ORION HEALTHCORP INC
Form PRER14A
September 14, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

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

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

þ Revised Preliminary Proxy Statement
o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

ORION HEALTHCORP, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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September , 2006

To Our Stockholders:

On behalf of the board of directors and management of Orion HealthCorp, Inc., I cordially invite you to attend a special meeting of the stockholders (the Special Meeting) to be held on , September , 2006, at 8:00 a.m. local time, at 1805 Old Alabama Road, Roswell, Georgia 30076.

The attached Notice of Special Meeting and Proxy Statement describe the formal business to be transacted at the Special Meeting. At the Special Meeting stockholders will be asked to approve (i) a proposal amending our certificate of incorporation to increase the aggregate number of shares of authorized capital stock available for issuance, (ii) a proposal amending our certificate of incorporation to increase the number of shares of Class A Common Stock authorized and available for issuance, (iii) a proposal amending our certificate of incorporation to create and authorize the issuance of a new class of our common stock, Class D Common Stock, which will be convertible into our Class A Common Stock, and establishing the rights and preferences of such Class D Common Stock, (iv) pursuant to the rules of the American Stock Exchange, a proposal authorizing the issuance of shares of the newly created Class D Common Stock and warrants to purchase shares of Class A Common Stock to investors pursuant to a private placement and the issuance of shares of Class A Common Stock as a portion of the consideration used for the acquisition of a medical billing services business, and (v) a proposal to amend our 2004 Incentive Plan to increase the number of shares of our Class A Common Stock available for grants under the 2004 Incentive Plan and increase the maximum number of shares that can be granted to a participant in a calendar year under the 2004 Incentive Plan.

Each of the matters to be considered by stockholders at the Special Meeting are more fully described in the accompanying Notice of Special Meeting and Proxy Statement. Our board of directors, and in certain circumstances a special committee of our board of directors, has determined that the matters to be considered at the Special Meeting are in the best interests of us and our stockholders. For the reasons set forth in the Proxy Statement, the board of directors, and in certain circumstances a special committee of our board of directors, unanimously recommends a vote FOR each of these proposals.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT IN THE ACCOMPANYING POSTAGE-PAID RETURN ENVELOPE AS PROMPTLY AS POSSIBLE. This will not prevent you from voting in person at the Special Meeting, but will assure that your vote is counted if you are unable to attend the Special Meeting. YOUR VOTE IS VERY IMPORTANT TO OUR COMPANY.

Sincerely,

Terrence L. Bauer
President and Chief Executive Officer

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ORION HEALTHCORP, INC.
1805 OLD ALABAMA ROAD, SUITE 350
ROSWELL, GEORGIA 30076

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On September , 2006

NOTICE IS HEREBY GIVEN that a special meeting of stockholders (the Special Meeting) of Orion HealthCorp, Inc. will be held on , September , 2006, at 8:00 a.m. local time, at 1805 Old Alabama Road, Roswell, Georgia 30076, or at any adjournments or postponements thereof. The Proxy Statement and a proxy card for the Special Meeting are enclosed.

The Special Meeting is for the purpose of considering and acting upon the following matters, each as more fully described in the attached Proxy Statement:

1. To consider and vote upon a proposal to amend our certificate of incorporation to increase the aggregate number of shares of our authorized capital stock from 117,000,000 shares to 370,000,000 shares.

2. To consider and vote upon a proposal to amend our certificate of incorporation to increase the number of shares of Class A Common Stock authorized and available for issuance from 70,000,000 shares to 300,000,000 shares.

3. To consider and vote upon a proposal to amend our certificate of incorporation to authorize 50,000,000 shares of a new class of common stock, Class D Common Stock, which is convertible into our Class A Common Stock, and to provide for the rights and preferences of the Class D Common Stock.

4. To consider and vote upon a proposal to issue shares of our capital stock, and rights to acquire shares of our capital stock, in three transactions. None of these transactions would individually require stockholder approval. The rules of the American Stock Exchange require us to aggregate these transactions for purposes of determining whether stockholder approval is required, and as a consequence, these three issuances will be voted upon as one proposal. The three issuances requiring approval are (i) issuance of shares of our newly created Class D Common Stock to investors in a private placement, (ii) issuance of warrants to purchase shares of our Class A Common Stock to certain of the investors in the private placement and (iii) issuance of shares of our Class A Common Stock as a portion of the consideration to be paid for our acquisition of a medical billing services business.

5. To consider and vote upon a proposal to amend our 2004 Incentive Plan to increase the number of shares of our Class A Common Stock available for grants under the 2004 Incentive Plan from 2,200,000 shares to such number of shares representing 10% of our outstanding Class A Common Stock as of the date of closing of the private placement, on a fully diluted basis taking into account the shares issued in the private placement and the Rand acquisition, and to increase the maximum number of shares that can be granted to a participant in any calendar year under the 2004 Incentive Plan from 1,000,000 shares to 3,000,000 shares.

Execution of a proxy in the form enclosed also permits the proxy holders to vote, in their discretion, upon such other matters that may properly come before the Special Meeting or any adjournment or postponement thereof. As of the date of mailing, the board of directors is not aware of any other matters that may come before the Special Meeting. Any action may be taken on the foregoing proposals at the Special Meeting on the date specified above or on any date or dates to which, by original or later adjournment or postponement, the Special Meeting may be adjourned or postponed. Stockholders of record at the close of business on September 5, 2006 are the stockholders entitled to vote at the Special Meeting and any adjournments or postponements thereof.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, YOU ARE REQUESTED TO SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD WITHOUT DELAY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. ANY PROXY YOU GIVE MAY BE REVOKED BEFORE THE VOTE AT THE SPECIAL MEETING BY DELIVERING TO THE CORPORATE SECRETARY A WRITTEN REVOCATION OR A DULY EXECUTED PROXY BEARING A LATER DATE. IF YOU ARE PRESENT AT THE SPECIAL MEETING YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON

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ON EACH MATTER BROUGHT BEFORE THE SPECIAL MEETING. HOWEVER, IF YOU ARE A STOCKHOLDER WHOSE SHARES ARE NOT REGISTERED IN YOUR OWN NAME, YOU WILL NEED ADDITIONAL DOCUMENTATION FROM YOUR RECORD HOLDER TO VOTE IN PERSON AT THE SPECIAL MEETING. OUR BOARD OF DIRECTORS, AND IN CERTAIN INSTANCES A SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS, RECOMMENDS A VOTE FOR EACH OF THE PROPOSALS.

BY ORDER OF THE BOARD OF DIRECTORS

Stephen H. Murdock
Corporate Secretary

Roswell, Georgia
September , 2006

IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE US THE EXPENSE OF FURTHER REQUESTS FOR PROXIES IN ORDER TO ENSURE A QUORUM AT THE SPECIAL MEETING. A SELF ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

PROXY STATEMENT
OF
ORION HEALTHCORP, INC.

SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON SEPTEMBER , 2006

GENERAL

Our board of directors is soliciting your proxy in connection with a special meeting of stockholders (the Special Meeting), which will be held on , September , 2006, at 8:00 a.m. local time, at 1805 Old Alabama Road, Roswell, Georgia 30076, and at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of Special Meeting of stockholders. All stockholders are entitled and encouraged to attend the Special Meeting in person. This Proxy Statement and the accompanying Notice of Special Meeting are being first mailed to stockholders on or about September , 2006.

COMPANY BACKGROUND

We are a healthcare services organization providing outsourced business services to physicians. We serve the physician market through two subsidiaries, Integrated Physician Solutions, Inc. (IPS), which provides business and management services to general and subspecialty pediatric physician practices, and Medical Billing Services, Inc. (MBS), which provides billing, collection and practice management services, primarily to hospital-based physicians. We currently have three classes of common stock outstanding: Class A Common Stock, par value $0.001 per share (Class A common Stock), Class B Common Stock, par value $0.001 per share (Class B common Stock) and Class C Common Stock, par value $0.001 per share (Class C common Stock). Our Class A Common Stock is traded on the American Stock Exchange (AMEX) under the symbol ONH.

In April 2005, our board of directors initiated a strategic plan designed to accelerate our growth and enhance our future earnings potential. The plan focused on our strengths, which include providing billing, collections and complementary business management services to physician practices. As part of this plan, we completed a series of transactions involving the divestiture of non-strategic assets in 2005 and early 2006. In addition, we redirected financial resources and company personnel to areas that management believed would enhance long-term growth potential. A key component of our long-term strategic plan was the identification of potential acquisition targets that would increase our presence in the markets we serve and enhance stockholder value.

In furtherance of our strategic plan, we recently entered into separate stock purchase agreements for the acquisition of all of the issued and outstanding capital stock of (i) Rand Medical Billing, Inc. (Rand), and (ii) On Line Payroll Services, Inc. and On Line Alternatives, Inc. (collectively, On Line). As part of the consideration for our acquisition of Rand, we have agreed to issue such number of shares of our Class A Common Stock having a value equal to $600,000 based on the average closing price per share of our Class A Common Stock for the twenty day period prior to the closing date of the acquisition of Rand. In addition, we entered into (x) a Stock Purchase Agreement, dated September 8, 2006 (the Stock Purchase Agreement) with Phoenix Life Insurance Company (Phoenix) and Brantley Partners IV, L.P. (Brantley IV) to issue, for an aggregate purchase price of $4,650,000, shares of a newly created class of our common stock, Class D Common Stock, par value $0.001 per share (the Class D Common Stock), which would be convertible into our Class A Common Stock and (y) a Note Purchase Agreement, dated September 8, 2006 (the Note Purchase Agreement , and together with the Stock Purchase Agreement the Private Placement Agreements) with Phoenix to issue, for an aggregate purchase price of $3,350,000, our senior unsecured subordinated promissory notes due 2011 in the original principal amount of $3,350,000, bearing interest at an aggregate rate of 14% per annum, together with warrants to purchase shares of our Class A Common Stock, as more fully described herein and in the

Note Purchase Agreement. Some or all of the proceeds we receive upon consummation of the transactions set forth in the Private Placement Agreements, along with proceeds from senior bank financing and other funds available to us, will be used to finance a portion of the acquisitions of the Rand and On Line businesses and for general working capital purposes. The issuance of the

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shares of Class D Common Stock and Class A Common Stock underlying the warrants issued pursuant to the Private Placement Agreements and the issuance of the shares of our Class A Common Stock in connection with the Rand acquisition are the subject of Proposal IV. Copies of the Private Placement Agreements and the Rand stock purchase agreement are attached hereto as Annexes A, B and C, respectively. A copy of the On Line Stock Purchase Agreement is attached to our Current Report on Form 8-K filed with the Securities and Exchange Commission (SEC) on September 8, 2006.

QUESTIONS AND ANSWERS ABOUT THE MEETING

Why am I receiving this Proxy Statement and proxy card?

You are receiving a Proxy Statement and proxy card because you own shares of our Class A Common Stock, shares of our Class B Common Stock, and/or shares of our Class C Common Stock (collectively, Common Stock). This Proxy Statement describes proposals on which we would like you, as a stockholder, to vote. It also gives you information on the proposals so that you can make an informed decision.

What am I being asked to vote on?

You are being asked to vote on the following proposals:

Proposal I — To approve an amendment to our certificate of incorporation to increase the aggregate number of shares of our authorized capital stock from 117,000,000 shares to 370,000,000 shares.

Proposal II — To approve an amendment to our certificate of incorporation to increase the number of shares of Class A Common Stock authorized and available for issuance from 70,000,000 shares to 300,000,000 shares. The increased number of shares to be approved are a portion of, and not in addition to, the additional shares being authorized pursuant to Proposal I.

Proposal III — To approve an amendment to our certificate of incorporation to authorize 50,000,000 shares of a new class of common stock, Class D Common Stock, which is convertible into shares of our Class A Common Stock, and to provide for the rights and preferences of the Class D Common Stock. The new shares to be approved are a portion of, and not in addition to, the additional shares being authorized pursuant to Proposal I.

Proposal IV — To approve the issuance of shares of our capital stock in three transactions. None of these transactions would individually require stockholder approval. The rules of the American Stock Exchange require us to aggregate these transactions for purposes of determining whether stockholder approval is required, and as a consequence these three issuances will be voted upon as one proposal. The three issuances requiring approval are:

the issuance as part of a private placement transaction to Phoenix and Brantley of such number of shares of our newly created Class D Common Stock representing upon conversion 19.375% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital Corporation (Brantley Capital);

the issuance as part of a private placement transaction to Phoenix of warrants to purchase shares of our Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, taking into account the issuance of the shares of Class D Common Stock described above but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital; and

the issuance as a portion of the consideration to be paid for our acquisition of the stock of the Rand business to the selling stockholder of Rand such number of shares of our Class A

Common Stock having a value of $600,000 based on the average closing price per share of our Class A Common Stock for the twenty day period prior to the closing of the acquisition of Rand.

The shares of Class D Common Stock to be issued pursuant to this proposal are a portion of, and not in addition to, the shares being created pursuant to Proposal III, the shares of Class A Common Stock to be issued pursuant to this proposal are a portion of, and not in addition to, the additional shares being authorized pursuant to Proposal II and all of the shares to be issued pursuant to this proposal are a portion of, and not in addition to, the additional shares being authorized pursuant to Proposal I.

Proposal V To approve an amendment to our 2004 Incentive Plan to increase the number of shares of our Class A Common Stock available for grants under the 2004 Incentive Plan from 2,200,000 shares to such number of shares representing 10% of our outstanding Class A Common Stock as of the date of closing of the private placement, on a fully diluted basis taking into account the shares issued in the private placement and the Rand acquisition, and to increase the maximum number of shares that can be granted to a participant in any calendar year under the 2004 Incentive Plan from 1,000,000 shares to 3,000,000 shares. The increased number of shares to be approved will be reserved out of the additional shares of Class A Common Stock being authorized pursuant to Proposals I and II.

Why are we seeking approval for the issuance of our shares in the private placement and in connection with the Rand acquisition?

As a result of our Class A Common Stock being listed for trading on AMEX, issuances of our Common Stock are subject to the provisions of the AMEX Company Guide, including Sections 712 and 713. Pursuant to Section 712 of the AMEX Company Guide, prior to seeking to have any additional shares of our Class A Common Stock listed on AMEX in connection with any such transactions, we must obtain stockholder approval for the issuance of any shares of our Class A Common Stock as sole or partial consideration for an acquisition of the stock or assets of another company if, among other things, the present or potential issuance of our Class A Common Stock (or securities convertible into our Class A Common Stock) could result in an increase by 20% or more in the number of our outstanding shares of Class A Common Stock.

Similarly, pursuant to Section 713 of the AMEX Company Guide, prior to seeking to have any additional shares of our Class A Common Stock listed on AMEX in connection with any such transaction, we must obtain stockholder approval whenever we agree to sell, issue or potentially issue any shares of our Class A Common Stock (or securities convertible into our Class A Common Stock) either: (i) at a price less than the greater of book or market value which, together with sales by our officers, directors or principal stockholders, equals 20% or more of the number of shares of our presently outstanding Class A Common Stock (on an as converted basis) or (ii) equal to 20% or more of the number of shares of our presently outstanding Class A Common Stock (on an as converted basis) at a price less than the greater of book or market value of the Class A Common Stock.

Pursuant to the terms of the Private Placement Agreements and as more fully described in this Proxy Statement under Proposal IV, we intend to issue (i) shares of our Class D Common Stock, representing upon conversion 19.375% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital and (ii) warrants to purchase shares of our Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, taking into account the issuance of the shares of Class D Common Stock described in this Proxy Statement but excluding certain of our outstanding

options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital. In addition, pursuant to the terms of the stock purchase agreement for the acquisition of Rand and as more fully described in this Proxy Statement under Proposal IV, we have agreed to issue such number of shares of our Class A Common Stock having a value of $600,000 based on the average closing price per share of our Class A Common Stock for the twenty day period prior to the closing of the acquisition of Rand.

If we were to consummate the private placement and the Rand acquisition as of our record date, September 5, 2006, we would be obligated to issue 20,662,163 shares of Class D Common Stock (representing 18.4% of our Class A Common Stock on an as converted basis) pursuant to the Private Placement Agreements, warrants to purchase 1,191,207 shares of our Class A Common Stock (representing 1.1% of our Class A Common Stock on an as converted basis) pursuant to the Private Placement Agreements and 2,400,000 shares of our Class A Common Stock (representing 2.1% of our Class A Common Stock on an as converted basis) in connection with the Rand acquisition. The closing price of our Class A Common Stock on the record date was $0.25 per share. While none of these transactions individually would require issuances in excess of 20% of our outstanding Class A Common Stock (on an as converted basis), the combination of all three issuances will exceed 20% of our outstanding Class A Common Stock (on an as converted basis) and some of the issuances would be made at a discount to our market value. Representatives of AMEX have advised us that these three transactions must be aggregated for the purposes of determining whether stockholder approval is required under Sections 712 and 713 of the AMEX Company Guide. Therefore, our board of directors has decided to submit Proposal IV to our stockholders for their consideration and approval prior to consummating these transactions.

When do you expect the private placement and the acquisitions to be consummated?

It is currently contemplated that the private placement and the acquisitions of Rand and On Line will be simultaneously completed promptly following conclusion of our Special Meeting, assuming approval of Proposals I, II, III and IV and the satisfaction or waiver of all closing conditions related to the private placement and the acquisitions set forth in the Private Placement Agreements and the acquisition agreements, respectively.

Will you consummate the private placement without consummating the acquisitions?

Under the terms of the Private Placement Agreements, we do not have the right to terminate the Private Placement Agreements in the event that we decide not to or are unable to consummate the acquisition of the Rand business and/or the acquisition of the On Line businesses. However, Phoenix and Brantley IV are not obligated to consummate the private placement unless we have consummated the acquisitions of both the Rand and the On Line businesses. Phoenix and Brantley IV have the discretion to waive this condition and consummate the private placement even if we decide not to or are unable to consummate the acquisition of the Rand business and/or the acquisition of the On Line businesses. There is no guarantee that Phoenix and Brantley IV would agree to waive this condition in those circumstances. If Phoenix and Brantley IV were to waive this condition to consummation of the private placement, then we would consummate the private placement and retain the proceeds for use in future acquisitions consistent with our strategic plan and for other working capital purposes.

Will you consummate the acquisitions without consummating the private placement?

Under the terms of the stock purchase agreements for the acquisitions of the Rand and the On Line businesses, we are not obligated to consummate these acquisitions unless we have received financing in amounts sufficient to pay our purchase price obligations under these agreements. We currently contemplate using some or all of the proceeds we will receive from the private placement, along with proceeds from senior bank financing and other funds available to us, to finance a portion of the acquisitions of the Rand and On Line businesses. However, our consummation of the acquisitions of the Rand and On Line businesses is not dependent on specifically consummating the private placement. If we do not consummate the private placement, then we could consummate the acquisitions of the Rand and On Line businesses if we are able to find sources of funding sufficient to pay the purchase prices for these businesses from sources other than the private placement. There is no guarantee that we would either be able to find alternative financing sources on terms acceptable to us or find them timely enough to complete the acquisitions as presently negotiated.

Will you consummate one acquisition without consummating the other acquisition?

Under the terms of the stock purchase agreements for the acquisitions of the Rand and On Line businesses, our obligation to consummate each of the acquisitions is not conditioned upon our consummation of the other acquisition. However, Phoenix and Brantley IV are not obligated to consummate the private placement unless we have consummated the acquisitions of both the Rand and the On Line businesses. Phoenix and Brantley IV have the

discretion to waive this condition and consummate the private placement even if we decide not to or are unable to consummate the acquisition of either or both of the Rand business or the On Line businesses. There is no guarantee that Phoenix and Brantley IV would agree to waive this condition in those circumstances. If Phoenix and Brantley IV were to waive this condition to consummation of the private placement, then we would consummate the private placement and the remaining acquisition and retain the remaining portion of the proceeds for use in future acquisitions consistent with our strategic plan and for other working capital purposes.

Will you consummate the Brantley Capital purchase without consummating the private placement?

Under the terms of the purchase agreement with Brantley Capital, we are not obligated to consummate the purchase of the shares of Class B Common Stock from Brantley Capital if the private placement is not consummated. The purchase agreement with Brantley Capital arose as a result of the closing condition to the Private Placement Agreements which required all holders of shares of Class B Common Stock and Class C Common Stock to convert such shares into shares of Class A Common Stock or our acquisition and retirement of all such shares. If the private placement does not close, we will not have the funds to consummate the purchase of these shares from Brantley Capital. Although we believe that this transaction is accretive to our other stockholders and in our best interests, if the private placement does not close we do not presently expect to seek an alternative source of funds to consummate the purchase of these shares from Brantley Capital.

Is stockholder approval the only condition to consummating the private placement and the acquisitions?

Each of the Private Placement Agreements and the Rand stock purchase agreement contain a number of conditions to both our obligation to consummate such transactions and the obligations of the other parties thereto to consummate such transactions. A summary of the specific conditions to each agreement are contained in the description of Proposal IV. Many of these conditions require actions by parties other than us. While we believe that these actions will occur and such conditions can be satisfied in the time periods specified in each agreement, there is no guarantee that these actions will occur. Most notably, the Private Placement Agreements are conditioned upon all of the current holders of our Class B Common Stock and Class C Common Stock converting such shares into shares of Class A Common Stock or our acquisition and retirement of all such shares prior to consummation of the private placement. While we have discussed this condition with many of these stockholders and most of them have agreed to convert their shares, we do not have a binding commitment from any of these stockholders to convert their shares in such manner and we have not received an indication from all such stockholders that they affirmatively intend to convert their shares. We will continue to have discussions with such stockholders in order to obtain their commitments to convert such shares in the manner required under the Private Placement Agreements. If we are unable to obtain such commitments and such stockholders do not convert their shares in the manner required under the Private Placement Agreements, then we will not be able to consummate the private placement regardless of whether or not Proposal IV is approved by our stockholders at the Special Meeting.

Why are we proposing the three amendments to our certificate of incorporation?

Our certificate of incorporation currently authorizes us to issue up to 117,000,000 shares of our capital stock, which includes 70,000,000 shares of our Class A Common Stock. Approval of an increase in the number of shares of our Class A Common Stock and the creation of the terms of the Class D Common Stock is necessary to issue the securities required to consummate the private placement and the Rand acquisition on the terms currently set forth therein. Also, an increase in the number of our authorized shares of capital stock, including the Class A Common Stock, is necessary to increase the number of shares of Class A Common Stock available for grants under our 2004 Incentive Plan.

Regardless of whether the private placement and the Rand acquisition are approved and consummated or the 2004 Incentive Plan amendment is approved, we may need additional shares of Class A Common Stock to reserve for the possible conversion of our Class B Common Stock and Class C Common Stock. The conversion factors for the Class B Common Stock and Class C Common Stock fluctuate based on the market price of our Class A Common Stock. Based on recent trading prices for our Class A Common Stock, we may not currently have enough shares of Class A Common Stock to satisfy the conversion of all of the Class B Common Stock and Class C Common Stock should all holders of the Class B Common Stock and Class C Common Stock seek to exercise their conversion

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rights. As a condition to consummation of the private placement, Phoenix and Brantley IV are requiring that all holders of shares of Class B Common Stock and Class C Common Stock convert those shares into shares of Class A Common Stock, or that such shares of Class B Common Stock and Class C Common Stock otherwise be acquired by us and retired prior to consummation of the private placement. Due to the fluctuating nature of the conversion factors, management is unable to determine with certainty at this time how many shares of Class A Common Stock will be necessary to satisfy this conversion obligation and the conversion obligation in connection with the remainder of the Class B Common Stock and Class C Common Stock when and if this conversion right is exercised. The number of additional shares of Class A Common Stock requested in Proposal II includes management s reasonable estimate of the number of shares of Class A Common Stock that would be required to satisfy these conversion obligations if the trading price of our Class A Common Stock does not decrease below $0.10 per share. The closing price of our Class A Common Stock on the record date, September 5, 2006, was $0.25 per share.

Why are we proposing an amendment to our 2004 Incentive Plan?

Our 2004 Incentive Plan currently provides that 2,200,000 shares of our Class A Common Stock are eligible for grants under the plan, of which only 476,000 shares are available for future grants. In addition our 2004 Incentive Plan currently limits the number of shares that we can grant to any participant in any calendar year under the 2004 Incentive Plan to 1,000,000 shares. Our board of directors believes that an increase in the incentive pool to such number of shares representing 10% of our outstanding Class A Common Stock as of the date of closing of the private placement, on a fully diluted basis taking into account the shares issued in the private placement and the Rand acquisition, and an increase in the amount that any single participant is eligible to receive in any calendar year to 3,000,000 shares, will provide us with the ability to attract and retain key employees and to align the interests of our key employees with the interests of our stockholders. If this increase were to have been implemented on our record date, September 5, 2006, assuming that the private placement and the Rand acquisition had been consummated as of such date, this would have resulted in an increase of 9,052,840 shares for an aggregate total of 9,528,840 shares available for grants under the 2004 Incentive Plan.

What will our capital structure look like following the private placement?

The following table summarizes our capital structure as it existed on the record date, September 5, 2006, and as we anticipate it will look upon consummation of the private placement, the Rand and On Line acquisitions and the purchase of our shares of Class B Common Stock from Brantley Capital. The pro-forma numbers reflected in this table assume that our stock price on the closing date for these transactions would be the same as it was on the record date, $0.25 per share, and that all of the proposals set forth in this Proxy Statement were approved by the stockholders and such transactions were consummated.

As of September 5, 2006				Pro-forma Post Proposals			
Number of Authorized Shares	Number of Shares Outstanding	Number of Shares Outstanding on a Fully-Diluted Basis	Percentage of Shares Outstanding on a Fully-Diluted Basis	Number of Authorized Shares	Number of Shares Outstanding	Number of Shares Outstanding on a Fully-Diluted Basis	Percen[illegible] of Sha[illegible] Outsta[illegible] on Ful[illegible] Dilu[illegible] Bas[illegible]
70,000,000	12,788,776	102,072,291	100.00%	300,000,000	88,893,964	91,877,676	8[illegible]

A on Stock								
g public olders		12,788,776	12,788,776	12.53%		12,788,776	12,788,776	1
ptions, ts, ed stock nvertible es			2,983,712	2.92%			2,983,712	
ts e to x as part urchase nent				0.00%		1,191,207	1,191,207	
issuable d as part Rand tion t				0.00%		2,400,000	2,400,000	
sion of y IV tible sory			1,358,054	1.33%		1,358,054	1,358,054	
sion of B on Stock			65,965,799	64.63%		55,087,848	55,087,848	4
sion of C on Stock			18,975,950	18.59%		16,068,079	16,068,079	1
B on Stock	25,000,000	10,448,470		0.00%				
C on Stock	2,000,000	1,437,572		0.00%				
D on Stock				0.00%	50,000,000	20,662,163	20,662,163	1
ed Stock	20,000,000			0.00%	20,000,000			

117,000,000	24,674,818	102,072,291	100.00%	370,000,000	109,556,127	112,539,839	10

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Who is entitled to vote at the Special Meeting?

Our board of directors has fixed the close of business on September 5, 2006 as the record date for determination of stockholders entitled to notice of, and to vote at, the Special Meeting. As of the record date, there were 24,674,818 shares of Common Stock outstanding that were held by approximately 487 stockholders of record, including 12,788,776 shares of our Class A Common Stock issued and outstanding that were held by approximately 477 stockholders of record, 10,448,470 shares of our Class B Common Stock issued and outstanding that were held by approximately 4 stockholders of record, and 1,437,572 shares of our Class C Common Stock issued and outstanding that were held by approximately 6 stockholders of record. Stockholders of record as of the close of business on the record date are entitled to one vote for each share of Common Stock (regardless of class) then held.

How do I vote?

You may vote by mail. You may vote by mail by signing your proxy card and mailing it in the enclosed, prepaid and self-addressed envelope.

You may vote in person at the Special Meeting. Written ballots will be passed out to anyone who wants to vote at the Special Meeting. If you hold your shares in street name (through a broker or other nominee), you must request a legal proxy from your stockbroker in order to vote at the meeting.

How many shares must be represented to have a quorum?

The holders of a majority of the total shares of our Common Stock outstanding on the record date, whether present at the Special Meeting in person or represented by proxy, will constitute a quorum for the transaction of business at the Special Meeting. The shares held by each stockholder who signs and returns the enclosed form of proxy card will be counted for the purposes of determining the presence of a quorum at the Special Meeting, whether or not the stockholder abstains on all matters or any matter to be acted on at the meeting. Abstentions and broker non-votes both will be counted toward fulfillment of quorum requirements. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner. In the event there are not sufficient votes for a quorum or to approve any proposals at the time of the Special Meeting, the Special Meeting may be adjourned or postponed in order to permit the further solicitation of proxies.

How many votes are required to approve the proposals?

For Proposals I and II, the affirmative vote of the holders of a majority of the votes attributable to the then outstanding shares of Common Stock voting together as a single class will be required to approve each proposal.

For Proposal III, the affirmative vote of each of the following will be required to approve such proposal: (i) the holders of a majority of the votes attributable to the then outstanding shares of Common Stock voting together as a single class, (ii) the holders of a majority of the votes attributable to the then outstanding shares of Class B Common Stock voting separately as a class and (iii) the holders of a majority of the votes attributable to the then outstanding shares of Class C Common Stock voting separately as a class. Because approval of Proposal III and filing of the Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware would result in the elimination of our Class B Common Stock and Class C Common Stock, our current certificate of incorporation and Delaware law requires that we obtain the additional approval of the holders of a majority of the shares of Class B Common Stock and Class C Common Stock voting separately as classes.

For Proposals IV and V, the affirmative vote of the holders of a majority of the total number of shares of Common Stock represented in person or by proxy at the Special Meeting and entitled to vote will be required to approve each of these proposals.

Abstentions and broker non-votes are not counted in the tally of votes FOR or AGAINST a proposal. As a result, abstentions and broker non-votes will have the same effect as a vote AGAINST each of the proposals.

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Are any of the proposals dependent on the approval by the stockholders of the other proposals?

Proposal I is not dependent on the approval by the stockholders of any of the other proposals.

Proposal II is dependent on the approval by the stockholders of Proposal I. If Proposal I is not approved by the stockholders then the amendment described in Proposal II will not be implemented regardless of whether Proposal II is approved by the stockholders.

Proposal III is dependent on the approval by the stockholders of Proposals I and II. If both Proposals I and II are not approved by the stockholders then the amendment described in Proposal III will not be implemented regardless of whether Proposal III is approved by the stockholders.

Proposal IV is dependent on the approval by the stockholders of Proposals I, II and III. If all of Proposals I, II and III are not approved by the stockholders then the transactions described in Proposal IV will not be consummated regardless of whether Proposal IV is approved by the stockholders.

Proposal V is dependent on the approval by the stockholders of Proposals I and II. If both Proposals I and II are not approved by the stockholders then the amendment described in Proposal V will not be implemented regardless of whether Proposal V is approved by the stockholders.

What happens if one or more of our proposals are not approved by the stockholders?

If Proposal I is not approved by the stockholders, then regardless of whether Proposals II, III, IV or V are approved by the stockholders, we will not be able to consummate the private placement or the acquisition of the Rand business on the terms currently contemplated in the Private Placement Agreements and the Rand stock purchase agreement and we may not be able to increase the shares available under the 2004 Incentive Plan.

If Proposal II is not approved by the stockholders, then regardless of whether Proposals I, III, IV or V are approved by the stockholders, we will not be able to consummate the private placement or the acquisition of the Rand business on the terms currently contemplated in the Private Placement Agreements and the Rand stock purchase agreement and we may not be able to increase the shares available under the 2004 Incentive Plan.

If Proposal III is not approved by the stockholders, then regardless of whether Proposals I, II, IV or V are approved by the stockholders, we will not be able to consummate the private placement on the terms currently contemplated in the Private Placement Agreements because we would not have the shares of Class D Common Stock available for issuance. If Proposal III is not approved, we may still have enough shares of Class A Common Stock available for consummation of the Rand acquisition on the terms currently contemplated in the Rand stock purchase agreement.

If Proposal IV is not approved by the stockholders, then regardless of whether Proposals I, II, III or V are approved by the stockholders, we will not be able to consummate the private placement on the terms currently contemplated in the Private Placement Agreements. We would be permitted to consummate the acquisitions of the Rand and On Line businesses, but we would need to find sources of funding sufficient to pay the purchase prices for these businesses from sources other than the private placement and there is no guarantee that we would either be able to find alternative financing sources on terms acceptable to us or find them timely enough to continue with the acquisitions as presently negotiated. If Proposal IV is not approved, we will not consummate the purchase of shares of our Class B Common Stock from Brantley Capital.

The failure of any of Proposals I, II, III or IV would make if more difficult for us to continue to pursue our strategic plan through the identification of acquisition targets.

Unless each of Proposals I, II, III and IV are approved and the private placement is ready to be consummated, we will not file the Second Amended and Restated Certificate of Incorporation.

If Proposal V is not approved by the stockholders, then it would have no impact on our ability to consummate the private placement or the acquisitions of the Rand and On Line businesses (assuming that Proposals I, II, III and IV are approved). However, it would make it more difficult for us to attract and retain key employees.

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What does signing the proxy card mean?

When you sign the proxy card, you appoint each of Terrence L. Bauer and Stephen H. Murdock as your proxy to vote your shares of Common Stock at the Special Meeting and at all adjournments or postponements of the Special Meeting. All properly executed proxy cards delivered pursuant to this solicitation and not revoked will be voted in accordance with the directions given. Other than the proposals described in this Proxy Statement, we do not know of any other matters that will be considered at the Special Meeting. Execution of a proxy card, however, confers on the designated proxy holders discretionary authority to vote the shares represented by the proxy on other business, if any, that may properly come before the Special Meeting or any adjournment or postponement thereof.

What if I return my proxy card but do not provide voting instructions?

If you sign and return your proxy card, but do not include instructions, your proxy will be voted FOR each of the five proposals.

Do I need to vote all of my shares in the same manner?

Stockholders may vote part of their shares FOR a proposal and refrain from voting some or all of the remaining shares or, may vote some or all of the remaining shares AGAINST the proposal. If you execute a proxy card and do not affirmatively specify the number of shares that you are voting, the proxy may be voted with respect to all shares that you are entitled to vote at the Special Meeting.

Will my shares be voted if I do not sign and return my proxy card?

If you do not sign and return your proxy card (or grant your proxy to another person) and do not show up in person at the Special Meeting to vote your shares, then your shares will not be voted at the Special Meeting. If your shares are held in street name (i.e., in the name of your brokerage firm), your brokerage firm may not vote your shares for any of the proposals without affirmative instructions from you regarding the manner in which the votes for your shares should be cast.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, it means that you have multiple accounts at the transfer agent and/or with brokers or that you own shares of more than one class of our Common Stock. Please sign and return all proxy cards to ensure that all your shares are voted. You may wish to consolidate as many of your transfer agent or brokerage accounts as possible under the same name and address for better customer service.

What if I change my mind after I return my proxy?

You may revoke your proxy and change your vote at any time before the polls close at the Special Meeting. You may do this by:

Sending written notice to our Corporate Secretary at 1805 Old Alabama Road, Suite 350, Roswell, Georgia 30076;

Signing and returning another proxy with a later date; or

Attending the Special Meeting, revoking your proxy, and voting in person. Attendance at the Special Meeting will not, in itself, constitute revocation of a proxy.

What happens if the Special Meeting is postponed or adjourned?

If the Special Meeting is postponed or adjourned for any reason, including permitting the further solicitation of proxies, at any subsequent reconvening of the meeting all proxies will be voted in the same manner as they would have been voted at the original Special Meeting. However, as described above, you may revoke your proxy and change your vote at any time before the polls are closed at the reconvened meeting.

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Who can help answer my questions?

If you have questions about any of the proposals or about how to vote or direct a vote in respect of your Common Stock, you may write or call us at 1805 Old Alabama Road, Suite 350, Roswell, Georgia 30076, (678) 832-1800, Attention: Corporate Secretary.

FORWARD LOOKING STATEMENTS

Certain statements in this Proxy Statement constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act, and collectively, with the Securities Act, the Acts). Forward-looking statements include statements preceded by, followed by or that include the words may , will , would , could , should , estimat predicts , potential , continue , strategy , believes , anticipates , plans , expects , intends and similar expre statements contained herein that are not statements of historical fact are deemed to be forward-looking statements.

The forward-looking statements in this Proxy Statement are based on current beliefs, estimates and assumptions concerning the operations, future results, and our prospects and those of our affiliated companies described herein. As actual operations and results may materially differ from those assumed in forward-looking statements, there is no assurance that forward-looking statements will prove to be accurate. Forward-looking statements are subject to the safe harbors created in the Acts. Any number of factors could affect future operations and results, including, without limitation, changes in federal or state healthcare laws and regulations and third party payer requirements, changes in costs of supplies, the loss of major customers, increases in labor and employee benefit costs, the failure to obtain continued forbearance on our revolving lines of credit as a result of a default on our financial covenants, increases in interest rates on our indebtedness as well as general market conditions, competition and pricing, integration of business and operations and the success of our business strategies, and failure to obtain approval of some or all of the proposals presented at the Special Meeting. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information or future events.

SUMMARY

This summary discusses the material items of each of the proposals which are also described elsewhere in this Proxy Statement. You should carefully read this entire Proxy Statement and the other documents to which this Proxy Statement refers you. See Where You Can Find More Information.

The Amendments to Our Certificate Of Incorporation

Our certificate of incorporation currently authorizes the issuance of up to 117,000,000 shares of capital stock, consisting of (i) 97,000,000 shares of common stock, of which 70,000,000 shares are designated as Class A Common Stock, 25,000,000 shares are designated as Class B Common Stock and 2,000,000 shares are designated as Class C Common Stock and (ii) 20,000,000 shares of preferred stock.

Our board of directors has approved, subject to stockholder approval, amendments to our certificate of incorporation to (i) create a new class of common stock, the Class D Common Stock, and designate its rights and preferences and (ii) increase the number of authorized shares of our capital stock to 370,000,000 shares, consisting of (A) 350,000,000 shares of common stock, of which 300,000,000 shares are designated as Class A Common Stock and 50,000,000 shares are designated as Class D Common Stock and (B) 20,000,000 shares of preferred stock. The authorized shares of Class B Common Stock and Class C Common Stock would be eliminated as a result of the condition to consummation of the private placement that the holders of all such shares convert to shares of Class A Common Stock or we acquire and retire all such shares.

The Class D Common Stock will have the following rights and preferences:

The holders of the Class D Common Stock will have priority in certain distributions made to the other holders of Common Stock. The holders of the shares of Class D Common Stock (other than shares concurrently being converted into Class A Common Stock), as a single and separate class, will be entitled to

receive all distributions until there has been paid with respect to each such share from amounts then and previously distributed an amount equal to 9% per annum on the Class D issuance amount, without compounding, from the date the Class D Common Stock is first issued.

In addition to receiving any accrued but unpaid distributions described above, the holders of the Class D Common Stock will have the right to receive distributions *pari passu* with the holders of the shares of the Class A Common Stock, assuming for purposes of such calculation that each share of Class D Common Stock represented one share of Class A Common Stock (subject to adjustment to such conversion ratio for subsequent issuances by us of shares of our capital stock, or rights to acquire such shares, for less than the price the holders of the Class D Common Stock paid for their shares and for stock splits, combinations, stock dividends and certain other actions as more fully specified in our certificate of incorporation).

