ability to cross-sell its products and services to its existing customers and new customers resulting from acquisitions. ProxyMed's ability to successfully cross-sell its products and services is one of the most significant factors influencing ProxyMed's growth. There is no guaranty that ProxyMed will be successful in cross-selling its products and services, and ProxyMed's failure in this area would likely have an adverse affect on its business.

### ***ProxyMed Has Important Business Relationships with Other Companies to Market and Sell Some of ProxyMed's Clinical and Financial Products and Services. If These Companies Terminate Their Relationships with ProxyMed, or Are Less Successful in the Future, ProxyMed Will Need to Add This Emphasis Internally, Which May Divert ProxyMed's Efforts and Resources From Other Projects.***

For the marketing and sale of some of ProxyMed's products and services, ProxyMed entered into important business relationships with physician office management information system vendors, with electronic medical record vendors, and with other distribution partners. These business relationships, which have required and may continue to require significant commitments of effort and resources, are an important part of ProxyMed's distribution strategy and generate substantial recurring revenue. Most of these relationships are on a non-exclusive basis, and ProxyMed cannot assure that its electronic commerce partners and other strategic partners, most of whom have significantly greater financial and marketing resources than ProxyMed does, will not develop and market products and services in competition with ProxyMed in the future or will not otherwise discontinue their relationship with ProxyMed. Also, ProxyMed's arrangements with some of ProxyMed's partners involve negotiated payments to the partners based on percentages of revenues generated by the partners. If the payments prove to be too high, ProxyMed may be unable to realize acceptable margins, but if the payments prove to be too low, the partners may not be motivated to produce a sufficient volume of revenues. The success of ProxyMed's

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important business relationships will depend in part upon its partners' own competitive, marketing and strategic considerations, including the relative advantages of alternative products being developed and marketed by such partners. If any such partners are unsuccessful in marketing ProxyMed's products, it will need to place added emphasis on these aspects of ProxyMed's business internally, which may divert ProxyMed's planned efforts and resources from other projects.

***Because an Error by Any Party in the Process of Providing Clinical Connectivity, Such as Prescribing Drugs, Filling Prescriptions, and Transmitting Laboratory Orders and Results Could Result in Substantial Injury to a Patient, ProxyMed's Liability Insurance May Not Be Adequate in a Catastrophic Situation.***

ProxyMed's business exposes ProxyMed to potential liability risks that are unavoidably part of being in the healthcare electronic transaction processing industry. Since many of ProxyMed's products and services relate to the prescribing and refilling of drugs and the transmission of medical laboratory orders and results, an error by any party in the process could result in substantial injury to a patient. As a result, ProxyMed's liability risks are significant.

ProxyMed cannot assure that ProxyMed's insurance will be sufficient to cover potential claims arising out of ProxyMed's current or proposed operations, or that ProxyMed's present level of coverage will be available in the future at a reasonable cost. A partially or completely uninsured claim against ProxyMed, if successful and of sufficient magnitude, would have significant adverse financial consequences. ProxyMed's inability to obtain insurance of the type and in the amounts it requires could generally impair ProxyMed's ability to market ProxyMed's products and services.

***ProxyMed Depends on Connections to Insurance Companies and Other Payers, and If It Loses These Connections, ProxyMed's Service Offerings Would Be Limited and Less Desirable to Healthcare Participants.***

ProxyMed's business is enhanced by the substantial number of payers, such as insurance companies, Medicare and Medicaid agencies, to which ProxyMed has electronic connections. These connections may either be made directly or through a clearinghouse. ProxyMed has attempted to enter into suitable contractual relationships to ensure long-term payer connectivity; however, ProxyMed cannot assure that ProxyMed will be able to maintain its links with all these payers. In addition, ProxyMed cannot assure that ProxyMed will be able to develop new connections, either directly or through clearinghouses, on satisfactory terms. Lastly, some third-party payers provide systems directly to healthcare providers, bypassing ProxyMed and other third-party processors. ProxyMed's failure to maintain existing connections with payers and clearinghouses or to develop new connections as circumstances warrant, or an increase in the utilization of direct links between providers and payers, could cause ProxyMed's electronic transaction processing system to be less desirable to healthcare participants, which would slow down or reduce the number of transactions that ProxyMed processes and for which ProxyMed is paid.

***ProxyMed's Laboratory Communication Devices May Be Replaced with Web-Based Technology for Lab Results Delivery, and ProxyMed May Not Be Successful in Converting ProxyMed's Customers to Phoenix and to ProxyMed's Own Internet Site at ProxyMed.net, Which Would Adversely Impact ProxyMed's Revenues.***

A key element of ProxyMed's longer-term Laboratory Services business strategy is to market ProxyMed's intelligent laboratory results reporting devices and related services, and ProxyMed's web-based solutions directly to independent and hospital-based medical laboratories. As the Internet becomes a more acceptable method of transmitting laboratory orders and reporting results because of the efficiencies and savings believed to be available, ProxyMed hopes to leverage ProxyMed's more than 25 years of goodwill (through ProxyMed's Key Communications Service subsidiary) and reputation for quality of products and superior service to migrate ProxyMed's customers over to Phoenix<sup>™</sup>, more specifically to ProxyMed's Internet site at ProxyMed.com. ProxyMed expects others to develop similar web-based solutions and compete aggressively in an attempt to capture ProxyMed's large customer base. In addition, many of ProxyMed's device customers may choose to offer Internet services themselves, rather than utilizing a

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third party. ProxyMed has no assurances that ProxyMed will be able to retain or continue to grow ProxyMed's customer base. Further, even as to the continuing sales of ProxyMed's laboratory communication devices, ProxyMed is unable to control many of the factors that influence ProxyMed's customers' buying decisions, including ProxyMed's customers' budgets and procedures for approving expenditures, and the changing political, economic and regulatory influences which affect the purchasing practices and operation of healthcare organizations.

### ***Evolving Industry Standards and Rapid Technological Changes Could Result in ProxyMed's Products Becoming Obsolete or No Longer in Demand.***

Rapidly changing technology, evolving industry standards and the frequent introduction of new and enhanced Internet-based services characterize the market for ProxyMed's products and services. ProxyMed's success will depend upon ProxyMed's ability to enhance ProxyMed's existing services, introduce new products and services on a timely and cost-effective basis to meet evolving customer requirements, achieve market acceptance for new products or services and respond to emerging industry standards and other technological changes. ProxyMed cannot assure you that it will be able to respond effectively to technological changes or new industry standards. Moreover, ProxyMed cannot assure that other companies will not develop competitive products or services, or that any such competitive products or services will not cause ProxyMed's products and services to become obsolete or no longer in demand.

### ***If Electronic Transaction Processing Penetrates the Healthcare Industry, ProxyMed May Face Pressure to Reduce ProxyMed's Prices Which Potentially May Cause ProxyMed to No Longer Be Competitive.***

If electronic transaction processing extensively penetrates the healthcare market or becomes highly standardized, it is possible that competition among electronic transaction processors will focus increasingly on pricing. This competition may put intense pressure on ProxyMed to reduce ProxyMed's pricing in order to retain market share. If ProxyMed is unable to reduce ProxyMed's costs sufficiently to offset declines in ProxyMed's prices, or if ProxyMed is unable to introduce new, innovative service offerings with higher prices, it may not be competitive.

### ***Computer Network Systems Like ProxyMed's Could Suffer Security and Privacy Breaches That Could Harm ProxyMed's Customers and ProxyMed.***

ProxyMed currently operates servers and maintains connectivity from multiple facilities. Despite ProxyMed's implementation of standard network security measures, ProxyMed's infrastructure may be vulnerable to computer viruses, break-ins and similar disruptive problems caused by customers or other users. Computer viruses, break-ins or other security problems could lead to interruption, delays or cessation in service to ProxyMed's customers. These problems could also potentially jeopardize the security of confidential information stored in the computer systems of ProxyMed's customers, which may deter potential customers from doing business with ProxyMed and give rise to possible liability to users whose security or privacy has been infringed. The security and privacy concerns of existing and potential customers may inhibit the growth of the healthcare information services industry in general, and ProxyMed's customer base and business in particular. A significant security breach could result in loss of customers, loss of revenues, damage to ProxyMed's reputation, direct damages, costs of repair and detection and other unplanned expenses. While ProxyMed carries professional liability insurance to cover such breaches, the coverage may not be adequate to compensate ProxyMed for losses that may occur.

### ***ProxyMed Depends on Uninterrupted Computer Access for ProxyMed's Customers; any Prolonged Interruptions in ProxyMed's Operations Could Cause ProxyMed's Customers to Seek Alternative Providers of ProxyMed's Services.***

ProxyMed's success is dependent on ProxyMed's ability to deliver high-quality, uninterrupted computer networking and hosting, requiring ProxyMed to protect ProxyMed's computer equipment and the information stored in servers against damage by fire, natural disaster, power loss, telecommunications failures, unauthorized intrusion and other catastrophic events. To mitigate this risk, ProxyMed has

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commenced the movement of ProxyMed's production computer networks to a secure, third-party co-location site located in Atlanta, Georgia. This site has back-up site capability and a program to manage technology to reduce risks in the event of a disaster, including periodic back-ups of ProxyMed's computer programs and data.

While ProxyMed still continues to operate production networks in ProxyMed's Santa Ana, Norcross and Richmond facilities, any damage or failure resulting in prolonged interruptions in ProxyMed's operations could cause ProxyMed's customers to seek alternative providers of ProxyMed's services. In particular, a system failure, if prolonged, could result in reduced revenues, loss of customers and damage to ProxyMed's reputation, any of which could cause ProxyMed's business to suffer. While ProxyMed carries property and business interruption insurance to cover operations, the coverage may not be adequate to compensate ProxyMed for losses that may occur.

### ***ProxyMed May Not Be Able to Retain Key Personnel or Replace Them If They Leave.***

ProxyMed's success is largely dependent on the personal efforts of Michael K. Hoover, ProxyMed's Chairman of the Board and Chief Executive Officer and Nancy J. Ham, ProxyMed's President and Chief Operating Officer. Although ProxyMed has entered into employment agreements with Mr. Hoover, Ms. Ham and other senior executives, the loss of any of their services could cause ProxyMed's business to suffer. ProxyMed's success is also dependent upon its ability to hire and retain qualified operations, development and other personnel. Competition for qualified personnel in the healthcare information services industry is intense, and ProxyMed cannot assure that ProxyMed will be able to hire or retain the personnel necessary for ProxyMed's planned operations.

### ***ProxyMed May Issue Additional Shares That Could Adversely Affect the Market Price of ProxyMed's Common Stock.***

Certain events over which you have no control could result in the issuance of additional shares of ProxyMed's common stock or series C preferred stock, which would dilute your ownership percentage in ProxyMed and could adversely affect the market price of ProxyMed's common stock. ProxyMed may issue additional shares of common stock or preferred stock for many reasons including:

to raise additional capital or finance acquisitions;

upon the exercise or conversion or an exchange of outstanding options, warrants and shares of convertible preferred stock; or

in lieu of cash payment of dividends.

In addition, the number of shares of common stock that ProxyMed is required to issue in connection with ProxyMed's outstanding warrants may increase if certain anti-dilution events occur (such as certain issuances of common stock, options and convertible securities).

### **The Trading Price of ProxyMed's Common Stock May Be Volatile**

The stock market, including the Nasdaq National Market on which the shares of ProxyMed's common stock are listed, has from time to time experienced significant price and volume fluctuations that may be unrelated to the operating performance of particular companies. In addition, the market price of ProxyMed's common stock, like the stock prices of many publicly traded companies in the healthcare industry, has been and may continue to be highly volatile.

## **INDUSTRY AND BUSINESS RISKS RELATED TO PLANVISTA AND ITS BUSINESS**

Any investor in PlanVista's stock or business, and any party considering an investment in PlanVista, should carefully consider the following factors and cautionary statements, as well as the other information set forth in this joint proxy statement/prospectus. If any of the following risks were to actually occur,

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PlanVista's business, financial condition, or results of operations could be materially harmed and this could in turn have a significant effect on the value of the stock of ProxyMed after the merger.

### **Risks Related to PlanVista's Financial Obligations and Capital Structure**

#### ***Failure to Obtain Alternative Financing to Restructure Its Debt May Result in PlanVista's Inability to Comply with Financial Covenants Under the Restructured Credit Facility or to Repay Debt at Maturity, Which Will Cause a Default Under the Term Loan If the Merger Transaction Is Not Approved.***

PlanVista completed a restructuring of its credit facilities with its bank lenders in April 2002. PlanVista replaced approximately \$69.0 million of indebtedness to its lenders, including outstanding principal and accrued and unpaid interest and bank fees, with a \$40.0 million term loan with a maturity date of May 2004 and collateralized by all of its assets. The term loan requires PlanVista to achieve financial covenants, including minimum monthly EBITDA levels, maximum quarterly and annual capital expenditures, a minimum quarterly fixed charge ratio, and maximum quarterly and annual extraordinary expenses. Failure to comply with the term loan's financial covenants is an event of default and would permit the lenders to immediately require PlanVista to repay the term loan. This may have a material adverse effect on PlanVista's business, operating results and financial condition, and could require PlanVista to seek protection under available bankruptcy laws. During December 2002, PlanVista was not in compliance with its EBITDA covenant and subsequently obtained a waiver from its senior lenders for this non-compliance.

While focusing on the transaction with ProxyMed, PlanVista's management has not been and will not be able to actively pursue other financing alternatives that would enable PlanVista to restructure its debt or recapitalize PlanVista. If the merger is not approved by the PlanVista stockholders or ProxyMed shareholders or the merger agreement is otherwise terminated, PlanVista may not have sufficient time to identify and obtain financing from an alternate financing source prior to the maturity date of its senior credit facility, and this would constitute a default under the restructured credit facility, which default would have a material adverse effect on PlanVista's business.

#### ***PlanVista's Obligations to Issue Additional Shares of Its Common Stock and to Register Outstanding and Issuable Shares May Result in Substantial Dilution of Stockholder Value.***

In connection with a transaction with HealthPlan Holdings, PlanVista issued to HealthPlan Holdings a convertible subordinated note which automatically converted into 813,273 shares of PlanVista's common stock in April 2002. The number of conversion shares is equal to \$5.0 million, divided by \$6.15, which was the average closing price of the stock on the New York Stock Exchange during the ten trading days immediately prior to the conversion. PlanVista's agreement with HealthPlan Holdings requires that PlanVista issue and distribute to HealthPlan Holdings additional shares of PlanVista's common stock to compensate them to the extent that the amount of proceeds HealthPlan Holdings realizes from the sale of the conversion shares is less than \$5.0 million.

In connection with the restructuring of PlanVista's credit facility in April 2002, PlanVista issued to its senior lenders 29,000 shares of its newly authorized series C preferred stock. On March 7, 2003, PVC Funding Partners, LLC, an affiliate of Commonwealth Associates, L.P. and Comvest Venture Partners, L.P., acquired 29,851 shares of PlanVista's series C preferred stock, representing 96% of the then outstanding series C preferred stock. PlanVista has issued an additional 5,413 shares of series C preferred stock as dividends on the initial 29,000 shares of PlanVista series C preferred stock, pro rata to all series C preferred stockholders. The series C preferred stock may be converted at any time into shares of PlanVista's common stock at the rate of 751.88 shares of common stock for each preferred share, or a total of 25,874,436 shares (or 60.2%) of PlanVista's common stock upon full conversion, subject to adjustment. The series C preferred stock has weighted-average anti-dilution protection and a provision that in no event will the series C preferred stock convert into less than 51.0% of PlanVista's outstanding shares of common stock. PlanVista granted the series C preferred stockholders registration rights with respect to the shares of common stock that are issuable upon conversion.

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On March 31, 2003, PlanVista renegotiated approximately \$4.8 million in convertible notes that were originally issued to Centra Benefit Services, Inc. (sometimes referred to herein as Centra). In connection with the restructuring, PVC Funding Partners, LLC acquired slightly more than 50% of the aggregate principal amount of the notes. The remaining interest is held by Centra. At any time, Centra or PVC Funding Partners, LLC may convert the notes into shares of PlanVista's common stock, at a price of \$1.00 per share, subject to adjustment in accordance with anti-dilution protections. In connection with the previous restructuring of the convertible notes, PlanVista also issued to Centra warrants for the purchase of an aggregate of 200,000 shares of PlanVista's common stock at an exercise price of \$6.398 per share.

PlanVista has also reserved an aggregate of 6,210,000 shares of common stock for future issuance to its officers, non-employee directors, employees, and consultants pursuant to its existing stock incentive plans. PlanVista has outstanding options with respect to 5,522,869 of these shares.

As of March 27, 2002, PlanVista retired a subordinated note payable to New England Financial, including accrued interest, totaling approximately \$2.5 million, by issuing 274,369 shares of PlanVista's common stock, based on a per share price of \$5.54, which was the closing price of PlanVista's common stock one day immediately prior to the retirement date of the note. New England Financial subsequently assigned the 274,369 shares to New England Financial Distributors. PlanVista has agreed to register these shares.

In connection with the HealthPlan Holdings transaction and the restructuring of PlanVista's credit facility, PlanVista issued a total of 150,000 shares of its common stock to its senior lenders in 2001 and 2002. PlanVista has granted the senior lenders registration rights with respect to these shares.

On July 9, 2001, PlanVista completed a \$3.8 million private placement of 553,500 shares of PlanVista's common stock to certain investment accounts managed by DePrince, Race & Zollo. PlanVista has agreed to register these shares.

Future issuances of substantial amounts of common stock, or the perception that such sales could occur, and the registration of currently unregistered shares, could have a material adverse effect on the value of PlanVista common stock. Also, any additional issuances of common stock prior to the effective time of the merger will decrease the compensation to each current common stockholder in the merger since the number of ProxyMed shares to be received as merger consideration is fixed. See Description of PlanVista's History on page 165 and PlanVista Management's Discussion and Analysis of Operations - Liquidity and Capital Resources on page 178 for more information regarding the transactions described above.

### ***Certain of PlanVista's Existing Stockholders Have Significant Voting Control Over Matters Requiring Stockholder Approval.***

The holders of the series C preferred stock have the right to vote as a single class with the common stockholders on all matters other than the election of directors on an as-converted basis, with each share of series C preferred stock having a number of votes equal to the number of shares of common stock into which it would be converted. The as-converted rights became effective upon PlanVista's failure to redeem all of the series C preferred shares by October 12, 2003. In addition to the rights of series C preferred stockholders, certain holders of PlanVista's common stock also have significant voting control over matters requiring stockholder approval. As of January 26, 2004, PlanVista's executive officers, directors, and their affiliates beneficially owned, in the aggregate, approximately 63.4% PlanVista's outstanding common stock (including their series C preferred shares on an as-converted basis), and PlanVista's other existing 5% or greater stockholders beneficially owned, in the aggregate, in excess of 50% of PlanVista's outstanding common stock. While the merger agreement contains a provision that requires the consent of the majority of the votes entitled to be cast at the special meeting without taking into account votes cast by certain of these signed stockholders, this protection of the minority stockholders may be waived by the board of directors of PlanVista. Such a waiver would effectively permit those existing stockholders with significant voting control to decide whether to adopt the merger agreement on behalf of all of PlanVista's stockholders.

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### ***PlanVista May Lack Funds for Future Requirements.***

PlanVista may not be able to pursue expansion, develop or enhance its products or services, or respond to competitive pressures if it lacks adequate funds, which would hurt PlanVista's business. PlanVista does not currently have an available line of credit with a lender, and PlanVista manages its business from existing cash flow. PlanVista may need to raise additional funds to operate PlanVista's business, to develop new or enhanced services, or to respond to competitive pressures and its inability to do so could hurt PlanVista's business prospects whether or not the merger is approved.

### ***PlanVista Has Contingent Obligations from the Sale of Its Third Party Administration and Managing General Underwriter Businesses.***

In connection with the sale of its third party administration and managing general underwriter businesses in 2001 and 2000, PlanVista incurred indemnification obligations for representations, warranties, and covenants, and for liabilities arising prior to the sale of these businesses. Consequently, PlanVista has assumed the defense of a number of claims for liabilities arising prior to the sale of these businesses. There may be unknown liabilities arising from PlanVista's contingent obligations for which PlanVista has not established reserves or there may be liabilities for which PlanVista has not accrued adequate reserves and, if these liabilities were to occur, PlanVista, or ProxyMed as the successor company, might have to reorganize or liquidate under the bankruptcy laws in order to discharge them. PlanVista cannot assure you of the outcome of any matter arising under PlanVista's contingent obligations, and if the outcome is adverse, these obligations could have a material adverse effect on PlanVista's or ProxyMed's operating results and financial condition.

## **Risks Related to PlanVista's Business**

### ***A Small Number of Customers Account for a Significant Portion of PlanVista's Operating Revenue.***

The loss of one or more of PlanVista's significant customers could cause its business to suffer. PlanVista's top three customers accounted for 17.2%, 24.6%, and 33.0% of PlanVista's operating revenue for the years ended December 31, 2002, 2001, and 2000, respectively. For the nine months ended September 30, 2003 and for the years ended December 31, 2002 and 2001, no single customer accounted for more than 10% of total operating revenue. For the nine months ended September 30, 2003 and for the year ended December 31, 2002, three of PlanVista's largest customers accounted for approximately 25.7% and 17.2% respectively, of total operating revenue. These customers may account for a significant portion of its operating revenue through the remainder of 2003, depending upon PlanVista's ability to grow its business by and with similarly-sized customers in the foreseeable future. Since PlanVista's customer contracts generally are terminable within 90 days, any of these customers could terminate their relationship with PlanVista at any time. In addition, companies in the healthcare industry generally have been consolidating, resulting in a limited number of payers and PPOs controlling an increasing portion of claims. Therefore, PlanVista believes that its operating revenues will be largely dependent upon product acceptance by a smaller number of payers and PPOs. If PlanVista loses any one of its major customers or any of its major customers negotiate less favorable terms with PlanVista, then PlanVista will lose operating revenue, which would adversely affect its financial condition and results of operations.

### ***The Terms of PlanVista's Customer Contracts Provide No Guarantee of Long-Term Relationships or Payments.***

PlanVista's payer customers generally can terminate National Preferred Provider Network access contracts for any reason on 90 days' notice. In 2002 and for the nine months ended September 30, 2003, PlanVista had a customer turnover rate of 3.1% in each period, representing the loss of 23 and 25 customer contracts, respectively. In addition, the majority of PlanVista's contracts contain payment terms that are based on a percentage of savings to the customer or on the number of covered employees. In 2002, PlanVista experienced a decline in percentage of savings revenue from existing customers due to a decrease in the amount of high dollar claims PlanVista received from these customers. Although 2002



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revenue from new clients offset revenue lost from departing clients and from decreases in large claim submissions, the termination of additional customer contracts, or PlanVista's inability to generate significant savings with respect to customer claims, could adversely affect PlanVista's financial condition and results of operations.

### ***PlanVista's Provider Arrangements Provide No Guarantee of Long-Term Relationships.***

All of PlanVista's contracts with PPOs and providers can be terminated without cause, generally on 90 days' notice. The termination of any PPO contract would render PlanVista unable to provide its customers with network access to that PPO, and therefore would adversely affect PlanVista's ability to reprice claims and derive revenues. Furthermore, as a network of networks, PlanVista relies on its participating PPOs and provider groups to ensure participation by such providers. PlanVista's PPO contracts generally do not provide PlanVista with a direct recourse against a participating provider that chooses not to honor its obligation to provide a discount, or chooses to discontinue its participation in PlanVista's National Preferred Provider Network. In 2002, PlanVista contracts with three former networks terminated, representing a loss of approximately 140 hospitals and 31,000 physicians. In the nine months ended September 30, 2003, PlanVista's contracts with one former network terminated, representing a loss of approximately 200 hospitals and 9,500 physicians. Although PlanVista replaced the terminated networks with new network arrangements that in each instance substantially offset these hospital and physician losses, termination of provider contracts or other changes in the manner in which these parties conduct their business are outside of PlanVista's control and could negatively affect PlanVista's ability to provide services to PlanVista customers.

### ***Some Providers Have Historically Been Reluctant to Participate in Secondary Networks.***

PlanVista's percentage of savings business model sometimes allows a payer to utilize PlanVista network discounts in circumstances where PlanVista's National Preferred Provider Network is not the payer's primary network. In these circumstances, PlanVista's National Preferred Provider Network participating providers are not traditionally given the same assurances of patient flow that they receive when they are part of a primary network. Historically, some providers have been reluctant to participate in network arrangements that do not guarantee a high degree of patient steerage. Although PlanVista thinks that the steerage provided by its payers as a whole and the speed and efficiency with which PlanVista provides claims repricing services make National Preferred Provider Network affiliation an attractive option for providers, there can be no assurance that PlanVista's business model will not discourage providers from commencing or maintaining an affiliation with the National Preferred Provider Network.

### ***PlanVista's Operating History Is Not Indicative of PlanVista Future Performance.***

During the period 2000-2001, PlanVista sold its third party administration business and managing general underwriter business. Revenue from discontinued operations was \$0 in 2002, \$36.4 million in 2001, and \$157.9 million in 2000, which significantly exceeded operating revenue from continuing operations for 2001 and 2000. Operating revenue from continuing operations was \$33.1 million, \$32.9 million and \$27.0 million in 2002, 2001 and 2000, respectively. Accordingly, PlanVista's operating history is not indicative of its projected future performance as a business focused exclusively on medical cost management and network and data management business process outsourcing.

In addition, PlanVista's growth rate is partially attributable to healthcare expenditures nationally and the related growth of claims PlanVista processes. PlanVista may not continue to grow in the future, and if PlanVista does grow, PlanVista's growth may not be at or near historical levels.

### ***PlanVista's Business Model Is Unproven.***

Although PlanVista's National Preferred Provider Network business unit began doing business in 1994, the increasing popularity and use of electronic claims and data processing tools and the Internet have occurred only recently and, as a result, the focus of PlanVista's business has changed significantly.

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Since PlanVista's completion of the sale of its third party administration and managing general underwriter businesses to HealthPlan Holdings, it began concentrating exclusively on medical cost management, at which time it began to build its network and data management business process outsourcing businesses, including PlanVista PayerServ and PlanServ products. These businesses did not begin earning revenue until the first quarter of 2002 and currently represent 6.1% of PlanVista's revenue through September 30, 2003. There can be no guarantee that these businesses will acquire new customers or will generate significant operating revenue in the future. PlanVista's business prospects should be evaluated in light of a variety of risks including:

a concentration on relatively few customers;

unproven market acceptance of PlanVista's new products;

dependence on healthcare payers, provider networks, strategic relationships, and technology solutions;

industry consolidation and increased in-house performance of the services PlanVista offers;

unpredictability of operating results and future revenues;

increased competition; and

general economic and market conditions.

PlanVista may not be successful in addressing any or all of these risks. Any failure to address these risks could have a material adverse effect on PlanVista's business, operating results, and financial condition.

### ***PlanVista's Quarterly Operating Results May Be Volatile.***

PlanVista will have difficulty predicting future revenues because its network and data management business process outsourcing business is relatively new. PlanVista also will have difficulty in accurately forecasting operating revenues from sales of PlanVista services because PlanVista does not know the sales cycle involved in selling PlanVista's new services, and PlanVista cannot predict customer claims experience. This makes it difficult to predict the quarter in which sales will occur. Any significant shortfall of operating revenues in relation to PlanVista's expectations could cause significant declines in PlanVista's quarterly operating results or cause PlanVista to not meet certain financial covenants under PlanVista's loan agreements with its senior lenders.

### ***PlanVista May Be Unable to Adjust Fixed Expenses to Compensate for Operating Revenue Shortfalls.***

PlanVista's expense levels are based, in part, on its expectations regarding future operating revenues, and its expenses are generally fixed, particularly in the short term. PlanVista may be unable to adjust spending in a timely manner to compensate for unexpected revenue shortfalls. A shortfall in operating revenues or a delay in the collection of outstanding accounts receivable could have an adverse effect on PlanVista's ability to meet payment obligations or meet financial covenants to which it is subject under its agreements with its senior lenders and vendors, and could have a material adverse effect on PlanVista's business, operating results, and financial condition.

### ***PlanVista Has Many Competitors.***

PlanVista faces competition from HMOs, PPOs, third party administrators, and other managed healthcare companies, such as Blue Cross Blue Shield, McKesson/HBOC, The TriZetto Group, Inc., HealthAxis, Avidyn/ppoOne, Inc., BCE Emergis/eHealth Solutions Group, Concentra, Inc., Beech Street Corporation, MultiPlan, Inc., Private Healthcare Systems (PHCS), and Coalition America, Inc. PlanVista believes that, as managed care continues to gain acceptance in the marketplace and more sophisticated technology is adopted, its competition will increase. In addition, legislative reform may intensify competition in the markets PlanVista serves. Many of PlanVista's current and potential competitors have

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greater financial and marketing resources than PlanVista has. PlanVista cannot assure you that it will continue to maintain its existing customers or to maintain at least its past level of operating performance. PlanVista also cannot assure you that it will be successful with any new products or in any new markets that it may enter.

### ***PlanVista May Not Be Able to Successfully Manage its Growth.***

Prior to the proposed merger with ProxyMed, PlanVista's strategy was to expand through internal growth. Expenses arising from efforts to increase PlanVista market penetration may have a negative impact on operating results. As a result, PlanVista is subject to certain growth-related risks, including the risk that PlanVista will be unable to retain personnel or acquire the resources necessary to service its internal growth adequately.

### ***PlanVista Is Highly Dependent on Its Senior Management.***

PlanVista is highly dependent on its senior management, particularly PlanVista's Chairman and Chief Executive Officer, Phillip S. Dingle and PlanVista's President and Chief Operating Officer Jeffrey L. Markle. The loss of these members of PlanVista's senior management team could harm PlanVista and its prospects significantly. PlanVista has employment agreements with each of Mr. Dingle and Mr. Markle, but these employment agreements do not obligate these executive officers to remain in PlanVista's employ.

### ***The Inability of PlanVista Customers to Pay for PlanVista Services Could Decrease PlanVista's Revenue.***

PlanVista's health insurance and HMO payer customers may be required to maintain restricted cash reserves and satisfy strict balance sheet ratios promulgated by state regulatory agencies. In addition, the financial stability of PlanVista's payer customers may be adversely affected by physician groups or associations within their organizations that become subject to costly litigation or become insolvent. PlanVista's ability to collect fees for its services may become impaired if PlanVista's payer customers are unable to pay for PlanVista's services because they need to maintain cash reserves, if they fail to maintain required balance sheet ratios, or if they become insolvent. Although PlanVista has not experienced any material problems with collecting fees for its services to date, any financial instability of its customers in the future could adversely affect PlanVista's revenues.

### ***PlanVista's Accounts Receivable Are Subject to Adjustment.***

PlanVista generally records revenue for its services when the services are performed, less amounts reserved for claim reversals and bad debts. The estimates for claim reversals and bad debts are based on judgment and historical experience. To the extent that actual claim reversals and bad debts exceed the amounts reserved for, such difference could have a material adverse impact on PlanVista's results of operations and cash flows.

### ***PlanVista May Not Prevail in Ongoing Litigation and May Be Required to Pay Substantial Damages.***

PlanVista is party to various legal actions as either plaintiff or defendant in the ordinary course of business. While PlanVista believes that the final outcome of these proceedings will not have a material adverse effect on PlanVista's financial position, cash flows or results of operations, PlanVista cannot assure the ultimate outcome of these actions and the estimates of the potential future impact on PlanVista's financial position, cash flows or results of operations for these proceedings could change in the future. In addition, PlanVista will continue to incur additional legal costs in connection with pursuing and defending such actions.

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### **Risks Related to PlanVista's Technology**

#### ***Problems with PlanVista's Computers or Other Technology Could Negatively Affect PlanVista's Business.***

Aspects of PlanVista's business depend upon PlanVista's ability to store, retrieve, process, and manage data and to maintain and upgrade its data processing capabilities. If PlanVista's data processing capabilities were to be interrupted for any extended period of time, or if PlanVista were to lose stored data, experience failures in its backup operations, or experience programming errors, or if other computer problems were to arise, PlanVista could lose customers and revenue. PlanVista expects that its future growth will depend on its ability to process and manage claims data more efficiently, and to provide more meaningful healthcare information to its customers, than PlanVista's competitors. PlanVista may not be able to efficiently upgrade its systems to meet future demands, and it may not be able to develop, license, or otherwise acquire software to address these market demands as well or as readily as its competitors.

#### ***PlanVista Is Dependent on the Growth of the Internet and Electronic Healthcare Information Markets.***

Many of PlanVista's products and services, such as ClaimPassXL v. 3.5, PlanVista's Internet repricing system, are geared toward the Internet and electronic healthcare information markets. These markets are in the early stages of development and are rapidly evolving. A number of market entrants have introduced or developed products and services that are competitive with PlanVista's products and services. PlanVista expects that additional companies will continue to enter these markets. In new and rapidly evolving industries, there is significant uncertainty and risk as to the demand for, and market acceptance of, recently introduced products and services. Because the markets for certain of PlanVista's products and services are new and evolving, PlanVista is not able to predict the size and growth rate of those markets with any certainty. PlanVista cannot assure you that markets for its products and services will develop or that, if they do, they will be strong and continue to grow at a sufficient pace. If markets fail to develop, develop more slowly than expected, or become saturated with competitors, PlanVista's business prospects will be impaired.

#### ***Lack of Internet Security Could Discourage Users of PlanVista's Services.***

The difficulty of securely transmitting confidential information over the Internet has been a significant barrier to conducting e-commerce and engaging in sensitive communications over the Internet. PlanVista's strategy relies in part on the use of the Internet to transmit confidential information. PlanVista believes that any well-publicized compromise of Internet security may deter people from using the Internet to conduct transactions that involve transmitting confidential healthcare information. PlanVista relies principally on its security systems, confidentiality procedures, and employee non-disclosure agreements to maintain the confidentiality and security of confidential information. It is possible that third parties could penetrate PlanVista's network security or otherwise misappropriate patient information and other data. If this happens, PlanVista's operations could be interrupted, and it could be subject to liability. PlanVista may have to devote significant financial and other resources to protect against security breaches or to alleviate problems caused by breaches. PlanVista could face financial loss, litigation, and other liabilities to the extent that its activities or the activities of third party contractors involving the storage and transmission of confidential information such as patient records or credit information are compromised. In addition, PlanVista could incur additional expenses if new regulations regarding the use of personal information are introduced.

#### ***The Protection of PlanVista's Intellectual Property Requires Substantial Resources.***

PlanVista relies largely on its own security systems and confidentiality procedures, and employee nondisclosure agreements for certain employees, to maintain the confidentiality and security of its proprietary information, including PlanVista's trade secrets and internally developed computer applications. If third parties gain unauthorized access to PlanVista's information systems, or if anyone misappropriates PlanVista's proprietary information, this may have a material adverse effect on PlanVista's business and results of operations. In addition, PlanVista's technology has not been patented nor has PlanVista

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registered any copyrights with respect to such technology. Trade secrets laws offer limited protection against third party development of competitive products or services. Because it lacks the protection of patents or registered copyrights for its internally-developed software and software applications, PlanVista is more vulnerable to misappropriation of its proprietary technology by third parties or competitors. The failure to adequately protect its technology could adversely affect PlanVista's business.

### ***PlanVista May Be Subject to Trademark and Service Mark Infringement Claims in the Future.***

As PlanVista's competitors' healthcare information systems increase in complexity and overall capabilities, and the functionality of these systems further overlap, PlanVista could be subject to claims that its technology infringes on the proprietary rights of third parties. These claims, even if without merit, could subject PlanVista to costly litigation and could require the resources, time, and attention of PlanVista's technical, legal, and management personnel to defend. The failure to develop non-infringing technology or trade names, or to obtain a license on commercially reasonable terms, could adversely affect PlanVista's operations and revenues.

### ***If PlanVista's Ability to Expand Its Network Infrastructure is Constrained, PlanVista Could Lose Customers and That Loss Could Adversely Affect Its Operating Results.***

PlanVista must continue to expand and adapt its network and technology infrastructure to accommodate additional users, increased transaction volumes, and changing customer requirements. PlanVista may not be able to accurately project the rate or timing of increases, if any, in the volume of transactions it repices or otherwise services or be able to expand and upgrade its systems and infrastructure to accommodate such increases. PlanVista may be unable to expand or adapt its network infrastructure to meet additional demand or its customers' changing needs on a timely basis, at a commercially reasonable cost or at all. PlanVista's current information systems, procedures, and controls may not continue to support PlanVista's operations while maintaining acceptable overall performance and may hinder PlanVista's ability to exploit the market for healthcare applications and services. Service lapses could cause PlanVista's users to switch to the services of PlanVista's competitors.

## **Risks Related to PlanVista's Industry**

### ***Government Regulation of the Healthcare Industry May Change and Adversely Affect PlanVista's Business.***

As a participant in the healthcare industry, PlanVista is affected by or may be affected by regulations related to privacy of patient information, provider contracting, claims adjudication procedures, licensing, and the Internet. During the past several years, the healthcare industry has been subject to increasing levels of government regulation of reimbursement rates and certain capital expenditures, among other things. In addition, federal and state governments have considered proposals to reform the healthcare system. These proposals, if enacted, may further increase government involvement in healthcare, lower reimbursement rates, and otherwise adversely affect the healthcare industry, which could adversely affect PlanVista's business. The impact of regulatory developments in the healthcare industry is complex and difficult to predict, and PlanVista's business could be adversely affected by existing or new healthcare regulatory requirements or interpretations. While PlanVista believes its operations are in material compliance with applicable laws as currently interpreted, the regulatory environment in which PlanVista operates may change significantly in the future, which could restrict PlanVista's existing operations, expansion, financial condition, or opportunities for success. See PlanVista's Business Government Regulation. on page 167.

### ***Consolidation in the Healthcare Industry May Give PlanVista Customers Greater Bargaining Power and Lead PlanVista to Reduce Its Prices.***

Many healthcare industry participants are consolidating to create integrated healthcare delivery systems with greater market power. As provider networks and managed care organizations consolidate,

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competition to provide products and services such as those PlanVista provides will become more intense, and the importance of establishing and maintaining relationships with key industry participants will become greater. These industry participants may try to use their market power to negotiate price reductions for PlanVista products and services. If PlanVista is forced to reduce its prices, its margins will decrease, unless PlanVista is able to achieve corresponding reductions in expenses.

### **Risks Related to PlanVista Common Stock**

#### ***PlanVista's Stock Price Has Been Volatile and May Continue to Fluctuate.***

PlanVista's common stock has experienced significant price and volume fluctuations. PlanVista's stock price ranged from a high of \$3.65 per share to a low of \$0.70 per share during the year ended December 31, 2003. On January 29, 2004, PlanVista's closing common stock price was \$1.56 per share. These fluctuations are not necessarily directly related to PlanVista's operating performance. PlanVista's common stock may not continue to trade at the current price level. See "PlanVista Market Price and Dividend Information" on page 205 for more information on the trading price of PlanVista's common stock. The market price for PlanVista's common stock may continue to fluctuate widely in response to factors such as the following:

failure to meet PlanVista's product development and sales milestones;

failure to comply with PlanVista's debt and series C preferred stock covenants;

demand for PlanVista's common stock;

technological innovations by PlanVista or its competitors or in competing technologies;

new product announcements by PlanVista or by its competitors;

timeliness in introduction of new products;

announcements by PlanVista or its competitors of significant contracts, acquisitions, partnerships, joint ventures, or capital commitments;

failure to successfully build PlanVista's new outsourcing business units;

operating revenues and operating results failing to meet the expectations of securities analysts or investors in any quarter;

announcements by third parties of significant claims or proceedings against PlanVista;

disclosure of unsuccessful results in PlanVista's efforts to expand its ability to market, sell and provide its services or its ability to enhance its existing products or develop new products;

changes in financial estimates by securities analysts;

investor perception of PlanVista's industry or its prospects; and

general technological or economic trends.

Many of these factors are beyond PlanVista's control. In addition, the stock market has in the past experienced price and volume fluctuations that have particularly affected companies in the healthcare and managed care markets, resulting in changes in the market price of the stock of many companies that may not have been directly related to the operating performance of those companies.

#### ***The Volatility of the Price of PlanVista's Common Stock or Substantial Dilution to PlanVista Stockholders Could Subject PlanVista to Costly Litigation.***

Some companies that have experienced volatility in the market price of their stock or have had their stock subject to substantial dilution have been sued in securities class action litigation. In light of the fluctuations in PlanVista's stock price and dilution to PlanVista's stockholders, it is possible that PlanVista may be the subject of securities class action litigation in the future. This type of litigation is generally

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costly and often results in a diversion of management's attention and resources and could harm PlanVista's business, prospects, results of operations, and financial condition.

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

ProxyMed and PlanVista believe this document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of management of ProxyMed and PlanVista, based on information currently available to each company's management. When we use words such as believes, expects, anticipates, intends, plans, estimates, should, likely or similar expressions, ProxyMed and PlanVista are making forward-looking statements. Forward-looking statements include the information concerning possible or assumed future results of operations of ProxyMed set forth under Summary, Risk Factors, The Merger Background of the Merger, The Merger ProxyMed Reasons for the Merger, The Merger PlanVista Reasons for the Merger, The Merger Recommendation of PlanVista Board of Directors, Description of ProxyMed and Description of PlanVista. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including any projections of earnings, revenues, synergies, accretion, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations, including the execution of integration and restructuring plans and the anticipated timing of filings, approvals and closings relating to the merger or other planned acquisitions; any statements concerning proposed new products, services, developments or industry rankings; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. The future results and shareholder values of ProxyMed may differ materially from those expressed in the forward-looking statements. Many of the factors that will determine these results and values are beyond ProxyMed's ability to control or predict. Shareholders are cautioned not to put undue reliance on any forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

For a discussion of some of the factors that may cause actual results to differ materially from those suggested by the forward-looking statements, please read carefully the information under Risk Factors.

You should read this joint proxy statement/prospectus and the other documents referred to in this joint proxy statement/prospectus completely and with the understanding that actual future results could materially differ from those anticipated in these forward-looking statements as a result of a number of factors, including the risk factors described below. All forward-looking statements attributable to ProxyMed and PlanVista are expressly qualified by these cautionary statements. ProxyMed and PlanVista disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date of this registration statement.

**THE SPECIAL MEETING OF PROXYMED SHAREHOLDERS**

ProxyMed is furnishing this joint proxy statement/prospectus to holders of ProxyMed common stock and ProxyMed series C preferred stock to provide its shareholders with important information in connection with the solicitation of proxies by for use at the special meeting of ProxyMed shareholders and at any adjournment or postponement of the special meeting. This includes information regarding the proposed amendment of ProxyMed's articles of incorporation to increase the authorized number of shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares, the proposed amendment to the ProxyMed 2002 Stock Option Plan to increase the total number of shares available for issuance under such plan from 600,000 to 1,350,000, and the issuance of shares of ProxyMed common stock pursuant to the merger agreement and the issuance of shares of ProxyMed common stock in connection with the



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ProxyMed private equity offering. ProxyMed first mailed this joint proxy statement/prospectus and the accompanying form of proxy to its shareholders on or about February 5, 2004.

### **Date, Time and Place of the ProxyMed Special Meeting**

ProxyMed will hold a special meeting of its shareholders on March 1, 2004 at 10:00 a.m., local time, at ProxyMed's offices, 2555 Davie Road, Suite 110, Fort Lauderdale, Florida 33317.

### **Purpose of the ProxyMed Special Meeting**

At the special meeting ProxyMed shareholders will be asked to consider and vote upon the following proposals:

(1) To consider and vote upon a proposal to approve the issuance of shares of ProxyMed common stock to PlanVista stockholders pursuant to the Agreement and Plan of Merger, dated as of December 5, 2003, by and among ProxyMed, Planet Acquisition Corp., a wholly-owned subsidiary of ProxyMed, and PlanVista;

(2) To consider and vote upon a proposal to approve the issuance of shares of ProxyMed common stock in connection with the private equity offering being completed by ProxyMed in connection with the merger;

(3) To consider and vote upon a proposal to approve and adopt an amendment to ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares; and

(4) To consider and vote upon a proposal to approve and adopt an amendment to the ProxyMed 2002 Stock Option Plan to increase the total number of shares available for issuance under such plan from 600,000 to 1,350,000.

#### **Proposal 1: Issuance of Shares of ProxyMed Common Stock in Connection with the Merger with PlanVista**

On December 4, 2003, the board of directors of ProxyMed adopted resolutions approving the issuance of shares of ProxyMed common stock in connection with the merger with PlanVista. These shares will not be issued unless the merger is completed. This share issuance proposal is being submitted for approval by the shareholders of ProxyMed pursuant to the requirements of the Nasdaq Stock Market, Inc. applicable to companies with securities quoted on the Nasdaq National Market. The affirmative vote of a majority of the total votes cast at the special meeting by holders of ProxyMed's common stock outstanding as of the record date, including the shares of ProxyMed series C preferred stock entitled to vote as a class with the holders of ProxyMed common stock, provided that a quorum is present, is required to approve the issuance of shares of ProxyMed common stock pursuant to the merger.

A copy of the merger agreement is attached to this document as Annex A. ProxyMed shareholders are encouraged to read the merger agreement in its entirety. For a detailed summary of the merger agreement, please see the section of this document entitled "The Merger Agreement" beginning on page 94.

#### **THE BOARD OF DIRECTORS OF PROXYMED RECOMMENDS A VOTE FOR THE ISSUANCE OF PROXYMED COMMON STOCK IN CONNECTION WITH THE MERGER WITH PLANVISTA.**

#### **Proposal 2: Issuance of Shares of ProxyMed Common Stock in Connection with the ProxyMed Private Equity Offering**

On December 4, 2003, the board of directors of ProxyMed adopted a resolution approving the issuance of shares of ProxyMed common stock in connection with the private equity offering being completed by ProxyMed in connection with the merger. These shares will not be issued unless the merger

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is completed. This share issuance proposal is being submitted for approval by the shareholders of ProxyMed pursuant to the requirements of the Nasdaq Stock Market, Inc. applicable to companies with securities listed on the Nasdaq National Market. The affirmative vote of a majority of the total votes cast at the special meeting by holders of ProxyMed's common stock outstanding as of the record date, including the shares of ProxyMed series C preferred stock entitled to vote as a class with the holders of ProxyMed common stock, provided that a quorum is present, is required to approve the issuance of shares of ProxyMed common stock pursuant to the private equity offering.

On December 5, 2003, pursuant to a stock purchase agreement, ProxyMed agreed to sell 1,691,229 shares of its common stock at a price of \$14.25 per share to General Atlantic Partners 77, L.P., GAP Coinvestment Partners II, L.P., GapStar, LLC, GAPCO GmbH & Co. KG., PVC Funding Partners, LLC, Comvest Venture Partners, L.P., Shea Ventures, LLC, and Robert Priddy. Upon closing of the transaction, ProxyMed will receive net proceeds of approximately \$24,100,000 in the private equity offering, which it intends to use in connection with the merger. Upon closing of the transaction, the purchasers will collectively acquire in the private equity offering approximately 14% of the outstanding shares of ProxyMed's common stock. The General Atlantic Partners related entities will collectively own approximately 23.5% of the ProxyMed common stock and will be entitled to purchase up to 793,161 additional shares of ProxyMed common stock pursuant to the exercise of certain warrants held by entities related to General Atlantic Partners.

ProxyMed has agreed to grant the purchasers and certain of their transferees and affiliates certain demand and piggy back registration rights, pursuant to an amended and restated registration rights agreement. Each of the purchasers agrees not to, directly or indirectly, sell or otherwise dispose of any of the shares it receives in connection with the private equity offering and certain other shares owned by it or its affiliates prior to the first anniversary of the closing date, except to their respective affiliates, in an amount during any three month period that does not exceed the volume limitations set forth in Rule 144(e) of the Securities Act of 1933, in connection with a sale of ProxyMed, or in a transaction approved in advance by ProxyMed's board of directors.

In November 2003, ProxyMed engaged William Blair & Company, L.L.C. to act as a financial advisor with respect to the terms of the private equity offering. On December 4, 2003, William Blair & Company, L.L.C. delivered its oral opinion, subsequently confirmed in writing, to the ProxyMed board of directors that, as of such date and based upon and subject to the various considerations set forth in its opinion, the consideration to be received by ProxyMed for the shares to be issued by ProxyMed in connection with the private equity offering is fair, from a financial point of view, to ProxyMed. The William Blair & Company, L.L.C. opinion is not a recommendation as to how any ProxyMed shareholder should vote with respect to the proposal to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering.

Shareholders should read the complete text of the Purchase Agreement and the amended and restated registration rights agreement, copies of which have been filed by ProxyMed with the Securities Exchange Commission with the registration statement filed on December 9, 2003. The summary of the Purchase Agreement and the registration rights agreement contained in the registration statement does not purport to be complete and is subject to and qualified in its entirety by reference to the complete text of such documents.

ProxyMed believes that the private equity offering is in the best interests of ProxyMed and its shareholders because such equity offering allows ProxyMed to raise capital on terms that compare favorably to ProxyMed's other financing options. In reaching its decision to recommend this proposal to ProxyMed's shareholders, the board considered, among other things, ProxyMed's long-term strategic plan, its capital structure, its resources, operations, management and historical and potential earnings, as well as ProxyMed's future prospects both with and without the private equity offering, and ProxyMed's other financing options.

**THE BOARD OF DIRECTORS OF PROXYMED RECOMMENDS A VOTE FOR THE ISSUANCE OF PROXYMED COMMON STOCK IN CONNECTION WITH THE PRIVATE**

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**EQUITY OFFERING BEING COMPLETED BY PROXYMED IN CONNECTION WITH THE MERGER.**

**Proposal 3: Amendment to ProxyMed's Articles of Incorporation to Increase the Total Number of Authorized Shares from 13,333,333 1/3 Shares to 30 Million Shares**

ProxyMed's articles of incorporation provide that the total number of shares of common stock which ProxyMed shall have the authority to issue is 13,333,333 1/3 shares of common stock, par value \$0.001 per share. ProxyMed's board of directors adopted a resolution recommending that the shareholders adopt an amendment to Article III of ProxyMed's articles of incorporation in order to increase the authorized number of shares of ProxyMed's common stock from 13,333,333 1/3 shares to 30 million shares. A copy of the proposed amendment to the articles of incorporation is attached as Annex G to this registration statement.

To complete the merger and the private equity offering, ProxyMed shareholders must approve the amendment to ProxyMed's articles of incorporation to increase the number of shares that ProxyMed is authorized to issue from 13,333,333 1/3 shares to 30 million shares. Other than the shares to be issued in connection with the merger and the shares to be issued in connection with the ProxyMed private equity offering, ProxyMed has no immediate plans, nor are there any existing or proposed agreements or understandings to issue any of the additional shares of common stock other than pursuant to warrants, options and convertible notes previously offered by the board of directors. ProxyMed's board of directors believes that the increased number of authorized shares of common stock contemplated by the proposed amendment is desirable in order that additional shares be available for issuance from time to time, without further action or authorization by the shareholders (except as required by law), if needed for such corporate purposes as may be determined by the board of directors. Such corporate purposes might include the acquisition of other businesses in exchange for shares of ProxyMed's stock; facilitating broader ownership of ProxyMed's stock by effecting stock splits or issuing a stock dividend; flexibility for possible future financings; and attracting and retaining valuable employees and directors by the issuance of additional stock options or awards. The board of directors considers the authorization of additional shares advisable to ensure prompt availability of shares for issuance should the occasion arise.

Adoption of this proposal requires the affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote at the special meeting, including the shares of ProxyMed series C preferred stock entitled to vote as a class with the holders of ProxyMed common stock. Abstentions and broker non-votes have the effect of a vote against the proposal.

**THE BOARD OF DIRECTORS OF PROXYMED RECOMMENDS A VOTE FOR THE ADOPTION OF THE AMENDMENT TO PROXYMED'S ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 13,333,333 1/3 SHARES TO 30 MILLION SHARES.**

**Proposal 4: Amend the ProxyMed 2002 Stock Option Plan to Increase the Total Number of Shares Available for Issuance Under Such Plan from 600,000 to 1,350,000**

On May 22, 2002, ProxyMed's shareholders approved the ProxyMed 2002 Stock Option Plan for the employees, officers and directors of ProxyMed. The purpose of the Stock Option Plan is to attract and retain directors, officers, other key employees and consultants, to encourage stock ownership by such persons and to give them a greater personal interest in the success of ProxyMed. As of December 4, 2003, there were 166,525 shares of common stock remaining available for issuance under the Stock Option Plan. Pursuant to the merger agreement with PlanVista, ProxyMed has agreed to grant to certain officers and employees of PlanVista options under ProxyMed's Stock Option Plan to purchase an aggregate of 200,000 shares of ProxyMed common stock in amounts as determined by the ProxyMed. The board of directors believes that it is in ProxyMed's best interest to increase the total number of shares available for issuance under the Stock Option Plan, and therefore recommends an amendment to the Stock Option Plan to increase the total number of shares available for issuance under such plan from 600,000 to 1,350,000.

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If the proposed amendment is approved, the first sentence of the Section 6 entitled "Stock Subject to the Plan" of the Stock Option Plan will be amended to read as follows:

The maximum number of shares of Common Stock as to which Options may be granted pursuant to this Plan is 1,350,000 shares.

The following description of the 2002 Plan is qualified by reference to the complete text of such plan which is set forth on Exhibit A of the Proxy Statement filed with the Securities and Exchange Commission on April 22, 2002.

The plan currently provides for the issuance of up to 600,000 shares upon exercise of options designated as either "incentive stock options" or "non-qualified options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended. The plan is administered by the compensation committee of the board of directors which determines, among other things, the persons to be granted options under the plan, the number of shares subject to each option and the option price. The exercise price of any incentive stock option granted under the plan may not be less than the fair market value of the shares subject to the option on the date of grant; provided, however, that the exercise price of any incentive stock option granted to an eligible employee owning more than 10% of the outstanding common stock may not be less than 110% of the fair market value of the shares underlying such options on the date of grant. Non-qualified options may not be granted with exercise prices less than the fair market value of the shares subject to the option on the date of grant. The term of each option and the manner in which it may be exercised is determined by the board of directors or a committee appointed by the board of directors provided that no option may be exercisable more than ten years after the date of grant and, in the case of an incentive stock option granted to an eligible employee owning more than 10% of the common stock, no more than five years after the date of grant. Incentive stock options may be granted only to employees and no option granted to an employee may be exercised unless, at the time of exercise, the grantee is an employee of ProxyMed or a subsidiary, and in the event of death, options may be exercised during a twelve month period following such event. ProxyMed may grant an employee options for any number of shares, except that the value of the shares subject to one or more incentive stock options first exercisable in any calendar year may not exceed \$100,000 (determined at the date of grant). Options are not transferable, except upon the death of the optionee or for estate planning purposes under certain circumstances and if approved by the board of directors. The plan has change of control provisions.

A summary of the federal income tax treatment under the Internal Revenue Code, as presently in effect, of options granted under the plan is as follows. ProxyMed recommends that optionees seek independent tax advice with respect to their options.

With respect to incentive stock options, an optionee will not recognize any taxable income at the time an incentive stock option is granted and ProxyMed will not be entitled to a federal income tax deduction at that time. No ordinary income will be recognized by the holder of an incentive stock option at the time of exercise. The excess of the market value of the shares of ProxyMed's common stock at the time of exercise over the aggregate option price will be an adjustment to alternative minimum taxable income for purposes of the federal alternative minimum tax at the date of exercise. If the optionee holds the shares of ProxyMed's common stock acquired upon exercise of the incentive stock option for the greater of two years after the date the option was granted or one year after the acquisition of such shares, the difference between the aggregate option price and the amount realized upon disposition of the shares will constitute a long-term capital gain or loss, as the case may be, and ProxyMed will not be entitled to a federal income tax deduction. If the shares of ProxyMed's common stock are disposed of in a sale, exchange of other "disqualifying disposition" within two years after the date of grant or within one year after the date of exercise, the optionee will realize ordinary income in an amount equal to the excess of the market value of the shares of ProxyMed's common stock at the time of exercise, over the aggregate option price. ProxyMed may be entitled to a federal income tax deduction equal to such amount.

With respect to non-qualified stock options, the granting of a non-qualified option does not produce taxable income to the recipient or a tax deduction to ProxyMed. Taxable ordinary income will be recognized by the holder at the time of such exercise in an amount equal to the excess of the market

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value of shares of ProxyMed's common stock purchased at the time of such exercise over the aggregate option price. ProxyMed may be entitled to a corresponding federal income tax deduction. Upon a subsequent disposition of the shares of ProxyMed's common stock, optionee will generally recognize taxable capital gain or loss based upon the difference between the per share market value at the time of exercise and the per share selling price. Taxable income at the time of exercise will constitute wages subject to withholding of income tax and ProxyMed will be required to make whatever arrangements are necessary to insure that funds equaling the amount of tax required to be withheld are available for payment. The tax basis for the shares of ProxyMed's common stock acquired is the option price plus the taxable income recognized.

Adoption of this proposal requires the affirmative vote of a majority of the total votes cast at the special meeting by holders of ProxyMed's common stock outstanding as of the record date, including the shares of ProxyMed series C preferred stock entitled to vote as a class with the holders of ProxyMed common stock, provided that a quorum is present.

**THE BOARD OF DIRECTORS OF PROXYMED RECOMMENDS THAT ALL SHAREHOLDERS VOTE FOR APPROVAL OF THE AMENDMENT TO THE PROXYMED 2002 STOCK OPTION PLAN TO INCREASE THE TOTAL NUMBER OF SHARES AVAILABLE FOR ISSUANCE UNDER SUCH PLAN FROM 600,000 TO 1,350,000.**

### **Record Date for the ProxyMed Special Meeting; Shares Held by Directors and Executive Officers**

The ProxyMed board of directors has fixed the close of business on January 26, 2004 as the record date for determination of ProxyMed shareholders entitled to notice of and to vote at the special meeting. Only holders of record of ProxyMed common stock or ProxyMed series C preferred stock as of the close of business on that date are entitled to vote at the special meeting. As of the record date, there were 6,784,118 shares of ProxyMed common stock issued and outstanding, held by approximately 301 shareholders of record and 2,000 shares of ProxyMed series C preferred stock issued and outstanding, held by approximately 4 shareholders of record. As of the record date, the directors and executive officers of ProxyMed and their affiliates held 2,554,752 outstanding shares, or approximately 38% of the total outstanding shares, of ProxyMed common stock and ProxyMed series C preferred stock. Each share of ProxyMed common stock issued and outstanding as of the ProxyMed record date entitles its holder to cast one vote at the special meeting, and each share of ProxyMed series C preferred stock entitles its holder to cast approximately 6.67 votes at the ProxyMed special meeting.

### **Voting of Proxies at the Special Meeting and Revocation of Proxies**

The ProxyMed proxy accompanying this joint proxy statement/prospectus is solicited on behalf of the board of directors of ProxyMed for use at the ProxyMed special meeting.

*General.* Shares represented by a properly signed and dated proxy will be voted at the special meeting in accordance with the instructions indicated on the proxy. Proxies that are properly signed and dated but which do not contain voting instructions will be voted **FOR** the proposal to amend ProxyMed's articles of incorporation to increase the authorized number of shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares, **FOR** the proposal to amend the ProxyMed 2002 Stock Option Plan to increase the total number of shares available for issuance under such plan from 600,000 to 1,350,000, **FOR** the proposal to approve the issuance of shares of ProxyMed common stock to PlanVista stockholders in the merger, and **FOR** the proposal to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering. The proxy holder may vote the proxy in its discretion as to any other matter that may properly come before the ProxyMed special meeting. The affirmative vote of the holders of record of at least a majority of the votes entitled to be cast by holders of shares of ProxyMed common stock and ProxyMed series C preferred stock, is required to approve and adopt the amendment to ProxyMed's articles of incorporation. A majority of the votes cast by the holders of ProxyMed's common stock and ProxyMed series C preferred stock at the meeting (a quorum being present), must be voted in favor of the proposal to approve the issuances of

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shares of ProxyMed common stock and the proposal to amend the ProxyMed 2002 Stock Option Plan in order for such proposals to pass.

*Abstentions.* ProxyMed will count a properly executed proxy marked **ABSTAIN** as present for purposes of determining whether a quorum is present, but the shares represented by that proxy will not be voted at the special meeting. If a ProxyMed shareholder abstains from voting or does not vote (either in person or by proxy) it will have the same effect as a vote against the proposal to amend ProxyMed's articles of incorporation. Abstentions on the issuance proposals and the proposed amendment to the ProxyMed 2002 Stock Option Plan will be treated as neither a vote **FOR** nor a vote **AGAINST** these proposals for purposes of determining whether they have been approved, and thus will have no effect on the outcome.

*Broker Non-Votes.* If your shares are held by your broker, your broker will not be able to vote your shares for you on the proposals without instructions from you on how to vote your shares. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. If a ProxyMed shareholder abstains from voting or does not vote (either in person or by proxy), it will have the same effect as a vote against the proposal to amend ProxyMed's articles of incorporation. Failure to instruct your broker how to vote on the issuance proposals and the proposed amendment to the ProxyMed 2002 Stock Option Plan will be treated as neither a vote **FOR** nor a vote **AGAINST** these proposals for purposes of determining whether the proposals have been approved, and thus will have no effect on the outcome.

*Voting Shares in Person That are Held Through Brokers.* If your shares are held by your broker or another nominee and you wish to vote those shares in person at the special meeting, you must obtain from the nominee holding your ProxyMed common stock a properly executed legal proxy identifying you as a ProxyMed shareholder, authorizing you to act on behalf of the nominee at the special meeting and identifying the number of shares with respect to which the authorization is granted.

### **How to Revoke a Proxy**

If you submit a proxy, you may revoke it at any time before it is voted by:

delivering to the Secretary of ProxyMed a written notice, dated later than the proxy you wish to revoke, stating that proxy is revoked;

submitting to the Secretary of ProxyMed a new, signed proxy with a date later than the proxy you wish to revoke; or

attending the special meeting and voting in person.

Notices to the Secretary of ProxyMed should be addressed to Secretary, ProxyMed, Inc., 2555 Davie Road, Suite 110, Fort Lauderdale, Florida 33317.

### **Quorum and Abstentions**

In order to conduct business at the special meeting, a quorum must be present. ProxyMed's bylaws provide that a quorum at the special meeting will be the holders of a majority of the stock outstanding on the record date for the meeting. ProxyMed will treat shares of common stock represented by a properly signed and returned proxy, including abstentions and broker non-votes, as present at the meeting for purposes of determining the existence of a quorum. If sufficient votes to constitute a quorum are not received by the date of the special meeting, the persons named as proxies may propose one or more adjournments of the meeting to permit further solicitation of proxies. The inspector of elections appointed for the ProxyMed special meeting will tabulate the votes. The persons named as proxies would generally exercise their authority to vote in favor of adjournment.

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### **Solicitation of Proxies and Expenses**

ProxyMed and PlanVista will equally share the costs of soliciting proxies for the special meetings. Certain directors, officers and employees of ProxyMed may solicit proxies, without additional remuneration, by telephone, facsimile, electronic mail, telegraph and in person. ProxyMed expects that the expenses of this special solicitation will be nominal. Following the mailing of this joint proxy statement/ prospectus, ProxyMed will request brokers, custodians, nominees and other record holders to forward copies of this joint proxy statement/ prospectus to persons for whom they hold shares of common stock and to request authority for the exercise of proxies. In such cases, ProxyMed, upon the request of the record holder, will reimburse such holders for their reasonable expenses.

If your shares are registered in the name of a bank or brokerage firm, you may be eligible to vote your shares by telephone or Internet. A large number of banks and brokerage firms are participating in the ADP Investor Communication Services telephone or Internet voting program. This program provides eligible shareholders the opportunity to vote by telephone or Internet. If your bank or brokerage firm is participating in ADP's program, your voting form will provide instructions. If your voting form does not reference telephone or Internet information, please complete and return the paper proxy card in the self-addressed, postage-paid envelope provided. If you have any questions about executing your proxy or require assistance, please contact: Judson E. Schmid at (954) 473-1001.

### **Board of Directors Recommendations**

After careful consideration, the board of directors of ProxyMed believes that the merger is in consistent with, and in furtherance of, ProxyMed's long-term business strategy and the merger is advisable, and fair to, and in the best interests of ProxyMed and its shareholders. The ProxyMed board of directors recommends that its shareholders vote **FOR** the proposal to amend ProxyMed's articles of incorporation to increase the authorized number of shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares, **FOR** the proposal to amend the ProxyMed 2002 Stock Option Plan to increase the total number of shares available for issuance under such plan from 600,000 to 1,350,000,

**FOR** the proposal to approve the issuance of shares of ProxyMed common stock pursuant to the merger agreement and **FOR** the proposal to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering.

### **General Atlantic Partners Voting Agreement**

ProxyMed shareholders holding approximately 23.1% of the outstanding voting power of ProxyMed common stock as of January 29, 2004 entitled to vote at the ProxyMed special meeting have agreed to vote all of their shares of ProxyMed common stock in favor of the proposal to approve the issuance of ProxyMed common stock pursuant to the merger agreement, the proposal to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and the amendment to ProxyMed's articles of incorporation, and have executed proxies with respect to their shares in favor of these proposals. Please refer to the section of this joint proxy statement/ prospectus entitled "Voting agreements - General Atlantic Partners Voting Agreement" beginning on page 110. Also, a copy of the General Atlantic Partners Voting Agreement is attached as Annex E.

## **THE SPECIAL MEETING OF PLANVISTA STOCKHOLDERS**

This joint proxy statement/ prospectus is being sent to you as PlanVista stockholder in order to provide you with important information regarding the proposed merger in connection with the solicitation of proxies by PlanVista's board of directors for use at the special meeting of its stockholders and at any adjournment or postponement of the special meeting.

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### **Date, Time and Place of the Special Meeting**

PlanVista will hold a special meeting of its stockholders on March 1, 2004, at 10:00 a.m., local time, at the Marriott Westshore located at 1001 North Westshore Boulevard, Tampa, Florida 33607.