The holders of a majority of the Class D Common Stock have the ability to authorize any payment that might otherwise be considered a distribution for purposes of our certificate of incorporation to be excluded from the distribution priority provisions described above.

Each share of Class D Common Stock will be entitled to one vote. The Class D Common Stock will vote together with all other classes of our Common Stock and not as a separate class, except as otherwise required by law or in the event of certain actions adversely affecting the rights and preferences of the Class D Common Stock as more fully specified in our certificate of incorporation.

At the option of each holder of Class D Common Stock, exercisable at any time and from time to time by notice to us, each outstanding share of Class D Common Stock held by such holder will convert into a number of shares of Class A Common Stock equal to the Class D Conversion Factor in effect at the time such notice is given. The Class D Conversion Factor will initially be one share of Class A Common Stock for each share of Class D Common Stock, subject to adjustment to such conversion ratio for subsequent issuances by us of shares of our capital stock, or rights to acquire such shares, for less than the price the holders of the Class D Common Stock paid for their shares and for stock splits, combinations, stock dividends and certain other actions as more fully specified in our certificate of incorporation.

A copy of our form of Second Amended and Restated Certificate of Incorporation, which reflects the changes to our certificate of incorporation that will be made as a result of each of the amendments proposed herein in connection with Proposals I, II and III, is attached to this Proxy Statement as Annex D.

Unless each of Proposals I, II, III and IV are approved and the private placement is ready to be consummated, we will not file the Second Amended and Restated Certificate of Incorporation.

As of our record date, September 5, 2006, there were 12,788,776 shares of our Class A Common Stock, 10,448,470 shares of our Class B Common Stock and 1,437,572 shares of our Class C Common Stock outstanding.

In the event that Proposals I, II, III and IV are approved by our stockholders at the Special Meeting, we will file the Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware and consummate the private placement by (i) issuing shares of our Class D Common Stock to Phoenix and Brantley IV, (ii) reserving shares of our Class A Common Stock for issuance under the warrants issued to Phoenix and (iii) reserving shares of our Class A Common Stock for issuance upon conversion of the Class D Common Stock. Assuming that Proposal V is also approved, we will reserve additional shares of our Class A Common Stock for issuance under our 2004 Incentive Plan. Upon consummation of the Rand acquisition we will issue the required number of shares of Class A Common Stock to satisfy our obligations under the Rand stock purchase agreement. We will also reserve a sufficient number of shares of our Class A Common Stock to satisfy the conversion of our other then outstanding convertible

securities.

The additional shares of Common Stock authorized by the amendments to our certificate of incorporation could also be used at the direction of our board of directors from time to time for any proper corporate purpose, including, without limitation, the acquisition of other businesses, the raising of additional capital for use in our business or a split or dividend on then outstanding shares of our capital stock. The holders of Common Stock do not presently have any preemptive rights to subscribe for any of our securities and holders of our Common Stock will not have any such rights for the additional shares of Common Stock to be authorized. Any future issuances of

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authorized shares of Common Stock may be authorized by our board of directors without further action by the stockholders, unless required by law. However, as noted above, Sections 712 and 713 of the AMEX Company Guide would require us to seek stockholder approval prior to any issuance of our Class A Common Stock (or securities convertible into our Class A Common Stock) in connection with an acquisition or direct issuance by us that could result in an increase by 20% or more in the number of our outstanding shares of Class A Common Stock if shares are issued at a discount to market value.

Although our board of directors will issue capital stock only when required or when the board of directors considers such issuance to be in our best interests, the issuance of additional Common Stock or preferred stock may, among other things, have a dilutive effect on the earnings per share (if any) and on the equity and voting rights of our stockholders. Also, since Delaware law requires the vote of a majority of shares of each class of capital stock in order to approve certain mergers and reorganizations, the proposed amendment could permit the board of directors to issue shares to persons supportive of management. Such persons might then be in a position to vote to prevent a proposed business combination that is deemed unacceptable to the board of directors, although deemed to be desirable by some stockholders, including, potentially, a majority of stockholders. Taking such an action could provide management with a means to block any majority vote which might be necessary to effect a business combination in accordance with applicable law, and could enhance the ability of our directors to retain their positions. Additionally, the presence of such additional authorized but unissued shares of Common Stock or preferred stock could discourage unsolicited business combination transactions that might otherwise be desirable to our stockholders.

Except for (i) shares of our Common Stock which may be issued in connection with the private placement, (ii) shares of our Common Stock reserved for issuance under our stock option plans, (iii) shares of our Common Stock which we would be required to issue upon the exercise of outstanding warrants (including warrants to be issued in connection with the private placement, if approved by the stockholders), (iv) shares of our Common Stock which we would be required to issue upon conversion of our outstanding convertible notes, (v) shares of our Common Stock to be issued in connection with the Rand acquisition, and (vi) shares of our Common Stock that may be issuable upon the conversion of outstanding shares of Common Stock, the board of directors has no current plans to issue additional shares of our Common Stock or preferred stock. However, our board of directors believes that the benefits of providing it with the flexibility to issue shares without delay for any proper business purpose, including as an alternative to an unsolicited business combination opposed by the board of directors, outweigh the possible disadvantages of dilution and discouraging unsolicited business combination proposals and that it is prudent and in the best interests of stockholders to provide the advantage of greater flexibility which will result from the proposed amendments to our certificate of incorporation.

Sources and Uses of Funds

Below is a summary of the sources and uses of funds in connection with the transactions described in this Proxy Statement, followed by a description of each of the referenced sources and uses:

Source		**Amount**
New senior secured revolver	$	2,000,000
New senior secured term loan A	$	4,500,000
New senior secured acquisition facility	$	10,000,000
Issuance of Class D Common Stock to Brantley IV and Phoenix	$	4,650,000
Issuance of senior unsecured subordinated promissory note to Phoenix	$	3,350,000
Unsecured subordinated promissory note to stockholders of Rand	$	1,365,333
Unsecured subordinated promissory note to stockholders of On Line	$	833,981

Use		Amount
Issuance of Class A Common Stock to stockholders of Rand	$	600,000
Total	$	27,299,314
Payoff of existing senior secured revolver	$	1,262,845
Acquisition of Rand	$	9,365,333
Acquisition of On Line	$	3,310,924
Acquisition of Class B Common Stock owned by Brantley Capital	$	482,435
Future acquisitions	$	10,000,000
Fees and expenses	$	1,080,000
Additional working capital	$	1,797,777
Total	$	27,299,314

New Senior Secured Credit Facility

We have entered into a non-binding letter of intent with an institutional lender for the provision of a new senior secured credit facility in the aggregate principal amount of $16,500,000, consisting of a $2,000,000 revolving loan commitment, a $4,500,000 term loan and a $10,000,000 acquisition facility commitment available for future acquisitions. We are currently negotiating the definitive terms of the documentation for this credit facility but anticipate that the substantive provisions of the relevant agreements will be as follows. The credit facility will have a maturity of four years and will be secured by a first priority security interest in substantially all of our assets, including the assets of the Rand and On Line businesses following consummation of those acquisitions. The loans under the credit facility will bear interest at floating rates of interest that would be in the range of prime plus 1.75% or LIBOR plus 3.75%. Availability under the revolving loan will be dependent on our ability to meet a borrowing base formula determined based on certain multiples of our pro forma trailing twelve month earnings before interest, taxes, depreciation and amortization. The credit facility will be subject to certain mandatory prepayment obligations and certain prepayment penalties. In addition, we will be obligated to meet certain financial covenants including maintenance of minimum levels of earnings before interest, taxes, depreciation and amortize and minimum levels of customer turnover, maintenance of certain fixed charge coverage ratios and maximum leverage ratios, and limitations on annual capital expenditures. The obligations of this lender to consummate the credit facility will be subject to certain closing conditions, including negotiation of definitive documentation and diligence investigations. We anticipate that the closing of the credit facility will occur simultaneously with the closing of the private placement and the acquisitions of the Rand and On Line businesses. Our consummation of a credit facility of at least $6,500,000 with a senior lender is a condition to the obligations of Phoenix and Brantley IV to consummate the private placement and a portion of the funds available under such credit facility will be necessary to consummate the acquisitions of the Rand and On Line businesses. There is no guarantee that we will be able to consummate this credit facility on these terms or with this institutional lender. If we are unable to reach agreement on a credit facility with this lender, then we will seek to find another institutional lender to provide a credit facility on similar terms, but there is not guarantee that we will be able to find such a lender or be able to negotiate similar terms to such credit facility.

The Private Placement

We are seeking to raise $8,000,000 through a private placement transaction providing for the issuance of shares of our Class D Common Stock, issuance of our senior unsecured subordinated promissory notes and issuance of warrants to purchase shares of our Class A Common Stock. As specified above, the proceeds from this private placement, along with proceeds from senior bank financing and other funds available to us, will be used to fund a portion of the purchase price for the acquisitions of the Rand and the On Line businesses, our purchase of certain shares of our Class B Common Stock from Brantley Capital, to repay certain outstanding senior indebtedness and for general working capital purposes.

Pursuant to the terms of the Stock Purchase Agreement, Phoenix and Brantley IV will purchase, for an aggregate purchase price of $4,650,000, shares of our Class D Common Stock representing upon conversion 19.375% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital.

Pursuant to the terms of the Note Purchase Agreement, Phoenix will purchase, for an aggregate purchase price of $3,350,000, (i) our senior unsecured subordinated promissory notes, due 2011, in the original principal amount of $3,350,000 and (ii) warrants to purchase shares of our Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock described above but excluding certain of our outstanding options,

warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital. The notes will bear interest at the combined rate of (x) 12% per annum payable in cash on a quarterly basis and (y) 2% per annum payable in kind (meaning that the accrued interest will be capitalized as principal) on a quarterly basis, subject to our right to pay such amount in cash. The warrants will be exercisable for five years from the date of issuance of the warrants at $0.01 per share.

In connection with the private placement, the parties will enter into a registration rights agreement, pursuant to which the holders of a majority of the shares of Class A Common Stock issuable upon either conversion of the Class D Common Stock or the exercise of the warrants will have the right to require us to register their shares of Class A Common Stock under the Securities Act. The agreement allows them one right to demand that we register their shares of Class A Common Stock under the Securities Act on a registration statement filed with the SEC and unlimited rights to include (or piggy-back) the registration of their shares of Class A Common Stock on certain registration statements that we may file with the SEC for other purposes.

The Private Placement Agreements are attached hereto as Annex A and B. We recommend that you review these documents.

The Acquisitions

We have identified several acquisition opportunities to expand our business that are consistent with our strategic plan. We have recently signed definitive agreements for the acquisition of two of these targets. The first acquisition involves the purchase of all of the issued and outstanding capital stock of Rand. Rand is a full service billing agency, providing medical billing exclusively for anatomic and clinical pathology practices located in Simi Valley, California.

On September 8, 2006 we entered into a stock purchase agreement with Rand and the stockholder of Rand to purchase all of the issued and outstanding capital stock of Rand for an aggregate purchase price of $9,365,333, subject to adjustments conditioned upon future revenue results. A portion of the purchase price is payable by our issuance of such number of shares of our Class A Common Stock having a value of $600,000 based on the average closing price per share of our Class A Common Stock for the twenty day period prior to the closing of the Rand acquisition. The remainder of the purchase price is payable in a combination of cash and the issuance of an unsecured subordinated promissory note in the original principal amount of $1,365,333,. At the closing of the Rand acquisition, $6,800,000 of the purchase price will be paid in cash and the balance will be placed in escrow (including the shares of our Class A Common Stock) pending resolution of the purchase price adjustments and subject to claims, if any, for indemnification.

The second acquisition involves the purchase of all the issued and outstanding capital stock of the On Line businesses. On Line consists of two related companies, On Line Alternatives, Inc. (OLA) and On Line Payroll Services, Inc. (OLP).

OLA is an outsourcing company providing data entry, insurance filing, patient statements, payment posting, collection follow-up and patient refund processing to medical practices. Most of OLA s customers are hospital-based physician practices including radiology, neurology and emergency medicine. Customers also include some other specialties as plastic surgery, family practice, internal medicine and orthopaedics. All billing functions are the responsibility of OLA, and include credentialing and accounts payable processing. OLA also has a group of contract transcriptionists who work out of their homes and OLA offers these services to clients as well.

OLP provides payroll processing services to small businesses, a few of which are also customers of OLA. OLP provides payroll services including direct deposit, time clock interface and tax reporting to clients in Alabama, Florida, Georgia, Louisiana, Mississippi, Tennessee and Texas.

On September 8, 2006 we entered into a stock purchase agreement with OLA, OLP and the stockholders of each of OLA and OLP to purchase all of the issued and outstanding capital stock of both OLA and OLP for an aggregate purchase price of $3,310,924, subject to adjustments conditioned upon future revenue results. The purchase price is payable in a combination of cash and the issuance of unsecured subordinated promissory notes. At the closing of the On Line acquisition, $2,476,943 of the purchase price will be paid in cash and the remainder through the issuance of

an unsecured subordinated promissory note in the original principal amount of $833,981. We also have an option to pay up to $75,000 of the purchase price in the form of an additional unsecured promissory note in lieu of cash at the closing.

We plan to close these acquisitions simultaneous with the closing of the private placement and as soon as possible following the Special Meeting, assuming that Proposals I, II, III and IV are approved by the stockholders. The stock purchase agreement relating to the Rand acquisition is attached hereto as Annex C and the stock purchase

agreement relating to the On Line acquisition is attached as an exhibit to our Current Report on Form 8-K, filed with the SEC on September 8, 2006. We recommend that you review these documents.

Acquisition of our Class B Common Stock from Brantley Capital

On September 8, 2006 we entered into a purchase agreement with Brantley Capital to purchase all 1,722,983 shares of our Class B Common Stock owned by Brantley Capital at any time between now and December 31, 2006 for an aggregate purchase price of $482,435. Upon our acquisition of these shares of Class B Common Stock they will be retired in accordance with the terms of our certificate of incorporation. We plan to consummate this acquisition simultaneous with the closing of the private placement. We anticipate using a portion of the proceeds from the private placement, along with proceeds from senior bank financing and other funds available to us, to fund the purchase price for our acquisition of the shares of Class B Common Stock owned by Brantley Capital. A copy of the purchase agreement with Brantley Capital is attached to our Current Report on Form 8-K filed with the SEC on September 8, 2006.

These shares represent about 16.5% of our outstanding shares of Class B Common Stock (and about 11.5% of our outstanding shares of Class A Common Stock on a fully-diluted basis assuming conversion as of the record date) and our acquisition of these shares will assist us in satisfying the closing condition to the private placement that requires all holders of shares of our Class B Common Stock and Class C Common to have converted or been acquired by us. Brantley Capital had previously informed us that they would not convert their shares as required in connection with the consummation of the private placement and our board of directors determined that the terms of this acquisition were in the best interests of our stockholders and our ability to consummate the private placement. If Brantley Capital were to convert these shares to shares of Class A Common Stock, then, as of the record date, they would convert into 10,877,952 shares of Class A Common stock. Our purchase and retirement of these shares would eliminate the dilution resulting from conversion of these shares and would have an accretive effect to all other stockholders.

Other Private Placement Considerations

Interests of Our Directors and Officers in the Private Placement. Phoenix is a limited partner in Brantley IV and Brantley Partners V, L.P. Two of our directors, Paul H. Cascio and Michael J. Finn, are affiliated with Brantley IV and its related entities. Pursuant to the Stock Purchase Agreement, Phoenix and Brantley IV will pay $3,000,000 and $1,650,000, respectively, for the purchase of shares of our Class D Common Stock. Also, pursuant to the Note Purchase Agreement, Phoenix will pay $3,350,000 for our senior subordinated notes and our warrants. Paul Cascio and Michael J. Finn serve as general partners of the general partner of Brantley Venture Partners III, L.P. (Brantley III) and Brantley Partners IV, L.P. and are limited partners in these funds. Neither Phoenix, Brantley IV nor Messrs. Cascio or Finn are affiliated with Brantley Capital. The advisor to Brantley III is Brantley Venture Management III, L.P. and the advisor to Brantley IV is Brantley Management IV, L.P.

Because of the affiliation of Messrs. Cascio and Finn with Brantley IV, which is a purchaser under the Stock Purchase Agreement, and because Phoenix is a limited partner of Brantley IV, our board of directors appointed a special committee of the board of directors to consider all aspects of the negotiation and approval of the Private Placement Agreements with Brantley IV and Phoenix on behalf of our board of directors. The special committee consists of David Crane and Joseph M. Valley, Jr. When you consider the recommendation of our board of directors and the special committee that you vote FOR the adoption of Proposal IV, you should keep in mind that Messrs. Cascio and Finn may have interests in the private placement that are different from, or in addition to, your interest as a stockholder.

Conditions to the Completion of the Private Placement. The obligations of Phoenix and Brantley IV to complete the private placement are subject to the satisfaction or waiver of many conditions in accordance with each of the Private

Placement Agreements, including:

- receipt of approval from our stockholders of the amendments to our certificate of incorporation and parts of the private placement (Proposals I, II, III and IV);

the absence of any material adverse change in our business and operations, and the business and operations of the Rand and On Line businesses, since June 30, 2006;

in the case of the Stock Purchase Agreement, the filing of our Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware and its acceptance thereof and our reservation of a sufficient number of shares of Class A common Stock for issuance on conversion of the Class D Common Stock;

the conversion to Class A Common Stock by Brantley IV of the entire unpaid principal amount of, including accrued but unpaid interest on, our convertible subordinated promissory notes in the aggregate original principal amount of $1,250,000;

consummation, in the case of the Stock Purchase Agreement, of the transactions contemplated by the Note Purchase Agreement and, in the case of the Note Purchase Agreement, of the transactions contemplated by the Stock Purchase Agreement;

in the case of the Stock Purchase Agreement, consummation by each of Phoenix and Brantley IV of their respective obligations under the Stock Purchase Agreement;

consummation of the acquisitions of the Rand and On Line businesses;

the accuracy of our representations and warranties in the Private Placement Agreements as of the closing date taking into account in certain instances the inclusion of the Rand and On Line businesses as part of our business;

delivery of pro forma financial statements giving effect to the acquisitions of the Rand and On Line businesses, the consummation of the private placement, the conversion of the Brantley notes and the consummation of senior financing that are satisfactory to Phoenix and Brantley IV;

the performance and compliance with all of the covenants made, and obligations to be performed, by the other parties in the Private Placement Agreements prior to the closing;

the receipt of all requisite third-party consents;

consummation with one or more senior lenders for the provision of not less than $6,500,000 of senior secured financing and, in the case of the Note Purchase Agreement, execution of mutually acceptable intercreditor and subordination agreement(s) among Phoenix, our senior lender and certain of our existing debtholders; and

conversion of all shares of Class B Common Stock and Class C Common Stock by the holders thereof into shares of Class A Common Stock or our acquisition and retirement of all such shares, including our acquisition and retiring of the 1,722,983 shares of Class B Common Stock held by Brantley Capital.

Termination, Amendment and Waiver. Each of the Private Placement Agreements may be terminated at any time prior to the consummation of the transactions contemplated thereunder, whether before or after receipt of the approval of our stockholders, by mutual written consent of Phoenix, Brantley IV and us, as applicable.

In addition, each Private Placement Agreement may be terminated:

by any party thereto if a material breach by any other party of any representation, warranty or obligation contained in such Private Placement Agreement exists that may not be cured within 30 days after written notice of such breach;

by any party thereto if any condition to such party s obligations contained in such Private Placement Agreement has not been fulfilled or waived;

by any party thereto if the transactions contemplated by such Private Placement Agreement are illegal or otherwise prohibited by law;

by Phoenix or Brantley IV if the private placement has not been consummated prior to December 31, 2006; or

in the case of the Note Purchase Agreement, by Phoenix if it determines in its good faith discretion that, assuming consummation of the private placement and the acquisitions of the Rand and On Line businesses, we would not be creditworthy.

If permitted under applicable law, any of the parties to a Private Placement Agreement may waive any conditions for their own respective benefit and consummate the transactions contemplated thereby even though one or more of the conditions have not been met.

Special Meeting of Our Stockholders

Date, time and place. The Special Meeting of our stockholders will be held at 8:00 a.m. local time, on September , 2006 at our headquarters at 1805 Old Alabama Road, Roswell, Georgia 30076 to vote on the proposals to approve the amendments to our certificate of incorporation, the issuance of additional shares and the amendment to our 2004 Incentive Plan.

Voting Power; Record Date. You will be entitled to vote or direct votes to be cast at the Special Meeting if you owned shares of our Common Stock on the close of business on September 5, 2006, which is the record date for the Special Meeting. You will have one vote for each share of Common Stock you owned at the close of business on the record date.

Quorum. The holders of a majority of the total shares of our Common Stock outstanding on the record date, whether present at the Special Meeting in person or represented by proxy, will constitute a quorum for the transaction of business at the Special Meeting.

Vote Required to Approve the Proposals. For Proposals I and II, the affirmative vote of the holders of a majority of the votes attributable to the then outstanding shares of Common Stock voting together as a single class will be required to approve each proposal. For Proposal III, the affirmative vote of each of the following will be required to approve such proposal: (i) the holders of a majority of the votes attributable to the then outstanding shares of Common Stock voting together as a single class, (ii) the holders of a majority of the votes attributable to the then outstanding shares of Class B Common Stock voting separately as a class and (iii) the holders of a majority of the votes attributable to the then outstanding shares of Class C Common Stock voting separately as a class. Because approval of Proposal III and filing of the Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware would result in the elimination of our Class B Common Stock and Class C Common Stock, our current certificate of incorporation and Delaware law requires that we obtain the additional approval of the holders of a majority of the shares of Class B Common Stock and Class C Common Stock voting separately as classes. For Proposals IV and V, the affirmative vote of the holders of a majority of the total number of shares of Common Stock represented in person or by proxy at the Special Meeting and entitled to vote will be required to approve each of these proposals. Abstentions and broker non-votes are not counted in the tally of votes FOR or AGAINST a proposal. As a result, abstentions and broker non-votes will have the same effect as a vote AGAINST each of the proposals.

Proxies. Proxies may be solicited by mail, telephone or in person. If you grant a proxy, you may still vote your shares in person if you revoke your proxy before the Special Meeting. However, attendance at the Special Meeting will not, in itself, constitute revocation of a proxy. You may revoke your proxy and change your vote at any time before the polls close at the Special Meeting by either (i) sending written notice to our Corporate Secretary at 1805 Old Alabama Road, Suite 350, Roswell, Georgia 30076, (ii) signing and returning another proxy with a later date; or (iii) voting in person at the Special Meeting.

Costs of Solicitation of Proxies. The cost of soliciting proxies, including expenses in connection with preparing and mailing this Proxy Statement, will be borne by us. In addition, we will reimburse brokerage firms and other persons representing beneficial owners of our Common Stock for their expenses in forwarding proxy material to such beneficial owners. Solicitation of proxies by mail may be supplemented by telephone, and personal solicitations by our directors, officers or employees. We reserve the right to hire an independent proxy solicitor. No additional compensation will be paid for such solicitation unless we engage an independent proxy solicitor.

This Proxy Statement and accompanying proxy are being mailed on or about September , 2006 to all stockholders entitled to notice of, and vote at, the Special Meeting.

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Stock Ownership. Of the 24,674,818 outstanding shares of our Common Stock entitled to vote at the Special Meeting, Brantley IV and its affiliates, who own approximately 44.8% of our outstanding Common Stock entitled to vote at the Special Meeting and approximately 83.5% of our outstanding Class B Common Stock entitled to vote at the Special Meeting, and our named executive officers and directors who directly own an aggregate of approximately 8.9% of our outstanding shares of Common Stock entitled to vote at the Special Meeting and 90.4% of our outstanding Class C Common Stock entitled to vote at the Special Meeting, have indicated that they intend to vote such shares FOR each of the five proposals set forth in this Proxy Statement. Assuming that they all vote their shares as indicated FOR each of the proposals, we will have a sufficient number of votes to approve each of the proposals.

Our Board of Directors and Special Committee Recommendation. After careful consideration our board of directors has determined that Proposals I, II, III and V, and the portion of Proposal IV relating to the issuance of shares in connection with the Rand acquisition, are fair to and in the best interests of our stockholders. Accordingly, our board of directors has unanimously approved and declared advisable each of these proposals and recommends that you vote or instruct your vote to be cast FOR the approval of each of Proposals I, II, III and V and Proposal IV to the extent relating to the issuance of shares in connection with the Rand acquisition.

With respect to the remainder of Proposal IV, our board of directors designated a special committee to review and approve the portion of this proposal relating to the issuance to Brantley IV and Phoenix of the shares of Class D Common Stock and the issuance to Phoenix of the warrants to purchase shares of Class A Common Stock. After careful consideration, the special committee of our board of directors has determined that (i) the issuance of the shares of Class D Common Stock to Brantley IV and Phoenix pursuant to the Stock Purchase Agreement and (ii) the issuance of the warrants to purchase shares of Class A Common Stock to Phoenix pursuant to the Note Purchase Agreement, both as part of the private placement that is the subject of Proposal IV are fair to and in the best interests of our stockholders. In addition, the special committee has determined that the terms of the Stock Purchase Agreement, as a whole, and the terms of the Note Purchase Agreement, as a whole, are in the best interests of our stockholders and approved the execution of these documents. In reaching its decision relating to the issuance of the Class D Common Stock, the special committee considered, among other factors, the opinion of Valuation Research Corporation that, as of the date of its opinion and based upon such other matters as Valuation Research Corporation considered relevant, the price to be paid for the Class D Common Stock to us is fair from a financial point of view to the stockholders other than Brantley IV and Phoenix.

Accordingly, the special committee has approved and declared advisable the portion of Proposal IV relating to the issuance to Brantley IV and Phoenix of the shares of Class D Common Stock and the issuance to Phoenix of the warrants to purchase shares of Class A Common Stock and recommends that you vote or instruct your vote to be cast FOR the approval of these portions of Proposal IV.

THE SPECIAL MEETING

The Special Meeting

We are furnishing this Proxy Statement to you as part of the solicitation of proxies by our board of directors for use at the Special Meeting in connection with the consideration of Proposals I, II, III, IV and V described herein. This Proxy Statement provides you with the information you need to know to be able to vote or instruct your vote to be cast at the Special Meeting.

Date, Time and Place

The Special Meeting of our stockholders will be held at 8:00 a.m. local time on , September , 2006 at our headquarters at 1805 Old Alabama Road, Roswell, Georgia 30076 to vote on the proposals to approve the

amendments to our certificate of incorporation, the issuance of additional shares and the amendment to our 2004 Incentive Plan.

Purpose of the Special Meeting

At the Special Meeting, the holders of our Common Stock are being asked to approve the following proposals:

Proposal I To approve an amendment to our certificate of incorporation to increase the aggregate number of shares of our authorized capital stock from 117,000,000 shares to 370,000,000 shares.

Proposal II To approve an amendment to our certificate of incorporation to increase the number of shares of Class A Common Stock authorized and available for issuance from 70,000,000 shares to 300,000,000 shares. The increased number of shares to be approved are a portion of, and not in addition to, the additional shares being authorized pursuant to Proposal I.

Proposal III To approve an amendment to our certificate of incorporation to authorize 50,000,000 shares of a new class of common stock, Class D Common Stock, which is convertible into shares of our Class A Common Stock, and to provide for the rights and preferences of the Class D Common Stock. The new shares to be approved are a portion of, and not in addition to, the additional shares being authorized pursuant to Proposal I.

Proposal IV To approve the issuance of shares of our capital stock in three transactions. None of these transactions would individually require stockholders approval. The rules of the American Stock Exchange require us to aggregate these transactions for purposes of determining whether stockholder approval is required, and as a consequence these three issuances will be voted upon as one proposal.

The three issuances requiring approval are:

the issuance as part of a private placement transaction to Phoenix and Brantley of such number of shares of our newly created Class D Common Stock representing upon conversion 19.375% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital;

the issuance as part of a private placement transaction to Phoenix of warrants to purchase shares of our Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, taking into account the issuance of the shares of Class D Common Stock described above but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital; and

the issuance as a portion of the consideration to be paid for our acquisition of the stock of the Rand business to the selling stockholder of Rand such number of shares of our Class A Common Stock having a value of $600,000 based on the average closing price per share of our Class A Common Stock for the twenty day period prior to the closing of the acquisition of Rand.

The shares of Class D Common Stock to be issued pursuant to this proposal are a portion of, and not in addition to, the shares being created pursuant to Proposal III, the shares of Class A Common Stock to be issued pursuant to this proposal are a portion of, and not in addition to, the additional shares being authorized pursuant to Proposal II and all of the shares to be issued pursuant to this proposal are a portion of, and not in addition to, the additional shares being authorized pursuant to Proposal I.

Proposal V To approve an amendment to our 2004 Incentive Plan to increase the number of shares of our Class A Common Stock available for grants under the 2004 Incentive Plan from 2,200,000 shares to such number of shares representing 10% of our outstanding Class A Common Stock as of the date of closing of the private placement, on a fully diluted basis taking into account the shares issued in the private placement and the Rand acquisition, and to increase the maximum number of shares that can be granted to a participant in any calendar year under the 2004 Incentive Plan from

1,000,000 shares to 3,000,000 shares. The increased number of shares to be approved will be reserved out of the additional shares of Class A Common Stock being authorized pursuant to Proposals I and II.

Our board of directors:

has unanimously determined that the issuance of the shares of our Class C Common Stock to Rand pursuant to the Rand acquisition, and the other terms of the stock purchase agreement with Rand as a whole, are fair to and in the best interests of us and our stockholders;

has unanimously approved the execution of the Rand stock purchase agreement and specifically the issuance of the shares of our Class A Common Stock pursuant to the Rand acquisition;

has unanimously approved the amendment to the 2004 Incentive Plan;

has unanimously approved and declared advisable each of Proposals I, II, III and V and the portion of Proposal IV relating to the issuance of the shares of our Class A Common Stock in connection with the Rand acquisition; and

unanimously recommends that the holders of our Common Stock vote FOR each of Proposals I, II, III and V and the portion of Proposal IV relating to the issuance of the shares of our Class A Common Stock in connection with the Rand acquisition.

The special committee of our board of directors:

has considered, among other factors, the opinion of Valuation Research Corporation that, as of the date of its opinion, and based on conditions that existed as of that date, upon and subject to the considerations described in its opinion and based upon such other matters as Valuation Research Corporation considered relevant, the purchase price to be paid for the issuance of the Class D Common Stock in the private placement is fair to our current stockholders other than Brantley IV and Phoenix from a financial point of view;

has unanimously determined that the issuance of the shares of our Class D Common Stock to Brantley IV and Phoenix pursuant to the Stock Purchase Agreement, and the other terms of the Stock Purchase Agreement as a whole, are fair to and in the best interests of us and our stockholders;

has unanimously determined that the issuance of the warrants to purchase shares of our Class A Common Stock to Phoenix pursuant to the Note Purchase Agreement, and the other terms of the Note Purchase Agreement as a whole, are fair to and in the best interests of us and our stockholders;

has unanimously approved the execution of the Stock Purchase Agreement and specifically the issuance of the shares of our Class D Common Stock to Brantley IV and Phoenix pursuant to the Stock Purchase Agreement;

has unanimously approved the execution of the Note Purchase Agreement and specifically the issuance of the warrants to purchase shares of our Class A Common Stock to Phoenix pursuant to the Note Purchase Agreement; and

unanimously recommends that the holders of our Common Stock vote FOR that portion of Proposal IV relating to the issuance to Brantley IV and Phoenix of the shares of our Class D Common Stock and the issuance to Phoenix of the warrants to purchase shares of our Class A Common Stock.

Voting Power; Record Date

You will be entitled to vote or direct votes to be cast at the Special Meeting if you owned shares of our Common Stock on the close of business on September 5, 2006, which is the record date for the Special Meeting. You will have one vote for each share of Common Stock you owned at the close of business on the record date.

As of the record date, there were 24,674,818 shares of Common Stock outstanding that were held by approximately 487 stockholders of record, including 12,788,776 shares of our Class A Common Stock issued and outstanding that were held by approximately 477 stockholders of record, 10,448,470 shares of our Class B Common

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Stock issued and outstanding that were held by approximately 4 stockholders of record, and 1,437,572 shares of our Class C Common Stock issued and outstanding that were held by approximately 6 stockholders of record. There are no outstanding shares of our preferred stock. Stockholders of record as of the close of business on the record date are entitled to one vote for each share of Common Stock (regardless of class) then held. With respect to Proposal III, the holders of our Class B Common Stock and Class C Common Stock will be entitled to vote separately as classes and are entitled to one vote per share of such class or each class vote.

Quorum

The holders of a majority of the total shares of our Common Stock outstanding on the record date, whether present at the Special Meeting in person or represented by proxy, will constitute a quorum for the transaction of business at the Special Meeting. The shares held by each stockholder who signs and returns the enclosed form of proxy card will be counted for the purposes of determining the presence of a quorum at the Special Meeting, whether or not the stockholder abstains on all matters or any matter to be acted on at the meeting. Abstentions and broker non-votes both will be counted toward fulfillment of quorum requirements. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner. In the event that there are not sufficient votes for a quorum or to approve any proposals at the time of the Special Meeting, the Special Meeting may be adjourned or postponed in order to permit the further solicitation of proxies.

Voting Your Shares

Each share of our Common Stock entitles you to one vote. Your proxy card shows the number of shares of our Common Stock that you own. If you receive more than one proxy card it means that you have multiple accounts at the transfer agent and/or with brokers or that you own shares of more than one class of our Common Stock.

There are two ways to vote your shares of our Common Stock at the Special Meeting:

You can vote by signing and returning the enclosed proxy card(s). Please sign and return all proxy cards to ensure that all of your shares are voted. If you vote by proxy card, your proxy, whose names are listed on the proxy card, will vote your shares as you instruct on the proxy card. If you sign and return the proxy card, but do not give instructions on how to vote your shares, your shares will be voted, as recommended by our board of directors and special committee, FOR the approval of each of the proposals.

You can attend the Special Meeting and vote in person. We will give you a ballot when you arrive. However, if your shares are held in street name (through a broker or other nominee), you must request a legal proxy from your broker in order to vote at the Special Meeting.

Who Can Answer Your Questions About Voting Your Shares

If you have any questions about any of the proposals or about how to vote or direct a vote in respect of your Common Stock, you may write or call us at 1805 Old Alabama Road, Suite 350, Roswell, Georgia 30076, (678) 832-1800, Attention: Corporate Secretary.

Revoking Your Proxy

If you give a proxy, you may revoke your proxy and change your vote at any time before the polls close at the Special Meeting. You may do this by:

Sending written notice to our Corporate Secretary at 1805 Old Alabama Road, Suite 350, Roswell, Georgia 30076;

Signing and returning another proxy with a later date; or

Attending the Special Meeting, revoking your proxy, and voting in person. Attendance at the Special Meeting will not, in itself, constitute revocation of a proxy.

Vote Required

For Proposals I and II, the affirmative vote of the holders of a majority of the votes attributable to the then outstanding shares of Common Stock voting together as a single class will be required to approve each proposal. For Proposal III, the affirmative vote of each of the following will be required to approve such proposal: (i) the holders of a majority of the votes attributable to the then outstanding shares of Common Stock voting together as a single class, (ii) the holders of a majority of the votes attributable to the then outstanding shares of Class B Common Stock voting separately as a class and (iii) the holders of a majority of the votes attributable to the then outstanding shares of Class C Common Stock voting separately as a class. Because approval of Proposal III and filing of the Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware would result in the elimination of our Class B Common Stock and Class C Common Stock, our current certificate of incorporation and Delaware law requires that we obtain the additional approval of the holders of a majority of the shares of Class B Common Stock and Class C Common Stock voting separately as classes. For Proposals IV and V, the affirmative vote of the holders of a majority of the total number of shares of Common Stock represented in person or by proxy at the Special Meeting and entitled to vote will be required to approve each of these proposals. Abstentions and broker non-votes are not counted in the tally of votes FOR or AGAINST a proposal. As a result, abstentions and broker non-votes will have the same effect as a vote AGAINST each of the proposals.

Abstentions and Broker Non-Votes

If your broker holds your shares in its name and you do not give the broker voting instructions, under the rules of the National Association of Securities Dealers (NASD), your broker may not vote your shares on any of the five proposals. If you do not give your broker voting instructions and the broker does not vote your shares, this is referred to as a broker non-vote. Abstentions and broker non-votes are counted for purposes of determining the presence of a quorum, and will have the effect of a vote AGAINST each of the proposals.

Cost of Solicitation of Proxies

The cost of soliciting proxies, including expenses in connection with preparing and mailing this Proxy Statement, will be borne by us. In addition, we will reimburse brokerage firms and other persons representing beneficial owners of our Common Stock for their expenses in forwarding proxy material to such beneficial owners. Solicitation of proxies by mail may be supplemented by telephone, and personal solicitations by our directors, officers or employees. We reserve the right to hire an independent proxy solicitor in connection with the Special Meeting. No additional compensation will be paid for such solicitation unless we engage an independent proxy solicitor.

Stock Ownership

Of the 24,674,818 outstanding shares of our Common Stock entitled to vote at the Special Meeting, Brantley IV and its affiliates, who own approximately 44.8% of our outstanding Common Stock entitled to vote at the Special Meeting and approximately 83.5% of our outstanding Class B Common Stock entitled to vote at the Special Meeting, and our named executive officers and directors who directly own an aggregate of approximately 8.9% of our outstanding shares of Common Stock entitled to vote at the Special Meeting and 90.4% of our outstanding Class C Common Stock entitled to vote at the Special Meeting, have indicated that they intend to vote such shares FOR each of the five proposals set forth in this Proxy Statement. Assuming that they all vote their shares as indicated FOR each of the proposals, we will have a sufficient number of votes to approve each of the proposals.

PROPOSAL I

APPROVAL OF THE AMENDMENT TO OUR CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF CAPITAL STOCK

Our board of directors has approved and is recommending to our stockholders for approval at the Special Meeting a proposal to increase the aggregate number of shares of our authorized capital stock from 117,000,000 shares to 370,000,000 shares, which includes an increase in the authorized shares of our Common

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Stock from 97,000,000 shares to 350,000,000 shares and leaves the number of authorized shares of our preferred stock at 20,000,000 shares. If the amendment to increase the number of authorized shares of our capital stock as set forth in Proposal I is approved by our stockholders at the Special Meeting and if Proposals II, III and IV are approved and the private placement is ready to be consummated, we will amend and restate our certificate of incorporation in the manner provided in the form of Second Amended and Restated Certificate of Incorporation attached as Annex D. The form of Second Amended and Restated Certificate of Incorporation includes provisions for each of Proposals I, II and III and assumes that all three proposals will be approved by our stockholders. A vote FOR this proposal constitutes approval of the form of Second Amended and Restated Certificate of Incorporation as it relates to the increase in the number of shares of authorized stock, which additional shares will be designated as Common Stock. Because the implementation of Proposals I, II, III and IV are interdependent, if Proposals I, II, III and IV are not approved then we will not make any of the changes proposed in the form of Second Amended and Restated Certificate of Incorporation and will not file it with the Secretary of State of Delaware. In addition, we cannot complete any of the transactions contemplated by Proposals II, III, IV or V if this proposal is not approved by the stockholders at the Special Meeting, and in all likelihood will not be able to complete the Rand acquisition.