### **Matters for Consideration**

At the special meeting, PlanVista stockholders will be asked to consider and vote upon a proposal to adopt the merger agreement. PlanVista does not currently contemplate that any other matters will be presented at the PlanVista special meeting. PlanVista's bylaws provide that no matter may be brought before a special meeting unless that matter is stated in the notice of the special meeting.

### **Board of Directors Recommendation**

After careful consideration, the PlanVista board of directors has approved the merger agreement and the merger. The PlanVista board of directors believes that the merger is fair to and in the best interests of PlanVista and its stockholders and that the merger is advisable. The PlanVista board of directors recommends that the PlanVista stockholders vote FOR the proposal to adopt the merger agreement.

### **Record Date; Shares Held by Directors and Executive Officers**

The record date for determining the PlanVista stockholders entitled to vote at the PlanVista special meeting is January 26, 2004. Only stockholders of record of PlanVista common stock and PlanVista series C preferred stock as of the close of business on that date are entitled to vote at the PlanVista special meeting. As of the PlanVista record date, there were 17,085,892 shares of PlanVista common stock held by approximately 357 stockholders of record and 34,413 shares of PlanVista series C preferred stock issued and outstanding, held by approximately 8 stockholders of record. Each share of PlanVista common stock issued and outstanding as of the PlanVista record date entitles its holder to cast one vote at the PlanVista special meeting, and each share of PlanVista series C preferred stock entitles its holder to cast approximately 752 votes at the PlanVista special meeting.

As of the PlanVista record date, the directors and executive officers of PlanVista and their affiliates held 408,287 outstanding shares of common stock and 33,037 outstanding shares of series C preferred stock, or approximately 2.4% of the total outstanding shares of PlanVista common stock and 96% of the total outstanding shares of PlanVista series C preferred stock.

### **PVC Funding Partners Voting Agreement**

Under the terms of voting agreement entered into between ProxyMed and PVC Funding Partners, LLC, PVC Funding Partners, LLC has agreed, subject to the terms and conditions set forth in the voting agreement, to vote their shares of PlanVista common stock and PlanVista series C preferred stock for the adoption of the merger agreement. PVC Funding Partners, LLC owns and is entitled to 24,894,451 votes or approximately 57.9%, of the total votes entitled to be cast as of the record date. Please refer to the section of this joint proxy statement/prospectus entitled Voting Agreements PVC Funding Partners Voting Agreement beginning on page 109 and Annex F.

### **Quorum and Vote Required**

In order to conduct business at the PlanVista special meeting, a quorum must be present. The holders of a majority of the PlanVista common stock and PlanVista series C preferred stock outstanding on the record date for the PlanVista special meeting present in person or represented by proxy at the special meeting and entitled to vote at the special meeting constitute a quorum under PlanVista's bylaws. PlanVista will treat shares of PlanVista common stock and PlanVista series C preferred stock represented by a properly signed and returned proxy, including abstentions and broker non-votes, as present at the PlanVista special meeting for purposes of determining the existence of a quorum. If sufficient votes to constitute a quorum or to adopt the merger agreement are not received by the date of the special meeting,



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the persons named as proxies may propose one or more adjournments of the meeting to permit further solicitation of proxies.

The affirmative vote of a majority of the votes entitled to be cast by the holders of the shares of PlanVista's common stock and PlanVista series C preferred stock outstanding on the PlanVista record date in favor of the proposal to adopt the merger agreement is required in order for the merger proposal to pass. In addition, it is a condition to PlanVista's obligation to consummate the merger that the holders of a majority of the votes cast by holders of the outstanding shares of PlanVista common stock voting at the PlanVista stockholders meeting and not taking into account any votes cast by holders of the series C preferred stock, by Commonwealth Associates, L.P., or any affiliates or officers or directors thereof, or any director or executive officer of PlanVista, vote to adopt the merger agreement.

## **Adjournment and Postponement**

If a quorum is not present or represented at a stockholder meeting, PlanVista's bylaws permit a majority of the stockholders entitled to vote at such meeting, present in person or represented by proxy, to adjourn such meeting, or, if no stockholder is present, PlanVista's bylaws permit an officer entitled to preside at or act as Secretary of such meeting to adjourn the meeting, without notice other than announcement at the meeting; provided, however, that if the date of any adjourned meeting is more than 30 days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date and time of the adjourned meeting shall be given.

## **Voting of Proxies**

The PlanVista proxy accompanying this joint proxy statement/ prospectus is solicited on behalf of the PlanVista board of directors for use at the PlanVista special meeting.

## **General**

Shares represented by a properly signed and dated proxy will be voted at the special meeting in accordance with the instructions indicated on the proxy. Proxies that are properly signed and dated but which do not contain voting instructions will be voted FOR the proposal to adopt the merger agreement.

## **Abstentions**

PlanVista will count a properly executed proxy marked ABSTAIN as present for purposes of determining whether a quorum is present, but the shares represented by that proxy will not be voted at the special meeting. Because the affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding shares of PlanVista common stock and PlanVista series C preferred stock is required to adopt the merger agreement, if you mark your proxy ABSTAIN, it will have the effect of a vote against the proposal to adopt the merger agreement.

## **Broker Non-Votes**

If your shares are held in street name, your broker will vote your shares for you only if you provide instructions to your broker on how to vote your shares. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your broker cannot vote your shares of PlanVista common stock or PlanVista series C preferred stock without specific instructions from you. Because the affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding shares of PlanVista common stock and PlanVista series C preferred stock is required to adopt the merger agreement, if you do not instruct your broker how to vote, it will have the effect of a vote against the proposal to adopt the merger agreement.

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### **Voting Shares in Person that Are Held in Street Name**

If your shares are held in street name and you wish to vote those shares in person at the special meeting, you must obtain from your broker holding your PlanVista common stock or PlanVista series C preferred stock a properly executed legal proxy identifying you as a PlanVista stockholder, authorizing you to act on behalf of the nominee at the special meeting and identifying the number of shares with respect to which the authorization is granted.

### **How to Revoke a Proxy**

If you submit a proxy, you may revoke it at any time before it is voted by:

delivering to the Corporate Secretary of PlanVista a written notice, dated later than the proxy you wish to revoke, stating that the proxy is revoked;

submitting to the Corporate Secretary of PlanVista a new, signed proxy with a date later than the proxy you wish to revoke; or

attending the special meeting and voting in person.

Notices to the Corporate Secretary of PlanVista should be addressed to Corporate Secretary, PlanVista, 4010 Boy Scout Boulevard, Suite 200, Tampa, Florida 33607.

If you hold your shares in street name, you must give new instructions to your broker prior to the special meeting or obtain a signed legal proxy from the broker to revoke your prior instructions and vote in person at the meeting.

### **Solicitation of Proxies and Expenses**

PlanVista and ProxyMed will equally share the costs of soliciting proxies for the special meetings. Certain directors, officers and employees of PlanVista may solicit proxies, without additional remuneration, by telephone, facsimile, electronic mail, telegraph and in person. PlanVista expects that the expenses of this special solicitation will be nominal. Following the mailing of this joint proxy statement/ prospectus, PlanVista will request brokers, custodians, nominees and other record holders to forward copies of this joint proxy statement/ prospectus to persons for whom they hold shares of common stock and to request authority for the exercise of proxies. In such cases, PlanVista, upon the request of the record holder, will reimburse such holders for their reasonable expenses.

PlanVista does not intend to retain the services of a proxy solicitor.

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**THE MERGER**

This section of this joint proxy statement/ prospectus describes some aspects of the proposed merger. While ProxyMed and PlanVista believe that the description covers the material terms of the merger and the related transactions, this summary may not contain all of the information that is important to you. You should read this entire document and the other documents referred to in this joint proxy statement/ prospectus, including the merger agreement, a copy of which is attached to this joint proxy statement/ prospectus as Annex A, carefully for a more complete understanding of the merger. In addition, important business and financial information about ProxyMed and PlanVista is contained elsewhere in this joint proxy statement/ prospectus.

**General**

The ProxyMed board of directors and the PlanVista board of directors have each approved the merger agreement pursuant to which the businesses of ProxyMed and PlanVista will be combined. At the effective time of the merger, Planet Acquisition Corp., a newly formed, wholly-owned subsidiary of ProxyMed, will merge with and into PlanVista, with PlanVista surviving the merger and continuing as a wholly-owned subsidiary of ProxyMed under the name PlanVista Corporation.

Based on the number of shares of PlanVista common stock outstanding on January 29, 2004, upon completion of the merger, each share of PlanVista common stock then outstanding will be canceled and automatically converted into the right to receive 0.0835 of a share of ProxyMed common stock. This assumes that the PVC Funding Partners, LLC and Centra Benefit Services, Inc. debt is converted into PlanVista common stock prior to the merger. The total number of shares of ProxyMed common stock issuable as merger consideration is subject to a downward adjustment in the event that PlanVista's aggregate estimated transaction expenses in the merger exceed \$5,650,000. This would result in a reduction in the number of shares of ProxyMed common stock issuable to the holders of PlanVista common stock. The number of shares of ProxyMed common stock that each PlanVista common stockholder will receive as merger consideration will also be reduced if the amount owed by PlanVista to Commonwealth Associates Group Holdings, LLC pursuant to an advisory agreement with Commonwealth exceeds \$1,023,500 and the payment of the excess amount causes PlanVista's aggregate estimated transaction expenses in the merger to exceed \$5,650,000. PlanVista has agreed to pay such excess amount in shares of PlanVista common stock to be issued prior to the closing of the merger. The number of shares of ProxyMed common stock that each PlanVista common stockholder will receive will also be reduced if, under PlanVista's long-term incentive plan, certain bonuses to employees and a consultant exceed \$785,000 in the aggregate, as the excess amount of such bonus will be paid in shares of PlanVista common stock prior to the closing of the merger.

Based on the number of shares of PlanVista series C preferred stock outstanding on January 29, 2004, upon completion of the merger, holders of PlanVista's series C preferred stock will be entitled to receive 51.53 shares of ProxyMed common stock for each share of PlanVista series C preferred stock held by them. The total number of shares of ProxyMed common stock issuable as merger consideration is subject to a downward adjustment in the event that PlanVista's aggregate estimated transaction expenses in the merger exceed \$5,650,000. This would result in a reduction in the number of shares of ProxyMed common stock issuable to the holders of PlanVista series C preferred stock. PVC Funding Partners, LLC, the holder of 96% of the outstanding PlanVista series C preferred stock, has agreed not to convert its series C preferred stock into PlanVista common stock prior to the consummation of the merger. If any of the remaining PlanVista series C preferred stock are converted into PlanVista common stock prior to the closing of the merger, the number of ProxyMed shares allocated to the PlanVista common stockholders will be increased by the number of ProxyMed shares that the converting PlanVista series C preferred stockholders will receive upon consummation of the merger as a result of such conversion and the number of ProxyMed shares allocated to the remaining holders of the PlanVista series C preferred stock will be decreased by a like number.

The number of shares of ProxyMed common stock issuable pursuant to the merger agreement will be proportionately adjusted for any stock split, reverse stock split, stock dividend or similar event with respect

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to shares of ProxyMed common stock or PlanVista common stock effected between the date of the merger agreement and the effective time of the merger.

ProxyMed will issue 3,600,000 shares of ProxyMed common stock in the merger, 1,691,229 shares in connection with the ProxyMed private equity offering and will reserve 200,000 additional shares of ProxyMed common stock for future issuance upon the exercise of ProxyMed stock options to be issued to certain employees and officers of PlanVista.

At the effective time of the merger, each outstanding option to purchase PlanVista common stock will cease to represent a right to acquire shares of PlanVista common stock and will be canceled.

Immediately after the effective time, ProxyMed will cause the exchange agent to mail to the holders of record of PlanVista common stock a letter of transmittal and instructions on how to surrender PlanVista stock certificates in exchange for ProxyMed common stock certificates. Holders of PlanVista common stock should not mail their PlanVista stock certificates at this time. Upon surrendering their PlanVista common stock, the letter of transmittal and any other documents required by the exchange agent, the holders of PlanVista stock certificates will be entitled to receive a certificate representing that number of whole shares of ProxyMed common stock which that holder has the right to receive, cash for fractional shares of ProxyMed common stock and cash dividends or other distributions, if any, to which the holder is entitled.

## **Background of Merger**

In January 2003, Mr. Phillip S. Dingle, the Chairman of PlanVista's board of directors and its Chief Executive Officer, Mr. Jeffrey L. Markle, PlanVista's President and Chief Operating Officer, Mr. Michael Falk, a member of the board of directors of both ProxyMed and PlanVista and the Chief Executive Officer of Commonwealth Associates Group Holdings, LLC, the financial advisor to PlanVista, and Mr. Harold Blue, a director of PlanVista and the President and Chief Operating Officer of Commonwealth Associates Group Holdings, LLC and former Chairman, Chief Executive Officer and director of ProxyMed, met with Mr. Michael Hoover, the Chairman and Chief Executive Officer of ProxyMed to discuss the possibility of developing a joint marketing arrangement between ProxyMed and PlanVista.

From January 2003 through June 2003, management of each company negotiated the terms of the joint marketing and distribution arrangement. On May 20, 2003 at a regular meeting of ProxyMed's board of directors, Michael Hoover first informed the board of the new business opportunity that ProxyMed may have with PlanVista in marketing PlanVista's claims repricing services to ProxyMed's payers. On June 10, 2003, PlanVista and ProxyMed executed a Joint Marketing and Distribution Agreement pursuant to which ProxyMed agreed to market PlanVista's services to ProxyMed's client base. In connection with this joint marketing arrangement, ProxyMed received warrants to purchase up to 15% of the PlanVista common stock.

During June and July 2003, ProxyMed marketed the joint ProxyMed/ PlanVista products to existing ProxyMed clients pursuant to the Joint Marketing and Distribution Agreement. During this time ProxyMed's management concluded that the joint sales efforts between the two companies could be even more effective if the two companies were more tightly integrated. In August 2003, Mr. Hoover informally contacted Mr. Dingle regarding the possibility of combining ProxyMed and PlanVista, and later Mr. Hoover and Mr. Dingle scheduled a meeting to pursue more formal discussions regarding such a business combination.

On August 20, 2003, Messrs. Hoover, Dingle, and Blue met to discuss the general financial framework under which the companies might be combined and the potential benefits to the companies of such a potential combination.

On August 21, 2003, Mr. Hoover sent to Mr. Dingle a proposal outlining certain of the material terms of a possible merger of ProxyMed and PlanVista, including the proposed number of shares that ProxyMed would issue in the transaction and various conditions that would need to be met in order to finalize the transaction.

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On August 27, 2003, the executive committee of the PlanVista board of directors, one of the independent directors of PlanVista and a representative of Fowler White Boggs Banker PA, outside legal counsel to PlanVista, met to discuss the ProxyMed proposal. Mr. Dingle then sent a revised proposal to ProxyMed.

On August 29, 2003, Mr. Hoover sent to Mr. Dingle a revised proposal outlining certain of the material terms of a possible merger of ProxyMed and PlanVista, and proposing a timetable for continuing the discussions between the two companies.

On September 3, 2003, the PlanVista board of directors met with Fowler White to review the revised proposal from ProxyMed. Mr. Falk, a PlanVista director, discussed with the PlanVista board that he beneficially owned stock of ProxyMed and that he serves as a director of ProxyMed. The PlanVista board also noted that Mr. Falk is the controlling equity owner of Commonwealth Associates Group Holdings, LLC, which controls PVC Funding Partners, LLC, the holder of approximately 96% of PlanVista's series C preferred stock, and that Commonwealth Associates Group Holdings, LLC was currently acting as a financial advisor to PlanVista pursuant to an Investment Advisory Agreement. Messrs. Blue and Corbin also indicated that, as had been previously disclosed, each of them were designated to serve as PlanVista directors by the holders of the series C preferred stock and each also had employment or other relationships with Commonwealth. Mr. Murray indicated that he had an interest in PVC Funding Partners, LLC as a limited liability member. Because of the potential divergence of interests between the PlanVista common stockholders and the PlanVista preferred stockholders in addition to the previously disclosed relationships with ProxyMed, the PlanVista board of directors determined to establish a special committee composed of Mr. William Bennett and Mr. Gary Mansfield for the purpose of reviewing, negotiating, and determining whether to accept or reject any proposed transaction with ProxyMed, and authorized the special committee to hire such advisors and legal counsel as it determined to be appropriate.

During the first week of September 2003, management of ProxyMed and PlanVista continued to negotiate the terms of a proposed term sheet and a mutual confidentiality agreement. On September 4, 2003, the two companies entered into a term sheet and a confidentiality agreement.

On September 9, 2003, Mr. Hoover met with the ProxyMed board of directors and informed the board of the proposal set forth in the term sheet with PlanVista. The ProxyMed Board authorized ProxyMed's management to proceed to conduct a preliminary due diligence review of PlanVista.

During September 2003, members of PlanVista's management met with Braden Kelly of General Atlantic Partners, ProxyMed's largest shareholder, and Keven McNamara, both members of the board of directors of ProxyMed, in order to allow General Atlantic Partners and the ProxyMed board to conduct a due diligence review of PlanVista. Also during September 2003, each company's management and their respective financial and legal advisors met in person or by telephone with their counterparts to conduct a comprehensive due diligence review of the other company.

On September 19, 2003, the ProxyMed board of directors discussed with ProxyMed's management and representatives of Holland & Knight LLP, ProxyMed's outside legal counsel, their preliminary due diligence findings with respect to PlanVista.

On September 24, 2003, PlanVista's special committee met with Richards, Layton & Finger, its outside legal counsel, to review the independence of Mr. Mansfield in relation to the proposed transaction with ProxyMed. Mr. Mansfield indicated he would consider resigning from service on the special committee in order to avoid the appearance of any conflict of interest in light of his relationship with certain affiliates of Commonwealth Associates. The special committee then determined to engage Jefferies & Company, Inc. as the independent financial advisor to the special committee for the purpose of considering the proposed transaction with ProxyMed. Subsequently, Mr. Mansfield resigned from service as a member of the special committee.

During the months of October and November 2003, Jefferies & Company, on behalf of the PlanVista special committee, and William Blair & Company, L.L.C. on behalf of ProxyMed, conducted financial and other due diligence in connection with their service to the respective companies.

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On October 7, 2003, the special committee met with representatives of Jefferies and Richards, Layton & Finger to discuss certain issues, including pricing issues, the allocation of consideration between the common stockholders and the preferred stockholders of PlanVista, the PlanVista capital structure and other issues affecting PlanVista.

On October 10, 2003, the ProxyMed board of directors held a meeting to review certain of management's and Holland & Knight's findings during the initial due diligence review of PlanVista. The ProxyMed board requested that ProxyMed management discuss their preliminary due diligence findings with PlanVista's management.

On October 16 and 17, 2003, meetings were held between members of PlanVista's management team, members of ProxyMed's management team, Carl Kleidman of Commonwealth Associates and certain other representatives involved in the due diligence reviews. During these meetings, the terms and conditions of the possible transaction between the two companies as well as due diligence issues were discussed.

On October 22, 2003, the ProxyMed board of directors met with the ProxyMed management team and representatives of Holland & Knight to review the due diligence issues that were previously identified to the ProxyMed board in addition to other due diligence matters.

On October 29, 2003, Mr. Hoover updated the ProxyMed board of directors on the status of the negotiations with PlanVista and related due diligence matters. Mr. Hoover also discussed the terms of a private equity offering that ProxyMed would be required to complete in order to consummate the proposed merger with PlanVista. Mr. Hoover informed the board of his conversations with General Atlantic Partners and Commonwealth Associates regarding their willingness to participate in the required private equity offering. ProxyMed's management was directed by the board to engage William Blair & Company, L.L.C. to act as a financial advisor in connection with the proposed merger and to consider the fairness of the proposed transaction with PlanVista to ProxyMed, from a financial point of view.

During the months of October and November, 2003, Mr. Dingle, assisted by Mr. Kleidman and Mr. Blue, and in consultation with Mr. Bennett, negotiated various aspects of the proposed transaction with Mr. Hoover and other members of the ProxyMed management, including revisions to the proposed term sheet. The primary business issues involved the number of shares that would be issued by ProxyMed in the merger, the total amount of debt that PlanVista would owe upon the consummation of the merger, the amount of capital that ProxyMed would be required to contribute to PlanVista upon consummation of the merger, the number of stock options that ProxyMed would be obligated to issue to PlanVista officers and directors, and the amount of fees and expenses that PlanVista would incur as a result of the merger. Mr. Bennett, on behalf of the special committee, and Mr. Blue, as representative of the series C preferred stockholders, negotiated terms relating to the division of consideration between the common stockholders and the preferred stockholders of PlanVista. Jefferies held a series of meetings with management of PlanVista and ProxyMed and assisted in the review of documentation and the deliberations of the PlanVista special committee. Due diligence discussions continued.

From October 29, 2003 to December 4, 2003, management of both companies, and their respective financial and legal advisors, continued to negotiate the terms of the merger and the other transactions associated with the merger. The negotiated terms included the form of voting agreements, the form of stock purchase agreement for the ProxyMed private equity financing, the representations and warranties of both companies, the conditions to the closing of the merger, and the termination provisions of the merger agreement. During this period, PlanVista and Commonwealth Associates continued to discuss issues regarding the allocation of the consideration being paid in the transaction between the holders of the PlanVista common stock and the PlanVista preferred stock.

Between October 31, 2003 and November 17, 2003, the PlanVista special committee negotiated with ProxyMed management to have the merger be conditioned upon adoption of the Merger Agreement by a majority of the PlanVista common shares held by stockholders other than PVC Funding Partners, LLC, any affiliates or associates thereof, other holders of the PlanVista Series C preferred stock, or any

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executive officer or director of PlanVista, and to have the merger agreement be terminable by PlanVista in the event that PlanVista receives a superior offer that meets certain criteria.

On November 7, 2003, a meeting of the PlanVista special committee was held regarding the status of the negotiations with ProxyMed. Present at the meeting were representatives of Jefferies and Richards, Layton & Finger. The PlanVista board of directors also held a meeting regarding the status of the negotiations with ProxyMed. Representatives of Fowler White participated in the meeting.

On November 7, 2003, the ProxyMed board of directors held a telephonic meeting regarding the status of the negotiations with PlanVista. Representatives of William Blair & Company, L.L.C. and Holland & Knight participated in the telephonic meeting.

On November 10 and 11, 2003, the PlanVista special committee met with representatives of Richards, Layton & Finger and reviewed, among other things, the proposed allocation of the equity consideration to be paid by ProxyMed in the transaction between the PlanVista common stockholders and the PlanVista preferred stockholders, pursuant to which the holders of the PlanVista common stock would be entitled to receive on a per share basis a greater number of shares of ProxyMed common stock pursuant to the merger than would the PlanVista preferred stockholders.

On November 13, 2003, the PlanVista special committee met with representatives of Richards, Layton & Finger and a representative of Jefferies and reviewed the status of the negotiations. Jefferies reported on its activities and analysis to date.

On November 17, 2003, the PlanVista special committee was informed that after further review and consideration of its relationships with PlanVista and ProxyMed, Jefferies had determined that it would be unable to continue its work with the special committee. Jefferies noted that certain relationships between Jefferies and PlanVista, ProxyMed and others could give rise to the appearance of a conflict of interest and that such appearance could undermine the effectiveness of any opinion to be rendered by Jefferies as to the fairness of the transaction to the holders of the PlanVista common stock.

Subsequently, Mr. Bennett informed the PlanVista board of directors that he believed that in light of his health concerns and continuing time commitments for other personal and professional obligations, he could no longer devote the time and effort necessary to continue serving as the sole member of the PlanVista special committee. Mr. Bennett reported that significant progress had been made by the PlanVista special committee toward reaching a definitive agreement with ProxyMed that would result in a materially improved transaction from the perspective of PlanVista's common stockholders. Specifically, Mr. Bennett noted the majority of the minority stockholder vote that is a condition to PlanVista's obligation to consummate the merger, the termination provisions, and the disproportionate allocation of merger consideration to the PlanVista common stockholders. Mr. Bennett then resigned from service on the special committee.

On November 21, 2003, the PlanVista board of directors met to discuss the recent developments, including the resignation of Jefferies and the resignation of Mr. Bennett from service on the special committee. The PlanVista board of directors considered the qualifications of several independent investment banking firms that had been contacted by PlanVista management in light of the resignation of Jefferies, and after reviewing their respective qualifications and receiving management's report on the discussions that took place with the candidate firms, the board authorized the engagement of the investment banking firm of Peter J. Solomon Company, L.P. The PlanVista board also reviewed the status of the negotiations with ProxyMed and directed management to continue such negotiations while the new financial advisor conducted its due diligence.

Between November 21, 2003 and December 4, 2003, representatives of Peter J. Solomon Company, L.P. met with management of ProxyMed and PlanVista and conducted their financial and business due diligence with respect to both companies.

On November 28, 2003, executives of both PlanVista and ProxyMed and representatives of Fowler White, Holland & Knight, and Commonwealth held a teleconference to discuss further revisions and

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comments to the merger agreement. Issues discussed included due diligence matters, the amount of debt to which PlanVista would be subject at the closing of the merger, the amount of fees, expenses and other obligations that PlanVista would incur in connection with the merger, and adjustments to the number of shares that ProxyMed would issue in connection with the merger.

On November 30, 2003, representatives of Peter J. Solomon Company, L.P. met with management of PlanVista at PlanVista's corporate offices to continue their due diligence.

On December 1, 2003, representatives of Peter J. Solomon Company, L.P. met with management of ProxyMed at ProxyMed's corporate offices to continue their due diligence.

On December 4, 2003, the ProxyMed board of directors again met to consider the terms of the merger and the proposed equity financing transaction. Representatives from Holland & Knight and William Blair & Company, L.L.C. also participated telephonically in the board meeting. Representatives from William Blair & Company, L.L.C. presented its financial analysis with respect to the business combination and the private equity financing and delivered its fairness opinions.

On December 5, 2003, the PlanVista board of directors again met to consider the terms of the merger. Representatives from Fowler White and Peter J. Solomon Company, L.P. also participated in the board meeting. Representatives from Peter J. Solomon Company, L.P. presented a financial analysis with respect to the business combination and delivered its fairness opinion. Certain PlanVista executives received and signed formal employment letters for continued employment at PlanVista effective upon consummation of the merger.

The PlanVista board of directors upon a motion proposed by William Bennett voted unanimously (with Michael Falk abstaining) to approve the merger and recommend its adoption by the PlanVista stockholders.

On December 5, 2003, ProxyMed and PlanVista executed and delivered the merger agreement.

## **Description of Existing Contracts and Other Arrangements Between ProxyMed and PlanVista**

On June 10, 2003, PlanVista and one of its subsidiaries, National Network Services, Inc., entered into a three year joint distribution and marketing agreement with ProxyMed. Pursuant to the agreement, PlanVista's network repricing services and network management services are offered to ProxyMed's existing and prospective payer customers. Upon execution of the agreement, PlanVista paid ProxyMed \$200,000 for access to certain data. In addition, PlanVista paid ProxyMed \$150,000 to be ProxyMed's exclusive partner during the first 12 months of the arrangement. PlanVista also issued to ProxyMed a warrant to acquire 15% of PlanVista's outstanding common stock, calculated on a fully-diluted basis as of the time of exercise, at an exercise price of \$1.95 per share. The warrant has an initial term of six months with two three-month renewal options based on achieving certain revenue-based milestones, as defined in the agreement. The fair value of the warrant of \$496,000 on the date the warrant was granted was determined by an independent consultant using the Black-Scholes pricing model. The warrant expired on December 7, 2003.

## **ProxyMed's Reasons for the Merger**

ProxyMed's board of directors has approved the merger agreement and recommended that the ProxyMed shareholders vote to approve the amendment to ProxyMed's articles of incorporation to increase the authorized number of shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares, the amendment to the ProxyMed 2002 Stock Option Plan to increase the total number of shares available for issuance under such plan from 600,000 to 1,350,000, and the issuance of shares of ProxyMed common stock pursuant to the terms of the merger agreement and in connection with the ProxyMed private equity



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offering. In reaching its decision, the ProxyMed board of directors identified several reasons for and potential benefits of the merger to ProxyMed shareholders. These potential benefits include the following:

*Entry Into New Line of Business.* ProxyMed's current transaction business is focused on automating the process of providers conducting financial and administrative business with payers. One of ProxyMed's key business strategies is the creation or acquisition of new high value transaction products and services to cross-sell to its existing customers. By acquiring PlanVista, ProxyMed gains an excellent foundation in a new line of business, medical cost containment and business process outsourcing.

*New End-To-End Service Offering.* Today, ProxyMed only participates in a portion of the end-to-end claims processing cycle between providers and payers, which is the transmitting of claims to payers for adjudication. ProxyMed does not participate in post-adjudication processes, such as medical cost containment through repricing out of network claims or bill negotiation. This limits ProxyMed's ability to provide comprehensive processing solutions. Through the acquisition of PlanVista and the integration of the service offerings of both companies, ProxyMed can create an innovative new process model and platform that combines electronic healthcare transaction processing services, medical cost containment and business process outsourcing. This new business line will allow ProxyMed to offer its payer customers true end-to-end claims automated processing solutions, creating a compelling new value proposition to its payers.

*Increased Sales Opportunities with Payers.* ProxyMed has excellent relationships with over 450 payers, including a number of the nation's largest insurance companies. Historically PlanVista has served small and medium payers, and has had limited success in selling upward into the larger payers. As a result, there is very little overlap between the customer bases of the two companies. ProxyMed believes that it can successfully integrate PlanVista's cost containment services into ProxyMed's claims submission offering that it sells to the large payer marketplace, thus providing a new market for PlanVista's offerings.

*Strengthened Business Ties with Select Customers.* In ProxyMed's prior acquisition of MedUnite, ProxyMed issued convertible debt to the former shareholders of MedUnite, including seven of the nation's largest insurance companies: Aetna, Inc., Anthem Insurance Company, Inc., CIGNA Health Corporation, Oxford Health Plans, Inc., WellPoint Health Networks, Inc., Health Net, Inc., and PacifiCare Health Systems, Inc. Under the terms of the convertible debt, the former MedUnite shareholders can earn the right to convert their debt into ProxyMed common stock at \$18.32 by increasing their volume of business with ProxyMed over a forty-two (42) month period. ProxyMed believes that these companies will find the medical cost containment and business processing outsourcing services of PlanVista an attractive service offering and an opportunity to increase their volume of business with ProxyMed.

*Expanded Technological Capabilities.* PlanVista is a technology leader in the medical cost containment area and possesses significant technology capabilities and resources. The combination of PlanVista's technological resources with those of ProxyMed will allow ProxyMed to compete more effectively by enhancing its ability to develop new services and add functionality to existing services;

*Operating Cost Reductions.* The merger will provide an opportunity to reduce costs of operations by eliminating PlanVista's administrative cost of complying with public company regulations and duplications of accounting and finance functions.

*Enhanced Public Profile.* ProxyMed believes that the increase in its combined revenues, operating profits and earnings per share that will result from the combination of ProxyMed and PlanVista will increase its profile in the financial marketplace. Any such increase in attention may lead to increased interest in ProxyMed and its investment potential.

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Based on these and other strategic factors, the ProxyMed board of directors determined that approval of the merger agreement and the merger were in the best interests of ProxyMed and its shareholders. Accordingly, the board of directors voted to approve the merger.

### **Recommendation of the Merger by the ProxyMed Board of Directors**

At a meeting held on December 4, 2003, the ProxyMed board of directors:

determined that the merger is strategic, advisable, and is fair to and in the best interests of ProxyMed and its shareholders;

approved the amendment to ProxyMed's articles of incorporation to increase the authorized number of shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares;

approved the amendment to the ProxyMed 2002 Stock Option Plan to increase the total number of shares available for issuance under such plan from 600,000 to 1,350,000;

approved the merger agreement, the merger and the issuance of ProxyMed common stock in connection with the merger;

approved the private equity offering and the issuance of ProxyMed common stock in connection with the ProxyMed private equity offering;

directed that the amendment of ProxyMed's articles of incorporation to increase the authorized number of shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares, the amendment to the ProxyMed 2002 Stock Option Plan to increase the total number of shares available for issuance under such plan from 600,000 to 1,350,000, the issuance of ProxyMed common stock in connection with the merger, and the issuance of ProxyMed common stock in connection with the ProxyMed private equity offering be presented for approval by ProxyMed shareholders at the ProxyMed special meeting; and

resolved to recommend that the ProxyMed shareholders approve the amendment of ProxyMed's articles of incorporation to increase the authorized number of shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares, the amendment to the ProxyMed 2002 Stock Option Plan to increase the total number of shares available for issuance under such plan from 600,000 to 1,350,000, the issuance of ProxyMed common stock in connection with the merger, and the issuance of ProxyMed common stock in connection with the ProxyMed private equity offering.

In the course of reaching its decision to approve the merger agreement, ProxyMed's board of directors consulted with ProxyMed's senior management, legal counsel and financial advisors, and reviewed a significant amount of information and considered the following factors:

the strategic reasons for the merger (described in the section of this joint proxy statement/ prospectus entitled "The Merger - ProxyMed's Reasons for the Merger" beginning on page 61);

general market conditions and the competitive environment for ProxyMed's products and services;

the potential benefits to ProxyMed shareholders as a result of growth opportunities following the merger;

financial market conditions, historical market prices, volatility and trading information with respect to ProxyMed's common stock and PlanVista's common stock;

historical and current information about ProxyMed's and PlanVista's businesses, prospects, financial performance and condition, operations, technology, management and competitive position, including public reports concerning results of operations during the most recent fiscal year and fiscal quarter of each company filed with the SEC, analyst estimates, market data and management's knowledge of the industry;

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the opinion of William Blair & Company, L.L.C. dated December 5, 2003 that, as of that date, the consideration to be paid by ProxyMed in connection with the merger was fair, from a financial point of view, to ProxyMed. A copy of the William Blair & Company, L.L.C. opinion relating to the merger is attached to this joint proxy statement/prospectus as Annex B. This written opinion should be read in its entirety for a description of the procedures followed, assumptions and qualifications made, matters considered and limitations of the review undertaken by William Blair & Company, L.L.C. please refer to the section of this joint proxy statement/prospectus The Merger Opinion of ProxyMed's Financial Advisor beginning on page 70;

the potential impact of the merger on ProxyMed's customers;

the fact that the shareholders of ProxyMed will have the opportunity to vote upon the amendment to ProxyMed's articles of incorporation to increase the authorized number of shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares;

the likelihood that ProxyMed and PlanVista will be able to complete the transaction;

reports from ProxyMed's management, legal advisors and financial advisors about the results of the due diligence investigation of PlanVista;

the terms and conditions of the merger agreement, including:

the no solicitation provisions and each party's ability to engage in negotiations with, provide any confidential information or data to, and otherwise have certain discussions with, any person relating to an alternative acquisition proposal under certain circumstances,

the conditions to each party's obligation to effect the merger,

the definition of material adverse effect, and

the limited ability of PlanVista to terminate the merger agreement;

ProxyMed's prospects going forward without the combination with PlanVista; and

the potential for other third parties to enter into strategic relationships with or to acquire PlanVista.

In reaching its determination, the ProxyMed board of directors believes that the factors described above generally figured positively with respect to the acquisition, as advantages or opportunities to be derived from the merger, except for the first factor above, which figured both positively and negatively. The ProxyMed board of directors also considered the following potentially negative factors in its deliberations concerning the merger:

the possibility that the merger might not be consummated and the effect of a public announcement of the merger on:

ProxyMed's revenues and other operating results,

ProxyMed's ability to attract and retain key management, marketing and technical personnel, and

customer relationships;

the risk that the potential benefits sought in the merger might not be realized;

the substantial expenses to be incurred in connection with the merger, including costs of integrating the businesses and transaction expenses arising from the merger;

the risk that key technical and management personnel might not remain employed by the combined company and key customers might terminate their relationships with the combined company;

the possibility ProxyMed would suffer an economic detriment as a result of the market price of ProxyMed common stock increasing prior to the closing of the merger, because the stock portion of the merger consideration to be received by PlanVista stockholders is fixed;

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the terms of the merger agreement regarding PlanVista's right to consider and negotiate other acquisition proposals in certain circumstances, as well as the possible effects of the provisions in the merger agreement regarding termination fees;

various other risks associated with the merger and the business of ProxyMed and the combined company described in the section of this joint proxy statement/prospectus entitled "Risk Factors"; and

the significant amount of debt that ProxyMed and PlanVista will be required to repay following the consummation of the merger.

The above discussion of the material factors is not intended to be exhaustive, but does set forth the principal factors considered by the ProxyMed board of directors. After due consideration, the ProxyMed board of directors concluded that the potential benefits of the merger outweighed the risks associated with the merger.

In view of the wide variety of factors considered by the ProxyMed board of directors in connection with the evaluation of the merger and the complexity of these matters, the ProxyMed board of directors did not consider it practical to quantify, rank or otherwise assign relative weights to the foregoing factors, and it did not attempt to do so. Rather, the ProxyMed board of directors made its recommendation based on the totality of the information presented to it, and the investigation conducted by it. The ProxyMed board of directors considered all these factors and determined that these factors, as a whole, supported the conclusions and recommendations described above.

In considering the recommendation of the ProxyMed board of directors to approve the issuance of shares of ProxyMed common stock in connection with the merger and the ProxyMed private equity offering and the amendment to ProxyMed's articles of incorporation, ProxyMed shareholders should be aware that some officers and directors of ProxyMed have interests in the proposed merger that are different from and in addition to the interests of ProxyMed shareholders generally. The ProxyMed board of directors was aware of these interests and considered them in approving the merger agreement and the merger. Please refer to the section of this joint proxy statement/prospectus entitled "The Merger Interests of Certain Persons in the Merger" beginning on page 81.

After carefully evaluating these factors, both positive and negative, the board of directors of ProxyMed has determined that the merger is in the best interests of ProxyMed and its shareholders. The ProxyMed board of directors recommends that you vote FOR the proposed amendment to the ProxyMed articles of incorporation to increase the authorized number of shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares, the proposed amendment to the ProxyMed 2002 Stock Option Plan to increase the total number of shares available for issuance under such plan from 600,000 to 1,350,000, the issuance of shares of ProxyMed common stock pursuant to the merger agreement and the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering.

**PlanVista's Reasons For the Merger**

The decision of the PlanVista board of directors to enter into the merger agreement and to recommend that PlanVista stockholders adopt the merger agreement was the result of the PlanVista board of director's careful consideration of a range of strategic alternatives, including its previous efforts to raise capital and refinance PlanVista's debt, potential business combinations with companies other than ProxyMed, and the pursuit of a long-term independent business strategy for PlanVista that might involve additional financing.

During the course of its deliberations, the board of directors of PlanVista considered, with the assistance of management and financial advisors and legal counsel, a number of factors that the board of

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directors believes make the merger attractive to PlanVista's stockholders and could contribute to the success of the surviving corporation, including the following:

*Improved Growth Prospects with Larger Payers.* PlanVista traditionally has not been able to attract larger payers to utilize its services, which has inhibited the growth potential for PlanVista. ProxyMed's presence as the nation's second-largest clearinghouse with direct electronic data interchange connectivity to 450 of the nation's 500 largest medical claims payers will give the combined company recurring and permanent access to a customer base for which PlanVista has had limited access in the past and should improve the receptivity of large payers to PlanVista's services. Since there is virtually no overlap between ProxyMed's and PlanVista's respective current customer bases, the ProxyMed customer base will add a significant marketing opportunity for PlanVista.

*Improved Receptivity by Providers.* PlanVista's primary product is its provider base of doctors, hospitals, and ancillary care providers throughout the U.S. Agreements with those providers and PPOs are generally short term in nature. Some industry experts believe that providers have shown a reluctance to participate in secondary networks like PlanVista's. ProxyMed's primary constituents are its providers, and ProxyMed has strong relationships and general acceptance within the provider community. PlanVista envisions that it will be able to reinforce its position and strength within the provider community by exploiting ProxyMed's provider relationships.

*Combining the Service Offerings of the Two Companies Better Serves the Customers of Both.* Combining ProxyMed's strength in electronic healthcare transaction processing services with PlanVista's strength in medical cost containment and business process outsourcing enables the combined companies to create a platform that encompasses electronic healthcare transaction processing services and medical cost containment and business process outsourcing which will add value for the customers of both companies.

*Combined Technological Expertise Will Benefit Both Companies.* PlanVista's strength in technology and expertise in designing software products for medical cost containment and business process outsourcing, when combined with ProxyMed's technological expertise in claims transmission, will create a stronger platform for future product development for both companies.

*ProxyMed's Resources Will Aid in Sales Promotion.* The merger would provide PlanVista access to ProxyMed's greater financial, technological and human resources to continue to develop PlanVista's services and greater sales and marketing resources to help promote those services more broadly.

*Better Competitive Position.* PlanVista faces increasing competition from other medical cost containment and business process outsourcing firms. PlanVista believes that a combination with a larger company with the resources of ProxyMed may provide a number of competitive advantages. By combining with ProxyMed, PlanVista may also reduce the risks associated with seeking additional financing and pursuing its revenue goals as an independent company.

*Elimination of the Competitive Disadvantage Posed by the Uncertainties of PlanVista's Current Financial Structure.* The amount of PlanVista's debt and the prospect of having to refinance PlanVista's debt by the end of May 2004 has in the past and increasingly continues to be an impediment to PlanVista's ability to attract new customers and retain its existing customers. Both of these circumstances have made it difficult for PlanVista to continue to grow and have focused PlanVista's senior management's efforts to a large extent on refinancing rather than growth. The merger would eliminate this impediment to growth and reassure PlanVista's customer base.

*Additional Cost-Savings and Benefits.* The merger will provide an opportunity to reduce costs of operations by eliminating PlanVista's administrative cost of complying with public company regulations and duplications of accounting and finance functions.

*Resolves PlanVista's Refinancing Pressures.* PlanVista must refinance over \$40 million of debt prior to May 31, 2004. PlanVista has been unsuccessful in refinancing this debt on acceptable terms

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on at least three prior attempts over the last three years and faces the prospect of defaulting on the debt. Refinancing, if available, may also entail substantial dilution to the PlanVista stockholders, if PlanVista were to continue on an independent basis with a refinanced balance sheet. The merger would eliminate this pressure.

*Provides Improved Stockholder Liquidity.* PlanVista's stock was delisted from the New York Stock Exchange in October 2002 because PlanVista failed to meet the listing requirements. Since that time, PlanVista's stock has traded on the Over-the-Counter Bulletin Board because PlanVista does not meet the listing standards for any other recognized national securities exchange or national stock market. This has resulted in a low trading profile for PlanVista's stock, a limitation on the volume of shares that can be sold, and possibly an inefficient market for determining the price of PlanVista's stock. By combining with a larger company whose stock is traded on the Nasdaq National Market, PlanVista's stockholders should have improved liquidity with respect to their shares.

*Pricing.* The board of directors of PlanVista believes that the price offered by ProxyMed is reflective of or in excess of the price that PlanVista could expect to receive if it were to be able to complete an equity offering of its own stock. PlanVista attempted to sell stock to the public and private markets in July through August of 2002 and in June through August of 2003, respectively, but in neither instance was able to complete the offering and in each instance the prices being discussed were below the price currently being offered in the merger to the common shareholders. Additionally, the board of directors was made aware of the opinion of Peter J. Solomon Company, L.P., dated December 5, 2003, to the effect that the consideration to be received by the PlanVista common stockholders (other than Commonwealth Associates Group Holdings, LLC and its affiliates and associates) for the shares of PlanVista common stock in connection with the merger was, as of that date, fair from a financial point of view to such holders of PlanVista common stock.

*Requires Stockholder Approval.* Adoption of the merger agreement is conditioned upon, among other things, the approval of a majority of the votes cast by those PlanVista stockholders present and voting at the meeting, and not taking into account any votes cast by holders of the series C preferred stock, by Commonwealth Associates, L.P., or any affiliates or officers or directors thereof, or any director or executive officer of PlanVista.

*Common Stockholders Will Receive a Proportionately Higher Percentage of Consideration than Series C Preferred Stockholders.* The series C preferred stockholders have agreed to waive their right to treat the merger as a liquidation and to receive a proportionately lower percentage of the total equity consideration being paid by ProxyMed than they would otherwise be entitled to under PlanVista's Certificate of Incorporation. PVC Funding Partners, LLC, the holder of 96% of the series C preferred stock, has agreed to refrain from converting its preferred stock into common stock before the merger is consummated and has agreed to give up additional shares if any shares of preferred stock that they do not control are converted prior to the closing of the merger. As a result, the common stockholders as of the date of the signing of the merger agreement are assured that they will get the same number of ProxyMed shares without regard to any such conversion. Based on the market price of ProxyMed's common stock on January 29, 2004, PlanVista's common stockholders would receive approximately \$1.54 per share of their PlanVista common stock in the merger and the PlanVista series C preferred stockholders would receive approximately \$1.27 for each share of PlanVista common stock into which their shares of series C preferred stock are convertible. This assumes that PVC Funding Partners, LLC and Centra Benefit Services, Inc.'s debt is converted into PlanVista common stock prior to the merger.

PlanVista's board of directors also believed that the merger would offer the stockholders of the combined company the potential benefits described above under the heading "The Merger - ProxyMed Reasons for the Merger."

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In addition, PlanVista's board of directors considered a number of potentially negative factors relating to the merger, including the following:

*Reduction in Recently Quoted Stock Price.* By agreeing to the merger and announcing a transaction at the expected merger price, which is below the recent prices at which PlanVista's common stock has been trading on the Over-the-Counter Bulletin Board, it is likely that PlanVista's quoted stock price will immediately be reduced, causing a perceived loss of stockholder value, and if the merger is not completed, PlanVista's stock may never again achieve the higher prices at which it has recently traded;

*Loss of Time to Seek Opportunity to Refinance.* By entering into the merger agreement and focusing PlanVista's attention toward completion of the merger, PlanVista will be foregoing opportunities to continue to try to refinance its debt, which will be due in May 2004. If the merger agreement for any reason is not approved or the merger does not otherwise occur because of the conditions to closing, PlanVista may be faced with little or no time to refinance, which could lead to a default on PlanVista's indebtedness. This could have an adverse effect upon the price at which PlanVista's stock trades, cause substantial dilution to PlanVista's common stockholders, and have other material consequences to PlanVista;

*Loss of Autonomy.* By becoming a part of a much larger company, PlanVista will have less autonomy and independence in setting its strategic goals;

*The Number of Shares to be Received Is Fixed.* The fixed number of shares of ProxyMed to be issued in the merger to PlanVista's stockholders may lead to a reduction in the value of the equity consideration being paid by ProxyMed if ProxyMed's stock price declines;

*Benefits May Not be Realizable.* There is a risk that the potential benefits of the merger may not be realized;

*Employee Retention Risk.* There is a risk that PlanVista may find it more difficult to attract and retain skilled employees during the pendency of the merger;

*Management Risk.* There is a risk that the merger may divert management's attention from PlanVista's business operations; and

*Other Risks.* Other risks are described in this joint proxy statement/prospectus under Risk Factors.

This discussion of factors considered by the PlanVista board of directors is not intended to be exhaustive, but is intended to include the material factors considered.

## **Recommendation of PlanVista Board of Directors**

At a meeting held on December 5, 2003, the PlanVista board of directors:

determined that the merger is advisable, and is fair to and in the best interests of PlanVista and its stockholders;

approved the merger agreement;

directed that the merger agreement be submitted for consideration by PlanVista stockholders at a PlanVista special meeting; and

resolved to recommend that the PlanVista stockholders adopt the merger agreement.

In the course of reaching its decision to approve the merger agreement, PlanVista's board of directors consulted with senior management, its legal counsel and its financial advisor, and reviewed a significant amount of information and considered the foregoing material factors, as well as the following:

the then current financial market conditions, and historical market prices, volatility and trading information with respect to PlanVista's common stock and ProxyMed's common stock;



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historical and current information concerning PlanVista's and ProxyMed's respective businesses, prospects, financial performance and condition, operations, technology, management and competitive position, including, without limitation, public reports concerning results of operations during the most recent calendar year and calendar quarter of each company filed with the SEC;

PlanVista's management's view of the financial condition, results of operations and businesses of PlanVista and ProxyMed before and after giving effect to the merger and based on, among other things, the results of due diligence on ProxyMed, analyst estimates, market data and management's knowledge of the industry;

the terms and conditions of the merger agreement, including:

the no solicitation provisions and PlanVista's ability to engage in negotiations with, provide any confidential information or data to, and otherwise have certain discussions with, any person relating to an alternative acquisition proposal under certain circumstances,

the conditions to ProxyMed's obligation to effect the merger,

the definition of material adverse effect, and

the limited ability of ProxyMed to terminate the merger agreement;

PlanVista's view of its prospects of PlanVista as an independent company;

the potential for other third parties to enter into strategic relationships with or to acquire PlanVista;

the fact that the transaction was intended to be structured such that PlanVista stockholders would not be immediately taxed on the stock merger consideration;

the opinion of Peter J. Solomon Company, L.P. dated December 5, 2003 that, as of that date and based upon the assumptions made, procedures followed, matters considered and limits of review set forth in Peter J. Solomon Company, L.P.'s written opinion, the consideration to be paid to the holders of PlanVista common stock (other than Commonwealth Associates Group Holdings, LLC and its affiliates and associates) in connection with the merger was fair to such stockholders from a financial point of view. A copy of the Peter J. Solomon Company, L.P. opinion is attached to this proxy statement as Annex C. This written opinion should be read in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Peter J. Solomon Company, L.P. in delivering its opinion. Please refer to the section of this joint proxy statement/prospectus entitled "The Merger - Opinion of PlanVista's Financial Advisor" beginning on page 76; and

the impact of the merger on PlanVista's customers and potential business partners other than ProxyMed.

In reaching its determination, the PlanVista board of directors considered both the positive and negative factors described above and determined that the positive factors outweighed the negative factors.

In view of the wide variety of factors considered by the PlanVista board of directors in connection with the evaluation of the merger and the complexity of these matters, the PlanVista board of directors did not consider practical, and did not attempt, to quantify, rank or otherwise assign relative weights to, the foregoing material factors. Rather, the PlanVista board of directors made its recommendation based on the totality of the information presented to, and the investigation conducted by it. The PlanVista board of directors considered all these material factors and determined that these factors, as a whole, supported the conclusions and recommendations described above.

In considering the recommendation of the PlanVista board of directors to adopt the merger agreement, PlanVista stockholders should be aware that certain officers and directors of PlanVista have certain interests in the proposed merger that are different from and in addition to the interests of PlanVista stockholders generally. The PlanVista board of directors was aware of these interests and considered them in approving the merger agreement and the merger. The action of the board of directors was unanimous

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and all directors including those who were deemed independent supported the recommendation. Please refer to the section of this joint proxy statement/prospectus entitled "The Merger - Interests of Certain Persons in the Merger" beginning on page 81.

After carefully evaluating these factors, both positive and negative, the board of directors of PlanVista has determined that the merger is in the best interests of PlanVista and its stockholders. The PlanVista board of directors recommends that you vote FOR the adoption of the merger agreement.

### **Opinion of ProxyMed's Financial Advisor**

William Blair & Company, L.L.C. was engaged by the ProxyMed board of directors on October 29, 2003 to act as a financial advisor to ProxyMed with respect to pursuing the merger with PlanVista. As part of its engagement, ProxyMed requested that William Blair & Company, L.L.C. render its opinion as to whether the consideration to be paid by ProxyMed in connection with the merger was fair to ProxyMed from a financial point of view. On December 4, 2003, William Blair & Company, L.L.C. delivered its oral opinion, subsequently confirmed in writing, to the effect that, as of that date and based upon and subject to the assumptions and qualifications stated in its opinion, the consideration was fair, from a financial point of view, to ProxyMed.

William Blair & Company, L.L.C. provided the opinion described above for the information and assistance of the ProxyMed board of directors in connection with its consideration of the merger. The terms of the merger agreement, however, were determined through negotiations between ProxyMed and PlanVista, and were approved by the ProxyMed board of directors.

**The full text of William Blair & Company, L.L.C.'s written opinion, dated December 5, 2003, is attached as Annex B to this joint proxy statement/prospectus and incorporated into this document by reference. You are urged to read the entire opinion carefully to learn about the assumptions made, procedures followed, matters considered and limits on the scope of the review undertaken by William Blair & Company, L.L.C. in rendering its opinion. William Blair & Company, L.L.C.'s opinion relates only to the fairness, from a financial point of view, of the consideration to be paid by ProxyMed in the merger pursuant to the merger agreement, does not address any other aspect of the proposed merger or any related transaction, and does not constitute a recommendation to any shareholder as to how that shareholder should vote with respect to the merger. William Blair & Company, L.L.C. did not address the merits of the underlying decision by ProxyMed to engage in the merger. The following summary of William Blair & Company, L.L.C.'s opinion is qualified in its entirety by reference to the full text of the opinion. The opinion was directed to the board of directors of ProxyMed for its benefit and use in evaluating the fairness of the consideration to be paid by ProxyMed. We urge you to read the opinion carefully and in its entirety.**

In connection with its opinion, William Blair & Company, L.L.C. examined or discussed:

The merger agreement dated December 5, 2003 (and drafts thereof);

certain audited historical financial statements of ProxyMed and of PlanVista for the three years ended December 31, 2002;

certain unaudited financial statements of ProxyMed and PlanVista for the nine months ended September 30, 2003;

certain internal business, operating and financial information provided by ProxyMed and PlanVista and forecasts of ProxyMed and PlanVista prepared by the senior management of ProxyMed and PlanVista, respectively;

information regarding the strategic, financial and operational benefits anticipated from the merger and the prospects of ProxyMed (with and without the merger) prepared by senior management of ProxyMed and PlanVista;

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the pro forma impact of the merger on the financial results and condition of ProxyMed, based on certain pro forma financial information prepared by the senior management of ProxyMed;

information regarding publicly available financial terms of certain other business combinations William Blair & Company, L.L.C. deemed relevant;

the financial position and operating results of ProxyMed compared with those of certain other publicly traded companies William Blair & Company, L.L.C. deemed relevant;

current and historical market prices and trading volumes of the common stock of ProxyMed and PlanVista; and

certain other publicly available information on ProxyMed and PlanVista.

William Blair & Company, L.L.C. also held discussions with members of the senior management of ProxyMed and PlanVista regarding the foregoing, considered other matters which William Blair & Company, L.L.C. deemed relevant to its inquiry and took into account such accepted financial and investment banking procedures and considerations that it deemed relevant.

In rendering its opinion, William Blair & Company, L.L.C. has assumed and relied, without independent verification, upon the accuracy and completeness of all the information examined by or otherwise reviewed or discussed with William Blair & Company, L.L.C. for purposes of its opinion, including without limitation the forecasts provided by senior management of ProxyMed and PlanVista. William Blair & Company, L.L.C. has not made or obtained an independent valuation or appraisal of the assets, liabilities or solvency of ProxyMed or PlanVista. William Blair & Company, L.L.C. has been advised by the senior management of ProxyMed and PlanVista that the forecasts examined by William Blair & Company, L.L.C. have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the senior management of ProxyMed and PlanVista. In that regard, William Blair & Company, L.L.C. has assumed, with ProxyMed's consent, that (i) the forecasts will be achieved in the amounts and at the times contemplated thereby and (ii) all material assets and liabilities (contingent or otherwise) of ProxyMed and PlanVista are as set forth in the financial statements or other information made available to William Blair & Company, L.L.C. by ProxyMed or PlanVista, respectively. William Blair & Company, L.L.C. expresses no opinion with respect to the forecasts or the estimates and judgments on which they are based. William Blair & Company, L.L.C. was not requested to, and did not consider, and its opinion does not address, the relative merits of the merger as compared to any alternative business strategies that might exist for ProxyMed or the effect of any other transaction in which ProxyMed might engage. William Blair & Company, L.L.C.'s opinion is based upon economic, market, financial and other conditions existing on, and other information disclosed to William Blair & Company, L.L.C., as of the date of its opinion. It should be understood that, although subsequent developments may affect its opinion, William Blair & Company, L.L.C. does not have any obligation to update, revise or reaffirm its opinion. William Blair & Company, L.L.C. has assumed that the merger will be consummated on the terms described in the merger agreement, without any waiver of any material terms or conditions by ProxyMed. William Blair & Company, L.L.C. has not provided any legal advice to ProxyMed and ProxyMed acknowledges that it has relied on its own counsel for all legal determinations. William Blair & Company, L.L.C. was not requested to, nor did it, seek alternative participants for the proposed merger.

William Blair & Company, L.L.C. did not express any opinion as to the price at which the common stock of ProxyMed or PlanVista will trade at any future time. Such trading prices may be affected by a number of factors, including but not limited to:

dispositions of the common stock of ProxyMed by shareholders within a short period of time after the effective date of the merger;

changes in the prevailing interest rates and other factors which generally influence the price of securities;

adverse changes in the current capital markets;

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the occurrence of adverse changes in the financial condition, business, assets, results of operations or prospects of ProxyMed or of PlanVista or in the healthcare market in general;

any necessary actions by or restrictions of federal, state or other governmental agencies or regulatory authorities; and

timely completion of the merger on the terms and conditions that are acceptable to all parties at interest.

The following is a summary of the material financial analyses performed and material factors considered by William Blair & Company, L.L.C. to arrive at its opinion. William Blair & Company, L.L.C. performed certain procedures, including each of the financial analyses described below, and reviewed with the ProxyMed board of directors the assumptions upon which such analyses were based, as well as other factors. Although the summary does not purport to describe all of the analyses performed or factors considered by William Blair & Company, L.L.C. in this regard, it does set forth those considered by William Blair & Company, L.L.C. to be material in arriving at its opinion. Certain of the summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses used by William Blair & Company, L.L.C., the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Accordingly, the analyses listed in the tables and described below must be considered as a whole. Considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying William Blair & Company, L.L.C.'s opinion.

*Selected Public Company Analysis.* William Blair & Company, L.L.C. reviewed and compared certain financial information relating to PlanVista to corresponding financial information, ratios and public market multiples for certain publicly traded companies with operations in the healthcare transaction processing industry and certain other publicly traded companies with operations in the healthcare outsourcing and other services industry that William Blair & Company, L.L.C. deemed relevant. The companies selected by William Blair & Company, L.L.C. in the healthcare transaction processing industry were:

NDCHealth Corporation;

Trizetto Group, Inc.; and

WebMD Corporation.

The companies selected by William Blair & Company, L.L.C. in the healthcare outsourcing and other services industry were:

BCE Emergis Inc.;

CorVel Corporation;

First Consulting Group, Inc.;

First Health Corporation;

Per-Se Technologies, Inc.;

Quovadx, Inc.; and

Superior Consultant Holdings.

Among the information William Blair & Company, L.L.C. considered was revenue, earnings before interest and taxes, commonly referred to as EBIT, and earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA, for each company for the last twelve months, commonly referred to as LTM, along with projected 2004 net income. The operating results and the corresponding derived multiples for PlanVista and each of the selected companies were based on each company's most recent available publicly disclosed financial information, the forecasts for PlanVista and closing share prices

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as of December 3, 2003. The total value of the transaction is based on the equity value implied by the purchase price plus total debt, less cash and cash equivalents.

William Blair & Company, L.L.C. then compared the implied transaction multiples for PlanVista based on its LTM and estimated 2003 revenue EBIT and EBITDA as well as its projected 2004 net income to the range of trading multiples for the selected companies. Information regarding the multiples from William Blair & Company, L.L.C.'s analysis of selected publicly traded companies is set forth in the following table.

Multiple	Implied Transaction Multiples	Selected Public Company LTM Valuation Multiples			
		Min	Mean	Median	Max
Total Value/ LTM Revenue	3.08x	0.25x	1.70x	1.60x	3.17x
Total Value/ 2003 Estimated Revenue	2.99x				
Total Value/ LTM EBIT	10.6x	8.6x	12.7x	12.9x	15.7x
Total Value/ 2003 Estimated EBIT	10.0x				
Total Value/ LTM EBITDA	10.0x	6.9x	13.5x	9.8x	36.3
Total Value/ 2003 Estimated EBITDA	9.5x				

None of the selected companies is identical to PlanVista. Accordingly, any analysis of the selected publicly traded companies necessarily involved complex considerations and judgments concerning the differences in financial and operating characteristics and other factors that would necessarily affect the analysis of trading multiples of the selected publicly traded companies.

*Selected M&A Transactions Analysis.* William Blair & Company, L.L.C. performed an analysis of selected recent business combinations consisting of transactions announced subsequent to January 1, 2000 and primarily involving healthcare transaction processing, healthcare information technology, healthcare outsourcing and other services companies based on publicly available information. The selected transactions were not intended to be representative of the entire range of possible transactions in the healthcare industry as a whole. The ten transactions examined were (target/acquirer):

CareScience, Inc./ Quovadx, Inc.

PracticeWorks, Inc./ Eastman Kodak Company

AVIDYN, Inc./ FiServ, Inc.

ALI Technologies, Inc./ McKesson Corporation

SunQuest Information Systems, Inc./ Misys plc

CCN, Inc./ First Health Group

Healthcare.com/ Xcare.net

Shared Medical Systems Corporation/ Siemens Medical Engineering Group

Medical Manager Corporation/ Healtheon/ WebMD

Envoy/ Healtheon/ WebMD

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William Blair & Company, L.L.C. reviewed the consideration paid in the selected transactions in terms of the total value of such transactions as a multiple of LTM revenue and EBITDA prior to the announcement of these transactions. William Blair & Company, L.L.C. compared the resulting range of transaction multiples of revenue and EBITDA for the selected transactions to the implied transaction multiples for PlanVista based on the LTM and estimated 2003 revenue and EBITDA for PlanVista. Information regarding the multiples from William Blair & Company, L.L.C.'s analysis of selected transactions is set forth in the following table:

Multiple	Implied Transaction Multiples	Selected Transaction Valuation Multiples			
		Min	Mean	Median	Max
Total Value/ LTM Revenue	3.08x	0.71x	2.32x	3.80x	11.17x
Total Value/ 2003 Estimated Revenue	2.99x				
Total Value/ LTM EBITDA	10.0x	10.7x	27.4x	29.1x	56.0x
Total Value/ 2003 Estimated EBITDA	9.5x				

Although William Blair & Company, L.L.C. analyzed the multiples implied by the selected transactions and compared them to the implied transaction multiples of PlanVista, none of these transactions or associated companies is identical to the merger or PlanVista. Accordingly, any analysis of the selected transactions necessarily involved complex considerations and judgments concerning the differences in financial and operating characteristics, parties involved and terms of their transactions and other factors that would necessarily affect the implied value of PlanVista versus the values of the companies in the selected transactions.

*Discounted Cash Flow Analysis.* William Blair & Company, L.L.C. utilized PlanVista's forecasts to perform a discounted cash flow analysis of PlanVista's projected future cash flows for the period commencing January 1, 2004 and ending December 31, 2008. Using discounted cash flow methodology, William Blair & Company, L.L.C. calculated the present values of the projected free cash flows for PlanVista. In this analysis, William Blair & Company, L.L.C. assumed terminal value multiples ranging from 8.0x to 10.0x the projected 2008 EBITDA and discount rates ranging from 12% to 16%. William Blair & Company, L.L.C. aggregated (i) the present value of the free cash flows over the applicable forecast period with (ii) the present value of the range of terminal values. The aggregate present value of these items represented the enterprise value range. The implied range of enterprise values for PlanVista implied by the discounted cash flow analysis ranged from approximately \$70 million to \$210 million, as compared to the enterprise value for PlanVista of approximately \$99.8 million implied by the merger.

*Earnings Accretion/ Dilution Analysis.* William Blair & Company, L.L.C. analyzed certain pro forma effects resulting from the merger, including the potential impact of the merger on projected 2004 earnings per share of ProxyMed following the merger. William Blair & Company, L.L.C. assumed that ProxyMed common shares were issued in a private placement to finance a portion of the transaction; utilized the forecasts for ProxyMed and PlanVista; assumed that there would be no synergies; and William Blair & Company, L.L.C. assumed an estimated allocation of purchase price to amortizable intangible assets with an approximate blended useful life for those intangible assets per discussions with ProxyMed. Based on this analysis, the merger is anticipated to be accretive to ProxyMed's estimated 2004 earnings per share.

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*Contribution Analysis.* William Blair & Company, L.L.C. performed an analysis comparing the relative contributions of ProxyMed and PlanVista to the combined pro forma company's LTM and projected 2003 revenue and EBITDA. The LTM data for both ProxyMed and PlanVista were based on publicly available information. 2003 projections for ProxyMed and PlanVista were based on the forecasts. These relative contributions were compared to the relative split of the transaction enterprise value of 53.5% and 46.5% for ProxyMed and PlanVista respectively. No synergies were assumed. Information regarding the relative contributions of ProxyMed and PlanVista from William Blair & Company, L.L.C.'s contribution analysis is set forth in the following table:

	<u>ProxyMed</u>	<u>PlanVista</u>
Revenue:		
LTM	67.2%	32.8%
2003 Projected	68.3%	31.7%
EBITDA:		
LTM	20.5%	79.5%
2003 Projected	23.1%	76.9%
Relative Split of Transaction Enterprise Value	53.5%	46.5%

*General.* The preparation of an opinion regarding fairness is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances, and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. The preparation of an opinion regarding fairness does not involve a mathematical evaluation or weighing of the results of the individual analyses performed, but requires William Blair & Company, L.L.C. to exercise its professional judgment, based on its experience and expertise, in considering a wide variety of analyses taken as a whole. Each of the analyses conducted by William Blair & Company, L.L.C. was carried out in order to provide a different perspective on the financial terms of the proposed merger and add to the total mix of information available. William Blair & Company, L.L.C. did not form a conclusion as to whether any individual analysis, considered in isolation, supported or failed to support an opinion about the fairness of the consideration to be paid by ProxyMed. Rather, in reaching its conclusion, William Blair & Company, L.L.C. considered the results of the analyses in light of each other and ultimately reached its opinion based on the results of all analyses taken as a whole. William Blair & Company, L.L.C. did not place particular reliance or weight on any particular analysis, but instead concluded that its analyses, taken as a whole, supported its determination. Accordingly, notwithstanding the separate factors summarized above, William Blair & Company, L.L.C. believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all analyses and factors, may create an incomplete view of the evaluation process underlying its opinion. No company or transaction used in the above analyses as a comparison is directly comparable to ProxyMed, PlanVista or the merger. In performing its analyses, William Blair & Company, L.L.C. made numerous assumptions with respect to industry performance, business and economic conditions and other matters. The analyses performed by William Blair & Company, L.L.C. are not necessarily indicative of future actual values and future results, which may be significantly more or less favorable than suggested by such analyses.