The increase in the number of shares of authorized stock as reflected in Proposal I does not alter or change the powers, preferences, or special rights of the holders of shares of our existing Class A Common Stock, Class B Common Stock or Class C Common Stock.

Increase in the Number of Shares of Authorized Common Stock

The amendment to our certificate of incorporation will increase the aggregate number of shares of our authorized capital stock from 117,000,000 shares to 370,000,000 shares, which includes an increase in the authorized shares of our Common Stock from 97,000,000 shares to 350,000,000 shares and leaves the number of authorized shares of our preferred stock at 20,000,000 shares.

The board of directors recommends increasing the aggregate number of shares of our authorized capital stock in order to have a sufficient number of shares of our Common Stock available to issue the shares required under the Private Placement Agreements (see Proposal IV), in connection with the Rand acquisition (see Proposal IV) and in connection with the amendment to our 2004 Incentive Plan (see Proposal V). Assuming the issuance of shares of our Common Stock in connection with the private placement is approved by our stockholders, we will be obligated to (i) create a new series of common stock, Class D Common Stock, and issue such number of shares of Class D Common Stock representing upon conversion 19.375% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock described below (see Proposal IV) but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital and (ii) reserve for issuance pursuant to exercise of warrants such number of shares of Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock described above but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital. In addition, we must also have shares available for issuance in connection with previously granted stock options and other stock based awards as well as any future grants under our 2004 Incentive Plan and our other option plans as well as our outstanding convertible notes and other existing convertible securities.

We may need additional shares of Class A Common Stock to reserve for the possible conversion of our Class B Common Stock and Class C Common Stock. The conversion factors for the Class B Common Stock and Class C Common Stock fluctuate based on the market price of our Class A Common Stock. Based on recent trading prices for our Class A Common Stock, we may not currently have enough shares of Class A Common Stock to satisfy the conversion of all of the Class B Common Stock and Class C Common Stock should all holders of the Class B

Common Stock and Class C Common Stock seek to exercise their conversion rights. As a condition to consummation of the private placement, Phoenix and Brantley IV are requiring that all holders of shares of Class B Common Stock and Class C Common Stock convert those shares to shares of Class A Common Stock, or that such shares of Class B Common Stock and Class C Common Stock otherwise be acquired by us and retired prior to consummation of the private placement. Due to the fluctuating nature of the conversion factors, management is

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unable to determine with certainty at this time how many shares of Class A Common Stock will be necessary to satisfy this conversion obligation and the conversion obligation in connection with the remainder of the Class B Common Stock and Class C Common Stock when and if such conversion right is exercised. The number of additional shares of Class A Common Stock requested in Proposal II (and included in the increase in authorized capital stock reflected in this proposal) represents management s reasonable estimate of the number of shares of Class A Common Stock that would be required to satisfy these conversion obligations if the trading price of our Class A Common Stock does not decrease below $0.10 per share. The closing price of our Class A Common Stock on the record date, September 5, 2006, was $0.25 per share.

The following table provides details regarding the approximate number of shares of our Common Stock authorized, issued and outstanding and reserved as of the periods indicated. Treasury stock is not included in these figures.

	As of September 5, 2006(1)					Pro Forma Post Proposals(3)			
tal	Class A	Class B	Class C	Preferred	Total	Class A	Class B	Class C	Class I
00,000	70,000,000	25,000,000	2,000,000	20,000,000	370,000,000	300,000,000			50,000,
74,818	12,788,776	10,448,470	1,437,572		108,364,920	87,702,757			20,662,
11,224(2)	57,211,224(2)				34,365,922	34,365,922			

(1) Share numbers are prior to any of the amendments to our certificate of incorporation, prior to the consummation of the private placement and the Rand acquisition, and prior to any conversion or purchase and retirement of the outstanding shares of Class B Common Stock and Class C Common Stock.

(2) Shares are reserved for issuance upon conversion of the Class B Common Stock and Class C Common Stock (at the closing price of our Class A Common Stock on the record date, $0.25 per share), conversion of outstanding notes (at the closing price of our Class A Common Stock on the record date, $0.25 per share), exercise of existing warrants, exercise of stock options under existing option grants and additional option grants under our 2004 Incentive Plan. The actual number of shares reserved as of the record date should be 74,901,250 shares; however, we do not presently have enough authorized shares of Class A Common Stock available to reserve all required shares.

(3) Share numbers are based on approval of all of the proposals set forth in the Proxy Statement and consummation of the transactions described in this Proxy Statement, assuming that the closing price of our Class A Common Stock on such date is the same as it was on the record date.

(4) Shares are reserved for issuance upon conversion of the Class D Common Stock issued pursuant to the Private Placement Agreements, exercise of the warrants issued pursuant to the Private Placement Agreements, exercise of existing warrants and exercise of stock options under existing option grants and additional option grants under our 2004 Incentive Plan as amended herein.

We have no current agreements, arrangements, or plans to issue additional shares of Common Stock other than as described above and in connection with the private placement, in connection with the acquisition of Rand and the other proposals in this Proxy Statement. We may need to issue additional shares of our Common Stock in the future to settle outstanding debts or liabilities, to attract or retain key employees, and to make future acquisitions.

The issuance of additional authorized shares of our Common Stock (other than through a stock split or a stock dividend) may dilute the voting power and equity interest of present stockholders. The holders of Common Stock do not presently have any preemptive rights to subscribe for any of our securities and holders of our Common Stock will not have any such rights for the additional shares of Common Stock to be authorized. Any future issuances of authorized shares of Common Stock may be authorized by our board of directors without further action by the stockholders, unless required by law. However, as noted above, Sections 712 and 713 of the AMEX Company Guide would require us to seek stockholder approval prior to any issuance of our Class A Common Stock (or securities convertible into our Class A Common Stock) in connection with an acquisition or direct issuance by us that could result in an increase by 20% or more in the number of our outstanding shares of Class A Common Stock if shares are issued at a discount to market value.

Although our board of directors will issue capital stock only when required or when the board of directors considers such issuance to be in our best interests, the issuance of additional Common Stock or preferred stock may,

among other things, have a dilutive effect on the earnings per share (if any) and on the equity and voting rights of our stockholders. Furthermore, since Delaware law requires the vote of a majority of shares of each class of capital stock in order to approve certain mergers and reorganizations, the proposed amendment could permit the board of directors to issue shares to persons supportive of management. Such persons might then be in a position to vote to prevent a proposed business combination that is deemed unacceptable to the board of directors, although deemed to be desirable by some stockholders, including, potentially, a majority of stockholders. Taking such an action could provide management with a means to block any majority vote which might be necessary to effect a business combination in accordance with applicable law, and could enhance the ability of our directors to retain their positions. Additionally, the presence of such additional authorized but unissued shares of Common Stock or preferred stock could discourage unsolicited business combination transactions that might otherwise be desirable to our stockholders.

Except for (i) shares of our Common Stock which may be issued in connection with the private placement, (ii) shares of Common Stock reserved for issuance under our stock option plans, (iii) shares of our Common Stock which we would be required to issue upon the exercise of outstanding warrants (including warrants to be issued in connection with the private placement, if approved by the stockholders), (iv) shares of our Common Stock which we would be required to issue upon conversion of our outstanding convertible notes, (v) shares of our Common Stock to be issued in connection with the Rand acquisition, and (vi) shares of our Common Stock that may be issuable upon the conversion of outstanding shares of Common Stock, the board of directors has no current plans to issue additional shares of our Common Stock or preferred stock. However, our board of directors believes that the benefits of providing it with the flexibility to issue shares without delay for any proper business purpose, including as an alternative to an unsolicited business combination opposed by the board of directors, outweigh the possible disadvantages of dilution and discouraging unsolicited business combination proposals and that it is prudent and in the best interests of stockholders to provide the advantage of greater flexibility which will result from the proposed amendments to our certificate of incorporation.

No Dissenter s Rights

Under the Delaware General Corporation Law, our stockholders are not entitled to dissenter s rights with respect to the increase in the number of shares of our authorized capital stock, and we will not independently provide stockholders with any such right.

Required Stockholder Approval

The affirmative vote of the holders of a majority of the votes attributable to the then outstanding shares of Common Stock voting together as a single class will be required to approve this proposal. As such, abstentions and broker non-votes will have the same effect as a vote AGAINST this proposal. If our stockholders approve the increase in the number of shares of our authorized capital stock, as well as Proposals II, III and IV, such increase in the number of shares will become effective upon our filing of the Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware, which is expected to take place immediately prior to the consummation of the private placement and the Rand acquisition.

THE BOARD OF DIRECTORS RECOMMENDS THAT ALL STOCKHOLDERS VOTE FOR APPROVAL OF THE INCREASE IN THE NUMBER OF SHARES OF OUR AUTHORIZED CAPITAL STOCK.

PROPOSAL II

APPROVAL OF THE AMENDMENT TO OUR CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF CLASS A COMMON STOCK

Our board of directors has approved and is recommending to our stockholders for approval at the Special Meeting a proposal to increase the number of shares of Class A Common Stock authorized and available for issuance from 70,000,000 shares to 300,000,000 shares. If the increase in the number of shares of authorized Class A Common Stock is approved and if Proposals I, III and IV are approved and the private placement is ready to be

consummated, we will amend and restate our certificate of incorporation to effect the increase in the manner provided in the form of Second Amended and Restated Certificate of Incorporation attached as Annex D. The form of Second Amended and Restated Certificate of Incorporation includes provisions for each of Proposals I, II and III and assumes that all three proposals will be approved by our stockholders. Because the implementation of Proposals I, II, III and IV are interdependent, if Proposals I, II, III and IV are not approved then we will not make any of the changes proposed in the form of Second Amended and Restated Certificate of Incorporation and will not file it with the Secretary of State of Delaware. A vote FOR this proposal constitutes approval of the form of Second Amended and Restated Certificate of Incorporation as it relates to the increase in the number of shares of authorized Class A Common Stock. We cannot complete the private placement or implement the amendment to our 2004 Incentive Plan and in all likelihood will not be able to complete the Rand acquisition unless this proposal to increase the number of shares of authorized Class A Common Stock is approved by the stockholders at the Special Meeting.

The increase in the number of shares of authorized Class A Common Stock as reflected in Proposal II does not alter or change the powers, preferences, or special rights of the holders of our existing shares of Class A Common Stock, Class B Common Stock or Class C Common Stock.

Increase in the Number of Shares of Authorized Class A Common Stock

The amendment to our certificate of incorporation will increase the number of shares of authorized Class A Common Stock from 70,000,000 shares to 300,000,000 shares.

The board of directors recommends increasing the number of shares of our authorized Class A Common Stock in order to have a sufficient number of shares of our Class A Common Stock available to reserve for issuance upon conversion of the Class D Common Stock and exercise of the warrants issued under the Private Placement Agreements (see Proposal IV), for issuance of the Class A Common Stock in connection with the Rand acquisition (see Proposal IV) and to reserve for issuance in connection with the amendment to our 2004 Incentive Plan (see Proposal V). Assuming the issuance of shares of our stock in connection with the private placement is approved by our stockholders, we will be obligated to (i) initially reserve for issuance pursuant to conversion of the Class D Common Stock such number of shares of Class A Common Stock representing upon conversion 19.375% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock described below (see Proposal IV) but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital and (ii) reserve for issuance pursuant to exercise of warrants such number of Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock described above but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital. In addition, we must also have shares of Class A Common Stock available for issuance in connection with previously granted stock options and other stock based awards as well as any future grants under our 2004 Incentive Plan (particularly if Proposal V is approved) and our other option plans as well as our outstanding convertible notes and other existing convertible securities.

We may need additional shares of Class A Common Stock to set aside for the possible conversion of our Class B Common Stock and Class C Common Stock. The conversion factors for the Class B Common Stock and Class C Common Stock fluctuate based on the market price of our Class A Common Stock. Based on recent trading prices for our Class A Common Stock, we may not currently have enough shares of Class A Common Stock to satisfy the conversion of all of the Class B Common Stock and Class C Common Stock should all holders of the Class B Common Stock and Class C Common Stock seek to exercise their conversion rights. As a condition to consummation of the private placement, Phoenix and Brantley IV are requiring that all holders of shares of Class B Common Stock

and Class C Common Stock convert those shares to shares of Class A Common Stock, or that such shares of Class B Common Stock and Class C Common Stock otherwise be acquired by us and retired prior to consummation of the private placement. Due to the fluctuating nature of the conversion factors, management is unable to determine with certainty at this time how many shares of Class A Common Stock will be necessary to satisfy this conversion obligation and the conversion obligation in connection with the remainder of the Class B Common Stock and Class C Common Stock when and if it is exercised. The number of additional shares of Class A

Common Stock requested in this proposal (and included in the increase in authorized capital stock reflected in Proposal I) includes management s reasonable estimation of the number of shares of Class A Common Stock that would be required to satisfy these conversion obligations if the trading price of our Class A Common Stock does not decrease below $0.10 per share. The closing price of our Class A Common Stock on the record date, September 5, 2006, was $0.25 per share.

No Dissenter s Rights

Under the Delaware General Corporation Law, our stockholders are not entitled to dissenter s rights with respect to the increase in the number of shares of authorized Class A Common Stock, and we will not independently provide stockholders with any such right.

Required Stockholder Approval

The affirmative vote of the holders of a majority of the votes attributable to the then outstanding shares of Common Stock voting together as a single class will be required to approve this proposal. As such, abstentions and broker non-votes will have the same effect as a vote AGAINST this proposal. If our stockholders approve the increase in the number of shares of authorized Class A Common Stock, as well as Proposals I, III and IV, such increase in the number of shares will become effective upon our filing of the Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware, which is expected to take place immediately prior to the consummation of the private placement and the Rand acquisition.

THE BOARD OF DIRECTORS RECOMMENDS THAT ALL STOCKHOLDERS VOTE FOR APPROVAL OF THE INCREASE IN THE NUMBER OF SHARES OF AUTHORIZED CLASS A COMMON STOCK.

PROPOSAL III

APPROVAL OF THE AMENDMENT TO OUR CERTIFICATE OF INCORPORATION TO CREATE THE CLASS D COMMON STOCK

Our board of directors has approved and is recommending to our stockholders for approval at the Special Meeting a proposal to designate 50,000,000 shares of our Common Stock as Class D Common Stock and to establish the rights and preferences of such shares.

If this proposal is approved and if Proposals I, II and IV are approved and the private placement is ready to be consummated, we will amend and restate our certificate of incorporation to create the Class D Common Stock in the manner provided in the form of Second Amended and Restated Certificate of Incorporation attached as Annex D. The form of Second Amended and Restated Certificate of Incorporation includes provisions for each of Proposals I, II and III and assumes that all three proposals will be approved by our stockholders. Because the implementation of Proposals I, II, III and IV are interdependent, if Proposals I, II, III and IV are not approved then we will not make any of the changes proposed in the form of Second Amended and Restated Certificate of Incorporation and will not file it with the Secretary of State of Delaware. A vote FOR this proposal constitutes approval of the form of Second Amended and Restated Certificate of Incorporation as it relates to the designation of the Class D Common Stock and establishment of the rights and preferences related to such shares. We cannot complete the private placement unless this proposal to create the Class D Common Stock is approved at the Special Meeting.

Because approval of Proposal III and filing of the Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware would result in the elimination of our Class B Common Stock and Class C Common Stock, our current certificate of incorporation and Delaware law requires that we obtain the additional approval of the

holders of a majority of the shares of Class B Common Stock and Class C Common Stock voting separately as classes.

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Description of Our Existing Classes of Common Stock

Our existing certificate of incorporation currently authorizes three classes of common stock. The following is a summary of the terms of our existing Class A Common Stock, Class B Common Stock and Class C Common Stock. Except as set forth below, the Class B Common Stock and Class C Common Stock have the same rights and preferences as our Class A Common Stock.

Voting Rights

Each holder of Class A Common Stock, Class B Common Stock or Class C Common Stock is entitled to one vote with respect to each share of Class A Common Stock, Class B Common Stock or Class C Common Stock held by such holder (regardless of class). The Class A Common Stock, Class B Common Stock and the Class C Common Stock vote together as a single class on all matters, except as otherwise required by the Delaware General Corporation Law or in the event of certain actions adversely affecting the rights and preferences of the Class B Common Stock or Class C Common Stock as more fully specified in our certificate of incorporation.

Subject to the provisions of Section 242(b)(2) of the Delaware General Corporation Law, any term or provision of our certificate of incorporation may be amended, and the number of authorized shares of our capital stock may be increased or decreased, by the affirmative vote of holders of a majority of the votes attributable to the then outstanding shares of Class A Common Stock, Class B Common Stock and Class C Common Stock voting together as a single class. Notwithstanding the foregoing, our certificate of incorporation currently provides that so long as any shares of either the Class B Common Stock or Class C Common Stock are outstanding, the certificate of incorporation may not be amended without the approval of the holders of a majority of the outstanding shares of the Class B Common Stock and/or Class C Common Stock, as applicable, voting separately as a class if such amendment would limit or otherwise modify the powers, designations, preferences, privileges or relative, participating, optional or other special rights of such class, whether by amendment or modification of the certificate of incorporation, by operation of a merger or combination or otherwise. However, the certificate of incorporation does provide that the number of authorized shares of any class or classes of capital stock may be increased or decreased (but not below the number of shares then outstanding) by affirmative vote of the holders of a majority of the votes attributable to then outstanding shares of Common Stock voting together as a single class. Therefore, no separate class vote would be required in this instance with respect to the increases in shares of authorized capital stock and authorized Class A Common Stock set forth in Proposals I and II. However, a separate class vote of the holders of the shares of Class B Common Stock and Class C Common Stock is required in connection with Proposal III because the creation of the Class D Common Stock in accordance with the terms of the form of Second Amended and Restated Certificate of Incorporation requires the elimination of the Class B Common Stock and Class C Common Stock.

Distributions

Subject to the terms of any preferred stock that our board of directors has the authority to designate and issue in the future, all distributions made by us to our stockholders shall be made to the holders of Class A Common Stock, Class B Common Stock and Class C Common Stock in the following order of priority:

> First, the holders of the shares of Class B Common Stock (other than shares concurrently being converted into Class A Common Stock), as a single and separate class, are entitled to receive all distributions until there has been paid with respect to each such share from amounts then and previously distributed an amount equal to $1.15, plus an amount equal to nine percent (9%) per annum on such amount, without compounding, from the date the Class B Common Stock was first issued.

Second, the holders of the shares of Class C Common Stock (other than shares concurrently being converted into Class A Common Stock), as a single and separate class, are entitled to receive all distributions until there has been paid with respect to each such share from amounts then and previously distributed an amount equal to $3.30. After the full required distributions have been made to the holders of shares of Class C Common Stock (other than shares concurrently being converted into Class A Common Stock) as described in the previous sentence, each share of Class C Common Stock then outstanding must be retired and may not be reissued, and the holder thereof must surrender the certificates evidencing the shares to us.

Third, after the full distributions have been made to the holders of the shares of Class B Common Stock and Class C Common Stock as described above, all holders of the shares of Class A Common Stock and Class B Common Stock, as a single class, are thereafter entitled to receive all remaining distributions pro rata based on the number of outstanding shares of Class A Common Stock or Class B Common Stock held by each holder, provided that for purposes of such remaining distributions, each share of Class B Common Stock shall be deemed to have been converted into one share of Class A Common Stock (subject to adjustment of such conversion ration in respect of stock splits, combinations, stock dividends and certain other actions as more fully specified in our certificate of incorporation).

All such distributions must be made ratably among the holders of the class of Common Stock in question, based on the number of shares of such class held or deemed to be held by such holders.

Certain events, however, are not considered a distribution for purposes of determining the priority of distributions described above. Such events include: (a) any redemption or repurchase by us of any shares of Class A Common Stock or Class B Common Stock pursuant to the provisions of any other agreement with any of our or our subsidiaries directors, officers or employees, (b) any subdivision or increase in the number of (by stock split, stock dividend or otherwise), or any combination in any manner of, the outstanding shares of Class A Common Stock or Class B Common Stock in accordance with our certificate of incorporation, (c) a merger, share exchange or consolidation after the consummation of which our stockholders immediately prior to such merger, share exchange or consolidation effectively have the power to elect a majority of the board of directors of the surviving corporation or its parent corporation and (d) any other distribution, redemption, repurchase or other action at any time when there is any share of Class B Common Stock outstanding if the holders of a majority of the shares of Class B Common Stock then outstanding determine that such distribution, redemption, repurchase or other action shall not constitute a distribution for purposes of the above.

If our sale or liquidation occurs, or if we enter into a merger or business combination, the liquidation and distribution preferences of the Class B Common Stock and Class C Common Stock would result in the holders of Class B Common Stock and Class C Common Stock receiving a greater portion of the proceeds of such a transaction than such holders would be entitled to if the proceeds were allocated to holders of common stock pro rata based on their portion of our total equity. That is, in a sale, liquidation, merger or business combination, the payment of the preferences described above means that holders of Class B Common Stock and Class C Common Stock receive a share of the proceeds first, and then any remaining proceeds are divided among all of the shareholders of all classes of common stock. For example, if we were sold for a price at or near the amount of the preferences owed to holders of Class B and Class C Common Stock, there could be little or nothing left for distribution to holders of Class A Common Stock after such preferences are paid.

Conversion

Holders of shares of Class B Common Stock have the option to convert their shares of Class B Common Stock into shares of Class A Common Stock at any time based on a conversion factor in effect at the time of the conversion. The conversion factor is designed to yield one share of Class A Common Stock per share of Class B Common Stock converted, plus such additional shares of Class A Common Stock, or portions thereof, necessary to approximate the unpaid portion of $1.15 per share, plus an amount equal to nine percent (9%) per annum on such amount, without compounding, from the date the Class B Common Stock was first issued to the date of conversion. The conversion factor is calculated based on a number equal to one plus the quotient of $1.15, plus 9% per annum (not compounded), divided by the fair market value (which is determined by reference to the prices at which Class A Common Stock trades immediately prior to the conversion). Therefore, so long as the Class B Common Stock has not yet received a full return of its $1.15 and a 9% rate of return, if the market value of a share of Class A Common Stock increases, a

share of Class B Common Stock will convert into fewer shares of Class A Common Stock, and if the market value of Class A Common Stock shares decreases, a share of Class B Common Stock will convert into more shares of Class A Common Stock. As of the record date, the current conversion factor is 6.313441095890 (one share of Class B Common Stock converts into 6.313441095890 shares of Class A Common Stock), and is subject to adjustment to account for anti-dilution protection, stock splits, stock dividends and certain other actions as more fully specified in our certificate of incorporation.

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Holders of shares of Class C Common Stock have the option to convert their shares of Class C Common Stock into shares of Class A Common Stock at any time based on a conversion factor in effect at the time of the conversion. The conversion factor is designed initially to yield one share of Class A Common Stock per share of Class C Common Stock converted, with the number of shares of Class A Common Stock reducing to the extent that distributions are paid on the Class C Common Stock. The conversion factor is calculated as (x) the amount by which $3.30 exceeds the aggregate distributions made with respect to a share of Class C Common Stock divided by (y) $3.30. As of the record date, the current conversion factor is one (one share of Class C Common Stock converts into one share of Class A Common Stock) and is subject to adjustment to account for stock splits, stock dividends, combinations or other similar events affecting Class A Common Stock.

Notwithstanding the Class C Common Stock conversion formula described above, if the fair market value used in determining the conversion factor for the Class B Common Stock in connection with any conversion of Class B Common Stock is less than $3.30 (subject to adjustment to account for stock splits, stock dividends, combinations or other similar events affecting Class A Common Stock), holders of shares of Class C Common Stock have the option to convert their shares of Class C Common Stock (within 10 days of receipt of notice of the conversion of the Class B Common Stock) into a number of shares of Class A Common Stock equal to (x) the amount by which $3.30 exceeds the aggregate distributions made with respect to a share of Class C common stock divided by (y) the fair market value used in determining the conversion factor for the Class B Common Stock. The aggregate number of shares of Class C Common Stock so converted by any holder shall not exceed a number equal to (a) the number of shares of Class C Common Stock held by such holder immediately prior to such conversion plus the number of shares of Class C Common Stock previously converted into Class A Common Stock by such holder multiplied by (b) a fraction, the numerator of which is the number of shares of Class B Common Stock converted at the lower price and the denominator of which is the aggregate number of shares of Class B Common Stock issued on December 15, 2004. Assuming conversion of the shares of Class B Common Stock at $0.25 on the record date, the conversion factor would be 13.2 (one share of Class C Common Stock converts into 13.2 shares of Class A Common Stock).

Rights and Preferences of the Class D Common Stock

Except as set forth below, the Class D Common Stock will have the same rights and preferences as our Class A Common Stock:

The holders of the Class D Common Stock will have priority in certain distributions made to the other holders of Common Stock. The holders of the shares of Class D Common Stock (other than shares concurrently being converted into Class A Common Stock), as a single and separate class, will be entitled to receive all distributions until there has been paid with respect to each such share from amounts then and previously distributed an amount equal to 9% per annum on the Class D issuance amount, without compounding, from the date the Class D Common Stock is first issued.

In addition to receiving any accrued but unpaid distributions described above, the holders of the Class D Common Stock will have the right to receive distributions *pari passu* with the holders of the shares of the Class A Common Stock, assuming for purposes of such calculation that each share of Class D Common Stock represented one share of Class A Common Stock (subject to adjustment to such conversion ratio for subsequent issuances by us of shares of our capital stock, or rights to acquire such shares, for less than the price the holders of the Class D Common Stock paid for their shares and for stock splits, combinations, stock dividends and certain other actions as more fully specified in our certificate of incorporation).

The holders of a majority of the Class D Common Stock have the ability to authorize any payment that might otherwise be considered a distribution for purposes of our certificate of incorporation to be excluded from the distribution priority provisions described above.

Each share of Class D Common Stock will be entitled to one vote. The Class D Common Stock will vote together with all other classes of our Common Stock and not as a separate class, except as otherwise required by law or in the event of certain actions adversely affecting the rights and preferences of the Class D Common Stock as more fully specified in our certificate of incorporation.

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At the option of each holder of Class D Common Stock, exercisable at any time and from time to time by notice to us, each outstanding share of Class D Common Stock held by such investor will convert into a number of shares of Class A Common Stock equal to the Class D Conversion Factor in effect at the time such notice is given. The Class D Conversion Factor will initially be one share of Class A Common Stock for each share of Class D Common Stock, subject to adjustment to such conversion ratio for subsequent issuances by us of shares of our capital stock, or rights to acquire such shares, for less than the price the holders of the Class D Common Stock paid for their shares and for stock splits, combinations, stock dividends and certain other actions as more fully specified in our certificate of incorporation.

A copy of the form of Second Amended and Restated Certificate of Incorporation including the amendments proposed herein is attached to this Proxy Statement as Annex D. The form of Second Amended and Restated Certificate of Incorporation eliminates the terms of the Class B Common Stock and the Class C Common Stock because it is a condition to closing of the private placement that all of these shares are either converted into shares of Class A Common Stock or purchased by us and retired. Therefore, approval of Proposal III would result in elimination of the Class B Common Stock and the Class C Common Stock.

No Dissenter s Rights

Under the Delaware General Corporation Law, our stockholders are not entitled to dissenter s rights with respect to the designation of the Class D Common Stock and the establishment of the rights and preferences with respect to such shares, and we will not independently provide stockholders with any such right.

Required Stockholder Approval

The affirmative vote of each of the following will be required to approve this proposal: (i) the holders of a majority of the votes attributable to the then outstanding shares of Common Stock voting together as a single class, (ii) the holders of a majority of the votes attributable to the then outstanding shares of Class B Common Stock voting separately as a class and (iii) the holders of a majority of the votes attributable to the then outstanding shares of Class C Common Stock voting separately as a class. As such, abstentions and broker non-votes will have the same effect as a vote AGAINST this proposal. If our stockholders approve the creation of the Class D Common Stock, subject to approval by the stockholders of Proposals I, II and IV, it will become effective upon our filing of the Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware, which is expected to take place immediately prior to the completion of the private placement.

THE BOARD OF DIRECTORS RECOMMENDS THAT ALL STOCKHOLDERS VOTE FOR APPROVAL OF THE CREATION OF THE CLASS D COMMON STOCK.

PROPOSAL IV

APPROVAL OF THE ISSUANCE OF ADDITIONAL SHARES OF OUR STOCK

The discussion in this Proxy Statement of the principal terms of the Private Placement Agreement, among Phoenix, Brantley IV and us is subject to and is qualified in its entirety by reference to each of the Private Placement Agreements. Copies of the Stock Purchase Agreement and the Note Purchase Agreement are attached as Annex A and Annex B, respectively, to this Proxy Statement and both agreements are incorporated into this Proxy Statement by reference.

General Description of the Private Placement

We have entered into a Stock Purchase Agreement dated as of September 8, 2006 with Phoenix and Brantley IV. Pursuant to the terms of the Stock Purchase Agreement, we will, subject to stockholder approval and satisfaction of the other closing conditions set forth therein, issue, for an aggregate purchase price of $4,650,000, such number of shares of our Class D Common Stock representing upon conversion 19.375% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital.

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We have also entered into a Note Purchase Agreement dated as of September 8, 2006 with Phoenix. Pursuant to the terms of the Note Purchase Agreement, we will, subject to stockholder approval and satisfaction of the other closing conditions set forth therein, issue, for an aggregate purchase price of $3,350,000, (i) our senior unsecured subordinated promissory notes due 2011 in the original principal amount of $3,350,000 and (ii) warrants to purchase shares of our Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock described above but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital.

Background

The terms of the Private Placement Agreements are the result of negotiations between us and representatives of Phoenix and Brantley IV, as approved by a special committee of our board of directors consisting of David Crane and Joseph M. Valley, Jr. The following is a discussion of the background of these negotiations, the private placement and related transactions.

In April 2005, we announced the initiation of a strategic plan designed to accelerate our growth and enhance our future earnings potential. The plan was to focus on our strengths, which include providing billing, collections and complementary business management services to physician practices. As part of this strategic plan, we announced that we would begin to divest certain non-strategic assets. In addition, we announced that we would cease investment in business lines that do not complement our strategic plan and would redirect financial resources and company personnel to areas that we believe enhance long-term growth potential.

In the third quarter of 2005, we successfully completed the consolidation of corporate functions into our Roswell, Georgia facility and also completed a series of divestitures of non-strategic assets in late 2005 and early 2006. With the completion of these divestitures, we believe that we are now positioned to focus on our physician services business and the physician billing and collections market, leveraging our existing presence to expand into additional geographic regions and increase the range of services we provide to physicians. Part of this strategy is to acquire financially successful billing companies focused on providing services to hospital-based physicians and increasing sales and marketing efforts in existing markets.

We determined that any acquisitions would require additional capital, and, in November 2005, we made a determination to explore potential sources of financing. At that time we engaged the investment banking firm of Stephens, Inc. to help us identify sources of financing, as well as help us structure the financing required for us to complete potential acquisitions.

During the first and second quarters of 2006 we identified a number of potential acquisition candidates in the physician billing and collection businesses. We approached several of these candidates regarding a potential acquisition and were able to come to an agreement in principal with a few of these business owners. In January 2006 we negotiated a non-binding letter of intent with the owners of the On Line businesses, and after conducting our diligence investigations into their financial, legal and business operations, we began negotiating definitive agreements. Likewise, in March 2006, we negotiated a non-binding letter of intent with the owner of the Rand business, and after conducting our diligence investigations into their financial, legal and business operations, we began negotiating definitive agreements. These negotiations resulted in our execution of the Stock Purchase Agreement, dated September 8, 2006, with the stockholder of Rand and the Stock Purchase Agreement, dated September 8, 2006, with the stockholders of the On Line businesses. While these businesses do not represent the only acquisition candidates with which management negotiated and conducted diligence investigations, they represent the businesses that management was most desirous of acquiring at this time.

During the time that management was negotiating with the owners of Rand and On Line, management, with the assistance of Stephens, identified potential investors to approach with respect to providing financing for our ongoing business operations and these potential acquisitions. After months of discussions and meetings with many of these parties, we were ultimately able to reach agreement on terms of the private placement with Phoenix and Brantley IV.

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Because of the affiliation of Messrs. Cascio and Finn with Brantley IV, which is a purchaser under the Stock Purchase Agreement, and because Phoenix is a limited partner of Brantley IV, our board of directors appointed a special committee of the board of directors to consider all aspects of the negotiation and approval of the Private Placement Agreements with Brantley IV and Phoenix on behalf of our board of directors. The special committee was appointed on July 19, 2006 and consisted of David Crane and Joseph M. Valley, Jr. During the negotiation of the Private Placement Agreements, we, on the one hand, and Brantley IV and Phoenix, on the other hand, were separately represented by counsel. Additionally, the special committee engaged an independent firm, Valuation Research Corporation, to evaluate the price to be paid in the issuance of the Class D Common Stock for fairness from a financial point of view to our stockholders other than Brantley IV and Phoenix.

Our execution of the Private Placement Agreements with Phoenix and Brantley IV was announced in a Current Report on Form 8-K filed with the SEC on September 8, 2006. In addition, in this Current Report on Form 8-K we also reported that we entered into two separate stock purchase agreements to purchase businesses that complement and expand our current billing and collections businesses, Rand and On Line, and our acquisition of Class B Common Stock from Brantley Capital. The Private Placement Agreements are attached to this Proxy Statement as Annex A and B, and the Rand stock purchase agreement is attached to this Proxy as Annex C. The stock purchase agreement relating to the On Line acquisition and the purchase agreement with Brantley Capital are attached as exhibits to our Current Report on Form 8-K filed with the SEC on September 8, 2006. We recommend that you review these documents.

Necessity for Stockholder Approval

As a result of our Class A Common Stock being listed for trading on AMEX, issuances of our Common Stock are subject to the provisions of the AMEX Company Guide, including Sections 712 and 713. Pursuant to Section 712 of the AMEX Company Guide, prior to seeking to have any additional shares of our Class A Common Stock listed on AMEX in connection with any such transactions, we must seek stockholder approval for the issuance of any shares of our Class A Common Stock as sole or partial consideration for an acquisition of the stock or assets of another company if, among other things, the present or potential issuance of our Class A Common Stock (or securities convertible into our Class A Common Stock) could result in an increase by 20% or more in the number of our outstanding shares of Class A Common Stock.

Similarly, pursuant to Section 713 of the AMEX Company Guide, prior to seeking to have any additional shares of our Class A Common Stock listed on AMEX in connection with any such transaction, we must seek stockholder approval whenever we agree to sell, issue or potentially issue any shares of our Class A Common Stock (or securities convertible into our Class A Common Stock) either: (i) at a price less than the greater of book or market value which together with sales by our officers, directors or principal stockholders equals 20% or more of the number of shares of our presently outstanding Class A Common Stock (on an as converted basis) or (ii) equal to 20% or more of the number of shares of our presently outstanding Class A Common Stock (on an as converted basis) at a price less than the greater of book or market value of the Class A Common Stock.

Pursuant to the terms of the Private Placement Agreements and as more fully described in this Proxy Statement under Proposal IV, we intend to issue (i) shares of our Class D Common Stock, representing upon conversion 19.375% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital and (ii) warrants to purchase shares of our Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, taking into account the issuance of the shares of Class D Common Stock described in this Proxy Statement but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from

Brantley Capital. In addition, pursuant to the terms of the stock purchase agreement for the acquisition of Rand and as more fully described in this Proxy Statement under Proposal IV, we have agreed to issue such number of shares of our Class A Common Stock having a value of $600,000 based on the average closing price per share of our Class A Common Stock for the twenty day period prior to the closing of the acquisition of Rand.

If we were to consummate the private placement and the Rand acquisition as of our record date, September 5, 2006, we would be obligated to issue 20,662,163 shares of Class D Common Stock (representing 18.4% of our Class A Common Stock on an as converted basis) pursuant to the Private Placement Agreements, warrants to purchase 1,191,207 shares of our Class A Common Stock (representing 1.1% of our Class A Common Stock on an as converted basis) pursuant to the Private Placement Agreements and 2,400,000 shares of our Class A Common Stock (representing 2.1% of our Class A Common Stock on an as converted basis) in connection with the Rand acquisition. The closing price of our Class A Common Stock on the record date was $0.25 per share. While none of these transactions individually would require issuances in excess of 20% of our outstanding Class A Common Stock (on an as converted basis), the combination of all three issuances will exceed 20% of our outstanding Class A Common Stock (on an as converted basis) and some of the issuances would be made at a discount to our market value. Representatives of AMEX have advised us that they would aggregate these three transactions for purposes of determining whether stockholder approval is required under Sections 712 and 713 of the AMEX Company Guide. Therefore, our board of directors has decided to submit Proposal IV to our stockholders for their consideration and approval prior to consummating these transactions.

Use of Proceeds

Some or all of the proceeds we receive upon consummation of the transactions set forth in the Private Placement Agreements, along with proceeds from senior bank financing and other funds available to us, will be used to finance a portion of the acquisitions of the Rand and On Line businesses, our purchase of certain shares of our Class B Common Stock from Brantley Capital and for general working capital purposes.

Interests of Our Directors and Officers in the Private Placement

Phoenix is a limited partner in Brantley IV and Brantley Partners V, L.P. Two of our directors, Paul H. Cascio and Michael J. Finn, are affiliated with Brantley IV and its related entities. Pursuant to the Stock Purchase Agreement, Phoenix and Brantley IV will pay $3,000,000 and $1,650,000, respectively, for the purchase of shares of our Class D Common Stock. Also, pursuant to the Note Purchase Agreement, Phoenix will pay $3,350,000 for our senior subordinated and notes and our warrants. Paul Cascio and Michael J. Finn serve as general partners of the general partner of Brantley III and Brantley IV and are limited partners in these funds. Neither Phoenix, Brantley IV nor Messrs. Cascio or Finn are affiliated with Brantley Capital. The advisor to Brantley III is Brantley Venture Management III, L.P. and the advisor to Brantley IV is Brantley Management IV, L.P.

Because of the affiliation of Messrs. Cascio and Finn with Brantley IV, which is a purchaser under the Stock Purchase Agreement, and because Phoenix is a limited partner of Brantley IV, our board of directors appointed a special committee of the board of directors to consider all aspects of the negotiation and approval of the Private Placement Agreements with Brantley IV and Phoenix on behalf of our board of directors. The special committee consists of David Crane and Joseph M. Valley, Jr. When you consider the recommendation of our board of directors and the special committee that you vote FOR the adoption of Proposal IV, you should keep in mind that Messrs. Cascio and Finn may have interests in the private placement that are different from, or in addition to, your interest as a stockholder.

Our special committee was aware of these affiliations during its deliberations on the merits of the issuance of the shares of Class D Common Stock and the warrant to purchase shares of Class A Common Stock as part of the private placement and in determining to recommend to our stockholders that they vote FOR approval of the issuance of the Class D Common Stock and the warrant to purchase shares of Class A Common Stock pursuant to the Private Placement Agreements.

Our Reasons for the Private Placement and Recommendation of Our Board of Directors and Special Committee

Our special committee has concluded that the terms of the Private Placement Agreements with Brantley IV and Phoenix are in the best interests of our stockholders and that the consummation of the private placement in accordance with the terms of the Private Placement Agreements (including the issuance of the Class D Common Stock and the warrants to purchase shares of Class A Common Stock) is in the best interests of our stockholders.