William Blair & Company, L.L.C. is a nationally recognized firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with merger transactions and other types of strategic combinations and acquisitions. PlanVista engaged William Blair & Company, L.L.C. to act as its financial advisor in connection with a potential private placement of securities and debt restructuring in 2001. This engagement terminated in 2002 and no outstanding fees are due under this prior engagement. Furthermore, in the ordinary course of its business, William Blair & Company, L.L.C. and its affiliates may beneficially own or actively trade common shares and other securities of ProxyMed or PlanVista for its own account and for the accounts of customers, and, accordingly, may at any time hold a long or short position in these securities.

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ProxyMed hired William Blair & Company, L.L.C. based on its qualifications and expertise in providing financial advice to companies and its reputation as a nationally recognized investment banking firm. As compensation for its services in connection with the merger, ProxyMed is obligated to pay William Blair & Company, L.L.C. a fee upon the delivery of William Blair & Company, L.L.C.'s opinion. Additional compensation will be payable on completion of the merger. In addition, ProxyMed has agreed to reimburse William Blair & Company, L.L.C. for reasonable out-of-pocket expenses incurred in connection with the merger and to indemnify William Blair & Company, L.L.C. for certain liabilities that may arise out of its engagement by ProxyMed and the rendering of William Blair & Company, L.L.C.'s opinion.

### **Opinion of PlanVista's Financial Advisor**

Peter J. Solomon Company, L.P. was retained by the PlanVista board of directors to advise it with respect to the fairness, from a financial point of view, to the holders of PlanVista common stock (other than Commonwealth Associates Group Holdings, LLC and its affiliates and associates) of the consideration to be received by them in connection with the merger. At a meeting of the PlanVista board on December 5, 2003, Peter J. Solomon Company, L.P. delivered its oral opinion, subsequently confirmed in a written opinion of that same date, to the effect that, based upon and subject to various considerations set forth in such opinion, as of December 5, 2003, the consideration proposed to be paid to the holders of PlanVista common stock (other than Commonwealth Associates Group Holdings, LLC and its affiliates and associates) in the merger is fair, from a financial point of view, to such holders of PlanVista common stock. No limitations were imposed by the PlanVista board of directors upon Peter J. Solomon Company, L.P., with respect to investigations made or procedures followed by such financial advisor in rendering its opinion.

Peter J. Solomon Company, L.P. provided the opinion described above for the information and assistance of the PlanVista board of directors in connection with its consideration of the merger. The terms of the merger agreement, however, were determined through negotiations between PlanVista and ProxyMed, and were approved by the PlanVista board of directors.

**The full text of the opinion of Peter J. Solomon Company, L.P., which sets forth assumptions made, procedures followed, matters considered, limitations on and scope of the review by the financial advisor in rendering its opinion, is attached to this statement as Annex C and is incorporated by reference herein. The opinion of Peter J. Solomon Company, L.P. is directed only to the fairness, from a financial point of view, of the consideration proposed to be paid to the holders of PlanVista common stock (other than Commonwealth Associates Group Holdings, LLC and its affiliates and associates) in the merger, has been provided to the PlanVista board of directors in connection with its evaluation of the merger, does not address any other aspect of the merger and does not constitute a recommendation to any holder of PlanVista common stock as to how such holder should vote at any stockholders meeting with respect to the merger. The summary of the opinion of Peter J. Solomon Company, L.P. set forth in this statement is qualified in its entirety by reference to the full text of such opinion. Holders of PlanVista common stock (other than Commonwealth Associates Group Holdings, LLC and its affiliates and associates) are urged to read the opinion of Peter J. Solomon Company, L.P. carefully and in its entirety.**

In connection with its opinion, Peter J. Solomon Company, L.P. has:

reviewed certain publicly available financial statements and other information of PlanVista and ProxyMed, respectively;

reviewed certain internal financial statements and other financial and operating data concerning PlanVista and ProxyMed prepared by the management of PlanVista and ProxyMed, respectively;

reviewed certain financial projections for PlanVista and ProxyMed furnished to Peter J. Solomon Company, L.P. by the management of PlanVista and ProxyMed, respectively;

discussed the past and current operations, financial condition and prospects of PlanVista and ProxyMed with management of PlanVista and ProxyMed, respectively;



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visited certain facilities of PlanVista and ProxyMed;

reviewed the reported prices and trading activity of PlanVista common stock and ProxyMed common stock;

compared the financial performance and condition of PlanVista and ProxyMed and the reported prices and trading activity of PlanVista common stock and ProxyMed common stock with that of certain other comparable publicly traded companies and their securities;

reviewed publicly available information regarding the financial terms of certain transactions comparable, in whole or in part, to the merger;

reviewed a draft of the merger agreement, dated as of December 3, 2003;

reviewed a draft of the ProxyMed stock purchase agreement, dated as of November 20, 2003; and

performed such other analyses as the financial advisor deemed appropriate.

In arriving at its opinion, the financial advisor was not authorized to solicit, and did not solicit, interest from any party with respect to a merger or other business combination transaction involving PlanVista or any of its assets.

Peter J. Solomon Company, L.P. has assumed and relied upon the accuracy and completeness of the information reviewed by it for the purposes of its opinion and has not assumed any responsibility for independent verification of such information. Peter J. Solomon Company, L.P. has assumed that the final form of the merger agreement and the ProxyMed stock purchase agreement will be substantially the same as the last drafts of these documents reviewed by it, that all of the representations and warranties contained in these agreements were and will be true and correct as of the date or dates when made or deemed made and that all of the covenants and agreements in these agreements will be timely performed. Peter J. Solomon Company, L.P. has also assumed that all material governmental, regulatory and other consents and approvals will be obtained and that no action required in connection with obtaining any consent or approval will have a material adverse effect upon PlanVista, ProxyMed or the merger. With respect to the financial projections, Peter J. Solomon Company, L.P. has further assumed that the financial projections were reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of PlanVista and ProxyMed, respectively. Peter J. Solomon Company, L.P. has not assumed any responsibility for any independent valuation or appraisal of the assets or liabilities of PlanVista or ProxyMed, and Peter J. Solomon Company, L.P. has not been furnished with any independent valuation or appraisal. Peter J. Solomon Company, L.P.'s opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to it as of December 5, 2003. Although subsequent developments may affect its Opinion, Peter J. Solomon Company, L.P. does not have an obligation to update, revise or reaffirm its opinion.

The forecasts or projections furnished to Peter J. Solomon Company, L.P. for PlanVista and ProxyMed were prepared by the management of PlanVista and ProxyMed, respectively. These forecasts, projections and estimates were based on numerous variables and assumptions which are inherently uncertain and which may not be within the control of the management of PlanVista and ProxyMed, including, without limitation, general economic, regulatory and competitive conditions. Accordingly, actual results could vary materially from those set forth in such forecasts, projections and estimates.

The following summarizes the significant financial analyses performed by Peter J. Solomon Company, L.P. and reviewed with the PlanVista board of directors on December 5, 2003 in connection with the delivery of its Opinion:

*PlanVista Common Stock Performance.* Peter J. Solomon Company, L.P. reviewed the closing prices and trading volumes of PlanVista common stock on the OTC Bulletin Board Market from December 4, 2000 to December 4, 2003 (the last trading day prior to the signing of the merger agreement). During this period, the high closing price for PlanVista common stock was \$9.94 per share and the low closing price was \$0.70 per share. During the twelve months ended December 4, 2003, the high closing price for

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PlanVista common stock was \$3.55 per share and the low closing price was \$0.70 per share. During the period from September 5, 2003 to December 4, 2003, the high closing price for PlanVista common stock was \$3.38 per share and the low closing price was \$1.75 per share.

*ProxyMed Common Stock Performance.* Peter J. Solomon Company, L.P. reviewed the closing prices and trading volumes of ProxyMed common stock on the Nasdaq National Market from December 4, 2000 to December 4, 2003 (the last trading day prior to the announcement of the merger agreement). During this period, the high closing price for ProxyMed common stock was \$22.50 per share and the low closing price was \$7.15 per share. During the twelve months ended December 4, 2003, the high closing price for ProxyMed common stock was \$17.30 per share and the low closing price was \$7.15 per share. During the period from September 5, 2003 to December 4, 2003, the high closing price for ProxyMed common stock was \$17.30 per share and the low closing price was \$14.21 per share.

*Analysis of Selected Publicly Traded Comparable Companies.* Using publicly available information, Peter J. Solomon Company, L.P. reviewed and compared selected financial data of PlanVista with similar data of the following group of publicly traded companies engaged in the healthcare services industry: BCE Emergis, Inc., CorVel Corp., Eclipsys Corp. and First Health Group Corp., referred to as the comparable companies selected by the financial advisor.

Peter J. Solomon Company, L.P. calculated and compared various financial multiples and ratios, including, among other things: (1) the stock price per share as a multiple of earnings per share for the twelve months ended September 30, 2003, and estimated earnings per share for the calendar years 2003 and 2004 based upon (a) in the case of PlanVista, two sets of projections prepared by PlanVista's management, one of which assumed a 2% compound annual growth rate in revenues and the other of which assumed a 17% compound annual growth rate in revenues and (b) in the case of the comparable companies selected by the financial advisor, estimates of earnings per share from First Call Investment Research as of December 4, 2003; and (2) enterprise value (which represents total equity value plus book values of total debt, preferred stock and minority interests less cash) as a multiple of revenue for the twelve months ended September 30, 2003, earnings before interest and taxes, sometimes referred to as EBIT, and earnings before interest, taxes, depreciation and amortization, sometimes referred to as EBITDA.

Based on this data as of December 4, 2003, the financial advisor developed (i) a range of closing stock prices to earnings per share for the twelve months ended September 30, 2003 of 13.5x to 34.1x for the comparable companies selected by the financial advisor compared to 19.0x for PlanVista at the offer price; (ii) a range of closing stock prices to 2003 estimated earnings per share of 13.1x to 30.4x for the comparable companies selected by the financial advisor compared to 14.4x for PlanVista at the offer price; (iii) a range of closing stock prices to 2004 estimated earnings per share of 13.1x to 24.8x for the comparable companies selected by the financial advisor compared to 11.5x for PlanVista (based on a 17% compound annual growth rate in revenues) and 57.6x for PlanVista (based on a 2% compound annual growth rate in revenues), in each case at the offer price; (iv) a range of enterprise value as a multiple of revenue for the twelve months ended September 30, 2003 of 1.3x to 2.3x for the comparable companies selected by the financial advisor compared to 3.1x for PlanVista at the offer price; (v) a range of enterprise value as a multiple of EBIT for the twelve months ended September 30, 2003 of 8.1x to 27.6x for the comparable companies selected by the financial advisor compared to 10.6x for PlanVista at the offer price; and (vi) a range of enterprise value as a multiple of EBITDA for the twelve months ended September 30, 2003 of 6.5x to 10.4x for the comparable companies selected by the financial advisor compared to 10.0x for PlanVista at the offer price.

*Analysis of Selected Comparable Transactions.* Using publicly available information, Peter J. Solomon Company, L.P. reviewed certain mergers and acquisitions transactions in the healthcare services industry. It calculated the equity value paid by selected acquirors in the transactions as a multiple of net income for the twelve months ended September 30, 2003, and the enterprise value paid by selected acquirors as a multiple of revenue, EBIT and EBITDA for the twelve months ended September 30, 2003. This analysis resulted in (i) a range of equity values as a multiple of net income for the twelve months

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ended September 30, 2003 in the comparable transactions of 19.8x to 22.3x compared to price as a multiple of earnings per share for the twelve months ended September 30, 2003 in the comparable transactions of 19.0x for PlanVista at the offer price; (ii) a range of enterprise value as a multiple of revenue for the twelve months ended September 30, 2003 in the comparable transactions of 0.5x to 4.9x compared to an enterprise value as a multiple of revenue for the twelve months ended September 30, 2003 of 3.1x for PlanVista at the offer price; (iii) a range of enterprise value as a multiple of EBIT for the twelve months ended September 30, 2003 in the comparable transactions of 11.6x to 12.4x compared to an enterprise value as a multiple of EBIT for the twelve months ended September 30, 2003 of 10.6x for PlanVista at the offer price; and (iv) a range of enterprise value as a multiple of EBITDA for the twelve months ended September 30, 2003 in the comparable transactions of 9.2x to 13.9x compared to an enterprise value as a multiple of EBITDA for the twelve months ended September 30, 2003 of 10.0x for PlanVista at the offer price.

*Discounted Cash Flow Analysis.* Peter J. Solomon Company, L.P. performed a discounted cash flow analysis to calculate the net present value per share of PlanVista common stock based on PlanVista's management financial projections which were prepared on the assumption of a 2% compound annual growth rate in revenues and a 17% compound annual growth rate in revenues, in each case for the fiscal years ending December 31, 2004 through 2008. In performing its discounted cash flow analysis, Peter J. Solomon Company, L.P. considered various assumptions that it deemed appropriate based on a review with the management of PlanVista of PlanVista's prospects and risks. The financial advisor believed it appropriate to utilize various discount rates ranging from 10.0% to 14.0% and free cash flow perpetuity growth rates ranging from 2% to 4% to apply to forecasted free cash flow for the fiscal year 2008.

Based on the foregoing, this analysis yielded a range of net present values of (a) (\$1.31) to \$0.93 per share in the case of the projections prepared on the assumption of a 2% and a 17% compound annual growth rate in revenues and (b) \$1.49 to \$3.74 per share in the case of projections prepared on the assumption of a 2% compound annual growth rate in revenues.

*Contribution Analysis.* Peter J. Solomon Company, L.P. reviewed the relative contributions of ProxyMed and PlanVista with respect to revenue, EBIT, EBITDA and net income, in each case on a pro forma basis assuming the companies had been combined for (i) each of the fiscal years ended December 31, 2000, 2001 and 2002, (ii) the twelve months ended September 30, 2003, (iii) estimated fiscal year 2003 and (iv) for each of the projected fiscal years ending December 31, 2004 through 2008. The relative contributions of the companies for each of the projected fiscal years ending December 31, 2003 through 2008 are based on PlanVista's management's financial projections prepared assuming a 2% compound annual growth rate in revenues and a 17% compound annual growth rate in revenues, and the financial projections of ProxyMed's management, exclude all non-recurring items and, in the case of ProxyMed, assume that MedUnite achieved its estimated financial performance in the second half of fiscal year 2003 for the twelve months ended September 30, 2003 and fiscal year 2003.

This analysis showed that ProxyMed would have contributed (i) 55.4%, 56.8% and 60.2% of the pro forma combined revenues for the fiscal years ended December 31, 2000, 2001 and 2002, (ii) 68.5% of the pro forma combined revenues for the twelve months ended September 30, 2003, (iii) 68.2% of the pro forma estimated revenues for fiscal year 2003, (iv) between 71.7% and 81.8% of the pro forma combined revenues for each of the fiscal years ending December 31, 2004 to 2008, based on the financial projections prepared assuming a 2% compound annual growth rate in revenues and (v) between 67.9% and 69.2% for each of the fiscal years ending December 31, 2004 to 2008, based on the financial projections prepared assuming a 17% compound annual growth rate in revenues.

This analysis also showed that PlanVista would have contributed (i) 272.4%, 85.6% and 72.1% of the pro forma combined EBITDA for the fiscal years ended December 31, 2000, 2001 and 2002, (ii) 64.1% of the pro forma combined EBITDA for the twelve months ended September 30, 2003, (iii) 64.4% of the pro forma estimated EBITDA for fiscal year 2003, (iv) between 18.3% and 52.7% of the pro forma combined EBITDA for each of the fiscal years ending December 31, 2004 to 2008, based on the financial projections prepared assuming a 2% compound annual growth rate in revenues and (v) between 35.7% and 60.0% for

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each of the fiscal years ending December 31, 2004 to 2008, based on the financial projections prepared assuming a 17% compound annual growth rate in revenues.

This analysis further showed that PlanVista would have contributed (i) 129.1% and 87.7% of the pro forma combined EBIT for the fiscal years ended December 31, 2001 and 2002 (the results for fiscal year 2000 were not meaningful), (ii) 108.0% of the pro forma combined EBIT for the twelve months ended September 30, 2003, (iii) 105.7% of the pro forma estimated EBIT for fiscal year 2003, (iv) between 20.7% and 79.9% of the pro forma combined EBIT for each of the fiscal years ending December 31, 2004 to 2008, based on the financial projections prepared assuming a 2% compound annual growth rate in revenues and (v) between 40.8% and 84.5% for each of the fiscal years ending December 31, 2004 to 2008, based on the financial projections prepared assuming a 17% compound annual growth rate in revenues.

This analysis further showed that PlanVista would have contributed (i) 22.0% of the pro forma combined net income for the fiscal year ended December 31, 2002 (the results for fiscal years 2000 and 2001 were not meaningful), (ii) 268.1% of the pro forma combined estimated net income for 2003 (the results for the twelve months ended September 30, 2003 were not meaningful), (iii) between (2.1)% and 22.6% of the pro forma combined net income for each of the fiscal years ending December 31, 2004 to 2008, based on the financial projections prepared assuming a 2% compound annual growth rate in revenues and (iv) between 35.4% and 62.5% for each of the fiscal years ending December 31, 2004 to 2008, based on the financial projections prepared assuming a 17% compound annual growth rate in revenues.

*Pro Forma Merger Analysis.* Peter J. Solomon Company, L.P. analyzed certain pro forma effects of the transaction on PlanVista's earnings per share for the fiscal years ending December 31, 2004, 2005 and 2006, assuming the transaction is completed on December 31, 2003. Such analysis was based upon PlanVista's management projections prepared assuming a 2% compound annual growth rate in revenues and a 17% compound annual growth rate in revenues and ProxyMed's management projections. Peter J. Solomon Company, L.P. analyzed the impact of the merger including the issuance of new equity by ProxyMed, the amortization of intangible assets recorded in connection with the merger and cost savings and one-time costs estimated to be realized in the merger. Based on the foregoing, this analysis showed that the merger would be (a) accretive to PlanVista's earnings per share for fiscal years 2004, 2005 and 2006, assuming a 2% compound annual growth rate in revenues and (b) dilutive to PlanVista's earnings per share for fiscal years 2004, 2005 and 2006, assuming a 17% compound annual growth rate in revenues.

In arriving at its opinion, Peter J. Solomon Company, L.P. performed a variety of financial analyses, the material portions of which are summarized above. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, such an opinion is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Peter J. Solomon Company, L.P. did not attribute any particular weight to any one financial analysis or factor considered by it, but rather made qualitative judgments as to significance and relevance of each analysis and factor. Accordingly, Peter J. Solomon Company, L.P. believes that its analysis must be considered as a whole and that selecting portions of its analysis, without considering all such analyses, could create an incomplete view of the process underlying its opinion.

In performing its analyses, Peter J. Solomon Company, L.P. relied on numerous assumptions made by the management of PlanVista and ProxyMed and made numerous judgments of its own with regard to current and future industry performance, general business and economic conditions and other matters, many of which are beyond the control of PlanVista and ProxyMed. Actual values will depend upon several factors, including changes in interest rates, dividend rates, market conditions, general economic conditions and other factors that generally influence the price of securities. The analyses performed by the financial advisor are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as a part of the financial advisor's analysis of the fairness, from a financial point of view, of the consideration proposed to be paid to the holders of PlanVista common stock (other than Commonwealth Associates Group Holdings,

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LLC and its affiliates and associates) pursuant to the merger agreement and were provided to the PlanVista board of directors in connection with the delivery of its opinion. The analyses do not purport to be appraisals or necessarily reflective of the prices at which businesses or securities might actually be sold, which prices are inherently subject to uncertainty. Since such matters are inherently subject to uncertainty, none of PlanVista, ProxyMed, the financial advisor or any other person assumes responsibility for their accuracy. With regard to the comparable public company analysis and the comparable transactions analysis summarized above, Peter J. Solomon Company, L.P. selected comparable public companies on the basis of various factors for reference purposes only; no public company or transaction utilized for comparative purposes is fully comparable to PlanVista or this transaction. Accordingly, an analysis of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the acquisition or public trading value of the comparable companies and transactions to which PlanVista and this transaction are being compared. In addition, as described above, the opinion of Peter J. Solomon Company, L.P. and the information provided by it to the PlanVista board of directors were two of many factors taken into consideration by the PlanVista board of directors in making its determination to approve the merger. Consequently, the Peter J. Solomon Company, L.P. analyses described above should not be viewed as determinative of the opinion of the PlanVista board of directors or the view of Company management with respect to the value of PlanVista.

As part of its investment banking activities, Peter J. Solomon Company, L.P. is regularly engaged in the evaluation of businesses and their securities in connection with mergers and acquisitions, restructurings and valuations for corporate or other purposes. The PlanVista board of directors selected Peter J. Solomon Company, L.P. to deliver an opinion with respect to this transaction on the basis of such experience.

Pursuant to the terms of the engagement, PlanVista paid Peter J. Solomon Company, L.P. an initial retainer fee of \$150,000 upon the execution of the letter agreement between PlanVista and Peter J. Solomon Company, L.P. and paid an additional fee equal to \$350,000, following the date on which Peter J. Solomon Company, L.P. delivered its opinion to PlanVista. In addition, PlanVista paid Peter J. Solomon Company, L.P.'s out-of-pocket expenses in connection with the engagement in the amount of \$42,000. PlanVista agreed to indemnify Peter J. Solomon Company, L.P. for liabilities related to or arising out of its engagement under the letter agreement.

## **Interests of Certain Persons in the Merger**

PlanVista stockholders considering the recommendation of the PlanVista board of directors regarding the merger should be aware that some of PlanVista's directors and officers have interests in the merger that are different from, or in addition to, their interests as PlanVista stockholders. ProxyMed shareholders considering the recommendation of the ProxyMed board of directors regarding the issuance proposal should be aware that some of ProxyMed's directors and executive officers have interests in the merger that are different from, or in addition to, their interests as ProxyMed shareholders. These interests may create potential conflicts of interest. The boards of directors of ProxyMed and PlanVista were aware of these interests and took these interests into account in approving the merger and the transactions contemplated by the merger documents.

*Michael Falk is a director and beneficial owner of securities of both PlanVista and ProxyMed and controls Commonwealth Associates Group Holdings, LLC, one of PlanVista's financial advisors and its controlling shareholder.*

Michael Falk serves as one of the four directors of PlanVista designated by the PlanVista series C preferred stockholders. Mr. Falk is also the beneficial owner of the PlanVista series C preferred stock owned by PVC Funding Partners, LLC. He is a controlling owner of Commonwealth Associates Group Holdings, LLC, which is the managing member of PVC Funding Partners, LLC which owns 96% of the outstanding PlanVista series C preferred stock and represents 57.9% of the combined voting power of the common stock and series C preferred stock of PlanVista. Commonwealth Associates Group Holdings, LLC acted as one of PlanVista's investment advisers in connection with the merger and will receive upon

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consummation of the merger an investment advisory fee of approximately \$1,398,500 subject to among other things, the price of the ProxyMed common stock at the effective time of the merger. For more information on Mr. Falk's ownership in PlanVista, please see the section entitled the Security Ownership of Certain Beneficial Owners and Management of PlanVista beginning on page 191.

Mr. Falk is also a director of ProxyMed. He is the beneficial owner of 434,568 shares of ProxyMed common stock. Mr. Falk will also be the beneficial owner of 287,720 shares issued in connection with the private equity offering. For more information on Mr. Falk's ownership in ProxyMed, please see the section entitled the Security Ownership of Certain Beneficial Owners and Management of ProxyMed beginning on page 152.

Mr. Falk abstained from voting on the proposal to approve the issuance of the shares of ProxyMed common stock in connection with the merger, the proposal to approve the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and the proposal to amend ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares and on the proposal for PlanVista to adopt the merger agreement. These interests may create potential conflicts of interest.

*Harold Blue, a former director and officer of ProxyMed and current director of PlanVista, owes ProxyMed approximately \$186,000.*

Mr. Blue serves as one of the four PlanVista directors designated by the PlanVista series C preferred stockholders and serves at the pleasure of Mr. Falk by reason of his control of PVC Funding Partners, LLC.

In April 1997, ProxyMed made loans totaling \$350,000 to Harold Blue, ProxyMed's former chairman of the board and chief executive officer. The funds were advanced pursuant to two demand promissory notes in the principal amounts of \$290,000 and \$60,000, respectively, each bearing interest at a rate of 7 3/4% per annum. On June 30, 2000, ProxyMed amended the terms of these notes whereby interest on the notes ceased to accrue subsequent to July 1, 2000 and the loan plus accrued interest, totaling \$435,900 at June 30, 2000, would be payable in a balloon payment in December 2001. In December 2001, a payment of \$250,000 was received from Mr. Blue and applied against the outstanding balance of the loans. ProxyMed agreed to refinance the remaining \$185,983 balance and a new promissory note was executed by Mr. Blue. The note is collateralized with options to purchase 10,000 shares of common stock granted to Mr. Blue under the ProxyMed stock option plans along with additional warrants granted to Mr. Blue from various other public companies. In January 2002, Mr. Blue resigned from ProxyMed's board of directors and the remaining board members agreed to extend the exercise period of the stock options held as collateral for the note in an effort to maximize the potential for repayment. In June 2003, ProxyMed amended the promissory note executed in June 2000 by Mr. Blue. The amendment extended the maturity date of the promissory note for an additional twelve months to December 31, 2004 and also allowed Mr. Blue to offset any principal owed with certain amounts payable to Mr. Blue by ProxyMed as a result of a finder's fee arrangement with ProxyMed.

Mr. Blue also serves as the President and Chief Operating officer of Commonwealth Associates Group Holdings, LLC, which is controlled by Michael Falk. Commonwealth Associates Group Holdings, LLC acted as one of PlanVista's investment advisers in connection with the transaction and will receive upon consummation of the merger an investment advisory fee of approximately \$1,398,500, subject to among other things, the price of the ProxyMed common stock at the effective time of the merger. Mr. Blue will receive a part of this fee.

### ***Other Interested Directors and Officers***

Richard Corbin and Gary Mansfield serve as two of the four PlanVista directors designated by the PlanVista series C preferred stockholders and as such serve at the pleasure of Mr. Falk by reason of his control of PVC Funding Partners, LLC. From 1995 to 1998, Gary Mansfield was a director of ProxyMed and from 1993 to 1998, he was an executive officer of ProxyMed.

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James K. Murray, III, a director of PlanVista, is a limited liability member of PVC Funding Partners, LLC.

A. Thomas Hardy, Senior Vice President of ProxyMed, and Edwin M. Cooperman, a ProxyMed director, each own minority interests in certain entities affiliated with Commonwealth Associates Group Holdings, LLC.

From 1993 to 2000, Bennett Marks was the Executive Vice President Finance, Chief Financial Officer and director of ProxyMed.

William L. Bennett, a current director of PlanVista, will become a director of ProxyMed following the merger. Following the consummation of the merger, PlanVista will continue to be obligated under a promissory note issued to William Bennett in the amount of \$250,000.

Following the consummation of the merger, PlanVista will continue to be obligated under a promissory note issued to John Race, a former director of PlanVista, in the amount of \$250,000.

*General Atlantic Partners Voting Agreement.* The following ProxyMed shareholders have entered into voting agreements and irrevocable proxies pursuant to which they have agreed to vote shares of ProxyMed common stock in favor of the issuance of shares of ProxyMed common stock to PlanVista stockholders pursuant to the merger agreement and the issuance of shares of ProxyMed common stock in connection with the private equity offering and the amendment to the ProxyMed articles of incorporation to increase the number of authorized shares of common stock to 30 million shares:

General Atlantic Partners 74, L.P.;

GAP Coinvestment Partners II, L.P.;

GapStar, LLC; and

GAPCO GmbH & Co. KG.

*PVC Funding Partners Voting Agreement.* The following PlanVista stockholders have entered into voting agreements and irrevocable proxies pursuant to which they have agreed to vote shares of PlanVista common stock or PlanVista series C preferred stock for which they exercise voting control in favor of the adoption of the merger agreement:

PVC Funding Partners, LLC

*Stock Options Held by PlanVista Directors and Officers.* If the merger is completed, each outstanding option to purchase shares of PlanVista common stock will be canceled. At the effective time of the merger, the compensation committee of the board of directors of ProxyMed will grant to certain of the officers and employees of PlanVista identified by PlanVista's compensation committee and approved by ProxyMed's compensation committee options under ProxyMed's stock option plans to purchase an aggregate of 200,000 shares of ProxyMed common stock. Those options will have an exercise price equal to the lower of the last reported sale price of ProxyMed's common stock on the Nasdaq National Market on the date of the merger or \$17.74 per share. Those options will generally vest over a three-year period commencing on the grant date, such that two-thirds of each option will generally vest on the first anniversary of the grant date, and the remaining one-third of each option will generally vest on the third anniversary of the grant date.

**Table of Contents****Employment Arrangements with PlanVista Officers**

In connection with the merger agreement negotiations, ProxyMed entered into employment arrangements with each of Phillip S. Dingle and Jeffrey L. Markle, and PlanVista entered into employment arrangements with each of James T. Kearns, Robert A. Martin, David C. Reilly, and Richard L. Lungen. Each employment arrangement provides the executive's position, reporting structure and compensation, including term and annual salary. These benefits are summarized in the table below:

Name and New Title		Annual Salary
Phillip S. Dingle	CEO of PlanVista and EVP of ProxyMed	\$ 200,000
Jeffrey L. Markle	President of PlanVista and SVP of ProxyMed	\$ 197,000
James T. Kearns	SVP Operations of PlanVista	\$ 185,000
David C. Reilly	EVP Operations and Technology at PlanVista	\$ 175,000
Robert A. Martin	SVP PlanServ at PlanVista	\$ 168,000
Richard L. Lungen	VP New Business Solutions at PlanVista	\$ 145,000

Only Phillip S. Dingle and Jeffrey L. Markle will be employees of both ProxyMed and PlanVista. Under these employment arrangements, these executives are granted the right to participate on the same terms as other executive vice presidents of ProxyMed or PlanVista, as the case may be, in all ProxyMed or PlanVista sponsored benefit plans, such as health, dental, life, and short term disability and long term disability insurances. The executives are entitled to and may earn such bonuses as may be awarded from time to time by the board of directors of ProxyMed or PlanVista pursuant to any bonus or commission plan implemented by ProxyMed or PlanVista, as the case may be, and to participate in any stock option plans or other bonus plans which ProxyMed or PlanVista may now have, or develop in the future. Each executive must enter into a definitive employment agreement with ProxyMed or PlanVista, as the case may be, prior to the effective date of the merger.

*Option Grants to PlanVista Officers.* ProxyMed has agreed to grant to the following executives options to purchase an aggregate of 161,843 shares of ProxyMed common stock upon the consummation of the merger. These options vest over a three-year period commencing on the grant date, such that two-thirds of each option will vest on the first anniversary of the grant date, and the remaining one-third of each option will vest on the third anniversary of the grant date.

Name and New Title		Option Award
Phillip S. Dingle	CEO of PlanVista and EVP of ProxyMed	68,642
Jeffrey L. Markle	President of PlanVista and SVP of ProxyMed	54,850
James T. Kearns	SVP Operations of PlanVista	9,000
David C. Reilly	EVP Operations and Technology at PlanVista	12,613
Robert A. Martin	SVP PlanServ at PlanVista	14,199
Richard L. Lungen	VP New Business Solutions at PlanVista	2,539

*Indemnification.* The merger agreement provides that ProxyMed will cause the surviving company:

from and after the effective time of the merger, to fulfill and honor, subject to applicable law, PlanVista's obligations under any indemnification agreements with its directors and officers that exist at the effective time of the merger and any indemnification provisions under PlanVista's certificate of incorporation and bylaws that were in effect on the date of the merger agreement; and

for a period of six years after the effective time of the merger, to maintain in effect a tail policy based on the current policies of directors and officers liability insurance maintained by PlanVista with respect to claims arising from or related to facts or events which occurred at or before the effective time.

In addition, ProxyMed has agreed to maintain in the certificate of incorporation and bylaws of the surviving corporation provisions relating to exculpation and indemnification that are at least as favorable to



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the indemnified directors and officers as those contained in PlanVista's organizational documents that were in effect on the date of the merger agreement, subject to applicable law.

*Appointment of PlanVista Designees as ProxyMed Board Members.* At the effective time of the merger, ProxyMed's board of directors shall appoint William L. Bennett, an independent director of PlanVista selected by PlanVista and one additional independent director, who is not affiliated with ProxyMed or PlanVista identified by the PlanVista board of directors, and who is reasonably acceptable to ProxyMed, to serve on the board of directors of ProxyMed.

*ProxyMed Officers and Directors.* None of the directors and officers of ProxyMed is expected to terminate his or her services to ProxyMed as a result of the merger.

As a result of interests described above under each heading, these executive officers and directors could be more likely to vote to approve, and recommend the approval of, the merger and the merger agreement, than if they did not hold these interests.

## **Completion and Effectiveness of the Merger**

The merger will be completed when all of the conditions to completion of the merger are satisfied or waived, including the adoption of the merger agreement by the affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding shares of PlanVista common stock and PlanVista series C preferred stock entitled to vote at the special meeting and the majority vote of the common stock represented at the meeting and not taking into account any votes cast by holders of the series C preferred stock, by Commonwealth Associates, L.P., or any affiliates or officers or directors thereof, or any director or executive officer of PlanVista. The merger will become effective upon the filing of certificate of merger in the office of the Secretary of State of the State of Delaware.

## **Management and Operations Following the Merger**

Upon completion of the merger, the board of directors of ProxyMed will be expanded to consist of nine (9) members, which will include the existing board of directors of ProxyMed and two designees of PlanVista. The ProxyMed directors who will serve on the board of the surviving company subsidiary have not yet been identified.

At the effective time of the merger, ProxyMed's board of directors shall appoint William L. Bennett, an independent director of PlanVista and one additional independent director, who is not affiliated with ProxyMed or PlanVista identified by the PlanVista board of directors, and who is reasonably acceptable to ProxyMed, to serve on the board of directors of ProxyMed. See the section entitled "The Merger Agreement Board of Directors of ProxyMed Following the Merger" beginning on page 104.

At the effective time of the merger, ProxyMed will designate the officers of the company surviving the merger.

## **Treatment of PlanVista Common Stock**

Based on the number of shares of PlanVista common stock outstanding on January 29, 2004, upon completion of the merger, each share of PlanVista common stock then outstanding will be canceled and automatically converted into the right to receive 0.0835 of a share of ProxyMed common stock. This assumes that the PVC Funding Partners, LLC and Centra Benefit Services, Inc. debt is converted into PlanVista common stock prior to the merger. The total number of shares of ProxyMed common stock issuable as merger consideration is subject to a downward adjustment in the event that PlanVista's aggregate estimated transaction expenses in the merger exceed \$5,650,000. This would result in a reduction in the number of shares of ProxyMed common stock issuable to the holders of PlanVista common stock. The number of shares of ProxyMed common stock that each PlanVista common stockholder will receive as merger consideration will also be reduced if the amount owed by PlanVista to Commonwealth Associates Group Holdings, LLC pursuant to an advisory agreement with Commonwealth exceeds \$1,023,500 and the payment of the excess amount causes PlanVista's aggregate estimated transaction expenses in the merger to exceed \$5,650,000. PlanVista has agreed to pay such excess amount in shares of PlanVista common stock to be issued prior to the closing of the merger. The number of shares of



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ProxyMed common stock that each PlanVista common stockholder will receive will also be reduced if, under PlanVista's long-term incentive plan, certain bonuses to employees and a consultant exceed \$785,000 in the aggregate, as the excess amount of such bonus will be paid in shares of PlanVista common stock prior to the closing of the merger.

Based on the number of shares of PlanVista series C preferred stock outstanding on January 29, 2004, upon completion of the merger, holders of PlanVista's series C preferred stock will be entitled to receive 51.53 shares of ProxyMed common stock for each share of PlanVista series C preferred stock held by them. The total number of shares of ProxyMed common stock issuable as merger consideration is subject to a downward adjustment in the event that PlanVista's aggregate estimated transaction expenses in the merger exceed \$5,650,000. This would result in a reduction in the number of shares of ProxyMed common stock issuable to the holders of PlanVista series C preferred stock. PVC Funding Partners, LLC, the holder of 96% of the outstanding PlanVista series C preferred stock, has agreed not to convert its series C preferred stock into PlanVista common stock prior to the consummation of the merger. If any of the remaining PlanVista series C preferred stock are converted into PlanVista common stock prior to the closing of the merger, the number of ProxyMed shares allocated to the PlanVista common stockholders will be increased by the number of ProxyMed shares that the converting PlanVista series C preferred stockholders will receive upon consummation of the merger as a result of such conversion and the number of ProxyMed shares allocated to the remaining holders of the PlanVista series C preferred stock will be decreased by a like number.

## **Exchange of PlanVista Stock Certificates for ProxyMed Stock Certificates**

Immediately after the effective time of the merger, ProxyMed will cause the exchange agent to mail to the holders of record of PlanVista common stock a letter of transmittal and instructions on how to surrender PlanVista stock certificates in exchange for ProxyMed common stock certificates. Upon surrendering their PlanVista common stock, the letter of transmittal and any other documents required by the exchange agent, the holders of PlanVista stock certificates will be entitled to receive a certificate representing that number of whole shares of ProxyMed common stock which that holder has the right to receive, cash for fractional shares of ProxyMed common stock and cash dividends or other distributions to which the holder is entitled.

## **Accounting Treatment**

ProxyMed intends to account for the merger using the purchase method of accounting for business combinations, with ProxyMed being considered the acquirer of PlanVista, in conformity with accounting principles generally accepted in the United States of America. This means that ProxyMed will allocate the purchase price to the fair value of assets, including identifiable intangible assets acquired and liabilities assumed from PlanVista at the effective time of the merger, with the excess purchase price being recorded as goodwill. Under the purchase method of accounting, goodwill is not amortized but is tested for impairment at the time of the acquisition and at least annually thereafter.

## **Governmental and Regulatory Matters**

Neither ProxyMed nor PlanVista is aware of any material governmental or regulatory approval required for completion of the merger, other than the effectiveness of the registration statement of which this joint proxy statement/prospectus is a part, compliance with applicable corporate law of Delaware and Florida, and compliance with applicable state blue sky laws.

## **Material Federal Income Tax Considerations**

The following discussion is a general summary of material United States federal income tax consequences to PlanVista stockholders who receive ProxyMed stock (and cash in lieu of fractional shares of ProxyMed stock) pursuant to the merger agreement. This discussion is based upon the Internal Revenue Code of 1986, as amended, which we refer to as the Code, and the regulations promulgated

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thereunder, judicial precedent relating thereto, and current rulings and administrative practice of the Internal Revenue Service, in each case as in effect as of the date of this joint proxy statement/prospectus and all of which are subject to change at any time, possibly with retroactive effect. This discussion assumes that holders of PlanVista common stock hold their stock as capital assets within the meaning of Section 1221 of the Code. This discussion does not address all aspects of United States federal income taxation that may be important to the following types of PlanVista stockholders in light of their particular circumstances or particular tax status:

stockholders of PlanVista who are not citizens or residents of the United States or certain U.S. expatriates or that are foreign corporations, foreign partnerships or foreign trusts for U.S. federal income tax purposes;

entities treated as partnerships for U.S. federal income tax purposes or PlanVista stockholders that hold their shares through entities treated as partnerships for U.S. federal income tax purposes;

financial institutions;

tax-exempt organizations;

pension funds;

insurance companies;

dealers in securities or foreign currencies;

stockholders who acquired or received their shares of PlanVista capital stock through the exercise of options or similar derivative securities or otherwise as compensation;

stockholders who hold their shares of PlanVista common stock as part of a straddle, conversion, appreciated financial position, hedge, synthetic security or other risk reduction transaction; and

PlanVista stockholders whose functional currency is not the U.S. dollar.

Neither ProxyMed nor PlanVista has sought a ruling from the IRS with respect to the income tax consequences of the merger and related transactions, and there can be no assurance that the IRS will not assert, or that a court will not sustain, a position contrary to the tax consequences set forth below.

Holders of PlanVista common stock should consult with their tax advisors as to the particular tax consequences to them of the merger, including the applicability and effect of any federal, state, local, estate, gift and foreign tax laws.

*Tax consequences of the merger.* The merger is intended to qualify as a reorganization under Section 368(a) of the Code. No rulings have been or will be sought from the IRS concerning the tax consequences of the merger.

Assuming that the merger qualifies as a reorganization within the meaning of Section 368(a) of the Code, the merger will have the following United States federal income tax consequences:

*Treatment of stock received in the merger.* PlanVista stockholders who realize loss will not be allowed to currently recognize such loss for United States federal income tax purposes as a result of the merger. PlanVista stockholders who receive ProxyMed stock (and cash received in lieu of fractional shares as discussed below) in exchange for shares of PlanVista common stock pursuant to the merger and who realize gain will be required to recognize such gain for United States federal income tax purposes but only to the extent of the cash received in lieu of fractional shares. For this purpose, a stockholder must calculate gain or loss separately for each identifiable block of stock exchanged by such stockholder, and a stockholder cannot offset a loss recognized on one block of such stock against a gain recognized on another block of such stock. The gain recognized will be capital gain unless the receipt of cash in lieu of fractional shares by the stockholder has the effect of a distribution of a dividend, in which case such gain will be treated as ordinary dividend income to the extent of the stockholder's ratable share of accumulated earnings and profits as calculated for United States federal income tax purposes. For purposes of

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determining whether the receipt of cash in lieu of fractional shares by the stockholder has the effect of a distribution of a dividend, a stockholder will be treated as if the holder first exchanged all of its stock solely for ProxyMed common stock and then ProxyMed immediately redeemed a portion of such stock for the cash that such holder actually received pursuant to the merger. The IRS has indicated in rulings that any reduction in the interest of a minority stockholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would result in capital gain (as opposed to dividend) treatment. In determining the interest of a stockholder in a corporation, certain constructive ownership rules must be taken into account. If, at the effective time of the merger, a PlanVista stockholder has held the shares of PlanVista common stock then exchanged for more than one year, capital gain recognized by such stockholder at the effective time will be long-term capital gain. Under current law, long-term capital gains of individuals are taxed at a maximum rate of 15%. Short-term capital gain attributable to individuals will be taxed at ordinary income rates. Any dividend income recognized in the merger by an individual PlanVista stockholder generally, subject to certain exceptions, will be subject to income tax at a maximum rate of 15%.

*Basis and holding period of ProxyMed common stock received.* The aggregate basis of the ProxyMed common stock to be received by a PlanVista stockholder will be the same as the aggregate basis of the PlanVista common or preferred stock surrendered in exchange therefor, decreased by the portion of the stockholder's basis that is allocable to a fractional share, and increased by the amount of gain recognized on the exchange (including any portion of such gain that was treated as a dividend and taxed as ordinary income). The holding period of the ProxyMed common stock to be received by a PlanVista stockholder will include the holding period of the PlanVista common or preferred stock surrendered in exchange therefor.

*Cash in lieu of fractional shares.* A PlanVista stockholder who receives cash in lieu of a fractional share of ProxyMed common stock will generally be obligated to report capital gain or loss equal to the difference between the cash received and the portion of the stockholder's basis in his or her PlanVista common stock allocable to such fractional share interest. Such gain or loss will be long-term if such PlanVista common stock has been held by the stockholder for more than one year at the effective time of the merger.

*Cash received by dissenting shareholders.* An eligible PlanVista stockholder who perfects his, her or its appraisal rights generally should recognize capital gain or loss at the effective time of the merger in an amount equal to the difference between the amount realized and the tax basis of such stockholder's PlanVista shares. For this purpose, although there is no authority directly on point, the amount realized generally should equal the trading price of the PlanVista shares at the effective time of the merger. Capital gain or loss should also be recognized by such PlanVista stockholder at the time the appraisal proceeds are received, to the extent that the amount of such proceeds exceeds or is less than the amount realized by such PlanVista stockholder at the effective time of the merger. In addition, a portion of such proceeds may be characterized as interest income, thus reducing the amount of such capital gain or increasing the amount of such capital loss (as the case may be). PlanVista stockholders are encouraged to consult their tax advisers as to the tax consequences of exercising appraisal rights.

*Backup withholding.* Under the Code, a payment to a PlanVista stockholder may be subject, under certain circumstances, to backup withholding at a 28% rate, unless such stockholder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with applicable requirements of the backup withholding rules. Any amounts withheld under the backup withholding rules are not an additional tax and may be refunded or credited against the holder's federal income tax liability, provided the required information is furnished to the IRS.

*Reporting requirements.* PlanVista stockholders receiving ProxyMed common stock in the merger must file a statement with their U.S. federal income tax returns setting forth their tax basis in the PlanVista common stock exchanged in the merger and the fair market value of the ProxyMed common stock and the amount of any cash received in the merger. In addition, PlanVista stockholders will be required to retain permanent records of these facts relating to the merger.

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### **Appraisal Rights**

Under Section 262 of the Delaware General Corporation Law, PlanVista stockholders may object to the merger and demand in writing that the company surviving the merger pay the fair value of their shares if the merger is completed. Section 262 which sets forth the procedures a stockholder requesting appraisal must follow is reprinted in its entirety as Annex D to this joint proxy statement/ prospectus. The following discussion is not a complete statement of the law relating to appraisal rights under Section 262 and is qualified in its entirety by reference to Annex D. This discussion and Annex D should be reviewed carefully by any stockholder who wishes to exercise appraisal rights or who wishes to preserve the right to do so, as failure to strictly comply with the procedures set forth in this section of the joint proxy statement/ prospectus or Section 262 will result in the loss of appraisal rights.

Under Section 262, when a merger agreement is to be submitted for approval at a meeting of stockholders, such as the special meeting, the corporation, not less than 20 days prior to the meeting, must notify each of the holders of its stock for whom appraisal rights are available that such appraisal rights are available and include in each such notice a copy of Section 262. This joint proxy statement/prospectus shall constitute that notice to the record holders of PlanVista stock. Neither ProxyMed nor PlanVista will give you any notice of your appraisal rights other than as described in this document and as required by the Delaware General Corporation Law.

*General Requirements.* Section 262 generally requires the following:

Written demand for appraisal. You must deliver a written demand for appraisal to PlanVista before the vote is taken at the PlanVista stockholders meeting. This written demand for appraisal must be separate from the proxy and must reasonably inform PlanVista of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. In other words, failure to return the proxy or returning the proxy with a notation on it will not alone constitute demand for appraisal. Similarly, a vote against the merger will not satisfy your obligation to make written demand for appraisal. You should read the paragraphs below for more details on making a demand for appraisal.

Refrain from voting for or consenting to the merger proposal. You must not vote in favor of the merger agreement or the merger or consent to either in writing. If you return a properly executed proxy or otherwise vote in favor of the merger agreement or the merger, your right to appraisal will terminate, even if you previously filed a written demand for appraisal. You do not have to vote against the merger in order to preserve your appraisal rights.

Continuous ownership of PlanVista shares. You must continuously hold your shares of PlanVista stock from the date you make the demand for appraisal through the closing of the merger.

*Requirements for Written Demand for Appraisal.* A written demand for appraisal of PlanVista stock is only effective if it is signed by, or for, the stockholder of record who owns the shares at the time the demand is made. The demand must be signed as the stockholder's name appears on its stock certificate(s). If you are a beneficial owner of PlanVista stock (such as a broker, fiduciary, trustee, guardian or custodian, depositary or other nominee), but not a stockholder of record, you must have the stockholder of record for the shares sign a demand for appraisal on your behalf.

If you own PlanVista stock in a fiduciary capacity, such as a trustee, guardian or custodian, you must disclose the fact that you are signing the demand for appraisal in that capacity.

If you own PlanVista stock with one or more other persons, such as in a joint tenancy or tenancy in common, all of the owners must sign, or have signed for them, the demand for appraisal. An authorized agent, which could include one or more of the owners, may sign the demand for appraisal for a stockholder of record; however, the agent must expressly disclose who the stockholder of record is and that he or she is signing the demand as that shareholder's agent. If a stockholder holds shares of PlanVista stock through a broker who in turn holds the shares through a central securities depository nominee such

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as Cede & Co., a demand for appraisal of such shares must be made by or on behalf of the depository nominee and must identify the depository nominee as record holder.

If you are a record owner, such as a broker, fiduciary, depository or other nominee, who holds PlanVista stock as a nominee for others, you may exercise a right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising that right for other beneficial owners. In such a case, you should specify in the written demand the number of shares as to which you wish to demand appraisal. If you do not specify the number of shares, ProxyMed will assume that your written demand covers all of the shares of PlanVista stock that are in your name. Stockholders who hold either shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their brokers to determine the appropriate procedure for the making of a demand for appraisal by such a nominee.

If you are a PlanVista stockholder, you should address the written demand to PlanVista Corporation, 4010 Boy Scout Boulevard, Suite 200, Tampa, Florida 33607, Attention: Secretary. It is important that PlanVista receive all written demands before the vote concerning the merger is taken. As explained above, this written demand should be signed by, or on behalf of, the stockholder of record. The written demand for appraisal should specify the stockholder's name and mailing address, the number of shares of stock owned, and that the stockholder is thereby demanding appraisal of such stockholder's shares.

*Written Notice.* Within 10 days after the closing of the merger, PlanVista must give written notice that the merger has become effective to each stockholder who has fully complied with the conditions of Section 262 and who has not voted in favor of or consented to the merger or the merger agreement. Except as required by law, PlanVista will not notify stockholders of any dates by which appraisal rights must be exercised.

*Petition with the Chancery Court.* Within 120 days after the closing of the merger, either PlanVista or any stockholder who has complied with the conditions of Section 262 may file a petition in the Delaware Court of Chancery. This petition should request that the chancery court determine the value of the shares of PlanVista stock held by all of the stockholders who are entitled to appraisal rights. If you intend to exercise your rights of appraisal, you should file a petition in the chancery court. PlanVista has no intention at this time to file a petition. Because PlanVista has no obligation to file a petition, if you do not file such a petition within 120 days after the closing, you will lose your rights of appraisal.

*Withdrawal of Demand.* If you change your mind and decide you no longer want an appraisal, you may withdraw your demand for appraisal at any time within 60 days after the closing of the merger. You may also withdraw your demand for appraisal after 60 days after the closing of the merger, but only with the written consent of PlanVista. If you withdraw your demand for appraisal, you will be entitled receive the merger consideration provided in the merger agreement.

*Request for Appraisal Rights Statement.* If you have complied with the conditions of Section 262, you will be entitled to receive a statement from PlanVista setting forth the number of shares for which appraisal rights have been exercised and the number of stockholders who own those shares. In order to receive this statement, you must send a written request to PlanVista within 120 days after the closing of the merger. After the merger, PlanVista will have the later of 10 days after receiving a request or 10 days after the expiration of the period for the delivery of demands for appraisal as described above to mail the statement to the stockholder.

*Chancery Court Procedures.* If you properly file a petition for appraisal in the chancery court and deliver a copy to PlanVista, PlanVista will then have 20 days to provide the chancery court with a list of the names and addresses of all stockholders who have demanded appraisal and have not reached an agreement with PlanVista as to the value of their shares. The chancery court will then send notice to all of the stockholders who have demanded appraisal. If the chancery court decides it is appropriate, it has the power to conduct a hearing to determine whether the stockholders have fully complied with Section 262 of the Delaware General Corporation Law and whether they are entitled to appraisal under that section. The chancery court may also require you to submit your stock certificates to the Delaware Registry in

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Chancery so that it can note on the certificates that an appraisal proceeding is pending. If you do not follow the chancery court's directions, you may be dismissed from the proceeding.

*Appraisal of Shares.* After the chancery court determines which stockholders are entitled to appraisal rights, the chancery court will appraise the shares of PlanVista common stock. To determine the fair value of the shares, the chancery court is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining the fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that [f]air price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court has stated that in making this determination of fair value, the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which could be ascertained as of the date of the merger which throw any light on the future prospects of the combined company. Section 262 provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger*, the Delaware Supreme Court construed Section 262 to mean that elements of future value, including the nature of the enterprise, which are known or susceptible of proof, as of the date of the merger and not the product of speculation, may be considered.

After the chancery court determines the fair value of the shares, it will direct PlanVista to pay that value to the stockholders who are entitled to appraisal. The chancery court can also direct PlanVista to pay interest, simple or compound, on that value if the chancery court determines that interest is appropriate. In order to receive the fair value for your shares, you must surrender your stock certificates to PlanVista.

The chancery court could determine that the fair value of shares of PlanVista stock is more than, the same as, or less than the merger consideration. In other words, if you demand appraisal rights, you could receive less consideration than you would under the merger agreement.

*U.S. Federal Income Tax Consequences.* Please refer to the section of the joint proxy statement/prospectus *The Merger* Material Federal Income Tax Considerations on page 86.

*Costs and Expenses of Appraisal Proceeding.* The costs and expenses of the appraisal proceeding may be assessed against PlanVista and the stockholders participating in the appraisal proceeding, as the chancery court deems equitable under the circumstances. However, costs generally do not include legal and expert witness fees and each dissenting stockholder generally is responsible for his or her legal and expert witness expenses. You can request that the chancery court determine the amount of interest, if any, that PlanVista should pay on the value of stock owned by stockholders entitled to the payment of interest. You may also request that the chancery court allocate the expenses of the appraisal action, including, in limited circumstances, legal and expert witness expenses, incurred by any stockholder pro rata against the value of all of the shares entitled to appraisal.

*Loss of Stockholder Rights.* If you demand appraisal, after the closing of the merger you will not be entitled to:

vote shares of stock for which you have demanded appraisal for any purpose;

receive payment of dividends or any other distribution with respect to your shares, except for dividends or distributions, if any, that are payable to holders of record as of a record date before the closing of the merger; or

receive the consideration provided for in the merger agreement.

However, you can regain these rights if no petition for an appraisal is filed within 120 days after the closing of the merger, or if you deliver to PlanVista a written withdrawal of your demand for an appraisal and your acceptance of the merger and the merger consideration, either within 60 days after the closing of the merger or with the written consent of PlanVista. As explained above, these actions will also terminate your appraisal rights. However, an appraisal proceeding in the chancery court cannot be dismissed without



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the chancery court's approval. The chancery court may condition its approval upon any terms that it deems just.

If no petition for appraisal is filed with the chancery court within 120 days after the closing of the merger, the PlanVista stockholders' rights to appraisal will cease, and all holders of shares of PlanVista stock will be entitled to receive the merger consideration.

**IF YOU FAIL TO COMPLY STRICTLY WITH THESE PROCEDURES YOU WILL LOSE YOUR APPRAISAL RIGHTS. CONSEQUENTLY, IF YOU WISH TO EXERCISE YOUR APPRAISAL RIGHTS, WE STRONGLY URGE YOU TO CONSULT A LEGAL ADVISOR BEFORE ATTEMPTING TO EXERCISE YOUR APPRAISAL RIGHTS.**

## **Listing of ProxyMed Common Stock to be Issued in the Merger**

ProxyMed has agreed to cause the shares of ProxyMed common stock issued in the merger to be approved for listing on the Nasdaq National Market, subject to official notice of issuance.

## **Cessation of Trading and Deregistration of PlanVista Common Stock**

If the merger is consummated, the PlanVista common stock will cease to be traded on the Over-The-Counter Bulletin Board and will be deregistered under the Securities Exchange Act of 1934.

## **Restriction on Resales of ProxyMed Common Stock by Affiliates**

The ProxyMed common stock to be issued in the merger will be registered under the Securities Act of 1933. These shares may be traded freely and without restriction by those stockholders not deemed to be affiliates of PlanVista as that term is defined under the Securities Act of 1933. An affiliate of a corporation, as defined by the rules promulgated under the Securities Act of 1933, is a person who directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, that corporation. Any transfer by an affiliate of PlanVista must be one permitted by the resale provisions of Rule 145 promulgated under the Securities Act of 1933. If a PlanVista affiliate becomes an affiliate of ProxyMed, any transfer must be permitted by the resale provisions of Rule 144 promulgated under the Securities Act of 1933 or otherwise permitted under the Securities Act of 1933. These restrictions are expected to apply to the executive officers, directors and significant stockholders of PlanVista. Affiliates of PlanVista have agreed to comply with these restrictions.

In connection with the private equity offering, ProxyMed has agreed to grant General Atlantic Partners 74, L.P., General Atlantic Partners 77, L.P., GAP Coinvestment Partners II, L.P., GapStar, LLC, GAPCO GmbH & Co. KG., PVC Funding Partners, LLC, Comvest Venture Partners, L.P., Shea Ventures, LLC, and Robert Priddy, certain demand and piggy back registration rights, pursuant to an amended and restated registration rights agreement. Each of the purchasers agrees not to, directly or indirectly, sell or otherwise dispose of any of the shares it receives in connection with the private equity offering and certain other shares owned by it or its affiliates prior to the first anniversary of the closing date, except to their respective affiliates, in an amount during any three month period that does not exceed the volume limitations set forth in Rule 144(e) of the Securities Act of 1933, in connection with a sale of ProxyMed, or in a transaction approved in advance by ProxyMed's board of directors.

## **Operations Following the Merger**

After completion of the merger, PlanVista will continue its operations as a wholly-owned subsidiary of ProxyMed under the name PlanVista Corporation. The stockholders of PlanVista will become shareholders of ProxyMed, and their rights as shareholders will be governed by ProxyMed's existing amended and restated articles of incorporation, ProxyMed's existing amended and restated bylaws and the laws of the State of Florida. See Comparison of Shareholder Rights.

## **Certificate of Incorporation and Bylaws of PlanVista**

Upon completion of the merger, the certificate of incorporation of PlanVista will be amended to read in its entirety as set forth in Exhibit C to the merger agreement, and, as so amended, will be the

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certificate of incorporation of the surviving corporation, once it is merger with Planet Acquisition Corp., a wholly owned subsidiary of ProxyMed. Additionally, the bylaws of Planet Acquisition Corp. as in effect immediately prior to the effective time of the merger will be the bylaws of PlanVista, as the surviving corporation, until otherwise changed or amended.

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**THE MERGER AGREEMENT**

The following is a brief summary of the material provisions of the merger agreement, a copy of which is attached as Annex A, which agreement is hereby incorporated by reference into this joint proxy statement/ prospectus. Shareholders of ProxyMed and PlanVista are urged to read the merger agreement in its entirety for a more complete description of the merger. In the event of any discrepancy between the terms of the merger agreement and the following summary, the merger agreement will control.

**The Merger**

Following the approval of the merger proposal by the stockholders of PlanVista, the approval of the charter amendment proposal and the issuance proposals by the shareholders of ProxyMed, and the satisfaction or waiver of the other conditions to the merger set forth in the merger agreement, Planet Acquisition Corp., a wholly-owned subsidiary of ProxyMed will merge with and into PlanVista, with PlanVista continuing as the surviving corporation under the name PlanVista Corporation and as a wholly-owned subsidiary of ProxyMed.

**The Effective Time**

The parties will cause the merger to become effective by filing a certificate of merger with the Delaware Secretary of State. The parties anticipate that the closing of the merger will occur during ProxyMed's and PlanVista's quarter ending March 31, 2004.

**Directors and Officers of PlanVista After the Merger**

At the effective time of the merger, the directors of Planet Acquisition Corp. will remain the directors of the company surviving the merger. At the effective time of the merger, ProxyMed will designate the officers of the company surviving the merger.

**Conversion of Shares of PlanVista Stock in the Merger**

If the merger is completed, PlanVista stockholders who do not perfect appraisal rights under the Delaware General Corporation Law will be entitled to receive, based on the number of shares of PlanVista common stock outstanding on January 29, 2004, 0.0835 of a share of ProxyMed common stock for each share of PlanVista common stock held by them. This assumes that the PVC Funding Partners, LLC and Centra Benefit Services, Inc. debt is converted into PlanVista common stock prior to the merger. The total number of shares of ProxyMed common stock issuable as merger consideration is subject to a downward adjustment in the event that PlanVista's aggregate estimated transaction expenses in the merger exceed \$5,650,000. This would result in a reduction in the number of shares of ProxyMed common stock issuable to the holders of PlanVista common stock. The number of shares of ProxyMed common stock that each PlanVista common stockholder will receive as merger consideration will also be reduced if the amount owed by PlanVista to Commonwealth Associates Group Holdings, LLC pursuant to an advisory agreement with Commonwealth exceeds \$1,023,500 and the payment of the excess amount causes PlanVista's aggregate estimated transaction expenses in the merger to exceed \$5,650,000. PlanVista has agreed to pay such excess amount in shares of PlanVista common stock to be issued prior to the closing of the merger. The number of shares of ProxyMed common stock that each PlanVista common stockholder will receive will also be reduced if, under PlanVista's long-term incentive plan, certain bonuses to employees and a consultant exceed \$785,000 in the aggregate, as the excess amount of such bonus will be paid in shares of PlanVista common stock prior to the closing of the merger.

Based on the number of shares of PlanVista series C preferred stock outstanding on January 29, 2004, upon completion of the merger, holders of PlanVista's series C preferred stock will be entitled to receive 51.53 shares of ProxyMed common stock for each share of PlanVista series C preferred stock held by them. The total number of shares of ProxyMed common stock issuable as merger consideration is subject to a downward adjustment in the event that PlanVista's aggregate estimated transaction expenses in the merger exceed \$5,650,000. This would result in a reduction in the number of shares of ProxyMed common

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stock issuable to the holders of PlanVista series C preferred stock. PVC Funding Partners, LLC, the holder of 96% of the outstanding PlanVista series C preferred stock, has agreed not to convert its series C preferred stock into PlanVista common stock prior to the consummation of the merger. If any of the remaining PlanVista series C preferred stock are converted into PlanVista common stock prior to the closing of the merger, the number of ProxyMed shares allocated to the PlanVista common stockholders will be increased by the number of ProxyMed shares that the converting PlanVista series C preferred stockholders will receive upon consummation of the merger as a result of such conversion and the number of ProxyMed shares allocated to the remaining holders of the PlanVista series C preferred stock will be decreased by a like number.

### **PlanVista's Stock Options**

If the merger is completed, each outstanding option to purchase shares of PlanVista common stock will be canceled. At the effective time of the merger, the compensation committee of the board of directors of ProxyMed will grant to certain of the officers and employees of PlanVista identified by PlanVista's compensation committee and approved by ProxyMed's compensation committee options under ProxyMed's stock option plans to purchase an aggregate of 200,000 shares of ProxyMed common stock in individual amounts as determined by PlanVista's compensation committee. Those options will have an exercise price equal to the lower of the last reported sale price of ProxyMed's common stock on the Nasdaq National Market on the date of the merger or \$17.74 per share. Those options will generally vest over a three-year period commencing on the grant date, such that two-thirds of each option will vest on the first anniversary of the grant date, and the remaining one-third of each option will vest on the third anniversary of the grant date.

### **The Exchange and Paying Agent**

At the effective time of the merger, ProxyMed is required to deliver to the exchange agent the shares of ProxyMed common stock to be exchanged for shares of PlanVista common stock and PlanVista series C preferred stock, and cash to pay for fractional shares and any dividends or distributions to which holders of PlanVista common stock and PlanVista series C preferred stock may be entitled under the merger agreement.

### **Procedures for Exchanging Stock Certificates**

Immediately after the effective time of the merger, ProxyMed will cause the exchange agent to mail to the holders of record of PlanVista stock certificates (1) a letter of transmittal and (2) instructions on how to surrender PlanVista stock certificates in exchange for ProxyMed common stock certificates. Holders of PlanVista stock certificates should not mail their certificates at this time.

Upon surrendering their PlanVista stock certificates, the completed and executed letter of transmittal and any other documents reasonably required by the exchange agent, the holders of PlanVista stock certificates will be entitled to receive a certificate representing that number of whole shares of ProxyMed common stock which that holder has the right to receive, cash for fractional shares of ProxyMed common stock and cash dividends or other distributions to which the holder is entitled. Until surrendered to the exchange agent, outstanding PlanVista stock certificates will be deemed from and after the effective time to evidence only (i) the ownership of the number of full shares of ProxyMed common stock into which their shares of PlanVista common stock were converted at the effective time, and (ii) the right to receive an amount in cash for any fractional shares and any dividends or distributions payable under the merger agreement.

### **Distributions with Respect to Unexchanged Shares**

PlanVista stockholders are not entitled to receive any dividends or other distributions on ProxyMed common stock until the merger is completed and they have surrendered their PlanVista stock certificates

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in exchange for ProxyMed stock certificates. Once a PlanVista stockholder surrenders a PlanVista stock certificate to the exchange agent, he, she or it will be entitled to receive:

a certificate representing shares of ProxyMed common stock;

cash, without interest, as payment for fractional shares; and

cash, without interest, as payment for any dividends or other distributions declared or made by ProxyMed after the effective time of the merger. ProxyMed does not anticipate paying any dividends with respect to its stock.

### **No Fractional Shares**

PlanVista stockholders will be entitled to receive payment in cash, without interest, in lieu of any fractional shares of ProxyMed common stock that would otherwise have been issuable to them in the merger. The amount of cash to be received by such PlanVista stockholder will be equal to the fraction of such share that stockholder would have received multiplied by the average closing sale price of one share of ProxyMed common stock for the 10 most recent trading days that ProxyMed common stock has traded ending the trading day one day prior to the closing date of the merger, as reported on the Nasdaq National Market.

### **Shares Subject to Properly Exercised Appraisal Rights**

The shares of PlanVista stock held by PlanVista stockholders who properly demand appraisal for their shares in accordance with the Delaware General Corporation Law will not be converted into the right to receive shares of ProxyMed common stock and cash in lieu of fractional shares of ProxyMed common stock to which they would otherwise be entitled, but will instead be converted into the right to receive such consideration as may be determined to be due with respect to such shares pursuant to the Delaware General Corporation Law. If any PlanVista stockholder fails to make an effective demand for payment or otherwise loses his, her or its appraisal rights, ProxyMed will, as of the later of the effective time of the merger or ten business days from the occurrence of such event, issue and deliver upon surrender of PlanVista stock certificates, shares of ProxyMed common stock, any cash payment in lieu of fractional shares and any dividends or other distributions with respect to ProxyMed common stock to which such stockholder would have been entitled, subject to the other terms of the merger agreement.

### **Representations and Warranties**

ProxyMed, PlanVista and Planet Acquisition Corp. each made representations and warranties in the merger agreement to each other regarding aspects of its business, financial condition, structure and other facts pertinent to the merger. These representations and warranties are further described below.

#### **PlanVista's Representations and Warranties**

PlanVista's representations and warranties include representations as to:

its corporate organization, good standing and qualification to do business;

its and its subsidiaries' certificates of incorporation and bylaws;

permits required to conduct its business and compliance with those permits;

its subsidiaries and ownership interests in other entities;

its capitalization;

its equity or partnership interests, or obligations to issue or encumber its securities or ownership interests;

its authority to enter into the merger agreement and any agreements ancillary thereto to which it is a party;

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approval by its board of directors;

state anti-takeover, control share acquisition, fair price, moratorium or other similar statutes or regulations being inapplicable to the execution, delivery or performance of the merger agreement or the consummation of the merger;

the restrictions on business combinations in Section 203 of the Delaware General Corporation Law being inapplicable to the merger agreement or the merger;

the effect of the merger, or entering into the merger agreement, on its outstanding obligations;

the absence of conflicts with and defaults under PlanVista's charter documents, contracts, permits and similar instruments and under applicable laws resulting from the execution of the merger agreement and the consummation of the merger, where any such conflict or default would have a material adverse effect (as that term is defined below under "The Merger Agreement - Conditions to closing the merger");

required consents, waivers and approvals;

regulatory approvals required to complete the merger;

PlanVista's filings and reports with the SEC;

its financial statements and liabilities;

information supplied by it in this joint proxy statement/ prospectus and the related registration statement filed by ProxyMed;

changes in its business since December 31, 2002;

its taxes;

litigation;

its employees, employee compensation and employee benefit plans;

its compliance with applicable laws;

the absence of any illegal payments by it or its subsidiaries;

its agreements, contracts and commitments;

its intellectual property, intellectual property that it uses and non-infringement of the intellectual property rights of third parties;

brokers' and finders' fees and other estimated expenses in connection with the merger;

the receipt by PlanVista's board of directors of a fairness opinion from its financial advisor;

title to and operation of the properties and other assets it owns and leases;

its insurance;

identification of its affiliates and transactions with related parties;



compensation and benefits to which PlanVista's executive officers and certain other key employees are or may become entitled;

its twenty largest customers and networks during 2002 and 2003;

its accounts receivable; and

its hazardous material activities and environmental liabilities.

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**Representations and Warranties of ProxyMed and Planet Acquisition Corp.**

ProxyMed and, as the case may be, Planet Acquisition Corp. s, representations and warranties include representations as to:

its and the merger subsidiary s corporate organization, good standing and qualification to do business;

its and the merger subsidiary s charter documents and bylaws;

ProxyMed s subsidiaries and ownership interests in other entities;

its equity or partnership interests, or obligations to issue or encumber its securities or ownership interests;

its and the merger subsidiary s capitalization;

authorization, execution and delivery of the merger agreement by it and the merger subsidiary;

the effect of the merger, or entering into the merger agreement, on its outstanding obligations;

the absence of conflicts with and defaults under ProxyMed s and Planet Acquisition Corp. s charter documents, contracts, permits and similar instruments and under applicable laws resulting from the execution of the merger agreement and the consummation of the merger, where any such conflict or default would have a material adverse effect (as that term is defined below under The Merger Agreement Conditions to Closing the Merger );

required consents, waivers and approvals;

regulatory approvals required to complete the merger;

information supplied by it in this joint proxy statement/ prospectus, or the related registration statement filed by ProxyMed;

ProxyMed s filings and reports with the SEC;

its financial statements;

changes in its business since December 31, 2002;

its material contracts;

approval by its board of directors;

brokers and finders fees in connection with the merger;

taxes;

its employees, employee compensation and employee benefit plans;

compliance with applicable laws;

litigation with respect to ProxyMed and Planet Acquisition Corp.;

the absence of any illegal payments by it or its subsidiaries;

intellectual property, intellectual property it uses and non-infringement of the intellectual property rights of third parties;

its hazardous material activities and environmental liabilities;

identification of its affiliates and transactions with related parties.

its twenty largest customers and payers in 2002 and 2003; and

its accounts receivable.

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The representations and warranties in the merger agreement are complicated and are not easily summarized. ProxyMed and PlanVista urge you to read carefully the articles in the merger agreement entitled Representations and Warranties of the Company, and Representations and Warranties of Parent and Sub.

### **Conduct of Each Company's Business Before the Closing of the Merger**

#### ***PlanVista***

PlanVista has agreed that until the closing (or the merger agreement is terminated), or unless ProxyMed consents in writing, PlanVista and each of its subsidiaries will conduct its business in the usual, regular and ordinary course, and in substantially the same manner in which it was previously conducted. PlanVista has also agreed to use all commercially reasonable efforts to:

keep intact its present business organization;

keep available the services of its present officers and employees; and

maintain its relationships with customers, suppliers, licensors, licensees, and others with which it has business dealings.

In addition, until the closing (or the merger agreement is terminated), or unless ProxyMed consents in writing, PlanVista has agreed to conduct its business in compliance with specific restrictions relating to the following:

declaring or paying dividends or making other distributions, or effecting any stock splits or combinations, with respect to its capital stock other than dividends and distributions by a direct or indirect wholly owned subsidiary of PlanVista to its parent, payment in kind shares issued as dividends on the series C preferred stock and as interest on the notes held by PVC Funding Partners, LLC and Centra Benefit Services, Inc.;

acquiring or redeeming shares of its capital stock;

issuing, delivering, selling or granting PlanVista securities other than issuances of PlanVista common stock upon exercise of outstanding options on the date of the merger agreement;

amending its charter or bylaws or the charter or bylaws of any of its subsidiaries;

acquiring or agreeing to merge or consolidate with or acquire the assets of, or making equity investments in, other entities, or otherwise acquiring or agreeing to acquire any assets that are individually or collectively material to the business of PlanVista;

increasing compensation or benefits to any employee, director or consultant of PlanVista except to the extent required under its employment agreements and other than in the ordinary course of business, or entering into any employment arrangement;

granting any severance or termination pay except under written agreements or policies then in effect on the date of the merger agreement, adopting any new severance plans or entering into any employment-related agreement with any person or entering into any collective bargaining agreements;

changing accounting methods, practices or principles materially affecting the reported consolidated assets, liabilities or results of operations of PlanVista, except as required by accounting principles generally accepted in the United States of America;

selling, leasing, licensing, encumbering or otherwise disposing of property or assets that are material to the business of PlanVista other than the sale of obsolete assets or inventory in the ordinary course of PlanVista's business consistent with past practices;

incurring or guaranteeing indebtedness, issuing or selling or guaranteeing any debt securities, or entering into any agreement to maintain the financial condition of another person;

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- lending funds, advancing credit, or making capital contributions to another person other than in the ordinary course;
- making any material capital expenditures that are in excess of an average of \$25,000 per calendar month in the aggregate between the date of the merger agreement and February 28, 2004;
- purchasing new accounting software;
- electing or changing an election, agreeing to a settlement or compromise with respect to material taxes;
- paying, discharging, settling or satisfying any claims, liabilities or obligations, except for claims, liabilities reserved against or reflected in PlanVista's financial statements under the terms thereof, or paid, discharged, settled or satisfied in the ordinary course of business and not in excess of \$10,000 individually or \$100,000 in the aggregate;
- canceling any indebtedness owed to it or its subsidiaries in excess of \$5,000 individually or \$50,000 in the aggregate;
- canceling any indebtedness owed to PlanVista or its subsidiaries in excess of \$20,000 individually or \$400,000 per month in the aggregate as adjustments to client accounts in the normal course of business;
- waiving, modifying, terminating or otherwise failing to enforce any agreement covering PlanVista's confidential information;
- materially modifying, amending or terminating any lease or similar commitment;
- permitting any material insurance policy naming it as a beneficiary or loss payable payee to be canceled or terminated without the consent of ProxyMed;
- permitting PlanVista's directors and officers liability insurance policy, and any excess liability policy related thereto, to be canceled, terminated or otherwise not be renewed or replaced with at least an equivalent amount of coverage and on other terms no less favorable to PlanVista and its officers and directors;
- transferring, licensing or modifying in any material respect intellectual property rights;
- adopting a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of it or any of its subsidiaries; and
- taking or agreeing to commit to take any action that would make any representation or warranty by it in the merger agreement inaccurate as of the closing of the merger agreement.

***ProxyMed***

ProxyMed has agreed to conduct its business in the ordinary customary course consistent with past practice and to use its best efforts to keep intact its present business organization and to maintain its relationships with customers, suppliers, employees, creditors and business partners.

ProxyMed has also agreed that until the closing of the merger (or termination of the merger agreement), or unless PlanVista consents in writing, ProxyMed and each of its subsidiaries will conduct its business in compliance with specific restrictions relating to the following:

issuing, delivering, selling or granting ProxyMed securities, any Voting Parent Debt or other voting securities, or any securities convertible or exchangeable for, or any options, warrants or rights to acquire, any such shares, Voting Parent Debt, voting securities or convertible or exchangeable securities or any phantom stock, phantom stock rights, stock appreciation rights or stock-based performance units, other than the issuance of Parent Common Stock upon the exercise of Parent Stock Options outstanding on the date of this Agreement and in accordance with their present terms, except for (i) ProxyMed common stock issued in connection with the private equity offering,

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(ii) the sale of up to an additional \$3,000,000 of ProxyMed common stock at a price per share of not less than \$13.50, (iii) the issuance of ProxyMed common stock pursuant to the exercise or conversion of warrants or other rights outstanding on the date of the merger agreement, or (iv) the granting of stock options under the ProxyMed stock option plans;

declaring or paying dividends or making other distributions, or effecting any stock splits or combinations, with respect to its capital stock;

acquiring or agreeing to merge or consolidate with or acquire the assets of, or making equity investments in, other entities, or otherwise acquiring or agreeing to acquire any assets that are individually or collectively material to the business of ProxyMed and its subsidiaries;

amending its charter or bylaws;

changing accounting principles, unless required by GAAP;

taking any action that would reasonably be expected to cause the merger to fail to qualify as a reorganization under specific tax laws;

selling, leasing, licensing, encumbering or otherwise disposing of property or assets that are material to the business of ProxyMed other than the sale of obsolete assets or inventory in the ordinary course of ProxyMed's business consistent with past practices;

incurring or guaranteeing indebtedness, issuing or selling or guaranteeing any debt securities, or entering into any agreement to maintain the financial condition of another person;

lending funds, advancing credit, or making capital contributions to another person other than in the ordinary course;

adopting a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of it or any of its subsidiaries; and

taking or agreeing to commit to take any action that would make any representation or warranty by it in the merger agreement inaccurate as of the closing of the merger agreement.

The agreements related to the conduct of the companies' business in the merger agreement are complicated and not easily summarized. You should read the articles in the merger agreement entitled "Covenants Relating to Conduct of Business" carefully.

**No Other Negotiations**

Until the merger is completed or the merger agreement is terminated, PlanVista has agreed not to take any of the following actions directly or indirectly:

solicit, initiate, seek, entertain, encourage, intentionally facilitate, support or induce the making, submission or announcement of any acquisition proposal, as defined below;

participate in any discussions or negotiations regarding, or deliver or make available to any person any non-public information with respect to, or take any other action to knowingly facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any acquisition proposal;

engage in discussions with any person with respect to any acquisition proposal;

approve, endorse or recommend any acquisition proposal; or

enter into any letter of intent or any other agreement of any nature contemplating or otherwise relating to any acquisition proposal.

However, if prior to its shareholder approval of the merger agreement, PlanVista receives an unsolicited, written, bona fide acquisition proposal that its board of directors concludes in good faith (after receiving advice from its outside legal counsel and from a financial advisor of national standing) is



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reasonably likely to result in a superior offer, as defined below, PlanVista may deliver or make available non-public information regarding it and its subsidiaries to, and may enter into discussions with, the person or group who has made (and not withdrawn) that acquisition proposal, if:

none of PlanVista, its subsidiaries or its representatives or the representatives of its subsidiaries shall have violated the restrictions relating to other negotiations set forth above;

within 24 hours of receipt of the acquisition proposal, it notifies ProxyMed in writing of the identity of the person or group making the acquisition proposal, all of the material terms and conditions thereof and its intent to deliver or make available non-public information to, or enter into discussions with, with this person or group;

prior to delivering or making available the non-public information or entering into discussions with the person or group making the acquisition proposal, PlanVista receives from the person or group a confidentiality agreement requiring the confidential treatment of that information that is at least as restrictive to this person or group as the confidentiality agreement between ProxyMed and PlanVista; and

it delivers the non-public information to ProxyMed, if not previously provided, at the same time that it delivers or makes available that information to the person or group that has submitted the acquisition proposal.

PlanVista has agreed to inform ProxyMed orally and in writing as promptly as practicable, and in any event within 24 hours, of any request for non-public information that PlanVista reasonably believes may lead to an acquisition proposal or of any acquisition proposal, the material terms and conditions of that request, acquisition proposal or inquiry, and the identity of the person or group making any request, acquisition proposal or inquiry. In addition, PlanVista will keep ProxyMed informed as promptly as practicable in all material respects of the status and details (including any amendments, modifications or proposed amendments or modifications) of any such request, acquisition proposal or inquiry. PlanVista has also agreed to provide as promptly as practicable a copy of all written and other materials and information provided to it in connection with any such request, acquisition proposal or inquiry.

An acquisition proposal is any offer or proposal by a third party relating to or involving:

the acquisition or purchase by any person or group of more than a 15% interest in the total outstanding voting securities of PlanVista or any of its subsidiaries;

any tender offer or exchange offer that if consummated would result in any person or group beneficially owning 15% or more of the total outstanding voting securities of PlanVista or any of its subsidiaries;

any merger, consolidation, or similar transaction involving PlanVista or any of its subsidiaries;

any sale, lease, exchange, transfer, license, acquisition or disposition of 15% or more of the assets of PlanVista or any of its subsidiaries; or

any liquidation or dissolution of PlanVista or any of its subsidiaries.

A superior offer with respect to PlanVista is an unsolicited, bona fide written offer made by a third party to acquire, directly or indirectly, pursuant to a tender offer, exchange offer, merger, consolidation or other business combination:

all or substantially all of the assets of PlanVista or its subsidiaries; or

a majority of the total outstanding voting securities of PlanVista or its subsidiaries, and, on terms that its board of directors in good faith concludes (after consulting with its outside legal counsel and from its financial advisor), taking into account, among other things, all legal, financial, regulatory and other aspects of the offer and the person making the offer, to be more favorable to its stockholders than the terms of the merger and is reasonably capable of being consummated.



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### **Board Recommendations**

The PlanVista board of directors may withhold, withdraw, amend or modify its recommendation in favor of the merger proposal if the PlanVista board of directors concludes in good faith, after consulting with its outside counsel, that such change, withholding, withdrawal, amendment or modification of its recommendation is required for the board of directors to comply with its fiduciary obligations to the PlanVista stockholders under applicable law.

The PlanVista board of directors may, in the case of a superior offer, terminate the merger agreement or withhold, withdraw, amend or modify, its recommendation in favor of the merger proposal if, prior to the PlanVista stockholders meeting:

PlanVista receives a superior offer that is not withdrawn;

PlanVista provides written notice to ProxyMed no later than three business days after receiving the superior offer, advising that PlanVista has received a superior offer and that it intends (or may intend) to terminate the merger agreement or change its recommendation and the manner and timing in which it intends (or may intend) to do so, specifying all the material terms and conditions of, and identifying the third party making, the superior offer;

ProxyMed does not, within three business days after receiving the written notice, make an offer that PlanVista's board of directors determines in its good faith judgment (after consulting with a financial advisor of national standing) to be at least as favorable to stockholders of PlanVista as the superior offer; and

PlanVista has not violated the restrictions in the merger agreement regarding other negotiations or changing its board recommendation in favor of the merger proposal.

The ProxyMed board of directors may withhold, withdraw, amend or modify its recommendation in favor of the merger proposal if, prior to its shareholders meeting the ProxyMed board of directors concludes in good faith, after consulting with its outside counsel, that such change, withholding, withdrawal, amendment or modification of its recommendation is required for the board of directors to comply with its fiduciary obligations to the ProxyMed shareholders under applicable law.

Even if their respective board of directors' recommendation is withheld, withdrawn, amended or modified, PlanVista and ProxyMed must nevertheless hold and convene their respective shareholders meetings. PlanVista also has agreed to provide ProxyMed with prior notice of any meeting of its board at which its board of directors is reasonably expected to consider any acquisition proposal to determine whether the acquisition proposal constitutes a superior offer.

### **Employee Benefit Plans**

PlanVista employees whose employment continues with the surviving corporation following the merger shall be entitled to participate in the employee benefit plans administered by ProxyMed, and to get credit under those plans for service provided to PlanVista as if those services were provided to ProxyMed. If requested by ProxyMed, prior to the closing, PlanVista will terminate any 401(k) plans and all group severance, separation, retention and salary continuation plans, programs, agreements or arrangements that it can unilaterally terminate under their terms.

### **Director and Officer Indemnification**

From and after the effective time of the merger, ProxyMed will cause the surviving corporation to fulfill and honor, subject to applicable law, PlanVista's obligations under any indemnification agreements with its directors and officers that exist at the effective time of the merger and any indemnification provisions under PlanVista's certificate of incorporation and bylaws that were in effect on the date of the merger agreement.

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The certificate of incorporation and bylaws of the surviving corporation following the merger will contain provisions relating to exculpation, advancement of expenses, and indemnification that are at least as favorable to the indemnified directors and officers as those contained in PlanVista's organizational documents that were in effect on the date of the merger agreement. Subject to applicable law, these indemnification provisions will not be amended, repealed or otherwise modified for six years after the effective time of the merger if doing so would adversely affect the rights of individuals who were directors, officers, employees or agents of PlanVista immediately prior to the effective time of the merger.

For a period of six years after the effective time of the merger, ProxyMed will cause the surviving company to maintain in effect a tail policy based on the current policies of directors and officers liability insurance maintained by PlanVista with respect to claims arising from or related to facts or events which occurred at or before the effective time.

### **Board of Directors of ProxyMed Following the Merger**

At the effective time of the merger, ProxyMed's board of directors shall appoint one independent director of PlanVista selected by PlanVista and one additional independent director, who is not affiliated with ProxyMed or PlanVista identified by the PlanVista board of directors, and who is reasonably acceptable to ProxyMed, to serve on the board of directors of ProxyMed. William L. Bennett, a current independent director of PlanVista, will be appointed to serve as a director of ProxyMed following the merger.

### **ProxyMed Private Equity Offering**

Prior to the closing, ProxyMed will sell a sufficient number of shares of its authorized common stock at a price per share of not less than \$13.50 in order to generate gross proceeds of \$21,100,000, and will contribute the proceeds thereof to PlanVista as an additional capital contribution to enable PlanVista to pay off in full PlanVista's debt to its lenders for whom Wachovia Bank acts as agent in an aggregate amount of not more than \$18,000,000. ProxyMed has agreed to cause the letter of credit currently issued by Wachovia for the benefit of CG Insurance Services, Inc. to be (a) replaced with a letter of credit on another bank, (b) replaced with other satisfactory collateral, or (c) paid in full.

### **Conditions to Closing the Merger**

ProxyMed's and PlanVista's obligations to complete the merger are subject to the satisfaction or waiver of each of the following conditions before the closing:

the merger agreement must be adopted by stockholders of PlanVista;

the issuance of the shares of ProxyMed common stock to be issued in connection with the merger, the issuance of the shares of ProxyMed common stock to be issued in connection with the private equity offering, and the amendment to ProxyMed's articles of incorporation must be approved by ProxyMed's shareholders;

ProxyMed's registration statement, of which this joint proxy statement/prospectus is a part, must be effective, no stop order suspending its effectiveness may be in effect and no proceeding for that purpose, and no similar proceeding related to this joint proxy statement/prospectus, shall have been initiated or threatened in writing by the SEC;

no governmental entity shall have enacted or issued any law, regulation or order that has the effect of making the merger illegal or otherwise prohibiting the consummation of the merger;

all material required governmental consents and approvals shall have been obtained;

the shares of ProxyMed common stock to be issued in the merger must be approved for listing on the Nasdaq National Market, subject to notice of issuance; and

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there shall not be pending or overtly threatened any action or proceeding by a governmental entity seeking to restrain or prohibit the merger.

PlanVista's obligations to complete the merger are subject to the satisfaction or waiver of each of the following additional conditions:

the representations and warranties of ProxyMed and Planet Acquisition Corp. contained in the merger agreement, disregarding all qualifications and exceptions contained therein relating to materiality or material adverse effect or any similar standard or qualification, must be true and correct as of December 5, 2003 and as of the date of closing with the same force and effect as if made on that date (except that those representations and warranties which address matters only as of a particular date shall remain true and correct only as of such date), except where the failure of such representations or warranties to be true or correct would not have, individually or in the aggregate, a material adverse effect on ProxyMed;

ProxyMed and Planet Acquisition Corp. must have performed or complied in all material respects with all of its agreements and covenants required by the merger agreement to be performed or complied with by it on or prior to the closing;

the merger agreement must have been approved by a majority of the outstanding shares of PlanVista common stock voting at the PlanVista stockholders meeting and not taking into account any votes cast by holders of the series C preferred stock, by Commonwealth Associates, L.P., or any affiliates or officers or directors thereof, or any director or executive officer of PlanVista; and

no material adverse effect with respect to ProxyMed shall have occurred.

ProxyMed and Planet Acquisition Corp.'s obligations to complete the merger are subject to the satisfaction or waiver of each of the following additional conditions:

the representations and warranties of PlanVista contained in the merger agreement, disregarding all qualifications and exceptions contained therein relating to materiality or material adverse effect or any similar standard or qualification, must be true and correct as of December 5, 2003 and as of the date of closing with the same force and effect as if made on that date (except that those representations and warranties which address matters only as of a particular date shall remain true and correct only as of such date), except where the failure of such representations or warranties to be true or correct would not have, individually or in the aggregate, a material adverse effect on PlanVista; provided, that the representations and warranties of PlanVista in specified sections of the merger agreement related to its debt on the closing date and broker, investment banker and financial advisor fees must be true and correct in all material respects;

PlanVista must have performed or complied in all material respects with all of its agreements and covenants required by the merger agreement to be performed or complied with by PlanVista on or before the closing of the merger;

no material adverse effect with respect to PlanVista shall have occurred;

all consents or approvals necessary to the consummation of the merger must have been obtained, other than consents the failure of which to obtain could not reasonably be expected to have a material adverse effect on PlanVista; and

holders of no more than 10% of PlanVista's common stock shall have demanded appraisal of their shares pursuant to the Delaware General Corporation Law.

A material adverse effect is defined to be any change, event, violation, inaccuracy, circumstance or effect that, individually or when taken together with all other changes, events, violations, inaccuracies, circumstances or effects, is, or is reasonably likely to be, materially adverse to the business, tangible and intangible assets, liabilities, capitalization, financial condition, operations or results of operations of the applicable party or its subsidiaries taken as a whole, or materially impedes the ability of the applicable party to consummate the merger within the time frame the merger would otherwise be consummated in

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the absence thereof or the ability of ProxyMed to operate PlanVista's business and each of PlanVista's subsidiaries immediately after the closing date of the merger. Except in the case of a material impediment to the consummation of the merger, a material adverse effect determination does not take into account any of the following, alone or in combination:

general economic or financial market conditions;

conditions generally affecting the industry in which the company operates;

any litigation or other similar proceeding arising out of or in connection with the merger or the merger agreement;

changes in the market price or trading volume of ProxyMed or PlanVista capital stock or any failure of ProxyMed or PlanVista to meet published revenue or earnings projections, not excluding any underlying effects which is attributable to any of the foregoing and may have caused such failure to meet revenue or earnings projections;

compliance with express terms and conditions of the merger agreement;

the announcement or the pendency of the merger or any other transaction contemplated by the merger agreement;

any election of PlanVista stockholders seeking appraisal of their shares in accordance with Delaware General Corporation Law; or

any change in accounting requirements or principles or any change in applicable laws, rules or regulations or the interpretation thereof.

## **Termination of the Merger Agreement**

The merger agreement may be terminated at any time prior to the effective date of the merger, whether before or after the requisite shareholder approval:

by mutual consent duly authorized by the boards of directors of ProxyMed and PlanVista;

by ProxyMed or PlanVista, if the merger is not completed by April 30, 2004, except that the right to terminate the merger agreement under this provision is not available to any party whose action or failure to act has been a principal cause of or resulted in the failure of the merger to occur on or by April 30, 2004, and this action or failure to act constitutes a material breach of the merger agreement;

by ProxyMed or PlanVista, if a governmental authority has issued a final nonappealable order, decree or ruling or taken any other action, in any case having the effect of permanently enjoining, restraining or prohibiting the merger;

by ProxyMed or PlanVista, if the merger is not approved by the stockholders of PlanVista, except that the right to terminate the merger agreement under this provision is not available to PlanVista where the failure to obtain stockholder approval was caused by an action or failure to act by PlanVista that constitutes a breach of the merger agreement;

by ProxyMed or PlanVista, if the issuance of shares of ProxyMed common stock in the merger, the issuance of shares of ProxyMed common stock in connection with the ProxyMed private equity offering, and the amendment to ProxyMed's articles of incorporation shall not have been approved by ProxyMed's shareholders, except that the right to terminate the merger agreement under this provision is not available to ProxyMed if the failure to obtain shareholder approval was caused by an action or failure to act by ProxyMed that constitutes a breach of the merger agreement;

by ProxyMed at any time prior to the adoption and approval of the merger agreement and the merger by the required vote of stockholders of PlanVista, if a triggering event with respect to PlanVista, as described below, occurs;

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by PlanVista at any time prior to the approval of the issuance of shares of ProxyMed common stock in the merger by the required vote of shareholders of ProxyMed, if a triggering event with respect to ProxyMed, as described below, occurs;

by PlanVista upon a breach of any representation, warranty, covenant or agreement on the part of ProxyMed, or if any of ProxyMed's representations or warranties have become untrue, so that the corresponding condition to closing the merger would not be met, or if a material adverse effect with respect to ProxyMed shall have occurred; however, if the breach or inaccuracy or material adverse effect on ProxyMed is curable and ProxyMed continues to exercise all reasonable efforts to cure the breach or inaccuracy or material adverse effect, then PlanVista may not terminate the merger agreement if, in the case of a breach or inaccuracy, it is cured within 30 days after delivery of the notice of breach or inaccuracy or, in the case of a material adverse effect on ProxyMed, it is cured within 45 days after delivery of the notice of material adverse effect, or if PlanVista has materially breached the merger agreement;

by ProxyMed upon a breach of any representation, warranty, covenant or agreement on the part of PlanVista under the merger agreement, if any of PlanVista's representations or warranties have become untrue, so that the corresponding condition to closing the merger would not be met, or if a material adverse effect shall have occurred; however, if the breach or inaccuracy or material adverse effect on PlanVista is curable and PlanVista continues to exercise all reasonable efforts to cure the breach or inaccuracy or material adverse effect, then ProxyMed may not terminate the merger agreement if, in the case of a breach or inaccuracy, it is cured within 30 days after delivery of the notice of breach or inaccuracy or, in the case of a material adverse effect on PlanVista, it is cured within 45 days after delivery of the notice of material adverse effect, or if ProxyMed has materially breached the merger agreement;

by PlanVista in respect of a superior offer; or

by PlanVista or ProxyMed, if either party does not mail the joint proxy statement/prospectus to its respective shareholders by February 12, 2004, provided that each party has used all commercially reasonable efforts to mail the proxy by such date.

A triggering event will occur with respect to PlanVista if:

PlanVista's board of directors or any committee withholds, withdraws, amends or modifies in a manner adverse to ProxyMed its recommendation in favor of the adoption of the merger agreement;

PlanVista fails to include in this joint proxy statement/prospectus the recommendation of its board of directors in favor of the adoption of the merger agreement;

PlanVista's board of directors or any committee fails to reaffirm its recommendation in favor of adoption of the merger agreement within 10 business days after ProxyMed requests in writing that this recommendation be reaffirmed;

PlanVista's board of directors or any committee approves or publicly recommends any acquisition proposal;

PlanVista enters into a letter of intent or other contract accepting an acquisition proposal;

PlanVista shall have breached the non-solicitation provisions of the merger agreement or the provisions of the merger agreement relating to holding PlanVista's stockholders meeting and recommending adoption of the merger agreement; or

if a tender or exchange offer relating to the securities of PlanVista is commenced by a person unaffiliated with ProxyMed, and PlanVista does not send to its stockholders, within 10 business days after the tender or exchange offer is first commenced, a statement disclosing that PlanVista recommends rejection of the tender or exchange offer.

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A triggering event will occur with respect to ProxyMed if:

ProxyMed's board of directors or any committee withholds, withdraws, amends or modifies in a manner adverse to PlanVista its recommendation in favor of the approval of the issuance of shares of ProxyMed common stock in the merger;

ProxyMed fails to include in this joint proxy statement/prospectus the recommendation of its board of directors in favor of the approval of the issuance of shares of ProxyMed common stock in the merger; or

ProxyMed's board of directors fails to reaffirm its recommendation in favor of the approval of the issuance of shares of ProxyMed common stock in the merger within 10 business days after PlanVista requests in writing that this recommendation be reaffirmed.

### **Termination Fees**

PlanVista has agreed to pay ProxyMed a termination fee equal to \$2,000,000 in immediately available funds in the event that the merger agreement is terminated:

by ProxyMed at any time prior to approval of the merger by PlanVista's stockholders because a triggering event has occurred with respect to PlanVista;

by PlanVista because of a superior offer; or

as a result of the failure of PlanVista to obtain PlanVista stockholder approval if prior to termination of the merger agreement, an acquisition proposal with respect to PlanVista was publicly disclosed and within twelve months following the termination of the merger agreement, either an Acquisition with respect to PlanVista was consummated, or PlanVista enters into an agreement providing for an Acquisition which is later consummated, whether during or after such twelve-month period.

PlanVista has agreed to immediately reimburse ProxyMed for all the transaction expenses incurred by ProxyMed, up to a maximum of \$500,000, in the event that PlanVista obtains stockholder approval of the adoption of the merger agreement, but does not obtain approval by a majority of the outstanding shares of PlanVista common stock voting at the PlanVista stockholders meeting and not taking into account any votes cast by holders of the series C preferred stock, by Commonwealth Associates, L.P., or any affiliates or officers or directors thereof, or any director or executive officer of PlanVista, and PlanVista does not waive such condition to closing.

An acquisition is any of the following:

a merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving PlanVista or ProxyMed, as the case may be, in which its shareholders immediately preceding the transaction hold less than 85% of the aggregate equity interests in the surviving or resulting entity of the transaction;

a sale or other disposition by PlanVista or ProxyMed, as the case may be, of its subsidiaries of assets representing in excess of 50% of the aggregate fair market value of its business immediately prior to the sale; or

the acquisition by any person or group, including by way of a tender offer or an exchange offer or issuance by PlanVista or ProxyMed, directly or indirectly, of beneficial ownership or a right to acquire beneficial ownership of shares representing in excess of 50% of the voting power of the then outstanding shares of capital stock of PlanVista or ProxyMed.

### **Amendment, Extension and Waiver of the Merger Agreement**

The merger agreement may be amended by mutual written consent of ProxyMed, PlanVista and Planet Acquisition Corp., subject to all applicable laws. Any amendment proposed after obtaining the

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required approvals of ProxyMed and PlanVista shareholders may not be made without further approval of these shareholders, if required by applicable laws or the rules of any relevant stock exchange or the Nasdaq National Market. At any time prior to the effective time of the merger, any party to the merger agreement may extend the other party's or parties' time for the performance of any of the obligations or other acts under the merger agreement, except that ProxyMed may not extend for the benefit of Planet Acquisition Corp. and vice versa, waive any inaccuracies in the other party's or parties' representations or warranties made to such party or parties and waive compliance by the other party's or parties' with any of the agreements or conditions benefiting such party or parties contained in the merger agreement.

### **VOTING AGREEMENTS**

The following summarizes material provisions of the voting agreements which are attached as Annexes E and F to this joint proxy statement/prospectus and are incorporated by reference herein. The rights and obligations of the parties to the voting agreements are governed by the express terms and conditions of the voting agreements and not this summary or any other information contained in this joint proxy statement/prospectus. ProxyMed and PlanVista shareholders are urged to read the voting agreements carefully and in their entirety.

#### **PVC Funding Partners Voting Agreement**

PVC Funding Partners, LLC, which has the right to vote as of the PlanVista record date a total of 54,602 shares of PlanVista common stock (less than 1% of the outstanding shares of PlanVista common stock) and 33,037 shares of PlanVista series C preferred stock (which have the right to cast 24,839,849 votes at the PlanVista stockholders meeting) (or approximately 96% of the outstanding shares of PlanVista series C preferred stock), has entered into a voting agreement with ProxyMed and Planet Acquisition Corp. agreeing to vote all of its shares of PlanVista common stock and PlanVista series C preferred stock, including shares of PlanVista common stock acquired after the date of the voting agreements, as follows:

in favor of the adoption of the merger agreement and the approval of other actions contemplated by the merger agreement and any actions required in furtherance thereof;

against any action or agreement that would result in a breach in any respect of any covenant, representation, warranty or any other obligation or agreement of PlanVista under the merger agreement or the voting agreement;

against any other action or agreement that is intended, or could reasonably be expected to, impede, interfere with, delay, or attempt to discourage the merger.

PVC Funding Partners, LLC has also granted to ProxyMed an irrevocable proxy to vote the shares of PlanVista common stock subject to the voting agreements in accordance with its terms and has agreed not to exercise any rights of appraisal or any dissenters' rights it or its affiliates may have or could potentially have or acquire in connection with the merger. The voting agreement and irrevocable proxy terminates upon the earlier of the termination of the merger agreement, or the consummation of the merger.

The voting agreement prohibits the signing stockholder from selling or disposing of any shares or options of PlanVista common stock beneficially owned by the signing stockholder.

The voting agreement provides that the voting agreement will not, and it was the intent of the parties that the voting agreement would not, preclude the board of directors of PlanVista or any member of the PlanVista board of directors from exercising their fiduciary duties as required by applicable law.

However, PVC Funding Partners, LLC is not required to vote any shares of PlanVista common stock beneficially owned by it if prior to the adoption of the merger agreement by the PlanVista stockholders:

the PlanVista board of directors has made a change in recommendation;

PlanVista receives a superior offer that is not withdrawn;

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PlanVista provides written notice to ProxyMed no later than three business days after receiving the superior offer, advising that PlanVista has received a superior offer and that it intends (or may intend) to terminate the merger agreement or change its recommendation and the manner and timing in which it intends (or may intend) to do so, specifying all the material terms and conditions of, and identifying the third party making, the superior offer;

ProxyMed does not, within three business days after receiving the written notice, make an offer that PlanVista's board of directors determines in its good faith judgment (after consulting with a financial advisor of national standing) to be at least as favorable to stockholders of PlanVista as the superior offer; and

PlanVista has not violated the restrictions in the merger agreement regarding other negotiations or changing its board recommendation in favor of the merger proposal.

The voting agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to principles of conflicts of law thereof.

### **General Atlantic Partners Voting Agreement**

Each of General Atlantic Partners 74, L.P., GAP Coinvestment Partners II, L.P., GapStar, LLC and GAPCO GmbH & Co. KG, referred to as the General Atlantic Partners shareholders, which collectively have the right to vote as of the ProxyMed record date a total of 1,569,366 shares of ProxyMed common stock (or approximately 23.1% of the outstanding shares of ProxyMed common stock), has entered into a voting agreement with PlanVista agreeing to vote all of its shares of ProxyMed common stock, including shares of ProxyMed common stock acquired after the date of the voting agreements, as follows:

in favor of the adoption of the merger agreement and the approval of other actions contemplated by the merger agreement and any actions required in furtherance thereof;

in favor of the approval of the issuance of shares of ProxyMed common stock in connection with merger pursuant to the terms of the merger agreement;

in favor of the amendment to ProxyMed's articles of incorporation to increase the total number of authorized shares of ProxyMed common stock from 13,333,333 1/3 shares to 30 million shares;

against any action or agreement that would result in a breach in any respect of any covenant, representation, warranty or any other obligation or agreement of ProxyMed or Planet Acquisition Corp. under the merger agreement or the voting agreement; and

against any other action or agreement that is intended, or could reasonably be expected to, impede, interfere with, delay, or attempt to discourage the merger.

Each of these shareholders has also granted to PlanVista an irrevocable proxy to vote the shares of ProxyMed common stock subject to the voting agreements in accordance with its terms. The voting agreement and irrevocable proxy terminates upon the earlier of the termination of the merger agreement, or the consummation of the merger.

The voting agreement prohibits the signing shareholders from selling or disposing of any shares or options of ProxyMed common stock owned directly or indirectly by the signing shareholders.

The voting agreement provides that the voting agreement will not, and it is the intent of the parties that the voting agreement will not, preclude the board of directors of ProxyMed or any member thereof from exercising their fiduciary duties as required by applicable law.

However, the General Atlantic Partners shareholders are not required to vote any shares of ProxyMed common stock beneficially owned by it if prior to the approval of (i) the issuance of ProxyMed common stock in connection with the merger, (ii) the issuance of ProxyMed common stock in connection with the



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private equity offering, and (iii) the amendment to ProxyMed's articles of incorporation by the ProxyMed shareholders:

the ProxyMed board of directors has made a change in recommendation;

The voting agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to principles of conflicts of law thereof.

**EMPLOYMENT ARRANGEMENTS****Agreements with Executives**

In connection with the merger agreement negotiations, ProxyMed entered into employment arrangements with each of Phillip S. Dingle and Jeffrey L. Markle, and PlanVista entered into employment arrangements with each of James T. Kearns, Robert A. Martin, David C. Reilly, and Richard L. Lungen. Each employment arrangement provides the executive's position, reporting structure and compensation, including term and annual salary. The annual salary amount is set forth in the table below:

Name and New Title	Annual Salary
Phillip S. Dingle CEO of PlanVista and EVP of ProxyMed	\$200,000
Jeffrey L. Markle President of PlanVista and SVP of ProxyMed	\$197,000
James T. Kearns SVP Operations of PlanVista	\$185,000
David C. Reilly EVP Operations and Technology at PlanVista	\$175,000
Robert A. Martin SVP PlanServ at PlanVista	\$168,000
Richard L. Lungen VP New Business Solutions at PlanVista	\$145,000

Only Phillip S. Dingle and Jeffrey L. Markle will be employees of both ProxyMed and PlanVista. Under these employment arrangements, these executives are granted the right to participate on the same terms as other executive vice presidents of ProxyMed or PlanVista, as the case may be, in all ProxyMed or PlanVista sponsored benefit plans, such as health, dental, life, and short term disability and long term disability insurances. The executives are entitled to and may earn such bonuses as may be awarded from time to time by the board of directors of ProxyMed or PlanVista pursuant to any bonus or commission plan implemented by ProxyMed or PlanVista, as the case may be, and to participate in any stock option plans or other bonus plans which ProxyMed or PlanVista may now have, or develop in the future. Each executive must enter into a definitive employment agreement with ProxyMed or PlanVista, as the case may be, prior to the effective date of the merger on terms substantially similar to the terms described herein.

*Option Grants to PlanVista Officers.* ProxyMed has agreed to grant to these executives options to purchase an aggregate of 161,843 shares of ProxyMed common stock. These options vest over a three-year period commencing on the grant date, such that two-thirds of each option will vest on the first anniversary of the grant date, and the remaining one-third of each option will vest on the third anniversary of the grant date.

Name and New Title	Option Award
Phillip S. Dingle CEO of PlanVista and EVP of ProxyMed	68,642
Jeffrey L. Markle President of PlanVista and SVP of ProxyMed	54,850
James T. Kearns SVP Operations of PlanVista	9,000
David C. Reilly EVP Operations and Technology at PlanVista	12,613
Robert A. Martin SVP PlanServ at PlanVista	14,199
Richard L. Lungen VP New Business Solutions at PlanVista	2,539

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*Indemnification.* The merger agreement provides that ProxyMed will cause the surviving company:

from and after the effective time of the merger, to fulfill and honor, subject to applicable law, PlanVista's obligations under any indemnification agreements with its directors and officers that exist at the effective time of the merger and any indemnification provisions under PlanVista's certificate of incorporation and bylaws that were in effect on the date of the merger agreement; and

for a period of six years after the effective time of the merger, to maintain in effect a tail policy based on the current policies of directors and officers' liability insurance maintained by PlanVista with respect to claims arising from or related to facts or events which occurred at or before the effective time.

In addition, ProxyMed has agreed to maintain in the certificate of incorporation and bylaws of the surviving corporation provisions relating to exculpation and indemnification that are at least as favorable to the indemnified directors and officers as those contained in PlanVista's organizational documents that were in effect on the date of the merger agreement, subject to applicable law.

**Table of Contents****DIRECTORS AND MANAGEMENT OF PROXYMED FOLLOWING THE MERGER**

At the time the merger is completed, the board of directors and management of ProxyMed will consist of the following directors and executive officers of ProxyMed:

<b>Name</b>	<b>Positions</b>	<b>Age</b>	<b>Year First Became a Director</b>
William L. Bennett	Director	54	2004
Edwin M. Cooperman(1)	Director	60	2000
Phillip S. Dingle	Executive Vice President and Chief Executive Officer of PlanVista Corporation	42	
Gregory J. Eisenhower	Executive Vice President and Chief Financial Officer	45	
Michael S. Falk(2)	Director	41	2000
John Paul Guinan	Executive Vice President Prescription Services	42	
Nancy J. Ham	President and Chief Operating Officer	42	
Lonnie W. Hardin	Senior Vice President Payer Services	48	
A. Thomas Hardy	Senior Vice President Laboratory Services and President Key Communications Service, Inc.	49	
Thomas E. Hodapp(2)	Director	43	2000
Michael K. Hoover	Chairman of the Board and Chief Executive Officer	47	2000
Braden R. Kelly(2)	Director	32	2002
Jeffrey L. Markle	Senior Vice President and President of PlanVista Corporation	54	
Kevin M. McNamara(1)	Director	47	2002
Rafael G. Rodriguez	Vice President, Senior Corporate Counsel and Secretary	34	
Judson E. Schmid	Executive Vice President and Treasurer	41	
Eugene R. Terry(1)	Director	64	1995
Timothy J. Tolan	Executive Vice President Business Development	44	
Thomas C. Wohlford	Senior Vice President Submitter Services	50	

(1) Member of the Audit Committee, the Chairman of which is Mr. McNamara.

(2) Member of the Compensation Committee, the Chairman of which is Mr. Falk.

*William L. Bennett* has been Vice Chairman of the Board of PlanVista since January 1998. Mr. Bennett served as the Chairman of the Board from December 1994 to December 1997 and has been a director since August 1994. Since February 2000, Mr. Bennett has been a partner and is Director of Global Recruiting and Managing Director of Monitor Company Group, L.P., a strategy consulting firm and merchant bank. From May 1991 to May 2001, he was a director of Allegheny Energy, Inc., an electric utility holding company. Until March 1995, Mr. Bennett served as Chairman and Chief Executive officer of Noel Group, Inc., a publicly traded company that held controlling interests in small to medium-sized operating companies. Previously, Mr. Bennett was Co-Chairman and Chief Executive officer of Noel Group, Inc. from November 1991 to July 1994. Mr. Bennett is a director of Sylvan, Inc., a publicly traded company that produces mushroom spawn and fresh mushrooms.

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*Edwin M. Cooperman* has served as a director of ProxyMed since July 2000. He is a principal of T.C. Solutions, a privately-held investment and financial services consulting firm. Previously, Mr. Cooperman was Chairman of the Travelers Bank Group and Executive Vice President, Travelers Group, where he was responsible for strategic marketing, the integration of Travelers brands and products, joint and cross marketing efforts and corporate identity strategies, as well as expanding the Travelers Bank Group's credit card portfolios. After joining Travelers in 1991, Mr. Cooperman became Chairman and CEO of Primerica Financial Services Group, which comprises Primerica Financial Services, Benefit Life Insurance Company and Primerica Financial Services Canada. Prior to this, Mr. Cooperman served at American Express where he became Chairman and Co-Chief Executive of Travel Related Services, North America. Mr. Cooperman is also a director of Comdial Corporation and Grannum Value Mutual Fund.

*Phillip S. Dingle* has been a director, Chairman of the Board, and Chief Executive officer of PlanVista since May 2001, and was President and Chief Executive officer from October 2000 to May 2001. Mr. Dingle served as President and Chief Operating officer of the Company from June 2000 to September 2000, as Executive Vice President and Chief Financial Officer from January 1999 to May 2000, and as Senior Vice President and Chief Counsel from August 1996 to December 1998. Prior to August 1996, Mr. Dingle was a partner with the law firm of Hill, Ward & Henderson, P.A. in Tampa, Florida.

*Gregory J. Eisenhauer*, CFA, joined ProxyMed in December 2003 and currently serves as Executive Vice President and Chief Financial Officer of ProxyMed. Mr. Eisenhauer has extensive experience in healthcare, mergers and acquisitions, and investor relations. Before joining ProxyMed, he served as Executive Vice President, Chief Financial Officer and Secretary for U.S. Healthworks, a national occupational healthcare services company headquartered in Alpharetta, Georgia. From 1993 to 2002, Mr. Eisenhauer was with RehabCare Group (NYSE: RHB), a company that grew from \$40 million in revenue to over \$500 million in revenue during his tenure, which culminated in Mr. Eisenhauer's appointment as Senior Vice President, Chief Financial Officer and Secretary. Among other accomplishments, Mr. Eisenhauer was responsible for acquisitions that contributed significantly to the growth. In 2000, RehabCare was the number one percentage gaining company on the New York Stock Exchange. Prior to RehabCare, he was with Sverdrup Corporation and APEX Oil. Mr. Eisenhauer is a Chartered Financial Analyst and has an MBA in finance from the University of St. Louis and an undergraduate finance degree from the University of Missouri.

*Michael S. Falk* has served as a director of ProxyMed since July 2000. Mr. Falk is the co-founder of Commonwealth Associates, L.P., a New York based merchant bank founded in 1988, and served as Chairman and Chief Executive Officer of Commonwealth Associates Group Holdings, and a managing partner of ComVest Investment Partners and various related investment partnerships. He currently serves as a director of the CARE Fund. Mr. Falk is Chairman of Comdial Corporation and is a director of PlanVista. Mr. Falk holds a B.A. degree in Economics from Queens College and attended the Stanford University Executive Program for Smaller Companies.

*John Paul Guinan* joined ProxyMed in April 1993 and currently serves as Executive Vice President and Chief Technology Officer. Mr. Guinan served as President and a director of ProxyMed between June 1995 and December 1999. He was also its Chief Operating Officer from August 1996 to January 1998. He was an Executive Vice President of ProxyMed from July 1993 until June 1995. From March 1993 to June 1993, Mr. Guinan was the Chief Executive Officer and co-founder of ProxyScript, Inc., which ProxyMed acquired in June 1993. From 1989 until April 1993, Mr. Guinan founded and developed two companies: The Desktop Professionals, Inc., a company which supplied automation systems to South Florida professional offices; and POSitive Thinking, Inc., a software development company which specialized in point-of-sale systems. He received both a BS in Computer Science and his Juris Doctor degree from the University of Miami.

*Nancy J. Ham* joined ProxyMed in October 2000 and currently serves as President and Chief Operating Officer. Prior to joining ProxyMed in October 2000, Ms. Ham served as General Manager, Institutional and Connectivity Services of Healtheon/ WebMD Corporation from June 1999 to March 2000. She originally joined Healtheon in May 1998 with its acquisition of ActaMed Corporation, where

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she had served with Mr. Michael K. Hoover, ProxyMed's Chairman and CEO, as Chief Financial Officer and Senior Vice President, Business Development. Upon the merger with WebMD Corporation, she became General Manager. Before joining ActaMed in 1993, Ms. Ham was a Director, Corporate Finance at Equifax, Inc. from 1992-1993, and prior to that spent five years with GE Capital's Corporate Finance Group. Ms. Ham has a B.A. from Duke University and a Masters in International Business Studies from the University of South Carolina.

*Lonnie W. Hardin* joined ProxyMed in November 1997 in connection with its acquisition of US Health Data Interchange, Inc., and since October 2000 has been serving as Senior Vice President of Payer Services and from November 1997 to October 2000 as the Senior Vice President of Field Claims Operations. Prior to joining ProxyMed, Mr. Hardin was employed by US Health Data Interchange, Inc. from 1991 through 1997, during which time he held the positions of Vice President - Sales/ Marketing and General Manager.

*A. Thomas Hardy* joined ProxyMed in December 1998 in conjunction with ProxyMed's acquisition of Key Communications Service, Inc. and since January 2000, has served as President and Chief Operating Officer of Key Communications. From October 2000, Mr. Hardy has also served as Senior Vice President of Laboratory Services of ProxyMed. Mr. Hardy joined Key Communications in 1995 where he served as Key Communications' Executive Vice President and Chief Financial Officer. Mr. Hardy is a certified public accountant and has a BBA in Business from Georgia College & State University and an MBA degree from the University of Arkansas.

*Thomas E. Hodapp* has served as a director of ProxyMed since July 2000. In 1999, Mr. Hodapp founded Access Capital Management, a private banking and management firm dedicated to providing financial and strategic advisory services to select, early stage private healthcare and information technology companies. From 1992 to 1998, Mr. Hodapp was a Managing Director for Robertson Stephens & Company, LLC, a leading international investment banking firm, overseeing the firm's Healthcare Managed Care Research Group, with a focus on the managed care, practice management and healthcare information services industries. From 1988 to 1992, he was with Montgomery Medical Ventures, a venture firm focused on the biotechnology, medical device and healthcare service fields. MMV I and II actively managed long-term investments in over 40 early stage companies, many of which the firm was involved in co-founding. Prior to that, Mr. Hodapp researched the healthcare industry as an industry analyst with Goldman, Sachs & Company, S.G. Warburg Securities and Volpe & Covington. Additionally, Mr. Hodapp has been published in a number of major financial and healthcare industry journals and publications, was a two-time selection to the Wall Street Journal Research Analyst All-Star Team, and is a frequent speaker at national healthcare investment and strategy forums.

*Michael K. Hoover* was appointed Chairman of the Board and Chief Executive Officer of ProxyMed in July 2000. He served as President and Director of Healtheon/ WebMD Corporation after Healtheon acquired ActaMed Corporation, an eHealth information systems and transaction company similar to ProxyMed in May 1998. Mr. Hoover co-founded ActaMed in May 1992 and served as its President from its inception to May 1998, and as its President and Chief Executive Officer from December 1995 to May 1998. From 1989 to 1992, Mr. Hoover served as the Executive Director of Financial Services of the MicroBilt Division of First Financial Management Corporation. Prior to that, he founded FormMaker Software Corporation, a producer of electronic forms automation systems, and served as its Chief Executive Officer from 1982 to 1988.

*Braden R. Kelly* was appointed director of ProxyMed in April 2002. Mr. Kelly is a Managing Member of General Atlantic Partners, LLC, a private equity investment firm that invests in information, communications and media companies on a global basis, where he has been employed in various capacities since 1995. Prior to joining General Atlantic, Mr. Kelly was a member of the Mergers, Acquisitions, and Restructurings Department at Morgan Stanley & Co. He also serves as a director of Eclipsys Corporation, Tickets.com, HEALTHvision, Inc. and Schaller Anderson, Inc. Mr. Kelly received his B.A. in Finance and Business Economics from the University of Notre Dame.

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*Jeffrey L. Markle* has been the President and Chief Operating officer of PlanVista since May 2001 and served as a director from July 2001 to April 2002. From July 1999 to May 2001, Mr. Markle was the Executive Vice President Medical Cost Management and from June 1998 to June 1999, Mr. Markle was the Senior Vice President Medical Loss Management. From 1996 to 1998, Mr. Markle was Vice President of the US Group Operations for Swiss Re Life & Health, a reinsurance company in Toronto. From 1994 to 1996, he was Vice President and General Manager of the Canadian Operations of Osten Kimberly Quality Care, a home healthcare company. From 1991 to 1993, he was Chief Operating Officer of Medisys Health Group, Inc., a preventive healthcare company in Canada, and from 1989 to 1991 he was President and Chief Executive Officer of Oaurentian Health Services, an executive and occupational health services company.

*Kevin M. McNamara* was appointed as a Director of ProxyMed in September 2002. He has served as a principal with Voyent Partners, a private equity firm, since August 2001. Mr. McNamara served as the Chief Executive Officer for Private Business, Inc. from 1999 until 2001. From 1996 to 1999, he served as Chief Financial Officer for ENVOY Corporation, and was President of Merchant Services Division of National Bancard Corporation (NaBANCO) from 1994 to 1995. Mr. McNamara also serves as a director of Enhancement Services Corporation, HEALTHvision, Inc. and Digiscripts, Inc. Mr. McNamara received his undergraduate degree at Virginia Commonwealth University and his Masters of Business Administration at the University of Richmond, Virginia. Mr. McNamara is a certified public accountant in Virginia.

*Rafael G. Rodriguez* re-joined ProxyMed in January 2002 and currently serves as Vice President, Senior Corporate Counsel and Secretary. Mr. Rodriguez was Associate Counsel of ProxyMed from June 1997 to February 1999. Between February 1999 and April 2001, he served as Counsel to Milgo Solutions, LLC (now NextiraOne), a Platinum Equity portfolio company. Prior to first joining ProxyMed in 1997, Mr. Rodriguez was Associate Counsel for GMIS, a McKesson HBOC, Inc. company. Mr. Rodriguez graduated from the University of Pennsylvania School of Law in 1994, and he is admitted to practice law in the states of Pennsylvania, New Jersey and Florida.

*Judson E. Schmid* currently serves as Executive Vice President and Treasurer of ProxyMed. From October 2000 to December 2003, he was ProxyMed's Executive Vice President, Chief Financial Officer and Treasurer. From April 1996 to October 2000, he was ProxyMed's Vice President Corporate Finance and Corporate Controller. From August 1994 to September 1995, Mr. Schmid was the Corporate Controller for CardioLife Corporation, a privately-held medical provider of transtelephonic cardiac monitoring services. From September 1990 to August 1994, he was the Corporate Controller of Sports-Tech International, Inc., a publicly-held developer and supplier of computer controlled video editing systems for the sports industry. From September 1985 to September 1990, he worked as an Audit Supervisor for two public accounting firms, including KPMG. Mr. Schmid received his undergraduate degree at the University of Florida and his Masters of Accounting at Florida Atlantic University. Mr. Schmid is a certified public accountant in Florida (inactive status elected).

*Eugene R. Terry* has been a director of ProxyMed since August 1995. Mr. Terry is a pharmacist and is a principal of T.C. Solutions, a privately-held investment and financial services consulting firm. Until 2001, Mr. Terry was a director on the board of In-Home Health, a home health care company acquired by Manor Care, Inc. In 1971, Mr. Terry founded Home Nutritional Support, Inc., one of the first companies established in the home infusion industry. In 1984, Home Nutritional Support, Inc. was sold to Healthdyne, Inc. Home Nutritional Support, Inc. was later sold to the W.R. Grace Group. From 1975 to 1984, Mr. Terry was also founder and Chief Executive Officer of Paramedical Specialties, Inc., a respiratory and durable medical equipment company, which was also sold to Healthdyne, Inc. Since April 2002, Mr. Terry also serves as chairman of Gender Sciences, Inc. a Nasdaq nutraceutical company headquartered in New Jersey.

*Timothy J. Tolan* was appointed Senior Vice President of Business Development in January 2001. Before joining ProxyMed, Mr. Tolan was Vice President of Sales for ePhysician, Inc from May 2000 until his appointment at ProxyMed. He was Vice President of Sales Lab/ PBM for Healtheon/ WebMD Corporation from August 1998 through May 2000. Prior to Healtheon/ WebMD, Mr. Tolan also held the

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position of Vice President of Sales Eastern Region for CITATION Computer Systems, a laboratory information system company. Prior to CITATION, Mr. Tolan spent twelve years in the physician practice management market.

*Thomas C. Wohlford* joined ProxyMed as Senior Vice President of Submitter Services as part of the MedUnite acquisition. Mr. Wohlford was Vice President of Operations at MedUnite since January 2002. Prior to joining MedUnite, Mr. Wohlford was Vice President of Strategic Partnering with Helus, Inc., a Chicago based e-health company. From 1993 to 1999, Mr. Wohlford held executive positions with CNA Health Partners (formerly CoreSourceBurgett & Dietrich) and CNA. From 1989 to 1993, Mr. Wohlford was responsible for healthcare cost containment for Georgia-Pacific Corporation. Prior to joining G-P, he led all network development for Travelers Health Network as Vice President of Network Development from 1986 to 1989.

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**DESCRIPTION OF PROXYMED**

**General**

ProxyMed incorporated in Florida in 1989, is an electronic healthcare transaction processing services company providing connectivity services and related value-add products to physician offices, payers, medical laboratories, pharmacies and other healthcare institutions. Unlike ProxyMed's competitors, ProxyMed maintains an open electronic network for electronic transactions with no equity ownership in businesses engaged in the front-end (i.e., physician practice management software system vendors and other physician desk top vendors) or in the back-end (i.e., payers, laboratories and pharmacies). ProxyMed's business strategy is to leverage ProxyMed's leadership position in connectivity services in order to establish ProxyMed as the premier provider of automated financial, clinical and administrative transaction services primarily between small physician offices (offices with one to nine physicians) and payers, clinical laboratories and pharmacies. With ProxyMed's neutral position, ProxyMed believes that it can better attract both front-end and back-end partners who may be more comfortable doing business with a non-competitive partner.

ProxyMed's electronic transaction processing services support a broad range of financial, clinical, and administrative transactions. To facilitate these services, ProxyMed operates Phoenix™, ProxyMed's secure, proprietary national electronic information platform, which provides physicians and other healthcare providers with direct connectivity to one of the industry's largest list of payers, the industry's largest list of chain and independent pharmacies and the largest list of clinical laboratories. ProxyMed's products and services are provided from ProxyMed's operational facilities located in Fort Lauderdale, Florida; New Albany, Indiana; Santa Ana, California; Norcross, Georgia; and Sioux Falls, South Dakota. ProxyMed also operates its clinical computer network and portions of its financial and real time production computer networks from a secure, third-party co-location site in Atlanta, Georgia.

According to industry analysts, the healthcare marketplace was over a \$1.4 trillion industry in 2001, with 600,000 physicians controlling over 80% of the spending. The healthcare industry is one of the most transaction oriented industries in the country and generates over 30 billion financial and clinical transactions each year, including new prescription orders, refill authorizations, laboratory orders and results, medical insurance claims, insurance eligibility inquiries, encounter notifications, and referral requests and authorizations. Even with healthcare information technology spending at \$22 billion per year and growing at rates of 10% to 20% annually, ProxyMed believes that the healthcare industry's use of technology lags behind many other transaction-intensive industries, with the vast majority of these healthcare transactions being performed manually and on paper.

For physician offices, payers, laboratories and pharmacies to meet the financial, clinical and administrative demands of an evolving managed care system, ProxyMed believes that participants in the healthcare system will need to process many of these types of transactions electronically. In fact, under new legislation known as HIPAA (see Healthcare and Privacy Related Legislation below) eight major transaction types, including claims, eligibility inquiries and claims status inquiries, are generally required to be conducted electronically. Because of the number of participants, the challenges of meeting HIPAA requirements and the complexity of establishing reliable and secure communication networks, the healthcare industry needs companies such as ProxyMed with its secure, proprietary systems to facilitate the processing of these transactions, its extensive connectivity to back-end healthcare institutions, and its ability to market to the underserved niche of small physician office practices.

***Acquisition of MedUnite***

On December 31, 2002, ProxyMed acquired all of the outstanding stock of MedUnite, Inc., referred to as MedUnite, for \$10.0 million in cash, \$13.4 million in 4% convertible promissory notes, and \$8,321,000 in transaction and exit related costs. Interest on the convertible notes is payable in cash on a quarterly basis. The convertible promissory notes are payable in full on December 31, 2008 and are convertible into an aggregate of 731,322 shares of ProxyMed's common stock if the founders of MedUnite



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achieve certain revenue-based triggers over the next three and one-half year period. The shares of ProxyMed's common stock issuable upon conversion of the convertible notes will be registered by ProxyMed promptly after a shareholder achieves a conversion trigger event. If and when these notes become convertible, ProxyMed will record a beneficial conversion charge in operations to the extent that the fair market value of the common stock is in excess of the conversion price.

MedUnite was founded in June 2000 by seven of the nation's leading health insurers—Aetna, Anthem, CIGNA, Health Net, Inc., Oxford Health Plans, PacificCare Health Systems, and Wellpoint Health Network—and its technology includes one of the industry's largest Internet-based real time transaction networks, in addition to electronic data interchange, referred to as EDI, based processes. Exiting 2002, MedUnite's legacy claims platform, which was acquired from NDCHealth Corporation in 2001, was annually processing over 85 million transactions with approximately 4.7 million real-time transactions processed by MedUnite's new state-of-the-art platform. The acquisition of MedUnite added an additional 30,000 physicians to ProxyMed's network and provides unique opportunities for cross-selling products and services to ProxyMed's existing and new customer base.

ProxyMed's acquisition of MedUnite resulted in an organization serving 140,000 physicians and other healthcare providers and processing over 200 million healthcare transactions processed annually, making ProxyMed the nation's second largest physician-based transaction processing company, second only to WebMD Corporation. In addition, in conjunction with the acquisition of MedUnite, ProxyMed formed a strategic relationship with NDCHealth Corporation, MedUnite's 8th founder, for processing claims and real-time transactions and now have potential access to over 100,000 physicians who utilize NDCHealth Corporation's various practice management systems.

### ***Acquisition of MDIP***

In August 2002, ProxyMed acquired substantially all of the assets of MDIP, Inc., an entity which does business under the name Medical Data Insurance Processing, a privately-owned company located in Sioux Falls, South Dakota, for \$2,400,000 in cash and acquisition-related costs of \$9,000. ProxyMed's acquisition of the assets of MDIP, Inc. provided ProxyMed with institutional and dental claims processing capabilities. Like ProxyMed, MDIP, Inc. was an Electronic Healthcare Network Accreditation Commission accredited clearinghouse.

### ***Acquisition of KenCom***

In May 2002, ProxyMed acquired all of the capital stock of KenCom Communications & Services, Inc., a privately-owned provider of laboratory communication solutions, for \$3,237,000 in cash (\$3,275,000 original cash portion of purchase price less adjustment of \$38,000 upon settlement of cash holdback), 30,034 shares of unregistered ProxyMed common stock (valued at \$600,000), and acquisitions-related costs of \$52,000. The shares of common stock were held in escrow by ProxyMed against any unknown liabilities and were released. As a result of the acquisition, ProxyMed strengthened ProxyMed's presence in the Northeast United States, enhanced ProxyMed's ability to provide multiple offerings to the laboratory industry including penetration into the anatomical pathology laboratory market, and reaffirmed ProxyMed's position as the nationwide leader of laboratory communication products and services. In March 2003, KenCom Communications & Services, Inc. merged into KeyCom.

### ***Private Placement***

In April 2002, ProxyMed sold 1,569,366 shares of unregistered common stock at \$15.93 per share in a private placement to four entities affiliated with General Atlantic Partners, LLC, a private equity investment fund resulting in net proceeds to ProxyMed of \$24.9 million. No placement agent was used in this transaction. In addition, ProxyMed also agreed to issue a two-year warrant for the purchase of 549,279 shares of common stock at \$15.93 per share. ProxyMed has agreed to grant General Atlantic Partners, LLC certain demand and piggy back registration rights starting one year from closing.

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Additionally, in connection with the transaction, ProxyMed's board of directors appointed a managing member of General Atlantic Partners, LLC to fill a vacancy on ProxyMed's board.

\* \* \*

ProxyMed's corporate offices are located at 2555 Davie Road, Suite 110, Fort Lauderdale, Florida 33317-7424, and ProxyMed's telephone number is (954) 473-1001.

As used in this report, unless the context requires otherwise, ProxyMed or ProxyMed's means ProxyMed and its consolidated subsidiaries. Italicized terms in this document indicate trademarks or other protected intellectual property that ProxyMed owns or licenses.

**Overview of ProxyMed. Where Healthcare Connects™**

ProxyMed's mission statement is as follows: ProxyMed solves the business problems of healthcare providers offices every day by automating their financial, administrative and clinical transactions with their healthcare institution partners. ProxyMed exceeds customer expectations through its expertise, proven methodologies and dedication to service excellence.

ProxyMed's focus is connecting small physician offices with their contracted financial and clinical partners so that they can conduct transactions electronically. ProxyMed is organized into two business segments: Transaction Services and Laboratory Communication Solutions. Transaction Services includes transaction and value-added services principally between physician offices and insurance companies (Payer Services) and physician offices and pharmacies/pharmacy benefit managers (Prescription Services); and Laboratory Communication Solutions includes the sale, lease and service of communication devices principally to laboratories and the contract manufacturing of printed circuit boards and other value-add services (Laboratory Services).

Since the beginning of 2001, ProxyMed's focus has been to double the number of physicians and other healthcare providers ProxyMed serves as well as to increase the utilization of ProxyMed's transaction-based services amongst them over the following five years. ProxyMed's success is largely dependent upon ProxyMed's ability to cross-sell ProxyMed's services across ProxyMed's provider base; to offer new transactions and services as they become available; and to achieve economies of scale in ProxyMed's operations resulting from the consolidation of ProxyMed's operation centers, including production networks, from ProxyMed's various acquisitions.