In approving the Private Placement Agreements and the issuance of our shares pursuant to the Private Placement Agreements, our special committee relied on information (including financial information) relating to our strategic plan, selected acquisition targets, the regulatory environment and industry, and the available financing opportunities. In addition, the special committee considered Valuation Research Corporation s opinion that, based on conditions and considerations described in its opinion, the price to be paid for the Class D Common Stock to us is fair from a financial point of view to the stockholders other than Brantley IV and Phoenix.

In addition, our special committee considered a wide variety of factors in connection with its evaluation of the Private Placement Agreements. In light of the complexity of those factors, the special committee did not consider it practicable to, nor did it attempt to quantify or otherwise assign relative weights to specific factors it considered in reaching its decision. Some of the factors considered by the special committee are as follows:

- the proceeds from the private placement will enable us to complete acquisitions contemplated by our current growth strategy;
- the overall market for billing, collections and complementary business management services to physician practices;
- historical information concerning our business focus, financial performance and condition, operations, technology and management;
- management s view of our financial condition, results of operations and business before and after giving effect to the acquisitions of Rand and On Line, and the effect on stockholder value;
- current financial market conditions, historical stock market prices, volatility and trading information;
- the consideration to be received by us for our Class D Common Stock and the issuance of the warrants to purchase shares of Class A Common Stock; and
- the specific negotiated terms of the Private Placement Agreements.

Opinion of Financial Advisor

On July 21, 2006, our board of directors retained Valuation Research Corporation to provide an opinion to the board of directors and the special committee as to the fairness, from a financial point of view, to the stockholders other than Brantley IV and Phoenix of the price to be paid for the shares of Class D Common Stock to be issued to Brantley IV and Phoenix pursuant to the Stock Purchase Agreement.

On August 25, 2006, Valuation Research Corporation made an oral presentation to the special committee consisting of a preliminary overview of the methodologies it was undertaking and the analysis it was performing with respect to its opinion. After discussion with the special committee and further analysis, Valuation Research Corporation presented its opinion both orally and in writing on September 8, 2006 stating that, as of such date, and subject to the assumptions, limitations and qualifications set forth in its written opinion, the price to be paid for the shares of Class D Common Stock to be issued to Brantley IV and Phoenix pursuant to the Stock Purchase Agreement is fair to the stockholders, other than Brantley IV and Phoenix, from a financial point of view.

In undertaking its analysis Valuation Research Corporation, among other things, (i) reviewed drafts of relevant transaction documents; (ii) reviewed historic and projected financial information from our management; (iii) conducted an in-person visit to our corporate headquarters and held telephonic discussions with certain members

of our management team with respect to, among other subjects, our past, present, and future operating and financial conditions; (iv) reviewed public information regarding our industry, including with respect to certain publicly traded companies that Valuation Research Corporation deemed comparable to us and certain mergers and acquisitions involving businesses that Valuation Research Corporation deemed comparable to us; and (v) conducted such other reviews, analyses and inquiries and considered such other economic, industry, market, financial, other information and data as they deemed appropriate.

Overview of Opinion

Valuation Research Corporation s opinion is not intended to be, and does not constitute, a recommendation to any stockholder as to how such stockholder should vote with respect to the proposals set forth in this Proxy Statement. Valuation Research Corporation s opinion does not address the fairness of the consideration to be paid, or received, in connection with or the fairness of the acquisitions of Rand or On Line. In addition, Valuation Research Corporation does not express any opinion other than with respect to the fairness, from a financial point of view, to the stockholders other than Brantley IV and Phoenix of the price to be paid for the shares of Class D Common Stock to be issued to Brantley IV and Phoenix pursuant to the Stock Purchase Agreement.

Valuation Research Corporation presented its analysis, as described below, at the meeting of the special committee on September 8, 2006, in connection with the special committee s consideration of the approval of the terms of the Stock Purchase Agreement, including the issuance of the shares of Class D Common Stock. Valuation Research Corporation s opinion assumes that we are a going concern and gives effect to the consummation of the transactions described in this Proxy Statement. For purposes of conducting its analysis, Valuation Research Corporation s opinion assumes that the closing price of our Class A Common Stock at the time of consummation of the transactions described in this Proxy Statement is the same as it was on September 7, 2006, $0.23 per share. Based on this assumption Valuation Research Corporation calculated that 21,969,024 shares of Class D Common Stock would be sold to the investors for $4,650,000.

In undertaking its analysis, Valuation Research Corporation deemed that the $4,650,000 of consideration to be received by us in exchange for issuance of the Class D Common Stock consists of two components of value: (1) the value associated with the 9% per annum, non-compounding dividend on the shares of Class D Common Stock (the Dividend Preference) and (2) the residual equity value of the shares of Class D Common Stock (the Class D Common Equity or Class D Common Equity Value). Valuation Research Corporation used an internal rate of return analysis to allocate the $4,650,000 purchase price between the Class D Common Equity Value and the Dividend Preference value. Applying a 20.5% discount rate over five years, Valuation Research Corporation determined that the Dividend Preference had a value of $825,000, which resulted in a Class D Common Equity Value of $3,825,000. Valuation Research Corporation further determined, based on the Class D Common Equity Value and the number of shares of Class D Common Stock to be issued, that the investors would be paying a cash price of $0.17 per Class D Common Equity share.

Valuation Research Corporation used several methodologies to assess the fairness, from a financial point of view, of the deemed $0.17 price per Class D Common Equity share. The following is a summary of the financial analyses performed by Valuation Research Corporation in connection with rendering its opinion. The full text of Valuation Research Corporation s opinion, dated September 8, 2006, which describes, among other things, the limitations on such opinion as well as the assumptions and qualifications made, general procedures followed, and matters considered by Valuation Research Corporation in its review, is attached as Annex E to this Proxy Statement. **The summary of Valuation Research Corporation s opinion contained in this Proxy Statement is qualified in its entirety by reference to the full text of the opinion. You are urged to carefully read Valuation Research Corporation s opinion in its entirety, especially with respect to the qualifications and limitations set forth in it.**

Valuation Research Corporation s analyses included a fundamental valuation of us using a market and acquisition multiples approach and a discounted cash flow approach.

Valuation Research Corporation performed each of the following analyses based upon its view that each is appropriate and reflective of generally accepted valuation methodologies in light of the industries in which we operate, our trading volume relative to total shares outstanding, the accessibility of information regarding comparable publicly-traded companies and the availability of projections from our management. Further, Valuation Research Corporation did not

rely exclusively on any one methodology but rather it considered all of the following methodologies in arriving at its conclusions.

No company, transaction or business used in the market and acquisition multiples approach as a comparison is identical to us. Accordingly, an analysis of the results of the foregoing is not entirely mathematical; rather it involves complex considerations and judgments concerning differences in the financial and operating

characteristics and other factors that could affect the acquisitions, public trading and other values of the comparable companies, selected transactions or the business segment, company or transactions to which they are being compared. The analyses were prepared solely for purposes of Valuation Research Corporation s opinion to our special committee as to the fairness, from a financial point of view, of the price to be paid for the Class D Common Stock.

Market and Acquisition Multiples Approach

The purpose of the market and acquisition multiples approach is to determine a range of values for shares of our Class A Common Stock on a fully diluted basis, which range is then compared to the $0.17 per share price deemed to be paid for the Class D Common Equity on a fully converted basis.

This approach to valuation involves the analysis of certain other publicly-traded companies and companies that have been acquired in recent change-of-control transactions that Valuation Research Corporation selected because they have certain business operations, financial characteristics and fundamental economic and industry drivers that provide a reasonable basis for comparison to us for valuation purposes. The analysis involves comparing financial and operating data, such as earnings and cash flow, to aggregate market value of equity and/or enterprise value (or aggregate value of equity plus debt, preferred stock and minority interest, net of cash) to generate valuation metrics, or multiples. The associated multiples, are derived from publicly-traded stock prices and acquisitions of controlling interests in companies. The multiples exhibited from the publicly-traded stock prices and from the selected change-of-control transactions are then used as a basis for selecting an appropriate range of multiples for us to generate a range of per share values for Class A Common Stock on a fully diluted basis, which range is then compared to the $0.17 per share price deemed to be paid for the Class D Common Equity. Multiples are generally regarded as an expression of what investors believe to be an appropriate rate of return for a particular security given the inherent risks of ownership of such security.

Accordingly, in connection with this analysis, Valuation Research Corporation reviewed certain financial information of publicly-traded companies engaged in the healthcare industry. The publicly-traded companies selected by Valuation Research Corporation for analysis included Triad Hospitals Inc., Universal Health Services Inc., Lifepoint Hospitals, Inc., Per-Se Technologies Inc., Alliance Imaging Inc., AmSurg Corp, Symbion Inc., Eresearchtechnology Inc., U.S. Physical Therapy Inc., Sunlink Health Systems, Inc., Propspect Medical Holdings, Inc., UCI Medical Affiliates Inc., and Emergent Group Inc. Valuation Research Corporation noted that no single publicly-traded company used in this analysis is directly comparable to us.

Valuation Research Corporation calculated and considered certain financial ratios of the selected publicly-traded companies based on publicly available information, including, among others, the multiples of enterprise value (EV), the equity value of the comparable company plus all interest-bearing debt, preferred securities, and minority interests, less cash and cash equivalents to earnings before interest, taxes, depreciation and amortization (EBITDA) for, the latest twelve month period ended June 30, 2006 (LTM), as projected for the fiscal year ending December 31, 2006 (current fiscal year, or CFY), and as projected for the fiscal year ending December 31, 2007 (next fiscal year, or NFY). Enterprise value to EBITDA multiples are commonly used by investment bankers, institutional research analysts and other financial professionals to determine the value of companies in connection with the market and acquisition multiples approach. Valuation Research Corporation noted that mean and median the multiples for the selected publicly-traded company group as of September 7, 2006 were as follows:

	EV/EBITDA		
	LTM	**CFY**	**NFY**
Median	6.6x	7.5x	6.6x

Mean	7.2x	7.9x	6.7x

Accordingly, in connection with this analysis, Valuation Research Corporation reviewed certain publicly available financial information regarding transactions of companies engaged in lines of business in industries similar to us. Valuation Research Corporation identified announced change-of-control acquisitions of the following companies: HCA Inc., Beverly Enterprises Inc., Occupational Health & Rehabilitation Inc., NDC Health Corp, Select Medical Corp, US Oncology, Inc., Prime Medical Services, Inc., Landacorp Inc., Comprehensive Medical Imaging Inc., and Pro Vantage Health Services Inc.

This analysis resulted in indicated mean and median EV/ LTM EBITDA multiples of 7.5x and 7.1x, respectively. Enterprise value to EBITDA multiples are commonly used by investment bankers, institutional research analysts and other financial professionals to determine the value of companies in connection with change-of-control transactions.

Valuation Research Corporation derived enterprise value indications for us by applying multiples of 6.0x to 7.0x to our LTM, CFY, and NFY proforma EBITDA, which were adjusted for nonrecurring expenses such as professional fees, loss on sale of property, discontinued operations and consummation of the acquisitions of Rand and Online. In deriving our adjusted LTM, CFY and NFY EBITDA, Valuation Research Corporation assumed that we would not undertake any future acquisitions (other than the acquisitions of Rand and On Line) because our current financial position makes our ability to consummate future acquisitions speculative. Valuation Research Corporation subtracted all interest-bearing debt and Dividend Preference value and added cash and cash equivalents to the derived enterprise value to calculate the equity value. The equity value was divided by the proforma fully-diluted shares of Class A Common Stock outstanding assuming consummation of the transactions described in this Proxy Statement to determine the indications of equity value per share of Class A Common Stock. Using these assumptions, this approach yielded an implied price for our Class A Common Stock in the range of $0.03 to $0.07 per share on a fully diluted basis. The multiples selected were based on the mean and median multiples exhibited by the comparable publicly-traded companies and change-of-control transactions. Valuation Research Corporation noted that the $0.17 per share price deemed to be paid for the Class D Common Equity is above the range of values resulting from this analysis.

Valuation Research Corporation noted that the accuracy of this valuation methodology is dependent on the extent to which the selected publicly-traded companies are comparable to the company being analyzed and on the extent to which the selected change-of-control transaction target companies are comparable to the company being analyzed. In our case, Valuation Research Corporation observed that several of the publicly-traded companies and change-in-control target companies used in the analysis were of a different size than us, operated in channels different from us or operated in different economic environments than we do.

Discounted Cash Flow Approach

The purpose of the discounted cash flow approach is to determine a range of values for shares of our Class A Common Stock on a fully diluted basis, which range is then compared to the $0.17 per share deemed price to be paid for the Class D Common Equity. The discounted cash flow approach is another commonly used method of determining the value of a company. The approach involves calculating the present value of the estimated future debt free cash flows projected to be generated by the business and theoretically available (though not necessarily paid) to the capital providers of the company. The discounted cash flow approach involves calculating the present value of (i) the estimated debt free cash flows generated by a company and (ii) the value of the company at the end of the projection period, or terminal value. The present value of such amounts is determined by discounting the cash flows to present value using a discount rate that is intended to reflect all risks of ownership and the associated risks of realizing the stream of projected future cash flows. The discount rate can also be interpreted as the weighted average cost of capital or the rate of return that would be required by investors providing capital to a company to compensate them for the time value of their money and the risk inherent in the particular investment.

Valuation Research Corporation calculated a range of enterprise values for us as the sum of the present values of (i) our estimated future debt-free cash flows generated during the quarter ending September 30, 2006 through fiscal year ended 2011 and (ii) our terminal value at the end of the projection period. The estimated future debt-free cash flows were based on projections provided by our management. The range of our terminal values was calculated based on projected 2011 EBITDA and a range of EBITDA multiples of 5.5x to 6.5x. The representative EV/EBITDA multiple range was derived from a representative range of multiples observed with comparable public companies, acquisition transactions, and multiples paid by us in the transactions described in this Proxy Statement. Valuation

Research Corporation used discount rates ranging from 16.0% to 18.0% for us based on our estimated weighted average cost of capital. In calculating our EBITDA for purposes of this analysis, Valuation Research Corporation assumed that we would not undertake any future acquisitions (other than the acquisitions of Rand and On Line) because our current financial position makes our ability to consummate future acquisitions speculative. Valuation Research Corporation subtracted all interest-bearing debt and Dividend Preference value and added cash

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and cash equivalents to the derived enterprise value to calculate the equity value. The equity value was divided by the pro forma fully-diluted shares of Class A Common Stock outstanding assuming consummation of the transactions described in this Proxy Statement to determine the indications of equity value per share of Class A Common Stock. Using these assumptions, this analysis indicated an implied price for our Class A Common Stock in the range of $0.05 to $0.09 per share on a fully diluted basis. Valuation Research Corporation noted that the $0.17 per share price deemed to be paid for the Class D Common Equity is above the range of values indicated by this analysis.

While the discounted cash flow approach is a widely accepted and practiced valuation methodology, it relies on a number of assumptions, including revenue growth rates, profit margins, working capital ratios, capital expenditures, terminal multiples and discount rates.

Conclusion

On September 8, 2006, Valuation Research Corporation delivered an oral opinion to the special committee, which was reconfirmed both orally and in writing on September 8, 2006, stating that, as of the date of the opinion, the price to be paid for the shares of Class D Common Stock to be issued to Brantley IV and Phoenix pursuant to the Stock Purchase Agreement is fair to stockholders other than Brantley and Phoenix from a financial point of view. This opinion was based upon and subject to the assumptions, qualifications and limitations made and matters considered by Valuation Research Corporation in its review as set forth in its written opinion.

As a matter of course, we do not publicly disclose forward-looking financial information. Nevertheless, in connection with its review, Valuation Research Corporation considered our financial projections. These financial projections were prepared by our management based on assumptions regarding our future performance. The financial projections were prepared under market conditions as they existed as of September 8, 2006. The financial projections do not take into account any circumstances or events occurring after the date they were prepared. In addition, factors such as industry performance, general business, economic, regulatory, market and financial conditions, as well as changes to our business, financial condition or results of operation, including without limitation such changes as may occur as a result of the risk factors we identified in this Proxy Statement and in our other filings with the SEC, may cause the financial projections or the underlying assumptions to be materially inaccurate. As a result, the financial projections are not necessarily indicative of future results.

Valuation Research Corporation s opinion is necessarily based on economic, financial, industry, market and other conditions as in effect on, and the information made available to it as of, the date the opinion is issued. Valuation Research Corporation has not undertaken, and is under no obligation, to update, revise, reaffirm or withdraw its opinion, or otherwise comment on or consider events occurring after the date on which the opinion was issued.

Appraisal or Dissenters Rights

No appraisal rights are available under the Delaware General Corporation Law for our stockholders in connection with the private placement or the issuance of the shares of Class A Common stock as part of the Rand acquisition.

Consequences If This Proposal and Other Proposals Are Not Approved

If Proposal IV, relating to issuance of additional shares of our stock, is not approved by our stockholders at the Special Meeting, then we will not be able to consummate the transactions contemplated by the Private Placement Agreements on the terms currently contemplated and in all likelihood will not be able to complete the Rand acquisition. We could seek alternative financing for the Rand and On-Line acquisitions; however, there is no assurance that such financing will be available or, if available, on terms acceptable to us. If Proposal IV is not approved, we will not consummate the purchase of shares of our Class B Common Stock from Brantley Capital.

If the amendments to our certificate of incorporation set forth in Proposals I, II and III are not approved by our stockholders at the Special Meeting, then we will not be able to consummate the transactions contemplated by the private placement. In addition, we may not be able to engage in discussions relating to any future transactions

involving our Common Stock until our certificate of incorporation is amended to increase the number of authorized shares of our Common Stock.

Required Vote

The affirmative vote of a majority of the total number of shares of Common Stock represented in person or by proxy at the Special Meeting and entitled to vote is needed to approve this proposal. As such, abstentions and broker non-votes will have the same effect as a vote AGAINST this proposal. If our stockholders approve the issuance of additional shares in connection with the private placement and the Rand acquisition, subject to approval by the stockholders of Proposals I, II and III and the satisfaction of the other closing conditions contained therein, we will file our Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware and immediately consummate the private placement and the Rand acquisition.

Recommendation

After careful consideration our board of directors has determined that the terms of the Rand acquisition are fair to and in the best interests of our stockholders. Accordingly, our board of directors has unanimously approved and declared advisable the portion of Proposal IV relating to the issuance of shares in connection with the Rand acquisition and recommends that you vote or instruct your vote to be cast FOR the approval of Proposal IV to the extent relating to the issuance of shares in connection with the Rand acquisition.

After careful consideration, the special committee of our board of directors has determined that (i) the issuance of the shares of Class D Common Stock to Brantley IV and Phoenix pursuant to the Stock Purchase Agreement and (ii) the issuance of the warrants to purchase shares of Class A Common Stock to Phoenix pursuant to the Note Purchase Agreement, both as part of the private placement that is the subject of Proposal IV are fair to and in the best interests of our stockholders. In addition, the special committee has determined that the terms of the Stock Purchase Agreement, as a whole, and the terms of the Note Purchase Agreement, as a whole, are in the best interests of our stockholders and approved the execution of these documents. In reaching its decision relating to the issuance of the Class D Common Stock, the special committee considered, among other things, the opinion of Valuation Research Corporation that, as of the date of its opinion and based upon such other matters as Valuation Research Corporation considered relevant, the price to be paid to us in connection with the issuance of the Class D Common Stock is fair to our current stockholders, other than Brantley IV and Phoenix, from a financial point of view. Accordingly, the special committee has approved and declared advisable the portion of Proposal IV relating to the issuance to Brantley IV and Phoenix of the shares of Class D Common stock and the issuance to Phoenix of the warrants to purchase shares of Class A Common Stock and recommends that you vote or instruct your vote to be cast FOR the approval of these portions of Proposal IV.

Controlled Company Status

AMEX has adopted minimum requirements for director independence and nominating and compensation committee membership. These requirements do not apply to any company who has a majority of the voting power of its equity securities controlled by a single owner or group. Prior to April 12, 2006, Brantley III, Brantley IV and Brantley Capital were affiliated entities that owned over a majority of the voting power of our issued and outstanding Common Stock. Until that time, we were considered a controlled company under the AMEX rules and, as such, were not required to comply with certain of AMEX s rules regarding director independence and nominating and compensation committee membership.

On April 12, 2006, Brantley IV and Brantley III filed with the SEC an amendment to their Schedule 13D relating to us indicating that Brantley Capital had terminated its investment advisory relationship with Brantley Capital

Management on September 28, 2005, which resulted in Brantley Capital no longer being an affiliate of Brantley III or Brantley IV. Therefore, no individual or group now owns a majority of the voting power of our equity securities and we are no longer a controlled company under the listing rules of AMEX. The board of directors has since modified its nominating procedures and Compensation Committee membership to comply with the AMEX rules and we have one year from April 12, 2006 within which to establish a board of directors consisting of 50% directors who are independent for purposes of the corporate governance standards for small business issuers of

AMEX. However, as a result of the issuance of the Class D Common Stock to Brantley IV in connection with the private placement, Brantley IV would own a majority of the voting power of our equity securities and we would once again become a controlled company under the listing rules of AMEX.

THE BOARD OF DIRECTORS RECOMMENDS THAT ALL STOCKHOLDERS VOTE FOR APPROVAL OF THE ISSUANCE OF CLASS A COMMON STOCK IN CONNECTION WITH THE RAND ACQUISITION AND THE SPECIAL COMMITTEE RECOMMENDS THAT ALL STOCKHOLDERS VOTE FOR APPROVAL OF THE ISSUANCE OF CLASS D COMMON STOCK AND WARRANTS TO PURCHASE CLASS A COMMON STOCK PURSUANT TO THE PRIVATE PLACEMENT AGREEMENTS.

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SOURCES AND USES OF FUNDS

Below is a summary of the sources and uses of funds in connection with the transactions described in this Proxy Statement, followed by a description of certain of the referenced sources and uses. Additional information regarding the sources and uses of funds can be found under the headings PRIVATE PLACEMENT AGREEMENTS and ACQUISITIONS below.

Source		**Amount**
New senior secured revolver	$	2,000,000
New senior secured term loan A	$	4,500,000
New senior secured acquisition facility	$	10,000,000
Issuance of Class D Common Stock to Brantley IV and Phoenix	$	4,650,000
Issuance of senior unsecured subordinated promissory note to Phoenix	$	3,350,000
Unsecured subordinated promissory note to stockholders of Rand	$	1,365,333
Unsecured subordinated promissory note to stockholders of On Line	$	833,981
Issuance of Class A Common Stock to stockholders of Rand	$	600,000
Total	$	27,299,314

Use		**Amount**
Payoff of existing senior secured revolver	$	1,262,845
Acquisition of Rand	$	9,365,333
Acquisition of On Line	$	3,310,924
Acquisition of Class B Common Stock owned by Brantley Capital	$	482,435
Future acquisitions	$	10,000,000
Fees and expenses	$	1,080,000
Additional working capital	$	1,797,777
Total	$	27,299,314

New Senior Secured Credit Facility

We have entered into a non-binding letter of intent with an institutional lender for the provision of a new senior secured credit facility in the aggregate principal amount of $16,500,000, consisting of a $2,000,000 revolving loan commitment, a $4,500,000 term loan and a $10,000,000 acquisition facility commitment available for future acquisitions. We are currently negotiating the definitive terms of the documentation for this credit facility but anticipate that the substantive provisions of the relevant agreements will be as follows. The credit facility will have a maturity of four years and will be secured by a first priority security interest in substantially all of our assets, including the assets of the Rand and On Line businesses following consummation of those acquisitions. The loans under the credit facility will bear interest at floating rates of interest that would be in the range of prime plus 1.75% or LIBOR

plus 3.75%. Availability under the revolving loan will be dependent on our ability to meet a borrowing base formula determined based on certain multiples of our pro forma trailing twelve month earnings before interest, taxes, depreciation and amortization. The credit facility will be subject to certain mandatory prepayment obligations and certain prepayment penalties. In addition, we will be obligated to meet certain financial covenants including maintenance of minimum levels of earnings before interest, taxes, depreciation and amortize and minimum levels of customer turnover, maintenance of certain fixed charge coverage ratios and maximum leverage ratios, and limitations on annual capital expenditures. The obligations of this lender to consummate the credit facility will be subject to certain closing conditions, including negotiation of definitive documentation and diligence investigations. We anticipate that the closing of the credit facility will occur simultaneously with the closing of the private placement and the acquisitions of the Rand and On Line businesses. Our consummation of a credit facility of at least $6,500,000 with a senior lender is a condition to the obligations of Phoenix and Brantley IV to consummate the private placement and a portion of the funds available under such credit facility will be necessary to consummate the acquisitions of the Rand and On Line businesses. There is no guarantee that we will be able to consummate this credit facility on these terms or with this institutional lender. If we are unable to reach agreement on a credit facility with this lender, then we will seek to find another institutional lender to provide a credit facility on similar terms, but there is not guarantee that we will be able to find such a lender or be able to negotiate similar terms to such credit facility.

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Acquisition of our Class B Common Stock from Brantley Capital

On September 8, 2006 we entered into a purchase agreement with Brantley Capital to purchase all 1,722,983 shares of our Class B Common Stock owned by Brantley Capital at any time between now and December 31, 2006 for an aggregate purchase price of $482,435. Upon our acquisition of these shares of Class B Common Stock they will be retired in accordance with the terms of our certificate of incorporation. We plan to consummate this acquisition simultaneous with the closing of the private placement. We anticipate using a portion of the proceeds from the private placement, along with proceeds from senior bank financing and other funds available to us, to fund the purchase price for our acquisition of the shares of Class B Common Stock owned by Brantley Capital. A copy of the purchase agreement with Brantley Capital is attached to our Current Report on Form 8-K filed with the SEC on September 8, 2006.

These shares represent about 16.5% of our outstanding shares of Class B Common Stock (and about 11.5% of our outstanding shares of Class A Common Stock on a fully-diluted basis assuming conversion as of the record date) and our acquisition of these shares will assist us in satisfying the closing condition to the private placement that requires all holders of shares of our Class B Common Stock and Class C Common to have converted or been acquired by us. Brantley Capital had previously informed us that they would not convert their shares as required in connection with the consummation of the private placement and our board of directors determined that the terms of this acquisition were in the best interests of our stockholders and our ability to consummate the private placement. If Brantley Capital were to convert these shares to shares of Class A Common Stock, then, as of the record date, they would convert into 10,877,952 shares of Class A Common Stock. Our purchase and retirement of these shares would eliminate the dilution resulting from conversion of these shares and would have an accretive effect to all other stockholders.

PRIVATE PLACEMENT AGREEMENTS

The following summary of the material provisions of the Private Placement Agreements is qualified by reference to the complete text of the Private Placement Agreements, copies of which are attached as Annex A and Annex B to this Proxy Statement. All stockholders are encouraged to read the Private Placement Agreements in their entirety for a more complete description of their terms and conditions.

General

On September 8, 2006 we entered into a Stock Purchase Agreement with Phoenix and Brantley IV pursuant to which we agreed to issue, for an aggregate purchase price of $4,650,000, such number of shares of our Class D Common Stock representing upon conversion 19.375% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital.

On September 8, 2006 we also entered into a Note Purchase Agreement with Phoenix pursuant to which we agreed to issue, for an aggregate purchase price of $3,350,000, (i) our senior unsecured subordinated promissory notes due 2011 in the original principal amount of $3,350,000 and (ii) warrants to purchase shares of our Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock described above but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital.

Investors

As of the record date, Brantley IV owns 7,863,996 shares of our Class B Common Stock, warrants to purchase 20,455 shares of our Class A Common Stock and notes which are currently convertible into 1,358,054 shares of our Class A Common Stock (at the closing price of our Class A Common Stock on the record date of $0.25 per share). As of the record date, this represents 31.9% of our voting power and 52.4% of our voting power on an as converted basis (at the closing price of our Class A Common Stock on the record date of $0.25 per share). As of the record date,

Brantley IV and its affiliates own 44.8% of our voting power and 60.5% of our voting power on an as converted basis (at the closing price of our Class A Common Stock on the record date of $0.25 per share). Brantley IV will purchase, for an aggregate purchase price of $1,650,000, such number of shares of Class D Common Stock representing upon conversion 6.875% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital.

Phoenix is a limited partner in Brantley IV and Brantley Partners V, L.P. and has also co-invested with Brantley IV and its affiliates in a number of transactions. Prior to the consummation of the private placement, Phoenix is not a record owner of any shares of our capital stock. Phoenix will purchase (i) for an aggregate purchase price of $3,000,000, such number of shares of Class D Common Stock, representing upon conversion 12.5% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital, and (ii) for an aggregate purchase price of $3,350,000, (A) our senior unsecured subordinated promissory notes due 2011 in the original principal amount of $3,350,000 and (B) warrants to purchase shares of our Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock described above but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital.

Class D Common Stock

We will issue to Brantley IV and Phoenix on the closing date, for an aggregate purchase price of $4,650,000, such number of shares of our Class D Common Stock representing upon conversion 19.375% of our outstanding Class A Common Stock as of the date of issuance of the Class D Common Stock, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital. The rights and preferences of the Class D Common Stock are set forth under Proposal III.

Registration Rights

In connection with the private placement, the parties will enter into a registration rights agreement, pursuant to which the holders of a majority of the shares of Class A Common Stock issuable upon either conversion of the Class D Common Stock or the exercise of the warrants will have the right to require us to register their shares of Class A Common Stock under the Securities Act. The agreement allows them one right to demand that we register their shares of Class A Common stock under the Securities Act on a registration statement filed with the SEC and unlimited rights to include (or piggy-back) the registration of their shares of Class A Common stock on certain registration statements that we may file with the SEC for other purposes.

The investors may not exercise their demand rights unless the securities to be registered have an anticipated net aggregate offering price of at least $10,000,000. The investors may not exercise their piggy-back registration rights unless the shares to be registered have an anticipated net aggregate offering price of at least $1,000,000. We will bear the cost of the registration, unless the registration request is withdrawn by the investors, in which case the investors requesting withdrawal shall bear the expenses.

Note and Warrants

We will issue to Phoenix on the closing date, for an aggregate purchase price of $3,350,000, (i) our senior unsecured subordinated promissory notes due 2011 in the original principal amount of $3,350,000 and (ii) warrants to purchase shares of our Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock described above but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital.

Our senior unsecured subordinated promissory notes will bear interest at the combined rate of (i) 12% per annum payable in cash on a quarterly basis and (ii) 2% per annum payable in kind (meaning that the accrued interest will be capitalized as principal) on a quarterly basis, subject to our right to pay such amount in cash. The notes will be unsecured and subordinated to all of our other senior debt. Upon the occurrence and during the continuance of an event of default the interest rate on the cash portion of the interest shall increase from 12% per annum to 14% per annum, for a combined rate of default interest of 16% per annum. We may prepay outstanding principal (together with accrued interest) on the note subject to certain prepayment penalties and we are required to prepay outstanding principal (together with accrued interest) on the note upon certain specified circumstances.

The warrants provide the holder with the right to purchase shares of our Class A Common Stock equal to 1.117% of our outstanding Class A Common Stock on the date of issuance of the warrants, on a fully-diluted basis taking into account the issuance of the shares of Class D Common Stock described above but excluding certain of our outstanding options, warrants and convertible securities and certain shares of Class B Common Stock to be purchased by us from Brantley Capital. The warrants will be exercisable for five years from the date of issuance of the warrants at $0.01 per share.

Use of Proceeds

Some or all of the proceeds we receive upon consummation of the sale of the Class D Common Stock, senior unsecured subordinated promissory notes and warrants, along with proceeds from senior bank financing and other funds available to us, will be used to finance a portion of the acquisitions of the Rand and On Line businesses, our purchase of certain shares of our Class B Common Stock from Brantley Capital, to repay certain outstanding senior indebtedness and for general working capital purposes.

Closing the Private Placement

Subject to satisfaction of the conditions contained in the Private Placement Agreements, the closing of the transactions contemplated thereunder will take place on the third business day following the date our stockholders approve Proposals I, II, III and IV, or at such other time as the parties may agree.

Representations and Warranties

The Private Placement Agreements contain a number of representations and warranties that the respective parties have made to each other. These representations and warranties relate to: (i) organization, power and authority; (ii) validity and binding effect of the agreements; (iii) financial statements; (iv) capitalization; (v) no material adverse change; (vi) conflicts; (vii) litigation; (viii) SEC filings; (ix) defaults; (x) compliance with law; (xi) intellectual property; (xii) taxes; (xiii) certain transactions; (xiv) environmental; (xv) title to properties; (xvi) insurance; (xvii) margin regulations; (xviii) subsidiaries; (xix) debt; (x) significant contracts; (xxi) ERISA; (xxii) registration rights; (xxiii) employees; and (xxiv) real property; (xxv) private offering status; (xxvi) fees and commissions; (xxvii) fairness opinion; (xxviii) special committee recommendations; (xxix) complete disclosure; (xxx) foreign assets control regulations, (xxxi) investment company status; and (xxxii) investment representations and warranties.

Stockholder Approval

The closing of the transactions contemplated under each of the Private Placement Agreements is subject to the approval of our stockholders of each of Proposals I, II, III and IV at the Special Meeting.

Conditions to Closing

The obligations of Phoenix and Brantley IV to complete the private placement are subject to the satisfaction or waiver of many conditions in accordance with each of the Private Placement Agreements, including:

- receipt of approval from our stockholders of the amendments to our certificate of incorporation and parts of the private placement (Proposals I, II, III and IV);

the absence of any material adverse change in our business and operations, and the business and operations of the Rand and On Line businesses, since June 30, 2006;

in the case of the Stock Purchase Agreement, the filing of our Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware and its acceptance thereof and our reservation of a sufficient number of shares of Class A common Stock for issuance on conversion of the Class D Common Stock;

the conversion to Class A Common Stock by Brantley IV of the entire unpaid principal amount of, including accrued but unpaid interest on, our convertible subordinated promissory notes in the aggregate original principal amount of $1,250,000;

consummation, in the case of the Stock Purchase Agreement, of the transactions contemplated by the Note Purchase Agreement and, in the case of the Note Purchase Agreement, of the transactions contemplated by the Stock Purchase Agreement;

in the case of the Stock Purchase Agreement, consummation by each of Phoenix and Brantley IV of their respective obligations under the Stock Purchase Agreement;

consummation of the acquisitions of the Rand and On Line businesses;

the accuracy of our representations and warranties in the Private Placement Agreements as of the closing date taking into account in certain instances the inclusion of the Rand and On Line businesses as part of our business;

delivery of pro forma financial statements giving effect to the acquisitions of the Rand and On Line businesses, the consummation of the private placement, the conversion of the Brantley notes and the consummation of senior financing that are satisfactory to Phoenix and Brantley IV;

the performance and compliance with all of the covenants made, and obligations to be performed, by the other parties in the Private Placement Agreements prior to the closing;

the receipt of all requisite third-party consents;

consummation with one or more senior lenders for the provision of not less than $6,500,000 of senior secured financing and, in the case of the Note Purchase Agreement, execution of mutually acceptable intercreditor and subordination agreement(s) among Phoenix, our senior lender and certain of our existing debtholders; and

conversion of all shares of Class B Common Stock and Class C Common Stock by the holders thereof into shares of Class A Common Stock or our acquisition and retirement of all such shares, including our acquisition and retiring of the 1,722,983 shares of Class B Common Stock held by Brantley Capital.

Indemnification

The Private Placement Agreements both provide that we will indemnify Phoenix and Brantley IV and certain of their affiliates for all losses incurred by any of the indemnified parties for (i) any breach of our representations and warranties or (ii) any breach of our covenants, agreements and obligations, other than losses resulting from action on the part of the indemnified party caused by their gross negligence or willful misconduct.

Termination, Amendment and Waiver

Each of the Private Placement Agreements may be terminated at any time prior to the consummation of the transactions contemplated thereunder, whether before or after receipt of the approval of our stockholders, by mutual written consent of Phoenix, Brantley IV and us, as applicable.

In addition, each Private Placement Agreement may be terminated:

by any party thereto if a material breach by any other party of any representation, warranty or obligation contained in such Private Placement Agreement exists that may not be cured within 30 days after written notice of such breach;

by any party thereto if any condition to such party s obligations contained in such Private Placement Agreement has not been fulfilled or waived;

by any party thereto if the transactions contemplated by such Private Placement Agreement are illegal or otherwise prohibited by law;

by Phoenix or Brantley IV if the private placement has not been consummated prior to December 31, 2006; or

in the case of the Note Purchase Agreement, by Phoenix if it determines in its good faith discretion that, assuming consummation of the private placement and the acquisitions of the Rand and On Line businesses, we would not be creditworthy.

If permitted under applicable law, any of the parties to a Private Placement Agreement may waive any conditions for their own respective benefit and consummate the transactions contemplated thereby even though one or more of the conditions have not been met.

Any purported amendment to the Private Placement Agreements shall be null and void unless it is in writing and signed by each of the respective parties to such agreement.

None of the rights and obligations of a party under the Private Placement Agreements may be assigned without the prior written consent of the other parties to such agreement, except that the investors may assign their rights to affiliates of such investors and we may assign our rights pursuant to a merger, recapitalization or other business combination transaction in which the surviving entity agrees in writing to assume our obligations under the Private Placement Agreements.

ACQUISITIONS

We have identified two acquisition opportunities to expand our medical billing services businesses. On September 8, 2006 we entered into a stock purchase agreement with Rand and its stockholder pursuant to which we will acquire all of the issued and outstanding capital stock of Rand. In addition, on September 8, 2006 we entered into a stock purchase agreement with On Line and their respective stockholders pursuant to which we have agreed to purchase all of the issued and outstanding capital stock of On Line. A copy of the stock purchase agreement with Rand is attached hereto as Annex C. A copy of the On Line stock purchase agreement is attached to our Current Report on Form 8-K filed with the SEC on September 8, 2006.

The historical financial statements for each of these businesses are attached hereto as Annexes F, G and H, respectively. Additionally, pro forma financial information showing the effect of these acquisitions and the transactions contemplated by the Private Placement Agreements on us is attached hereto as Annex I.

Rand Acquisition

Rand Medical Billing, Inc. is a full service billing agency providing medical billing, exclusively for anatomic and clinical pathology practices located in Simi Valley, California.

On September 8, 2006 we entered into a stock purchase agreement with the stockholder of Rand to purchase all of the issued and outstanding capital stock of Rand for an aggregate purchase price of $9,365,333, subject to adjustments conditioned upon future revenue results.

The purchase price shall be paid as follows:

at closing we will pay $6,800,000 in cash;

at closing we will deliver an unsecured subordinated promissory note in the original principal amount of $1,365,333;

at closing we will deliver $600,000 to the escrow agent for deposit in an interest bearing escrow account; and

at closing we will deliver to the escrow agent such number of shares of our Class A Common Stock having a value of $600,000 based on the average closing price per share of our Class A Common Stock for the twenty day period prior to the closing of the acquisition of Rand.

The purchase price shall be subject to adjustments conditioned upon future revenue results and claims, if any, for indemnification.

In the event that the gross revenue related to Rand for the period ending December 31, 2007 equals or exceeds the established 2007 minimum revenue target of $6,349,206 plus the amount of the aggregate losses (which arise under the indemnification obligations of the sellers) then we will release all the cash and shares held in escrow to the stockholder of Rand within 30 days of the final determination of the gross revenue for the period. If the gross revenue for the period is less than $6,349,206 then the release of the cash and shares held in escrow will be postponed.