ProxyMed believes it is well positioned today in each of ProxyMed's business units. With ProxyMed's recently completed acquisition of MedUnite, ProxyMed believes it is the second largest medical claims clearinghouse for physician offices, the largest provider of intelligent laboratory results reporting devices, and the largest provider of retail pharmacy-to-physician connectivity. In 2002, ProxyMed processed approximately 114.2 million electronic transactions among physician offices, payers, laboratories and pharmacies. ProxyMed leverages the connectivity of ProxyMed's back-end transaction network, Phoenix<sup>SM</sup>, and continues to add partners by developing new value-added products and services, by adding additional payer transaction types such as improved eligibility and claim status reports, and by expanding ProxyMed's Internet-based transaction offerings such as claims, lab orders, lab results reporting and prescription refills through ProxyMed's Internet website, ProxyMed.net. ProxyMed is an attractive, neutral partner to front-end electronic healthcare companies who are focused on physician office services, as ProxyMed remains the only national and independent transaction center that does not compete with them for the physician's desktop and that can connect their physician offices on the back-end to carry on electronic transactions between them and their payers, laboratories and pharmacies. Financial information relating to ProxyMed's segments, including revenue, segment operating margin and assets attributable to each segment for each of the fiscal years ending 2000, 2001 and 2002 is presented in Note 6 of the Notes to Consolidated Financial Statements on page FS-21.

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***ProxyMed's Business is Driven by the Healthcare Community's Need to Process Information More Efficiently.***

With more than 30 billion financial and clinical transactions being generated each year, the major driver of ProxyMed's business is the increasing number of physicians who wish to adopt secure electronic solutions that improve the quality of their patient care while reducing costs and administration time. ProxyMed believes that it is just a matter of time before the majority of physicians, payers, laboratories and pharmacies embrace the electronic transmission and processing of virtually all of a patient's clinical and financial transactions. ProxyMed's efforts concentrate on the innovative design of ProxyMed's products and services that make these electronic transactions easy to use, fast, reliable and secure. Phoenix™, ProxyMed's secure, proprietary national healthcare information network, is the key enabler that makes this possible. ProxyMed is a leader in providing these back-end connections and offers a host of transaction services to smaller physician offices which ProxyMed believes reduce costs by increasing efficiency, reducing payment cycle time, and enabling physicians to make more informed decisions at the point of care.

***Connectivity to Institutions and to Physicians are Key Strengths***

ProxyMed's advantage lies in two critical areas. First, ProxyMed offers the industry's broadest range of financial, clinical and administrative connectivity available from a single company. ProxyMed's existing connectivity to payers positions ProxyMed as the second largest medical claims clearinghouse in the industry with 94% of ProxyMed's annual transaction volume sent directly to the designated payer rather than being routed through other transaction centers. In addition, ProxyMed is the largest provider of intelligent laboratory results reporting devices and the largest provider of retail pharmacy connectivity. ProxyMed's electronic transaction processing services support a broad range of financial transactions (such as claims, patient statements, claims status reports, eligibility verification, explanations of benefits and electronic remittance advices); clinical transactions (such as laboratory results, new prescription orders and prescription refills); and administrative transactions (such as referrals and pre-certifications). These connections allow information to reliably move back and forth from the physician's office to the appropriate healthcare institution (payer, laboratory and pharmacy) facilitating diagnosis, treatment and payment.

ProxyMed's second advantage is ProxyMed's extensive physician relationships. Following ProxyMed's acquisition of MedUnite, ProxyMed has almost 140,000 physicians directly or indirectly using at least one of ProxyMed's existing solutions. To reach these direct and partnered physicians, ProxyMed has licensing and connectivity agreements with many national and regional companies, such as practice management system vendors, billing services, and electronic healthcare companies, and with physician offices directly. These relationships offer ProxyMed an opportunity to cross-sell ProxyMed's products and services to ProxyMed's existing physician office customer base.

***ProxyMed Has Built a Comprehensive Back-End Model Which Would be Difficult and Time-Consuming to Replicate.***

ProxyMed was an early entrant into the healthcare electronic transaction industry, having developed, as a result of ProxyMed's own efforts and through acquisitions, ProxyMed's back-end connectivity for both financial and clinical transactions. ProxyMed believes that the development and maintenance of ProxyMed's connections from both a technical and relationship perspective were costly, complex and time-consuming, and represent a barrier to entry for would-be competitors. Having accomplished much of this task, there is an opportunity for ProxyMed to leverage ProxyMed's existing connectivity and existing relationships, especially since ProxyMed believes it is the only connectivity company that is, in fact, processing new prescriptions, refill prescriptions, laboratory test results reports and financial transactions over a single network.

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### **Current Products and Services**

ProxyMed offers a variety of financial and clinical electronic processing services through ProxyMed's suite of Windows®-based<sup>1</sup> products, through ProxyMed's Internet portal, ProxyMed.net and through various direct network connection programs. Each of these entry points connects physician offices to ProxyMed's network and then routes transactions to their contracted payer, laboratory and pharmacy partners.

Claims submission and reporting, insurance eligibility verification, claims status inquiries, referral management, laboratory test results reporting and prescription refills are all available today through ProxyMed.net. ProxyMed continues to expand ProxyMed's offerings through ProxyMed.net to include new financial and clinical transactions such as claims response management, electronic remittance advices, encounters and new prescriptions. ProxyMed's acquisition of MedUnite has brought ProxyMed enhanced capabilities for several of these transactions. All of ProxyMed's existing web-based applications can be private-labeled and are being marketed through ProxyMed's channel partners to increase distribution opportunities.

#### ***Payer Services***

In ProxyMed's Payer Services business unit, ProxyMed offers several Windows-based products, including claims submission through ProxyMed's ProxyClaim software product and claims tracking through ProxyMed's ProxyTracker product. ProxyMed also offers Statlink, MedUnite's Windows-based desktop application that can be used to submit claims, eligibility and claims status. Other non-Internet services include a point-of-service terminal that allows for a low cost, stand-alone solution for electronic eligibility verification, patient statement processing, paper claims printing and Explanation of Benefits scanning.

With regard to Internet services, ProxyMed developed and has been operating ProxyMed's provider transaction services web portal ProxyMed.com for over three years. With ProxyMed's acquisition of MedUnite and its MedUnite.net web portal, ProxyMed is now operating two provider web portals. Currently available web-based transactions include claims submission and reporting, eligibility verification, claims status inquiries, referral management and pre-certifications.

Certain areas of ProxyMed's operations that have duplicate offerings due to ProxyMed's MedUnite acquisition. ProxyMed has a plan in progress to integrate the two provider portals into one platform, ProxyMed.net. The project to consolidate the portals is based on integrating the ProxyMed.net individual application services with the ProxyMed.net menu system, user access management, enrollment and other infrastructure components. The user interface and other business related functionality of the MedUnite application services will not significantly change but will just be accessed through ProxyMed.net. The combined portal was launched in July 2003, and the majority of transactions and customers have been migrated from ProxyMed.com and MedUnite.net to the new portal.

In addition, MedUnite had been offering, and ProxyMed will continue to offer, to software developers and large customers and partners an Application Programming Interface to connect to the MedUnite real-time transaction platform and directly submit XML or X12 based transactions. MedUnite had referred to this as their business-to-business offering or the MedUnite Exchange. The platform which supported the business-to-business offering was based on a proprietary XML transaction format. The platform and the Application Programming Interface as implemented were not HIPAA-compliant and MedUnite had an ongoing project to bring the platform and Application Programming Interface to HIPAA-compliance. ProxyMed completed this project in 2003.

MedUnite also had an active program in place to connect its founding payers, as well as other payers, to its network to conduct real-time transactions. The MedUnite Payer Interface Platform was based on the MedUnite proprietary XML which was not HIPAA-compliant. Much like the other services, ProxyMed

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<sup>1</sup> Windows is a registered trademark of Microsoft Corporation.

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was also actively implementing connections and interfaces with payers to conduct real-time transactions. As in other areas, ProxyMed will be consolidating overlapping and duplicative efforts so that there is just one connection to each payer.

ProxyMed had an ongoing project with dedicated resources to modify the Payer Interface Platform so that it is HIPAA-compliant. This project was completed in 2003 along with parallel effort to work with each connected payer to remediate its connection for HIPAA-compliance.

### ***Prescription Services***

In ProxyMed's Prescription Services business unit, ProxyMed offers both new prescription ordering and refill management through ProxyMed's PreScribe® family of products. There are currently over 1,200 physician clients using PreScribe. PreScribe® and Phoenix™ support the largest and oldest electronic and fax gateway infrastructure with connectivity to over 30,000 pharmacies nationwide. ProxyMed also offer a private-label version of ProxyMed's web-based refill prescription application.

### ***Laboratory Services***

ProxyMed's Laboratory Services business unit offers lab order entry and results reporting through ProxyMed's recently announced QuickReq product. ProxyMed believes the QuickReq advantage is its enterprise scope with a modular approach, giving even the smallest labs the ability to deploy an order entry and results reporting solution. In addition to QuickReq, ProxyMed offers a family of intelligent remote reporting devices for communicating lab results to physician clients. ProxyMed's devices are installed in more than 100,000 physician offices throughout the United States. ProxyMed's FleetWatch<sup>SM</sup> monitors and reports the status of individual remote reporting devices within a fleet. This service is valuable to laboratories in its ability to detect and proactively resolve problems, many times before clients ever notice a disruption in service.

## **Product and Services Development**

In Payer Services, several initiatives are underway to convert all current transactions to their respective HIPAA-compliant formats (see Healthcare and Privacy Related Legislation below). To date, ProxyMed's institutional, professional and dental claims (837); electronic remittance advice (835); eligibility (270/271); and claims status (276-277) transactions have been certified as HIPAA-compliant by Claredi, one of the nation's leading commercial providers of HIPAA EDI compliance testing and certification services. ProxyMed is actively engaged in migrating all of its existing payer and provider connections to a HIPAA-compliant format, in conjunction with its contingency plan for HIPAA compliance. HIPAA also affords ProxyMed many opportunities to increase both the number and type of transactions ProxyMed offers to both physicians and payers.

In addition to processing the basic HIPAA defined transactions, ProxyMed seeks to expand its product and service offerings to include other value-added services for its providers and payers. In furtherance of this strategy, ProxyMed formed a strategic relationship in July 2003 with First Data Corporation. By leveraging ProxyMed's deep payer and provider connectivity with First Data's financial transaction expertise, the two companies are jointly marketing FirstProxy, a new suite of innovative solutions that streamline and expedite healthcare claim, payment and settlement processes. The first offering, FirstProxy ERA/ EFT, will transform the remittance advice and payment process from paper-based to electronic.

Together, ProxyMed and First Data will allow healthcare providers and insurance companies to rapidly convert existing paper-based checks and explanation of benefits into secure, HIPAA-compliant electronic ERAs with electronic funds transfer. The processing and settlement of the financial transactions and payments will start and end within the First Data processing system. FirstProxy ERA/ EFT will also ensure that insurers and providers are compliant with upcoming HIPAA regulation deadlines that require standards for health information security and privacy as well as the implementation of electronic data interchange for ERAs. In addition, ProxyMed announced in June 2003 that it entered into a joint

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marketing program to offer ProxyMed's electronic healthcare transaction processing services and PlanVista's network access product as an integrated package to existing and prospective payer customers. ProxyMed will integrate PlanVista's network, repricing services and network management services with ProxyMed's physician and hospital claims processing services. The resulting leading-edge medical cost management solutions will include medical claim repricing, flexible EDI connectivity and national PPO access through PlanVista's preferred provider network, NPPN. Combining these solutions will allow ProxyMed to offer a one-stop shop for all its customers' claims needs, which will include a guaranteed 24-hour turn-around time and bill negotiation. These services are available immediately for ProxyMed payer customers.

In Laboratory Services, ProxyMed was pursuing opportunities to convert ProxyMed's business from the traditional sale, lease and service of intelligent laboratory reporting devices to recurring transaction-based revenue streams. Although this is a factor in ProxyMed's long-term growth strategy, to date, the marketplace has been slow to adopt this economic model and ProxyMed has had limited success with this service. As a result, ProxyMed has postponed any further development or deployment at this time.

The total amount capitalized for purchased technology, capitalized software and other intangible assets as of December 31, 2002 and September 30, 2003, was approximately \$18.2 million and \$17.2 million, respectively, net of amortization. This amount includes \$1.2 million ascribed to the MedUnite legacy platform and \$4.8 million ascribed to MedUnite's real-time platforms.

ProxyMed's research and development expense was approximately \$3.4 million in the nine months ended September 30, 2003, \$3.2 million in 2002, \$2.0 million in 2001, and \$3.1 million in 2000.

## **Marketing**

ProxyMed has a direct sales force and customer support staff that serves physician offices, payers, laboratories and pharmacies. In addition, since ProxyMed does not compete for the physician desktop and allows for private branding of ProxyMed's value-added products and services, ProxyMed is able to leverage the marketing and sales efforts of ProxyMed's partners by giving them even greater added value to drive ProxyMed's revenues and transactions.

ProxyMed's marketing efforts are focused on providing connectivity solutions for the 326,000 small physician offices (one-to-nine physicians) in the United States, a niche that is underserved by ProxyMed's competitors.

ProxyMed utilizes a unique sales and marketing methodology called FOCUS, an acronym for Find, Obtain, Capture, Utilize and Service, for targeting, acquiring, retaining and maximizing the utilization of ProxyMed's services at the small physician office. Working with ProxyMed's payer and pharmacy partners to identify high volume paper claim submitters and prescription writing physicians as qualified sales leads, the results of ProxyMed's FOCUS program indicate quick contract-to-implementation time frames, low attrition rates and high post-implementation satisfaction levels.

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ProxyMed utilizes the following distribution channels for ProxyMed’s products and services to maximize connectivity between physician offices, payers, laboratories, pharmacies and other healthcare providers:

Channel	Focus
Direct	ProxyMed has a direct sales force of account executives, inside telemarketers, account managers and customer care representatives who serve ProxyMed’s physician offices, payers, laboratories and pharmacies. ProxyMed licenses access to ProxyMed’s proprietary network, Phoenix™, and provide intelligent laboratory results reporting devices for communications between physicians and laboratories.
Partners	ProxyMed works with the vendors of physician and pharmacy office management systems so that they may enable their existing applications to process transactions through Phoenix™ between physicians and payers, laboratories and pharmacies. ProxyMed also licenses these customers to offer ProxyMed’s products and services under their own private label. ProxyMed also connect other electronic transaction processing networks to Phoenix™ so that the participants on both networks can communicate with each other in National Council of Pharmacy Drug Program (NCPDP) standard, HIPAA approved formats, and the HL-7 standard format for laboratories.
Internet	ProxyMed is a provider of financial, clinical, and administrative electronic transaction processing services through ProxyMed’s website, ProxyMed.net, which may be easily accessed by any physician office with an Internet connection.

**Competition**

ProxyMed faces competition from many healthcare information systems companies and other technology companies. Many of ProxyMed’s competitors are significantly larger and have greater financial resources than ProxyMed does and have established reputations for success in implementing healthcare electronic transaction processing systems. Other companies, including WebMD Corporation, NDCHealth Corporation, Per-Se Technologies, and other healthcare related entities such as RxHub LLC, have targeted this industry for growth, including the development of new technologies utilizing Internet-based systems. While ProxyMed’s ability to compete has been enhanced by ProxyMed’s acquisition of MedUnite and its Internet-based platform for real-time transactions, ProxyMed cannot assure you that ProxyMed will be able to compete successfully with these companies or that these or other competitors will not commercialize products, services or technologies that render ProxyMed’s products, services or technologies obsolete or less marketable.

**Healthcare and Privacy Related Legislation**

ProxyMed and ProxyMed’s customers are subject to extensive and frequently changing federal and state healthcare laws and regulations. Political, economic and regulatory influences are subjecting the healthcare industry in the United States to fundamental change. Potential reform legislation may include:

mandated basic healthcare benefits;

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controls on healthcare spending through limitations on the growth of private health insurance premiums and Medicare and Medicaid reimbursement;

the creation of large insurance purchasing groups;

fundamental changes to the healthcare delivery system;

FTC enforcement actions of existing privacy laws relating to the Internet; or

Medicare or Medicaid prescription benefit plans.

Several state and federal laws govern the collection, dissemination, use and confidentiality of patient healthcare information. The federal Health Insurance Portability and Accountability Act of 1996, known as HIPAA, was signed into law on August 21, 1996. HIPAA was designed to improve the efficiency and effectiveness of the healthcare system by standardizing the interchange of electronic data for certain administrative and financial transactions and to protect the confidentiality of patient information. HIPAA's privacy regulations impose extensive requirements on healthcare providers, clearinghouses, and plans. The deadline for compliance with the privacy aspects of HIPAA was April 14, 2003. Although ProxyMed has undertaken several measures to ensure compliance with the privacy measures by the deadline and believe that ProxyMed is in compliance, the privacy regulations are less definitive than other HIPAA regulations, are broad in scope, and will require constant vigilance for ongoing compliance.

HIPAA also mandates the use of standard transactions, standard identifiers, security and other provisions for electronic claims transactions. HIPAA specifically designates clearinghouses (including ProxyMed and other financial network operators) as the compliance facilitators for healthcare providers and payers. On August 17, 2000, the U.S. Department of Health and Human Services published final regulations to govern eight of the most common electronic transactions involving health information. Under a revised bill passed by the U.S. Congress, the deadline for the transaction code set aspects of HIPAA was extended to October 16, 2003, provided that a formal request for extension and plan for compliance was submitted by October 16, 2002. HIPAA also mandates the use of standard transactions, standard identifiers, security and other provisions for electronic claims transactions. HIPAA specifically designates clearinghouses (including ProxyMed and other financial network operators) as the compliance facilitators for healthcare providers and payers. On August 17, 2000, the U.S. Department of Health and Human Services published final regulations to govern eight of the most common electronic transactions involving health information. Under a revised bill passed by the U.S. Congress, the deadline for the transaction code set aspects of HIPAA was extended to October 16, 2003, provided that a formal request for extension and plan for compliance was submitted by October 16, 2002. However, covered entities, including ProxyMed and its physician and payer customers, may continue to process non-compliant transactions after October 16, 2003 so long as that covered entity is compliant with the contingency planning guidelines provided by the Center for Medicare and Medicaid Services. A substantial number of ProxyMed's transactions, including those related to its acquisition of MedUnite, on behalf of its physician and payer customers are currently being processed in a non-HIPAA compliant manner in accordance with ProxyMed's contingency plan.

While ProxyMed has incurred and will continue to incur substantial costs to become compliant with HIPAA regulations governing transaction processing and privacy, ProxyMed does not believe the regulations will have a material impact on the ProxyMed's results of operations.

Another area in which privacy regulatory developments may impact the way ProxyMed does business is Internet privacy. Internet user privacy and the extent to which consumer protection and privacy laws apply to the Internet is an area of uncertainty in which future regulatory, judicial, and legislative developments may have a significant impact on the way ProxyMed does business, including ProxyMed's ability to collect, store, use and transmit personal information. Internet activity has come under heightened scrutiny in recent years, including several investigations in the healthcare industry by various state and federal agencies, including the Federal Trade Commission.

ProxyMed anticipates that Congress and state legislatures will continue to review and assess alternative healthcare delivery systems and payment methods, as well as Internet and healthcare privacy



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legislation, and that public debate of these issues will likely continue in the future. Because of uncertainties as to these reform initiatives and their enactment and implementation, ProxyMed cannot predict which, if any, of such reform proposals will be adopted, when they may be adopted or what impact they may have on ProxyMed.

ProxyMed's HIPAA readiness statement can be found on ProxyMed's website at [www.ProxyMed.com](http://www.ProxyMed.com).

## **Intellectual Property**

In large part, ProxyMed's success is dependent on ProxyMed's proprietary information and technology. ProxyMed relies on a combination of contracts, copyright, trademark and trade secret laws and other measures to protect ProxyMed's proprietary information and technology. Although ProxyMed does not currently hold any patents, as a result of the MedUnite acquisition ProxyMed acquired rights under four patent applications filed by MedUnite for its healthcare transaction processing platform and method for facilitating the exchange of healthcare transactional information, in addition to rights under various trademarks and trademark applications. ProxyMed has twelve (12) copyright registrations covering ProxyMed's various software and proprietary products. As part of ProxyMed's confidentiality procedures, ProxyMed generally enters into nondisclosure agreements with ProxyMed's employees, distributors and customers, and limits access to and distribution of ProxyMed's software, databases, documentation and other proprietary information. ProxyMed cannot assure you that the steps taken by ProxyMed will be adequate to deter misappropriation of ProxyMed's proprietary rights or that third parties will not independently develop substantially similar products, services and technology. Although ProxyMed believes its products, services and technology do not infringe on any proprietary rights of others, as the number of software products available in the market increases and the functions of those products further overlap, ProxyMed and other software and Internet developers may become increasingly subject to infringement claims. These claims, with or without merit, could result in costly litigation or might require ProxyMed to enter into royalty or licensing agreements, which may not be available on terms acceptable to ProxyMed.

## **Employees**

As of January 29, 2004, ProxyMed employed 396 full-time employees and 11 part-time employees. ProxyMed is not and never has been a party to a collective bargaining agreement. ProxyMed considers its relationship with its employees to be good.

## **Available Information**

ProxyMed's internet address is [www.ProxyMed.com](http://www.ProxyMed.com). ProxyMed makes available free of charge on or through its internet website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 as soon as reasonably practicable after such material was electronically filed with, or furnished to the SEC. The public may read and copy any materials filed by ProxyMed with the SEC at the SEC's Public Reference Room at 450 Fifth Street NW, Washington DC 20549 and may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

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ProxyMed's significant offices are located as follows:

<b>Business Segment</b>	<b>Location</b>	<b>Description</b>	<b>Approximate Square Footage</b>
Corporate/ Prescription Services	Fort Lauderdale, Florida	Corporate headquarters/ operations office	20,500
Payer Services	Santa Ana, California	Operations office/data center	19,600
	San Diego, California	Development office	4,700
	Norcross, Georgia	Operations office/data center	31,200
Laboratory Services	Sioux Falls, South Dakota	Operations office	3,700
	Richmond, Virginia	Operations office/data center	3,000
	New Albany, Indiana	Operations office/ manufacturing facility	42,000
	Moorestown, New Jersey	Operations office/depot service facility	4,000

ProxyMed also maintains portions of its Phoenix<sup>TM</sup> network at a secure, third-party co-location center in Atlanta, Georgia. In addition, ProxyMed also leases several remote sales offices and mini-warehouses. ProxyMed's leases and subleases generally contain renewal options and require ProxyMed to pay base rent, plus property taxes, maintenance and insurance. ProxyMed considers its present facilities adequate for its operations.

**Legal Proceedings**

ProxyMed does not have any material legal proceedings pending.

**Table of Contents****PROXYMED SELECTED HISTORICAL FINANCIAL DATA**

The following table sets forth selected consolidated financial information for ProxyMed as of and for each of the five years leading up to the period ended December 31, 2002 and for the nine months ended September 30, 2003.

The data for the five years ended December 31, 2002 have been derived from ProxyMed's audited consolidated financial statements. In March 1995, ProxyMed's business focus changed from primarily the sale of prescription drugs to providing connectivity services and related value-add products to physicians, payers, medical laboratories, pharmacies and other healthcare providers. Accordingly, financial information relating to ProxyMed's prescription drug dispensing and network integration businesses (both disposed of in 2000) has been reclassified as discontinued operations.

As described more fully in Note 2 to ProxyMed's consolidated financial statements beginning on page FS-12, ProxyMed acquired MedUnite on December 31, 2002 for \$10.0 million in cash and \$13.4 million in 4% convertible notes due December 31, 2008. As a result of this acquisition, ProxyMed also recorded approximately \$8.3 million in transaction and exit costs, of which \$1.1 million is included in long-term obligations in the table below. The operations of MedUnite are not included in ProxyMed's 2002 results since the acquisition occurred after the close of business on the last day of 2002.

The data set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and ProxyMed's Consolidated Financial Statements and related notes.

(Amounts in Thousands Except for Share and Per Share Data)

	Nine Months Ended September 30, 2003	Year Ended December 31,				
		2002	2001	2000	1999	1998
(Unaudited)						
STATEMENT OF OPERATIONS DATA:						
Revenues	\$53,194	\$50,182	\$43,230	\$33,441	\$29,023	\$22,249
Operating income (loss)	\$ (3,021)	\$ 1,340	\$ (6,712)	\$ (23,460)	\$ (20,019)	\$ (11,087)
Income (loss) from continuing operations	\$ 1,200	\$ 1,950	\$ (6,798)	\$ (26,927)	\$ (20,120)	\$ (11,194)
Income (loss) from discontinued operations	\$	\$	\$	\$ 241	\$ (1,714)	\$ (595)
Net income (loss) applicable to common shareholders	\$ 1,200	\$ 1,338	\$ (19,060)	\$ (48,052)	\$ (21,856)	\$ (11,788)
PER SHARE DATA:						
Basic and diluted net loss per share of common stock:						
Income (loss) from continuing operations	\$ 0.18	\$ .21	\$ 8.81	\$ (37.03)	\$ (16.75)	\$ (10.73)
Income (loss) from discontinued operations	\$	\$	\$	\$ .19	\$ (1.43)	\$ (.57)
Net income (loss)	\$ 0.18	\$ .21	\$ 8.81	\$ (36.84)	\$ (18.18)	\$ (11.30)

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	Nine Months Ended September 30, 2003	December 31,				
		2002	2001	2000	1999	1998
(Unaudited)						
Diluted weighted average common shares outstanding	6,815,247	6,396,893	2,162,352	1,304,342	1,202,136	1,043,558
DIVIDEND DATA:						
Dividends on common stock	\$	\$	\$	\$	\$	\$
Dividends on cumulative preferred stock	\$	\$	\$ 1,665	\$ 1,275	\$ 22	\$

	September 30, 2003	December 31,				
		2002	2001	2000	1999	1998
(Unaudited)						
BALANCE SHEET DATA:						
Working capital	\$ 14,714	\$ 8,749	\$ 9,393	\$ 12,156	\$ 12,580	\$ 7,565
Convertible notes	\$ 13,400	\$ 13,400	\$	\$	\$	\$
Other long-term obligations	\$ 4,001	\$ 2,581	\$ 442	\$ 729	\$ 583	\$ 1,367
Total assets	\$ 81,810	\$ 88,704	\$ 35,882	\$ 27,666	\$ 44,773	\$ 46,903
Net assets of discontinued operations	\$	\$	\$	\$	\$ 3,022	\$ 4,040
Shareholders' equity	\$ 51,942	\$ 50,735	\$ 22,873	\$ 22,377	\$ 37,756	\$ 40,279

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**PROXYMED MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

**General**

ProxyMed is the nation's second largest provider-based electronic healthcare transaction services company. ProxyMed provides connectivity services and related value-added products to physicians, payers, pharmacies, medical laboratories, and other healthcare providers and suppliers. ProxyMed's services support a broad range of both financial and clinical transactions, and are HIPAA-certified through Claredi, an independent certification and testing services company specializing in HIPAA compliance. To facilitate these services, ProxyMed operates Phoenix™, its secure national electronic information platform, which provides physicians and other healthcare providers with direct connectivity to one of the industry's largest lists of payers, the industry's largest list of chain and independent pharmacies and the largest list of clinical laboratories. ProxyMed's products and services are currently provided from its main operating facilities located in Fort Lauderdale, Florida; New Albany, Indiana; Santa Ana, California; Norcross, Georgia; and Sioux Falls, South Dakota. ProxyMed also operates its clinical network and portions of its financial and real-time production computer networks from a secure co-location site in Atlanta, Georgia.

ProxyMed's primary strategy is focused on leveraging its leading position as an independent back-end connectivity provider to small physician offices. Through strategic relationships and partnerships with front-end solution providers, ProxyMed's goal is to drive more healthcare transactions through Phoenix™ while remaining neutral in the battle for the physician's desktop. Additionally, since ProxyMed has an existing customer base of physicians and other healthcare providers, they expect that there will be opportunities to increase revenues by cross-selling our existing products and services to these current customers, as well as revenue opportunities from the development of new services from our development efforts, including Internet-based transaction services. ProxyMed remains committed to developing additional capabilities and value-added products and services, and to expanding its back-end connectivity network. In conjunction with this philosophy, ProxyMed has recently introduced ProxyMed.net, its new web portal for providers, and Phoenix™, its new transaction processing platform which has been HIPAA-certified through Claredi. ProxyMed has also added new services offerings for its payer customers through agreements with PlanVista Corporation, referred to as PlanVista, for claims re-pricing services and First Data Corporation for a jointly marketed suite of services being offered under the brand name FirstProxy.

On December 31, 2002, ProxyMed acquired all of the outstanding stock of MedUnite, Inc., referred to as MedUnite, for \$10 million in cash and an aggregate of \$13.4 million principal amount of 4% convertible promissory notes. In addition, ProxyMed estimated approximately \$8.3 million in transaction and exit related costs. Interest on the convertible notes is payable in cash on a quarterly basis. The convertible promissory notes are payable in full on December 31, 2008 and are convertible into an aggregate of 731,322 shares of our common stock if the founders of MedUnite achieve certain revenue-based triggers over the next three and one-half year period. The shares of ProxyMed common stock issuable upon conversion of the convertible notes will be registered by ProxyMed promptly after a stockholder achieves a conversion trigger event. The operations of MedUnite are reflected with those of ProxyMed for the three and nine months ended September 30, 2003. Additionally, although the integration of MedUnite into our existing operations will continue throughout 2003, currently the organizations are run and managed as one operating unit. As a result, meaningful separate results and statistics are no longer available.

**Results of Operations**

***Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002***

*Net Revenues.* Consolidated net revenues for the nine months ended September 30, 2003 increased by \$16.2 million, or 44%, to \$53.2 million from consolidated net revenues of \$37.0 million for the nine

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months ended September 30, 2002. Net revenues classified by ProxyMed's reportable segments are as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Transaction Services	\$35,102	\$16,345
Laboratory Communication Solutions	18,092	20,643
	<u>\$53,194</u>	<u>\$36,988</u>

Net revenues in ProxyMed's Transaction Services segment increased by 115% over the 2002 period. This increase was driven by strong internal growth and more significantly by transactions generated at MedUnite.

Total healthcare transactions processed during the nine months ended September 30, 2003 were 168.5 million equating to an annualized run rate of almost 225 million transactions processed. Core transaction growth between the nine-month period ending September 30, 2002 and the same period in 2003 was 132%. While ProxyMed's encounter volume dropped between the periods, the net increases were generally the result of transactions acquired from MedUnite and new sales, including transactions generated by newer vendor partners that resulted in greater claim and patient statement processing transactions. A summary of the number of transactions processed by ProxyMed for the periods presented is as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Core Transactions	150,052	64,588
Encounters	18,494	19,473
	<u>168,546</u>	<u>84,061</u>

Core transactions represent all transactions except for encounters. Encounters are an administrative reporting transaction for payers but do not generate revenue for the provider who must submit them. Accordingly, rather than submitting on a routine basis, most providers choose to periodically catch up on their submissions, creating monthly and quarterly swings in both the number of encounters ProxyMed processes and the percentage of ProxyMed's transaction mix they represent. Since encounters are at a significantly lower price point than claims, these swings make it difficult to easily analyze quarter-over-quarter growth in ProxyMed's core business. In addition, ProxyMed does not expect its encounter volume to grow on an annual basis, as payers are not expanding the capitated service model that is the foundation of encounters. Therefore, ProxyMed believes that breaking out encounters shows more clearly the growth in core transactions, which is the growth engine for ProxyMed's Transaction Services segment.

For the 2003 period, approximately 66% of ProxyMed's revenues came from the Transaction Services segment compared to 44% from this segment for the 2002 period. For the remainder of 2003 and beyond, it is anticipated that ProxyMed's greatest growth will come from this segment.

Laboratory Communication Solutions' net revenues decreased by 12% from the 2002 period. As the sluggish economy continued for the first half of 2003, ProxyMed has seen a slowdown in contract manufacturing sales and sales of communication devices at ProxyMed's smaller labs and hospital labs. ProxyMed expects this slowdown to continue for the remainder of 2003. ProxyMed's future goals for this business include creating new opportunities with existing customers and capitalizing on ProxyMed's relationships for transaction-based solutions.

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*Cost of Sales.* Consolidated cost of sales decreased as a percentage of net revenues to 42% for the nine months ended September 30, 2003 from 46% for the nine months ended September 30, 2002. Cost of sales classified by reportable segment is as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Transaction Services	\$ 12,327	\$ 6,449
Laboratory Communication Solutions	9,861	10,612
	<u>\$ 22,188</u>	<u>\$ 17,061</u>

Cost of sales in ProxyMed's Transaction Services segment consists of transaction fees, services and license fees, third-party electronic transaction processing costs, certain telecommunication and co-location center costs, revenue sharing arrangements with ProxyMed's business partners, third-party database licenses, and certain travel expenses. Cost of sales as a percentage of revenues decreased to 35% in the 2003 period compared to 39% in the same period last year primarily due to a change in the mix of transaction types from higher cost patient statements to lower cost claims and real-time transactions (such as eligibility verification) through the additional transactions acquired from MedUnite.

Cost of sales in the Laboratory Communication Solutions segment includes hardware, third-party software and consumable materials. Cost of sales as a percentage of revenues increased to 55% in the 2003 period compared to 51% in the same period last year primarily due to a change in the mix from lower cost leases to higher cost contract manufacturing.

*Selling, General and Administrative Expenses.* Consolidated SG&A increased for the nine months ended September 30, 2003 by \$12.5 million, or 72%, to \$29.8 million from consolidated SG&A of \$17.3 million for the nine months ended September 30, 2002. Consolidated SG&A expenses as a percentage of consolidated revenues increased to 56% for the 2003 period compared to 47% in the same period last year. SG&A expenses classified by ProxyMed's reportable segments are as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Transaction Services	\$ 20,763	\$ 8,498
Laboratory Communication Solutions	6,339	6,915
Corporate	2,653	1,914
	<u>\$ 29,755</u>	<u>\$ 17,327</u>

SG&A expenses in Transaction Services increased 144% for the nine months September 30, 2003 over the same period last year, primarily due to the incremental expenses incurred in the operations of MedUnite, costs related to ProxyMed's HIPAA compliance efforts, implementation staffing and sales/ marketing programs implemented since last year.

While ProxyMed expected to incur significant SG&A costs related to the MedUnite operations in the first half of 2003, ProxyMed also expected to reduce them at a higher rate than achieved during the first quarter of 2003. Despite these challenges, ProxyMed exited the first quarter on an expense run rate in line with initial expectations, and in the second quarter of 2003, ProxyMed was successful in eliminating or renegotiating substantial telecommunication expenses and duplicative contact management, human resources and customer relationship management systems. As a result of these cost cutting measures, ProxyMed achieved positive cash flow in the MedUnite operations in the third quarter of 2003. However, ProxyMed does expect SG&A costs to increase in the fourth quarter of 2003 as the development projects related to the integration of MedUnite are moved into production resulting in a decrease in the amount of capitalized development related to the real-time and Phoenix™ platforms.

SG&A expenses in ProxyMed's Laboratory Communications Solutions segment decreased by 8% for the nine months ended September 30, 2003 from the same period last year primarily due to cost cutting measures implemented last year. Segment SG&A expenses as a percentage of segment net revenues





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increased to 35% for the 2003 period compared to 33% for the same period last year due to lower revenues in the 2003 period.

Corporate SG&A expenses increased 39% for the nine months ended September 30, 2003 compared to the same period last year primarily due to increased insurance premiums, professional fees and personnel costs.

*Depreciation and Amortization.* Consolidated depreciation and amortization increased by \$2.3 million to \$4.2 million for the nine months ended September 30, 2003 from \$1.9 million for the same period last year. This increase was primarily due to \$1.5 million for the amortization of intangible assets acquired in the MedUnite acquisition, which includes amortization of ProxyMed.net, ProxyMed's real-time network based on the technology platform acquired from MedUnite. Amortization of intangible assets related to additional capitalized software development will increase in the fourth quarter as ProxyMed places the Phoenix™ platform into production and commences the amortization of this asset. Depreciation and amortization classified by reportable segments is as follows (in thousands):

	2003	2002
Transaction Services	\$3,287	\$1,144
Laboratory Communication Solutions	722	601
Corporate	144	152
	<u>\$4,153</u>	<u>\$1,897</u>

*Loss on Disposal of Assets.* As a result of the consolidation of the ProxyMed and MedUnite offices in Atlanta during the quarter ended March 31, 2003, ProxyMed recorded \$0.1 million in net losses primarily related to the disposition of certain assets owned and leased that were acquired in the acquisition of MDP Corporation in 2001. The consolidation of ProxyMed's and MedUnite's Atlanta offices is expected to save us over \$0.3 million on an annual basis going forward in rents and other occupancy costs.

*Operating Income (Loss).* As a result of the foregoing, consolidated operating loss for the nine months ended September 30, 2003 was \$3.0 million compared to operating income of \$0.7 million for the same period last year. Operating income (loss) classified by reportable segments is as follows (in thousands):

	2003	2002
Transaction Services	\$(1,382)	\$ 254
Laboratory Communication Solutions	1,168	2,515
Corporate	(2,807)	(2,066)
	<u>\$(3,021)</u>	<u>\$ 703</u>

*Interest, Net.* Consolidated net interest expense for the nine months ended September 30, 2003 was \$0.6 million compared to net interest income of \$0.3 million for the same period last year. This increase in expense is primarily due to interest related to ProxyMed's convertible debt issued to the former owners of MedUnite and the financing of certain liabilities of MedUnite during the 2003 period and lower interest income earned on a smaller investment base at lower interest rates.

*Other Income.* In conjunction with ProxyMed's distribution and marketing agreement with PlanVista for claims re-pricing services signed in June 2003, ProxyMed received a warrant to purchase up to 15% of PlanVista. At the end of September 2003, the value of this warrant increased by \$4.8 million to \$5.3 million. However, if the warrant is never exercised, then ProxyMed will have to record an impairment charge equal to the warrant's remaining value, if any, carried on the books. At the present time, ProxyMed has no intention of exercising this warrant and ProxyMed will record an impairment charge in the fourth quarter of 2003.

*Net Income.* As a result of the foregoing, consolidated net income was \$1.2 million for both the nine months ended September 30, 2003 and 2002.



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*Deemed Dividends.* ProxyMed incurred deemed dividends of \$0.6 million during the nine months ended September 30, 2002 as a result of non-cash accounting charges for the conversion of 31,650 preferred shares into 242,510 shares of common stock by ProxyMed's series C preferred shareholders in 2002 pursuant to ProxyMed's offer to convert their shares commencing in December 2001.

*Net Income Applicable to Common Shareholders.* As a result of the foregoing, ProxyMed reported net income applicable to common shareholders of \$1.2 million for the nine months ended September 30, 2003 compared to \$0.6 million for the nine months ended September 30, 2002.

**Year Ended December 31, 2002 Compared to Year Ended December 31, 2001**

*Net Revenues.* Consolidated net revenues for 2002 increased by \$7.0 million or 16%, to \$50.2 million from consolidated net revenues of \$43.2 million for 2001. Net revenues classified by ProxyMed's reportable segments are as follows (in thousands):

	<b>2002</b>	<b>2001</b>
Electronic healthcare transaction processing	\$22,439	\$16,938
Laboratory communication solutions	27,743	26,292
	<b>\$50,182</b>	<b>\$43,230</b>

Net revenues in ProxyMed's electronic healthcare transaction processing segment increased by 32% primarily due to a 30% increase in the number of electronic clinical and financial healthcare transactions processed through Phoenix. Total transactions grew from 87.9 million transactions in the 2001 period to 114.2 million transactions in 2002. Core transaction growth is up 47% from the 2001 period. The increase in transaction volume was primarily attributable to internal growth in both claims and statements processed. Additionally, ProxyMed continued to make progress in ProxyMed's cross-selling efforts to ProxyMed's existing customers resulting in an increase of transaction services utilized per directly contracted provider from a 1.3 (estimated) in 2001 to 2.5 in 2002. A summary of the number of transactions ProxyMed processed for the periods presented is as follows (in thousands):

	<b>2002</b>	<b>2001</b>
Core transactions	89,123	60,523
Encounters	25,045	27,419
	<b>114,168</b>	<b>87,942</b>

Core transactions represent all transactions except for encounters. Encounters are an administrative reporting transaction for payers but do not generate revenue for the provider who must submit them. Accordingly, rather than submitting on a routine basis, most providers choose to periodically catch up on their submissions, creating monthly and quarterly swings in both the number of encounters ProxyMed processes and what percentage of ProxyMed's transaction mix they represent. Since encounters are at a significantly lower price point than claims, these swings make it difficult to easily analyze ProxyMed's quarter-over-quarter growth in ProxyMed's core business. In addition, ProxyMed does not expect its encounter volume to grow on an annual basis, as payers are not expanding the capitated service model that is the foundation of encounters. Therefore, ProxyMed believes that breaking out encounters shows more clearly ProxyMed's growth in core transactions, which are the growth engine for ProxyMed's Electronic healthcare transaction services segment.

ProxyMed exited the year on an annualized run rate of over 120 million total transactions for ProxyMed on a stand-alone basis. The acquisition of MedUnite added another 90 million transactions; therefore, ProxyMed exited 2002 with a combined annualized run rate of almost 210 million total transactions.

For 2002, approximately 45% of ProxyMed's revenues came from ProxyMed's Electronic healthcare transaction processing segment, compared to 39% from this segment for 2001.

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Laboratory communication solutions segment net revenues increased by 6% primarily due to the acquisition of KenCom Communications & Services, Inc. and an increase in contract manufacturing revenues, offset by decreases in sales and leases of communication devices, and field service revenues.

*Cost of Sales.* Consolidated cost of sales decreased from 47% in 2001 to 46% in 2002. Cost of sales classified by ProxyMed's reportable segments is as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Electronic healthcare transaction processing	\$ 8,793	\$ 6,531
Laboratory communication solutions	14,230	13,877
	<u>23,023</u>	<u>20,408</u>

Cost of sales in the Electronic healthcare transaction processing segment consists of transaction fees, services and license fees, third-party electronic transaction processing costs, certain telecommunication and co-location center costs, revenue sharing arrangements with ProxyMed's business partners, third-party database licenses, and certain labor and travel expenses. Cost of sales as a percentage of revenues remained constant at 39% for 2002 and 2001.

Cost of sales in the Laboratory communication solutions segment includes hardware, third-party software, and consumable materials. Cost of sales as a percentage of revenues decreased to 51% for 2002 compared to 53% for 2001 primarily as a result of a change in the mix of revenues from higher margin leases of communication devices (as ProxyMed's lease base shrinks) to lower margin device sales and contract manufacturing.

*Selling, General and Administrative Expenses.* Consolidated SG&A increased for 2002 by \$1.8 million, or 9%, to \$23.1 million from consolidated SG&A of \$21.3 million for 2001. Consolidated SG&A expenses as a percentage of consolidated revenues decreased to 46% for 2002 compared to 49% in 2001. SG&A expenses classified by ProxyMed's reportable segments are as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Electronic healthcare transaction processing	\$ 11,430	\$ 9,906
Laboratory communication solutions	9,121	8,168
Corporate	2,594	3,193
	<u>23,145</u>	<u>21,267</u>

Electronic healthcare transaction processing segment SG&A expenses for 2002 increased 15% over 2001 primarily due to adding associates in ProxyMed's Payer Services transaction business sales and marketing teams to drive ProxyMed's core revenue growth and in ProxyMed's technical and development areas as it relates to ProxyMed's HIPAA compliance efforts, and incremental expenses incurred at ProxyMed's South Dakota operations as a result of ProxyMed's acquisition of MDIP, Inc.'s assets. These increases were offset by the capitalization of payroll and other costs for HIPAA and private label internal-use software projects for 2002. Segment SG&A expenses as a percentage of segment net revenues decreased to 51% for 2002 compared to 58% for 2001 due to the operational leverage inherent in the business. As ProxyMed increases the number of transactions ProxyMed process, ProxyMed does not experience a direct correlation in ProxyMed's costs due to the semi-fixed nature of operating expenses in this segment.

Laboratory communication solutions segment SG&A expenses for 2002 increased by 12% primarily due to incremental expenses incurred for the May 2002 acquisition and operations of KenCom Communications & Services, Inc. plus increases in contract manufacturing personnel. As a result, segment SG&A expenses as a percentage of segment net revenues increased to 33% for 2002 compared to 31% for 2001. However, in the fourth quarter of 2002, ProxyMed enacted several cost containment programs in an effort to curtail spending.



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Corporate SG&A expenses decreased 19% for 2002 compared to 2001 primarily due to the non-cash compensatory warrants and the additional accrual recorded for ProxyMed's software licensing contingency for 2001.

*Depreciation and Amortization.* Consolidated depreciation and amortization decreased by \$5.6 million to \$2.6 million for 2002 from \$8.2 million for 2001. This decrease was primarily from a reduction in amortization expense due to the conclusion of amortization of certain intangible assets in 2001 related to prior acquisitions in ProxyMed's Electronic healthcare transaction processing segment and the adoption of SFAS No. 142 on January 1, 2002, offset by amortization of identifiable intangible assets (other than goodwill) related to the acquisitions of KenCom Communications & Services, Inc., MDIP, Inc., and the customer relationships of Claimsnet.com in September 2002 for \$0.7 million. Amortization expense related to these acquisitions is expected to be approximately \$0.1 million per quarter through the first quarter of 2005. Depreciation and amortization classified by ProxyMed's reportable segments is as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Electronic healthcare transaction processing	\$ 1,581	\$ 7,285
Laboratory communication solutions	857	561
Corporate	198	330
	<u>\$ 2,636</u>	<u>\$ 8,176</u>

*Operating Income (Loss).* As a result of the foregoing, consolidated operating income for 2002 was \$1.3 million compared to a loss of \$6.7 million for 2001. Operating income (loss) classified by ProxyMed's reportable segments is as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Electronic healthcare transaction processing	\$ 597	\$ (6,859)
Laboratory communication solutions	3,535	3,686
Corporate	(2,792)	(3,539)
	<u>\$ 1,340</u>	<u>\$ (6,712)</u>

*Write-off of Obsolete and Impaired Assets.* ProxyMed wrote off \$38,000 in capitalized programming costs in connection with the development of ProxyMed's real-time transaction processing applications as a result of acquiring the same functionality in the software platforms acquired from MedUnite in December 2002.

*Interest, Net.* Consolidated net interest income for 2002 was \$0.3 million compared to net interest expense of \$0.1 million for 2001. This net increase is primarily due to higher cash balances as a result of ProxyMed's investment from GAP in April 2002, even though effective interest rates are lower for 2002 compared to 2001 on the cash invested.

*Net Income (Loss).* As a result of the foregoing, consolidated net income for 2002 was \$2.0 million compared to a net loss of \$6.8 million for 2001.

*Deemed Dividends and Other Charges.* ProxyMed incurred deemed dividends and other charges of \$0.6 million for 2002 as a result of non-cash accounting charges for the conversion of 31,650 preferred shares into 242,510 shares of common stock by ProxyMed's series C preferred shareholders in 2002 pursuant to ProxyMed's offer to convert their shares commencing in December 2001. For the 2001 period, ProxyMed incurred total deemed dividend and other charges of \$12.3 million primarily as a result of non-cash accounting charges from the anti-dilution reset in number and price of certain warrants issued to ProxyMed's series B preferred shareholders in February 2001, non-cash accounting charges from the exchange of 271,700 warrants into 218,828 shares of common stock by ProxyMed's series B preferred shareholders in April 2001, non-cash accounting charges from the exchange of 1,412,033 warrants into 1,050,691 shares of common stock by ProxyMed's series C preferred shareholders in August 2001, non-





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cash accounting charges related to the conversion of ProxyMed's series C preferred stock into 1,296,126 shares of common stock pursuant to ProxyMed's conversion offer through December 31, 2001, non-cash charges from the anti-dilution reset in number and price of certain warrants issued to ProxyMed's remaining series B preferred warrant holder in December 2001 as a result of the reduced conversion price pursuant to ProxyMed's conversion offer to series C preferred stockholders and dividends paid to the holder of ProxyMed's Series B Preferred stock (which was fully converted in October 2001) and dividends paid to ProxyMed's Series C preferred shareholders through the issuance of shares of common stock.

*Net Income (Loss) Applicable to Common Shareholders.* As a result of the foregoing, ProxyMed reported net income applicable to common shareholders of \$1.3 million for 2002 compared to a net loss applicable to common shareholders of \$19.1 million for 2001.

**Year Ended December 31, 2001 Compared to Year Ended December 31, 2000**

*Net Revenues.* Consolidated net revenues for 2001 increased by \$9.8 million, or 29%, to \$43.2 million from consolidated net revenues of \$33.4 million for 2000. Net revenues classified by ProxyMed's reportable segments are as follows (in thousands):

	<u>2001</u>	<u>2000</u>
Electronic healthcare transaction processing	\$ 16,938	\$ 10,103
Laboratory communication solutions	26,292	23,338
	<u>\$43,230</u>	<u>\$33,441</u>

Electronic healthcare transaction processing segment net revenues increased by 68% primarily due to a 48% increase in the number of electronic clinical and financial healthcare transactions processed through Phoenix from 59.2 million transactions for 2000 to 87.9 million transactions for 2001. Core transaction growth was up 85% from prior year (including 13.5 million patient statement and electronic claims transactions from ProxyMed's acquisition of MDP). A summary of the number of transactions ProxyMed processed for the periods presented is as follows (in thousands):

	<u>2001</u>	<u>2000</u>
Core transactions	60,523	32,756
Encounters	27,419	26,465
	<u>87,942</u>	<u>59,221</u>

For 2001, approximately 39% of ProxyMed's revenues came from ProxyMed's Electronic healthcare transaction processing segment, compared to only 30% from this segment for 2000.

Laboratory communication solutions segment net revenues increased by 13% primarily as a result of increased sales in communication device units and contract manufacturing offset by decreases in other laboratory services such as communication device leases and field service events.

*Cost of Sales.* Consolidated cost of sales increased from 37% in 2000 to 48% in 2001. Cost of sales classified by ProxyMed's reportable segments is as follows (in thousands):

	<u>2001</u>	<u>2000</u>
Electronic healthcare transaction processing	\$ 6,531	\$ 1,918

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Laboratory communication solutions	<u>13,877</u>	<u>10,331</u>
	<u>\$20,408</u>	<u>\$12,249</u>

Cost of sales in the Electronic healthcare transaction processing segment consists of transaction fees, services and license fees, third-party electronic transaction processing costs, certain telecommunication and co-location center costs, revenue sharing arrangements with ProxyMed's business partners, third-party

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database licenses, and certain labor and travel expenses. Cost of sales as a percentage of revenues increased from 19% for 2000 to 39% for 2001 primarily due to an increase in patient statement processing services (which have a higher direct cost compared to the traditional financial transactions that ProxyMed offers) as a result of ProxyMed's MDP acquisition in May 2001.

Cost of sales in the Laboratory communication solutions segment includes hardware, third-party software, and consumable materials. Cost of sales as a percentage of revenues increased to 53% for 2001 compared to 44% for 2000 primarily due to a shift in the revenue mix from lower cost leases to higher cost communication device units and contract manufacturing.

*Selling, General and Administrative Expenses.* Consolidated SG&A decreased for 2001 by \$5.8 million, or 22%, to \$21.3 million from consolidated SG&A of \$27.1 million for 2000. Consolidated SG&A expenses as a percentage of consolidated revenues decreased to 49% for 2001 compared to 81% for 2000. SG&A expenses classified by ProxyMed's reportable segments are as follows (in thousands):

	2001	2000
Electronic healthcare transaction processing	\$ 9,906	\$ 12,255
Laboratory communication solutions	8,168	8,443
Corporate	3,193	6,399
	<u>\$21,267</u>	<u>\$27,097</u>

Electronic healthcare transaction processing segment SG&A expenses for 2001 decreased by 19% compared to 2000 primarily due to decreases in net payroll, outside labor and related expenses due to the effect of ProxyMed's restructuring plan which commenced in May 2000 and additional personnel reductions enacted at the end of 2000 and in the first quarter of 2001. Segment SG&A expenses as a percentage of segment net revenues decreased to 58% for 2001 compared to 121% for 2000 as operational leverage continues to be recognized.

Laboratory communication solutions segment SG&A expenses for 2001 decreased by 3% compared to 2000.

Corporate SG&A expenses decreased 50% for 2001 compared to 2000 primarily due to decreases in net payroll, other selling, general and administrative expenses due to the effect of ProxyMed's restructuring plan and the non-cash compensatory warrants to outside consultants as fees related to ProxyMed's financial advisory agreement with Commonwealth Associates Group Holdings, LLC which ceased to be amortized after April 2001.

*Depreciation and Amortization.* Consolidated depreciation and amortization decreased by \$5.2 million to \$8.2 million for 2001 from \$13.4 million for 2000. This net decrease was primarily from a reduction in amortization expense due to the conclusion of amortization of certain intangible assets in 2001 related to prior acquisitions in ProxyMed's Electronic healthcare transaction processing segment. Depreciation and amortization classified by ProxyMed's reportable segments is as follows (in thousands):

	2001	2000
Electronic healthcare transaction processing	\$ 7,285	\$ 12,147
Laboratory communication solutions	561	722
Corporate	330	506
	<u>\$8,176</u>	<u>\$13,375</u>

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*Operating Income (Loss).* As a result of the foregoing, consolidated operating loss for 2001 was \$6.7 million compared to a loss of \$23.5 million in 2000. Operating income (loss) classified by ProxyMed's reportable segments is as follows (in thousands):

	<u>2001</u>	<u>2000</u>
Electronic healthcare transaction processing	\$(6,859)	\$(18,949)
Laboratory communication solutions	3,686	3,724
Corporate	(3,539)	(6,905)
Restructuring		(1,330)
	<u>\$(6,712)</u>	<u>\$(23,460)</u>

*Write-off of Obsolete and Impaired Assets.* As a result of ProxyMed's periodic review of fixed assets and co-location of ProxyMed's clinical production network, in December 2001 ProxyMed wrote off \$0.1 million in obsolete fixed assets, primarily computer hardware and software. These write-offs are expected to lower ProxyMed's depreciation and amortization charges by approximately \$0.1 million in 2002.

*Interest, Net.* Consolidated net interest expense decreased by \$4.0 million to \$0.1 million for 2001 from \$4.1 million in 2000. This decrease is primarily due to charges in 2000 related to the amortization of costs from ProxyMed's private placement of convertible debt securities completed in June 2000, and a beneficial conversion charge resulting from the conversion price of the convertible debt being less than the market price of ProxyMed's stock on the dates of issuance in 2000.

*Loss from Continuing Operations.* As a result of the foregoing, the consolidated loss from continuing operations was \$6.8 million for 2001 compared to a loss of \$26.9 million for 2000.

*Deemed Dividends and Other Charges.* ProxyMed incurred deemed dividends and other charges of \$12.3 million in 2001 primarily as a result of non-cash accounting charges from the anti-dilution reset in number and price of certain warrants issued to ProxyMed's series B preferred stockholders in February 2001; non-cash accounting charges of from the exchange of 271,700 warrants into 218,828 shares of common stock by certain of ProxyMed's series B preferred stockholders in April 2001; non-cash accounting charges of from the exchange of 1,412,033 warrants into 1,050,691 shares of common stock by certain of ProxyMed's series C preferred stockholders in August 2001; non-cash accounting charges related to the conversion of 169,149 shares of ProxyMed's series C preferred into 1,296,126 shares of common stock pursuant to ProxyMed's Conversion Offer through December 31, 2001; non-cash accounting charges from the anti-dilution reset in number and price of certain warrants issued to ProxyMed's remaining series B preferred warrant holder in December 2001 as a result of the reduced conversion price pursuant to ProxyMed's conversion offer to series C preferred and cash dividends paid to ProxyMed's series B preferred shareholders and dividends paid to ProxyMed's series C preferred shareholders through the issuance of shares of common stock.

*Net Loss Applicable to Common Shareholders.* As a result of the foregoing, ProxyMed reported a net loss applicable to common shareholders of \$19.1 million for 2001 compared to a net loss applicable to common shareholders of \$48.1 million for 2000.

**Liquidity and Capital Resources**

In the nine months ended September 30, 2003, cash provided by operating activities totaled \$0.5 million. During this period, ProxyMed paid \$5.7 million in acquisition-related costs for MedUnite; paid \$3.3 million for fixed assets and capitalized software; paid \$1.8 million against ProxyMed's notes payable and certain long term debt; and transferred \$0.3 million as support for a letter of credit used to collateralize the financing of a certain liability insurance policy. These activities were principally financed through available cash resources. After these activities, ProxyMed had cash and cash equivalents totaling \$6.9 million as of September 30, 2003. These available funds will be used for operations, strategic acquisitions, the further development of ProxyMed's products and services, and other general corporate

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purposes. ProxyMed continues to evaluate other acquisition opportunities and strategic alternatives that may add synergies to ProxyMed's product offerings and business strategy.

At the current time, ProxyMed does not have any material commitments for capital expenditures other than the final payment of three equal installments of approximately \$0.2 million related to the licensing of software for use in ProxyMed's internal systems. In February 2003, ProxyMed paid the second \$0.2 million towards this commitment.

At the beginning of 2003, before considering any capital spending needs at MedUnite, ProxyMed anticipated spending approximately \$2.6 million in capital expenditures (including the licensing fees above) plus an additional \$0.6 million for various development projects scheduled to be undertaken by ProxyMed in 2003. Through September 30, 2003, with assets available at MedUnite, ProxyMed has been able to limit its capital spending to \$1.7 million (excluding \$0.4 million spent for capital expenditures at MedUnite) with approximately \$0.3 million to be spent for the balance of the year on network improvements, ProxyMed's new accounting system and other projects. Additionally, ProxyMed expected to incur significant additional development and related hardware/software costs over time related to the completion of enhancements for the real-time network platform acquired from MedUnite. Through September 30, 2003, ProxyMed has spent approximately \$1.2 million in capitalized software development projects related to both the development of Phoenix<sup>TM</sup> and ProxyMed.net and expects to incur another \$0.2 million in the remainder of 2003 to complete the Phoenix<sup>TM</sup> project and start on others. By the end of the year, ProxyMed's total capital spending (including MedUnite) is expected to be above ProxyMed's originally anticipated amounts.

During the 2002 year, ProxyMed consistently improved operating results as a result of both internal and external growth, successful cross selling of ProxyMed's transaction services, and ProxyMed's ability to monitor expenses. With ProxyMed's additional equity financing at the end of the first quarter of 2002, ProxyMed was able to consummate four acquisitions during the year, culminating with the acquisition of MedUnite at the end of the year. Unfortunately, MedUnite had incurred significant losses since its inception and was utilizing cash significantly in excess of amounts it was generating primarily due to technical and research and development activities related to its various processing platforms. As a result, at the time ProxyMed acquired MedUnite, there were substantial liabilities and obligations as well as future commitments (both recorded and unrecorded at December 31, 2002) associated with the business in addition to the transaction and exit costs associated with the acquisition.

In an effort to immediately curtail and reduce the expenditure levels, MedUnite's senior management team was terminated along with approximately 20% of the general workforce and in February 2003, ProxyMed moved its Atlanta facility into MedUnite's Norcross facility. While ProxyMed did not achieve the expected reductions in MedUnite's costs early in the first quarter, ProxyMed did exit the first quarter on an expense run rate in line with ProxyMed's expectations. Furthermore, during the second and third quarters of 2003, ProxyMed continued expense reductions by successfully eliminating or renegotiating substantial telecommunication expenses and eliminating duplicative contact management, human resources and customer relationship management systems. Additionally, in April 2003, ProxyMed terminated the San Diego facility lease effective July 1, 2003 in return for a \$0.8 million letter of credit held by the current landlord and furniture at that facility.

By June 30, 2003, ProxyMed had paid all of the significant transaction and exit costs associated with the MedUnite acquisition. All remaining costs are expected to be paid by the end of 2003. As a result of ProxyMed's negotiations, the original \$8.3 million in transaction and exit costs will ultimately be settled for approximately \$6.8 million, representing a savings of \$1.5 million.

Additionally, other MedUnite contractual obligations have been canceled or renegotiated with the respective vendors. ProxyMed has entered into financing agreements with certain major vendors as a means of settling liabilities that existed at December 31, 2002, and to date have financed \$3.4 million of liabilities to one vendor; \$2.0 million in net liabilities to a former owner of MedUnite; and \$0.4 million for a required insurance policy as part of the acquisition. Between these financing agreements, existing capital

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leases, and the convertible notes issued in the acquisition, ProxyMed will incur significant interest expense charges in 2003.

With ProxyMed's distribution and marketing agreement with PlanVista for ProxyMed's new claims re-pricing services, ProxyMed was granted a warrant to purchase 15% of the number of outstanding shares of PlanVista common stock on a fully-diluted basis as of the time of exercise for \$1.95 per share. If exercised for cash, this would currently amount to approximately \$13.3 million. Alternatively, ProxyMed has the option of exercising the warrant in exchange for ProxyMed common stock in which case ProxyMed would be required to pursue an acquisition of PlanVista according to the terms of the warrant. If the warrant is never exercised, ProxyMed will have to record an impairment charge for the then carrying value of the warrant. At the present time, ProxyMed has no intention of exercising this warrant and ProxyMed expects to record an impairment charge in the fourth quarter of 2003.

In December 2003, ProxyMed closed on a \$12.5 million asset-based line of credit with its commercial bank. Borrowing under such facility is subject to eligible cash, accounts receivable, and inventory and other conditions. Borrowings will bear interest at the prime rate plus 0.5% or at LIBOR plus 2.25% (or LIBOR plus 0.75% in the case of borrowings against eligible cash only).

The following table represents ProxyMed's contractual cash obligations due over the next several years. At the present time, none of ProxyMed's contractual cash obligations extend beyond 2006 except for the maturity of ProxyMed's \$13.4 million in convertible notes on December 31, 2008 (assuming no prior conversion). Operating leases are shown net of any sublease agreements (in thousands).

	<u>Q4 2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Interest on convertible notes(1)	\$ 134	\$ 536	\$ 536	\$536	\$536
Notes payable	491	1,890	1,758	354	
Capital lease obligations	110	262	139	21	1
Operating leases	489	1,357	421	9	
Acquisition related costs	575				
Other obligations		167			
Totals	\$ 1,799	\$4,212	\$2,854	\$920	\$537

(1) Assumes no conversion of convertible notes.

ProxyMed believes that it has sufficient cash and cash equivalents on hand and access through its asset-based line of credit to fund future operational capital requirements and expenditures, and a sufficient level of capital in order to fund specific research and development projects or to pursue smaller additional strategic acquisitions. However, if ProxyMed requires additional capital funding in the future to further ProxyMed's strategic plans, there can be no assurance that any additional funding will be available to ProxyMed, or if available, that it will be available on acceptable terms. If ProxyMed is successful in obtaining additional financing, the terms of the financing may have the effect of significantly diluting or adversely affecting the holdings or the rights of the holders of ProxyMed common stock. ProxyMed believes that if ProxyMed is not successful in obtaining additional financing for further product development or strategic acquisitions, such inability may adversely impact ProxyMed's ability to successfully execute ProxyMed's business plan and may put it at a competitive disadvantage.

**Critical Accounting Policies and Estimates**

ProxyMed's discussion and analysis of ProxyMed's financial condition and results of operations are based on its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of ProxyMed's financial statements requires ProxyMed to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. ProxyMed bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying

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values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions but ProxyMed believes that any variation in results would not have a material effect on its financial condition. ProxyMed evaluates estimates on an ongoing basis.

ProxyMed believes the following critical accounting policies affect ProxyMed's more significant judgments and estimates used in the preparation of consolidated financial statements. For a detailed discussion on the application of these and other accounting policies, see Note 1 in the Notes to Consolidated Financial Statements beginning on Page FS-8.

*Revenue Recognition* Electronic transaction processing fee revenue is recorded in the period the service is rendered. Certain transaction fee revenue may be subject to revenue sharing per agreements with resellers, vendors or gateway partners and are recorded as gross revenues. Revenue from sales of inventory and manufactured goods is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectibility is probable. Revenue from certain up-front fees is amortized ratably over the expected life of the customer or contract. Revenue from hardware leases, network access and maintenance fees is recognized ratably over the applicable period.

*Goodwill* ProxyMed adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" effective January 1, 2002. Under SFAS No. 142, goodwill is reviewed at least annually for impairment. This adoption resulted in the reduction of approximately \$.8 million of amortization relating to its existing goodwill each quarter, which would have otherwise been recorded through the first quarter of 2004. SFAS No. 142 requires that goodwill be tested for impairment at the reporting unit level at adoption and at least annually thereafter, utilizing a "fair value" methodology versus an undiscounted cash flow method required under previous accounting rules. In accordance with its adoption of SFAS No. 142, ProxyMed completed its initial impairment test of goodwill during the first quarter of 2002 and its annual test at December 31, 2002 utilizing various valuation techniques including a market value analysis. No impairment charges were recorded as a result of these tests.

*Capitalized Software Development and Research and Development* Costs incurred internally and fees paid to outside contractors and consultants during the application development stage of ProxyMed's internally used software products are capitalized. Costs of upgrades and major enhancements that result in additional functionality are also capitalized. Costs incurred for maintenance and minor upgrades are expensed as incurred. All other costs are expensed as incurred as research and development expenses (which are included in "Selling, General and Administrative Expenses"). Application development stage costs generally include software configuration, coding, installation to hardware and testing. Once the project is completed, capitalized costs are amortized over their remaining estimated economic life. ProxyMed's judgment is used in determining whether costs meet the criteria for immediate expense or capitalization. ProxyMed periodically reviews projected cash flows and other criteria in assessing the impairment of any internal-use capitalized software and take impairment charges as needed.

*Equity Transactions* Over the past two years, ProxyMed has engaged in various equity transactions. These transactions were aimed initially at providing capital to continue to operate and grow our business and later at simplifying our capital structure. These transactions are complex and require the application of various accounting rules and standards that have resulted in significant cash and non-cash charges reflected primarily as deemed dividend charges included in ProxyMed's net loss applicable to common shareholders. Additionally, the valuation of the PlanVista warrant is based on a series of assumptions that are used in a complex financial model. Any change in these assumptions may have a material effect on the valuation of the warrant, which may affect ProxyMed's reported operating results.