If the release of the purchase price consideration held in escrow is postponed, then we will calculate the gross revenue for the period ending December 31, 2008. Based on this calculation:

If the 2008 gross revenue equals or exceeds the 2008 minimum revenue target amount of $9,600,000 then the cash and shares held in escrow shall be released to the Rand stockholder and we will proceed to pay the balance due on the promissory note in five equal monthly installments commencing March 1, 2009.

If the 2008 gross revenue is less than $9,600,000 but is equal or greater than $6,349,206 then the cash and shares held in escrow will be released to the Rand stockholder and payments under the promissory note will be adjusted downward based in part on the difference between the 2008 gross revenue and $6,349,206 divided by $3,250,794.

If the 2007 gross revenue was equal to or exceeded $6,349,206 but the 2008 gross revenue amount was less than $6,349,206, the promissory note will be cancelled and we will not owe the Rand stockholder any amounts under such note.

If the 2007 gross revenue was not equal to or greater than $6,349,206 and the release from escrow was otherwise postponed and the 2008 gross revenue is also less than $6,349,206, then the promissory note will be cancelled and the purchase price will be subject to a downward adjustment. The downward adjustment shall be calculated by multiplying $8,000,000 by the result of 2008 gross revenue divided by $6,349,206. Any purchase price shortfall will first be allocated out of the cash proceeds held in escrow and any remaining shortfall will cause the forfeiture of the shares. The shortfall will be capped at the amount held in escrow.

The stock purchase agreement with Rand contains customary representations and warranties and conditions to closing. In addition, the stockholder of Rand has agreed to a five-year non-compete and non-solicitation period. The indemnification provided by the Rand stockholder for breaches of representations is capped at the purchase price and we can not make claims until the aggregate amount of our losses exceeds $50,000.

The closing of the Rand acquisition is expected to occur shortly after the Special Meeting, subject to approval by our stockholders of Proposals I, II, III and IV. No regulatory approval is required to consummate this acquisition.

On Line Acquisition

On Line consists of two related companies, OLA and OLP. OLA is an outsourcing company providing data entry, insurance filing, patient statements, payment posting, collection follow-up and patient refund processing to medical practices. Most of OLA s customers are hospital-based physician practices including radiology, neurology and emergency medicine. Customers also include some other specialties as plastic surgery, family practice, internal medicine and orthopaedics. All billing functions are the responsibility of OLA, and include credentialing and accounts payable processing. OLA also has a group of contract transcriptionists who work out of their homes and OLA offers these services to clients as well.

OLP provides payroll processing services to small businesses, a few of which are also customers of OLA. OLP provides payroll services including direct deposit, time clock interface and tax reporting to clients in Alabama, Florida, Georgia, Louisiana, Mississippi, Tennessee and Texas.

On September 8, 2006 we entered into a stock purchase agreement with the stockholders of OLA and OLP to purchase all of the issued and outstanding capital stock of both OLA and OLP for an aggregate purchase price of $3,310,924, subject to adjustments conditioned upon future revenue results. The purchase price is payable in a combination of cash and unsecured subordinated promissory notes. At the closing of the On Line acquisition, $2,476,943 of the purchase price will be paid in cash and the remainder in an unsecured subordinated promissory note. We have an option to pay up to $75,000 of the purchase price in the form of an additional unsecured promissory note in lieu of cash at the closing.

Within 45 days following the end of the 12-month anniversary of the closing, we will deliver written notice to the former On Line stockholders detailing the revenue of the acquired businesses, determined on a cash basis in accordance with generally accepted accounting principles for such 12-month period. If the actual revenue exceeds $2,500,259 then the purchase price will be increased on a dollar-for-dollar basis by the lesser of (i) the amount of the excess or (ii) $500,052. If the actual revenue is less than $2,500,259 then the principal amount of the unsecured promissory note shall be reduced on a dollar-for-dollar basis. The downward adjustment of the purchase price will be capped at the value of the promissory note. In the event that we move the principal location of the business out of the greater Mobile, Alabama geographic region or the employment of William Suffich or Dorothy Matter is terminated by us without cause or by them for Good Reason, as defined in their respective employment agreements, there will be no downward adjustment in the purchase price.

The stock purchase agreement for the On Line acquisition contains customary representations and warranties and conditions to closing. The indemnification provided by the respective stockholders of OLA and OLP for breaches of representations and warranties is capped at $1,000,000 and we can not make claims until the aggregate amount of our losses exceeds $50,000.

The closing of the On Line acquisition is expected to occur shortly after the Special Meeting, subject to approval by our stockholders of Proposals I, II, III and IV. No regulatory approval is required to consummate this acquisition.

PROPOSAL V

APPROVAL OF THE AMENDMENT TO OUR 2004 INCENTIVE PLAN

On September 8, 2006, the board of directors voted to adopt an amendment to the our 2004 Incentive Plan to (i) to increase the number of shares of our Class A Common Stock available for grants under the 2004 Incentive Plan from 2,200,000 shares to such number of shares representing 10% of our outstanding Class A Common Stock as of the date of closing of the private placement, on a fully diluted basis taking into account the shares issued in the private placement and the Rand acquisition, and (ii) to increase the maximum number of shares that can be granted to a participant in any calendar year under the 2004 Incentive Plan from 1,000,000 shares to 3,000,000 shares. The board of directors unanimously (with the exception of Mr. Bauer who abstained) determined to recommend approval of the amendment by the stockholders. Section 711 of the AMEX Company Guide requires AMEX-listed companies to obtain stockholder approval with respect to certain amendments to option plans. Approval of this proposal is contingent upon approval of Proposals I, II, III and IV and the filing of our Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware.

Description of 2004 Incentive Plan

The following is a summary of the material features of the existing 2004 Incentive Plan and identifies, where applicable, the effect of these amendments. It may not contain all of the information important to you. We urge you to read the entire 2004 Incentive Plan, which was filed as Exhibit 10.19 to our Annual Report on Form 10-KSB for the year ending December 31, 2004 filed with the SEC on April 28, 2005. The 2004 Incentive Plan currently provides for issuance of up to 2,200,000 shares of Class A Common Stock, of which there are 476,000 shares left for issuance pursuant to future grants. If the amendment to the 2004 Incentive Plan is approved, this number will be

increased to such number of shares representing 10% of our outstanding Class A Common Stock as of the date of closing of the private placement, on a fully diluted basis taking into account the shares issued in the private placement and the Rand acquisition. If this increase were to have been implemented on our record date, September 5, 2006, assuming that the private placement and the Rand acquisition had been consummated as of such date, this would have resulted in an increase of 9,052,840 shares for an aggregate total of 9,528,840 shares available for grants under the 2004 Incentive Plan.

Currently, there are no specific grants proposed to be made under the 2004 Incentive Plan.

The purpose of the 2004 Incentive Plan is to advance the interests of the Company and its affiliates by providing for the grant to participants of stock-based and other incentive awards, all as more fully described below.

The amendment to the 2004 Incentive Plan will become effective on the date of its approval by the stockholders. The plan will terminate when there are no remaining shares available for awards unless terminated as to future grants earlier by the Administrator (as defined below). No incentive stock options (ISOs) may be granted under the 2004 Incentive Plan after September 7, 2014, although ISOs granted before such date may extend beyond that date. A maximum of 2,200,000 shares of Class A Common Stock may be delivered in satisfaction of awards made under the 2004 Incentive Plan (which will increase to 10% of our outstanding Class A Common Stock as of the date of closing of the private placement, on a fully diluted basis taking into account the shares issued in the private placement and the Rand acquisition if the amendment is approved). For purposes of the preceding sentence, shares that have been forfeited in accordance with the terms of the applicable award and shares held back in satisfaction of the exercise price or tax withholding requirements from shares that would otherwise have been delivered pursuant to an award shall not be considered to have been delivered under the 2004 Incentive Plan. Also, the number of shares delivered under an award shall be determined net of any previously acquired shares tendered by the participant in payment of the exercise price or of withholding taxes.

The maximum number of shares of Class A Common Stock for which stock options may be granted to any person in any calendar year and the maximum number of shares of Class A Common Stock subject to stock appreciation rights, or SARs , granted to any person in any calendar year is 1,000,000 shares. The maximum benefit that may be paid to any person under other awards in any calendar year is, to the extent paid in shares, 1,000,000 shares (which will increase to 3,000,000 if the amendment is approved), and, to the extent paid in cash, $1,000,000. However, stock options and SARs that are granted with an exercise price that is less than the fair market value of the underlying shares on the date of the grant will be subject to both of the limits imposed by the two preceding sentences. These limitations will be construed in a manner consistent with Section 162(m) of the Internal Revenue Code of 1984, as amended (the Internal Revenue Code).

In the event of a stock dividend, stock split or other change in our capital structure, the Administrator will make appropriate adjustments to the limits described above and will also make appropriate adjustments to the number and kind of shares of stock or securities subject to awards, any exercise prices relating to awards and any other provisions of awards affected by the change. The Administrator may also make similar adjustments to take into account other distributions to stockholders or any other event, if the Administrator determines that adjustments are appropriate to avoid distortion in the operation of the 2004 Incentive Plan and to preserve the value of awards.

Administration

The board of directors or a committee appointed by the board of directors administers the 2004 Incentive Plan. In the case of awards granted to persons who are or are reasonably expected to become our officers, such committee shall be comprised solely of two or more directors, all of whom are outside directors within the meaning of Section 162(m) of the Internal Revenue Code and non-employee directors within the meaning of Rule 16b-3 under the Exchange Act.

The term Administrator is used in this Proxy Statement to refer to the person (the board of directors or committee, and their delegates) charged with administering the 2004 Incentive Plan. The Administrator has full authority to determine who will receive awards and to determine the types of awards to be granted as well as the amounts, terms, and conditions of any awards. Awards may be in the form of options, SARs, restricted or unrestricted stock or restricted stock units, Deferred Stock (hereafter defined) or performance awards. The Administrator has the right to determine any questions that may arise regarding the interpretation and application of the provisions of the 2004 Incentive Plan and to make, administer, and interpret such rules and regulations as it

deems necessary or advisable. Determinations of the Administrator made under the 2004 Incentive Plan are conclusive and bind all parties.

Eligibility

Participation is limited to those key employees and directors, as well as consultants and advisors, who in the Administrator s opinion are in a position to make a significant contribution to our success and the success of our affiliates and who are selected by the Administrator to receive an award. The group of persons from which the Administrator will select participants currently consists of approximately 25 individuals.

Stock Options

The Administrator may from time to time award options to any participant subject to the limitations described above. Stock options give the holder the right to purchase shares of our Class A Common Stock within a specified period of time at a specified price. Two types of stock options may be granted under the 2004 Incentive Plan: ISOs , which are subject to special tax treatment as described below, and nonstatutory options (NSOs). Eligibility for ISOs is limited to our employees and employees of our subsidiaries.

The exercise price of an ISO cannot be less than the fair market value of the Class A Common Stock at the time of grant. In addition, the expiration date of an ISO cannot be more than ten years after the date of the original grant. In the case of NSOs, the exercise price and the expiration date are determined in the discretion of the Administrator. The Administrator also determines all other terms and conditions related to the exercise of an option, including the consideration to be paid, if any, for the grant of the option, the time at which options may be exercised and conditions related to the exercise of options. Unless the Administrator determines otherwise, and in all events in the case of any stock option intended to qualify as an ISO and any stock option or SAR (other than a Performance Award subject to Section 6(a)(7) of the 2004 Incentive Plan) intended to qualify as performance-based for purposes of Section 162(m) of the Internal Revenue Code, the exercise price of an award requiring exercise will not be less than the fair market value of the stock subject to the award determined as of the date of grant.

The closing price of our Class A Common Stock as reported on AMEX on our record date, September 5, 2006, was $0.25 per share.

Stock Appreciation Rights

The Administrator may grant SARs under the 2004 Incentive Plan. An SAR entitles the holder upon exercise to receive an amount in cash or Class A Common Stock or a combination thereof (as determined by the Administrator) computed by reference to appreciation in the value of a share of Class A Common Stock.

Stock Awards; Deferred Stock

The 2004 Incentive Plan provides for awards of nontransferable shares of restricted Class A Common Stock, restricted stock units, which entitle the holder to receive such number of shares specified in the award or a cash payment for such shares equal to the fair market value on a specified date, as well as unrestricted shares of Class A Common Stock. Awards of restricted stock, restricted stock units and unrestricted stock may be made in exchange for past services or other lawful consideration. Generally, awards of restricted stock or restricted stock units are subject to the requirement that the shares be forfeited or resold to us unless specified conditions are met. Subject to these restrictions, conditions and forfeiture provisions, any recipient of an award of restricted stock will have all the rights of one of our stockholders, including the right to vote the shares and to receive dividends. Other awards under the 2004 Incentive Plan may also be settled with restricted stock. The 2004 Incentive Plan also provides for deferred

grants (Deferred Stock) entitling the recipient to receive shares of Class A Common Stock in the future on such conditions as the Administrator may specify.

Performance Awards

The Administrator may also make awards subject to the satisfaction of specified performance criteria. Performance Awards may consist of Class A Common Stock or cash or a combination of the two. The performance

criteria used in connection with a particular Performance Award will be determined by the Administrator. In the case of Performance Awards intended to qualify for exemption under Section 162(m) of the Internal Revenue Code, the Administrator will use objectively determinable measures of performance in accordance with Section 162(m) of the Internal Revenue Code that are based on any or any combination of the following (determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, or amortization, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital or assets (in each case before or after deduction for all or any portion of interest, taxes, depreciation or amortization, whether or not on a continuing operations or an aggregate or per share basis); one or more operating ratios; one or more financial coverage ratios; book value per share; borrowing levels, leverage ratios (including, without limitation, debt as a percentage of capitalization) or credit rating; market share; capital expenditures; cash flow; stock price; stockholder return; sales of particular products or services; customer acquisition or retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; or recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings. The Administrator will determine whether the performance targets or goals that have been chosen for a particular Performance Award have been met.

General Provisions Applicable to All Awards

Neither ISOs nor, except as the Administrator otherwise expressly provides, other awards may be transferred other than by will or by the laws of descent and distribution. During a recipient s lifetime an ISO and, except as the Administrator may provide, other non-transferable awards requiring exercise may be exercised only by the recipient. Shares delivered under the 2004 Incentive Plan may consist of either authorized but unissued or treasury shares. The number of shares delivered upon exercise of a stock option is determined net of any shares transferred by the optionee to us (including through the holding back of shares that would otherwise have been deliverable upon exercise) in payment of the exercise price or tax withholding.

Mergers and Similar Transactions

In the event of a consolidation or merger in which we are not the surviving corporation or which results in the acquisition of substantially all of our stock by a person or entity or by a group of persons or entities acting together, or in the event of a sale of substantially all of our assets or our dissolution or liquidation, the following rules will apply except as otherwise provided in an Award:

If there is no assumption or substitution of stock options, existing stock options will become fully exercisable prior to the completion of the transaction on a basis that gives the holder of the stock option a reasonable opportunity to exercise the stock option and participate in the transaction as a stockholder.

Existing stock options, unless assumed or exercised, will terminate upon completion of the transaction.

Awards of Deferred Stock will be accelerated by the Administrator so that the stock is delivered prior to the completion of the transaction on a basis that gives the holder of the award a reasonable opportunity following issuance of the stock to participate as a stockholder in the transaction.

If there is a surviving or acquiring entity, the Administrator may arrange to have that entity (or an affiliate) assume outstanding awards or grant substitute awards. In the case of shares of restricted stock, the Administrator may require that any amounts delivered, exchanged or otherwise paid in respect of those shares in connection with the transaction be placed in escrow or otherwise made subject to restrictions determined by the Administrator.

Amendment

The Administrator may at any time or times amend the 2004 Incentive Plan or any outstanding Award for any purpose which may at the time be permitted by law, and may at any time terminate the 2004 Incentive Plan as to any future grants of awards. The Administrator may not, however, alter the terms of an Award so as to affect adversely the participant s rights under the Award without the participant s consent, unless the Administrator expressly reserved the right to do so at the time of the Award.

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New 2004 Incentive Plan Benefits

The future benefits or amounts that would be received under the 2004 Incentive Plan by executive officers, non-executive directors and non-executive officer employees are discretionary and are therefore not determinable at this time. In addition, the benefits or amounts which have been received by or allocated to the named executive officers and directors for the last completed fiscal year have been identified in this Proxy Statement in the section entitled Director and Executive Officer Compensation. In addition to those options reported in Director and Executive Officer Compensation for the last completed fiscal year, we granted options to purchase 10,000 shares at an exercise price of $0.47 per share on May 12, 2006 to each of David Crane and Joseph M. Valley, Jr., two of our directors.

Equity Compensation Plan Information

The following table gives information about our Class A Common Stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of September 5, 2006.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	1,727,615	$ 0.54	612,385
Equity compensation plans not approved by security holders	884,732	$ 4.31	
Total	2,612,347	$ 1.82	612,385

Federal Tax Effects

The following discussion summarizes certain federal income tax consequences of the issuance and receipt of options under the 2004 Incentive Plan under the law as in effect on the date of this Proxy Statement. The summary does not purport to cover federal employment tax or other federal tax consequences that may be associated with the 2004 Incentive Plan, nor does it cover state, local or non-U.S. taxes.

ISOs

In general, an optionee realizes no taxable income upon the grant or exercise of an ISO. However, the exercise of an ISO may result in an alternative minimum tax liability to the optionee. With certain exceptions, a disposition of shares purchased under an ISO within two years from the date of grant or within one year after exercise produces ordinary income to the optionee (and a deduction to us) equal to the value of the shares at the time of exercise less the exercise price. Any additional gain recognized in the disposition is treated as a capital gain for which we are not entitled to a deduction. If the optionee does not dispose of the shares until after the expiration of these one-and two-year holding periods, any gain or loss recognized upon a subsequent sale is treated as a long-term capital gain or loss for which we are not entitled to a deduction.

NSOs

In general, in the case of an NSO with an exercise price that is equal to or greater than the fair market value of our Class A Common Stock on the date of grant, the optionee has no taxable income at the time of grant but realizes income in connection with exercise of the option in an amount equal to the excess (at the time of exercise) of the fair market value of the shares acquired upon exercise over the exercise price; a corresponding deduction is available to us; and upon a subsequent sale or exchange of the shares, any recognized gain or loss after the date of exercise is

treated as capital gain or loss for which we are not entitled to a deduction. Differing and adverse tax consequences would result if the exercise price of an NSO is less than the fair market value of a share of Class A Common Stock on the date of grant. We do not currently intend to grant any NSOs with an exercise price that is less than the fair market value of our Class A Common Stock on the date of grant.

In general, an ISO that is exercised by the optionee more than three months after termination of employment is treated as an NSO. ISOs are also treated as NSOs to the extent they first become exercisable by an individual in any calendar year for shares having a fair market value (determined as of the date of grant) in excess of $100,000.

The Administrator may award stock options that are exercisable for restricted stock. Under Section 83 of the Internal Revenue Code, an optionee who exercises an NSO for restricted stock will generally have income only when the stock vests. The income will equal the fair market value of the stock at that time less the exercise price. However, the optionee may make a so-called 83 (b) election in connection with the exercise to recognize taxable income at that time. Assuming no other applicable limitations, the amount and timing of the deduction available to us will correspond to the income recognized by the optionee. The application of Section 83 of the Internal Revenue Code to ISOs exercisable for restricted stock is less clear.

Under the so-called golden parachute provisions of the Internal Revenue Code, the accelerated vesting of awards in connection with our change in control may be required to be valued and taken into account in determining whether participants have received compensatory payments, contingent on the change in control, in excess of certain limits. If these limits are exceeded, a substantial portion of amounts payable to the participant, including income recognized by reason of the grant, vesting or exercise of awards under the 2004 Incentive Plan, may be subject to an additional 20% federal tax and may be nondeductible to us.

Stockholder Approval of the Amendment to the 2004 Incentive Plan

The affirmative vote of the holders of a majority of the outstanding shares of our Common Stock properly cast in person or by proxy at the Special Meeting, voting together as a single class, is required to approve the amendment to the 2004 Incentive Plan.

THE BOARD OF DIRECTORS RECOMMENDS THAT ALL STOCKHOLDERS VOTE FOR THE AMENDMENT TO THE 2004 INCENTIVE PLAN.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Pro forma financial information for the year ended December 31, 2005 and the six month period ended June 30, 2006, which reflects our proposed acquisition of the Rand and On Line businesses and the closing of the transactions contemplated under the Private Placement Agreements is set forth in Annex I attached hereto, which includes the unaudited pro forma combined financial statements and related notes thereto. Our historical financial statements for the years ended December 31, 2004 and December 31, 2005 and for the six month period ended June 30, 2006 are attached as Annexes J and K, respectively.

MANAGEMENT S DISCUSSION AND ANALYSIS

The following Management s Discussion and Analysis of Financial Condition and Results of Operations highlights the principal factors that have affected our financial condition and results of operations as well as our liquidity and capital resources for the periods described. All significant intercompany balances and transactions have been eliminated in consolidation.

The discussion that follows should be read in conjunction with our financial statements attached hereto as Annexes J and K.

Overview

We are a healthcare services organization providing outsourced business services to physicians, serving the physician market through two subsidiaries, MBS and IPS. MBS provides billing, collection, accounts receivable

management, coding and reimbursement services, reimbursement analysis, practice consulting, managed care contract management and accounting and bookkeeping services, primarily to hospital-based physicians such as pathologists, anesthesiologists and radiologists. MBS currently provides services to approximately 58 clients, representing 337 physicians. IPS serves the general and subspecialty pediatric physician market, providing accounting and bookkeeping, human resource management, accounts receivable management, quality assurance services, physician credentialing, fee schedule review, training and continuing education and billing and reimbursement analysis. IPS currently provides services to five pediatric groups in Illinois and Ohio, representing 37 physicians. We believe our core competency is our long-term experience and success in working with and creating value for physicians.

Strategic Focus

In 2005, we initiated a strategic plan designed to accelerate our growth and enhance our future earnings potential. As part of this plan, we began to divest certain non-strategic assets and ceased investing in business lines that did not complement our plan, and redirected financial resources and company personnel to areas that management believes enhances long-term growth potential.

More specifically, we have taken the following actions since the first quarter of 2005:

In March 2005, we closed Bellaire SurgiCare, Inc. (Bellaire SurgiCare), one of our ASCs in Houston, Texas, because of declining case load volume and unsatisfactory financial performance and combined the operations of Bellaire SurgiCare with SurgiCare Memorial Village, L.P. (Memorial Village);

In June 2005, we sold IntegriMED, a wholly-owned subsidiary of IPS, to eClinicalWeb;

In August 2005, we closed the SurgiCare corporate headquarters in Houston, Texas and transitioned all corporate functions to our offices in Roswell, Georgia;

In October 2005, we sold our interests in Tuscarawas Ambulatory Surgery Center, LLC (TASC), TASC Anesthesia and Tuscarawas Open MRI, L.P. (TOM) in Dover, Ohio to Union Hospital (Union);

In January 2006, we sold substantially all of the assets of Memorial Village in Houston, Texas to First Surgical Memorial Village, L.P.;

In early 2006, we were notified by Union that it was exercising its option to terminate the management services agreements of TOM and TASC as of March 12, 2006 and April 3, 2006, respectively; and

In March 2006, we sold substantially all of the assets of San Jacinto Surgery Center, Ltd. (San Jacinto) in Baytown, Texas to San Jacinto Methodist Hospital (Methodist).

With the completion of these activities, we no longer have any ownership or management interests in ASCs.

Additionally, we believe that we are now positioned to focus on our physician services business and the physician billing and collections market, leveraging our existing presence to expand into additional geographic regions and increase the range of services we provide to physicians. Part of this strategy will include acquiring financially successful billing companies focused on providing services to hospital-based physicians and increasing sales and marketing efforts in existing markets.

Financial Overview

As more fully described below, our results of operations for the six months ended June 30, 2006 as compared to the same period in 2005 and the year ended December 31, 2005 as compared to the same period in 2004 reflect several important factors, many relating to the impact of transactions which occurred as part of our strategic plan referred to above.

Significant changes in revenues, resulting from increased patient volume and rate increases in IPS s operations and from inclusion of a full year of revenues for MBS in 2005 as compared to two weeks of revenue in 2004;

Inclusion of expenses in 2005 relating to the separation agreement for our former president,

Professional and consulting fees incurred in connection with our merger with IPS (the IPS Merger) and the merger of MBS and Dennis Cain Physician Solutions, Ltd. (DCPS) (the DCPS/MBS Merger and, together with the IPS Merger, the 2004 Mergers) in December 2004 and significant 2005 transactions,

Inclusion of a full year of operating expenses for MBS in 2005 as compared to two weeks of operating expenses in 2004;

Significant charges for impairment of intangible assets and goodwill in 2005 as a result of the significant 2005 transactions.

Sale of substantially all of the assets of Memorial Village, which resulted in a gain on disposition of discontinued components of $574,321 recorded in the first quarter of 2006;

Sale of substantially all of the assets of San Jacinto, which resulted in a gain on disposition of discontinued components of $94,066 recorded in the first quarter of 2006; and

Payment of $112,500 in satisfaction of a $778,000 debt, which resulted in a gain on forgiveness of debt totaling $665,463 recorded in the first quarter of 2006.

Critical Accounting Policies and Estimates

The preparation of our financial statements is in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes. Our management bases these 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 that are not readily apparent from other sources. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Changes in the facts or circumstances underlying these estimates could result in material changes and actual results could differ from these estimates. We believe the following critical accounting policies affect the most significant areas involving management s judgments and estimates. In addition, please refer to Note 1. General of our unaudited consolidated condensed financial statements for the six months ended June 30, 2006 and 2005 and Note 1, Organization and Accounting Policies, of our consolidated financial statements for the year ended December 31, 2005 and 2004 included in Annex J of this Proxy Statement for further discussion of our accounting policies.

Consolidation of Physician Practice Management Companies. In March 1998, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) issued its Consensus on Issue 97-2 (EITF 97-2). EITF 97-2 addresses the ability of physician practice management (PPM) companies to consolidate the results of medical groups with which it has an existing contractual relationship. Specifically, EITF 97-2 provides guidance for consolidation where PPM companies can establish a controlling financial interest in a physician practice through contractual management arrangements. A controlling financial interest exists, if, for a requisite period of time, the PPM has control over the physician practice and has a financial interest that meets six specific requirements. The six requirements for a controlling financial interest include:

(a) the contractual arrangement between the PPM and physician practice (1) has a term that is either the entire remaining legal life of the physician practice or a period of 10 years or more, and (2) is not terminable by the physician practice except in the case of gross negligence, fraud, or other illegal acts by the PPM or bankruptcy of the PPM;

(b) the PPM has exclusive authority over all decision making related to (1) ongoing, major, or central operations of the physician practice, except the dispensing of medical services, and (2) total practice compensation of the licensed medical professionals as well as the ability to establish and implement guidelines for the selection, hiring, and firing of them;

(c) the PPM must have a significant financial interest in the physician practice that (1) is unilaterally salable or transferable by the PPM and (2) provides the PPM with the right to receive income, both as ongoing fees and as proceeds from the sale of its interest in the physician practice, in an amount that fluctuates based upon the performance of the operations of the physician practice and the change in fair value thereof.

IPS is a PPM company. IPS s management services agreements (MSA or, collectively, MSAs) governing the contractual relationship with its affiliated medical groups are for forty year terms; are not terminable by the physician practice other than for bankruptcy or fraud; provide IPS with decision making authority other than related to the practice of medicine; provide for employment and non-compete agreements with the physicians governing compensation; provide IPS the right to assign, transfer or sell its interest in the physician practice and assign the rights of the MSAs; provide IPS with the right to receive a management fee based on results of operations and the right to the proceeds from a sale of the practice to an outside party or, at the end of the MSA term, to the physician group. Based on this analysis, IPS has determined that its contracts meet the criteria of EITF 97-2 for consolidating the results of operations of the affiliated medical groups and has adopted EITF 97-2 in its statement of operations. EITF 97-2 also has addressed the accounting method for future combinations with individual physician practices. IPS believes that, based on the criteria set forth in EITF 97-2, any future acquisitions of individual physician practices would be accounted for under the purchase method of accounting.

Revenue Recognition. MBS s principal source of revenues is fees charged to clients based on a percentage of net collections of the client s accounts receivable. MBS recognizes revenue and bills its clients when the clients receive payment on those accounts receivable. MBS typically receives payment from the client within 30 days of billing. The fees vary depending on specialty, size of practice, payer mix, and complexity of the billing. In addition to the collection fee revenue, MBS also earns fees from the various consulting services that MBS provides, including medical practice management services, managed care contracting, coding and reimbursement services.

IPS records revenue based on patient services provided by its affiliated medical groups. Net patient service revenue is impacted by billing rates, changes in current procedural terminology code reimbursement and collection trends. IPS reviews billing rates at each of its affiliated medical groups on at least an annual basis and adjusts those rates based on each insurer s current reimbursement practices. Amounts collected by IPS for treatment by its affiliated medical groups of patients covered by Medicare, Medicaid and other contractual reimbursement programs, which may be based on cost of services provided or predetermined rates, are generally less than the established billing rates of IPS s affiliated medical groups. IPS estimates the amount of these contractual allowances and records a reserve against accounts receivable based on historical collection percentages for each of the affiliated medical groups, which include various payer categories. When payments are received, the contractual adjustment is written off against the established reserve for contractual allowances. The historical collection percentages are adjusted quarterly based on actual payments received, with any differences charged against net revenue for the quarter. Additionally, IPS tracks cash collection percentages for each medical group on a monthly basis, setting quarterly and annual goals for cash collections, bad debt write-offs and aging of accounts receivable. IPS is not aware of any material claims, disputes or unsettled matters with third party payers and there have been no material settlements with third party payers for the six months ended June 30, 2006 and 2005 or the twelve months ended December 31, 2005 and 2004.

Accounts Receivable and Allowance for Doubtful Accounts. MBS records uncollectible accounts receivable using the direct write-off method of accounting for bad debts. Historically, MBS has experienced minimal credit losses and has not written-off any material accounts for the six months ended June 30, 2006 and 2005 or the twelve months ended December 31, 2005 or 2004.

IPS s affiliated medical groups grant credit without collateral to its patients, most of which are insured under third-party payer arrangements. The provision for bad debts that relates to patient service revenues is based on an evaluation of potentially uncollectible accounts. The provision for bad debts includes a reserve for 100% of the accounts receivable older than 180 days. Establishing an allowance for bad debt is subjective in nature. IPS uses historical collection percentages to determine the estimated allowance for bad debts, and adjusts the percentage on a quarterly basis.

Investment in Limited Partnerships. At December 31, 2005, we owned a 10% general partnership interest in San Jacinto. The investment is accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and is subsequently increased to reflect our share of the income of the investee and reduced to reflect the share of the losses of the investee or distributions from the investee. Effective March 1, 2006, we sold our interest in San Jacinto. (See Results of Operations Discontinued Operations .)

The general partnership interest was accounted for as an investment in limited partnership due to the interpretation of SFAS 94/Accounting Research Bulletin (ARB) 51 and the interpretations of such by Issue 96-16 and Statement of Position SOP 78-9. Under those interpretations, we could not consolidate our interest in an entity in which it held a minority general partnership interest due to management restrictions, shared operating decision-making, and capital expenditure and debt approval by limited partners and the general form versus substance analysis.

Goodwill and Other Intangible Assets. Goodwill and intangible assets represent the excess of cost over the fair value of net assets of companies acquired in business combinations accounted for using the purchase method. In July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 eliminates pooling-of-interest accounting and requires that all business combinations initiated after June 30, 2001, be accounted for using the purchase method. SFAS No. 142 eliminates the amortization of goodwill and certain other intangible assets and requires us to evaluate goodwill for impairment on an annual basis by applying a fair value test. SFAS No. 142 also requires that an identifiable intangible asset that is determined to have an indefinite useful economic life not be amortized, but separately tested for impairment using a fair value-based approach at least annually. We evaluate our goodwill and other intangible assets in the fourth quarter of each fiscal year, unless circumstances require testing at other times. (See Results of Operations Charge for Impairment of Intangible Assets for additional discussion regarding the impairment testing of identifiable intangible assets.)

Recent Accounting Pronouncements

In November 2004, the EITF reached a consensus in applying the conditions in Paragraph 42 of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (EITF 03-13). Evaluation of whether operations and cash flows have been eliminated depends on whether (1) continuing operations and cash flows are expected to be generated, and (2) the cash flows, based on their nature and significance are considered direct or indirect. This consensus should be applied to a component that is either disposed of or classified as held-for-sale in fiscal periods beginning after December 15, 2004. The adoption of EITF 03-13 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In December 2004, the FASB published SFAS No. 123 (revised 2004), Share-Based Payment (SFAS 123(R)). SFAS 123(R) requires that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in the financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS 123(R) is a replacement of SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes Auditing Practices Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and its related interpretive guidance (APB 25).

The effect of SFAS 123(R) will be to require entities to measure the cost of employee services received in exchange for stock options based on the grant-date fair value of the award, and to recognize the cost over the period the employee is required to provide services for the award. SFAS 123(R) permits entities to use any option-pricing model that meets the fair value objective in SFAS 123(R). We were required to begin to apply SFAS 123(R) for the quarter ending March 31, 2006.

SFAS 123(R) allows two methods for determining the effects of the transition: the modified prospective transition method and the modified retrospective method of transition. We have adopted the modified prospective transition method beginning in 2006.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48), which provides criteria for the recognition, measurement,

presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position may be recognized only if it is more likely than not that the position is sustainable based on its technical merits. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We do not expect FIN 48 will have a material effect on our consolidated financial condition or results of operations.

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Results of Operations

The IPS Merger was treated as a reverse acquisition, meaning that the purchase price, comprised of the fair value of the outstanding shares of the Company prior to the transaction, plus applicable transaction costs, were allocated to the fair value of our tangible and intangible assets and liabilities prior to the transaction, with any excess being considered goodwill. IPS was treated as the continuing reporting entity, and, thus, IPS s historical results became those of the combined company. Our results for the six months ended June 30, 2006 and 2005 include the results of IPS, MBS and our ambulatory surgery and diagnostic center business. Our results for fiscal 2005 include the results of IPS, MBS (which includes DCPS) and our ambulatory surgery and diagnostic center business for the twelve months ended December 31, 2005. Our results for fiscal 2004 include the results of IPS for the twelve months ended December 31, 2004 and the results of MBS (which includes DCPS) and our ambulatory surgery and diagnostic center business commencing on December 15, 2004. The descriptions of the business and results of operations of MBS set forth in this report include the business and results of operations of DCPS. This discussion should be read in conjunction with our unaudited consolidated condensed financial statements for the six months ended June 30, 2006 and 2005 and consolidated financial statements for the years ended December 31, 2005 and 2004 and related notes thereto, which are included as Annex J of this Proxy Statement.

Pursuant to paragraph 43 of SFAS 144, which states that, in a period in which a component of an entity either has been disposed of or is classified as held for sale, the income statement of a business enterprise for current and prior periods shall report the results of operations of the component, including any gain or loss recognized, in discontinued operations. As such, our financial results for the six months ended June 30, 2005 and the twelve months ended December 31, 2004 have been reclassified to reflect the operations, including our surgery and diagnostic center businesses, which were discontinued in 2005.

Six Months Ended June 30, 2006 as Compared to Six Months Ended June 30, 2005

The following table sets forth, for the periods indicated, the consolidated statements of operations of the Company.

	For the Six Months Ended June 30,	
	2006 (Unaudited)	2005 (Unaudited)
Net operating revenues	$ 14,085,728	$ 15,281,113
Operating expenses		
Salaries and benefits	5,535,247	6,205,856
Physician group distribution	4,023,346	4,603,758
Facility rent and related costs	792,276	858,099
Depreciation and amortization	818,828	1,727,201
Professional and consulting fees	707,112	931,640
Insurance	339,360	441,272
Provision for doubtful accounts	299,146	636,835
Other expenses	2,272,944	2,550,096
Charge for impairment of intangible assets and goodwill		6,362,849
Total operating expenses	14,788,259	24,317,606
Loss from continuing operations before other income (expenses)	(702,531)	(9,036,493)

Other income (expenses)				
Interest expense		(234,144)		(150,391)
Gain on forgiveness of debt		665,463		
Other expense, net		(14,151)		(18,977)
Total other income (expenses), net		417,168		(169,368)
Minority interest earnings in partnership				(1,660)
Loss from continuing operations		(285,363)		(9,207,521)
Discontinued operations Income (loss) from operations of discontinued components		576,390		(820,897)
Net income (loss)	$	291,027	$	(10,028,418)

Net Operating Revenues. Net operating revenues of the Company consist of patient service revenue, net of contractual adjustments, related to the operations of IPS s affiliated medical groups, billing services revenue related to MBS and other revenue. For the six months ended June 30, 2006, consolidated net operating revenues decreased $1,195,385, or 7.8%, to $14,085,728, as compared to consolidated net operating revenues of $15,281,113 for the six months ended June 30, 2005.

MBS s net operating revenues totaled $4,756,052 for the six months ended June 30, 2006 as compared to net operating revenues totaling $5,193,532 for the same period in 2005, a decrease of $437,478, or 8.4%. The decrease in net operating revenues for MBS was primarily the result of the loss of two customers in August 2005, one of which retired from medical practice and one group which decided to bring their billing in-house, which accounted for approximately $486,000 in net operating revenues in the first six months of 2005. This decrease was partially offset in the first half of 2006 by the addition of three new customers accounting for approximately $258,525 in net operating revenues in the first six months of 2006.

IPS s net patient service revenue decreased $757,906, or 7.5%, from $10,087,581 for the six months ended June 30, 2005 to $9,329,675 for the six months ended June 30, 2006. The decrease in net patient service revenue for IPS s affiliated medical groups was primarily the result of decreases in patient volume as a consequence of a diminished cold and flu season in the first six months of 2006 as compared with the same period in 2005. All of IPS s four clinic-based affiliated pediatric groups experienced decreases in patient volume in the first six months of 2006, with total procedures and office visits for all clinic-based facilities decreasing 13,422 and 9,016, respectively, to 191,124 and 79,894 for the six months ended June 30, 2006.

Other revenue, which represents revenue from our vaccine program, a group purchasing alliance for vaccines and medical supplies, totaled $41,589 for the first six months of 2005, increasing $139,048, or 334.3%, to $180,637 for the six months ended June 30, 2006. The vaccine program, which had a total of 428 enrolled participants at December 31, 2005, added approximately 62 members during the first six months of 2006.

Operating Expenses

Salaries and Benefits. Consolidated salaries and benefits decreased $670,609 to $5,535,247 for the six months ended June 30, 2006, as compared to $6,205,856 for the same period in 2005.

MBS s salaries and benefits totaled $2,922,367 for the six months ended June 30, 2006 as compared to $3,100,956 for the six months ended June 30, 2005, a decrease of $178,588. This decrease is primarily the result of a reduction in health benefit costs related to the consolidation of MBS s benefit plans with the IPS benefit plans at the beginning of 2006, thereby allowing greater negotiating leverage with benefit providers.