*Bad Debt Estimates* ProxyMed relies on estimates to determine the bad debt expense and the adequacy of the reserve for doubtful accounts receivable. These estimates are based on ProxyMed's historical experience and the industry in which ProxyMed operates. If the financial condition of ProxyMed's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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### **New Accounting Pronouncements**

In April 2003, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities . SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities . SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, except for certain provision that relate to SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003 and for hedging relationships designated after June 30, 2003. ProxyMed does not believe that the implementation SFAS No. 149 will have a material effect on its consolidated financial statements and related disclosures.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity . SFAS No. 150 specifies that instruments within its scope embody obligations of the issuer and that, therefore, the issuer must classify them as liabilities. SFAS No. 150 requires issuers to classify as liabilities the following three types of freestanding financial instruments: (1) mandatory redeemable financial instruments; (2) obligations to repurchase the issuer's equity shares by transferring assets; and (3) certain obligations to issue a variable number of shares. SFAS No. 150 defines a freestanding financial instrument as a financial instrument that (1) is entered into separately and apart from any of the entity's other financial instruments or equity transactions; or (2) is entered into in conjunction with some other transaction and can be legally detached and exercised on a separate basis. For all financial instruments entered into or modified after May 31, 2003, SFAS No. 150 is effective immediately. For all other instruments of public companies, SFAS No. 150 goes into effect at the beginning of the first interim period beginning after June 15, 2003. For contracts that were created or modified before May 31, 2003 and still exist at the beginning of the first interim period beginning after June 15, 2003, entities should record the transition to SFAS No. 150 by reporting the cumulative effect of a change in an accounting principle. SFAS No. 150 prohibits entities from restating financial statements for earlier years presented. ProxyMed does not expect the adoption of SFAS No. 150 to have a material impact on its financial statements.

### **Quantitative and Qualitative Disclosures About Market Risk**

ProxyMed is exposed to market risks in the value of its PlanVista Corporation warrant from changes in the fair market value of the underlying stock. ProxyMed's ability to limit its exposure to market risk is restricted as a result of its inability to control the market value of the underlying common stock of the warrant.

ProxyMed is exposed to market risks in the value of its PlanVista Corporation warrant from changes in the fair market value of the underlying common stock. ProxyMed's ability to limit its exposure to market risk is restricted as a result of its inability to control the market value of the underlying common stock of the warrant.

ProxyMed derives no revenues from international operations and does not believe that it is exposed to material risks related to foreign currency exchange rates.



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**PROXYMED MANAGEMENT**

**Compensation Committee Interlocks and Insider Participation**

During fiscal year 2002,

None of the members of the Compensation Committee was an officer (or former officer) or employee of ProxyMed or any of its subsidiaries;

None of the members of the Compensation Committee had any relationship requiring disclosure under any paragraph of Item 404 of Regulation S-K;

None of ProxyMed's executive officers served on the compensation committee (or another board committee with similar functions) of any entity where one of that entity's executive officers served on ProxyMed's Compensation Committee;

None of ProxyMed's executive officers was a director of another entity where one of that entity's executive officers served on ProxyMed's Compensation Committee; and

None of ProxyMed's executive officers served on the compensation committee (or another board committee with similar functions) of another entity where one of that entity's executive officers served as a director on ProxyMed's board.

**Compensation of ProxyMed Directors**

ProxyMed's employee directors are not compensated for their services as directors. Non-employee directors are compensated with stock options for their services as directors as follows: Effective beginning May 22, 2002, each non-employee director will be granted 15,000 stock options upon his or her initial appointment or election to the board of directors by the shareholders with such grant vesting equally over the following three years. On each subsequent election by the shareholders, each non-employee director receives an additional 5,000 share stock option grant which vests immediately. Additionally, each non-employee director receives an annual 2,500 share stock option grant for each subcommittee membership. Such subcommittee grants vest in full after three years but may be accelerated to vest immediately on a prorata basis (based on four projected subcommittee meetings per election year) as determined by the attendance of the director at each subcommittee meeting. For the 2002-2003 election year, options to purchase a total of 71,875 shares of common stock at exercise prices of \$12.54 to \$20.20 were granted pursuant to the above guidelines. For the 2003-2004 election year, options to purchase a total of 45,000 shares of common stock at an exercise price of \$10.63 were granted pursuant to the above guidelines. Of this amount, 11,250 stock options were accelerated to vest by January 29, 2004. Additionally, all directors are reimbursed for reasonable expenses incurred in attending board meetings.

On April 16, 2003, ProxyMed's six outside directors were each granted 10,000 stock options at an exercise price of \$7.28 per share. Such options are for a ten-year term and vest equally over the following three years.

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The following table sets forth the compensation paid during the past three fiscal years to ProxyMed's Chief Executive Officers and ProxyMed's other four most highly compensated executive officers during year 2003 with annual compensation over \$100,000 for such years, referred to as the Named Executive Officers:

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation(\$)
		Salary (\$)	Bonus (\$)	Other Annual Comp. (\$)	Awards		Payouts	
					Restricted Stock Award(s) (\$)	Securities Underlying Options/SARS(#)	LTIP Payouts (\$)	
Michael K. Hoover	2003	222,115				100,000		
Chairman and Chief Executive Officer	2002	150,000	15,000(1)			45,508		
	2001	110,019				19,104		1,000(4)
Gregory J. Eisenhower	2003	8,654(6)	25,000(6)					
EVP and Chief Financial Officer								
John Paul Guinan	2003	186,846	2,500(1)					
EVP Prescription Services	2002	180,192	2,500(1)			29,788(5)		
	2001	175,155				2,740		1,000(4)
Nancy J. Ham	2003	198,846	4,688(1)	50,765(2)		50,000		
President and Chief Operating Officer	2002	163,269	15,000(1)	34,481(2)(4)		38,572		
	2001	141,096		26,180(4)		9,596		1,000(4)
Lonnie W. Hardin	2003	184,246	8,950(1)					
SVP, Payer Services	2002	164,057	10,000(1)			21,522(5)		
	2001	137,800	14,138(1)			3,000		1,000(4)
A. Thomas Hardy	2003	183,560						
SVP Lab Services and President of Key Communications Service, Inc.	2002	182,346	2,500(1)			25,921(5)		
	2001	199,904				12,624		1,000(4)

- (1) Earned in current fiscal year but paid in following fiscal year.
- (2) Consists of reimbursement of relocation expenses of \$50,765, including tax reimbursement of \$16,753 in 2003, and reimbursement of relocation expenses of \$9,461, including tax reimbursement of \$3,122 in 2002.
- (3) Consists of reimbursement of living expenses for Florida housing, including tax reimbursements of \$7,020 and \$4,580 in 2002 and 2001, respectively.
- (4) Matching employer contributions made under the ProxyMed 401(k) Plan.
- (5) Includes stock options canceled and reissued as follows: 13,333 options for Mr. Guinan, 1,434 options for Mr. Hardin, and 9,466 options for Mr. Hardy.
- (6) Mr. Eisenhower joined ProxyMed on December 8, 2003. As part of his employment agreement dated December 8, 2003, Mr. Eisenhower is to receive an annual salary of \$225,000, an annual bonus of up to 50% of his base salary, and a guaranteed bonus of \$25,000 which was paid in January 2004. Additionally, as part of his employment, Mr. Eisenhower received a ten-year option to purchase up to 100,000 shares

of common stock at \$16.01 per share. Such options vest over a three year period.

**Table of Contents****Option Grants in 2003**

The following table provides information on stock option grants during fiscal year 2003 to each of the Named Executive Officers:

**OPTION/ SAR GRANTS IN LAST FISCAL YEAR**

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term*	
	# of Securities Underlying Options/SARS Granted	% of Total Options/SARS Granted to Employee in Fiscal Year	Exercise or Base Price	Expiration Date	5%	10%
Michael K. Hoover	125,000	28.3%	\$ 15.90	10/9/13	\$ 1,249,928	\$ 3,167,563
Nancy J. Ham	50,000	11.3%	\$ 15.90	10/9/13	\$ 499,971	\$ 1,267,025
Gregory J. Eisenhower	100,000	22.6%	\$ 16.01	12/8/13	\$ 1,006,860	\$ 2,551,582

\* The assumed annual rates of stock price appreciation are required disclosures, and are not intended to forecast future stock appreciation.

**Aggregate Option Exercises in 2003**

The following table sets forth certain information concerning unexercised options held by each of the Named Executive Officers:

**AGGREGATED OPTION/ SAR EXERCISES IN LAST FISCAL YEAR****AND FY-END OPTIONS/ SAR VALUES**

Name	# of Shares Acquired on Exercise	\$ Value Realized	Number of Securities Underlying Unexercised Options/SARS at FY-End(#)		Value of Unexercised In-the-Money Options/SARS at FY-End(\$)**	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael K. Hoover			369,454	153,491	\$ 3,902	\$ 243,513
John Paul Guinan			39,420	19,775	\$ 23,305	\$ 41,063
Nancy J. Ham			69,222	72,279	\$ 112,613	\$ 110,818
Lonnie W. Hardin			25,339	12,516	\$ 26,770	\$ 24,847
A. Thomas Hardy			39,537	19,008	\$ 35,377	\$ 41,217

\*\* Year-end values for unexercised in-the-money options represent the positive spread between the exercise price of such options and the fiscal year-end market value of the common stock, which was \$17.49 on December 31, 2003.

There were no awards made to Named Executive Officers in the last completed fiscal year under any long-term incentive plan for performance to occur over a period longer than one fiscal year. ProxyMed does not have any defined benefit or actuarial plans for ProxyMed's employees.

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The following table sets forth certain information concerning repriced stock options held by each of the Named Executive Officers:

**TEN YEAR OPTIONS/ SAR REPRICINGS**

<b>Name</b>	<b>Date</b>	<b>Number of Securities Underlying Options/SARS Repriced or Amended(#)</b>	<b>Market Price of Stock at Time of Repricing or Amendment(\$)</b>	<b>Exercise Price at Time of Repricing or Amendment</b>	<b>New Exercise Price(\$)</b>	<b>Length of Original Option Term Remaining at Date of Repricing or Amendment</b>
John Paul Guinan	9/27/02	10,000	\$ 15.55	\$ 57.45	\$ 15.55	1.1 years
John Paul Guinan	9/27/02	1,000	\$ 15.55	\$ 104.10	\$ 15.55	4.1 years
John Paul Guinan	9/27/02	2,333	\$ 15.55	\$ 198.75	\$ 15.55	1.8 years
Lonnie W. Hardin	9/27/02	667	\$ 15.55	\$ 148.20	\$ 15.55	1.4 years
Lonnie W. Hardin	9/27/02	767	\$ 15.55	\$ 198.75	\$ 15.55	1.8 years
A. Thomas Hardy	9/27/02	6,533	\$ 15.55	\$ 165.00	\$ 15.55	1.9 years
A. Thomas Hardy	9/27/02	2,933	\$ 15.55	\$ 176.25	\$ 15.55	6.3 years

Certain stock options for executive officers and directors were amended in 2000 and 2001 to allow for extensions of exercise periods (typically one to three years) after termination of employment. Additionally, in January 2002, the exercise period of certain vested options held by ProxyMed's three resigning directors were extended through December 31, 2003. In January 2002, ProxyMed's board of directors agreed to cancel a total of 37,767 stock options with exercise prices ranging from \$57.45 to \$202.50 previously issued to employees with the intent of reissuing the same number of options in the future at the then current market price. In September 2002, ProxyMed issued 36,867 stock options at an exercise price of \$15.55 per share pursuant to these instructions, including 24,233 stock options to the named executives in the above table. In all cases noted here, the market price of ProxyMed's common stock was below the exercise price of the options at the time of amendment.

In April 2003, the six outside directors of ProxyMed were each granted 10,000 stock options at an exercise price of \$7.28 per share. Such options were granted pursuant to ProxyMed's approved stock option plans and are for a ten-year term and vest equally over three years from the date of grant. Additionally, in May 2003, ProxyMed's outside directors were granted a total of 30,000 and 15,000 options at an exercise price of \$10.63 to compensate the directors upon re-election to the board and participation in sub-committees, respectively, pursuant to guidelines adopted by ProxyMed's board of directors in May 2002. In October 2003, the compensation committee approved grants of 125,000 and 50,000 stock options at an exercise price of \$15.90 per share to Michael K. Hoover, ProxyMed's chairman and chief executive officer, and Nancy J. Ham, ProxyMed's president and chief operating officer, respectively. Such options are for a ten-year term and vest equally over three years from the date of grant.

In January 2002, the Compensation Committee of ProxyMed's board of directors agreed to authorize bonuses for members of executive and senior management in the event of a change in control of ProxyMed. These bonuses would be based on the calculated per share value of the transaction, are payable in cash and/or stock, and are contingent upon certain conditions including obtaining a minimum per share value and being an active employee at the time of such event.

**Equity Compensation Plans**

ProxyMed has various stock option plans for employees, directors and outside consultants, under which both incentive stock options and non-qualified options may be issued. Under such plans, options to purchase up to 1,281,017 shares of common stock may be granted. Options may be granted at prices equal to the fair market value at the date of grant, except that incentive stock options granted to persons owning more than 10% of the outstanding voting power must be granted at 110% of the fair market value at the date of grant. At ProxyMed's Annual Meeting of Shareholders held on May 22, 2002, the shareholders

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approved a new 2002 Stock Option Plan pursuant to which options to purchase 600,000 shares of common stock may be issued to employees, officers and directors. In addition, as of December 31, 2003, options for the purchase of 407,027 shares to newly-hired employees remain outstanding. Stock options issued by ProxyMed generally vest within three years, and expire up to ten years from the date granted. See Note 14 to the Consolidated Financial Statements and related notes beginning on page FS-27 for more information on our equity compensation plans.

The following table sets forth information regarding our compensation plans under which equity securities are authorized for issuance as of December 31, 2003:

**EQUITY COMPENSATION PLAN INFORMATION**

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	1,022,432	\$ 18.03	219,023
Equity compensation plans not approved by security holders(1)	407,027	\$ 22.36	
Total	1,429,459	\$ 19.26	219,023

- (1) ProxyMed maintains a stock option plan to grant stock options to newly-hired employees. Such plan was not required to be approved by the shareholders of ProxyMed. Since January 2002, no additional grants of options have been made from this plan. Any grants to newly-hired employees since January 2002 have since been made from plans approved by our shareholders.

**Employment and Deferred Compensation Agreements**

In July 2000, ProxyMed entered into an employment agreement with Mr. Hoover. The agreement is for a three-year term and automatically extends from year to year thereafter unless terminated by ProxyMed upon 90 days written notice or by the employee upon 30 days written notice prior to the end of the initial term or any extension. Mr. Hoover currently receives an annual base salary of \$225,000 (effective January 1, 2003) and is entitled to such bonuses as may be awarded from time to time and to participate in any stock option plans that we may now have or in the future develop. In October 2003, the Compensation Committee agreed to increase Mr. Hoover's base salary to \$275,000 effective January 1, 2004. He may be terminated for cause as defined in his agreement. If terminated for cause, he will be entitled to base salary earned, and he will retain all vested stock options. If, upon 90 days prior written notice, he is terminated without cause, he will be entitled to receive an amount equal to his base salary plus bonus, if any, and continuation of health insurance for six months following termination, plus any unvested options shall vest. In addition, the agreement contains confidentiality and non-competition covenants.

In December 2003, ProxyMed entered into an employment agreement with Mr. Eisenhower. The agreement is for a three-year term and automatically extends from year to year thereafter unless terminated by ProxyMed upon 90 days written notice or by the employee upon 30 days written notice prior to the end of the initial term or any extension. Under this agreement, Mr. Eisenhower currently receives an annual base salary of \$225,000, is entitled to earn an annual bonus of up to 50% of his base salary as well as bonuses that may be awarded from time to time, and was paid a guaranteed bonus of \$25,000 in January 2004. Additionally, he received a ten-year option to purchase up to 100,000 shares of common stock at \$16.01 per share. Such options vest over a three year period. Mr. Eisenhower is also eligible to participate in any stock option plans that we may now have or in the future develop. He may be terminated for cause as defined in his agreement. If terminated for cause, he will be entitled to base

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salary earned, and he will retain all vested stock options. If he is terminated without cause, he will be entitled to receive an amount equal to his base salary plus bonus, if any, for six months and the continuation of health insurance for three months following termination, plus any unvested options shall vest. In addition, the agreement contains confidentiality and non-competition covenants.

In October 2000, ProxyMed entered into an employment agreement with Ms. Ham. The agreement is for a three-year term and automatically extends from year to year thereafter unless terminated by ProxyMed upon 90 days written notice or by the employee upon 30 days written notice prior to the end of the initial term or any extension. Ms. Ham currently receives an annual base salary of \$200,000 (effective January 1, 2003) and is entitled to such bonuses as may be awarded from time to time and to participate in any stock option plans that we may now have or in the future develop. Upon her promotion to president in October 2001, Ms. Ham was awarded a \$25,000 salary increase which she deferred until April 1, 2002. In lieu of this increase, she was granted 2,640 stock options at an exercise price of \$16.82 per share; these options vested on March 31, 2002. In October 2003, the Compensation Committee agreed to increase Ms. Ham's base salary to \$225,000 effective January 1, 2004. She may be terminated for cause as defined in her agreement. If terminated for cause, she will be entitled to base salary earned, and she will retain all vested stock options. If, upon 90 days prior written notice, she is terminated without cause, she will be entitled to receive an amount equal to her base salary plus bonus, if any, and continuation of health insurance for six months following termination, plus any unvested options shall vest. In addition, the agreement contains confidentiality and non-competition covenants.

In December 1995, ProxyMed entered into an employment agreement with Mr. Guinan, which is automatically extended from year to year unless terminated by either party upon 60 days written notice. Mr. Guinan currently receives an annual base salary of \$185,000 (effective January 1, 2003) and is entitled to such bonuses as may be awarded from time to time by the board of directors and to participate in any stock option plans that we may now have or in the future develop. Mr. Guinan may be terminated for cause as defined in the agreement. If he is terminated for cause, he will be entitled to base salary earned, and he will retain all vested stock options. If he is terminated without cause, then he will be entitled to receive an amount equal to his base salary and bonus, if any, and continuation of health insurance for six months following termination, plus any unvested options shall vest. In addition, the agreement contains confidentiality and non-competition covenants.

In March 2001, ProxyMed entered into an employment agreement with Mr. Hardin. The agreement is for a three-year term and automatically extends from year to year thereafter unless terminated by ProxyMed upon 90 days written notice or by the employee upon 30 days written notice prior to the end of the initial term or any extension. Mr. Hardin currently receives an annual base salary of \$185,000 (effective January 1, 2003), and is entitled to such bonuses as may be awarded from time to time and to participate in any stock option plans that we may now have or in the future develop. He may be terminated for cause as defined in his agreement. If terminated for cause, he will be entitled to base salary earned, and he will retain all vested stock options. If, he is terminated without cause, he will be entitled to receive an amount equal to his base salary plus bonus, if any, and continuation of health insurance for six months following termination, plus any unvested options shall vest. In addition, the agreement contains confidentiality and non-competition covenants.

In December 1998, upon acquiring Key Communications, ProxyMed entered into a three-year employment agreement with Mr. Hardy. Under this agreement, Mr. Hardy received an annual base salary of \$225,000 and was eligible to receive an annual bonus up to \$40,000 as may be awarded by the board of directors. In December 2001, ProxyMed entered into a new employment agreement with Mr. Hardy. The agreement is for a three-year term and automatically extends from year to year thereafter unless terminated by ProxyMed upon 90 days written notice or by the employee upon 30 days written notice prior to the end of the initial term or any extension. Under this new agreement, Mr. Hardy currently receives an annual base salary of \$185,000 (effective January 1, 2003) and is entitled to such bonuses as may be awarded from time to time and to participate in any stock option plans which we may now have or in the future develop. He may be terminated for cause as defined in his agreement. If terminated for cause, he will be entitled to base salary earned, and he will retain all vested stock options. If he is

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terminated without cause, he will be entitled to receive an amount equal to his base salary plus bonus, if any, and continuation of health insurance for six months following termination, plus any unvested options shall vest. In addition, the agreement contains confidentiality and non-competition covenants.

### **Certain Relationships and Related Transactions of ProxyMed**

In April 1997, ProxyMed made loans totaling \$350,000 to Mr. Harold Blue, ProxyMed's former chairman of the board and chief executive officer. The funds were advanced pursuant to two demand promissory notes in the principal amounts of \$290,000 and \$60,000, respectively, each bearing interest at a rate of 7 3/4% per annum. On June 30, 2000, we amended the terms of these notes whereby interest on the notes ceased to accrue subsequent to July 1, 2000 and the loan plus accrued interest, totaling \$435,900 at June 30, 2000, would be payable in a balloon payment in December 2001. The loans were collateralized with options to purchase 36,667 shares of common stock granted to Mr. Blue under ProxyMed's stock option plans. As of December 31, 1999, these loans were included in other assets on the balance sheet; as of December 31, 2000, all amounts owed under these loans were reclassified to shareholders' equity.

In December 2001, a payment of \$250,000 was received from Mr. Blue and applied against the outstanding balance of the loans. ProxyMed agreed to refinance the remaining \$185,983 balance and a new promissory note was executed by Mr. Blue. This new note requires monthly interest payments at prime rate plus 1%, established at the beginning of each calendar quarter, and is payable in a balloon payment on or before December 31, 2003. The note is collateralized with options to purchase 10,000 shares of common stock granted to Mr. Blue under the ProxyMed stock option plans along with additional warrants granted to Mr. Blue from various other public companies. In January 2002, Mr. Blue resigned from ProxyMed's board of directors and the remaining Board members agreed to extend the exercise period of the stock options held as collateral for the note in an effort to maximize the potential for repayment.

In March 2001, Mr. Guinan entered into an uncollateralized promissory note for \$45,400 for amounts previously borrowed from ProxyMed. The promissory note calls for minimum bi-weekly payments of \$350 deducted directly from Mr. Guinan's payroll until the note is paid in full on or before February 2006. The note is non-interest bearing but interest is imputed annually based on the Internal Revenue Service Applicable Federal Rate at the time the note was originated (4.98%). Under terms of the promissory note, if Mr. Guinan is terminated without cause, the note is due in full after nine months from the date of termination as long as the scheduled bi-weekly payments continue to be made. As of January 29, 2004, the unpaid principal balance of the note is \$13,000.

In June 2003, ProxyMed amended the promissory note executed in June 2000 by Mr. Blue. The amendment extended the maturity date of the promissory note for an additional twelve months to December 31, 2004 and also allowed Mr. Blue to offset any principal owed with certain amounts payable to Mr. Blue by ProxyMed as a result of a finder's fee arrangement with ProxyMed.

ProxyMed entered into a joint distribution and marketing agreement with PlanVista in June 2003. PlanVista is controlled by an affiliate of Commonwealth Associates Group Holdings, LLC, whose principal, Michael Falk, is a director of both ProxyMed and PlanVista. Additionally, one senior executive of ProxyMed has an immaterial ownership interest in PlanVista.



**Table of Contents****Security Ownership of Certain Beneficial Owners and Management of ProxyMed**

The following table sets forth information to ProxyMed's knowledge or as reported to ProxyMed regarding the beneficial ownership of ProxyMed's common stock as of January 29, 2004 (before the transaction) and after the consummation of the acquisition of PlanVista (including the issuance of 1,691,229 shares of ProxyMed common stock issued in a private placement) with respect to (i) each person known to ProxyMed to be the beneficial owner of more than 5% of ProxyMed's common stock, including exercisable options and warrants; (ii) each director; (iii) each executive officer named in the Summary Compensation Table below; and (iv) all of ProxyMed's directors and executive officers as a group. Beneficial ownership is determined under the rules and regulations of the Securities and Exchange Commission, referred to as the SEC.

Name and Address(1)	Shares Owned Before the Transaction		Shares Owned After the Transaction	
	# of Shares(2)	% of Class	# of Shares(2)	% of Class
William L. Bennett(3) 2 Canal Park Cambridge, MA 02141		0%	20,246	*
Edwin M. Cooperman(4)	37,322	*	37,322	*
Phillip S. Dingle(5) 4010 Boy Scout Blvd. Suite 200 Tampa, FL 33607		0%	1,288	*
Gregory J. Eisenhower		0%		0%
Michael S. Falk(6)	431,380	6.3%	2,629,716	21.8%
John Paul Guinan(7)	39,487	*	39,487	*
Nancy J. Ham(8)	73,306	1.1%	73,306	*
Lonnie W. Hardin(9)	25,340	*	25,340	*
A. Thomas Hardy(10)	88,480	1.3%	88,480	*
Thomas E. Hodapp(11)	30,775	*	30,775	*
Michael K. Hoover(12)	510,569	7.1%	510,569	4.1%
Braden R. Kelly(13)	2,133,020	29.0%	3,396,178	26.9%
Jeffrey S. Markle(14) 4010 Boy Scout Blvd. Suite 200 Tampa, FL 33607		0%	543	*
Kevin M. McNamara(15)	13,750	*	13,750	*
Eugene R. Terry(16)	28,708	*	28,708	*
General Atlantic Partners, LLC(13) Three Pickwick Plaza Greenwich, CT 06830	2,118,645	28.9%	3,381,803	26.8%
Cramer Rosenthal & McGlynn, LLC(17) 520 Madison Avenue New York, NY 10022	363,826	5.4%	363,826	3.0%
All directors and executive officers as a group (12 persons before transaction/ 15 persons after transaction)(18)	3,412,137	42.6%	6,895,708	51.9%

\* Less than 1%

(1) The address for each person, unless otherwise noted, is 2555 Davie Road, Suite 110, Fort Lauderdale, Florida 33317-7424.

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- (2) In accordance with Rule 13d-3 of the Securities and Exchange Act of 1934, shares that are not outstanding, but that are subject to options, warrants, rights or conversion privileges exercisable within 60 days from December 4, 2003, have been deemed to be outstanding for the purpose of computing the percentage of outstanding shares owned by the individual having such right, but have not been deemed outstanding for the purpose of computing the percentage for any other person.
- (3) After the transaction, includes 20,246 shares held of record.
- (4) Includes 9,000 shares held of record and 28,322 shares issuable upon the exercise of currently exercisable stock options.
- (5) After the transaction, includes 1,288 shares held of record.
- (6) Before the transaction, includes 132,190 shares held of record by Michael Falk and various Falk family trusts and foundations and 12,242 shares issuable upon the exercise of currently exercisable stock options and warrants. Additionally, includes (i) 19,402 shares held of record by Commonwealth Associates, LP for which Mr. Falk is a control person; (ii) 16,278 shares held of record by ComVest Capital Partners, LLC for which Mr. Falk is a managing member; and (iii) 248,446 shares held of record and 2,822 shares issuable upon the exercise of currently exercisable warrants by Commonwealth Liquidation, LLC for which Mr. Falk is a controlling member as reported in Form 4 filed with the SEC on March 6, 2003. After the transaction, the number of shares held of record by Mr. Falk and related parties will increase to a total of 2,629,716 shares representing 2,198,336 additional shares received as follows: (i) 4,719 shares of record as a result of the acquisition of PlanVista, (ii) 1,905,867 shares received by PVC Funding Partners, LLC, an affiliate of Commonwealth Associates, L.P., as a result of the acquisition of PlanVista, (iii) 30 shares received by Commonwealth Associates, L.P. as a result of the acquisition of PlanVista, and (iv) 287,720 shares received by ComVest Venture Partners, L.P. and PVC Funding Partners, L.P. in the private equity financing of \$6.1 million of ProxyMed common stock.
- (7) Includes 67 shares held of record and 39,420 shares issuable upon the exercise of currently exercisable stock options.
- (8) Includes 4,083 shares held of record and 69,223 shares issuable upon the exercise of currently exercisable stock options.
- (9) Includes 25,340 shares issuable upon exercise of currently exercisable stock options.
- (10) Includes 48,943 shares held of record and 39,537 shares issuable upon exercise of currently exercisable stock options.
- (11) Includes 3,067 shares held of record and 27,708 shares issuable upon exercise of currently exercisable stock options.
- (12) Includes 141,114 shares held of record and 369,455 shares issuable upon exercise of currently exercisable stock options.
- (13) Before the transaction, includes 14,375 shares issuable upon exercise of currently exercisable stock options for Mr. Kelly. Additionally, includes the following shares of common stock held by various General Atlantic entities: (i) 1,289,821 shares owned by General Atlantic Partners 74, L.P.; (ii) 175,141 shares owned by GAP Coinvestment Partners II, L.P.; (iii) 101,833 shares owned by GapStar, LLC; and (iv) 2,571 shares owned by GAPCO GmbH & Co. KG. These shares, along with warrants to purchase an aggregate of 549,279 shares of common stock were acquired in a private placement transaction completed on April 5, 2002. Braden R. Kelly, a director of ProxyMed, is a managing member of General Atlantic Partners, LLC and general partner of GAP Coinvestment Partners II, L.P. General Atlantic Partners, LLC is the general partner of General Atlantic Partners 74, L.P. and the manager member of GapStar, LLC. All but one of the managing members of General Atlantic Partners, LLC are also the general partners of GAP Coinvestment Partners II, L.P. Certain of the managing members of General Atlantic Partners, LLC are authorized and empowered to vote and dispose of the shares held by GAPCO GmbH & Co KG. Mr. Kelly disclaims beneficial ownership of the shares referred in clauses (i), (ii), (iii) and (iv) above, except to the extent of his pecuniary interest therein. Beneficial ownership for Mr. Kelly and the four

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entities affiliated with General Atlantic Partners excludes 243,882 shares of common stock that may be awarded under warrants issued to these entities in July 2003. Such warrants are contingently exercisable only upon the achievement of certain periodic revenue thresholds achieved by ProxyMed related to services derived from ProxyMed's FirstProxy joint marketing agreement with First Data Corporation. After the transaction, the number of shares held of record by various General Atlantic entities will increase by 1,263,158 shares representing shares received in the private equity offering of ProxyMed common stock.

- (14) After the transaction, includes 543 shares held of record.
- (15) Includes 13,750 shares issuable upon exercise of currently exercisable stock options.
- (16) Includes 28,708 shares issuable upon exercise of currently exercisable stock options.
- (17) Includes 363,826 shares held of record by Cramer Rosenthal McGlynn, LLC as reported in Form 13D filed with the SEC as of September 30, 2003.
- (18) Before the transaction, includes 2,191,957 shares held of record by the named officers and directors and their related parties and 1,220,181 shares issuable upon exercise of currently exercisable stock options and warrants. After the transaction, includes 5,675,528 shares held of record by the named officers and directors and their related parties and 1,220,181 shares issuable upon exercise of currently exercisable stock options and warrants.

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**DESCRIPTION OF PROXYMED CAPITAL STOCK**

ProxyMed's authorized capital stock consists of 13,333,333 1/3 shares of common stock, par value \$.001 per share, and 2,000,000 shares of preferred stock, par value \$.01 per share, of which 445,000 shares have been designated as series A (130,000 shares designated and issued), series B (15,000 shares designated and issued) or series C (300,000 shares designated and 253,265 shares issued) with currently no series A or B preferred shares outstanding and only 2,000 series C preferred shares outstanding, convertible into 13,333 shares of common stock.

The following description summarizes the terms of ProxyMed's common stock and series C preferred stock only and does not purport to be complete. Such description is subject to and qualified by the actual agreements relating to ProxyMed's series C preferred stock, its amended and restated articles of incorporation and by-laws, all of which have been filed with the SEC, and by applicable law.

**Common Stock**

The issued and outstanding shares of common stock are validly issued, fully paid and non-assessable. All shares of common stock have equal voting rights and, when validly issued and outstanding, have one vote per share in all matters to be voted upon by the shareholders. Cumulative voting in the election of directors is not allowed, which means that the holders of more than 50% of the outstanding shares can elect all the directors if they choose to do so and, in such event, the holders of the remaining shares will not be able to elect any directors. The shares have no preemptive, subscription, conversion or redemption rights. Upon liquidation, dissolution or winding-up of ProxyMed, the holders of common stock are entitled to receive pro rata the assets of ProxyMed which are legally available for distribution to shareholders. On August 17, 2001, ProxyMed announced a 1-for-15 reverse stock split of ProxyMed's common stock whereby each 15 shares of common stock were exchanged for one new share of common stock. The holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available for them at such times and in such amounts as the board of directors may from time to time determine. ProxyMed has not paid any dividends and does not expect to pay cash dividends on its common stock in the foreseeable future.

**Preferred Stock**

In addition to series A, B and C preferred stock, ProxyMed's board of directors has the authority to issue 1,555,000 additional shares of preferred stock in one or more series and to fix the designation, relative powers, preferences and rights and qualifications, limitations or restrictions of all shares of each such series, including dividend rates, conversion rights, voting rights, redemption and sinking fund provisions, liquidation preferences and the number of shares constituting each such series, without any further vote or action by the shareholders. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to holders of common stock or adversely affect the rights and powers, including voting rights, of the holders of common stock and could have the effect of delaying, deferring or preventing a change in control of ProxyMed without further action by the shareholders.

**Series C Preferred Stock**

Pursuant to the terms of a Subscription Agreement dated June 15, 2000, ProxyMed sold, in a private placement to institutional and individual investors a total of \$24,310,000 of 7% convertible senior secured notes due January 1, 2001. Together with the notes, ProxyMed issued five-year warrants for the purchase of an aggregate of 810,333 shares of common stock at an exercise price of \$15.00 per share. All of the Notes have been converted into shares of series C preferred stock. The conversion price of the series C preferred stock, the warrant exercise price, and number of shares of common stock issuable upon exercise of the warrants are subject to adjustment upon the occurrence of certain dilution events including, without limitation, certain issuances of common stock, stock options or convertible securities issued after June 2001, or certain corporate transactions such as stock splits, mergers or asset sales. Certain of the foregoing adjustments, however, are no longer applicable. Shares of series C preferred stock are immediately

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convertible into common stock at any time by the holder at an initial conversion price of \$15.00 per share. Shares of series C preferred stock are subject to mandatory conversion if ProxyMed raises more than \$30 million in gross proceeds from the issuance of securities in a private or public placement or if the closing stock price of ProxyMed's common stock is trading at \$45.00 for 20 consecutive trading days. If declared by ProxyMed's board of directors in its sole discretion, the series C preferred stock is entitled to receive a 7% annual non-cumulative dividend, payable quarterly in cash or shares of common stock at our option. If paid in common stock, the common stock is valued at \$15.00 per share, subject to adjustment. Dividends on Series C Preferred Stock are non-cumulative. Holders of more than two thirds of the outstanding series C preferred stock have voted to amend the articles of designation governing the series C preferred stock and the subscription agreement dated as of June 15, 2000. These amendments eliminate certain rights of the series C preferred shareholders, including anti-dilution provisions, voting rights and certain restrictive covenants agreed to by ProxyMed. In the event of liquidation of ProxyMed, the holders of the series C preferred stock will continue to be entitled to a liquidation preference before any amounts are paid to the holders of common stock or any other security junior to series C preferred stock. The liquidation preference is equal to an amount originally paid for the series C preferred stock (\$100 per share) plus accrued and unpaid dividends on any outstanding series C preferred stock through the date of determination, if previously declared by ProxyMed's board of directors in its sole discretion. The holders of series C preferred stock are entitled to one vote per share of common stock issuable upon the conversion of the series C preferred stock and, except as otherwise provided by law, will vote as a single class with the holders of common stock on all matters submitted to a vote.

## **Certain Anti-Takeover Provisions**

The Florida Business Corporation Act prohibits the voting of shares in a publicly-held Florida corporation that are acquired in a control share acquisition unless the holders of a majority of the corporation's voting shares (exclusive of shares held by officers of the corporation, inside directors or the acquiring party) approve the granting of voting rights as to the shares acquired in the control share acquisition or unless the acquisition is approved by the corporation's board of directors. A control share acquisition is defined as an acquisition that immediately thereafter entitles the acquiring party to vote in the election of directors within each of the following ranges of voting power: (i) one-fifth or more but less than one-third of such voting power; (ii) one-third or more but less than a majority of such voting power; and (iii) more than a majority of such voting power. The Florida Business Corporation Act also contains an affiliated transaction provision that prohibits a publicly-held Florida corporation from engaging in a broad range of business combinations or other extraordinary corporate transactions with an interested shareholder unless (i) the transaction is approved by a majority of disinterested directors before the person becomes an interested shareholder; (ii) the interested shareholder has owned at least 80% of the corporation's outstanding voting shares for at least five years; or (iii) the transaction is approved by the holders of two-thirds of the corporation's voting shares other than those owned by the interested shareholder. An interested shareholder is defined as a person who together with affiliates and associates beneficially owns more than 10% of the corporation's outstanding voting shares.

ProxyMed is not subject to the Florida anti-takeover provisions under the Florida Business Corporation Act because ProxyMed has elected to opt out of those provisions in its articles of incorporation or bylaws as permitted by the Florida laws.

## **Transfer Agent and Registrar**

Registrar and Transfer Company serves as transfer agent and registrar for ProxyMed common stock. Its telephone number is (800) 525-7686.

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### **DESCRIPTION OF PLANVISTA**

#### **General**

PlanVista provides medical cost containment and business process outsourcing solutions for the medical insurance and managed care industries through its operating subsidiary, PlanVista Solutions, Inc. PlanVista's customers include healthcare payers such as self-insured employers, medical insurance carriers, third party administrators, health maintenance organizations, sometimes referred to as HMOs, and other entities that pay claims on behalf of health plans. PlanVista also provides network and data management business process outsourcing services for health care providers, including individual providers, preferred provider organizations, sometimes referred to as PPOs, and other provider groups.

PlanVista provides healthcare payers with access to its preferred provider network, known as the National Preferred Provider Network, which offers payers discounts on participating provider medical services. The National Preferred Provider Network is a network of networks, comprised of more than 30 local PPO networks and independent physician associations with which PlanVista contracts, as well as directly contracted independent physicians in some cases. PlanVista's National Preferred Provider Network includes approximately 400,000 physicians, 4,000 acute care hospitals, and 55,000 ancillary care providers. In addition to offering payers in-network discounts, PlanVista has added medical bill review and negotiation through key strategic alliances. PlanVista's cost containment customers also benefit from its advanced claims repricing and network and data management services.

PlanVista has leveraged its leading edge technology and management expertise to offer its clients network and data management outsourcing services that are independent of the National Preferred Provider Network access business. In late 2001, PlanVista launched its PayerServ business, which helps payers manage all of their network relationships, whether or not the payers also access the National Preferred Provider Network. PlanServ, the other business initiative PlanVista implemented in late 2001, provides claims repricing and network and data management services that help PPOs support all of their payer relationships, not simply payer relationships that they maintain through the National Preferred Provider Network.

Prior to 2002, the National Preferred Provider Network access business accounted for all of PlanVista's operating revenue. PlanVista's new business process outsourcing products, PayerServ and PlanServ, secured their first customers in November 2001 and February 2002, respectively, and, together with PlanVista's bill negotiation business and other new business initiatives, collectively generated over 5.0% of PlanVista's operating revenue for 2002 and 10.7% through September 30, 2003.

#### **Business Strategy**

PlanVista plans to grow operating revenue and profits by increasing the market share of its medical cost containment business, building its existing network and data management business process outsourcing businesses, introducing new medical cost management solutions for its customers and accessing significant payer customers through its joint marketing agreement with ProxyMed. PlanVista's strategy to date has been to market its established National Preferred Provider Network brand as a leading national preferred provider network and to provide a broad array of technology-based business process outsourcing services to existing and new customers. This strategy is designed to help customers maximize their total savings on medical claims and administration through PlanVista's advanced network and administrative capabilities.

#### **Focused Penetration of Payer Market**

PlanVista plans to increase the operating revenue from, and the profitability of, its National Preferred Provider Network access business by increasing its payer customer base. PlanVista believes that it can increase its market share by marketing its claims repricing technology, its ability to capture discounts on a large percentage of claims due to the size of its National Preferred Provider Network, and the attractiveness to payer customers of its percentage of savings revenue model, as discussed in more detail below. PlanVista also cross-sells its PayerServ products to its existing National Preferred Provider Network

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access customers. Additionally, because PlanVista's National Preferred Provider Network is a network comprised in part of a number of regional PPOs, PlanVista believes that its ability to market its products to PPOs is enhanced because, in operating the National Preferred Provider Network, PlanVista has gained experience in managing the back office, automation, and technology challenges that most PPOs face.

### **Emphasis on Superior Technology**

PlanVista intends to continue differentiating itself as a technology leader by using its electronic claims repricing technology to increase its customer base. In June 2003, PlanVista completed the migration of all its clients to its MedEngine repricing system on the Oracle Database, thereby updating its technology-enabled services to further improve speed and accuracy and achieve greater operational efficiencies and enhanced claim data integrity. This technology update took place over the course of two years and represented a significant achievement for PlanVista, allowing it to handle the most demanding claim repricing tasks.

The latest version of PlanVista's Internet claims repricing system, ClaimPassXL® v. 3.5, allows PlanVista to shift claims repricing submissions from paper or fax to the Internet, which reduces its claims processing costs from between \$0.75 and \$0.80 per claim to \$0.15 per claim, and reduces turnaround times from three business days to real-time for most claims. PlanVista believes that faster turnaround of claims repricing will become more important to payers as state insurance regulators increase their scrutiny of claims payment turnaround times. Since the March 2001 release of ClaimPassXL® v. 3.0, the predecessor to ClaimPassXL® v. 3.5, PlanVista's volume of Internet repriced claims has increased steadily. PlanVista processed approximately 138,000 Internet claims in the fourth quarter of 2002, up from 84,000 in the fourth quarter of 2001, and approximately 147,000 Internet claims in the third quarter of 2003. During 2002, approximately 250 customers used PlanVista's ClaimPassXL® system, resulting in more than 528,000 claims processed and more than \$10.4 million in operating revenue for the year, with 275 customers and 432,000 claims processed through the third quarter of 2003.

### **Recent Developments**

In June 2000, PlanVista initiated a strategic turnaround program designed to (1) divest its third party administration businesses, (2) reduce its senior debt, (3) focus its efforts on enhancing its medical cost containment business, and (4) restructure its balance sheet. PlanVista disposed of all of its third party administration and managing general underwriter businesses in a series of transactions during 2000 and 2001.

Upon completion of the disposition of its former business units, PlanVista was left with a capital and debt structure that its remaining medical cost containment core business was not able to service, and PlanVista was unable to pay its senior secured debt in the principal amount of approximately \$69.0 million when it matured in August 2001. PlanVista entered into a forbearance agreement with its senior lenders under which PlanVista operated until completion of a new credit facility and debt restructuring transaction in April 2002. Pursuant to this restructuring, PlanVista obtained a revised term loan for \$40.0 million, which is collateralized by all of its assets, and exchanged \$29.0 million of senior secured debt for 29,000 shares of its newly authorized series C preferred stock and an additional note for \$184,872, which was repaid on June 30, 2003, its maturity date.

On March 7, 2003, PVC Funding Partners, LLC, an affiliate of Commonwealth Associates, L.P. and Comvest Venture Partners, L.P., acquired 29,851, or 96.0%, of the outstanding series C preferred stock from PlanVista's senior lenders. These series C preferred shares were purchased from such senior lenders on a prorata basis at a price of \$33.50 per share. The selling lenders continue to hold the remaining 4.0% of the series C preferred stock. In connection with the transaction, PVC Funding Partners also acquired \$20.5 million in principal amount of the outstanding bank debt from PlanVista's senior lenders.

On March 31, 2003, PlanVista renegotiated approximately \$4.8 million in convertible notes and interest liability that were originally issued to Centra Benefit Services, Inc., sometimes referred to as Centra. Pursuant to the renegotiated terms, PlanVista has extended the maturity date of the notes from

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December 1, 2004 to April 1, 2006, reduced the interest rate from 12.0% per annum to 6.0% per annum, and fixed the conversion price at \$1.00, subject to adjustment in accordance with anti-dilution protections. The previous conversion price was based on the trading price of the PlanVista common stock. Immediately upon completion of this restructuring, PVC Funding Partners acquired slightly more than 50% of the face value of the notes from Centra. The remaining interest is held by Centra.

The terms of the restructured credit arrangements, the series C preferred stock, the PVC Funding Partners transaction, and the Centra convertible notes are discussed in more detail below in *Description of PlanVista*, *PlanVista's History* and in *Management's Discussion and Analysis of Financial Conditions and Results of Operations*, *Liquidity and Capital Resources*.

### **PlanVista's Services**

#### **Medical Cost Containment Services**

##### ***Network Access***

The National Preferred Provider Network is comprised of PPOs, independent physician associations, and individually contracted providers that offer discounts on medical services. These providers and provider groups participate in the National Preferred Provider Network to increase patient flow and benefit from the National Preferred Provider Network's prompt, efficient claims repricing services. Healthcare payers access the National Preferred Provider Network to benefit from the discounts offered by participating providers. The size of the National Preferred Provider Network and the level of National Preferred Provider Network discounts provide PlanVista's payer customers with significant reductions in medical claims costs.

The National Preferred Provider Network access agreements generally require PlanVista's customers to pay PlanVista a percentage of the cost savings generated by the National Preferred Provider Network discounts. In the medical cost containment industry, this payment arrangement is called a percentage of savings revenue model. A typical percentage of savings customer maintains arrangements with more than one PPO network. Most of these payer customers utilize the National Preferred Provider Network as an additional network to contain costs when a covered person obtains medical services from a provider outside of the payer's primary PPO network. When PlanVista receives a provider bill for medical services that are covered by the National Preferred Provider Network discount arrangements, PlanVista electronically reviews the bill and reprices it to conform to the negotiated discounted rate, which is typically lower than the invoiced amount. PlanVista charges payers an average of 18.0% of the savings that the payer realizes from the discount. Operating revenue from the National Preferred Provider Network access was \$31.3 million for the year ended December 31, 2002, including \$27.8 million of operating revenue from percentage of savings contracts, and \$23.9 million for the nine months ended September 30, 2003, including \$21.4 million of operating revenue from percentage of savings contracts. PlanVista derives the balance of its National Preferred Provider Network operating revenue from payer customers that pay a flat fee per month based on the number of enrolled members. These customers generally access the National Preferred Provider Network as their primary PPO network.

As of September 30, 2003, PlanVista had approximately 750 network access customers located throughout the country, with approximately 2.0 million estimated members. PlanVista's network access customer agreements are generally terminable upon 90 days notice. While no single customer accounted for over 10% of revenues during the nine months ended September 30, 2003 and the year ended December 31, 2002, PlanVista's three largest network access clients and their affiliates accounted for an aggregate of 25.7% and 17.2%, respectively, of PlanVista's net operating revenues during these periods. The loss of any of these client groups could have a material adverse effect on PlanVista's financial results.

PlanVista's contracts with PPO participants and other participating providers generally have renewable terms ranging from one to two years, but in most cases are terminable by either party without cause on 90 days notice. The termination of any PPO contracts would render PlanVista unable to provide customers with access to the PPO's provider discounts, and therefore would eliminate PlanVista's ability to



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reprice claims and derive operating revenue accordingly. More than 80.0% of PlanVista's participating providers have been part of the National Preferred Provider Network for more than three years, with some relationships spanning more than nine years, since the beginning of the National Preferred Provider Network's inception in 1994. Since the majority of the provider arrangements are through other networks, PlanVista depends on its contracted networks to maintain provider relationships and ensure provider compliance with the terms of the network arrangements.

### ***Electronic Claims Repricing***

In connection with its National Preferred Provider Network access business, PlanVista provides electronic claims repricing services that benefit both its payer clients and its participating providers. A participating provider submits a claim at the full, undiscounted provider rate. The provider sends the claim directly to PlanVista or to the payer, which then forwards the bill to PlanVista. Because there are a wide variety of provider systems for submitting claims, PlanVista accepts claims by traditional methods such as mail and fax, as well as through the Internet and by electronic data interchange. PlanVista converts paper and faxed claims to an electronic format, and then electronically reprices the claims by calculating the reduced price based on its National Preferred Provider Network's negotiated discount. PlanVista returns the repriced claims file to the payer electronically, in most cases within three business days.

PlanVista's ClaimPassXL® Internet and electronic data interchange services speed the claims repricing process for its customers. By logging onto PlanVista's ClaimPassXL® Internet site, a payer can input claims information directly into PlanVista's claims system. PlanVista electronically reprices the claim and delivers the repriced claim information to the payer customer through the Internet. PlanVista's electronic data interchange, sometimes referred to as EDI, system provides an alternative way for customers to simplify the claims repricing process. EDI customers do not have to key claims information into PlanVista's Internet site. Instead, PlanVista's EDI system interfaces directly with the payer's claims file configuration, which allows the payer to send PlanVista its claims file in its existing electronic format. After PlanVista electronically reprices the claims, PlanVista sends the customer an electronic file of claims information that the payer can incorporate into its claims database automatically.

Although PlanVista does not charge its network access customers a separate fee for claims repricing, PlanVista believes that its advanced repricing system provides significant benefits that make PlanVista's network access services more attractive to payers. It is time consuming and expensive for a payer to load PPO rates and demographic information into its claims system and to create a system that accepts the various forms in which claims information is submitted. PlanVista offers a turnkey solution that requires only a limited number of payer personnel. PlanVista can reduce claims turnaround times and provide efficient claims transmission options. PlanVista's system also can reduce lost claims, reduce the number of undiscounted claims, support high claim volume customers, and improve accuracy over manually processed claims. PlanVista's customers also are relieved of some of the burden of complying with the Health Insurance Portability and Accountability Act, sometimes referred to as HIPAA, which imposes privacy and data configuration requirements that apply to claims repricing. PlanVista believes that its claims processing procedures are in material compliance with current HIPAA requirements and will be compliant with future requirements. Providers also benefit from PlanVista's streamlined claims system, which helps increase the speed with which they get paid and the accuracy of the claims payments.

### ***Network and Data Management***

PlanVista uses its information system capabilities to provide network and data management services for the payers that access the National Preferred Provider Network. For some network access payers, PlanVista acts as the payer's mailroom for receipt of all provider claims, converting payer and fax claims to an electronic format, identifying the correct network fee schedule applicable to each claim, and electronically repricing the claim accordingly. PlanVista prepares detailed reports regarding repricing turnaround times and the savings that each payer realizes, itemized by the total number of claims incurred, the number of claims discounted, and the average discount. Payers can use this information to help design health plans that effectively control costs, enhance member benefits, and yield a more

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favorable loss ratio, which is the ratio of paid medical claims compared to collected premiums. As a provider of data management services, PlanVista maintains provider demographics and fee schedules and updates provider directories. PlanVista integrates several components of certain licensed reporting software to provide both payer clients and participating PPOs with quick access to claims data, allowing them to produce a variety of analytical reports. PlanVista generally does not charge its National Preferred Provider Network access customers any additional fee for its standard network and data management services.

### ***Bill Review and Negotiation***

In April 2002, PlanVista began offering optional medical bill review and negotiation services to its payer clients. Many of PlanVista's percentage of savings clients send PlanVista all claims that fall outside their primary PPO network arrangements. Traditionally, PlanVista identified and repriced the claims that were subject to the National Preferred Provider Network discount arrangements and returned the non-National Preferred Provider Network claims to the payer without applying any discount. PlanVista now offers payer customers the opportunity to realize cost savings on these out-of-network claims through PlanVista's affiliations with bill review and negotiation companies. PlanVista can electronically transmit non-National Preferred Provider Network claims to experienced professionals at the contracted bill review and negotiation companies. These professionals use proprietary medical software to analyze each claim to detect any incorrect charges or billing irregularities. Once that phase of the analysis is completed, the detailed charges are compared to a proprietary database to determine the competitiveness of the charges in the provider's geographic area. The bill negotiator then contacts the provider to discuss PlanVista's findings, and in many cases is able to reduce the claim amount. The reviewer obtains signed agreements from each provider to prevent the provider from later contesting the reduction or billing the patient for the balance. The bill review and negotiation vendor then returns the electronic file to PlanVista, and PlanVista forwards it to the payer along with the payer's other repriced claims. Payers pay PlanVista a percentage of the savings that are generated by the bill review and negotiation service.

### ***Advance Funding***

In 2002, PlanVista launched a program to provide advance funding services for payers and providers. Through an arrangement with established advance funding companies, PlanVista offers participating providers the opportunity to receive claim payments in advance of the due date. In exchange, the providers agree to accept a discount of the original billed amount. This service provides both a reduction in claim costs for payers and rapid payment for providers.

### **Business Process Outsourcing**

PlanVista traditionally provided claims repricing and network management services only with respect to claims that its National Preferred Provider Network participating providers submitted to one of PlanVista's network access payer customers. Through its network and data management business process outsourcing business, PlanVista has expanded its scope to offer payers and providers services that are independent of PlanVista's network access business.

### ***PayerServ***

Healthcare payers typically contract with more than one PPO network. While historically most payers' claim systems and applications could handle simple percentage discount repricing calculations for a single network, PlanVista believes that most are not well suited for current PPO contract terms requiring detailed, often complex, repricing calculations. Each of the networks with which a payer contracts may have different discount methodologies and rates, greatly adding to a payer's administrative burden and increasing the complexities of processing and repricing claims.

Through PayerServ, PlanVista uses its existing technology and management expertise to help payers manage all of their network relationships, whether or not they also access the National Preferred Provider Network. A payer can outsource its network and data management obligations to PlanVista and PlanVista

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will assume the responsibility for moving, tracking, and repricing healthcare claims among all of the PPO networks with which it has contracts. By maintaining provider fee schedule and demographic information for all of the providers in a payer's provider configuration, PlanVista eliminates bottlenecks in the payer's claim work flow, expedites claims repricing, and improves accuracy.

The PayerServ services may include acting as the payer's mailroom for receipt of all provider claims, converting paper and fax claims to an electronic format, identifying the correct network fee schedule applicable to each claim, and electronically repricing the claim accordingly. PlanVista also can provide reporting and other network management services with respect to all of the payer's networks. PlanVista can prepare customized reports for payers that capture information regarding repricing turnaround time, cost management, demographics, case management, provider services, diagnoses, and procedures. PlanVista believes that its PayerServ customers benefit from reduced operating expenses, streamlined network management, HIPAA-compliant procedures, and electronic repricing with rapid turnaround times. PlanVista does not require customers to pay upfront network loading fees and monthly maintenance fees, which are features of many of its competitors' systems.

PayerServ customers typically pay PlanVista for claims repricing and claims and network and data management services on a per-claim basis. For each PayerServ customer, PlanVista analyzes the customer's service requirements, including claims work flow, claims volume and types, and PPO network configurations. Then, based on its proprietary pricing model, PlanVista determines the pricing for each claim transaction.

### ***PlanServ***

PlanServ uses the same technology and management expertise that supports PlanVista's PayerServ business to offer claims repricing and network data management services to PPOs. PlanVista's PPO participants generally maintain relationships with payers that are independent from the PPOs' affiliation with PlanVista's National Preferred Provider Network. Many of these PPOs are seeking cost-efficient ways to develop their own automated claims handling and repricing systems and to manage the provider data necessary to update their provider directories efficiently and otherwise support network access. By outsourcing repricing functions to PlanServ, a PPO can achieve advanced electronic capabilities for its payer clients without incurring the high cost of systems development. PlanVista can serve as a mailroom for PlanServ clients, receiving paper and fax claims and converting them to an electronic form for repricing, so that the PPO never touches the claims. PPOs that take advantage of the PlanServ offerings do not have to distribute their rates to their payers, manually reprice claims, or be concerned with HIPAA requirements related to claims repricing. The PPO's payer clients benefit from reduced turnaround times on repriced claims and escape the burden of loading the PPO's rates. PlanServ products also include web hosting capabilities, featuring customized, private label web access that enables a participating PPO's customers to reprice claims electronically through the Internet. Each PPO's website includes the PPO's logo and other material chosen by the PPO.

PlanServ also offers PlanVista's PPO customers management reporting products that capture important claims data, including repricing turnaround times, claim volume, and savings amounts. PPO customers can use this information to negotiate better physician and facility discounts. PlanVista believes that obtaining and analyzing information is increasingly important to PPOs because this information is necessary for them to properly establish their discount levels. PlanVista also provides PlanServ customers with database administration, including provider directory updates and maintenance of provider demographics and fee schedules.

Like PayerServ, PlanServ generally charges customers a per-claim fee, which is calculated based on the extent of the customer's service requirements, including claims work flow and number of payers.

## **Intellectual Property and Technology**

PlanVista's proprietary technology offers customers the benefits of an open architecture, which means that it is compatible with other operating systems and applications. Using a combination of electronic data

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interchange and Internet systems, customers can interface with PlanVista's claims repricing system without incurring significant incremental capital expenditures for hardware or software or having to adopt a specific claims format. The open architecture of PlanVista's system also improves reliability and facilitates the cross-selling of other technology-based services to PlanVista's customers, in part because of the following characteristics:

### ***Scalability***

PlanVista's systems are designed to be highly scalable or adaptable to levels of use. Using TCP/IP in a Unix and Windows NT environment with a 10/100/1000 Mhz backbone, PlanVista has designed its systems to accommodate additional servers and disk space as needed, with little or no interruption in processing. Using Oracle, PlanVista's database technology gives it the flexibility to design web-enabled customer applications that do not require the installation of proprietary software. PlanVista also is able to design new internal systems using the languages of its choice, which are currently Visual Basic and Visual FoxPro.

### ***Modularity***

PlanVista's systems have been developed with discrete or specific functionality that PlanVista can replicate and utilize with additional hardware so that PlanVista can reorganize the discrete functions and adapt the system to service different situations. PlanVista believes that this modularity enables PlanVista to optimize application and hardware performance, and take immediate advantage of improvements in hardware and software.

### ***Redundancy***

All of PlanVista's production servers are designed with a redundant array of inexpensive disks, which provides protection in the event a disk fails. PlanVista's hardware is replicated to provide redundancy in the event of a total system failure. PlanVista documents and reviews its disaster recovery plans quarterly in order to reduce the risk of business interruption.

### ***Industry Standards***

Through the adoption and active use of standard formats for healthcare electronic data interchange processing, PlanVista can support payer and provider processing requirements and provide standard interfaces to other electronic data interchange processing organizations.

### ***Ease of Use***

PlanVista's products utilize a 32 bit graphical user interface. PlanVista's web-based products are written in Java and function in any operating system capable of using a web browser, thereby enhancing ease of use by its customers.

### ***Remote Connectivity Offerings***

PlanVista was an early adopter of the emerging Internet technology that enables it to provide quick connectivity through file transfer protocol, web-enabled applications, and virtual private networking. PlanVista believes that these features allow it to provide improved service levels and lower pricing. PlanVista has established relationships with multiple telecommunications vendors to ensure reliable and redundant connectivity over T1 and frame relay circuits.

PlanVista does not have patent protection for its proprietary technology, which includes primarily software and software applications. Until PlanVista obtains this protection, PlanVista must rely on trade secret and copyright protection provided under common law. PlanVista also has implemented certain security measures to protect its systems from access by unauthorized parties that might want to copy or otherwise use its technologies. These security measures include firewall protection, corporate antivirus

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programs, and email and facility security. PlanVista relies on technology licensed from third parties to perform key functions, and may be required to license additional technology in the future. PlanVista has obtained federal service mark protection for the marks PlanVista Solutions® and ClaimPassXL® and has applied to register its PlanVista Solutions and PlanVista Solutions & Design marks with the United States Patent and Trademark Office.

## **Competition**

### **Preferred Provider Network Access**

The PPO industry is highly fragmented. According to the American Association of Preferred Provider Organizations, as of March 2003 there were more than 1,000 PPOs in the United States. A few companies, such as First Health Group Corporation, BCE Emergis/ eHealth Solutions Group, Concentra, Inc., Beech Street Corporation, Coalition America, Inc., and Multiplan, Inc., offer provider networks and claim volumes of meaningful size. The remainder of the competitive landscape is diverse, with major insurance companies and managed care organizations such as Blue Cross Blue Shield, Aetna US Healthcare, WellPoint Health Networks, Inc., United Health Group, Humana Health Care Plans, Private Healthcare Systems, and Cigna Healthcare also offering proprietary preferred provider networks and services. In addition, the number of independent PPOs has decreased as managed care organizations and large hospital chains have acquired PPOs to administer their managed care business and increase enrollment. PlanVista expects consolidation to continue as the participants in the industry seek to acquire additional volume and access to PPO contracts in key geographic markets. This consolidation may give customers greater bargaining power and lead to more intense price competition.

### **Electronic Claims Repricing**

The claims repricing service market is also fragmented. PlanVista's repricing competitors provide some or all of the services PlanVista currently provides. PlanVista's competitors can be categorized as follows:

Large managed care organizations and third party administrators with in-house claims processing and repricing systems, such as Blue Cross Blue Shield, UnitedHealth Group, and Wellpoint Health Networks, Inc.;

Healthcare information technology companies providing enterprise-wide systems to the payer market, such as McKesson/ HBOC (NYSE: MCK), Eclipsys Corp (NASDAQ: ECLP), and Perot Systems Corporation (NYSE: PER); and

Healthcare information software vendors selling claim processing products to the provider market, such as The TriZetto Group (NASDAQ: TZIX), HealthAxis (NASDAQ: HAXS), Avidyn/ ppoOne (NASDAQ: ADYN), and several private companies.

The market for claims repricing services is competitive, rapidly evolving, and subject to rapid technological change. PlanVista believes that competitive conditions in the healthcare information industry in general will lead to continued consolidation as larger, more diversified organizations are able to reduce costs and offer an integrated package of services to payers and providers.

PlanVista competes on the basis of the strength of its electronic claims repricing technology, the size of its network and the level of its network discounts, its percentage of savings pricing model, and the diversity of services PlanVista offers through its business processing outsourcing products and other new initiatives. Many of its current and potential competitors have greater financial and marketing resources than PlanVista has. Furthermore, PlanVista believes that the increasing acceptance of managed care in the marketplace, the adoption of more sophisticated technology, legislative reform, and the consolidation of the industry will result in increased competition. There can be no assurance that PlanVista will continue to maintain its existing customer base, or that PlanVista will be successful with any new products that PlanVista has introduced or will introduce.

**Table of Contents****PlanVista's History**

PlanVista was incorporated in Delaware in 1994 and completed its initial public offering in May 1995 under the name HealthPlan Services Corporation. PlanVista changed its name to PlanVista Corporation in April 2001. The original core business, which PlanVista purchased from Dun & Bradstreet Corporation in 1994, provided third party administration of healthcare claims for large and small group employers. After its 1995 initial public offering, PlanVista initiated a series of acquisitions designed to grow its business. PlanVista spent more than \$170.0 million in cash to acquire seven businesses between 1995 and 1998, including the purchase of a managing general underwriter business and the May 1998 purchase of the National Preferred Provider Network business for \$31.6 million. PlanVista used funds from its senior credit facility to help finance these acquisitions. By 1999, a number of PlanVista's businesses, other than the National Preferred Provider Network business that is part of the core business today, had become unprofitable. PlanVista was burdened with more than \$100.0 million of senior debt, more than \$10.0 million of subordinated debt, and approximately \$25.0 million of working capital deficit.

***Divestiture***

In June 2000, PlanVista initiated a strategic turnaround program designed to (1) divest its third party administration businesses, (2) reduce its senior debt, (3) focus its efforts on enhancing its medical cost containment business, and (4) restructure its balance sheet. PlanVista disposed of all of its third party administration and managing general underwriter businesses in a series of transactions during 2000 and 2001. In the 2000 transactions, PlanVista received a total of \$35.1 million and, in one of the transactions, the purchaser assumed \$1.5 million of additional current liabilities. Of the cash proceeds, PlanVista used \$29.5 million to reduce its outstanding indebtedness to its senior lenders.

PlanVista completed the disposition of its former business units in June 2001 with the sale of its subsidiary, HealthPlan Services, Inc., which contained the remaining third party administration business and the managing general underwriter business. In connection with this non-cash transaction, the purchaser, HealthPlan Holdings, Inc., assumed approximately \$40.0 million in working capital deficit of the acquired businesses, and acquired assets having a fair market value of approximately \$30.0 million. At the closing of this transaction, PlanVista issued 709,757 shares of its common stock to offset \$5.0 million of the assumed deficit. PlanVista offset the remaining \$5.0 million of this deficit with a long-term convertible subordinated note, which automatically converted into 813,273 shares of its common stock on April 12, 2002 in connection with the restructuring of the credit facility, which took place on April 12, 2002. See Management's Discussion and Analysis of Operations Liquidity and Capital Resources Restructured Credit Facility. PlanVista's agreement with HealthPlan Holdings requires that PlanVista issue and distribute to HealthPlan Holdings additional shares of PlanVista's common stock to compensate them to the extent that the amount of proceeds HealthPlan Holdings realizes from the sale of the 813,273 conversion shares is less than \$5.0 million. During 2001 and 2002, in connection with the HealthPlan Holdings transaction, PlanVista issued a total of 343,521 additional shares of its common stock in settlement of certain post-closing disputes and to meet certain obligations under the terms of the subordinated note and a registration rights agreement PlanVista entered into at closing. PlanVista's registration obligations under the registration rights agreement have terminated as a result of HealthPlan Holdings' sale of 1,053,278 shares of PlanVista common stock in a private sale transaction effective December 31, 2003.

PlanVista's current business consists of its core medical cost containment business, which includes the National Preferred Provider Network, as well as the new network and data management business process outsourcing businesses, which PlanVista introduced in 2001 and which began generating operating revenue in the first quarter of 2002.

***Series C Preferred Stock***

The series C preferred stock issued to PlanVista's senior lenders in connection with the restructured credit facility accrued dividends at 10.0% per annum during the first twelve months from issuance.

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Thereafter, the dividend rate became fixed at 12.0% per annum. Dividends are payable quarterly in additional shares of series C preferred stock or, at PlanVista's option, in cash. PlanVista has chosen to pay dividends in the form of additional shares, and as of January 29, 2004 PlanVista has issued to the series C holders an aggregate of 5,413 additional shares of series C preferred stock. In addition, while at least 12,000 shares of series C preferred stock are outstanding, the series C preferred stockholders are entitled to elect three out of seven members of PlanVista's board of directors. Due to the occurrence of a Board Shift Event, as defined below, resulting from PlanVista's failure to redeem all of the series C preferred stock by October 12, 2003, the board composition changed so as to allow the holders of series C preferred stock to elect four out of seven directors, thereby shifting control of the board to the directors elected by the holders of series C preferred stock. The series C preferred stockholders designated as their representative an existing member of the board of directors. A Board Shift Event is defined as (1) PlanVista's failure to achieve certain specified net operating cash flow requirements, (2) any default in connection with the payment of principal or interest under the restructured credit facility, after the lapse of any applicable grace periods, or (3) PlanVista's failure to redeem all of the series C preferred stock by October 12, 2003. PlanVista may redeem the series C preferred stock at any time at its option at a redemption price of \$1,000 per share plus accrued dividends. Until the March 2003 closing of the PVC Funding Partners transaction, as described below, the senior lenders under the restructured credit facility were the sole holders of the series C preferred stock.

In addition to their voting rights with respect to directors, due to the occurrence of the Board Shift Event, the holders of the series C preferred stock have the right in certain circumstances to vote as a single class with the common stockholders on all matters other than the election of directors on an as-converted basis, with each share of series C preferred stock having a number of votes equal to the number of shares of common stock into which it would be converted. There were 34,413 shares of series C preferred stock outstanding as of January 29, 2004. In connection with the issuance of the series C preferred stock, the senior lenders entered into a stockholders agreement with PlanVista, which provides, among other things, for registration rights in connection with the sale of any shares of common stock that are issuable upon conversion of the series C preferred stock. The registration rights include shelf and piggy-back registration rights.

The series C preferred stock may be converted, at any time, into shares of PlanVista's common stock at the rate of 751.88 shares of common stock for each preferred share, or a total of 25,874,436 shares (or 60.2%) of its common stock upon full conversion, subject to adjustment. The series C preferred stock has weighted-average anti-dilution protection and a provision that in no event will the series C preferred stock convert into less than 51.0% of PlanVista's outstanding shares of common stock.

Pursuant to an action by written consent of the requisite majority of the holders of the series C preferred stock, the series C preferred stockholders have elected not to designate that the merger be deemed a liquidation, dissolution or winding up of PlanVista under the certificate of designation, and as a result of such action, the merger will not trigger PlanVista's redemption obligations under the certificate of designation.

### ***PVC Funding Partners Transaction***

On March 7, 2003, PVC Funding Partners, LLC, an affiliate of Commonwealth Associates, L.P. and Comvest Venture Partners, L.P., acquired 29,851, or 96.0%, of PlanVista's then outstanding series C preferred stock from PlanVista's senior lenders. These preferred shares were purchased from the lenders on a prorata basis at a price of \$33.50 per share. The selling lenders continue to hold the remaining 4.0% of the series C preferred stock. In connection with the transaction, PVC Funding Partners also acquired \$20.5 million in principal amount of PlanVista's outstanding bank debt from PlanVista's senior lenders. In connection with the closing of the transaction, the three members of PlanVista's board of directors theretofore designated by the holders of the series C preferred stockholders voluntarily relinquished their board positions, and were replaced by three directors selected by PVC Funding Partners.

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There is an intercreditor agreement between PVC Funding Partners and Wachovia Bank, National Association, dated March 7, 2003. The intercreditor agreement provides that, (1) PVC Funding Partners' rights to mandatory prepayments and other principal payments prior to the maturity date are subordinated to the original lenders' rights to those payments, and (2) PVC Funding Partners' notes will be voted consistently with and on the same percentage basis as the original lenders with respect to all matters required to be submitted to a vote or consent of the lenders, except for matters related to certain fundamental changes in the loan terms. The intercreditor agreement provided that, until the occurrence of a Board Shift Event, in all other respects, PVC funding Partners had all of the rights of the original lenders. The occurrence of a Board Shift Event allowed PVC Funding Partners to appoint an additional board member and thus obtain control of PlanVista's board of directors, but the intercreditor agreement provided PVC Funding Partners the option of not exercising their right to obtain such control. If, within fifteen days of a first Board Shift Event, PVC Funding Partners had notified the original lenders that they would not exercise their right to control PlanVista's board, then the original lenders would have had the option to repurchase 14,304 of the series C preferred stock, at a price of \$33.50 per share. In connection with the Board Shift Event triggered by PlanVista's failure to redeem the series C shares by October 12, 2003, PVC Funding Partners designated as its representative another member of the board of directors previously elected by the common stockholders, thereby completing the four director seats to which the holders of the series C preferred stock were entitled following a Board Shift Event and exercising their right to obtain control of PlanVista's board. As a result, pursuant to the terms of the intercreditor agreement, the debt held by PVC Funding Partners was automatically subordinated to the debt held by the original lenders.

### ***Restructured Centra Notes***

Effective March 31, 2003, PlanVista renegotiated approximately \$4.8 million in convertible notes and interest that were originally issued to Centra Benefit Services, Inc., sometimes referred to as Centra. Pursuant to the renegotiated terms, PlanVista extended the maturity date of the notes from December 1, 2004 to April 1, 2006, reduced the interest rate from 12% per annum to 6% per annum, and fixed the conversion price at \$1.00, subject to adjustment in accordance with anti-dilution protections. The previous conversion price was based on the trading price of PlanVista's common stock. Immediately upon completion of this restructuring, PVC Funding Partners acquired slightly more than 50% of the face value of the notes from Centra. The remaining interest is held by Centra.

See Management's Discussion and Analysis of Financial Condition and Reports of Operations - Liquidity and Capital Resources.

## **Government Regulation**

Regulation in the healthcare industry is constantly evolving. Federal, state, and local governments continue their efforts to reduce the rate of increases in healthcare expenditures and to regulate the adjudication of healthcare claims for the protection of patients as well as providers. Many of these policy initiatives have contributed to the complex and time-consuming nature of obtaining healthcare reimbursement for medical services. The impact of regulatory developments in the healthcare industry is complex and difficult to predict, and PlanVista's business could be adversely affected by new healthcare regulatory requirements or new interpretations of existing requirements. PlanVista believes, however, that the increasing complexity of healthcare transactions and the resulting additional information management requirements placed on providers and payers should increase the demand for its services. At the same time, these requirements may dramatically increase the cost of providing services.

### ***Privacy Regulation***

As participants in the healthcare industry, PlanVista and its payer and provider customers are subject to laws and regulations relating to the confidential treatment and secure transmission of patient medical records and other healthcare information. The Health Insurance Portability and Accountability Act of 1996, as amended, sometimes referred to as HIPAA, has had, and will continue to have, a significant



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effect on developers and users of healthcare information systems. On December 28, 2000, the Department of Health and Human Services, sometimes referred to as HHS, issued final regulations, in the form of a Privacy Rule, relating to patient information privacy and electronic healthcare transactions. On August 14, 2002, HHS adopted modifications to the Privacy Rule. The Privacy Rule affects certain health plans, healthcare clearinghouses, and health care providers. These covered entities must implement standards to protect and guard against the misuse of individually identifiable health information. In many instances, PlanVista is merely deemed to be a business associate of its health plan and provider customers. In other instances, PlanVista may be deemed to be a clearinghouse as defined by the Privacy Rule. Among other things, the Rule required PlanVista to adopt written privacy procedures and provide employee training with respect to compliance. PlanVista was in material compliance with these regulations by the required date, April 14, 2003.

Effective in October 2003, PlanVista became subject to HIPAA regulations related to electronic transactions. These regulations require PlanVista to use standard data content and formats for the submission of electronic claims and other administrative and healthcare transactions. Additionally, HHS has adopted regulations relating to security of individual health information and a national employer identifier. PlanVista believes it is in compliance with these regulations.

Many healthcare payers and providers have sought assistance from outside vendors to facilitate implementation and/or to provide clearinghouse translation capabilities as a method of reducing those costs and meeting the required mandatory implementation dates. While HIPAA could continue to have an adverse effect on the operations of providers and payers and consequently reduce PlanVista's revenue, PlanVista believes it possesses technical and managerial knowledge and skills that could benefit healthcare organizations seeking to establish compliance with HIPAA requirements. PlanVista has analyzed the extent to which PlanVista may need to alter its systems to comply with current and proposed HIPAA regulations and does not believe that there will be significant additional costs to it in complying with such regulations. Because some HIPAA regulations have yet to be issued or implemented, and because even final HIPAA regulations may be subject to additional modification or amendment, PlanVista's products may require modification in the future. If PlanVista fails to offer solutions that permit compliance with applicable laws and regulations, its business could suffer.

Many of PlanVista's customers may also be subject to state laws implementing the federal Gramm-Leach-Bliley Act, relating to certain disclosures of nonpublic personal health information and nonpublic personal financial information by insurers and health plans. PlanVista also may be subject to state privacy laws, which may be more stringent than HIPAA in some cases.

### ***Provider Contracting and Claims Regulation***

Some state legislatures have enacted statutes that govern the terms of provider network discount arrangements and/or restrict unauthorized disclosure of such arrangements. Legislatures in other states are considering adoption of similar laws. Although PlanVista believes that it operates in a manner consistent with applicable provider contracting laws, there can be no assurance that it will be in compliance with laws or regulations to be promulgated in the future, or with new interpretations of existing laws.

PlanVista's customers perform services that are governed by numerous other federal and state civil and criminal laws, and in recent years have been subject to heightened scrutiny of claims practices, including fraudulent billing and payment practices. Many states also have enacted regulations requiring prompt claims payment. To the extent that PlanVista's customers' reliance on any of the services PlanVista provides contribute to any alleged violation of these laws or regulations, then PlanVista could be subject to indemnification claims from its customers or be included as part of an investigation of its customers' practices. Federal and state consumer laws and regulations may apply to PlanVista when it provides claims services and a violation of any of these laws could subject PlanVista to fines or penalties.

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### ***Licensing Regulation***

PlanVista is subject to, and in compliance with, the licensing requirements of the State of Illinois for the services it provides. While PlanVista is currently not subject to any other licensing requirements for the services it provides, some states require PlanVista, as a non-risk-bearing PPO, to formally register and file an annual or one-time accounting of networks and providers with which PlanVista contract. Given the rapid evolution of healthcare regulation, it is possible that PlanVista will be subject to future licensing requirements in any of the states where PlanVista currently performs services, or that one or more states may deem PlanVista's activities to be analogous to those engaged in by other participants in the healthcare industry that are now subject to licensing and other requirements, such as third party administrator or insurance regulations. Moreover, laws governing participants in the healthcare industry are not uniform among states. As a result, PlanVista may have to undertake the expense and difficulty of obtaining any required licenses, and there is a risk that PlanVista would not be able to meet the licensing requirements imposed by a particular state. It also means that PlanVista may have to tailor its products on a state-by-state basis in order for its customers to be in compliance with applicable state and local laws and regulations.

### ***Internet Regulation***

PlanVista offers a number of Internet-related products. The Internet and its associated technologies are subject to increasing government regulation. A number of legislative and regulatory proposals are under consideration by federal, state, local, and foreign governments and agencies. PlanVista cannot be assured that it will be able to comply with requirements that may be adopted in the future.

### **Patient Protection Initiatives**

State and federal legislators and regulators have proposed initiatives to protect consumers covered by managed care plans and other health coverage. These initiatives may result in the adoption of laws related to timely claims payment and review of claims determinations. These laws may impact the manner in which PlanVista performs services for its clients.

While PlanVista believes its operations are in material compliance with applicable laws as currently interpreted, the regulatory environment in which PlanVista operates may change significantly in the future, which could restrict PlanVista's existing operations, expansion, financial condition, or opportunities for success.

### **Employees**

On January 29, 2004, PlanVista employed 139 full-time employees and 4 part-time employees. PlanVista's employees are not represented by a labor union or a collective bargaining agreement. PlanVista regards its relationship with its employees as good.

### **Available Information**

PlanVista is headquartered in Tampa, Florida and has an operations and technology center in Middletown, New York. The Tampa headquarters mailing address is 4010 Boy Scout Boulevard, Suite 200, Tampa, Florida 33607, and its principal telephone number at that location is 813-353-2300. PlanVista's website address is [www.planvista.com](http://www.planvista.com). PlanVista's annual reports on Form 10-K, its quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available free of charge through PlanVista's website at [About Us/Investor Information/ SEC Filings](#). PlanVista makes this information available via a hyperlink to a third party Securities and Exchange Commission (sometimes referred to as SEC) filings website. PlanVista does not maintain or provide information directly to this site. Although the third party that maintains the website has endeavored to make PlanVista's SEC filings available as soon as reasonably practicable after PlanVista files them electronically with the SEC, PlanVista makes no representations or warranties with respect to the timeliness or content of any postings on the website.

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**Properties**

PlanVista conducts its operations from its headquarters in Tampa, Florida and its data processing facility in Middletown, New York. PlanVista leases both of these facilities. PlanVista believes that its facilities are adequate for its present and foreseeable business requirements.

**Legal Proceedings**

In the ordinary course of business, PlanVista may be a party to a variety of legal actions that affect many businesses, including employment and employment discrimination-related suits, employee benefit claims, breach of contract actions, and tort claims. In addition, PlanVista has a number of indemnification obligations related to certain of the businesses PlanVista sold during 2000 and 2001, and PlanVista could be subject to a variety of legal and other actions as a result of such indemnification obligations. PlanVista currently has insurance coverage for some of these potential liabilities. Other potential liabilities may not be covered by insurance, insurers may dispute coverage, or the amount of insurance may not cover the damages awarded. PlanVista cannot fully determine the ultimate financial effect of these claims and indemnification obligations at this time.

In November 2001, Paid Prescriptions, LLC initiated a breach of contract action in the United States District Court for the District of New Jersey against HealthPlan Services, Inc., a former subsidiary of PlanVista. Paid Prescriptions LLC was seeking \$1.6 million to \$2.0 million in compensation arising from HealthPlan Services' alleged failure to meet certain performance goals under a contract requiring HealthPlan Services to enroll a certain number of customers for Paid Prescriptions LLC's services. Because the events giving rise to this claim allegedly occurred prior to the sale of the HealthPlan Services business, PlanVista defended the action on behalf of HealthPlan Services, in accordance with PlanVista's indemnification obligations to HealthPlan Holdings, Inc., the current owner of the HealthPlan Services business. In October 2003, PlanVista settled this litigation by paying \$850,000 to Paid Prescriptions, LLC. This settlement had previously been accrued for, and thus will not have a material adverse effect on PlanVista's consolidated statement of operations for the year ended December 31, 2003.

**Table of Contents****PLANVISTA SELECTED HISTORICAL FINANCIAL DATA**

The following table sets forth PlanVista's selected consolidated financial data for each of the five years ended December 31, 2002 and the nine month periods ended September 30, 2003 and 2002. Such information has been prepared from the audited consolidated financial statements and the unaudited condensed consolidated financial statements of PlanVista. You should read this information together with the consolidated financial statements and other financial information contained elsewhere in this joint proxy statement/prospectus.

	Nine Months Ended September 30,		Year Ended December 31,				
	2003	2002	2002	2001(1)	2000(1)	1999(1)	1998(1)
	(Unaudited)		(In thousands, except per share amounts)				
<b>STATEMENT OF OPERATIONS DATA</b>							
Operating revenue	\$ 23,954	\$ 24,746	\$ 33,141	\$ 32,918	\$ 26,964	\$ 18,691	\$ 10,024
Cost of operating revenue:							
Personnel expense	6,568	6,617	8,474	9,137	8,301	8,189	4,937
Network access fees	4,575	4,014	5,122	5,343	3,896	2,521	1,894
Other	4,191	4,353	5,826	6,521	4,288	4,013	4,058
Depreciation	425	384	528	467	303	723	247
Costs related to ProxyMed agreement	846						
Total cost of operating revenue	16,605	15,368	19,950	21,468	16,788	15,446	11,136
Bad debt expense	1,262	1,980	3,356	3,348	649	624	
Offering costs			1,213				
Amortization of goodwill				1,378	1,380	1,388	967
Loss on impairment of intangible assets					5,513		
Loss (gain) on sale of investments, net				2,503	(332)	(4,630)	(33,240)
Interest expense	2,032	4,649	5,628	12,098	10,489	7,737	5,540
Other (income) expense	(650)			(175)	868	(373)	11,921
Equity in loss of joint venture						208	
Income (loss) before (benefit) provision for income taxes, minority interest, discontinued operations, loss on sale of discontinued operations, extraordinary loss, and cumulative effect of change in accounting principle	4,705	2,749	2,994	(7,702)	(8,391)	(1,709)	13,700
Net income (loss)	3,486	3,702	4,185	(45,221)	(104,477)	104	9,698
Preferred stock accretion and preferred stock dividend	(52,286)	(31,080)	(48,777)				
(Loss) income applicable to common stockholders	(48,800)	(27,378)	(44,592)	(45,221)	(104,477)	104	9,698

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	Nine Months Ended September 30,		Year Ended December 31,				
	2003	2002	2002	2001(1)	2000(1)	1999(1)	1998(1)
	(Unaudited)		(In thousands, except per share amounts)				
Basic and diluted net income (loss) per share from continuing operations before minority interest, discontinued operations, loss on sale of assets, extraordinary item, and cumulative effect of change in accounting principle	\$ 0.21	\$ 0.23	\$ 0.25	\$ (2.37)	\$ (0.37)	\$ (0.08)	\$ 0.55
Basic and diluted net (loss) income per share applicable to common stockholders	\$ (2.90)	\$ (1.68)	\$ (2.72)	\$ (3.11)	\$ (7.64)	\$ 0.01	\$ 0.67
Dividends declared per share of common stock						\$0.4125	
Average common shares outstanding:							
Basic	16,822	16,311	16,427	14,558	13,679	13,742	14,353
Diluted	16,822	16,311	16,427	14,558	13,679	13,922	14,584

	As of September 30,		As of December 31,				
	(Unaudited)						
BALANCE SHEET DATA:							
Working capital (deficit)	\$ (33,938)	\$ 1,170	\$ 1,178	\$ (7,901)	\$ (104,859)	\$ (44,329)	\$ (93,903)
Total assets	43,091	43,839	42,585	40,125	104,668	236,683	217,002
Total debt	44,420	45,701	45,544	76,086	66,038	95,762	97,322
Series C convertible preferred stock (As Restated)	129,503	59,520(2)	77,217(2)				
Stockholders' equity (deficit) (As Restated)	(143,682)	(78,393)(2)	(95,606)(2)	(53,290)	(20,340)	86,281	91,652

- (1) PlanVista has reclassified the business units sold in 2001 and 2000 as discontinued operations in the Consolidated Statements of Operations. During 2000, PlanVista sold its unemployment compensation, workers' compensation, workers' compensation managed care organization, and self-funded businesses. In 2001, PlanVista sold its third party administration and managing general underwriter business units.
- (2) Restated for the classification of the series C preferred stock as described in Note 18 to the audited consolidated financial statements.

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**PLANVISTA MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS**

**General**

PlanVista provides medical cost containment and business process outsourcing solutions for the medical insurance and managed care industries. Specifically, PlanVista provides integrated national PPO network access, electronic claims repricing, and network and data management business process outsourcing services to health care payers, such as self-insured employers, medical insurance carriers, third party administrators, health maintenance organizations, and other entities that pay claims on behalf of health plans. PlanVista also provides network and data management business process outsourcing services for health care providers, including individual providers, PPOs, and other provider groups.

PlanVista earns most of its operating revenue in the form of fees generated from the discounts PlanVista provides for the payers that access its National Preferred Provider Network. PlanVista generally enters into agreements with its healthcare payer customers under which they pay to PlanVista a percentage of the cost savings generated from PlanVista's National Preferred Provider Network discounts with PPOs and providers. PlanVista generally recognizes this operating revenue when claims processing and administrative services have been performed. Operating revenue from customers with certain contractual rights is not recognized until the corresponding cash is collected. A portion of PlanVista's operating revenue is generated from customers that pay PlanVista a monthly fee based on eligible employees enrolled in a benefit plan covered by PlanVista's health benefits payers customers. PlanVista recognizes monthly fee operating revenue at the time the services are provided. Operating revenue related to PlanVista's business process outsourcing services is earned on a per claim basis at the time the associated services are provided.

PlanVista's expenses generally consist of network access fees incurred to provide access to participating PPO networks for its customers, compensation and benefits costs for its employees, occupancy and related costs, general and administrative expenses associated with operating PlanVista's business, taxes, and debt service obligations.

**Table of Contents****Results of Operations**

The following table sets forth, for the periods indicated, the percentages that certain items of income and expense bear to PlanVista's operating revenue for the periods indicated.

	Nine Months Ended September 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
	(Unaudited)				
Operating revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of operating revenue:					
Personnel expense	27.4%	26.7%	25.6%	27.8%	30.8%
Network access fees	19.1%	16.2%	15.5%	16.2%	14.4%
Other	17.5%	17.6%	17.5%	19.9%	15.8%
Depreciation	1.8%	1.6%	1.6%	1.3%	1.3%
Costs related to ProxyMed agreement	3.5%				
Total cost of operating revenue	69.3%	62.1%	60.2%	65.2%	62.3%
Bad debt expense	5.3%	8.0%	10.1%	10.1%	2.4%
Offering costs			3.7%		
Other income	(2.7)%				
Amortization of goodwill				4.2%	5.1%
Loss on impairment of intangible assets					20.4%
(Gain) loss on sale of investments, net				7.6%	(1.2)%
Other income (expense)				(0.1)%	3.2%
Interest expense	8.5%	18.8%	16.9%	36.3%	38.9%
Total expenses and other income	80.4%	88.9%	90.9%	123.3%	131.1%
(Loss) income before (benefit) provision for income taxes, discontinued operations, and cumulative effect of change in accounting principal	19.6%	11.1%	9.1%	(23.3)%	(31.1)%
Provision (benefit) for income taxes	5.0%	(3.9)%	(3.6)%	81.4%	(12.1)%
Income (loss) before minority interest, discontinued, operations loss on sale of assets, extraordinary item, and cumulative effect of change in accounting principal	14.6%	15.0%	12.7%	(104.7)%	(19.0)%

**Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002**

**Operating Revenue.** Operating revenue for the nine months ended September 30, 2003 decreased \$0.8 million, or 3.2%, to \$23.9 million from \$24.7 million during the same period in 2002. During the first nine months of 2003, PlanVista added 38 new payer accounts and generated operating revenue from those customers totaling \$2.6 million. The increase in operating revenue from this new business was offset by a decrease in operating revenue due to the departure of customers that are no longer in business, decreased utilization by some customers, and a lower percentage of high-dollar claims. Claims volume increased by approximately 92,000, or 3.4%, to 2,792,000 claims processed during the nine months ended September 30, 2003 compared to 2,700,000 claims processed in the same period in 2002.

**Personnel Expenses.** Personnel expenses for the nine months ended September 30, 2003 and 2002 were \$6.6 million. Personnel expenses as a percentage of revenues increased slightly to 27.4% for the nine months ended September 30, 2003 compared to the same period in 2002. Included in personnel expenses for the nine months ended September 30, 2003 is \$130,000 related to various severance agreements. Bonus expense during the nine months ended September 30, 2003 was lower than the same period in 2002 due to lower estimate of such costs for the year ending December 31, 2003. Additionally, PlanVista continues to





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benefit from efficiencies in its claim repricing operations through increased use of its technology, which allowed PlanVista to increase the number of claims processed per person during the nine months ended September 30, 2003 compared to the same period in 2002.

*Network Access Fees.* Network access fees for the nine months ended September 30, 2003 increased \$0.6 million, or 14.0%, to \$4.6 million from \$4.0 million in 2002. Network access fees as a percentage of operating revenue were 19.1% in 2003 compared to 16.2% in 2002. Network access fees relate to amounts charged by PlanVista's network and cost containment partners for access to their provider network. The increase in network access fees of \$0.6 million was due to a greater portion of PlanVista's operating revenue being derived from bill negotiation services, which is contracted at a higher fee.

*Other Costs of Operating Revenue.* Other costs of operating revenue for the nine months ended September 30, 2003 decreased \$0.2 million, or 3.7%, to \$4.2 million from \$4.4 million in 2002. Other costs of operating revenue primarily consists of marketing costs, occupancy and related costs, professional services, and other administrative costs. This decrease was partially the result of settlements of outstanding balances with certain of PlanVista's vendors during the three months ended March 31, 2003, resulting in \$0.2 million in savings, as well as from lower professional fees related to the completion of a number of outstanding legal matters pertaining to PlanVista's divested subsidiaries.

*Depreciation.* Depreciation of \$0.4 million for the nine months ended September 30, 2003 was comparable to the same period in 2002.

*Costs Related to ProxyMed Agreement.* In June 2003, PlanVista signed a three-year joint marketing agreement with ProxyMed, pursuant to which ProxyMed has agreed to work with PlanVista to market PlanVista's products to ProxyMed's existing and prospective customers. As part of the agreement, PlanVista expensed \$0.8 million, consisting of expenses related to data services (\$0.2 million), exclusivity (\$0.1 million) and the issuance of a warrant giving ProxyMed the ability to purchase 15.0% of PlanVista's outstanding common stock on a fully diluted basis (\$0.5 million). The fair value of the warrant was determined by an independent consultant using the Black-Scholes pricing model.

*Bad Debt Expense.* Bad debt expense for the nine months ended September 30, 2003 decreased \$0.7 million, or 36.3%, to \$1.3 million from \$2.0 million during the same period in 2002. Bad debt expense is recorded based on PlanVista's estimate of uncollectible accounts receivable.

*Other Income.* On September 30, 2003, PlanVista negotiated a settlement for an obligation to provide in-kind claims repricing services. Due to this settlement, PlanVista recorded \$650,000 of other income during the nine months ended September 30, 2003.

*Interest Expense, Net.* Interest expense for the nine months ended September 30, 2003 decreased to \$2.0 million from \$4.6 million during the same period in 2002. This reduction is due primarily to the lowering of PlanVista's outstanding bank debt by \$29.0 million upon the bank restructuring on April 12, 2002, the lowering of the interest rate on such debt from prime plus 6.0% to prime plus 1.0%, and the repayment of \$1.7 million of such debt in the three months ended September 30, 2003.

*Income Taxes.* The provision for income taxes for the nine months ended September 30, 2003 was \$1.2 million. This provision was based on an effective tax rate that was determined based upon PlanVista's estimate of its taxable income for the year ending December 31, 2003. The benefit for income taxes for the nine months ended September 30, 2002 was \$1.0 million. This benefit was based on an effective tax rate that was determined based upon PlanVista's estimate of its taxable income for the year ended December 31, 2002.

***Year Ended December 31, 2002 Compared to Year Ended December 31, 2001***

*Operating Revenue.* Operating revenue for the year ended December 31, 2002 increased \$0.2 million, or 1.0%, to \$33.1 million from \$32.9 million in 2001. During 2002, PlanVista added over 45 new accounts and generated operating revenue from those customers totaling \$4.5 million. The increase in operating revenue from this new business was partially offset by a decrease in operating revenue from customers that

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no longer use PlanVista's services or that have significantly reduced their utilization. Claims volume increased 0.7 million, or 24.1%, to 3.6 million claims repriced in 2002 compared to 2.9 million claims repriced in 2001. The percentage increase in operating revenue in 2002 was less than the percentage increase in claims volume because PlanVista repriced a higher percentage of generally lower dollar value physician claims in 2002 compared to 2001, resulting in a decrease in average operating revenue per claim.

*Personnel Expense.* Personnel expense for the year ended December 31, 2002 decreased \$0.6 million, or 6.6%, to \$8.5 million from \$9.1 million in 2001. Personnel expense as a percentage of revenues decreased to 25.6% in 2002 compared to 27.8% in 2001. During 2002, PlanVista reduced its total employee count from 152 at January 1, 2002 to 144 at December 21, 2002. PlanVista continued to benefit from efficiencies in its claim repricing operations through increased use of its technology, which allowed PlanVista to increase the number of claims processed per person in 2002 compared to the same period in 2001.

*Network Access Fees and Other Cost of Operating Revenue.* Network access fees and other cost of operating revenue for the year ended December 31, 2002 decreased \$1.0 million, or 8.4%, to \$10.9 million from \$11.9 million in 2001. Network access fees and other cost of operating revenue as a percentage of operating revenue were 33.0% in 2002 compared to 36.1% in 2001. This decrease was attributable to decreases in network access fees of \$0.2 million, due to contracts with certain of PlanVista's newer networks that are on more favorable terms and the migration of certain networks to a flat fee contract basis. Additionally, PlanVista's electronic imaging costs decreased by approximately \$0.2 million as more of its repricing is done through either EDI or Internet connections.

*Depreciation and Amortization of Goodwill.* Depreciation for the year ended December 31, 2002 increased an immaterial amount compared to 2001. This small increase in depreciation was due to purchases of fixed assets in the latter part of 2001 and during 2002. Amortization of intangibles was \$1.4 million for the year ended December 31, 2001. No amortization of goodwill was recorded in 2002 due to the adoption of Statement of Financial Accounting Standard (SFAS) No. 142, Goodwill and Intangible Assets, under which goodwill is no longer amortized but instead is subject to impairment tests at least annually. No impairment of goodwill was determined to have occurred during 2002.

*Bad Debt Expense.* Bad debt expense for the year ended December 31, 2002 increased an immaterial amount from the same period in 2001. Bad debt expense is recorded based on PlanVista's estimate of uncollectible accounts receivable.

*Offering Costs.* During 2002, PlanVista pursued a secondary offering of its common stock and in connection therewith incurred legal, accounting, and printing fees. However, due to market conditions, the Offering was indefinitely postponed and, accordingly, in the fourth quarter, PlanVista expensed approximately \$1.2 million associated with the Offering.

*Interest Expense.* Interest expense for the year ended December 31, 2002 decreased to \$5.6 million from \$12.1 million during the same period in 2001. During 2001, PlanVista incurred higher interest rates on its credit facility that increased from prime plus 1.0% (10.50%) on January 1, 2001, to prime plus 6.0% (10.75%) through April 12, 2002, the date PlanVista restructured its credit facility. As a result of this restructuring, PlanVista reduced the debt balance owed to its Senior Lenders from \$64.8 million at December 31, 2001 to \$40.0 million at December 31, 2002. PlanVista's senior lenders currently charge interest at a rate of prime plus 1.0% (5.25% at December 31, 2002). The decrease resulting from the lower average principal balance and lower interest rates was partially offset by the bank charges and other financing costs incurred to restructure the credit facility, which are included in interest expense for the year ended December 31, 2002.

*Loss (gain) on Sale of Investments, Net.* Loss on sale of investments for the year ended December 31, 2002 decreased \$2.5 million, to \$0.0 from \$2.5 million for the same period in 2001. The loss on sale of investments in 2001 was due to PlanVista's sale of its investment in HealthAxis, Inc.

*Income Taxes.* The benefit for income taxes for the year ended December 31, 2002 was \$1.2 million compared to a provision for income taxes of \$26.8 million during the same period in 2001. Effective

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January 1, 2002, a new federal law was enacted allowing corporations to increase the period for which they may obtain refunds on past income taxes paid due to net operating losses. The prior law allowed companies to use their net operating losses for the preceding three fiscal years while the new law allows companies to use their net operating losses for the preceding five fiscal years.

**Year Ended December 31, 2001 Compared to Year Ended December 31, 2000**

*Operating Revenue.* Operating revenue for the year ended December 31, 2001 increased \$6.0 million, or 22.3%, to \$32.9 million from \$26.9 million in 2000. During 2001, PlanVista added more than 177 new accounts and generated revenue from those customers totaling \$6.2 million. Operating revenue from existing customers was flat in 2001 compared to 2000. Claims volume increased 0.8 million, or 38.1%, to 2.9 million claims repriced in 2001 compared to 2.1 million claims repriced in 2000. The percentage increase in operating revenue in 2001 was less than the percentage increase in claims volume because PlanVista repriced a higher percentage of generally lower value physician claims in 2001 compared to 2000, resulting in a decrease in average operating revenue per claim.

*Personnel Expense.* Personnel expense for the year ended December 31, 2001 increased \$0.8 million, or 9.6%, to \$9.1 million from \$8.3 million in 2000. Personnel expense increased as salaries and wages increased to meet increased volume of claims received and commissions earned from the increase in operating revenue. Personnel expense as a percentage of operating revenue decreased to 27.8% in 2001 compared to 30.8% in 2000, primarily because PlanVista was able to increase efficiencies in its claims repricing operations through increased use of its technology, which allowed it to increase the number of claims processed per person in 2001.

*Network Access Fees and Other Costs of Operating Revenue.* Network access fees and other costs of operating revenue for the year ended December 31, 2001 increased \$3.7 million, or 45.1%, to \$11.9 million from \$8.2 million in 2000. This increase was primarily attributable to increases in network access fees, electronic imaging, postage, computer software and maintenance cost, and printing cost supporting PlanVista's increased operating revenue. Network access fees and other costs of operating revenue as a percentage of operating revenue was 36.1% in 2001 compared to 30.2% in 2000. Additionally, PlanVista incurred increased legal and other costs associated with its divestitures and credit facility restructuring activities during 2001 totaling \$0.7 million. During 2000, PlanVista received proceeds from a key-man life insurance policy totaling \$0.5 million, which reduced overall cost of operating revenue during such period.

*Depreciation and Amortization of Goodwill.* Depreciation for the year ended December 31, 2001 increased \$0.2 million, or 66.7%, to \$0.5 million from \$0.3 million in 2000. Amortization of intangibles was \$1.4 million for each of the years ended December 31, 2001 and 2000. The increase in depreciation was primarily attributable to the amortization of internally developed software costs that were capitalized in 2001 and the depreciation of new property and equipment acquired in 2001.

*Bad Debt Expense.* Bad debt expense for the year ended December 31, 2001 increased \$2.7 million, or 450.0%, to \$3.3 million from \$0.6 million in 2000 due to the related increase in operating revenue, an overall increase in the estimated allowance for doubtful accounts based on historical collection rates, and a \$1.2 million additional reserve against certain accounts resulting from customer negotiations.

*Loss on Sale of Investments, Net.* Loss on sale of investments, net for the year ended December 31, 2001 was \$2.5 million compared to gain on sale of investments of \$0.3 million in 2000. During the second quarter of 2001, PlanVista sold all of its shares of HealthAxis, Inc. stock and realized a net pretax loss on the sale of approximately \$2.5 million. During the second quarter of 2000, PlanVista sold all 109,732 of its shares of Caredata.com, Inc. stock and realized a net pretax gain on the sale of \$0.3 million.

*Interest Expense.* Interest expense for the year ended December 31, 2001 increased \$1.6 million, or 15.2%, to \$12.1 million from \$10.5 million in 2000. This increase resulted from increased interest rates on PlanVista's credit facility from prime plus 1.0%, or 10.5%, at January 1, 2001 to prime plus 6.0%, or 10.75%, at December 31, 2001. In addition, PlanVista incurred significant bank charges that were included in interest expense associated with amendments to its credit facility during 2001.

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*Other Income and Expense.* Other income for the year ended December 31, 2001 was immaterial. Other expense for the year ended December 31, 2000 was \$0.9 million. During the second quarter of 2000, PlanVista expensed legal, financial advisory, and other fees associated with the termination of its merger agreement with UICI, a Texas-based financial services firm. PlanVista entered into a contract to be acquired by them in October 1999. The transaction was mutually terminated in April 2000.

*Income Taxes.* Provision for income taxes for the year ended December 31, 2001 was \$26.8 million compared to a benefit for income taxes of \$3.3 million in 2000. During 2001, PlanVista was required to establish a \$36.5 million valuation allowance on its net deferred tax assets as a result of cumulative losses in recent years, as required by SFAS No. 109, Income Taxes.

*Discontinued Operations.* Loss from discontinued operations, net of taxes for the year ended December 31, 2001 decreased \$58.2 million, or 99.0%, to \$0.6 million from \$58.8 million in 2000. Loss on sale of discontinued operations, net of taxes for the year ended December 31, 2001 decreased \$29.2 million, or 74.3%, to \$10.1 million from \$39.3 million in 2000. During 2000, these operations were adversely affected by the write-off of \$80.3 million of goodwill and contract rights related to the business units sold determined by the selling price of the unemployment compensation and workers' compensation, Ohio workers' compensation managed care organization and self-funded business units sold in 2000, and the definitive agreement signed in April 2001 to sell PlanVista's third party administration and managing general underwriter business units. The additional losses in 2001 were incurred based on actual results of operations and the terms of the final sale, which occurred in June 2001.

*Loss on Extinguishment.* During the second quarter of 2000, PlanVista recorded a loss on the extinguishment of debt of \$1.0 million, net of taxes, related to its credit facility. This loss represented \$1.5 million of pretax non-interest fees and expenses connected with the prior facility, which were previously subject to amortization over five years. No such gains or losses were recognized during 2001.

## **Liquidity and Capital Resources**

Liquidity is PlanVista's ability to generate adequate amounts of cash to meet its financial commitments. PlanVista's primary source of cash is fee revenue generated from the healthcare provider discounts that it makes available to its customers. PlanVista's uses of cash consist of payments to PPOs to provide access to their networks for PlanVista's customers, payments for compensation and benefits for PlanVista's employees, occupancy and related costs, general and administrative expenses associated with operating its business, debt service obligations, and taxes.

PlanVista had cash and cash equivalents totaling \$3.0 million at September 30, 2003 and \$1.2 million at December 31, 2002. Net cash provided by operating activities was \$3.8 million and \$0.7 million during the nine months ended September 30, 2003 and 2002, respectively. This increase in cash provided by operating activities in 2003 is due primarily to improved accounts receivable collections partially offset by decreases in PlanVista's accounts payable and accrued expenses.

### ***Restructured Credit Facility***

On April 12, 2002, PlanVista closed a transaction to restructure and refinance its senior bank debt, which was \$69.0 million prior to the closing. Under the terms of the restructured agreement, PlanVista entered into a \$40.0 million term loan that accrues interest at a variable rate, generally prime plus 1.0%, with interest payments due monthly. Quarterly principal payments of \$50,000 became due beginning September 30, 2002, and because the term loan is payable in full on May 31, 2004, it is classified as a current liability on PlanVista's balance sheet as of September 30, 2003. The term loan is collateralized by all of PlanVista's assets.

In exchange for retirement of the remaining amounts due to its senior lenders, PlanVista issued 29,000 shares of its newly authorized series C preferred stock and an additional promissory note in the amount of \$184,872, which was fully paid as of June 30, 2003. The series C preferred stock accrued dividends at 10.0% per annum during the first twelve months from issuance and is currently fixed at 12.0%

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per annum. Dividends are payable quarterly in additional shares of series C preferred stock or, at PlanVista's option, in cash. As of September 30, 2003, PlanVista chose to pay dividends in the form of additional shares, and had issued to the series C preferred stockholders an aggregate of 3,659 additional shares of series C preferred stock. The restructured credit agreement contains certain financial covenants, including minimum monthly EBITDA levels, as defined in the agreement, maximum quarterly and annual capital expenditures, a minimum quarterly fixed charge ratio that is based primarily on PlanVista's operating cash flows, and maximum quarterly and annual extraordinary expenses, as defined in the agreement. The required minimum EBITDA level beginning August 2003 is \$1.0 million per month. While PlanVista is in compliance with the financial covenants as of September 30, 2003, there is no assurance that it will remain in compliance in future periods. If PlanVista is not in compliance, the senior lenders could demand repayment of PlanVista's obligations. In such event, there can be no assurance that PlanVista will be able to repay the indebtedness, or refinance such indebtedness on terms that are acceptable to it.

PlanVista's indebtedness comes due in May 2004. PlanVista is currently pursuing alternatives to refinance this indebtedness and/or raise additional equity capital to pay off or pay down this indebtedness. There can be no assurance that PlanVista will be able to repay the indebtedness or refinance such indebtedness on terms that are acceptable to it. Should PlanVista be successful in these endeavors, there could be substantial dilution to the common stockholders.

If PlanVista is unable to generate sufficient cash flows from operations to pay its financial obligations and meet its debt covenants, as required by PlanVista's restructured credit facility, or if PlanVista is unable to repay or refinance its restructured credit facility in full in May 2004, there may be a material adverse effect on PlanVista's business, financial condition, and results of operations.

***PVC Funding Partners Transaction***

On March 7, 2003, PVC Funding Partners, LLC, an affiliate of Commonwealth Associates, LP and Comvest Venture Partners, acquired from PlanVista's senior lenders 29,851 shares, or 96.0%, of PlanVista's outstanding series C preferred stock. The series C preferred stock was purchased from the senior lenders on a prorata basis at a price of \$33.50 per share. The original senior lenders continue to hold the remaining 4.0% of the series C preferred stock. In connection with the transaction, PVC Funding Partners also acquired \$20.5 million in principal amount of PlanVista's outstanding bank debt from PlanVista's original senior lenders. In connection with the closing of the transaction, the three Class B members of PlanVista's board of directors designated by the original holders of the series C preferred stock voluntarily relinquished their board positions and were replaced by three Class B directors selected by PVC Funding Partners, LLC.

There is an intercreditor agreement between PVC Funding Partners and the original senior lenders which provides that, (1) PVC Funding Partners' rights to mandatory prepayments and other principal payments prior to the maturity date are subordinated to the original senior lenders' rights to those payments, and (2) PVC Funding Partners' notes will be voted consistently with and on the same percentage basis as the original senior lenders with respect to all matters required to be submitted to a vote or consent of the original senior lenders, except for matters related to certain fundamental changes in the loan terms. The intercreditor agreement provided that, until the occurrence of a Board Shift Event, in all other respects, PVC Funding Partners had all of the rights of the original lenders. On October 12, 2003, PlanVista did not redeem any of the series C preferred stock, triggering a Board Shift Event. Consequently, PVC Funding Partners informed the senior lenders that they were exercising their option to control the board of directors by assuming the right to elect four of the seven members of the Board. PVC Funding Partners designated one of the existing directors previously elected by the common stockholders as the fourth series C director. Upon the change in control of PlanVista's board of directors, the debt held by PVC Funding Partners became subordinated to the debt held by the original senior lenders.

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### ***Centra Convertible Notes***

As of December 31, 2001, PlanVista was in default with respect to interest payments due under notes payable to CENTRA Benefits, Inc., referred to as Centra, originally issued in connection with PlanVista's 1998 acquisition of a third party administration business from Centra. These notes have been restructured twice since December 31, 2001. Most recently, effective March 31, 2003, PlanVista extended the maturity date of the notes, which are in the amount of \$4.3 million, to April 1, 2006, reduced the interest rate to 6.0% per annum, and fixed the conversion price under which the notes can be converted to common stock at \$1.00. PlanVista also issued a new convertible note equal to the accrued and unpaid interest owed to Centra in the amount of approximately \$500,000. This note has the same terms and conditions as the restructured notes. Immediately upon completion of this restructuring, PVC Funding Partners acquired slightly more than 50.0% of the face value of the notes, including the new note, from Centra. The remaining portion is still held by Centra.

### ***Other Obligations***

In connection with a 1993 acquisition by PlanVista's former subsidiary, HealthPlan Services, Inc., PlanVista assumed a note payable. As of September 30, 2003, the outstanding principal balance of the note was approximately \$695,000, and semi-annual payments on this note are due through November 1, 2008. This note is collateralized by a letter of credit.

On September 30, 2003, PlanVista settled an obligation to provide \$950,000 of in-kind services with a cash payment of \$300,000. The difference of \$650,000 is included in operating income in the accompanying condensed consolidated statements of operations for the three and nine months ended September 30, 2003.

On April 12, 2002, in connection with the restructuring of PlanVista's credit facility, the maturity date of notes totaling \$500,000 was extended to December 1, 2004. The notes are due to a member of PlanVista's board of directors and an individual who was a member of PlanVista's board of directors at the time that the notes were issued and at the time of the April 2002 restructuring. These notes bear interest at prime plus 4.0% per annum, but payment of interest is subordinated and deferred until all senior obligations are paid.

Since the sale of HealthPlan Services in June 2001, PlanVista had been in discussions with HealthPlan Holdings, Inc. to finalize purchase price adjustments associated with the HealthPlan Services transaction. On October 1, 2003, PlanVista finalized its discussions with HealthPlan Holdings, Inc. with no additional liability for purchase price adjustments. Additionally, PlanVista agreed upon payment terms for \$1.7 million of other items that are included in accrued liabilities in the accompanying condensed consolidated balance sheets as of September 30, 2003 and December 31, 2002.

### ***Capital Expenditures***

PlanVista spent \$0.4 million on capital expenditures during the nine months ended September 30, 2003. Obligations for future capital expenditures are not significant and are restricted to \$1.5 million annually under PlanVista's credit facility.

Except for the maturity of its term loan, which becomes due on May 31, 2004, PlanVista believes that all consolidated operating and financing obligations for the next twelve months will be met from cash flows from operations and available cash. Although there can be no assurances, management believes based on available information, PlanVista will be able to maintain compliance with the terms of its restructured credit facility, including the financial covenants, until it becomes due on May 31, 2004. PlanVista's ability to fund its operations, make scheduled payments of interest and principal on its indebtedness, and maintain compliance with the terms of its restructured credit facility, including PlanVista's financial covenants, depends on PlanVista's future performance, which is subject to economic, financial, competitive, and other factors beyond PlanVista's control. If PlanVista is unable to generate sufficient cash flows from operations to pay its financial obligations and meet the debt covenants as

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required under the restructured credit facility, or is unable to repay its restructured credit facility in full on May 31, 2004, there may be a material adverse effect on PlanVista's business, financial condition, and results of operations. Management has explored alternatives, including the sale of equity securities, to refinance PlanVista's debt, reduce its obligations, recapitalize PlanVista, and provide additional liquidity. However, management believes that if the merger transaction with ProxyMed is approved by the stockholders, there will be sufficient liquidity to pay PlanVista's obligations to its senior lenders and to meet its other financial obligations. There can be no assurances that PlanVista will be successful in these endeavors. Should PlanVista be successful in these endeavors, there could be substantial dilution to PlanVista's common stockholders.

### ***Inflation***

PlanVista does not believe that inflation had a material effect on PlanVista's results of operations for the three or nine months ended September 30, 2003 and 2002. There can be no assurance, however, that PlanVista's business will not be affected by inflation in the future.

### **PlanVista Recent Accounting Pronouncements**

On January 1, 2003, PlanVista adopted the provisions of SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal operations of a long-lived asset. The adoption of SFAS No. 143 did not have a significant effect on PlanVista's financial position, results of operations or liquidity.

On January 1, 2003, PlanVista adopted the provisions of SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which addresses accounting for restructuring and similar costs. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred, rather than the date of PlanVista's commitment to an exit plan. The adoption of SFAS No. 146 did not impact PlanVista.

In November 2002, Financial Interpretation (FIN) No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of Indebtedness of Others* (an interpretation of SFAS No. 5, 57 and 107 and rescission of SFAS Interpretation No. 34), which modifies the accounting and enhances the disclosure of certain types of guarantees, was issued. FIN No. 45 requires that upon issuance of certain guarantees, the guarantor must recognize a liability for the fair value of the obligation it assumes under the guarantee. PlanVista adopted the disclosure requirements of FIN No. 45 as of December 31, 2002. On January 1, 2003, PlanVista adopted the initial recognition and measurement provisions, which are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The adoption of FIN No. 45 did not have an impact on PlanVista.

On January 17, 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities*, an interpretation of ARB No. 51, which imposes a new approach in determining if a reporting entity should consolidate certain legal entities, including partnerships, limited liability companies, or trusts, among others, collectively defined as variable interest entities or VIEs. Certain transition disclosures are required for all financial statements issued after January 31, 2003. The provisions of FIN No. 46 applicable to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003 are effective for all interim and annual periods ending after December 15, 2003 pursuant to FASB Staff Position No. FIN 46-6. PlanVista does not believe FIN No. 46 will have an impact on it.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, which establishes standards for how companies classify and measure certain financial instruments with characteristics of both liability and equity. Specifically, SFAS No. 150 provides guidance as to which items should be classified as liabilities that were previously reported as equity or as a mezzanine item reported between liabilities and equity. SFAS No. 150 is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150

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requires PlanVista to report the common stock with make-whole provision as a liability on the condensed consolidated balance sheet as of September 30, 2003.

**PlanVista Quantitative and Qualitative Disclosures About Market Risk**

PlanVista is exposed to certain market risks inherent in its financial instruments. These instruments arise from transactions entered into in the normal course of business. PlanVista is subject to interest rate risk on its existing agreements. PlanVista's fixed rate debt consists primarily of outstanding balances on its notes issued to Cal Group, Inc., the former owner of CENTRA HealthPlan LLC. PlanVista's variable rate debt relates to borrowings under its Term Loan Agreement effective April 12, 2002 and notes issued to certain members of PlanVista's board of directors. See Liquidity and Capital Resources.

At September 30, 2003, the following unaudited table presents the future minimum operating lease obligations and the future principal payment obligations, and the weighted-average interest rates associated with PlanVista's long-term debt instruments for the periods ended December 31 (in thousands). These amounts reflect PlanVista's restructured debt arrangements:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Thereafter</u>
Operating leases	\$ 177	\$ 505	\$ 101	\$ 56	\$ 53	\$ 12
Long-term debt fixed rate (interest rates ranging from 5.75% to 6.0%)	\$ 123	\$ 564	\$ 132	\$ 4,928	\$ 150	\$ 84
Long-term debt variable rate (interest at prime plus 1.0% and prime plus 4.0%)	\$ 50	\$ 38,389	\$	\$	\$	\$

PlanVista's primary market risk exposure relates to (i) the interest rate risk on long-term and short-term borrowings, (ii) the impact of interest rate movements on PlanVista's ability to meet interest expense requirements and exceed financial covenants, and (iii) the impact of interest rate movements on PlanVista's ability to obtain adequate financing to fund future acquisitions.

A 1.0% increase in interest rates due to increased rates would result in additional annual interest expense of approximately \$0.4 million.

While PlanVista cannot predict its ability to refinance existing debt or the impact interest rate movements will have on its existing debt, PlanVista's management continues to evaluate PlanVista's financial position on an ongoing basis.



**Table of Contents****PLANVISTA MANAGEMENT****Compensation Committee Interlocks and Insider Participation**

Since March 12, 2003, PlanVista's compensation committee has been composed of three directors: Harold S. Blue, Michael S. Falk, and James K. Murray III. Neither Mr. Blue nor Mr. Falk has ever been an officer or employee of PlanVista or its subsidiaries. Mr. Murray was PlanVista's Executive Vice President and Chief Financial Officer from October 1995 until December 1997. Mr. Falk is the Chairman and principal member of Commonwealth Associates Group Holdings, LLC, which provides advisory services to PlanVista. Mr. Blue is a member, director, and President of Commonwealth Associates Group Holdings, LLC. Between April 15, 2002 and March 10, 2003, the compensation committee was composed of John D. Race, William L. Bennett, Christopher J. Garcia, and Martin L. Garcia, none of whom is or was an officer or employee of PlanVista or its subsidiaries, except for Mr. Bennett, who was employed as PlanVista's Chairman of the Board from December 1994 until December 1997. PlanVista has issued subordinated promissory notes in favor of Mr. Bennett and Mr. Race, each in the amount of \$250,000. See "Certain Relationships and Related Transactions" for more information about the subordinated promissory notes and the Commonwealth Associates Group Holdings, LLC advisory agreement.

**Executive Compensation**

The following table sets forth the compensation paid during the past three fiscal years to those executive officers of PlanVista who will continue as executive officers of ProxyMed, including PlanVista's current Chief Executive Officer, referred to as the PlanVista Named Executive Officers. During the past three fiscal years, PlanVista did not grant any restricted stock awards or stock appreciation rights or make any long-term incentive plan payouts.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position(1)	Year	Annual Compensation		Long-Term Compensation	
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)(2)	All Other Compensation \$(3)
Phillip S. Dingle	2003	232,732		1,367,500(4)	4,000
Chairman and Chief Executive Officer	2002	300,000		200,000	3,667
	2001	288,561		54,947(5)	3,463
Jeffrey L. Markle	2003	191,633		1,129,000(4)	4,000
President and Chief Operating Officer	2002	220,000		150,000	3,667
	2001	219,231		50,000(5)	3,435

(1) Indicates each PlanVista Named Executive Officer's position with PlanVista as of December 31, 2003.

(2) With respect to fiscal year 2003, refers to incentive stock options granted under PlanVista's 2003 Stock Option Plan. The 2003 Stock Option Plan provides for grants of stock options to officers, directors, employees and consultants of PlanVista, as determined by the compensation committee of PlanVista's board of directors. The compensation committee may grant these options as incentive options, which qualify for certain favorable tax treatment, or as nonqualified options. The compensation committee has the authority to set the exercise price for options at the time of grant, except that the exercise price of an incentive option may not be less than the fair market value of PlanVista's common stock on the grant date. Except as set forth in Footnote 4 below, 15% of each option vested immediately, and an additional 15% vests on each successive anniversary of the grant date, until 60% of the option is vested on the third anniversary of the grant date. The remaining 40% of each option vests upon PlanVista's achievement of specified financial targets. All stock options granted under the 2003 Stock Option Plan vest immediately in the event of a change of control of PlanVista. With respect to fiscal years 2002 and 2001, refers to incentive stock options granted under either PlanVista's 1995 Incentive Equity Plan or PlanVista's Amended and Restated 1996 Employee

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Stock Option Plan. The PlanVista Incentive Equity Plan and the Employee Stock Option Plan provide for grants of stock options to employees of PlanVista, as determined by the compensation committee of PlanVista's board of directors. The compensation committee may grant these options as incentive options or as non-qualified options. The compensation committee has the authority to set the exercise price for options at the time of grant, except that the exercise price of an incentive option may not be less than the fair market value of PlanVista's common stock on the grant date. Except as indicated in Footnote 5 below, each option grant in fiscal year 2002 and 2001 reflected in the table vests over a four (4)-year period from the date of the grant, with 20% of the options becoming vested on the grant date and 20% becoming vested on each successive anniversary of the grant date, until the options become fully vested on the fourth anniversary of the grant date. In the event of any merger or other transaction in which PlanVista does not survive, the compensation committee at its option may accelerate the vesting of all outstanding Incentive Equity Plan and Employee Stock Option Plan options, subject to applicable law.

- (3) Consists of PlanVista contributions to each PlanVista Named Executive Officer's account under PlanVista's Profit Participation 401(k) Plan. Does not include the amount of life insurance premium payments allocable to each PlanVista Named Executive Officer. PlanVista provides all employees with life insurance benefits that are generally equal to two (2) years' base salary, subject to certain adjustments.
- (4) Includes 667,500 and 429,000 incentive stock options granted to Mr. Dingle and Mr. Markle, respectively, under the 2003 Stock Option Plan in connection with agreements to reduce compensation; one-third of such options vest on the grant date, one-third on the second anniversary of the grant date, and one-third on the third anniversary of the grant date.
- (5) Includes options for 14,947 and 10,000 shares granted by PlanVista to Messrs. Dingle and Markle, respectively, for these officers' contributions during 2001, which vested immediately. These options were granted in 2002.

**Option Grants in 2003**

The following table provides information on stock option grants during fiscal year 2003 to each of the PlanVista Named Executive Officers. During fiscal year 2003, PlanVista did not grant any stock appreciation rights.

**OPTION GRANTS IN LAST FISCAL YEAR**

Name	Individual Grants(1)				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (Ten Years)(2)	
	# of Securities Underlying Options Granted	% of Total Options Granted to Employee in Fiscal Year	Exercise or Base Price	Expiration Date	5%	10%
	Granted					
Phillip S. Dingle	700,000	18%	\$ 1.59	5/22/2013	\$ 700,000	\$ 1,778,000
Phillip S. Dingle	667,500(3)	17	1.59	5/22/2013	667,500	1,659,450
Jeffrey L. Markle	700,000	18	1.59	5/22/2013	700,000	1,778,000
Jeffrey L. Markle	429,000(3)	11	1.59	5/22/2013	429,000	1,089,660

- (1) Consists of option grants under the 2003 Stock Option Plan. Except as set forth in Footnote 3 below, 15% of each option vested immediately, and an additional 15% vests on each successive anniversary of the grant date, until 60% of the option is vested on third anniversary date of the grant date. The remaining 40% of each option vests upon PlanVista's achievement of specific financial targets.
- (2) The dollar gains under these columns result from calculations assuming 5% and 10% growth rates, as set by the Securities and Exchange Commission, and are not intended to forecast future price appreciation of PlanVista's common stock. The gains reflect a future value based upon growth at the prescribed rates. PlanVista is not aware of any formula that will determine with reasonable accuracy a

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present value based on future unknown or volatile factors. Options have value to the PlanVista Named Executive Officers and to all option recipients only if the price of the Plan Vista's common stock advances beyond the applicable option exercise price during the effective option period.

- (3) These options vest one-third on the grant date, one-third on the second anniversary of the grant date and one-third on the third anniversary of the grant date.

**Aggregate Option Exercises in 2003**

The following table sets forth certain information concerning unexercised options held by each of the PlanVista Named Executive Officers as of December 31, 2003. No PlanVista Named Executive Officer exercised any options during 2003. PlanVista does not have any outstanding stock appreciation rights.

**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR****AND FISCAL YEAR-END OPTION VALUES**

Name	Number of Securities Underlying Unexercised Options at FY-End (#)		Value of Unexercised In-the-Money Options at FY-End(2)(\$)	
	Exercisable(1)	Unexercisable	Exercisable(1)	Unexercisable
Phillip S. Dingle	548,747	1,282,200	-0-	-0-
Jeffrey L. Markle	373,000	1,056,000	-0-	-0-

- (1) Indicates shares that were vested and available for exercise as of December 31, 2003.
- (2) Value was computed as the difference between the exercise price and the \$1.48 per share last reported sale price of PlanVista's common stock on December 31, 2003, as reported on the Over-the-Counter Bulletin Board.

**Equity Compensation Chart**

The following table sets forth the equity compensation plan information for PlanVista as of December 31, 2002.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	5,670,556	\$3.06	302,831
Equity compensation plans not approved by security holders			
Total	5,670,556	\$3.06	302,831

- (1) These plans consist of the 1995 Directors Stock Option Plan, the 1995 Incentive Equity Plan, the 1995 Consultants Stock Option Plan, the Amended and Restated 1996 Employee Stock Option Plan, and the 2003 Stock Option Plan. PlanVista's 1997 Directors Equity Plan and 1996 Employee Stock Purchase Plan were terminated effective December 31, 2003.

**Employment Agreements with Executive Officers of PlanVista Who Will Serve in ProxyMed's Management**

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Effective June 1, 2000, PlanVista entered into an employment and noncompetition agreement with Phillip S. Dingle, PlanVista's Chief Executive Officer. The agreement, as amended on January 30, 2001, automatically renews for successive one-year terms unless either party terminates prior to one hundred twenty (120) days before a renewal date. The agreement entitled Mr. Dingle to an annual base salary of

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not less than \$275,000 and a bonus to be calculated based on PlanVista's financial performance and achievement of specified corporate objectives, as well as certain severance payments and continuation of certain benefits upon a termination of Mr. Dingle's employment for other than cause or as a result of a constructive termination event, as defined in the agreement. As further provided by the agreement, in June 2000 PlanVista's compensation committee awarded Mr. Dingle an option to purchase 133,000 shares of common stock. Mr. Dingle also is entitled to participate in PlanVista's other employee benefits, such as PlanVista's employee stock option plans. The agreement contains noncompete and nonsolicitation restrictions that will survive termination of Mr. Dingle's employment with PlanVista.

Effective on May 22, 2003, PlanVista entered into an amendment to Mr. Dingle's employment and noncompetition agreement. The amendment entitles Mr. Dingle to an annual base salary of not less than \$200,000 effective as of the date of the amendment. As further provided by the amendment, Mr. Dingle was granted, pursuant to PlanVista's 2003 Stock Option Plan, options to purchase 700,000 shares of PlanVista's common stock that vest 15% every twelve months (for an aggregate of 60% vesting over a period of thirty-six months) beginning on the date of grant, with accelerated vesting provisions for the remaining balance of unvested options in the event that PlanVista meets certain financial performance targets. To the extent these options are not fully vested by December 31, 2006, options to purchase the remaining shares vest in accordance with the terms of the amendment. In addition, Mr. Dingle was granted, pursuant to PlanVista's 2003 Stock Option Plan, options to purchase an aggregate of 667,500 shares of PlanVista's common stock with 222,500 shares vesting upon the date of the amendment and 222,500 shares vesting on each anniversary of the date of the amendment over the next two years. The amendment provides for accelerated vesting of all options held by Mr. Dingle upon the occurrence of certain events, including a change in control of PlanVista, as defined in the amendment. The amendment also provides for one year's base salary in the event Mr. Dingle is terminated without cause or as a result of a constructive termination event, as defined in the amendment. All other terms and conditions of the employment and noncompetition agreement remain in full force and effect.

Effective on June 1, 2001, PlanVista entered into an employment and noncompetition agreement with Jeffrey L. Markle, PlanVista's President and Chief Operating Officer. The agreement automatically renews for successive one-year terms unless either party terminates prior to one hundred twenty (120) days before a renewal date. The agreement entitled Mr. Markle to an annual base salary of not less than \$220,000 and a bonus to be calculated based on PlanVista's financial performance and achievement of specified corporate objectives, as well as certain severance payments and continuation of certain benefits upon a termination of Mr. Markle's employment for other than cause or as a result of a constructive termination event, as defined in the agreement. Mr. Markle also is entitled to participate in PlanVista's other employee benefits, such as PlanVista's employee stock option plans. The agreement contains noncompete and nonsolicitation restrictions that will survive termination of Mr. Markle's employment with PlanVista.

Effective on May 22, 2003, PlanVista entered into an amendment to Mr. Markle's employment and noncompetition agreement. The amendment entitles Mr. Markle to an annual base salary of not less than \$197,000 effective as of the date of the amendment. As further provided by the amendment, Mr. Markle was granted, pursuant to PlanVista's 2003 Stock Option Plan, options to purchase 700,000 shares of PlanVista's common stock that vest 15% every twelve months (for an aggregate of 60% vesting over a period of thirty-six months) beginning on the date of grant, with accelerated vesting provisions for the remaining balance of unvested options in the event that PlanVista meets certain financial performance targets. To the extent these options are not fully vested by December 31, 2006, options to purchase the remaining shares vest in accordance with the terms of the amendment. In addition, Mr. Markle was granted, pursuant to PlanVista's 2003 Stock Option Plan, options to purchase an aggregate of 429,000 shares of PlanVista's common stock with 143,000 shares vesting upon the date of the amendment and 143,000 shares vesting on each anniversary of the date of the amendment over the next two years. The amendment provides for accelerated vesting of all options held by Mr. Markle upon the occurrence of certain events, including a change in control of PlanVista, as defined in the amendment. The amendment also provides for one year's base salary in the event Mr. Markle is terminated without cause or as a result

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of a constructive termination event, as defined in the amendment. All other terms and conditions of the employment and noncompetition agreement remain in full force and effect.

On March 26, 2003, the compensation committee of the board of directors of PlanVista adopted annual incentive bonus targets for Mr. Dingle and Mr. Markle, as well as other officers of PlanVista, in keeping with PlanVista's annual bonus compensation practices, pursuant to which each such individual is entitled to receive a cash bonus based on certain financial, business and personal goals as set forth in each individual senior officer's 2003 Annual Incentive Planning Worksheet. The PlanVista board of directors reserved the right to pay 20% of such bonuses in registered shares of PlanVista common stock.

In March 2003, the compensation committee of the board of directors of PlanVista also adopted compensation arrangements under which Mr. Dingle and Mr. Markle will receive additional payments upon a sale of substantially all of the assets or stock of PlanVista. The committee established a payment range of between \$375,000 and \$750,000 for Mr. Dingle and between \$250,000 and \$500,000 for Mr. Markle. In each case the payment amount will be based on the consideration received in connection with the transaction.

On May 19, 2003, the compensation committee of the board of directors of PlanVista adopted an incentive and retention program pursuant to which Mr. Dingle and Mr. Markle, as well as other officers, employees and PlanVista's contracted corporate counsel, are entitled to receive a bonus, based upon such individual's pro rata portion of the stock options granted to such individual on or around May 22, 2003, (i) within thirty days of completion of the sale of all or substantially all of the assets or stock of the business of PlanVista or a merger of PlanVista with another company pursuant to which the consideration per share received by PlanVista's stockholders meets certain thresholds described in the program, or (ii) within thirty days of the completion of a secondary underwritten public offering pursuant to which the proceeds received by PlanVista and offering price of the common stock meets certain thresholds described in the program. The maximum bonuses payable to Mr. Dingle and Mr. Markle under the program are \$806,825 and \$666,110, respectively. Under the program, if PlanVista's board of directors determines in its discretion that PlanVista is unable to pay applicable bonus awards in cash, it shall pay such awards in securities of PlanVista stock before the transaction, or in the purchaser's stock thereafter, or substantially similar securities.

On November 4, 2003, the compensation committee of the board of directors of PlanVista approved a bonus payable to Mr. Dingle in the amount of \$150,000 within 10 days of the completion of the transactions contemplated by the merger agreement.

## **Directors of PlanVista who will serve as Directors of ProxyMed**

William L. Bennett currently serves as a director of PlanVista and will serve as a director of ProxyMed following the merger. Michael S. Falk currently serves as a director of PlanVista and ProxyMed. PlanVista reimburses all directors for out-of-pocket expenses, including travel expenses, related to attendance at board and committee meetings. Each director who is not an employee is entitled to receive a quarterly retainer fee of \$1,250 and an additional fee of \$500 for each board meeting and committee meeting attended. During 2003, each director who was not an employee participated in PlanVista's 1995 Directors Stock Option Plan and was entitled to participate in PlanVista's Amended and Restated 1997 Directors Equity Plan. Mr. Bennett received a fee of \$30,000 for his services as the sole member of the Special Committee during the fourth quarter of 2003. For a discussion of the compensation of ProxyMed directors, see ProxyMed Management Compensation of ProxyMed Directors.