Clinical salaries & benefits include wages for the nurse practitioners, nursing staff and medical assistants employed by the affiliated medical groups and fluctuate indirectly to increases and decreases in productivity and patient volume. Clinical salaries, bonuses, overtime and health insurance collectively totaled $865,670 for the first six months of 2006, an increase of $9,334 over the same period in 2005. There was one additional medical assistant on the payroll of one of IPS s affiliated medical groups in the first six months of 2006 as compared to the staffing levels for the first six months of 2005. These expenses represented approximately 9.5% and 8.5% of net operating revenues for the six months ended June 30, 2006 and 2005, respectively. The increase, as a % of net operating revenues, is related to the fixed nature of salaries and benefits needed to maintain minimum staffing levels.

In August 2005, we consolidated our corporate operations into the Roswell, Georgia office. Prior to the staff reductions resulting from this corporate consolidation, salaries and benefits related to corporate staff in Houston, Texas totaled $565,026 for the six months ended June 30, 2005.

Administrative salaries and benefits, excluding MBS and the former staff of our Houston, Texas office, represent the employee-related costs of all non-clinical practice personnel at IPS s affiliated medical groups as well as our corporate staff in Roswell, Georgia. These expenses increased $67,129, or 4.2%, from $1,605,306 for the six months ended June 30, 2005 to $1,672,435 for the same period in 2006. The additional expense can be attributed primarily to the adoption of SFAS 123(R) in the first quarter of 2006, which resulted in stock option compensation expense totaling approximately $98,000 for the first six months of 2006.

Physician Group Distribution. Physician group distribution decreased $580,412, or 12.6%, for the six months ended June 30, 2006 to $4,023,346, as compared with $4,603,758 for the six months ended June 30, 2005. Pursuant to the terms of the MSAs governing each of IPS s affiliated medical groups, the physicians of each medical group receive disbursements after the payment of all clinic facility expenses as well as a management fee to IPS. The management fee revenue and expense, which is eliminated in the consolidation of our financial statements, is either a fixed fee or is calculated based on a percentage of net operating income. For the six months ended June 30, 2006, management fee revenue totaled $660,513 and represented approximately 14.1% of net operating income as compared to management fee revenue totaling $751,853 and representing approximately 14.0% of net operating income for the same period in 2005. Physician group distribution represented 43.1% of net operating revenues in the first six months of 2006, compared to 45.6% of net operating revenues for the six months ended June 30, 2005. The decrease in physician group distribution for the six months ended June 30, 2006 was directly related to the decrease in net patient service revenue, which was primarily the result of decreased patient volume during the first half of 2006.

Facility Rent and Related Costs. Facility rent and related costs decreased $65,824, or 7.7%, from $858,099 for the six months ended June 30, 2005 to $792,276 for the six months ended June 30, 2006.

MBS s facility rent and related costs totaled $256,895 for the six months ended June 30, 2006 as compared to $242,777 for the same period in 2005. This increase can be explained generally by increases in utilities and off-site storage costs for the first half of 2006.

Facility rent and related costs associated with IPS s affiliated medical groups and our corporate office totaled $507,103 for the six months ended June 30, 2006 compared to $539,406 for the same period in 2005. Rent expense related to our corporate office in Roswell, Georgia decreased for the first half of 2006 due to approximately $54,000 in rent payments received for the sublease between eClinicalWeb and us as a result of the IntegriMED Agreement in June 2005.

In August 2005, we consolidated our corporate operations into the Roswell, Georgia office. Prior to this consolidation, facility-related costs such as utilities and personal property taxes associated with our former office in Houston, Texas totaled approximately $48,000 for the six months ended June 30, 2005.

Depreciation and Amortization. Consolidated depreciation and amortization expense totaled $818,828 for the six months ended June 30, 2006, a decrease of $908,373 from the six months ended June 30, 2005.

For the six months ended June 30, 2006, depreciation expense related to the fixed assets of MBS totaled $34,836 as compared to $41,836 for the same period in 2005. Deprecation expense related to the fixed assets of IPS and us totaled $80,523 and $58,816 for the six months ended June 30, 2006 and 2005, respectively. Depreciation expense associated with fixed assets related to our former Houston, Texas office, which was closed in August 2005, totaled $22,768 for the six months ended June 30, 2005.

As part of the DCPS/MBS Merger, we purchased MBS and DCPS for a combination of cash, notes and stock. Since the consideration for this purchase transaction exceeded the fair value of the net assets of MBS and DCPS at the time of the purchase, a portion of the purchase price was allocated to intangible assets. The amortization expense related to the intangible assets recorded as a result of the DCPS/MBS Merger totaled $531,046 for the six months ended June 30, 2006 and 2005, respectively.

Amortization expense related to the MSAs for IPS s affiliated medical groups totaled $172,422 and $209,341 for the six months ended June 30, 2006 and 2005, respectively. The decrease is directly related to the Sutter Settlement and the CARDC Settlement.

As part of the IPS Merger, the purchase price, comprised of the fair value of the outstanding shares of the Company prior to the transaction, plus applicable transaction costs, was allocated to the fair value of our tangible and intangible assets and liabilities prior to the transaction, with any excess being considered goodwill. Amortization expense for the intangible assets recorded as a result of the IPS Merger totaled $863,394 for the six months ended June 30, 2005. As a result of the dispositions related to our surgery and diagnostic center business, which was discontinued in 2005, and the uncertainty of future cash flows related to our surgery center business, we impaired substantially all of the intangible assets related to the IPS Merger in 2005. Therefore, there was no amortization

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expense related to the intangible assets in the first half of 2006. (See Discontinued Operations for additional discussion regarding the disposition of intangible assets and goodwill recorded as a result of the IPS Merger.)

Professional and Consulting Fees. For the six months ended June 30, 2006, professional and consulting fees totaled $707,112, a decrease of $224,528, or 24.1%, from the same period in 2005.

For the first six months of 2006, MBS recorded professional and consulting expenses totaling $88,476 as compared with $142,261 for the first six months of 2005, a decrease of $53,786. This change is primarily the result of a decrease in contract labor used in the first half of 2005 as a result of staffing shortages. This contract labor was not utilized in the first six months of 2006 because MBS s position inventory is fully staffed.

IPS s and our professional and consulting fees, which include the costs of corporate accounting, financial reporting and compliance, and legal fees, decreased from $653,835 for the six months ended June 30, 2005 to $618,636 for the six months ended June 30, 2006. The decrease is primarily the result of reduced legal fees and expenses related to the divestiture of our surgery and diagnostic business in 2005.

Insurance. Consolidated insurance expense, which includes the costs of professional liability for affiliated physicians, property and casualty and general liability insurance and directors and officers liability insurance, decreased from $441,272 for the six months ended June 30, 2005 to $339,360 for the six months ended June 30, 2006. Insurance expense related to the directors and officers liability policies in the first half of 2005 included approximately $75,000 of premiums for run-off policies related to SurgiCare and IPS. The run-off policies were expensed fully in 2005.

Provision for Doubtful Accounts. Our consolidated provision for doubtful accounts, or bad debt expense, decreased $337,689, or 53.0%, for the six months ended June 30, 2006 to $299,146. The entire provision for doubtful accounts for the six months ended June 30, 2006 related to IPS s affiliated medical groups and accounted for 3.2% of IPS s net operating revenues as compared to 6.3% of IPS s net operating revenues for the same period in 2005. The total collection rate, after contractual allowances, for IPS s affiliated medical groups was 70.6% for the six months ended June 30, 2006, compared to 63.8% for the same period in 2005.

Other Expenses. Consolidated other expenses totaled $2,272,944 for the six months ended June 30, 2006, a decrease of $277,151 from the same period in 2005. Other expenses include general and administrative expenses such as office supplies, telephone & data communications, printing & postage, transfer agent fees, and board of directors compensation and meeting expenses, as well as some direct clinical expenses, which are expenses that are directly related to the practice of medicine by the physicians that practice at the affiliated medical groups managed by IPS.

MBS s other expenses totaled $556,621 for the six months ended June 30, 2006 as compared to $662,957 for the six months ended June 30, 2005. Of the total decrease, approximately $90,000 and $19,000 related to decreases in office supplies and postage and courier expenses, respectively, in the first six months of 2006 as compared to the same period in 2005. These expense fluctuations are the direct result of the decrease in net operating revenues in the first half of 2006. Additionally, MBS renegotiated its long distance rates in the fall of 2005, which resulted in approximately $39,000 in cost savings in the first six months of 2006 as compared to the same period in 2005.

For the six months ended June 30, 2006, IPS s direct clinical expenses, other than salaries and benefits, totaled $1,146,920, an increase of $34,792 over direct clinical expenses in the first half of 2005, which totaled $1,112,128. Vaccine expenses accounted for approximately $43,000 of the total increase in direct clinical expenses in the first six months of 2006. IPS s affiliated medical groups began using two new vaccines in late 2005 Menactra and Decavac which replaced lower-priced vaccines previously utilized by the medical groups.

Our and IPS s general and administrative expenses totaled $334,778 for the six months ended June 30, 2006, a decrease of $200,472 from the same period in 2005. Of the total decrease, approximately $198,000 relates to cost efficiencies and expense reductions as a result of the consolidation of corporate functions into our Roswell, Georgia office in August 2005.

Charge for Impairment of Intangible Assets. On June 13, 2005, we announced that we had accepted an offer to purchase our interests in TASC and TOM. In preparation for this pending transaction, we tested the identifiable intangible assets and goodwill related to the surgery center business using the present value of cash flows method.

Based on the pending sales transaction involving TASC and TOM, as well as the uncertainty of future cash flows related to our surgery center business, we recorded a charge for impairment of intangible assets of $6,362,849 for the six months ended June 30, 2005.

Other Income and Expenses.

Interest Expense. Consolidated interest expense totaled $234,144 for the six months ended June 30, 2006, an increase of $83,752 from the same period in 2005. Interest expense activity in the first half of 2006, including increases from the first six months of 2005, can be explained generally by the following:

> *Brantley Debt.* In March and April 2005, we borrowed an aggregate of $1,250,000 from Brantley Partners IV, L.P. (Brantley IV). (See Liquidity and Capital Resources.) Interest expense related to these notes totaled approximately $57,000 for the six months ended June 30, 2006.
>
> *MBS Notes.* On April 19, 2006, we executed subordinated promissory notes with the former equity owners of MBS and DCPS for an aggregate of $714,336. This represented the retroactive purchase price increase due to the former equity owners of MBS and DCPS based on the financial results of the newly formed MBS, as required by the merger agreement governing the DCPS/MBS Merger. The notes bear interest at the rate of 8% per annum, payable monthly beginning on April 30, 2006, and will mature on December 15, 2007. Interest expense related to these notes totaled approximately $11,429 for the six months ended June 30, 2006.
>
> *Line of Credit.* As part of the restructuring transactions, we also entered into a new secured two-year revolving credit facility pursuant to the Loan and Security Agreement (the Loan and Security Agreement), dated December 15, 2004, by and among us, certain of our affiliates and subsidiaries, and CIT Healthcare, LLC (formerly known as Healthcare Business Credit Corporation)(CIT) borrowing $1.6 million under this facility concurrently with the Closing. (See Liquidity and Capital Resources for additional discussion regarding the Loan and Security Agreement.) Interest expense related to this line of credit totaled $114,807 for the six months ended June 30, 2006, compared to $97,825 for the six months ended June 30, 2005. The increase in interest expense on the line of credit facility was a direct result of interest rate increases for the first six months of 2006 as compared to the same period in 2005. In December 2005, we received notification from CIT stating that certain events of default under the Loan and Security Agreement had occurred as a result of us being out of compliance with two financial covenants. As a result of the events of default, CIT raised the interest rate for monies borrowed under the Loan and Security Agreement to a default rate of prime rate plus 6% as compared to the stated interest rate of prime rate plus 3% as of the Closing. (See Liquidity and Capital Resources for additional discussion regarding our defaults under the Loan and Security Agreement.) The loan balance for this facility was $998,668 and $1,681,450 at June 30, 2006 and 2005, respectively. Additionally, the average prime rate for the first half of 2006 was 7.67% as compared to 5.67% for the same six-month period in 2005.

Gain on Forgiveness of Debt. On August 25, 2003, our lender, DVI, announced that it was seeking protection under Chapter 11 of the United States Bankruptcy laws. Both IPS and SurgiCare had loans outstanding to DVI in the form of term loans and revolving lines of credit. As part of the IPS Merger, we negotiated a discount on the term loans and a buy-out of the revolving lines of credit. As part of that agreement, we executed a new loan agreement with U.S. Bank Portfolio Services, as Servicer for payees, for payment of the revolving lines of credit and renegotiation of the term loans. In the first quarter of 2006, we negotiated an 85% discount on the revolving line of credit, which had a balance of $778,000 at December 31, 2005. As of March 13, 2006, we had made aggregate payments in the amount of $112,500 in satisfaction of the $778,000 debt, and recognized a gain on forgiveness of debt totaling $665,463 for the six months ended June 30, 2006.

Discontinued Operations.

Bellaire SurgiCare. As of the Closing, our management expected the case volumes at Bellaire SurgiCare to improve in 2005. However, by the end of February 2005, it was determined that the expected case volume increases were not going to be realized. On March 1, 2005, we closed Bellaire SurgiCare and consolidated its operations with the operations of Memorial Village. We tested the identifiable intangible assets and goodwill related to the surgery

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center business using the present value of cash flows method. As a result of the decision to close Bellaire SurgiCare and the resulting impairment of the joint venture interest and management contracts related to the surgery centers, we recorded a charge for impairment of intangible assets of $4,090,555 for the year ended December 31, 2004. We also recorded a loss on disposal of this discontinued component (in addition to the charge for impairment of intangible assets) of $163,049 for the quarter ended March 31, 2005. There were no operations for this component after March 31, 2005.

The following table contains selected financial statement data related to Bellaire SurgiCare as of and for the six months ended June 30, 2005:

		June 30, 2005
Income statement data:		
Net operating revenues	$	161,679
Operating expenses		350,097
Net loss	$	(188,418)
Balance sheet data:		
Current assets	$	
Other assets		
Total assets	$	
Current liabilities	$	
Other liabilities		
Total liabilities	$	

Capital Allergy and Respiratory Disease Center (CARDC). On April 1, 2005, IPS entered into a Mutual Release and Settlement Agreement (the CARDC Settlement) with Dr. Bradley E. Chipps, M.D. and CARDC to settle disputes as to the existence and enforceability of certain contractual obligations. As part of the CARDC Settlement, Dr. Chipps, CARDC, and IPS agreed that CARDC would purchase the assets owned by IPS and used in connection with CARDC, in exchange for termination of the MSA between IPS and CARDC. Additionally, among other provisions, after April 1, 2005, Dr. Chipps, CARDC and IPS have been released from any further obligation to each other arising from any previous agreement. As a result of the CARDC dispute, we recorded a charge for impairment of intangible assets related to CARDC of $704,927 for the year ended December 31, 2004. We also recorded a gain on disposal of this discontinued component (in addition to the charge for impairment of intangible assets) of $506,625 for the quarter ended March 31, 2005. For the quarter ended June 30, 2005, we reduced the gain on disposal of this discontinued component by $238,333 as the result of post-settlement adjustments related to the reconciliation of balance sheet accounts. There were no operations for this component in our financial statements after March 31, 2005.

The following table contains selected financial statement data related to CARDC as of and for the six months ended June 30, 2005:

	June 30, 2005

Income statement data:		
Net operating revenues	$	848,373
Operating expenses		809,673
Net loss	$	38,700
Balance sheet data:		
Current assets	$	
Other assets		
Total assets	$	
Current liabilities	$	
Other liabilities		
Total liabilities	$	

IntegriMED. On June 7, 2005, InPhySys, Inc. (formerly known as IntegriMED, Inc.) (IntegriMED), a wholly owned subsidiary of IPS, executed an Asset Purchase Agreement (the IntegriMED Agreement) with eClinicalWeb, LLC (eClinicalWeb) to sell substantially all of the assets of IntegriMED. As a result of this transaction, we recorded a loss on disposal of this discontinued component of $47,101 for the quarter ended June 30, 2005. The operations of this component are reflected in our consolidated condensed statements of operations as loss from operations of discontinued components for the six months ended June 30, 2005. There were no operations for this component in our financial statements after June 30, 2005.

The following table contains selected financial statement data related to IntegriMED as of and for the six months ended June 30, 2005:

		June 30, 2005
Income statement data:		
Net operating revenues	$	191,771
Operating expenses		899,667
Net loss	$	(707,896)
Balance sheet data:		
Current assets	$	(24,496)
Other assets		
Total assets	$	(24,496)
Current liabilities	$	17,022
Other liabilities		
Total liabilities		17,022

TASC and TOM. On June 13, 2005, we announced that it had accepted an offer to purchase our interests in TASC and TOM in Dover, Ohio. On September 30, 2005, we executed purchase agreements to sell our 51% ownership interest in TASC and our 41% ownership interest in TOM to Union. Additionally, as part of the transactions, TASC, as the sole member of TASC Anesthesia, executed an Asset Purchase Agreement to sell certain assets of TASC Anesthesia to Union. The limited partners of TASC and TOM also sold a certain number of their units to Union such that at the closing of these transactions, Union owned 70% of the ownership interests in TASC and TOM. We no longer have an ownership interest in TASC, TOM or TASC Anesthesia. As a result of these transactions, as well as the uncertainty of future cash flows related to our surgery center business, we recorded a charge for impairment of intangible assets of $6,362,849 for the three months ended June 30, 2005. Also as a result of these transactions, we recorded a gain on disposal of this discontinued component (in addition to the charge for impairment of intangible assets) of $1,357,712 for the quarter ended December 31, 2005. We allocated the goodwill recorded as part of the IPS Merger to each of the surgery center reporting units and recorded a loss on the write-down of goodwill related to TASC and TOM totaling $789,173 for the quarter ended December 31, 2005, which reduced the gain on disposal. The operations of this component are reflected in our consolidated condensed statements of operations as loss from operations of discontinued components for the six months ended June 30, 2005. There were no operations for this component in our financial statements after September 30, 2005.

The following table contains selected financial statement data related to TASC and TOM as of and for the six months ended June 30, 2005:

	June 30, 2005
Income statement data:	
Net operating revenues	$ 1,670,801
Operating expenses	1,630,806
Net income (loss)	$ 39,995
Balance sheet data:	
Current assets	$ 794,831
Other assets	1,487,732
Total assets	$ 2,282,563
Current liabilities	$ 709,779
Other liabilities	907,390
Total liabilities	$ 1,617,169

Sutter. On October 31, 2005, IPS executed the Sutter Settlement with Dr. Sutter to settle disputes that had arisen between IPS and Dr. Sutter and to avoid the risk and expense of litigation. As part of the Sutter Settlement, Dr. Sutter and IPS agreed that Dr. Sutter would purchase the assets owned by IPS and used in connection with Dr. Sutter s practice, in exchange for termination of the related MSA. Additionally, among other provisions, after October 31, 2005, Dr. Sutter and IPS have been released from any further obligation to each other arising from any previous agreement. As a result of this transaction, we recorded a loss on disposal of this discontinued component (in addition to the charge for impairment of intangible assets) of $279 for the quarter ended December 31, 2005. The operations of this component are reflected in our consolidated condensed statements of operations as loss from operations of discontinued components for the six months ended June 30, 2005. There were no operations for this component in our financial statements after October 31, 2005.

The following table contains selected financial statement data related to Sutter as of and for the six months ended June 30, 2005:

	June 30, 2005
Income statement data:	
Net operating revenues	$ 216,319
Operating expenses	210,609
Net income	$ 5,710
Balance sheet data:	
Current assets	$ 113,819

Other assets		15,033
Total assets	$	128,852
Current liabilities	$	7,839
Other liabilities		
Total liabilities	$	7,839

Memorial Village. In November 2005, we decided that, as a result of ongoing losses at Memorial Village, it would need to either find a buyer for our equity interests in Memorial Village or close the facility. In preparation for this pending transaction, we tested the identifiable intangible assets and goodwill related to the surgery center business using the present value of cash flows method. As a result of the decision to sell or close Memorial Village, as well as the uncertainty of cash flows related to our surgery center business, we recorded a charge for impairment of intangible assets of $3,461,351 for the three months ended September 30, 2005. On February 8, 2006, Memorial Village executed an Asset Purchase Agreement (the Memorial Agreement) for the sale of substantially all of its assets to First Surgical. Memorial Village was approximately 49% owned by Town & Country SurgiCare, Inc., a wholly owned subsidiary of the Company. The Memorial Agreement was deemed to be effective as of January 31, 2006. As a result of this transaction, we recorded a gain on the disposal of this discontinued component (in addition

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to the charge for impairment of intangible assets) of $574,321 for the quarter ended March 31, 2006. We allocated the goodwill recorded as part of the IPS Merger to each of the surgery center reporting units and recorded a loss on the write-down of goodwill related to Memorial Village totaling $2,005,383 for the quarter ended December 31, 2005. The operations of this component are reflected in our consolidated statements of operations as loss from operations of discontinued components for the six months ended June 30, 2006 and 2005, respectively. There were no operations for this component in our financial statements after March 31, 2006.

The following table contains selected financial statement data related to Memorial Village as of and for the six months ended June 30, 2006 and 2005, respectively:

	June 30, 2006	June 30, 2005
Income statement data:		
Net operating revenues	$ 17,249	$ 1,268,852
Operating expenses	170,285	1,511,624
Net loss	$ (153,036)	$ (242,772)
Balance sheet data:		
Current assets	$	$ 861,111
Other assets		767,497
Total assets	$	$ 1,628,608
Current liabilities	$	$ 729,567
Other liabilities		725,884
Total liabilities	$	$ 1,455,451

San Jacinto. On March 1, 2006, San Jacinto executed an Asset Purchase Agreement for the sale of substantially all of its assets to Methodist. San Jacinto was approximately 10% owned by Baytown SurgiCare, Inc., a wholly owned subsidiary of the Company, and is not consolidated in our financial statements. As a result of this transaction, we recorded a gain on disposal of this discontinued operation of $94,066 for the quarter ended March 31, 2006. We allocated the goodwill recorded as part of the IPS Merger to each of the surgery center reporting units and recorded a loss on the write-down of goodwill related to San Jacinto totaling $694,499 for the quarter ended December 31, 2005. There were no operations for this component in our financial statements after March 31, 2006.

Orion. Prior to the divestiture of our ambulatory surgery center business, we recorded management fee revenue, which was eliminated in the consolidation of our financial statements, for Bellaire SurgiCare, TASC and TOM and Memorial Village. The management fee revenue for San Jacinto was not eliminated in consolidation. The management fee revenue associated with the discontinued operations in the surgery center business totaled $61,039 for the six months ended June 30, 2006. For the six months ended June 30, 2005, we generated management fee revenue of $218,407 and net minority interest losses totaling $42,765.

The following table summarizes the components of income (loss) from operations of discontinued components:

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Bellaire SurgiCare		
Net loss	$	(188,418)
Loss on disposal		(163,049)
CARDC		
Net income		38,700
Gain on disposal		268,292
IntegriMED		
Net loss		(707,896)
Loss on disposal		(47,101)
TASC and TOM		
Net loss		39,995
Sutter		
Net income		5,710
Memorial Village		
Net loss	(153,036)	(242,772)
Gain on disposal	574,321	
San Jacinto		
Gain on disposal	94,066	
Orion		
Net income	61,039	175,642
Total income (loss) from operations of discontinued components, including net gain (loss) on disposal	$ 576,390	$ (820,897)

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Year Ended December 31, 2005 as Compared to Year Ended December 31, 2004

The following table sets forth, for the periods indicated, our consolidated statements of operations.

	For the Years Ended December 31,	
	2005	**2004**
Net operating revenues	$ 29,564,885	$ 17,582,937
Operating expenses		
Salaries and benefits	12,663,369	5,055,249
Physician group distribution	8,314,975	6,939,081
Facility rent and related costs	1,707,579	1,116,949
Depreciation and amortization	2,818,042	651,731
Professional and consulting fees	1,910,555	703,707
Insurance	898,495	534,650
Provision for doubtful accounts	1,176,405	1,065,137
Other expenses	5,024,169	3,115,015
Charge for impairment of intangible assets and goodwill	11,026,470	4,795,482
Total operating expenses	45,540,059	23,977,001
Loss from continuing operations before other income (expenses)	(15,975,174)	(6,394,064)
Other income (expenses)		
Interest expense	(342,678)	(969,047)
Gain on forgiveness of debt		2,427,938
Other expense, net	(24,066)	(21,978)
Total other income (expenses), net	(366,744)	1,436,913
Minority interest loss in partnership	(6,124)	
Loss from continuing operations	(16,348,042)	(4,957,152)
Discontinued operations		
Loss from operations of discontinued components, including net loss on disposal of $2,073,480 for the year ended December 31, 2005	(4,091,459)	(1,217,944)
Net loss	(20,439,501)	(6,175,095)
Preferred stock dividends		(606,100)
Net loss attributable to common stockholders	$ (20,439,501)	$ (6,781,195)

Net Operating Revenues. Net operating revenues of the Company consist of patient service revenue, net of contractual adjustments, related to the operations of IPS s affiliated medical groups, billing services revenue related to MBS and other revenue. For the twelve months ended December 31, 2005, consolidated net operating revenue increased $11,981,948, or 68.1%, to $29,564,885, as compared with $17,582,937 for the twelve months ended

December 31, 2004. Our results for fiscal 2005 include the results of IPS, MBS and our ambulatory surgery and diagnostic center business for the twelve months ended December 31, 2005. Our results for fiscal 2004 include the results of IPS for the twelve months ended December 31, 2004 and the results of MBS and our ambulatory surgery and diagnostic center business for the two weeks beginning December 15, 2004.

MBS s net operating revenues totaled $9,979,232 for the twelve months ended December 31, 2005. In 2004, MBS s net operating revenues, which totaled $426,359, represented operations beginning on December 15, 2004 after the DCPS/MBS Merger.

IPS s net patient service revenue increased $2,261,614, or 13.4%, from $16,928,348 for the year ended December 31, 2004 to $19,189,962 for the year ended December 31, 2005. The increase in net patient service revenue for IPS s affiliated medical groups was primarily the result of the following:

Increases in patient volume and productivity. Three of IPS s four clinic-based affiliated pediatric groups experienced increases in patient volume in 2005, with total procedures and office visits for all clinic-based facilities increasing 24,423 and 6,619, respectively, to 415,622 and 168,257 for the twelve months ended December 31, 2005. One medical group added two full-time equivalent (FTE) providers in July 2004 that

have been considerably more productive than the physicians they replaced. Additionally, the increased usage of electronic medical records software in 2005 has improved overall productivity in another affiliated medical group, primarily in the area of patient scheduling. These productivity increases contributed to an average increase of 255 procedures per provider in 2005, as compared to the same period in 2004.

Rate increases. In addition to increases in production, several of the clinic-based affiliated medical groups increased their rates in 2005 for core procedure and visit current procedural terminology codes. These rate increases were the result of an analysis of the medical groups 2004 rates as compared to the reimbursement rates of key insurers that showed that, in many cases, the insurer s reimbursement rates were higher than the medical groups core charges.

Increases in other sources of patient revenue. In July 2005, physicians at one of IPS s affiliated medical groups began to provide services on a rotating basis to a clinic started by a local hospital for a flat fee of $14,000 per month.

Other revenue totaled $228,230 in 2004, increasing $167,460, or 73.4%, to $395,690 for the year ended December 31, 2005. For the twelve months ended December 31, 2005, revenue from our vaccine program, which is a group purchasing alliance for vaccines and medical supplies, totaled $319,799, an increase of $91,569 over 2004. The vaccine program, which had a total of 222 enrolled participants at the end of 2004, added approximately 204 members during the year ended December 31, 2005. Additionally, revenue related to a small number of former IntegriMED customers not fully transitioned to eClinicalWeb at the time of the IntegriMED Agreement totaled approximately $58,000 for the year ended December 31, 2005. This revenue is not expected to be recurring revenue and the final customer was transitioned from the Company in November 2005.

Operating Expenses.

Salaries and Benefits. Consolidated salaries and benefits increased $7,608,119 to $12,663,369 for the year ended December 31, 2005, as compared to $5,055,249 in 2004. MBS s salaries and benefits totaled $6,243,209 for the twelve months ended December 31, 2005. In 2004, MBS s salaries and benefits, which totaled $262,230, represented wages beginning on December 15, 2004 after the DCPS/MBS Merger.

In August 2005, we consolidated our corporate operations into the Roswell, Georgia office. Prior to the staff reductions resulting from this corporate consolidation, salaries and benefits related to corporate staff in Houston, Texas totaled $864,010 in 2005. In 2004, salaries and benefits for the Houston, Texas corporate employees totaled $45,865, which represented wages beginning on December 15, 2004 after the IPS Merger. Severance, retention costs and accrued vacation related to the corporate staff reductions at our Houston, Texas office totaled $143,250 for the year ended December 31, 2005. Additionally, effective November 8, 2005, Keith G. LeBlanc resigned his position as president and director of the Company to pursue other interests. Mr. LeBlanc will remain as a consultant to the Company for a period of twelve months. The Company and Mr. LeBlanc executed a Separation Agreement and General Release (the Separation Agreement) governing Mr. LeBlanc s separation benefits and consulting agreement. The Separation Agreement is incorporated by reference to Exhibit 10.8 of our Form 10-QSB for the quarter ended September 30, 2005, which was filed on November 14, 2005. Salaries and benefits expense in 2005 included an accrual of $484,520 for separation benefits related to the Separation Agreement.

Clinical salaries & benefits include wages for the nurse practitioners, nursing staff and medical assistants employed by the affiliated medical groups and are directly related to increases and decreases in productivity and patient volume. Clinical salaries, bonuses, overtime and health insurance collectively totaled $1,728,764 in 2005, an increase of $126,374 over the same period in 2004. These expenses represented approximately 9.0% and 9.5% of net operating revenue for the twelve months ended December 31, 2005 and 2004, respectively.

Administrative salaries and benefits, excluding MBS and the former staff of our Houston, Texas office, represent the employee-related costs of all non-clinical practice personnel at IPS s affiliated medical groups as well as our corporate staff in Roswell, Georgia. These expenses increased $127,033, or 5.1%, from $2,476,378 for the year ended December 31, 2004 to $2,603,411 for the same period in 2005. The additional salaries expense can be attributed primarily to: (i) the addition of one billing FTE and the promotion of several employees to supervisor at two of IPS s affiliated medical groups as the result of billing office reorganizations, which accounted for

approximately $57,000 of the increase; and (ii) combined salary increases totaling approximately $62,000 for our Chief Executive Officer and Chief Financial Officer as a result of the IPS Merger on December 15, 2004.

Physician Group Distribution. Physician group distribution increased $1,375,894, or 19.8%, for the year ended December 31, 2005 to $8,314,975, as compared with $6,939,081 for the year ended December 31, 2004. Pursuant to the terms of the MSAs governing each of IPS s affiliated medical groups, the physicians of each medical group receive disbursements after the payment of all clinic facility expenses as well as a management fee to IPS. The management fee revenue and expense, which is eliminated in the consolidation of our financial statements, is either a fixed fee or is calculated based on a percentage of net operating income. For the twelve months ended December 31, 2005, management fee revenue totaled $1,450,784 and represented approximately 14.9% of net operating income as compared to management fee revenue totaling $1,246,470 and representing approximately 13.8% of net operating income in 2004. Physician group distributions represented 42.5% of net operating revenues in 2005, compared to 40.4% of net operating revenues for the same period in 2004. The increase in physician group distributions in 2005 was directly related to the increase in net patient service revenue, which was primarily the result of increased patient volume during the year.

Facility Rent and Related Costs. Facility rent and related costs increased 52.9% from $1,116,949 for the year ended December 31, 2004 to $1,707,579 for the year ended December 31, 2005. MBS s facility rent and related costs totaled $502,917 for the twelve months ended December 31, 2005. In 2004, MBS s rent expenses totaled $9,291, which represented expenses beginning on December 15, 2004 after the DCPS/MBS Merger. Facility rent and related costs associated with our former Houston, Texas office totaled $625,453 in 2005 as compared to $11,940 for the period beginning on December 15, 2004 after the IPS Merger.

Facility rent and related costs associated with IPS s affiliated medical groups and our corporate office totaled $1,082,126 for the year ended December 31, 2005 compared to $1,105,009 for the same period in 2004. One of IPS s affiliated medical groups refurbished its existing office space at two locations at a cost of approximately $36,000. Rent expense related to our corporate office in Roswell, Georgia decreased in 2005 due to approximately $63,000 in rent payments received for the sublease between eClinicalWeb and the Company as a result of the IntegriMED Agreement in June 2005.

Depreciation and Amortization. Consolidated depreciation and amortization expense totaled $2,818,042 for the year ended December 31, 2005, an increase of $2,166,312 over the year ended December 31, 2004.

For the twelve months ended December 31, 2005, depreciation expense related to the fixed assets of MBS totaled $86,081. In 2004, MBS s depreciation expenses totaled $1,692, which represented the expense beginning on December 15, 2004 after the DCPS/MBS Merger. Depreciation expense associated fixed assets related to our former Houston, Texas office totaled $46,454 in 2005 as compared to $20,764 for the period beginning on December 15, 2004 after the IPS Merger. Depreciation expense related to the fixed assets of IPS and us totaled $118,620 and $132,716 for the years ended December 31, 2005 and 2004, respectively.

Amortization expense related to the MSAs for IPS s affiliated medical groups totaled $386,125 and $358,116 for the years ended December 31, 2005 and 2004, respectively.

As part of the IPS Merger, the purchase price, comprised of the fair value of the outstanding shares of the Company prior to the transaction, plus applicable transaction costs, was allocated to the fair value of our tangible and intangible assets and liabilities prior to the transaction, with any excess being considered goodwill. The amortization expense related to the intangible assets recorded as a result of the IPS Merger totaled $1,118,670 and $94,089 for the years ended December 31, 2005 and 2004, respectively. (See Charge for Impairment of Intangible Assets and Discontinued Operations for additional discussion regarding the disposition of intangible assets and goodwill recorded as a result of

the IPS Merger.)

As part of the DCPS/MBS Merger, we purchased MBS and DCPS for a combination of cash, notes and stock. Since the consideration for this purchase transaction exceeded the fair value of the net assets of MBS and DCPS at the time of the purchase, a portion of the purchase price was allocated to intangible assets. The amortization expense related to the intangible assets recorded as a result of the DCPS/MBS Merger totaled $1,062,093 and $44,254 for the years ended December 31, 2005 and 2004, respectively.

Professional and Consulting Fees. For the year ended December 31, 2005, professional and consulting fees totaled $1,910,555, an increase of $1,206,848, or 171.5%, over the same period in 2004. For the twelve months ended December 31, 2005, MBS recorded professional and consulting expenses totaling $275,176. In 2004, MBS s professional and consulting fees totaled $22,020 for the period beginning on December 15, 2004 after the DCPS/MBS Merger.

IPS s and our professional and consulting fees, which include the costs of corporate accounting, financial reporting and compliance, increased from $681,687 for the year ended December 31, 2004 to $1,635,379 for the year ended December 31, 2005. The increase is primarily the result of (i) approximately $345,000 in additional accounting and audit fees as a result of the expanded reporting requirements resulting from the IPS Merger and DCPS/MBS Merger (collectively, the 2004 Mergers); (ii) approximately $355,000 in additional legal fees resulting from the 2004 Mergers, including a $90,000 charge to legal fees recorded in the third quarter of 2005 related to a litigation settlement; (iii) approximately $91,000 in professional fees for investor relations and corporate communications; (iv) approximately $57,000 in costs associated with the small number of former IntegriMED customers not fully transitioned to eClinicalWeb at the time of the IntegriMED Agreement; and (v) approximately $20,000 in consulting fees incurred during the year related to accounting software upgrades in the corporate office.

Insurance. Consolidated insurance expense, which includes the costs of professional liability insurance for affiliated physicians, property and casualty and general liability insurance and directors and officers liability insurance, increased from $534,650 for the year ended December 31, 2004 to $898,495 for the year ended December 31, 2005. For the twelve months ended December 31, 2005, MBS s insurance expenses totaled $13,637. In 2004, MBS recorded insurance expense totaling $136 for the period beginning on December 15, 2004 after the DCPS/MBS Merger.

IPS s and our insurance expenses totaled $900,768 for the twelve months ended December 31, 2005, an increase of $366,255 over the same period in 2004. Directors and officers liability insurance increased approximately $240,000 from 2004 to 2005, and relates solely to the increase in premiums as a result of the 2004 Mergers. General liability insurance, which includes property & casualty insurance for the affiliated medical groups and the corporate office in Roswell, Georgia, increased from $20,050 for the year ended December 31, 2004 to $92,381 for the twelve months ended December 31, 2005. The expense for 2005 included insurance premiums totaling $86,379 related to our former office in Houston, Texas, while the 2004 expense only included $1,601 for the period beginning December 15, 2004 after the IPS Merger. Professional liability insurance for the affiliated medical groups increased $28,674 from $457,360 for the twelve months ended December 31, 2004 to $486,034 for the same period in 2005. This increase is primarily due to a combination of two factors at one of the affiliated medical groups: (i) the addition of a FTE provider in 2005 coupled with (ii) an approximately $2,500 per provider annual rate increase over 2004 premiums.

Provision for Doubtful Accounts. Our consolidated provision for doubtful accounts, or bad debt expense, increased $111,268, or 10.4%, for the year ended December 31, 2005 to $1,176,405. IPS s provision for doubtful accounts for the twelve months ended December 31, 2005 totaled $1,154,464 and accounted for 5.9% of net operating revenues as compared to 6.2% of net operating revenues for the same period in 2004. The total collection rate, after contractual allowances, for IPS s affiliated medical groups was 68.6% for the year ended December 31, 2005, compared to 67.1% for the same period in 2004.

Other Expenses. Consolidated other expenses totaled $5,024,169 for the year ended December 31, 2005, an increase of $1,909,154 over the same period in 2004. Other expenses include general and administrative expenses such as office supplies, telephone & data communications, printing & postage, transfer agent fees, and board of directors compensation and meeting expenses, as well as some direct clinical expenses, which are expenses that are directly related to the practice of medicine by the physicians that practice at the affiliated medical groups managed by IPS. MBS s other expenses totaled $1,240,494 for the twelve months ended December 31, 2005, and included approximately $641,000 in postage and courier fees, approximately $391,000 for office supplies & telephone

expenses, and approximately $51,000 in travel expenses related to new business marketing. In 2004, MBS s other expenses totaled $118,783 for the period beginning on December 15, 2004 after the DCPS/MBS Merger.

For the year ended December 31, 2005, IPS s direct clinical expenses, other than salaries and benefits, totaled $2,349,706, an increase of $377,721, or 19.2%, over 2004 direct clinical expenses, which totaled $1,971,985. Vaccine expenses accounted for $358,408 of the total increase in direct clinical expenses in 2005, increasing from $1,565,833 in 2004 to $1,924,241 in 2005, largely as a result of the increase in patient volume at IPS s affiliated medical groups during the year. Vaccine expenses represented approximately 10.0% of net operating revenue for the twelve months ended December 31, 2005 compared to approximately 9.2% of net operating revenue for the same period in 2004. Additionally, IPS s affiliated medical groups began using two new vaccines in 2005 Menactra and Decavac which replaced lower-priced vaccines previously utilized by the medical groups.