## **Change of Control**

On March 7, 2003, PVC Funding Partners, LLC, an affiliate of Commonwealth Associates, L.P. and Comvest Venture Partners, L.P., acquired 29,851, or 96.0%, of PlanVista's outstanding series C preferred stock from PlanVista's senior lenders. These preferred shares were purchased from the lenders on a pro rata basis at a price of \$33.50 per share. The selling lenders continue to hold the remaining 4.0% of the series C preferred stock. In connection with the transaction, PVC Funding Partners also acquired \$20.5 million in principal amount of PlanVista's outstanding bank debt from PlanVista's senior lenders. In connection with the closing of the transaction, the three members of PlanVista's board of directors theretofore designated by the holders of the series C preferred stockholders voluntarily relinquished their

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board positions, and were replaced by three directors selected by PVC Funding Partners. The series C preferred stock may be converted, at any time, into shares of PlanVista's common stock at the rate of 751.88 shares of common stock for each preferred share, or a total of 25,874,436 shares (or 60.2%) of its common stock upon full conversion, subject to adjustment. The series C preferred stock has weighted-average anti-dilution protection and a provision that in no event will the series C preferred stock convert into less than 51.0% of PlanVista's outstanding shares of common stock. In addition, due to the occurrence of the Board Shift Event, the holders of the series C preferred stock have the right in certain circumstances to vote as a single class with the common stockholders on all matters other than the election of directors on an as-converted basis, with each share of series C preferred stock having a number of votes equal to the number of shares of common stock into which it would be converted. There were 34,413 shares of series C preferred stock outstanding as of January 29, 2004.

There is an intercreditor agreement between PVC Funding Partners and Wachovia Bank, National Association, dated March 7, 2003. The intercreditor agreement provides that, (1) PVC Funding Partners' rights to mandatory prepayments and other principal payments prior to the maturity date are subordinated to the original lenders' rights to those payments, and (2) PVC Funding Partners' notes will be voted consistently with and on the same percentage basis as the original lenders with respect to all matters required to be submitted to a vote or consent of the lenders, except for matters related to certain fundamental changes in the loan terms. The intercreditor agreement provided that, until the occurrence of a Board Shift Event, in all other respects, PVC funding Partners had all of the rights of the original lenders. The occurrence of a Board Shift Event allowed PVC Funding Partners to appoint an additional board member and thus obtain control of PlanVista's board of directors, but the intercreditor agreement provided PVC Funding Partners the option of not exercising their right to obtain such control. If, within fifteen days of a first Board Shift Event, PVC Funding Partners had notified the original lenders that they would not exercise their right to control PlanVista's board, then the original lenders would have had the option to repurchase 14,304 of the series C preferred stock, at a price of \$33.50 per share. In connection with the Board Shift Event triggered by PlanVista's failure to redeem the series C shares by October 12, 2003, PVC Funding Partners designated as its representative another member of the board of directors previously elected by the common stockholders, thereby completing the four director seats to which the holders of the series C preferred stock were entitled following a Board Shift Event and exercising their right to obtain control of PlanVista's board. As a result, pursuant to the terms of the intercreditor agreement, the debt held by PVC Funding Partners was automatically subordinated to the debt held by the original lenders.

In connection with the credit facility restructuring in April 2002, DePrince, Race & Zollo, Inc. (sometimes referred to herein as DRZ), which was the beneficial holder of 32.4% of PlanVista's common stock as of January 29, 2004, was given the right to designate one director for election by the holders of PlanVista's common stock, who was to be John Race or a successor designated by DRZ satisfactory to the holders of the series C preferred stock. Upon John Race's resignation from the Board in March 2003, DRZ designated James K. Murray III to take Mr. Race's place, and the series C stockholders concurred with this designation.

**Certain Relationships and Related Transactions**

Michael S. Falk, who is a Class B Director of PlanVista, is currently the Chairman and principal member of Commonwealth Associates Group Holdings, LLC. Harold Blue, who is also a Class B Director of PlanVista, is a member, a director, and President of Commonwealth Associates Group Holdings, LLC. Commonwealth Associates Group Holdings, LLC is an affiliate of PVC Funding Partners, which owns 96% of PlanVista's outstanding series C preferred stock.

Prior to the closing of PVC Funding Partners' acquisition of the series C preferred stock, PlanVista entered into a letter agreement dated March 5, 2003, with Commonwealth Associates Group Holdings, LLC, pursuant to which Commonwealth Associates Group Holdings, LLC agreed to act as PlanVista's non-exclusive financial advisor to provide certain financial advisory services and other investment banking services to PlanVista. These services include, but are not limited to, advising and assisting PlanVista with potential capital and debt restructuring activities, financing opportunities, and business combinations, and other financial advisory and investment banking services as may from time to time be agreed upon by Commonwealth Associates Group Holdings, LLC and PlanVista. As payment for such services, PlanVista

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agreed to pay Commonwealth Associates Group Holdings, LLC a monthly cash fee equal to \$15,000 per month for a period of twenty-four months, provided that PlanVista may terminate the agreement after March 5, 2004. In addition to the monthly fee, PlanVista has agreed to reimburse Commonwealth Associates Group Holdings, LLC for its services in restructuring PlanVista's debt a cash fee equal to (i) 3% of the face value of any debt owned by persons other than Commonwealth Associates Group Holdings, LLC and its affiliates which is repaid in cash plus 3% of the liquidation value of any equity owned by persons other than Commonwealth Associates Group Holdings, LLC and its affiliates which is redeemed in cash, plus (ii) equity equal to 3% of any equity issued in connection with any conversion or exchange of any outstanding debt or equity of PlanVista owned by persons other than Commonwealth Associates Group Holdings, LLC and its affiliates. In addition, if Commonwealth Associates Group Holdings, LLC participates as an underwriter, placement agent, or finder in a public or private offering of PlanVista's securities, Commonwealth Associates Group Holdings, LLC will receive an additional fee to be negotiated at the time of such an offering. PlanVista also agreed to pay Commonwealth Associates Group Holdings, LLC a cash fee equal to 1.5% of the total consideration paid in a transaction involving a merger, sale, or purchase of assets or equity securities, joint venture or other business combination that PlanVista enters into with Commonwealth Associates Group Holdings, LLC's assistance; provided, that in the event that Commonwealth Associates Group Holdings, LLC or PlanVista (acting with the written consent of Commonwealth Associates Group Holdings, LLC) engages any other advisor, finder or investment bank to assist in such transaction, any fee payable to such person or entity shall be payable from the 1.5% fee payable to Commonwealth Associates Group Holdings, LLC. Commonwealth Associates Group Holdings, LLC is entitled to reimbursement of its out-of-pocket expenses incurred in connection with the services provided by it under the letter agreement, subject to certain limits. In the event that the amount owed by PlanVista to Commonwealth Associates Group Holdings, LLC pursuant to the advisory agreement exceeds a \$1,023,500, and the payment of the excess amount causes PlanVista's aggregate estimated transaction expenses in the merger to exceed \$5,650,000, Commonwealth has agreed to accept payment of the excess amount in shares of PlanVista common stock to be issued by PlanVista prior to the closing of the merger. Such shares of PlanVista common stock will be valued at the price per share that the holders of PlanVista common stock will be realizing as a result of the issuance of ProxyMed common stock in the merger.

Because an affiliate of Commonwealth Associates Group Holdings, LLC had a contract with PlanVista's senior lenders to purchase PlanVista's series C preferred stock and part of its senior debt at the time PlanVista entered into this letter agreement, PlanVista asked a committee of independent directors to review and negotiate the agreement. This committee was chaired by William L. Bennett, and the committee hired independent counsel in Delaware to advise it. After extensive review and negotiation with Commonwealth Associates Group Holdings, LLC, the committee recommended the final draft of the agreement to PlanVista's board of directors. The board of directors unanimously adopted the letter agreement, with the proper conflicts disclosure by directors who may be considered to be interested in the transaction between PlanVista's senior lenders and PVC Funding Partners, LLC. The agreement was recommended by the Board and was not conditioned upon the closing of the transaction between PlanVista's senior lenders and PVC Funding Partners, LLC.

James K. Murray III is an investor member in PVC Funding Partners, LLC. Although Mr. Murray currently has a less than 3% ownership interest in PVC Funding Partners, LLC, he may not be deemed to be independent for purposes of serving on any independent special committee which may be formed for the purpose of evaluating a transaction involving the series C preferred stockholders. As a passive investor member in PVC Funding Partners, LLC, Mr. Murray does not have the power to control the management of PVC Funding Partners or the voting or disposition of the series C preferred stock controlled by that entity.

On April 12, 2002, PlanVista issued subordinated promissory notes to William L. Bennett, a director of PlanVista, and John D. Race, who was a director of PlanVista at that time. PlanVista issued these notes to replace notes previously issued to those directors evidencing loans of \$250,000 made by each of them to PlanVista. The original notes would have matured on the earlier of August 31, 2001 or the date PlanVista repaid its existing bank loans pursuant to PlanVista's pre-restructuring credit agreement with its senior lenders. As required by PlanVista's lenders for the restructuring of PlanVista's credit facility, the notes to these directors were restructured to extend the maturity date to December 1, 2004, which is beyond the



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maturity date of the restructured credit facility. The replacement notes otherwise contain substantially the same terms as the original notes. The notes, which are not secured, provide that the loans are subordinated to both PlanVista's senior credit facility and the series C preferred stock. The notes bear interest at prime plus 4.0% per annum, but payment of interest is subordinated and deferred until all senior obligations are paid.

On June 18, 2001, PlanVista completed the disposition of its third party administration and managing general underwriter business units with the sale of its subsidiary, HealthPlan Services, Inc. In connection with this non-cash transaction, the purchaser, HealthPlan Holdings, Inc. assumed approximately \$40.0 million in working capital deficit of the acquired businesses and acquired assets having a fair market value of approximately \$30.0 million. At the closing of this transaction, PlanVista issued 709,757 shares of common stock to offset \$5.0 million of the assumed deficit. PlanVista offset the remaining \$5.0 million of this deficit with a long-term convertible subordinated note, which automatically converted into 813,273 shares of PlanVista's common stock on April 12, 2002 in connection with the restructuring of PlanVista credit facilities. The note accrued interest prior to its conversion, which PlanVista elected to pay through the issuance of 41,552 shares of common stock. PlanVista's agreement with HealthPlan Holdings, Inc. states that if HealthPlan Holdings, Inc. does not receive gross proceeds of at least \$5.0 million upon the sale of the 813,273 conversion shares, then PlanVista must issue and distribute to it additional shares of common stock, based on a ten-day trading average price, to compensate HealthPlan Holdings for the difference, if any, between \$5.0 million and the amount of proceeds it realizes from the sale. PlanVista's agreement with HealthPlan Holdings required that PlanVista register the conversion shares upon demand. Because the conversion shares are freely transferable under Rule 144(k), HealthPlan Holdings no longer has registration rights with respect to such shares.

PlanVista entered into a registration rights agreement in favor of HealthPlan Holdings with respect to the 709,757 shares issued to HealthPlan Holdings at closing. This registration rights agreement required that PlanVista file a registration statement covering the issued shares as soon as practicable after the closing. The agreement also contained provisions requiring redemption of such shares or the issuance of certain additional penalty shares (in the event that PlanVista's lenders prohibited redemption), if such registration statement did not become effective by certain specified time periods. Because the registration statement PlanVista filed with the Securities and Exchange Commission covering such shares was not declared effective within the required time periods, PlanVista issued to HealthPlan Holdings the maximum number of penalty shares specified by the registration rights agreement, which was 200,000 shares of PlanVista's common stock. Following the sale of HealthPlan Services, PlanVista reimbursed HealthPlan Services approximately \$4.3 million for pre-closing liabilities that HealthPlan Services settled on PlanVista's behalf and issued to HealthPlan Holdings 101,969 shares of common stock as penalty shares relating to certain post closing disputes with respect to those pre-closing liabilities. Effective December 31, 2003, except for the 813,273 conversion shares, HealthPlan Holdings sold all of its shares of PlanVista common stock in a private sale transaction. As a result of such sale, PlanVista no longer has registration obligations with respect to such shares.

On October 1, 2003 PlanVista and HealthPlan Services, Inc./HealthPlan Holdings, Inc. entered into a letter agreement settling certain disputes between them arising from PlanVista's sale of HealthPlan Services, Inc. to HealthPlan Holdings, Inc. and relating primarily to certain purchase price adjustments for accrued liabilities and trade accounts receivable reserves, and the classification of investments at the transaction date. The terms of the settlement include payment of \$1.7 million by PlanVista to HealthPlan Holdings, Inc. and the grant of certain price concessions to HealthPlan Services, Inc. in connection with certain contractual arrangements between HealthPlan Services, Inc. and PlanVista.

PlanVista entered into a joint distribution and marketing agreement with ProxyMed in June 2003. PlanVista is controlled by an affiliate of Commonwealth Associates Group Holdings, LLC, whose principal, Michael Falk, is a director of both PlanVista and ProxyMed. In connection with the agreement, PlanVista granted ProxyMed a warrant to purchase 15% of the outstanding shares of PlanVista common stock on a fully-diluted basis for \$1.95 per share. The warrant expired in December, 2003. During fiscal year 2003, PlanVista paid ProxyMed \$350,000 pursuant to the agreement.

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT OF PLANVISTA**

To the best knowledge of PlanVista, based on information filed with the Securities and Exchange Commission and information provided directly to PlanVista by the persons and entities named below, the following table sets forth the beneficial ownership of PlanVista's common stock and series C preferred stock as of January 29, 2004, by: (i) each beneficial owner of more than 5% of PlanVista's common stock or series C preferred stock; (ii) each current director of PlanVista; (iii) each individual who is an executive officer of PlanVista or was an executive officer of PlanVista at any time during 2003; and (iv) the directors and executive officers of PlanVista as a group. Except as otherwise indicated, each stockholder named below has sole investment and voting power with respect to shares beneficially owned by such stockholder. The table also sets forth each such person's anticipated beneficial ownership of ProxyMed common stock after consummation of the merger, based solely on the conversion of the PlanVista shares that person beneficially owns as of January 29, 2004. Beneficial ownership is determined under the rules and regulations of the Securities and Exchange Commission.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT OF PLANVISTA**

Name and Address of Beneficial Owner	Position With Company	PlanVista Shares Beneficially Owned as of January 29, 2004				ProxyMed Shares Beneficially Owned After the Merger	
		Numbers		Percent		Number	Percent
		Common	Preferred	Common(1)	Preferred	Common	Common
William L. Bennett 2 Canal Park Cambridge, MA 02141	Vice Chairman of the Board and Director, Class A	254,465(2)		1.5%		20,246(3)	*
Harold S. Blue 830 Third Avenue New York, NY 10022	Director, Class B	27,321,069(4)	33,037(5)	61.6%	96%	1,909,178(6)	15.8%
Dr. Richard Corbin 204-17 35th Avenue Bayside, NY 11361	Director, Class B	4,800(7)		*		(8)	
Phillip S. Dingle 4010 Boy Scout Bl. Suite 200 Tampa, FL 33607	Chairman of the Board, Class A Director, and Chief Executive Officer	691,775(9)		3.9%		1,288(10)	*
Michael S. Falk 1 North Clematis St. West Palm Beach, FL 33401	Director, Class B	27,355,071(4)	33,037(5)	61.7%		1,912,017(11)	15.8%
Gary N. Mansfield 3000 Island Blvd. #1204 Aventura, FL 33160	Director, Class B	3,154(12)		*		63(8)	*
Jeffrey L. Markle 4010 Boy Scout Bl. Suite 200 Tampa, FL 33607	President and Chief Operating Officer	472,500(13)		2.7%		543(14)	*
Bennett Marks 4010 Boy Scout Bl. Suite 200 Tampa, FL 33607	Executive Vice President and Chief Financial Officer	52,500(15)		*		29,225(16)	*
James K. Murray III 1410 N. Westshore Bl., Suite 600 Tampa, FL 33607	Director, Class A	7,551(17)		*		230(18)	*



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Name and Address of Beneficial Owner	Position With Company	PlanVista Shares Beneficially Owned as of January 29, 2004				ProxyMed Shares Beneficially Owned After the Merger	
		Numbers		Percent		Number	Percent
		Common	Preferred	Common(1)	Preferred	Common	Common
Donald W. Schmeling 4010 Boy Scout Bl. Suite 200 Tampa, FL 33607	former Chief Financial Officer						
Automatic Data Processing, Inc. One ADP Boulevard Roseland, NJ 07068		1,320,000(19)		7.7%		110,220	*
Centra Benefits Services, Inc. 7803 Glenroy Road Suite 300 Bloomington, MN 55439		2,647,125(20)		13.5%		204,335(21)	1.7%
Commonwealth Associates, L.P. 830 Third Avenue New York, NY 10022		27,287,352(22)	33,037(5)	61.6%	96%	1,906,764(23)	15.8%
ComVest Venture Partners, L.P. 830 Third Avenue New York, NY 10022		27,286,993(22)	33,037(5)	61.6%	96%	1,906,734(24)	15.8%
DePrince, Race & Zollo, Inc. 201 S. Orange Ave Suite 850 Orlando, FL 32801		5,538,100(25)		32.4%		462,431	3.8%
Dimensional Fund Advisors, Inc. 1299 Ocean Avenue 11th Floor Santa Monica, CA 90401		1,054,105(26)		6.2%		88,018	*
HealthPlan Holdings, Inc. 5200 Town Center Circle, Suite 470 Boca Raton, FL 33486		813,273(27)		4.8%		67,908	*
NCR Pension Trust 1700 South Patterson Blvd Dayton, OH 45479		964,000(28)		5.6%		80,494	*
PVC Funding Partners, LLC 830 Third Avenue New York, NY 10022		27,286,993(22)	33,037(5)	61.6%		1,906,734(24)	15.8%
All Directors and Executive Officers as a group (includes 9 persons)		28,869,125(29)	33,037(5)	63.4%	96%	1,965,491(30)	16.3%

\* Less than one percent.

- (1) Each ownership percentage listed below is calculated assuming that the named person or entity holds all shares issuable upon exercise of any option, warrant, right, or conversion privilege that is exercisable within sixty days of January 29, 2004. Each percentage calculation excludes any shares issuable within sixty days to any party other than the named person or entity.
- (2) Includes 12,000 shares issuable upon exercise of options that are exercisable within 60 days of January 29, 2004. Also includes 3,609 shares held by Mr. Bennett's children, as to which Mr. Bennett disclaims beneficial ownership.

- (3) Based on the conversion of 242,465 shares of PlanVista common stock currently owned by Mr. Bennett and assuming that no options are exercised prior to the effective time of the merger.

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- (4) Includes 4,800 shares issuable upon exercise of options that are exercisable within 60 days of January 29, 2004. Also includes 2,392,542 shares of PlanVista's common stock issuable to PVC Funding Partners upon conversion of currently convertible Second Amended and Restated Subordinated Convertible Promissory Notes dated March 31, 2003, referred to as the PVC Funding Notes, calculated by dividing \$2,392,542, which is the total remaining principal balance of the Notes, by \$1.00. Also includes 24,839,849 shares of PlanVista's common stock issuable to PVC Funding Partners upon conversion of the 33,037 shares of series C preferred stock beneficially held by PVC Funding Partners, based on a conversion rate of \$1.33, which was calculated in accordance with the Certificate of Designation of Series and Determination of Rights and Preferences of the series C preferred stock. As of October 12, 2003, the series C preferred stock became convertible at any time. In addition, as of October 12, 2003, the holders of the series C stock are entitled to vote as a single class with the common stockholders on the merger, and on all other matters except for the election of directors, on an as-converted basis, with each share of series C stock having a number of votes equal to the number of shares of common stock into which it would be converted. See SPECIAL MEETING OF PLANVISTA STOCKHOLDERS; QUORUM AND VOTE REQUIRED for a discussion of votes required to approve the merger. Also includes 54,602 shares of PlanVista's common stock issued to PVC Funding Partners as payment of interest on the PVC Funding Notes, and an aggregate of 6,767 shares of PlanVista's common stock issued to Commonwealth Associates, L.P., referred to as Commonwealth Associates, and Commonwealth Associates Group Holdings, LLC, referred to as Commonwealth Holdings, pursuant to an advisory agreement dated March 5, 2003 between PlanVista Corporation and Commonwealth Holdings. Mr. Blue and Mr. Falk may be deemed to share voting and dispositive power with respect to shares issuable to PVC Funding Partners upon conversion of the series C preferred stock and conversion of the Second Amended and Restated Convertible Promissory Note and with respect to common stock held by PVC Funding Partners, Commonwealth Associates, and Commonwealth Holdings. Mr. Blue is a member, a director, and the President of Commonwealth Holdings, and Mr. Falk is the Chairman and principal member of Commonwealth Holdings. Commonwealth Holdings is the parent of Commonwealth Management, LLC. Commonwealth Management, LLC is the general partner of Commonwealth Associates, which is one of two managers of PVC Funding Partners. Mr. Blue and Mr. Falk also are affiliates of ComVest Venture Partners, L.P., referred to as ComVest, which is the other manager of PVC Funding Partners. Mr. Blue and Mr. Falk disclaim beneficial ownership of any stock beneficially owned by PVC Funding Partners, Commonwealth Associates, ComVest or Commonwealth Holdings, other than that portion which corresponds to their interest in those entities.
- (5) Represents shares beneficially held by PVC Funding Partners, as to which ComVest, Commonwealth Associates, Michael S. Falk, and Harold S. Blue may be deemed to share voting power and dispositive power. See Footnotes 4 and 22. Michael S. Falk and Harold S. Blue each disclaim beneficial ownership of such shares, other than that portion which corresponds to their interest in ComVest Venture Partners, L.P. and Commonwealth Associates.
- (6) Based on conversion of the 2,392,542 shares of PlanVista's common stock issuable to PVC Funding Partners upon conversion of the PVC Funding Notes, and an additional 83,878 outstanding shares of PlanVista's common stock beneficially owned by Mr. Blue, into 206,781 shares of ProxyMed common stock, plus 33,037 shares of PlanVista series C preferred stock converting to 1,702,397 shares of ProxyMed common stock. Assumes that Mr. Blue will not exercise his 4,800 vested options granted under one of PlanVista's stock option plans.
- (7) Includes 4,800 shares issuable upon exercise of options that are exercisable within 60 days of January 29, 2004.
- (8) Assumes that none of the named person's options will be exercised prior to the effective time of the merger. For Mr. Mansfield, based on the conversion of 754 shares of PlanVista common stock currently owned by Mr. Mansfield.

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- (9) Includes 676,347 shares issuable upon exercise of options that are exercisable within 60 days of January 29, 2004. Does not include shares that are issuable under options that will vest upon closing of the merger.
- (10) Based on the conversion of 15,428 shares of PlanVista common stock currently owned by Mr. Dingle and assuming that no options are exercised prior to the effective time of the merger.
- (11) Based on conversion of the 2,392,542 shares of PlanVista's common stock issuable to PVC Funding Partners upon conversion of the PVC Funding Notes, and an additional 117,880 shares of PlanVista's common stock beneficially held by Mr. Falk, into 209,620 shares of ProxyMed common stock plus 33,037 shares of PlanVista series C preferred stock converting to 1,702,397 shares of ProxyMed common stock. Assumes that Mr. Blue will not exercise his 4,800 vested options granted under one of PlanVista's stock option plans.
- (12) Includes 2,400 shares issuable upon exercise of options that are exercisable within 60 days of January 29, 2004.
- (13) Includes 466,000 shares issuable upon exercise of options that are exercisable within 60 days of January 29, 2004. Does not include shares that are issuable under options that will vest upon closing of the merger.
- (14) Based on the conversion of 6,500 shares of PlanVista common stock currently owned by Mr. Markle and assuming that no options are exercised prior to the effective time of the merger.
- (15) Represents 52,500 shares issuable upon exercise of options that are exercisable within 60 days of January 29, 2004. Does not include shares that are issuable under options that will vest upon closing of the merger.
- (16) Based on conversion of options the vesting of which is accelerated upon consummation of the merger.
- (17) Includes 4,800 shares issuable upon exercise of options that are exercisable within 60 days of January 29, 2004.
- (18) Based on conversion of 2,751 shares of PlanVista common stock currently held by Mr. Murray and assuming no stock options are exercised.
- (19) Based on information provided to PlanVista by Automatic Data Processing, Inc.
- (20) Includes 200,000 shares of PlanVista's common stock issuable to Centra Benefits Services, Inc., referred to as Centra, upon exercise of outstanding warrants that are currently exercisable. Also includes 2,392,542 shares of PlanVista's common stock issuable to Centra upon conversion of the currently convertible Second Amended and Restated Subordinated Convertible Promissory Notes dated March 31, 2003, which are referred to as the Centra Notes. The share amount is calculated by dividing \$2,392,542, which is the total remaining principal balance of the Centra Notes, by \$1.00.
- (21) Based on conversion of the 2,392,542 shares of PlanVista common stock issuable upon conversion of the Centra Notes, and an additional 54,583 shares of PlanVista's common stock issued to Centra as payment of interest on the Centra Notes, and assuming that the outstanding warrants will not be exercised prior to the merger.
- (22) Includes 2,392,542 shares of PlanVista's common stock issuable to PVC Funding Partners upon conversion of the PVC Funding Notes, calculated by dividing \$2,392,542, which is the total remaining principal balance of the Notes, by \$1.00. Also includes 24,839,849 shares of PlanVista's common stock issuable to PVC Funding Partners upon conversion of 33,037 shares of series C preferred stock beneficially held by PVC Funding Partners, based on a conversion rate of \$1.33, which was calculated in accordance with the Certificate of Designation of Series and Determination of Rights and Preferences of the series C preferred stock. As of October 12, 2003, the series C preferred stock became convertible at any time. In addition, as of October 12, 2003, the holders of the series C stock are entitled to vote as a single class with the common stockholders on the merger, and on all other matters except for the election of directors, on an as-converted basis, with each share of series C stock having a number of votes equal to the number of shares of common stock

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into which it would be converted. See SPECIAL MEETING OF PLANVISTA STOCKHOLDERS; QUORUM AND VOTE REQUIRED for a discussion of votes required to approve the merger. As managers of PVC Funding Partners, Commonwealth Associates and ComVest may be deemed to share voting and dispositive power with respect to such shares.

- (23) Based on conversion of 2,392,542 of PlanVista's common stock issuable to PVC Funding Partners upon conversion of the PVC Funding Notes, and an additional 54,961 shares of PlanVista's common stock beneficially held by Commonwealth Associates, Inc., into 204,367 shares of ProxyMed common stock, plus 33,037 shares of PlanVista series C preferred stock converting to 1,702,397 shares of ProxyMed common stock.
- (24) Based on conversion of 2,392,542 of PlanVista's common stock issuable to PVC Funding Partners upon conversion of the PVC Funding Notes, and an additional 54,602 shares of PlanVista's common stock, into 204,337 shares of ProxyMed common stock, plus 33,037 shares of PlanVista series C preferred stock converting to 1,702,397 shares of ProxyMed common stock.
- (25) Based on information provided by DePrince, Race & Zollo, Inc. to PlanVista. Gregory M. DePrince, John D. Race, and Victor A. Zollo, Jr. share voting and dispositive power with DePrince, Race & Zollo, Inc. with respect to these shares.
- (26) Based on information provided by Dimensional Fund Advisors, Inc. to PlanVista on February 19, 2003 and provided by Dimensional Fund Advisors, Inc. on Schedule 13G filed with the SEC on February 10, 2003. Dimensional, which is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other investment vehicles, including comingled group trusts. These investment companies and investment vehicles are the Portfolios. In its role as investment advisor and investment manager, Dimensional Fund Advisors, Inc. possesses both investment and voting power with respect to PlanVista's common stock. The Portfolios own all of the referenced shares of PlanVista's common stock, and Dimensional Fund Advisors, Inc. disclaims beneficial ownership of such securities.
- (27) Based on information provided by HealthPlan Holdings, Inc. on Schedule 13G/ A filed with the SEC on January 5, 2004. Sun HealthPlan, LLC, Sun Capital partners II, LP, Sun Capital Advisors II, LP, Sun Capital Partners, LLC, Marc J. Leder, and Roger R. Krouse share voting and dispositive power with HealthPlan Holdings with respect to these shares. Represents 813,273 shares of common stock previously issued to HealthPlan Holdings upon conversion of a \$5.0 million convertible note. Does not include shares of common stock issuable in connection with the 813,273 conversion shares. PlanVista's agreement with HealthPlan Holdings, Inc. states that if HealthPlan Holdings, Inc. does not receive gross proceeds of at least \$5.0 million upon the sale of the 813,273 conversion shares, then PlanVista must issue and distribute to it additional shares of common stock, based on a ten-day trading average price, to compensate HealthPlan Holdings, Inc. for the difference, if any, between \$5.0 million and the amount of proceeds it realizes from the sale.
- (28) Based on information provided by NCR Pension Trust on Schedule 13G filed with the SEC on February 13, 2003. Represents shares that are also included in the total amount of shares reported by DePrince, Race & Zollo, Inc. in the table. DePrince, Race & Zollo, Inc. shares voting and dispositive power with NCR Pension Trust with respect to these shares.
- (29) Includes 1,228,447 shares issuable upon exercise of options that are exercisable within 60 days of December 5, 2003. Also includes shares beneficially owned by PVC Funding Partners, Commonwealth Associates, ComVest and Commonwealth Associates Group Holdings LLC, with respect to which Mr. Falk and Mr. Blue may be deemed to have beneficial ownership. Mr. Blue and Mr. Falk disclaim beneficial ownership of any shares held by PVC Funding Partners, Commonwealth Associates, ComVest or Commonwealth Holdings other than that portion which corresponds to their interest in those entities. See Footnotes 4 and 22.



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- (30) Based on a total of 2,853,329 shares of PlanVista common stock converting to 238,253 shares of ProxyMed common stock, plus 33,037 shares of PlanVista series C preferred stock converting to 1,702,397 shares of ProxyMed common stock. Assumes that none of the named persons have exercised their vested options under the applicable PlanVista stock option plans.

**COMPARISON OF SHAREHOLDER RIGHTS**

This section of this joint proxy statement/ prospectus describes some differences between the rights of holders of PlanVista capital stock and ProxyMed capital stock. While ProxyMed believes that the description covers the material differences between the two, this summary may not contain all of the information that is important to you. You should carefully read this entire document and the other documents to which ProxyMed refers you for a more complete understanding of the differences between being a stockholder of PlanVista and being a shareholder of ProxyMed.

After the merger, the stockholders of PlanVista will become shareholders of ProxyMed. Because ProxyMed is organized under the laws of Florida, the Florida Business Corporation Act, or the FBCA, will govern the rights of PlanVista stockholders.

The rights of PlanVista stockholders are also governed by PlanVista's certificate of incorporation and its bylaws. Upon completion of the merger, the rights of PlanVista stockholders who become ProxyMed shareholders will be governed by the amended and restated articles of incorporation and amended and restated bylaws of ProxyMed. The following paragraphs summarize differences between the rights of ProxyMed shareholders and PlanVista stockholders under the charter documents and bylaws of ProxyMed and PlanVista, as well as material differences between Delaware and Florida law that may affect the interests of PlanVista stockholders.

**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Voting Rights**

Under Florida law, each shareholder is entitled to one vote for each share of capital stock held by the shareholder, by person or proxy, on each matter submitted to a vote at a shareholders meeting unless the articles of incorporation provide otherwise.

ProxyMed's amended and restated articles of incorporation do not alter the voting rights of holders of ProxyMed common stock.

The ProxyMed amended and restated bylaws provide that a majority in interest of all the common stock issued and outstanding, represented by shareholders of record in person or by proxy, shall constitute a quorum for the transaction of business.

Under Florida law, articles of incorporation may provide that in elections of directors, shareholders are entitled to cumulate votes.

The ProxyMed amended and restated articles of incorporation do not provide for cumulative voting for the election of directors; therefore, under Florida law, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Voting Rights**

Delaware law provides that unless otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

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PlanVista's restated certificate of incorporation, as amended, does not alter the voting rights of holders of PlanVista common stock.

Under Delaware law, the certificate of incorporation may provide that at all elections of directors, or at elections held under specified circumstances, stockholders are entitled to cumulate votes.

The PlanVista restated certificate of incorporation, as amended, does not provide for cumulative voting, therefore, under Delaware law, directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors at a meeting at which a quorum is present.

**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Shareholders' Votes on Certain Transactions**

Generally, under Florida law, unless the articles of incorporation provide for the vote of a larger portion of the stock, completion of a merger or consolidation or sale of substantially all of a corporation's assets or dissolution requires:

(1) the approval of the board of directors; and

(2) approvals by the vote of the holders of a majority of the outstanding stock.

ProxyMed's amended and restated articles of incorporation do not provide for the vote of a larger portion of the stock.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Shareholders' Votes on Certain Transactions**

Under Delaware law, holders of a majority of the outstanding shares of PlanVista entitled to vote are required to approve a merger or consolidation involving PlanVista. However if the following conditions are met, no vote of the stockholders of PlanVista is necessary to authorize the merger:

(1) PlanVista is the surviving corporation,

(2) the agreement of merger does not amend in any respect the certificate of incorporation of PlanVista,

(3) each share of stock of PlanVista outstanding immediately prior to the effective date of the merger is to be an identical outstanding or treasury share of PlanVista after the effective date of the merger, and

(4) either no shares of common stock of the PlanVista and no shares, securities or obligations convertible into such stock are to be issued or delivered under the plan of merger, or the authorized unissued shares or the treasury shares of common stock of PlanVista to be issued or delivered under the plan of merger plus those initially issuable upon conversion of any other shares, securities or obligations to be issued or delivered under such plan do not exceed 20% of the shares of common stock of PlanVista outstanding immediately prior to the effective date of the merger; or

(5) no shares of the stock of PlanVista is issued prior to the adoption by the board of directors of the resolution approving the agreement of merger or consolidation.

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**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Action by Written Consent**

Under Florida law, unless otherwise provided in the articles of incorporation, shareholders may take any action required or permitted to be taken at a shareholders' meeting without a meeting if the action is consented to in writing by shareholders entitled to cast the same number of votes that would be required to take that action at a meeting at which all shareholders were present and voting in person.

The amended and restated articles of incorporation of ProxyMed do not provide otherwise. ProxyMed's bylaws provide for board and shareholder action by written consent.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Action by Written Consent**

Under Delaware law, unless the certificate of incorporation provides otherwise, actions may be taken by the stockholders by written consent, provided that the written consent is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote on the matter were present and voted.

PlanVista's restated certificate of incorporation, as amended, does not provide otherwise.

**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Dividends**

Under Florida law, subject to any restriction in the corporation's articles of incorporation, the board of directors may declare and pay dividends or other distributions to shareholders unless, after giving effect to the distribution:

(1) the corporation would not be able to pay its debts as they become due in the usual course of business; or

(2) the corporation's total assets would be less than the sum of its total liabilities plus the amount required to satisfy outstanding liquidation rights superior to the liquidation rights of those receiving the distribution.

ProxyMed's amended and restated articles of incorporation contain no provisions restricting dividends on ProxyMed's common stock.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Dividends**

Under Delaware law, PlanVista may declare and pay dividends, subject to limitations in its certificate of incorporation, either out of its surplus or if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding year.

PlanVista's restated certificate of incorporation, as amended, and by-laws, as amended, provide that holders of PlanVista stock will be entitled to receive dividends at such times and in such amounts as may be determined by the PlanVista board of directors.

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**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Provisions Relating to Share Acquisitions and Certain Business Combinations**

Florida law contains a provision which restricts many business combination transactions with an interested shareholder for five years after the interested shareholder has acquired 10% of the voting power of a corporation. Under Florida law, if a business combination, including a merger, a disposition of substantially all assets, an issuance of securities and other similar transactions, occurs with a person who, together with its affiliates, owns 10% or more of the outstanding capital stock of the subject corporation, then the combination must be approved by two-thirds of the outstanding capital stock entitled to vote for directors. However, the combination may occur without such a vote if, among other exceptions:

(1) a majority of disinterested directors approves the transaction;

(2) the corporation has not had more than 300 shareholders of record during the 3 years prior to the announcement of the proposed transaction; or

(3) the related person is the beneficial owner of at least 90% of the outstanding voting shares of the corporation, exclusive of shares acquired directly from the corporation in a transaction not approved by a majority of disinterested directors.

The ProxyMed amended and restated articles of incorporation state that ProxyMed has elected to opt out of this provision of Florida law.

Florida law also contains a control share provision. This provision generally provides that shares acquired in a control share acquisition will not possess any voting rights unless such voting rights are approved by a majority of the corporation's disinterested shareholders. A control share acquisition is an acquisition, directly or indirectly, by any person of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares of a publicly held Florida corporation. Control shares are shares, that except for the control share provision, would have voting power that, when added to all other shares owned by a person or in respect to which such person may exercise or direct the exercise of voting power, would entitle such person, immediately after acquisition of such shares, directly or indirectly, alone or as a part of a group, to exercise or direct the exercise of voting power in the election of directors within any of the following ranges: (a) at least 20 percent but less than 33 percent of all voting power, (b) at least 33 percent but less than a majority of all voting power, or (c) a majority or more of all voting power.

The ProxyMed amended and restated articles of incorporation state that ProxyMed has elected to opt out of this provision of Florida law.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Provisions Relating to Share Acquisitions and Certain Business Combinations**

Under Delaware law, a corporation is prohibited from engaging in any business combination with an interested stockholder, except under limited circumstances.

The prohibition will not apply if:

(1) the board of directors has approved either the proposed business combination or the transaction resulting in interested shareholder status prior to the date that the shareholder became an interested shareholder,

(2) upon consummation of the transaction in which the shareholder became an interested shareholder, the interested shareholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, or

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(3) after the date that the shareholder became an interested shareholder, the interested shareholder obtains the approval of the board of directors and the approval at an annual or special meeting (and not by written consent) of two-thirds of the shares outstanding that are not held by the interested shareholder.

Under Delaware law, an interested shareholder is a person who beneficially owns, directly or indirectly, 15% of the outstanding voting stock of a corporation or who is an affiliate or associate of the corporation and beneficially owned 15% of the voting stock within the last three years.

Although PlanVista could have elected not to be governed by this provision of Delaware law in its certificate of incorporation, it has not opted to do so.

### **PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

#### **Special Meetings of Shareholders**

Florida law provides that special meetings of shareholders may be called only by:

- (1) the board of directors;
- (2) any person or persons authorized by the corporation's articles of incorporation or bylaws; or
- (3) 10% or more of all the votes entitled to be cast on an issue proposed to be considered at the special meeting.

Florida law requires that a corporation give shareholders notice of each annual and special shareholders meeting at least 10 days and no more than 60 days before the meeting date.

The ProxyMed amended and restated articles of incorporation do not address special meetings of shareholders. The ProxyMed amended and restated bylaws provide that special meetings of the shareholders may be called by the President or the board of directors whenever he or they deem it proper and shall be called by the President or by the board of directors upon the written request of shareholders holding a majority of common stock outstanding. Such meetings may be held either within or without the State.

### **PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

#### **Special Meetings of Shareholders**

Delaware law provides that special meetings of stockholders may be called by the board of directors or by such person or persons authorized to do so by the certificate of incorporation or the bylaws.

Delaware law requires that written notice of any meeting be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting.

PlanVista's bylaws provide that a special meeting of Stockholders may be called by the chairman of the board of directors or the chief executive officer of PlanVista, the board of directors or the holders of not less than a majority of all the shares entitled to vote at the meeting. PlanVista's by-laws requires that notice of a meeting be given not less than 10 and not more than 60 days before the meeting. The PlanVista restated certificate of incorporation, as amended, does not address special meetings of shareholders.

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**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Dissenters Rights**

Under Florida law, shareholders of a corporation have the right to dissent from, and obtain payment of the fair value of their shares in connection with, certain corporate actions, including an amendment to the articles of incorporation which materially and adversely affects the rights or preferences of shares held by the dissenting shareholders, a disposition of all or substantially all of the corporation's property and assets not in the usual course of business, a plan of merger in which the shareholders may vote, a plan of exchange involving the acquisition of the corporation's shares if the shareholders are entitled to vote on the plan, and certain control share acquisitions.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Dissenters Rights**

Under Delaware law, the rights of dissenting stockholders to obtain the fair value for their shares, so-called appraisal rights, are available in connection with a statutory merger or consolidation. However, a stockholder does not have appraisal rights if:

(1) the shares of the corporation are listed on a national securities exchange or designated as a national market system security by the National Association of Securities Dealers, Inc., or

(2) held of record by more than 2,000 holders.

**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Dissenters Rights**

However, appraisal rights are not available to holders of shares:

(1) listed on a national securities exchange;

(2) designated as a national market system security on an interdealer quotation system operated by the National Association of Securities Dealers, Inc.; or

(3) held of record by more than 2,000 shareholders.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Dissenters Rights**

(3) or the corporation will be the surviving corporation of a merger and the merger does not require the vote of the corporation's stockholders.

Notwithstanding the foregoing, stockholders have appraisal rights if in the merger the stockholder will receive anything other than:

(1) shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

(2) shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;

(3) cash in lieu of fractional shares or fractional depository receipts; or

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(4) any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts.

A Delaware corporation's certificate of incorporation may also provide that appraisal rights shall be available in the event of the sale of all or substantially all of a corporation's assets or the adoption of an amendment to its certificate of incorporation.

**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Preemptive Rights**

Under Florida law, a shareholder is not entitled to preemptive rights to subscribe for additional issuances of stock or any security convertible into stock unless they are specifically granted in the articles of incorporation.

ProxyMed's amended and restated articles of incorporation provide that no shareholder shall have preemptive rights.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Preemptive Rights**

Under Delaware law, statutory preemptive rights will not exist unless a corporation's certificate of incorporation specifically provides for these rights.

PlanVista's restated certificate of incorporation, as amended, does not provide for preemptive rights.

**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Number and Vacancy of Directors**

Florida law provides that a board of directors must consist of one or more individuals, with the number specified in or fixed in accordance with the articles of incorporation or bylaws.

The ProxyMed amended and restated bylaws provide that the board of directors shall consist of not less than one and no more than seven directors to be elected annually at the meeting of the shareholders by a plurality of the shares voted. The number may be increased or diminished from time to time, by resolution of the board of directors, but shall never be less than three. When for any reason the office of a director shall become vacant, the remaining directors shall by a majority vote elect a successor who shall hold office until his successor is elected.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Number and Vacancy of Directors**

Delaware law provides that the board of directors must consist of one or more directors, with the number specified in or fixed in accordance with the certificate of incorporation or bylaws.

Delaware law also provides that, unless the certificate of incorporation or bylaws provide otherwise, vacancies and newly created directorships may be filled by the affirmative vote of a majority of the directors then in office or a sole remaining director, even though less than a quorum.

PlanVista's bylaws, as amended, provides that the board of directors shall consist of seven members, to be comprised of Class A and Class B directors in accordance with the provisions of the Certificate of Designation of Series and Determination of Rights and Preferences of series C preferred stock of PlanVista. The number of directors constituting the entire board may be changed from time to time by

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resolution adopted by the board of directors or the stockholders, provided no decrease made in such number shall shorten the term of any incumbent director. Vacancies and newly created directorships resulting from an increase in the authorized number of directors may be filled by a majority vote of the directors in office, although less than a quorum, or by election by the stockholders at any meeting thereof.

**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Indemnification of Officers and Directors**

Florida law provides that a corporation may indemnify any officer or director who is made a party to any third party suit or proceeding on account of being a director, officer or employee of the corporation against expenses, including attorney's fees, judgments, fines and amounts paid in settlement reasonably incurred by him in connection with the action, through, among other things, a majority vote of a quorum consisting of directors who were not parties to the suit or proceeding, if the officer or director:

- (1) acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation; and
- (2) in a criminal proceeding, had no reasonable cause to believe his conduct was unlawful.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Indemnification of Officers and Directors**

Under Delaware law, a corporation may indemnify directors and officers

(1) for actions taken in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interest of the corporation; and

(2) with respect to any criminal proceeding where they had no reasonable cause to believe that their conduct was unlawful.

In addition, Delaware law provides that a corporation may advance to a director or officer expenses incurred in defending any action upon receipt of an undertaking by the director or officer to repay the amount advanced if it is ultimately determined that he or she is not entitled to indemnification.

**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Indemnification of Officers and Directors**

ProxyMed's amended and restated articles of incorporation and bylaws provide for the indemnification of the officers and directors of the company for their actions and omissions up to the maximum extent permitted by law. The board of directors shall have the sole and exclusive discretion, on such terms and conditions as it shall determine, to indemnify, or advance expenses to, any person made, or threatened to be made, a party to any action, suit, or proceeding by reason of the fact that he is or was an officer, employee or agent of ProxyMed, or is or was serving at the request of ProxyMed as an officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Indemnification of Officers and Directors**

PlanVista's restated certificate of incorporation, as amended, provides that each director and officer of PlanVista who was or is made a party or is threatened to be made a party to or is involved in any action,



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suit or proceeding, whether civil, criminal, administrative or investigative, shall be indemnified and held harmless by PlanVista to the fullest extent authorized by Delaware law, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators, provided, however, PlanVista shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors of PlanVista. PlanVista may, by action of its board of directors, provide indemnification to employees or agents of PlanVista with the same scope and effect as the foregoing indemnification of directors and officers.

**PROVISIONS APPLICABLE TO PROXYMED SHAREHOLDERS**

**Removal of Directors**

Florida law provides that, absent a provision in the articles of incorporation permitting removal of directors only for cause, the directors may be removed with or without cause if the number of votes cast to remove the director exceeds the number of votes cast not to remove him or her.

ProxyMed's bylaws provide that any director may be removed either with or without cause by the vote of the shareholders holding a majority of the stock of ProxyMed entitled to vote, at any shareholder meeting called expressly for that purpose.

**PROVISIONS CURRENTLY APPLICABLE TO PLANVISTA STOCKHOLDERS**

**Removal of Directors**

Delaware law provides that stockholders holding a majority of shares entitled to vote may remove any director or the entire board of directors; provided, however, that in the case of a Delaware corporation with a classified board, unless otherwise provided in the certificate of incorporation, stockholders may only remove a director for cause.

PlanVista's bylaws, as amended, provides that any or all of the directors may be removed, with or without cause, at any time by the vote of the PlanVista stockholders at a special meeting of stockholders called for that purpose and any director may be removed for cause by the action of the directors at a special meeting of the board of directors called for that purpose.

**Table of Contents****PROXYMED MARKET PRICE AND DIVIDEND INFORMATION**

ProxyMed's common stock trades on the National Market tier of the Nasdaq National Market under the symbol **PILL**. The following table sets forth the high and low sale prices of the common stock for the periods indicated.

	<u>High</u>	<u>Low</u>
2004:		
First Quarter (through January 29, 2004)	\$ 18.83	\$ 17.06
2003:		
First Quarter	\$ 11.45	\$ 7.25
Second Quarter	13.25	7.08
Third Quarter	16.40	12.01
Fourth Quarter	17.64	14.55
2002:		
First Quarter	\$ 22.35	\$ 15.00
Second Quarter	21.99	17.21
Third Quarter	20.44	10.50
Fourth Quarter	15.95	9.48
2001:		
First Quarter	\$ 23.44	\$ 14.07
Second Quarter	17.55	10.05
Third Quarter	17.00	10.80
Fourth Quarter	22.35	11.25

On January 29, 2004, the last reported sale price of the common stock was \$18.49 per share. As of January 29, 2004, there were 301 registered holders of record of the common stock. ProxyMed believes that many of ProxyMed's holders of record are in street name and that the number of individual shareholders is greater than 301.

ProxyMed has never paid any dividends on ProxyMed's common stock; however, in prior years, ProxyMed has paid dividends on ProxyMed's series B and series C Preferred Stock in cash and/or in shares of ProxyMed's common stock pursuant to the terms of ProxyMed's Articles of Incorporation, as amended. ProxyMed intends to retain any earnings for use in ProxyMed's operations and the expansion of ProxyMed's business, and does not anticipate paying any dividends on the common stock in the foreseeable future. The payment of dividends on ProxyMed's common stock is within the discretion of ProxyMed's board of directors, subject to ProxyMed's Articles of Incorporation, as amended. Any future decision with respect to dividends on common stock will depend on future earnings, future capital needs and ProxyMed's operating and financial condition, among other factors.

PlanVista stockholders are urged to obtain a current market quotation for the ProxyMed common stock.

**PLANVISTA MARKET PRICE AND DIVIDEND INFORMATION**

Since October 4, 2002, Plan Vista's common stock has traded on the Over-The-Counter Bulletin Board under the symbol **PVST.OB**. Prior to that time, Plan Vista's stock was traded on the New York Stock Exchange. Plan Vista's New York Stock Exchange symbol was **HPS** from May 1995 until April 2001, when PlanVista changed its symbol to **PVC** in connection with the change of its corporate name from HealthPlan Services Corporation to PlanVista Corporation. The following table sets forth the high

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and low sales prices of PlanVista's common stock for the periods indicated, as reported by the New York Stock Exchange or the Over-The-Counter Bulletin Board, as applicable.

	<u>High</u>	<u>Low</u>
2001:		
First Quarter	\$9.44	\$6.20
Second Quarter	8.35	6.60
Third Quarter	7.97	4.20
Fourth Quarter	5.83	4.14
2002:		
First Quarter	\$6.40	\$4.25
Second Quarter	6.30	3.40
Third Quarter	3.50	1.06
Fourth Quarter	2.50	0.73
2003:		
First Quarter	\$1.80	\$0.70
Second Quarter	2.03	0.97
Third Quarter	3.55	2.05
Fourth Quarter	3.35	1.07

On January 29, 2004, the last reported sale price of the common stock was \$1.56 per share. As of January 29, 2004, there were 357 registered holders of record of the common stock. PlanVista believes that many of PlanVista's holders of record are in street name and that the number of individual shareholders is greater than 357.

PlanVista has not paid dividends since October 1999, and Plan Vista's current credit agreement prohibits the payment of dividends. PlanVista has no present plans to pay any dividends on its common stock because PlanVista currently intends to retain all earnings, if any, in order to expand its operations and pay down debt. In the future, depending upon PlanVista's financial condition, earnings, capital requirements, results of operations, contractual limitations and any other factors deemed relevant by PlanVista's board of directors, PlanVista's board of directors may at any time consider the payment of dividends.

### UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma combined condensed financial statements are presented to show the estimated effect of the merger of ProxyMed and PlanVista (as well as the acquisition by ProxyMed of MedUnite on December 31, 2002) and the related financing transactions and represent the combined company's pro forma combined balance sheet as of September 30, 2003 and combined statement of operations for the year ended December 31, 2002 and for the nine months ended September 30, 2003.

The following unaudited pro forma combined condensed balance sheet gives effect to the merger of ProxyMed and PlanVista and the related financing transactions as if they occurred on September 30, 2003. The accompanying unaudited pro forma combined condensed statements of operations give effect to the mergers of ProxyMed, PlanVista and MedUnite and the related financing transactions as if they occurred on January 1, 2002. The unaudited pro forma combined condensed financial statements include adjustments directly attributable to the merger and related financing transactions that are expected to have a continuing impact on the combined company. The pro forma adjustments are described in the accompanying notes. The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable, including the completion of the merger of ProxyMed and PlanVista.

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The pro forma financial information was prepared using the purchase method of accounting, with ProxyMed treated as the acquiror for accounting purposes. Under purchase accounting, the total cost of the merger is allocated to the tangible and intangible assets acquired and liabilities assumed based upon their respective fair values at the effective date of the merger. A preliminary allocation of the cost of the merger has been made based upon currently available information and management's estimates. The actual allocation and its effect on results of operations may differ significantly from the pro forma amounts included herein.

The pro forma information is based on historical financial statements. The pro forma information has been prepared in accordance with the rules and regulations of the SEC and is provided for comparison and analysis purposes only. The unaudited pro forma combined condensed financial statements do not purport to represent the combined company's results of operations or financial condition had the mergers of ProxyMed, PlanVista and MedUnite and related financing transactions actually occurred as of such dates or of the results that the combined company would have achieved after the merger. The unaudited pro forma combined condensed financial statements should be read in conjunction with the historical consolidated financial statements of ProxyMed, PlanVista and MedUnite and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations of ProxyMed and PlanVista, respectively, appearing elsewhere in this proxy statement/prospectus.

**Table of Contents****PROXYMED, INC.****UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET****SEPTEMBER 30, 2003****(Amounts in thousands)**

	ProxyMed, Inc.(a)	PlanVista Corporation(b)	Pro Forma Adjustments		Pro Forma Combined
			Dr.	(Cr.)	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 6,933	\$ 2,962			\$ 9,895
Investments	5,289		\$ (5,289)	(FF)	
Accounts receivable, net	9,865	8,091			17,956
Notes and other receivables	333		(75)	(FF)	258
Inventory	3,580				3,580
Other current assets	1,181	449			1,630
<b>Total current assets</b>	<b>27,181</b>	<b>11,502</b>			<b>33,319</b>
Property and equipment, net	5,345	1,500			6,845
Goodwill, net	31,456	29,405	(29,405)	(AA)	88,271
			56,319	(AA)	
			496	(FF)	
Purchased technology, capitalized software and other intangibles, net	17,216		44,580	(AA)	61,796
Other assets, including restricted cash	612	684			1,296
<b>Total assets</b>	<b>\$ 81,810</b>	<b>\$ 43,091</b>			<b>\$ 191,527</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>					
Current liabilities:					
Notes payable and current portion of long-term debt	\$ 1,724	\$ 38,439	18,041	(BB)	\$ 1,724
			20,398	(CC)	
Accounts payable, accrued expenses and other current liabilities	10,153	6,089	(7,200)	(AA)	17,009
			6,059	(BB)	
			299	(FF)	
			75	(FF)	
Deferred revenue	590				590
Income taxes payable		912			912
<b>Total current liabilities</b>	<b>12,467</b>	<b>45,440</b>			<b>20,235</b>
4% Convertible Notes	13,400				13,400
Long-term debt, less current portion	2,313	5,981	4,785	(AA)	23,907
			(20,398)	(CC)	
Common stock with make-whole provision		5,000			5,000
Long-term deferred revenue and other long-term liabilities	1,688	849	461	(FF)	2,076
<b>Total liabilities</b>	<b>29,868</b>	<b>57,270</b>			<b>64,618</b>
Series C convertible preferred stock		129,503	129,503	(AA)	

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Stockholders equity:					
Preferred stock					
Common stock	7	170	170	(AA)	13
			(4)	(AA)	
			(2)	(BB)	
Additional paid-in capital	146,195		(54,896)	(AA)	225,189
			(24,098)	(BB)	
Treasury stock		(38)	(38)	(AA)	
Accumulated deficit	(94,074)	(143,814)	(143,814)	(AA)	(98,107)
			4,033	(FF)	
Note receivable from stockholder	(186)				(186)
	<u>51,942</u>	<u>(143,682)</u>			<u>126,909</u>
Total stockholders equity	51,942	(143,682)			126,909
	<u>\$ 81,810</u>	<u>\$ 43,091</u>			<u>\$ 191,527</u>

(a) This column is derived from the unaudited consolidated financial statements of ProxyMed, Inc. as of September 30, 2003 as filed under Form 10-Q on November 14, 2003

(b) This column is derived from the unaudited consolidated financial statements of PlanVista Corporation as of September 30, 2003 as filed under Form 10-Q on November 19, 2003

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

**Table of Contents****PROXYMED, INC.****UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS****YEAR ENDED DECEMBER 31, 2002****(Amounts in thousands except for share and per share data)**

	<b>ProxyMed, Inc.(a)</b>	<b>MedUnite, Inc.(b)</b>	<b>Pro Forma Adjustments Dr. (Cr.)</b>	<b>ProxyMed/ MedUnite Pro Forma Combined Condensed</b>	<b>PlanVista Corporation(c)</b>	<b>Pro Forma Adjustments Dr. (Cr.)</b>	<b>Pro Forma Combined Condensed</b>
Net revenues	\$ 50,182	\$ 19,534		\$ 69,716	\$ 33,141		\$ 102,857
Costs and expenses:							
Cost of sales	23,024	7,946		30,970			30,970
Selling, general and administrative expenses	23,145	37,322		60,467	22,778		83,245
Depreciation and amortization	2,636	12,276	\$ (821) (D) (10,016) (E) 2,820 (F)	6,895	528	\$ 4,149 (DD)	11,572
Write-off of impaired assets	37	11,670	(11,670) (C)	37			37
Offering costs					1,213		1,213
Settlement of deferred compensation liability		(2,558)		(2,558)			(2,558)
	48,842	66,656		95,811	24,519		124,479
Income (loss) from continuing operations	1,340	(47,122)		(26,095)	8,622		(21,622)
Other income (expense):							
Other income, net	265			265			265
Interest, net	345	(1,737)	536 (A)	(88)	(5,628)	(1,612) (EE)	(4,104)
			(1,840) (B)				
Income (loss) before income tax benefit	1,950	(48,859)		(25,918)	2,994		(25,461)
Income tax benefit					1,191	1,191 (GG)	
Net income (loss)	1,950	(48,859)		(25,918)	4,185		(25,461)
Deemed dividends, preferred stock accretion and preferred stock dividends	(612)			(612)	(48,777)	(48,777) (HH)	(612)
Net income (loss) applicable to common shareholders	\$ 1,338	\$ (48,859)		\$ (26,530)	\$ (44,592)		\$ (26,073)
Basic weighted average common shares outstanding	6,322,086						11,613,315
Basic net income (loss) per share of common stock from continuing operations	\$ 0.21						\$ (2.25)
	6,396,893						\$ 11,613,315

Diluted weighted average  
common shares outstanding

Diluted net income (loss) per share of common stock from continuing operations	\$ 0.21	\$ (2.25)
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NOTE: All operating expenses for PlanVista Corporation are classified as selling, general and administrative expenses.

- (a) This column is derived from the audited consolidated financial statements of ProxyMed, Inc. and subsidiaries for the year ended December 31, 2002.
- (b) This column is derived from the audited financial statements of MedUnite Inc. for the year ended December 31, 2002.
- (c) This column is derived from the audited consolidated financial statements of PlanVista Corporation for the year ended December 31, 2002.

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.



**Table of Contents****PROXYMED, INC.****UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS**

**NINE MONTHS ENDED SEPTEMBER 30, 2003**  
**(Amounts in thousands except for share and per share data)**

	ProxyMed, Inc.(a)	PlanVista Corporation(b)	Total	Pro Forma Adjustments Dr. (Cr.)	Pro Forma Combined
Net revenues	\$ 53,194	\$ 23,954	\$ 77,148		\$ 77,148
Costs and expenses:					
Cost of sales	22,188		22,188	86 (FF)	22,274
Selling, general and administrative expenses	29,755	16,596	46,351		46,351
Depreciation and amortization	4,153	425	4,578	3,112 (DD)	7,690
Loss on disposal of assets	119		119		119
Costs related to ProxyMed agreement		846	846	(846)(FF)	
	<u>56,215</u>	<u>17,867</u>	<u>74,082</u>		<u>76,434</u>
(Loss) income from continuing operations	(3,021)	6,087	3,066		714
Other income (expense):					
Other income, net	4,793	650	5,443	4,793 (FF)	650
Interest, net	(572)	(2,032)	(2,604)	(986)(EE)	(1,618)
Income (loss) before income tax expense	1,200	4,705	5,905		(254)
Income tax expense		(1,219)	(1,219)	(1,219)(GG)	
Net income (loss)	1,200	3,486	4,686		(254)
Deemed dividends, preferred stock accretion and preferred stock dividends		(52,286)	(52,286)	(52,286)(HH)	
Net income (loss) applicable to common shareholders	\$ 1,200	\$ (48,800)	\$ (47,600)		\$ (254)
Basic weighted average common shares outstanding	<u>6,782,991</u>				<u>12,074,220</u>
Basic net income (loss) per share of common stock from continuing operations	<u>\$ 0.18</u>				<u>\$ (0.02)</u>
Diluted weighted average common shares outstanding	<u>6,815,247</u>				<u>12,074,220</u>
Diluted net income (loss) per share of common stock from continuing	\$ 0.18				\$ (0.02)

operations

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NOTE: All operating expenses for PlanVista Corporation are classified as selling, general and administrative expenses.

- (a) This column is derived from the unaudited consolidated financial statements of ProxyMed, Inc. and subsidiaries for the nine months ended September 30, 2003.
- (b) This column is derived from the unaudited consolidated financial statements of PlanVista Corporation for the nine months ended September 30, 2003.

See accompanying Notes to Unaudited Pro Forma Combined Condensed Financial Statements.

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**COMBINED COMPANY NOTES TO UNAUDITED**

**PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**1. Basis of Presentation**

These unaudited pro forma combined condensed financial statements have been prepared pursuant to the rules and regulations of the SEC and present the pro forma financial position and results of operations of the combined company based upon historical financial information after giving effect to the merger and financing transactions and adjustments described in these footnotes. Certain footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Under purchase accounting, the mergers of ProxyMed, PlanVista and MedUnite are accounted for such that ProxyMed is treated as the acquiror and PlanVista and MedUnite as the acquired companies. These unaudited pro forma combined condensed financial statements are not necessarily indicative of the results of operations that would have been achieved had the transactions actually taken place at the dates indicated and do not purport to be indicative of future financial position or operating results. The unaudited pro forma combined condensed financial statements should be read in conjunction with the historical financial statements described below which are included in this proxy statement/prospectus.

The pro forma balance sheet was prepared by combining the historical consolidated balance sheet data as of September 30, 2003 of ProxyMed and PlanVista, assuming the merger and related financing transactions had occurred on September 30, 2003. The pro forma statement of operations for the year ended December 31, 2002 and the nine months ended September 30, 2003 and have been prepared by combining the consolidated statements of operations for the year ended December 31, 2002 and the nine months ended September 30, 2003 for ProxyMed, PlanVista and MedUnite, and ProxyMed and PlanVista, respectively, assuming the mergers and related financing transactions had occurred on January 1, 2002.

The unaudited pro forma combined condensed financial statements do not reflect significant operational and administrative cost savings that management of the combined company estimates may be achieved as a result of the mergers.

**2. Pro Forma Adjustments (MedUnite Acquisition)**

On December 31, 2002, ProxyMed acquired MedUnite, Inc. for \$10.0 million in cash and \$13.4 million in 4% convertible notes. In connection with this acquisition, ProxyMed estimated approximately \$8.3 million in transaction and exit costs that were accrued at the time of the acquisition. The pro forma adjustments noted below were originally filed on Form 8-K on March 17, 2003 to reflect the combined company's operations. Most of the adjustments related to forgiven and new debt and asset values for fixed and intangible assets that were acquired. Since MedUnite's operations are included ProxyMed's historical statement of operations for the nine months ended September 30, 2003, the pro forma adjustments below are reflected only in the pro forma statement of operations for the year ended December 31, 2002 (amounts in thousands).

(A) To estimate interest expense on the convertible notes:

The \$13.4 million in convertible notes bear an interest rate of 4% per annum resulting in additional pro forma interest expense (\$536).

(B) To reflect historical interest expense saved as a result of certain debts cancelled and/or waived from its founders at the time of acquisition:

A total of \$23.4 million in debt and accrued interest was cancelled.

A total of \$4 million in debt was also waived.

The resulting savings of interest expense is recorded in the pro forma statement of operations (\$1,840).

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(C) To reverse historical impairment charges taken by MedUnite for assets that were re-valued by ProxyMed at the time of the acquisition:

Certain software and intangible assets were written off by MedUnite due to impairment. ProxyMed obtained its own independent valuations of such assets and the impairment was recorded upon the valuation of these assets (\$11,670).

(D) To reverse estimated historical depreciation expense related to additional fixed asset write downs taken by MedUnite:

As a result of an independent valuation of MedUnite's fixed assets, additional write-downs of such assets were recorded and resulted in a pro forma savings of depreciation expense based upon an average useful life of four years (\$821).

(E) To reverse historical amortization expense taken on certain capitalized development, software and other intangibles previously recorded by MedUnite:

As a result of an independent valuation of MedUnite's identifiable intangible assets, historical savings of amortization expense was computed based on the elimination of these assets (\$10,016) and was replaced with intangible assets as noted in Adjustment (F).

(F) To record pro forma amortization expense associated with new identifiable intangible assets:

As a result of an independent valuation of MedUnite's identifiable intangible assets, pro forma estimated amortization expense was computed based on the estimated lives of the following assets identified (total of \$2,820):

Customer relationships (\$6,600 over a 10 year life or \$660).

Legacy platforms (\$1,200 over a 1 year life or \$1,200).

New software platforms (\$4,800 over a 5 year life or \$960).

### 3. Pro Forma Transactions (PlanVista Acquisition)

On December 5, 2003, ProxyMed and PlanVista entered into a merger agreement, whereby ProxyMed would acquire all of the issued and outstanding shares of PlanVista in exchange for the issuance of 3.6 million common shares of ProxyMed. In connection with the merger, ProxyMed intends to raise an additional \$24.1 million through the issuance of an additional 1,691,229 shares (at a price of \$14.25 per share) to retire \$18.0 million in PlanVista debt and use the balance for the payment of transaction expenses and working capital needs. As part of the merger the company has agreements to refinance a total of \$20.5 million in remaining PlanVista debt at least for one year past the current maturity date of May 2004. For accounting purposes the purchase price of PlanVista is based upon the market price of ProxyMed stock exchanged plus estimated direct transaction costs to be incurred by ProxyMed of approximately \$1.6 million (comprised of financial advisory, legal, accounting and other fees). The market price of ProxyMed stock used in the pro forma calculation of purchase consideration on September 30, 2003 was the closing market price of \$15.25. The actual purchase consideration may change subject to the market value of ProxyMed's common stock on the date the transaction is consummated, subject to shareholder and regulator approval. The following table summarizes the components of the total purchase price (in thousands):

	<b>ProxyMed Shares Issued in The Merger</b>	<b>Value</b>
	<hr/>	<hr/>
Shares of common stock	3,600	\$ 54,900
Estimated acquisition costs to be incurred by ProxyMed		1,550
		<hr/>
Estimated total purchase price		\$ 56,450
		<hr/>

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The purchase consideration was allocated to assets acquired and liabilities assumed based on the estimated fair value of PlanVista's tangible and intangible assets and liabilities. A preliminary allocation of the purchase cost has been made to major categories of assets and liabilities in the accompanying unaudited pro forma combined condensed financial statements based on estimates. Included in other liabilities are \$5.7 million in estimated merger related expenses of PlanVista. This allocation is subject to change based on a final valuation of the assets and liabilities assumed as of the closing date. The actual allocation of purchase cost and its effect on results of operations may differ significantly from the pro forma amounts included herein. The excess of the purchase cost over the net tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill.

Current assets	\$ 11,502
Property and equipment	1,500
Other assets	684
Current liabilities	(7,001)
Debt acquired	(44,635)
Other liabilities	(6,499)