Our and IPS s general and administrative expenses totaled $1,192,545 for the twelve months ended December 31, 2005, an increase of $215,012 over 2004 totals. Of the total increase, approximately $109,000 and $16,000 relate to our board of directors fees and travel expenses and transfer agent fees, respectively, both of which were new costs for us in 2005. Additional printing costs associated with our SEC filings totaled approximately $65,000 for the twelve months ended December 31, 2005. Travel expenses related primarily to employee travel between Roswell, Georgia and Houston, Texas as part of the process of the consolidation of corporate functions totaled approximately $94,000 in 2005.

Charge for Impairment of Intangible Assets. For the twelve months ended December 31, 2005, we recorded a total charge for impairment of intangible assets of $11,026,470 as compared to $4,795,482 for the year ended December 31, 2004. As part of the IPS Merger, the purchase price, comprised of the fair value of the outstanding shares of the Company prior to the transaction, plus applicable transaction costs, was allocated to the fair value of our tangible and intangible assets and liabilities prior to the transaction, with any excess being considered goodwill.

As of the Closing, our management expected the case volumes at Bellaire SurgiCare to improve in 2005. However, by the end of February 2005, it was determined that the expected case volume increases were not going to be realized. On March 1, 2005, we closed Bellaire SurgiCare and consolidated its operations with the operations of Memorial Village. As a result of the decision to close Bellaire SurgiCare and the resulting impairment of the joint venture interest and management contracts related to the surgery centers, we recorded a charge for impairment of intangible assets of $4,090,555 for the year ended December 31, 2004.

As a result of the CARDC Settlement, we recorded a charge for impairment of intangible assets related to CARDC of $704,927 for the year ended December 31, 2004.

On June 13, 2005, we announced that we had accepted an offer to purchase our interests in TASC and TOM in Dover, Ohio. Based on the pending sales transaction involving TASC and TOM, as well as the uncertainty of future cash flows related to our surgery center business, we determined that the joint venture interests associated with TASC, TOM and Memorial Village were impaired and recorded a charge for impairment of intangible assets of $6,362,849 for the quarter ended June 30, 2005. The sale of our interests in TASC and TOM was completed effective as of October 1, 2005 and is described in greater detail under the caption Discontinued Operations .

In November 2005, we decided that, as a result of ongoing losses at Memorial Village, it would need to either find a buyer for our equity interests in Memorial Village or close the facility. Based on the decision to sell or close Memorial Village, as well as the continuing uncertainty of cash flows related to our surgery center segment, we determined that the joint venture interests for San Jacinto, as well as the management contracts associated with Memorial Village and San Jacinto, were impaired and recorded an additional charge for impairment of intangible assets totaling $3,461,351 for the quarter ended September 30, 2005.

Effective January 31, 2006 and March 1, 2006, respectively, we executed asset purchase agreements to sell substantially all of the assets of Memorial Village and San Jacinto. On January 12, 2006, we were notified by Union

that it was exercising its option to terminate the TOM MSA as of March 12, 2006. Additionally, on February 3, 2006, we were notified by Union that it was exercising its option to terminate the TASC MSA as of April 3, 2006. As a result of the sales of Memorial Village and San Jacinto, as well as the termination of the TASC MSA and TOM MSA, we no longer have an ownership or management interest in any ambulatory surgery centers and, as such, we tested the remaining identifiable intangible assets related to the surgery centers from the IPS Merger at December 31, 2005. Based on the terminations of the TASC MSA and TOM MSA, as well as the sales of Memorial Village and San Jacinto, we determined that the management contracts associated with TASC and TOM were impaired and

recorded an additional charge for impairment of intangible assets of $1,163,830 for the quarter ended December 31, 2005.

As a result of the Sutter Settlement, we also recorded an additional $38,440 charge for impairment of intangible assets for the quarter ended December 31, 2005.

Other Income and Expenses.

Interest Expense. Consolidated interest expense totaled $342,678 for the twelve months ended December 31, 2005, a decrease of $626,368 from the same period in 2004. Interest expense activity in 2005, including decreases from 2004, can be explained generally by the following:

> *Brantley Debt.* As part of the 2004 Mergers, we used $6,037,111 of proceeds to repay debt and accrued interest owed to an affiliate of Brantley IV. Additionally, Brantley Capital and Brantley III each held debt of IPS and were party to the Amended and Restated Debt Exchange Agreement, dated February 9, 2004, as amended by the First Amendment to Debt Exchange Agreement dated July 16, 2004 (the Debt Exchange Agreement) under which Brantley Capital and Brantley III received Class A Common Stock in exchange for the contribution of an aggregate of approximately $4,375,000 in debt, including accrued interest as of the Closing, to us. Brantley Capital also received Class A Common Stock equal to the amount of approximately $593,000 in accrued dividends owed to it by IPS in exchange for such indebtedness. Interest expense related to the Brantley Capital, Brantley III and Brantley IV subsidiary debt totaled approximately $566,000 in 2004. In March and April 2005, we borrowed an aggregate of $1,250,000 from Brantley IV. Interest expense related to these notes totaled approximately $89,000 for the twelve months ended December 31, 2005.
>
> *DVI Restructuring.* As described in Part I. Item 1. Description of Business Acquisitions and Restructuring Transactions New Line of Credit and Debt Restructuring, we restructured our previously-existing debt facilities, which resulted in a decrease in aggregate debt owed to DVI from approximately $10.1 million to a combined principal amount of approximately $6.5 million, of which approximately $2.0 million was paid at the Closing. Interest expense related to IPS s portion of the restructured debt totaled $207,428 in 2004.
>
> *New Line of Credit.* As part of the restructuring transactions, we also entered into the Loan and Security Agreement with CIT, borrowing $1.6 million under this facility concurrently with the Closing. Interest expense related to this line of credit totaled $208,211 for the year ended December 31, 2005, an increase of $42,510 over the interest expense for 2004 related to our previous revolving credit facility with DVI.

Gain on Forgiveness of Debt. On August 25, 2003, our lender, DVI, announced that it was seeking protection under Chapter 11 of the United States Bankruptcy laws. Both IPS and SurgiCare had loans outstanding to DVI in the form of term loans and revolving lines of credit. As part of the IPS Merger, we negotiated a discount on the term loans and a buy-out of the revolving lines of credit. As part of that agreement, we executed a new loan agreement with U.S. Bank Portfolio Services (USBPS), as Servicer for payees, for payment of the revolving lines of credit and renegotiation of the term loans. Additionally, as part of that transaction, we entered into a new secured two-year revolving line of credit with CIT, which was used to pay-off the DVI revolving lines of credit. The total gain on the cancellation of debt was $4,956,885 (net of accrued interest totaling $24,597 related to a 60-day extension of the original settlement agreement with USBPS) and was allocated based on the historical note balances of IPS and SurgiCare. The gain allocated to SurgiCare reduced the amount of debt assumed in the purchase price calculation, along with the resulting allocation of the fair value of our historical net assets to intangible assets and goodwill. The gain allocated to IPS (net of $12,093 in accrued interest) totaled $2,424,978 for the year ended December 31, 2004. The remaining $2,960 gain on forgiveness of debt recorded in 2004 relates to previously negotiated settlements by us with certain creditors.

Discontinued Operations.

Heart Center. On September 19, 2003, IPS entered into a Settlement Agreement (the Heart Center Settlement) with Dr. Jane Kao (Dr. Kao)and the Heart Center to settle disputes as to the existence and enforceability of certain contractual obligations. As part of the Heart Center Settlement, Dr. Kao, the Heart Center

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and IPS agreed that, until December 31, 2004, each party would conduct their operations under the terms established by the MSA between IPS and the Heart Center. Additionally, among other provisions, after December 31, 2004, Dr. Kao, the Heart Center and IPS were released from any further obligation to each other arising from any previous agreement, and Dr. Kao purchased the accounts receivable related to the Heart Center and IPS terminated its ownership and management agreement with the Heart Center. The operations of this component are reflected in our consolidated statements of operations as loss from operations of discontinued components for the year ended December 31, 2004. IPS recorded a loss on disposal of this discontinued component of $12,366 for the year ended December 31, 2004. There were no operations for this component in Company s financial statements in 2005.

The following table contains selected financial statement data related to the Heart Center as of and for the year ended December 31, 2004.

		2004
Income statement data:		
Net operating revenues	$	2,275,890
Operating expenses		2,130,379
Net income	$	145,511
Balance sheet data:		
Current assets	$	
Other assets		
Total assets	$	
Current liabilities	$	3,953
Other liabilities		
Total liabilities	$	3,953

Bellaire SurgiCare. As of the Closing, our management expected the case volumes at Bellaire SurgiCare to improve in 2005. However, by the end of February 2005, it was determined that the expected case volume increases were not going to be realized. On March 1, 2005, we closed Bellaire SurgiCare and consolidated its operations with the operations of Memorial Village. We tested the identifiable intangible assets and goodwill related to the surgery center business using the present value of cash flows method. As a result of the decision to close Bellaire SurgiCare and the resulting impairment of the joint venture interest and management contracts related to the surgery centers, we recorded a charge for impairment of intangible assets of $4,090,555 for the year ended December 31, 2004. We also recorded a loss on disposal of this discontinued component (in addition to the charge for impairment of intangible assets) of $163,049 for the quarter ended March 31, 2005. The operations of this component are reflected in our consolidated statements of operations as loss from operations of discontinued components for the twelve months ended December 31, 2005 and 2004, respectively. There were no operations for this component after March 31, 2005.

The following table contains selected financial statement data related to Bellaire SurgiCare as of and for the twelve months ended December 31, 2005 and 2004, respectively:

	2005	2004
Income statement data:		
Net operating revenues	$ 161,679	$ 23,123
Operating expenses	350,097	129,430
Net loss	$ (188,418)	$ (106,307)
Balance sheet data:		
Current assets	$	$ 284,192
Other assets		395,997
Total assets	$	$ 680,189
Current liabilities	$	$ 583,580
Other liabilities		39,689
Total liabilities	$	$ 623,269

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CARDC. On April 1, 2005, IPS entered into the CARDC Settlement with Dr. Bradley E. Chipps, M.D. and CARDC to settle disputes as to the existence and enforceability of certain contractual obligations. As part of the CARDC Settlement, Dr. Chipps, CARDC, and IPS agreed that CARDC would purchase the assets owned by IPS and used in connection with CARDC, in exchange for termination of the MSA between IPS and CARDC. Additionally, among other provisions, after April 1, 2005, Dr. Chipps, CARDC and IPS have been released from any further obligation to each other arising from any previous agreement. As a result of the CARDC dispute, we recorded a charge for impairment of intangible assets related to CARDC of $704,927 for the year ended December 31, 2004. We also recorded a gain on disposal of this discontinued component (in addition to the charge for impairment of intangible assets) of $506,625 for the quarter ended March 31, 2005. For the quarter ended June 30, 2005, we reduced the gain on disposal of this discontinued component by $238,333 as the result of post-settlement adjustments related to the reconciliation of balance sheet accounts. The operations of this component are reflected in our consolidated statements of operations as loss from operations of discontinued components for the twelve months ended December 31, 2005 and 2004, respectively. There were no operations for this component in our financial statements after March 31, 2005.

The following table contains selected financial statement data related to CARDC as of and for the twelve months ended December 31, 2005 and 2004, respectively:

	2005	2004
Income statement data:		
Net operating revenues	$ 848,373	$ 3,210,158
Operating expenses	809,673	3,056,258
Net income	$ 38,700	$ 153,900
Balance sheet data:		
Current assets	$	$ 237,367
Other assets		9,971
Total assets	$	$ 247,338
Current liabilities	$	$ 233,711
Other liabilities		
Total liabilities	$	$ 233,711

IntegriMED. On June 7, 2005, IPS executed an Asset Purchase Agreement with eClinicalWeb to sell substantially all of the assets of IntegriMED. As a result of this transaction, we recorded a loss on disposal of this discontinued component of $47,101 for the quarter ended June 30, 2005. The operations of this component are reflected in our consolidated statements of operations as loss from operations of discontinued components for the twelve months ended December 31, 2005 and 2004, respectively. There were no operations for this component in our financial statements after June 30, 2005.

The following table contains selected financial statement data related to IntegriMED as of and for the twelve months ended December 31, 2005 and 2004, respectively:

	2005	2004
Income statement data:		
Net operating revenues	$ 191,771	$ 258,673
Operating expenses	899,667	1,710,891
Net loss	$ (707,896)	$ (1,452,218)
Balance sheet data:		
Current assets	$	$ 443,120
Other assets		62,575
Total assets	$	$ 505,695
Current liabilities	$	$ 571,766
Other liabilities		
Total liabilities	$	$ 571,766

TASC and TOM. On June 13, 2005, we announced that we had accepted an offer to purchase our interests in TASC and TOM in Dover, Ohio. These transactions, which were consummated on September 30, 2005, were deemed to be effective as of October 1, 2005. As a result of these transactions, as well as the uncertainty of future cash flows related to our surgery center business, we recorded a charge for impairment of intangible assets of $6,362,849 for the three months ended June 30, 2005. As a result of these transactions, we recorded a gain on disposal of this discontinued component (in addition to the charge for impairment of intangible assets) of $1,357,712 for the quarter ended December 31, 2005. We allocated the goodwill recorded as part of the IPS Merger to each of the surgery center reporting units and recorded a loss on the write-down of goodwill for the quarter ended December 31, 2005. The loss on write-down of goodwill related to TASC and TOM totaled $789,173 and reduced the gain on disposal. The operations of this component are reflected in our consolidated statements of operations as loss from operations of discontinued components for the twelve months ended December 31, 2005 and 2004, respectively. There were no operations for this component in our financial statements after September 30, 2005.

The following table contains selected financial statement data related to TASC and TOM as of and for the twelve months ended December 31, 2005 and 2004, respectively:

	2005	2004
Income statement data:		
Net operating revenues	$ 2,408,156	$ 177,761
Operating expenses	2,458,234	123,551
Net income (loss)	$ (50,078)	$ 54,210
Balance sheet data:		
Current assets	$	$ 772,035
Other assets		1,632,949
Total assets	$	$ 2,404,984
Current liabilities	$	$ 779,684
Other liabilities		724,563
Total liabilities	$	$ 1,504,247

Sutter. On October 31, 2005, IPS executed the Sutter Settlement with Dr. Sutter to settle disputes that had arisen between IPS and Dr. Sutter and to avoid the risk and expense of litigation. As part of the Sutter Settlement, Dr. Sutter and IPS agreed that Dr. Sutter would purchase the assets owned by IPS and used in connection with Dr. Sutter s practice, in exchange for termination of the MSA between IPS and Dr. Sutter. Additionally, among other provisions, after October 31, 2005, Dr. Sutter and IPS have been released from any further obligation to each other arising from any previous agreement. As a result of this transaction, we recorded a loss on disposal of this discontinued component (in addition to the charge for impairment of intangible assets) of $279 for the quarter ended December 31, 2005. The operations of this component are reflected in our consolidated statements of operations as loss from operations of discontinued components for the twelve months ended December 31, 2005 and 2004, respectively. There were no operations for this component in our financial statements after October 31, 2005.

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The following table contains selected financial statement data related to Sutter as of and for the twelve months ended December 31, 2005 and 2004, respectively:

	2005	2004
Income statement data:		
Net operating revenues	$ 356,351	$ 434,063
Operating expenses	347,643	421,352
Net income	$ 8,708	$ 12,711
Balance sheet data:		
Current assets	$	$ 112,920
Other assets		15,296
Total assets	$	$ 128,216
Current liabilities	$	$ 9,806
Other liabilities		
Total liabilities	$	$ 9,806

Memorial Village. In November 2005, we decided that, as a result of ongoing losses at Memorial Village, it would need to either find a buyer for our equity interests in Memorial Village or close the facility. In preparation for this pending transaction, we tested the identifiable intangible assets and goodwill related to the surgery center business using the present value of cash flows method. As a result of the decision to sell or close Memorial Village, as well as the uncertainty of cash flows related to our surgery center business, we recorded a charge for impairment of intangible assets of $3,461,351 for the three months ended September 30, 2005. Effective January 31, 2006, we executed an Asset Purchase Agreement to sell substantially all of the assets of Memorial Village. Pursuant to SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the assets and liabilities of Memorial Village have been reclassified as assets held for sale and liabilities held for sale on our consolidated balance sheet as of December 31, 2005. We allocated the goodwill recorded as part of the IPS Merger to each of the surgery center reporting units and recorded a loss on the write-down of goodwill for the quarter ended December 31, 2005. The loss on write-down of goodwill related to Memorial Village totaled $2,005,383. The operations of this component are reflected in our consolidated statements of operations as loss from operations of discontinued components for the twelve months ended December 31, 2005 and 2004, respectively.

The following table contains selected financial statement data related to Memorial Village as of and for the twelve months ended December 31, 2005 and 2004, respectively:

	2005	2004
Income statement data:		
Net operating revenues	$ 1,490,799	$ 112,994
Operating expenses	2,966,860	90,966

Net income (loss)	$ (1,476,061)	$ 22,028
Balance sheet data:		
Other current assets	$ 152,856	$ 243,321
Property and equipment, net	430,244	739,810
Total assets held for sale	$ 583,100	$ 983,131
Capital lease obligation	79,206	55,939
Total liabilities held for sale	$ 79,206	$ 55,939

San Jacinto. Effective March 1, 2006, we executed an Asset Purchase Agreement to sell substantially all of the assets of San Jacinto, which is 10% owned by Baytown SurgiCare, Inc., a wholly owned subsidiary of the Company and is not consolidated in our financial statements. We allocated the goodwill recorded as part of the IPS Merger to each of the surgery center reporting units and recorded a loss on the write-down of goodwill for the quarter ended December 31, 2005. The loss on write-down of goodwill related to San Jacinto totaled $694,499.

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Orion. Prior to the divestiture of our ambulatory surgery center business, we recorded management fee revenue, which was eliminated in the consolidation of our financial statements, for Bellaire SurgiCare, TASC and TOM and Memorial Village. The management fee revenue for San Jacinto was not eliminated in consolidation. The management fee revenue associated with the discontinued operations in the surgery center business totaled $407,595 for the year ended December 31, 2005. Additionally, we recorded equity in the earnings of San Jacinto in the amount of $43,273 for the twelve months ended December 31, 2005, while sustaining a minority interest loss in TOM of $93,802 for the same period. For the year ended December 31, 2004, we generated management fee revenue of $15,219, a minority interest loss in Memorial Village of $51,800 and equity in the earning of San Jacinto totaling $1,169. Pursuant to SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the long-term investment in San Jacinto and the distributions due to the limited partners of San Jacinto have been reclassified as assets and liabilities held for sale on our consolidated balance sheet as of December 31, 2005.

The following table summarizes the components of loss from operations of discontinued components:

	2005	2004
Heart Center		
Net income	$	$ 145,511
Loss on disposal		(12,366)
Bellaire SurgiCare		
Net loss	(188,418)	(106,308)
Loss on disposal	(163,049)	
CARDC		
Net income	38,700	153,900
Gain on disposal	268,292	
IntegriMED		
Net loss	(707,896)	(1,452,218)
Loss on disposal	(47,101)	
TASC and TOM		
Net income (loss)	(50,079)	54,210
Gain on disposal, net of loss on write-down of goodwill	568,539	
Sutter		
Net income	8,708	12,711
Loss on disposal	(279)	
Memorial Village		
Net income (loss)	(1,476,061)	22,028
Loss on write-down of goodwill	(2,005,383)	
San Jacinto		
Loss on write-down of goodwill	(694,499)	
Orion		
Net income (loss)	357,066	(35,412)
Total loss from operations of discontinued components, including net loss on disposal	$ (4,091,459)	$ (1,217,943)

Preferred Stock Dividends. Prior to the IPS Merger, holders of IPS s Series A-2 preferred stock were entitled to receive, when, as and if declared by the board of directors, cumulative dividends payable at the annual rate of $0.40

for each share. Dividends were accrued, even if not declared, and were to be declared and paid in cash in equal installments on the first day of January, April, July and October immediately following the issue date, or continue to be accrued until such time as the preferred stockholders demanded payment. Preferred stock dividends in the amount of $606,100 were accrued for the twelve months ended December 31, 2004. No cash payments of dividends were made in 2005 or 2004. The Series A-2 redeemable convertible preferred stock, along with the other three series of redeemable convertible preferred stock held by IPS stockholders prior to the IPS Merger, including any accrued and unpaid dividends therein, were exchanged for shares of our Class A Common Stock as a part of the IPS Merger.

Liquidity and Capital Resources

For the six months ended June 30, 2006, net cash provided by operating activities totaled $575,852 as compared to net cash used in operating activities totaling $1,805,230 for the same period in 2005. The net impact of discontinued operations on net cash provided by operating activities in the first six months of 2006 totaled $230,744.

Net cash used in operating activities totaled $3,309,084 for the year ended December 31, 2005 compared to net cash used in operating activities of $2,820,499 for the same period in 2004. Net cash used in operations increased over 2004 primarily as a result of the growth in operating expenses related to the IPS Merger and the DCPS/MBS Merger. The net impact of discontinued operations on net cash used in operating activities in 2005 totaled $3,352,219.

For the six months ended June 30, 2006, net cash provided by investing activities totaled $417,234 as compared to $32,195 in net cash provided by investing activities in the six months ended June 30, 2005. The net impact of discontinued operations on net cash provided by investing activities totaled $430,244 in the first six months of 2006.

For the year ended December 31, 2005, net cash provided by investing activities totaled $1,947,564 compared to $1,716,708 in net cash provided by investing activities for the same period in 2004, which included $2,090,677 in net proceeds related to the 2004 Mergers. In 2005, we received proceeds from the sale of TASC and TOM in the fourth quarter of 2005, in addition to the sales of CARDC, IntegriMED and Sutter in the first, second and fourth quarters of 2005, respectively.

Net cash used in financing activities totaled $962,970 for the six months ended June 30, 2006 as compared to $1,382,272 in net cash provided by financing activities for the six months ended June 30, 2005. The change in cash uses related to financing activities from 2005 to 2006 can be explained generally by the following:

- Net repayments on the CIT revolving credit facility totaled $718,221 in the first six months of 2006, including approximately $300,000 in repayments related to discontinued operations;
- As discussed below, in March and April of 2005, we borrowed an aggregate of $1,250,000 from Brantley IV.
- We made aggregate payments in the amount of $112,500 in the first quarter of 2006 in satisfaction of a $778,000 debt, and recognized a gain on forgiveness of debt totaling $665,463 for the six months ended June 30, 2006; and
- We repaid approximately $200,000 in satisfaction of a working capital note from the sellers of MBS in the first quarter of 2006.

Net cash provided by financing activities totaled $958,482 for the year ended December 31, 2005 compared to net cash provided by financing activities totaling $1,756,105 for the year ended December 31, 2004. The following financing activities occurred in 2005:

- Net repayments of capital lease obligations totaled $492,819, including approximately $635,000 in repayments related to discontinued operations;
- Net borrowings on the CIT revolving credit facility totaled $386,340; and
- In March and April 2005, we borrowed an aggregate of $1,250,000 from Brantley IV.

Our financial statements have been prepared in conformity with GAAP, which contemplate the continuation of the Company as a going concern. We incurred substantial operating losses during 2005, and has used substantial amounts of working capital in our operations. Additionally, as described more fully below, we received notification from CIT in December 2005 that certain events of default under the Loan and Security Agreement had occurred as a result of us being out of compliance with two financial covenants relating to our debt service coverage ratio and our minimum operating income level. These conditions raise substantial doubt about our ability to continue as a going concern.

We have financed our growth and operations primarily through the issuance of equity securities, secured and/or convertible debt, most recently by completing the 2004 Mergers and restructuring transactions in December 2004 and borrowing from related parties. On December 15, 2004, we also entered into a new secured two-year revolving credit facility pursuant to the Loan and Security Agreement. Under this facility, initially up to $4,000,000 of loans could be made available to us, subject to a borrowing base. As discussed below, the amount available under this credit facility has been reduced. We borrowed $1,600,000 under this facility concurrently with the Closing. The interest rate under this facility is the prime rate plus 6%. Upon an event of default, CIT can accelerate the loans or call the Guaranties described below. In connection with entering into this new facility, we also restructured our previously-existing debt facilities, which resulted in a decrease in aggregate debt owed to DVI from approximately $10.1 million to a combined principal amount of approximately $6.5 million, of which approximately $2.0 million was paid at the Closing.

Pursuant to a Guaranty Agreement (the Brantley IV Guaranty), dated as of December 15, 2004, provided by Brantley IV to CIT, Brantley IV agreed to provide a deficiency guaranty in the initial amount of $3,272,727. As discussed below, the amount of this Brantley IV Guaranty has been reduced. Pursuant to a Guaranty Agreement (the Brantley Capital Guaranty and collectively with the Brantley IV Guaranty, the Guaranties), dated as of December 15, 2004, provided by Brantley Capital Corporation (Brantley Capital) to CIT, Brantley Capital agreed to provide a deficiency guarantee in the initial amount of $727,273. As discussed below, the amount of this Brantley Capital Guaranty has been reduced. In consideration for the Guaranties, we issued warrants to purchase 20,455 shares of Class A Common Stock, at an exercise price of $0.01 per share, to Brantley IV, and issued warrants to purchase 4,545 shares of Class A Common Stock, at an exercise price of $0.01 per share, to Brantley Capital. None of these warrants, which expire on December 15, 2009, have been exercised as of June 30, 2006.

On March 16, 2005, Brantley IV loaned us an aggregate of $1,025,000 (the First Loan). On June 1, 2005, we executed a convertible subordinated promissory note in the principal amount of $1,025,000 (the First Note) payable to Brantley IV to evidence the terms of the First Loan. The material terms of the First Note are as follows: (i) the First Note is unsecured; (ii) the First Note is subordinate to our outstanding loan from CIT and other indebtedness for monies borrowed, and ranks pari passu with general unsecured trade liabilities; (iii) principal and interest on the First Note is due in a lump sum on April 19, 2006 (the First Note Maturity Date); (iv) the interest on the First Note accrues from and after March 16, 2005, at a per annum rate equal to nine percent (9.0%) and is non-compounding; (v) if an event of default occurs and is continuing, Brantley IV, by notice to us, may declare the principal of the First Note to be due and immediately payable; and (vi) on or after the First Note Maturity Date, Brantley IV, at its option, may convert all or a portion of the outstanding principal and interest due of the First Note into shares of Class A Common Stock of the Company at a price per share equal to $1.042825 (the First Note Conversion Price). The number of shares of Class A Common Stock to be issued upon conversion of the First Note shall be equal to the number obtained by dividing (x) the aggregate amount of principal and interest to be converted by (y) the First Note Conversion Price (as defined above); provided, however, the number of shares to be issued upon conversion of the First Note shall not exceed the lesser of: (i) 1,159,830 shares of Class A Common Stock, or (ii) 16.3% of the then outstanding Class A Common Stock. As of June 30, 2006, if Brantley IV were to convert the First Note, we would have to issue 1,098,644 shares of Class A Common Stock. On May 9, 2006, Brantley IV and the Company executed an amendment to the First Note (the First and Second Note Amendment) extending the First Note Maturity Date to August 15, 2006. On August 8, 2006, Brantley IV and the Company executed a second amendment to the First Note (the First and Second Note Second Amendment) extending the First Note Maturity Date to October 15, 2006.

On April 19, 2005, Brantley IV loaned us an additional $225,000 (the Second Loan). On June 1, 2005, we executed a convertible subordinated promissory note in the principal amount of $225,000 (the Second Note) payable to Brantley IV to evidence the terms of the Second Loan. The material terms of the Second Note are as follows: (i) the Second Note is unsecured; (ii) the Second Note is subordinate to our outstanding loan from CIT and other indebtedness for monies borrowed, and ranks pari passu with general unsecured trade liabilities; (iii) principal and

interest on the Second Note is due in a lump sum on April 19, 2006 (the Second Note Maturity Date); (iv) the interest on the Second Note accrues from and after April 19, 2005, at a per annum rate equal to nine percent (9.0%) and is non-compounding; (v) if an event of default occurs and is continuing, Brantley IV, by notice to us, may declare the principal of the Second Note to be due and immediately payable; and (vi) on or after the Second

Note Maturity Date, Brantley IV, at its option, may convert all or a portion of the outstanding principal and interest due of the Second Note into shares of Class A Common Stock of the Company at a price per share equal to $1.042825 (the Second Note Conversion Price). The number of shares of Class A Common Stock to be issued upon conversion of the Second Note shall be equal to the number obtained by dividing (x) the aggregate amount of principal and interest to be converted by (y) the Second Note Conversion Price (as defined above); provided, however, the number of shares to be issued upon conversion of the Second Note shall not exceed the lesser of: (i) 254,597 shares of Class A Common Stock, or (ii) 3.6% of the then outstanding Class A Common Stock. As of June 30, 2006, if Brantley IV were to convert the Second Note, we would have to issue 239,332 shares of Class A Common Stock. On May 9, 2006, Brantley IV and the Company executed the First and Second Note Amendment extending the Second Note Maturity Date to August 15, 2006. On August 8, 2006, Brantley IV and the Company executed the First and Second Note Second Amendment extending the Second Note Maturity Date to October 15, 2006.

Additionally, in connection with the First Loan and the Second Loan, we entered into a First Amendment to the Loan and Security Agreement (the First Amendment), dated March 22, 2005, with certain of our affiliates and subsidiaries, and CIT, whereby our $4,000,000 secured two-year revolving credit facility has been reduced by the amount of the loans from Brantley IV to $2,750,000. As a result of the First Amendment, the Brantley IV Guaranty was amended by the Amended and Restated Guaranty Agreement, dated March 22, 2005, which reduced the deficiency guaranty provided by Brantley IV by the amount of the First Loan to $2,247,727. Also as a result of the First Amendment, the Brantley Capital Guaranty was amended by the Amended and Restated Guaranty Agreement, dated March 22, 2005, which reduced the deficiency guaranty provided by Brantley Capital by the amount of the Second Loan to $502,273. Paul H. Cascio, the Chairman of the board of directors of the Company, and Michael J. Finn, a director of the Company, are affiliates of Brantley IV.

As part of the Loan and Security Agreement, we are required to comply with certain financial covenants, measured on a quarterly basis. The financial covenants include maintaining a required debt service coverage ratio and meeting a minimum operating income level for the surgery and diagnostic centers before corporate overhead allocations. As of and for the three months and six months ended June 30, 2006, we were out of compliance with both of these financial covenants and has notified the lender as such. Under the terms of the Loan and Security Agreement, failure to meet the required financial covenants constitutes an event of default. Under an event of default, the lender may (i) accelerate and declare the obligations under the credit facility to be immediately due and payable; (ii) withhold or cease to make advances under the credit facility; (iii) terminate the credit facility; (iv) take possession of the collateral pledged as part of the Loan and Security Agreement; (v) reduce or modify the revolving loan commitment; and/or (vi) take necessary action under the Guaranties. The revolving credit facility is secured by our assets. As of June 30, 2006, the outstanding principal under the revolving credit facility was $998,668. The full amount of the loan as of June 30, 2006 is recorded as a current liability. In December 2005, we received notification from CIT stating that (i) certain events of default under the Loan and Security Agreement had occurred as a result of us being out of compliance with two financial covenants relating to our debt service coverage ratio and our minimum operating income level, (ii) as a result of the events of default, CIT raised the interest rate for monies borrowed under the Loan and Security Agreement to the provided Default Rate of prime rate plus 6%, (iii) the amount available under the revolving credit facility was reduced to $2,300,000 and (iv) CIT reserved all additional rights and remedies available to it as a result of these events of default. We are currently in negotiations with CIT to obtain, among other provisions, a waiver of the events of default. In the event CIT declares the obligations under the Loan and Security Agreement to be immediately due and payable or exercises its other rights described above, we would not be able to meet our obligations to CIT or our other creditors. As a result, such action would have a material adverse effect on our ability to continue as a going concern.

As of June 30, 2006, our existing credit facility with CIT had limited availability to provide for working capital shortages. Although we believe that we will generate cash flows from operations in the future, there is substantial doubt as to whether we will be able to fund our operations solely from our cash flows. In April 2005, we initiated a

strategic plan designed to accelerate our growth and enhance our future earnings potential. The plan focuses on our strengths, which include providing billing, collections and complementary business management services to physician practices. A fundamental component of our plan is the selective consideration of accretive acquisition opportunities in these core business sectors. In addition, we ceased investment in business lines that did not

complement our strategic plans and redirected financial resources and Company personnel to areas that management believes enhances long-term growth potential. On June 7, 2005, as described in Discontinued Operations, IPS completed the sale of substantially all of the assets of IntegriMED, and on October 1, 2005, we completed the sale of our interests in TASC and TOM in Dover, Ohio. Beginning in the third quarter of 2005, we successfully completed the consolidation of corporate functions into our Roswell, Georgia facility. Additionally, consistent with our strategic plan, we sold our interest in Memorial Village effective January 31, 2006 and in San Jacinto effective March 1, 2006. These transactions are described in greater detail under the caption Discontinued Operations.

We intend to continue to manage our use of cash. However, our business is still faced with many challenges. If cash flows from operations and borrowings are not sufficient to fund our cash requirements, we may be required to further reduce our operations and/or seek additional public or private equity financing or financing from other sources or consider other strategic alternatives, including possible additional divestitures of specific assets or lines of business. Any acquisitions will require additional capital. There can be no assurances that additional financing will be available, or that, if available, the financing will be obtainable on terms acceptable to us or that any additional financing would not be substantially dilutive to our existing stockholders.

DIRECTOR AND EXECUTIVE OFFICER COMPENSATION

Director Compensation

Our current directors who are not our employees or affiliates receive compensation of up to $5,000 per meeting for meetings held in person and up to $500 per meeting for meetings held telephonically. Additionally, the members of the Audit Committee receive compensation of up to $1,000 per Audit Committee meeting. The Chairman of the Audit Committee receives compensation of up to $2,500 per quarter.

In addition, we granted the following stock options during the year ended December 31, 2005 to our directors who are not our employees as compensation for service.

Name	Number of Securities Underlying Options/ SARs Granted ($)	Percent of Total Options/SARS Granted to Employees in Fiscal Year (%)	Exercise or Base Price ($/sh)	Expiration Date
Joseph M. Valley, Jr.	20,000(1)	1.9	0.84	6/17/2015
Michael J. Finn	17,000(2)	1.6	0.84	6/17/2015
David Crane	10,000(3)	0.9	0.84	6/17/2015
Gerald M. McIntosh	10,000(4)	0.9	0.84	6/17/2015
Robert P. Pinkas	17,000(5)	1.6	0.84	6/17/2015

(1) Mr. Valley was granted 20,000 options to acquire Class A Common Stock on June 17, 2005 pursuant to a Stock Option Agreement (Incentive Stock Option). The options were issued in accordance with the 2004 Incentive Plan, and vested fully on the first anniversary of the date of the grant.

(2) Mr. Finn was granted 17,000 options to acquire Class A Common Stock on June 17, 2005 pursuant to a Stock Option Agreement (Incentive Stock Option). The options were issued in accordance with the 2004 Incentive Plan, and vested fully on the first anniversary of the date of the grant.

(3) Mr. Crane was granted 10,000 options to acquire Class A Common Stock on June 17, 2005 pursuant to a Stock Option Agreement (Incentive Stock Option). The options were issued in accordance with the 2004 Incentive Plan, and vested fully on the first anniversary of the date of the grant.

(4) Mr. McIntosh was granted 10,000 options to acquire Class A Common Stock on June 17, 2005 pursuant to a Stock Option Agreement (Incentive Stock Option). The options were issued in accordance with the 2004 Incentive Plan. The options were cancelled in connection with Mr. McIntosh s resignation from our board of directors on November 3, 2005.

(5) Mr. Pinkas was granted 17,000 options to acquire Class A Common Stock on June 17, 2005 pursuant to a Stock Option Agreement (Incentive Stock Option). The options were issued in accordance with the 2004 Incentive

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Plan as compensation for Mr. Pinkas service as a director of IPS prior to our acquisition of IPS on December 15, 2004, and vested fully on the first anniversary of the date of the grant.

Executive Officer Compensation

Summary Compensation Table. The following table presents the total compensation paid during each of our last three fiscal years to each of our Chief Executive Officer, the other most highly compensated executive officers who were serving as executive officers on December 31, 2005 and whose salary and bonus exceeded $100,000, and one individual for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer on December 31, 2005 (collectively, the Named Executive Officers). All amounts include aggregate compensation paid by us and our subsidiaries.

		Annual Compensation			Long-Term Compensation Awards		Long-Term Compensation Payouts
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)**	**Restricted Stock Award(s) ($)**	**Securities Underlying Options/SARs (#)**	**All Other Compensation ($)**
Terrence L. Bauer(1)	2005	240,000		6,000(3)	(2)	300,000	
Chief Executive Officer	2004	12,000	25,000	300(3)			
and President	2003						
Stephen H. Murdock(4)	2005	189,423		6,000(5)	(6)	200,000	
Chief Financial Officer	2004	7,308	15,000	231(5)			
and Corporate Secretary	2003						
Dennis M. Cain(7)	2005	175,000		25,000(8)		150,000	
Chief Executive Officer of	2004	6,731		962(8)			
MBS	2003						
Tommy M. Smith(9)	2005	175,000		25,000(10)		150,000	
President and Chief Operating	2004	6,731		962(10)			
Officer of MBS	2003						
Keith G. LeBlanc(11)	2005	212,390		4,000(12)	(13)		125,000(14)
Former President	2004	199,615	100,000	16,191(15)			
	2003	188,942		28,828(16)			

(1) Mr. Bauer joined us as Chief Executive Officer on December 15, 2004, and was named President in November 2005.

(2) Mr. Bauer was granted an aggregate of 300,000 restricted stock units for Class A Common Stock under the 2004 Incentive Plan on August 31, 2005 pursuant to a Restricted Stock Unit Award Agreement. The restricted stock units vest in equal parts on each of December 23, 2005, December 23, 2006 and December 23, 2007. Mr. Bauer elected to defer the vesting of such restricted stock units until January 1, 2008, January 1, 2009 and January 1, 2010, respectively, pursuant to the Restricted Stock Unit Deferral Plan adopted by us on August 31, 2005 (the Deferral Plan). Until the Class A Common Stock underlying the restricted stock units is issued to Mr. Bauer, dividends will not be paid with respect to the restricted stock units; however, Mr. Bauer is entitled to receive in cash a dividend equivalent, which shall equal the value of all cash or stock dividends or other distributions that would have been paid on the Class A Common Stock underlying the restricted stock units.

(3) Includes $6,000 auto allowance paid in 2005 and $300 auto allowance paid in December 2004.

(4) Mr. Murdock joined us as Chief Financial Officer and Corporate Secretary on December 15, 2004.

(5) Includes $6,000 auto allowance paid in 2005 and $231 auto allowance paid in December 2004.

(6) Mr. Murdock was granted an aggregate of 100,000 restricted stock units for Class A Common Stock under the 2004 Incentive Plan on August 31, 2005 pursuant to a Restricted Stock Unit Award Agreement. The restricted stock units vest in equal parts on each of December 23, 2005, December 23, 2006 and December 23, 2007. Mr. Murdock elected to defer the vesting of such restricted stock units until January 1, 2008, January 1, 2009 and January 1, 2010, respectively, pursuant to the Deferral Plan. Until the Class A Common Stock underlying the restricted stock units is issued to Mr. Murdock, dividends will not be paid with respect to the restricted

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stock units; however, Mr. Murdock is entitled to receive in cash a dividend equivalent, which shall equal the value of all cash or stock dividends or other distributions that would have been paid on the Class A Common Stock underlying the restricted stock units.

(7) Mr. Cain joined us as Chief Executive Officer of MBS on December 15, 2004 in connection with our acquisition of DCPS.

(8) Includes $25,000 personal expense allowance paid in 2005 and $962 personal expense allowance paid in December 2004.

(9) Mr. Smith joined us as President and Chief Operating Officer of MBS on December 15, 2004 in connection with our acquisition of MBS.

(10) Includes $25,000 personal expense allowance paid in 2005 and $962 personal expense allowance paid in December 2004.

(11) Mr. LeBlanc joined us as our President and Chief Executive Officer on November 10, 2002, resigned as our Chief Executive Officer on December 15, 2004 and resigned as our President and a director effective November 8, 2005.

(12) Includes $4,000 auto allowance paid in 2005.

(13) Mr. LeBlanc was granted an aggregate of 250,000 restricted stock units for Class A Common Stock under the 2004 Incentive Plan on August 31, 2005 pursuant to a Restricted Stock Unit Award Agreement. Pursuant to the terms of the Separation Agreement and General Release, dated November 8, 2005, between Mr. LeBlanc and the Company (the Separation Agreement) the restricted stock units vest in equal parts on each of January 1, 2006 and January 1, 2007. Until the Class A Common Stock underlying the restricted stock units is issued to Mr. LeBlanc, dividends will not be paid with respect to the restricted stock units; however, Mr. LeBlanc is entitled to receive in cash a dividend equivalent, which shall equal the value of all cash or stock dividends or other distributions that would have been paid on the Class A Common Stock underlying the restricted stock units.

(14) Pursuant to the terms of the Separation Agreement, Mr. LeBlanc received a lump sum payment of $125,000 upon termination.

(15) Includes vacation payout for unused vacation time.

(16) Includes $11,120 for living expenses, $11,372 for moving expenses and $6,336 for auto allowance.

Option Grants in Last Fiscal Year. The following table sets forth all information concerning individual grants of stock options to any of the Named Executive Officers during the year ended December 31, 2005.

Name	Number of Securities Underlying Options/ SARs Granted ($)	Percent of Total Options/SARS Granted to Employees in Fiscal Year (%)	Exercise or Base Price ($/sh)	Expiration Date

Terrence L. Bauer	300,000(1)	28.4	0.84	6/17/2015
Stephen H. Murdock	200,000(2)	18.9	0.84	6/17/2015
Dennis M. Cain	150,000(3)	14.2	0.84	6/17/2015
Tommy M. Smith	150,000(4)	14.2	0.84	6/17/2015

(1) Mr. Bauer was granted 300,000 options to acquire Class A Common Stock on June 17, 2005 pursuant to a Stock Option Agreement (Incentive Stock Option). The options were issued in accordance with the 2004 Incentive Plan, and vest in 1/4 increments on an annual basis commencing on the first anniversary of the date of grant.

(2) Mr. Murdock was granted 200,000 options to acquire Class A Common Stock on June 17, 2005 pursuant to a Stock Option Agreement (Incentive Stock Option). The options were issued in accordance with the 2004 Incentive Plan, and vest in 1/4 increments on an annual basis commencing on the first anniversary of the date of grant.

(3) Mr. Cain was granted 150,000 options to acquire Class A Common Stock on June 17, 2005 pursuant to a Stock Option Agreement (Incentive Stock Option). The options were issued in accordance with the 2004 Incentive Plan, and vest in 1/4 increments on an annual basis commencing on the first anniversary of the date of grant.

(4) Mr. Smith was granted 150,000 options to acquire Class A Common Stock on June 17, 2005 pursuant to a Stock Option Agreement (Incentive Stock Option). The options were issued in accordance with the 2004 Incentive Plan, and vest in 1/4 increments on an annual basis commencing on the first anniversary of the date of grant.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Values. The following table sets forth all information concerning option exercises during the fiscal year ended December 31, 2005 and option holdings as of December 31, 2005 with respect to our Named Executive Officers. No stock appreciation rights were outstanding at the end of the fiscal year. No shares were acquired on exercise of options by our Named Executive Officers during 2005.

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value of Unexercised In-the-Money Options at Fiscal Year-End ($)(1)	
			Exercisable	**Unexercisable**	**Exercisable**	**Unexercisable**
Terrence L. Bauer				300,000		
Stephen H. Murdock				200,000		
Dennis M. Cain				150,000		
Tommy M. Smith				150,000		
Keith G. LeBlanc			328,462(2)			

(1) The values of the unexercised options and warrants above are based on the difference between the exercise price of the options and warrants, as applicable, and the fair market value of our Class A Common Stock at the end of the fiscal year ended December 31, 2005, which was $0.34 per share.

(2) Consists of the following:

Warrants for 4,000 shares of our Class A Common Stock were issued to Mr. LeBlanc in January 2003, have an exercise price of $4.50 per share and expire on January 31, 2008.

Warrants for 324,462 shares of our Class A Common Stock were issued to Mr. LeBlanc in November 2002, with an original exercise price of $3.20 per share, vesting through November 2006, and an original expiration date of November 12, 2012. Pursuant to the terms of the Separation Agreement, the vesting of these warrants was accelerated and 100% of these warrants were fully vested at December 31, 2005.

Employment and Other Agreements

Employment Agreements. Effective December 15, 2004, we entered into an employment agreement with Terrence L. Bauer for the position of our Chief Executive Officer. In November 2005, Mr. Bauer was named our President. The initial term of the agreement is five years, with automatic renewal at the end of the initial term and each successive renewal term thereafter for successive two-year terms. The agreement provides for a base salary of $240,000 for each of the five years in the initial term. The board of directors will review the base salary annually, and may, in its reasonable discretion, adjust the base salary. Mr. Bauer s base salary for 2006 is $260,000. In addition, we may pay an

annual bonus to Mr. Bauer upon the attainment of objectives determined by the board of directors. Mr. Bauer s employment agreement includes post-employment restrictive covenants not to disclose our confidential information, or engage in activity that interferes with our business. If Mr. Bauer is terminated without cause, the agreement provides for, among other things, a continuation of base salary through and until the end of the non-competition period, which for purposes of the employment agreement shall mean the period during the term of employment and thereafter until the second anniversary of the date of termination of Mr. Bauer s employment with us. All equity incentives, including warrants, would also vest at that time.

Effective December 15, 2004, we entered into an employment agreement with Keith G. LeBlanc, for the position of President. On November 8, 2005, we entered into the Separation Agreement with Mr. LeBlanc terminating his employment effective as of October 31, 2005. Pursuant to the terms of the Separation Agreement, Mr. LeBlanc resigned his positions as President and a director and received a lump sum payment of $125,000. Mr. LeBlanc was retained by us as a consultant, on an independent contractor basis, to assist with certain transition matters in exchange for a payment of $215,000 to be paid in equal incremental payments through October 31, 2006. In addition, Mr. LeBlanc was entitled to receive an aggregate lump sum payment totaling $125,000 at the time of the closing of the sales by our Memorial Village and San Jacinto ambulatory surgery centers, assuming the terms of the sales were substantially the same as those set forth in the letters of intent for those sales. In lieu of this lump sum

payment, Mr. LeBlanc will receive payments totaling $125,000 in equal incremental payments commencing on November 1, 2006 and continuing through October 31, 2007. The vesting of the restricted stock units granted to Mr. LeBlanc in August, 2005 was accelerated to vest in equal parts on each of January 1, 2006 and January 1, 2007. Likewise, warrants previously issued to Mr. LeBlanc were modified to vest in full and be exercisable until November 2013 at a price of $0.34 per share. In exchange for these benefits, the Separation Agreement included a general release of all claims by Mr. LeBlanc against us arising from his employment and a restriction on his ability to engage in certain activities competitive with us prior to November 1, 2007.

Effective December 15, 2004, we entered into an employment agreement with Stephen H. Murdock, for the position of Chief Financial Officer. The initial term of the agreement is five years, with automatic renewal at the end of the initial term and each successive renewal term thereafter for successive two-year terms. The agreement provides for a base salary of $175,000 for each of the five years in the initial term. The board of directors will review the base salary annually, and may, in its reasonable discretion, adjust the base salary. Mr. Murdock s base salary for 2006 is $205,000. In addition, we may pay an annual bonus to Mr. Murdock upon the attainment of objectives determined by the board of directors. Mr. Murdock s employment agreement includes post-employment restrictive covenants not to disclose our confidential information, or engage in an activity that interferes with our business. If Mr. Murdock is terminated without cause, the agreement provides for, among other things, a continuation of base salary through and until the end of the non-competition period, which for purposes of the employment agreement shall mean the period during the term of employment and thereafter until the second anniversary of the date of termination of Mr. Murdock s employment with us. All equity incentives, including warrants, would also vest at that time.

Effective December 15, 2004, we and MBS entered into an employment agreement with Dennis M. Cain, for the position of Chief Executive Officer of MBS. The initial term of the agreement is five years, with automatic renewal at the end of the initial term and each successive renewal term thereafter for successive two-year terms. The agreement provides for a base salary of $175,000 for each of the five years in the initial term. The board of directors will review the base salary annually, and may, in its reasonable discretion, adjust the base salary. Mr. Cain s base salary for 2006 is $190,000. In addition, we may pay an annual bonus to Mr. Cain upon the attainment of objectives determined by the board of directors. Mr. Cain s employment agreement includes post-employment restrictive covenants not to disclose our confidential information, or engage in an activity that interferes with our business. If Mr. Cain is terminated without cause, the agreement provides for, among other things, a continuation of base salary through and until the end of the non-competition period, which for purposes of the employment agreement shall mean the period during the term of employment and thereafter until the second anniversary of the date of termination of Mr. Cain s employment with us. All equity incentives, including warrants, would also vest at that time.

Effective December 15, 2004, we and MBS entered into an employment agreement with Tommy M. Smith, for the position of President and Chief Operating Officer of MBS. The initial term of the agreement is five years, with automatic renewal at the end of the initial term and each successive renewal term thereafter for successive two-year terms. The agreement provides for a base salary of $175,000 for each of the five years in the initial term. The board of directors will review the base salary annually, and may, in its reasonable discretion, adjust the base salary. Mr. Smith s base salary for 2006 is $190,000. In addition, we may pay an annual bonus to Mr. Smith upon the attainment of objectives determined by the board of directors. Mr. Smith s employment agreement includes post-employment restrictive covenants not to disclose our confidential information, or engage in an activity that interferes with our business. If Mr. Smith is terminated without cause, the agreement provides for, among other things, a continuation of base salary through and until the end of the non-competition period, which for purposes of the employment agreement shall mean the period during the term of employment and thereafter until the second anniversary of the date of termination of Mr. Smith s employment with us. All equity incentives, including warrants, would also vest at that time.

Other Stock Option Plans

SurgiCare, Inc. 2001 Stock Option Plan. In October 2001, our board of directors adopted the SurgiCare, Inc. 2001 Stock Option Plan (the 2001 Plan), which was approved by our stockholders at the annual meeting of stockholders held on November 13, 2001. Initially 140,000 shares of stock (adjusted for stock splits) were reserved

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for issuance pursuant to the 2001 Plan. Options to acquire approximately 3,615 shares of our Class A Common Stock were outstanding under the 2001 Plan at December 31, 2005. The purposes of the 2001 Plan are to advance the best interest of our stockholders and to attract, retain and motivate key employees and persons affiliated with us, and provide such persons with additional incentive to further the business, promote long-term financial success and increase stockholder value by increasing their proprietary interest in our success. The 2001 Plan permits us to grant stock option grants, stock appreciation rights, restricted stock awards and performance stock awards to our key employees, officers, directors, and consultants. Incentive stock options granted pursuant to the 2001 Plan cannot be granted at an exercise price which is less than 100% of the fair market value of the Common Stock on the date of the grant.

Limitation of Liability and Indemnification of Officers and Directors

Our certificate of incorporation and bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law. We believe that the provisions in our certificate of incorporation and bylaws are necessary to attract and retain qualified persons as directors and officers.

MARKET PRICE INFORMATION AND DIVIDENDS

Market Information

Our Class A Common Stock is currently traded on AMEX under the symbol ONH. From July 2001 to December 15, 2004, our common stock was traded on AMEX under the symbol SRG.

On December 15, 2004, we completed a one-for-ten reverse stock split and reclassified our outstanding common stock as Class A Common Stock. No fractional shares of common stock were issued as a result of the reverse stock split and reclassification. In lieu of receiving fractional shares, stockholders received a cash payment in U.S. dollars equal to such fraction multiplied by the closing price of the common stock reported on AMEX on the effective date of the reverse stock split. In addition, each option and warrant to purchase common stock outstanding on the effective date of the reverse stock split was adjusted so that the number of shares of common stock to be issued upon their exercise was divided by ten and the exercise price of each option and warrant was multiplied by ten and the options and warrants became exercisable for Class A Common Stock. The number of shares of Class A Common Stock reserved under our stock option plans and for issuance pursuant to warrants to purchase our Class A Common Stock were similarly adjusted. If the adjustments to the options and warrants described above resulted in any right to acquire a fractional share of Common Stock, such fractional share was disregarded and the number of shares of Class A Common Stock reserved for issuance under the plans and warrants and the number of shares of common stock subject to any such options and warrants became the next lower number of Class A Common Stock, rounding all fractions downward.

On September 5, 2006, the last sale price of our common stock as reported on AMEX was $0.25 per share. The following table sets forth for the periods indicated the high and low per share closing prices for our common stock for the periods prior to December 15, 2004 and the Class A Common Stock for periods after December 15, 2004, in each as reported by AMEX. Prices prior to December 15, 2004 are restated to reflect a one-for-ten reverse stock split of our common stock on December 15, 2004.

Fiscal Year 2006	High	Low
Quarter ended March 31, 2006	$ 0.44	$ 0.31
Quarter ended June 30, 2006	$ 0.60	$ 0.25

Fiscal Year 2005	**High**	**Low**
Quarter ended March 31, 2005	$ 2.70	$ 0.90
Quarter ended June 30, 2005	$ 1.40	$ 0.62
Quarter ended September 30, 2005	$ 0.88	$ 0.37
Quarter ended December 31, 2005	$ 0.49	$ 0.25

Fiscal Year 2004	High	Low
Quarter ended March 31, 2004	$ 6.70	$ 3.50
Quarter ended June 30, 2004	$ 5.20	$ 3.10
Quarter ended September 30, 2004	$ 4.30	$ 2.60
Quarter ended December 31, 2004	$ 4.30	$ 2.60

Holders

As of September 5, 2006, there were approximately (i) 477 holders of record of our Class A Common Stock and 12,788,776 shares of Class A Common Stock issued and outstanding; (ii) 4 holders of record of our Class B Common Stock and 10,448,470 shares of Class B Common Stock outstanding; and (iii) 6 holders of record of our Class C Common Stock and 1,437,572 shares of Class C Common Stock outstanding.

Dividends

We have not paid dividends on shares of our Common Stock within the last three years, and do not expect to declare or pay any cash dividends on our Common Stock in the foreseeable future. Our existing senior credit facility does not allow the payment of dividends without the prior written consent of our lender. We anticipate that our new senior credit facility will have a similar restriction on the payment of dividends.

Subject to the terms of any preferred stock that our board of directors may designate and authorize in the future, our certificate of incorporation currently provides that all dividends and other distributions to be paid to our stockholders will be made to the holders of our Class A Common Stock, Class B Common Stock and Class C Common Stock in the following order and priority (If Proposal IV described above is approved by our stockholders at the Special Meeting, the following description will change in the manner set forth under Proposal IV above):

First, the holders of the shares of Class B Common Stock (other than shares concurrently being converted into Class A Common Stock), as a single and separate class, shall be entitled to receive all distributions until there has been paid with respect to each such share from amounts then and previously distributed an amount equal to $1.15, plus an amount equal to nine percent (9%) per annum on such amount, without compounding, from the date the Class B Common Stock was first issued.

Second, the holders of the shares of Class C Common Stock (other than shares concurrently being converted into Class A Common Stock), as a single and separate class, shall be entitled to receive all distributions until there has been paid with respect to each such share from amounts then and previously distributed an amount equal to $3.30. After the full required distributions have been made to the holders of shares of Class C Common Stock (other than shares concurrently being converted into Class A Common Stock) as described in the previous sentence, each share of Class C Common Stock then outstanding shall be retired and shall not be reissued, and the holder thereof shall surrender the certificates evidencing the shares to us.

Third, after the full distributions have been made to the holders of the shares of Class B Common Stock and Class C Common Stock as described above, all holders of the shares of Class A Common Stock and Class B Common Stock, as a single class, shall thereafter be entitled to receive all remaining distributions pro rata based on the number of outstanding shares of Class A Common Stock or Class B Common Stock held by each holder, provided that for purposes of such remaining distributions, each share of Class B Common Stock shall be deemed to have been converted into one share of Class A Common Stock (subject to adjustment to account for stock splits, stock dividends, combinations or other similar events affecting Class A Common Stock).

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The board of directors has set September 5, 2006, as the record date for the determination of stockholders entitled to notice of and to vote at the Special Meeting. Stockholders of record as of the close of business on the record date are entitled to one vote for each share of Common Stock (regardless of class) then held. As of the record date, we had 24,674,818 shares of Common Stock issued and outstanding, including 12,788,776 shares of Class A

Common Stock, 10,448,470 shares of Class B Common Stock, and 1,437,572 shares of Class C Common Stock. Our certificate of incorporation provides that all holders of all classes of Common Stock shall vote together as a single class with respect to Proposals I and II. For Proposal III, the affirmative vote of each of the following will be required to approve such proposal: (i) the holders of a majority of the votes attributable to the then outstanding shares of Common Stock voting together as a single class, (ii) the holders of a majority of the votes attributable to the then outstanding shares of Class B Common Stock voting separately as a class and (iii) the holders of a majority of the votes attributable to the then outstanding shares of Class C Common Stock voting separately as a class. For Proposals IV and V, the affirmative vote of the holders of a majority of the total number of shares of Common Stock represented in person or by proxy at the Special Meeting and entitled to vote will be required to approve each of these proposals.

The following table sets forth certain information with respect to Common Stock beneficially owned as of September 5, 2006, by (i) each person known to us to be the beneficial owner of more than 5% of the issued and outstanding Common Stock, (ii) each of the members or nominees of the board of directors, (iii) each of our named executive officers, and (iv) all directors and executive officers as a group. Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Under this rule, certain shares may be deemed beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed beneficially owned by a person if the person has the right to acquire shares (for example, upon the exercise of an option or warrant) within sixty days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares is deemed to include the amount of shares beneficially owned by such person by reason of such acquisition rights. As a result, the percentage of outstanding shares of any person as shown in the following table does not necessarily reflect the person s actual voting power at any particular date. The information in the table is based on information provided to us by the person or group, including filings made by such person with the SEC. Other than as noted below, management knows of no person or group that owns more than 5% of the outstanding shares of Common Stock at the record date.

	Class A Common Stock Beneficially Owned		**Class B Common Stock Beneficially Owned**		**Class C Common Stock Beneficially Owned**	
Name of Beneficial Owner	**Number of Class A Shares(1)**	**Percentage of Class(1)**	**Number of Class B Shares(2)**	**Percentage of Class(2)**	**Number of Class C Shares(3)**	**Percentage of Class(3)**
Robert P. Pinkas(4)	50,142,477(5)	52.28%	7,863,996(6)	75.26%		
Pinkas Family Partners, L.P.(4)	50,142,477(7)	52.28%	7,863,996(8)	75.26%		
Brantley Venture Partners III, L.P.(4)	2,321,649	2.27%				
Brantley Venture Management III, L.P.(4)	2,321,649(9)	2.27%				
Brantley Capital Corporation (10)	12,512,234(11)	12.26%	1,722,983	16.49%		
Brantley Partners IV, L.P.(4)	51,027,384(12)	49.99%	7,863,996	75.26%		
Brantley Management IV, L.P.(4)	51,027,384(13)	49.99%	7,863,996(14)	75.26%		
Terrence L. Bauer	88,461(15)	*				
Paul H. Cascio(4)						

Michael J. Finn(4)	17,000(16)	*				
David Crane	12,272(17)	*				
Joseph M. Valley, Jr.	20,000(18)	*				
Crossroads 1999 Direct/ Co-investment Portfolio A, L.P.	2,948,585(19)	2.89%	467,033	4.47%		
Crossroads Cornerstone Direct/ Co-investment Fund V, L.P.	2,490,387(20)	2.44%	394,348	3.78%		
D/V Cain Family, L.P.	10,019,641(21)	9.82%			718,789	50.00%
Dennis M. Cain	10,019,641(22)	9.82%			718,789	50.00%
Tommy M. Smith	8,099,233(23)	7.93%			580,780	40.40%
Stephen H. Murdock	50,000(24)	*				
Keith G. LeBlanc	461,462(25)	*				
All directors and executive officers as a group (9 persons)	18,768,069(26)	18.39%			1,299,569	90.40%

* Indicates beneficial ownership of less than 1%.

(1) For purposes of calculating the number of shares of Class A Common Stock and the percentage beneficially owned, the number of shares of Class A Common Stock for each person or group deemed outstanding includes: (i) 12,788,776 shares of Class A Common Stock outstanding as of September 5, 2006, (ii) any shares of Class A Common Stock issuable by us pursuant to options and warrants held by the respective person or group which may be exercised within 60 days following September 5, 2006 (Presently Exercisable Options), (iii) any shares of Class Common Stock issuable by us upon conversion of convertible debt of the Company as of September 5, 2006; and (iv) shares of Class A Common Stock issuable by us upon conversion of shares of Class B Common Stock and Class C Common Stock, which are convertible into 65,965,799 shares and 18,975,950 shares of Class A Common Stock, respectively, as of September 5, 2006. The shares of Class B Common Stock and the shares of Class C Common Stock are convertible at the option of the holder into shares of Class A Common Stock at a variable rate determined pursuant to a formula as described under Proposal III above. As of September 5, 2006, each share of Class B Common Stock was convertible into 6.313441095890 shares of Class A Common Stock and each share of Class C Common Stock was convertible into 13.2 shares of Class A Common Stock (assuming simultaneous conversion of all shares of Class B Common Stock).

(2) For purposes of calculating the number of shares of Class B Common Stock and the percentage beneficially owned, the number of shares of Class B Common Stock outstanding as of September 5, 2006 was 10,448,470.

(3) For purposes of calculating the number of shares of Class C Common Stock and the percentage beneficially owned, the number of shares of Class C Common Stock outstanding as of September 5, 2006, was 1,437,572.

(4) The business address of Robert P. Pinkas (Mr. Pinkas), Pinkas Family Partners, L.P. (Pinkas Partners), Brantley III, Brantley Venture Management III, L.P. (Brantley Management III), Brantley IV, Brantley Management IV, L.P. (Brantley Management IV), Paul H. Cascio, and Michael J. Finn is 3201 Enterprise Parkway, Suite 350, Beachwood, OH 44122. Mr. Cascio and Mr. Finn each serve as general partner of Brantley Management III, which is the sole general partner of Brantley III, and Brantley Management IV, which is the sole general partner of Brantley IV. These relationships do not provide either Messr. Cascio or Finn with shared voting or dispositive power with respect to the shares held by Brantley III and Brantley IV and therefore neither Mr. Cascio nor Mr. Finn is deemed to beneficially own the shares held by Brantley III or Brantley IV. Pursuant to a Stockholders Agreement, dated as of December 15, 2004 (the Stockholders Agreement), as amended from time to time, each of Brantley III, Brantley IV and Brantley Capital have agreed to cast all votes necessary to elect as members of our board of directors one director as shall have been nominated by each of Brantley III, Brantley IV and Brantley Capital. Brantley III and Brantley IV disclaim that they are part of a group by virtue of the Stockholders Agreement for purposes of Section 13(d)(3) of the Exchange Act, and each disclaims beneficial ownership of all of our securities held by any other party to the Stockholders Agreement.

(5) The shares consist of (a) 2,321,649 shares of Class A Common Stock owned by Brantley III; (b) 49,648,876 shares of Class A Common Stock issuable upon conversion of 7,863,996 shares of Class B Common Stock owned by Brantley IV; (c) 20,455 shares of Class A Common Stock issuable upon exercise of warrants to purchase Class A Common Stock owned by Brantley IV; (d) 1,358,054 shares of Class A Common Stock issuable upon conversion of $1,250,000 of our convertible debt held by Brantley IV; and (e) 17,000 shares of Class A Common Stock issuable upon exercise of options to purchase Class A Common Stock. Mr. Pinkas is the sole general partner of Pinkas Partners. Pinkas Partners is a general partner of, and holds a majority of the general partnership interests of, Brantley Management III, which is the sole general partner of Brantley III; and is a general partner of and holds a majority of the general partnership interests of Brantley Management IV, which is the sole general partner of Brantley IV. Due to Mr. Pinkas relationships with Brantley III and Brantley IV, he

may be deemed to share voting and dispositive power with respect to the shares held by Brantley III and Brantley IV. Mr. Pinkas disclaims beneficial ownership of any shares except to the extent of a pecuniary interest therein.

(6) The shares are the 7,863,996 shares of Class B Common Stock owned by Brantley IV. See footnote (5) above for an explanation of Mr. Pinkas relationship to Brantley IV. Mr. Pinkas disclaims beneficial ownership of any shares except to the extent of a pecuniary interest therein.

(7) The shares consist of (a) 2,321,649 shares of Class A Common Stock owned by Brantley III; (b) 49,648,876 shares of Class A Common Stock issuable upon conversion of 7,863,996 shares of Class B Common Stock owned by Brantley IV; (c) 20,455 shares of Class A Common Stock issuable upon exercise of warrants to purchase Class A Common Stock owned by Brantley IV; and (d) 1,358,054 shares of Class A Common Stock issuable upon conversion of $1,250,000 of our convertible debt held by Brantley IV. See footnote (5) above for an explanation of Pinkas Partners relationship to these entities. As a result of these relationships, Pinkas Partners may be deemed to share voting and dispositive power of, and therefore beneficially own, the shares held by Brantley III and Brantley IV. Pinkas Partners disclaims beneficial ownership of any shares except to the extent of its pecuniary interest therein.

(8) The shares are the 7,863,996 shares of Class B Common Stock owned by Brantley IV. See footnote (5) above for an explanation of Mr. Pinkas relationship to Brantley IV. As a result of this relationship, Pinkas Partners may be deemed to share voting and dispositive power of, and therefore beneficially own, the shares held by Brantley IV. Pinkas Partners disclaims beneficial ownership of any shares except to the extent of its pecuniary interest therein.

(9) The shares are the 2,321,649 shares of Class A Common Stock owned by Brantley III, which Brantley Management III may be deemed to beneficially own in its capacity as sole general partner of Brantley III. Brantley Management III disclaims beneficial ownership of any shares except to the extent of its pecuniary interest therein.

(10) The business address of Brantley Capital is c/o MVC Capital, 287 Bowman Avenue, Purchase, New York 10577. Pursuant to the Stockholders Agreement, each of Brantley III, Brantley IV and Brantley Capital have agreed to cast all votes necessary to elect as members of our board of directors, one director as shall have been nominated by each of Brantley III, Brantley IV and Brantley Capital. Brantley Capital disclaims that it is part of a group by virtue of the Stockholders Agreement for purposes of Section 13(d)(3) of the Exchange Act, and it disclaims beneficial ownership of all of our securities held by any other party to the Stockholders Agreement.

(11) The shares consist of (a) 1,629,737 shares of Class A Common Stock; (b) 10,877,952 shares of Class A Common Stock issuable upon conversion of 1,722,983 shares of Class B Common Stock; and (c) 4,545 shares of Class A Common Stock issuable upon exercise of warrants to purchase Class A Common Stock. All shares are owned directly by Brantley Capital. Brantley Capital has sole voting and dispositive power with respect to such shares.

(12) The shares consist of (a) 49,648,876 shares of Class A Common Stock issuable upon conversion of 7,863,996 shares of Class B Common Stock; (b) 20,455 shares of Class A Common Stock issuable upon exercise of warrants to purchase Class A Common Stock; and (c) 1,358,054 shares of Class A Common Stock issuable upon conversion of $1,250,000 of our convertible debt held by Brantley IV. The shares are directly owned by Brantley IV and Brantley IV has sole voting and dispositive power with respect to such shares. As part of the our restructuring in December 2004, we granted Brantley IV the right to purchase shares of our Class A Common Stock for cash in an amount up to an aggregate of $3 million after the closing of the restructuring (the Purchase Right). Brantley IV may exercise the Purchase Right at any time after December 15, 2004. Each additional investment will be: (i) subject to the approval of a majority of our members of the board of directors that are not affiliated with Brantley IV, (ii) consummated on a date mutually agreed by us and Brantley IV, and (iii) accomplished with documentation reasonably satisfactory to us and Brantley IV. Pursuant to the terms of the Purchase Right, the purchase price per share of the Class A Common Stock will be equal to the lesser of (a) $1.25, and (b) 70% multiplied by the average of the daily average of the high and low price per share of the Class A Common Stock on AMEX or a similar system on which the Class A Common Stock shall be listed at the time, for the twenty trading days immediately preceding the date of the closing of the exercise of

the Purchase Right. The shares do not include shares that Brantley IV may have the right to purchase pursuant to the Purchase Right because the purchase and sale of the shares is subject to approval of the unaffiliated members of the board of directors. The Purchase Right will be cancelled as part of the private placement.

(13) The shares consist of (a) 49,648,876 shares of Class A Common Stock issuable upon conversion of 7,863,996 shares of Class B Common Stock owned by Brantley IV; (b) 20,455 shares of Class A Common

Stock issuable upon exercise of warrants to purchase Class A Common Stock owned by Brantley IV; and (c) 1,358,054 shares of Class A Common Stock issuable upon conversion of $1,250,000 of our convertible debt held by Brantley IV. Brantley Management IV is the sole general partner of Brantley IV and, in such capacity, may be deemed to share voting and dispositive power with respect to, and to beneficially own, the shares held by Brantley IV. Brantley Management IV disclaims beneficial ownership of any such shares except to the extent of its pecuniary interest therein.

(14) The shares are the 7,863,996 shares of Class B Common Stock owned by Brantley IV. Brantley Management IV is the sole general partner of Brantley IV and, in such capacity, may be deemed to share voting and dispositive power with respect to, and to beneficially own, the shares held by Brantley IV. Brantley Management IV disclaims beneficial ownership of any such shares except to the extent of its pecuniary interest therein.

(15) Mr. Bauer is our President and Chief Executive Officer and a director. The shares consist of (a) 13,461 shares of Class A Common Stock owned by Mr. Bauer; and (b) 75,000 shares of Class A Common Stock issuable upon the exercise of options to purchase Class A Common Stock. The address of Mr. Bauer is 1805 Old Alabama Road, Suite 350, Roswell, GA 30076.

(16) The shares consist of 17,000 shares of Class A Common Stock issuable upon the exercise of options to purchase Class A Common Stock. Mr. Finn is a member of our Board of Directors and is also affiliated with Brantley IV as described in footnote (4), above. The address for Mr. Finn is 3201 Enterprise Parkway, Suite 350, Beachwood, Ohio 44122.

(17) The shares consist of (a) 2,272 shares of Class A Common Stock owned by Mr. Crane, including 1,136 shares of Class A Common Stock owned by Mr. Crane s spouse through an individual retirement account; and (b) 10,000 shares of Class A Common Stock issuable upon the exercise of options to purchase Class A Common Stock. Because of the family relationship, Mr. Crane may be deemed to beneficially own all such shares. Mr. Crane is a member of our board of directors. The address for Mr. Crane is c/o New Hope Bariatrics, Inc., 15720 John J. Delaney Dr., Suite 300, Charlotte, North Carolina 28277.

(18) The shares consist of 20,000 shares of Class A Common Stock issuable upon the exercise of options to purchase Class A Common Stock. Mr. Valley is a member of our board of directors. The address for Mr. Valley is 10817 Southern Loop Boulevard, Pineville, North Carolina 28134.

(19) The address of Crossroads 1999 Series Direct/ Co-investment Portfolio A, L.P. is c/o Lehman Brothers Private Advisors, LP, 325 N. St. Paul Street, Suite 4900, Dallas, TX 75201. The shares are the 2,757,409 shares of Class A Common Stock issuable upon conversion of 467,033 shares of Class B Common Stock.

(20) The address of Crossroads Cornerstone Direct/ Co-investment Fund V, L.P. is c/o Lehman Brothers Private Advisors, LP, 325 N. St. Paul Street, Suite 4900, Dallas, TX 75201. The shares are the 2,328,919 shares of Class A Common Stock issuable upon conversion of 394,458 shares of Class B Common Stock.

(21) Consists of (a) 494,133 shares of Class A Common Stock owned by D/V Cain Family, L.P.; (b) 9,488,008 shares of Class A Common Stock issuable upon conversion of 718,789 shares of Class C Common Stock owned by D/V Cain Family, L.P.; and (c) 37,500 shares of Class A Common Stock issuable to Dennis Cain upon the exercise of options to purchase Class A Common Stock. D/V Cain Family, L.P. holds the shares formerly held in the names of Dennis M. Cain and his spouse, Valerie Cain. Mr. Cain may be deemed to beneficially own the shares owned by D/V Cain Family, L.P. as he is the manager of the general partner of the partnership. The address of D/V Cain Family, L.P. is 714 FM 1960 W, Suite 206, Houston, Texas 77090.

(22) Consists of (a) 494,133 shares of Class A Common Stock owned by D/V Cain Family, L.P.; (b) 9,488,008 shares of Class A Common Stock issuable upon conversion of 718,789 shares of Class C Common Stock owned by D/V Cain Family, L.P.; and (c) 37,500 shares of Class A Common Stock issuable to Dennis Cain upon the exercise of options to purchase Class A Common Stock. D/V Cain Family, L.P. holds the shares formerly held in the names of Dennis M. Cain and his spouse, Valerie Cain. Mr. Cain may be deemed to beneficially own the shares owned by D/V Cain Family, L.P. as he is the manager of the general partner of the partnership. The address of Mr. Cain is 714 FM 1960 W, Suite 206, Houston, Texas 77090.

(23) Consists of (a) 395,437 shares of Class A Common Stock owned by Mr. Smith; (b) 7,666,296 shares of Class A Common Stock issuable upon conversion of 580,780 shares of Class C Common Stock owned by Mr. Smith;

and (c) 37,500 shares of Class A Common Stock issuable upon the exercise of options to purchase Class A Common Stock. Mr. Smith s address is 10700 Richmond Avenue, Suite 300, Houston, Texas 77024.

(24) Consists of 50,000 shares of Class A Common Stock issuable upon the exercise of options to purchase Class A Common Stock. Mr. Murdock is our Chief Financial Officer and Corporate Secretary. The address for Mr. Murdock is 1805 Old Alabama Road, Suite 350, Roswell, Georgia 30076.

(25) Consists of (a) 8,000 shares of Class A Common Stock owned by Mr. LeBlanc; (b) 328,462 shares of Class A Common Stock issuable upon exercise of warrants to purchase Class A Common Stock owned by Mr. LeBlanc; and (c) 125,000 shares of Class A Common Stock issuable pursuant to restricted stock units owned by Mr. LeBlanc. Mr. LeBlanc is a former director and our former President. The address for Mr. LeBlanc is 1516 River Oaks Road West, Harahan, Louisiana 70123.

(26) The shares include (a) an aggregate of 913,303 shares of Class A Common Stock; (b) an aggregate of 17,154,304 shares of Class A Common Stock issuable upon conversion of 1,299,569 shares of Class C Common Stock; (c) an aggregate of 247,000 shares of Class A Common Stock issuable upon the exercise of options to purchase Class A Common Stock; (d) an aggregate of 328,462 shares of Class A Common Stock issuable upon exercise of warrants to purchase Class A Common Stock; and (e) 125,000 shares of Class A Common Stock issuable pursuant to restricted stock units.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following parties have a direct or indirect material interest in transactions with us since the beginning of the most recently completed fiscal year and such transactions are described below:

Paul H. Cascio and Michael J. Finn, each of whom is one of our directors, are general partners of the general partner of Brantley III and Brantley IV and limited partners of those funds. Messrs. Cascio and Finn are *de-minimis* shareholders of Brantley Capital. The advisor to Brantley III is Brantley Venture Management III, L.P. and the advisor to Brantley IV is Brantley Management IV, L.P.

Brantley IV, Brantley Capital and other investors own shares of Class B Common Stock and Brantley III and Brantley Capital own shares of Class A Common Stock. By virtue of their affiliations with Brantley III and Brantley IV, Messrs. Cascio and Finn may be deemed to have a pecuniary interest in the shares of Class B Common Stock held by Brantley IV and the shares of Class A Common Stock held by Brantley III. (See Voting Securities and Principal Holders Thereof).

During 2004 and prior years, each of us and IPS issued promissory notes to an affiliate of Brantley IV, as part of a bridge financing, the aggregate amount of such debt, including interest, was $6,037,111 as of December 15, 2004. Such bridge loans were paid by us with a portion of the cash invested by Brantley IV in purchase of the Class B Common Stock. At the time the bridge loans were made, Mr. Cascio, Mr. Finn and Brantley IV were unrelated third parties with respect to us, and the loans were made after arms length negotiations on terms we believed were as favorable as could be obtained from other unrelated third parties.

Brantley Capital and Brantley III each held debt of IPS and are party to the Amended and Restated Debt Exchange Agreement dated February 9, 2004, as amended on July 16, 2004 (the Debt Exchange Agreement). Pursuant to the Debt Exchange Agreement, Brantley Capital and Brantley III received Class A Common Stock with a fair market value equal to the amount owing to it under its loan to IPS in exchange for contribution of such debt to us. Pursuant to the Debt Exchange Agreement, Brantley Capital also received Class A Common Stock with a fair market value equal to the amount of certain accrued dividends owed to it by IPS in exchange for the contribution of such indebtedness.

The aggregate amount of debt exchanged by the parties to the Debt Exchange Agreement was $4,375,229, which included accrued interest as of December 15, 2004, and $593,100 of debt in respect of accrued dividends.

Brantley Capital and Brantley III previously owned an aggregate of 1,653,000 shares of the Series A-2 convertible preferred stock of IPS with a liquidation preference of approximately $6,705,037, and received 2,312,081 shares of Class A Common Stock in our acquisition of IPS. Such shares were intended to approximate the value of such liquidation preference, but were subject to reduction to the extent necessary to achieve the guaranteed allocation to holders of certain classes of IPS common stock.

Following certain assignments of rights and additional investments pursuant to the Supplemental Stock Subscription Agreement, dated as of December 15, 2004, by and among SurgiCare, Brantley IV and certain other investors (the Supplemental Stock Subscription Agreement) and the Second Amendment and Supplement to Stock Subscription Agreement (the Second Amendment and Supplement to Stock Subscription Agreement), dated as of December 15, 2004, by and among SurgiCare, Brantley IV, Brantley Capital and certain other investors, the shares of our Class B Common Stock received by Brantley IV and its co-investors constituted approximately 69.6% of our outstanding equity immediately after the consummation of the restructuring on an as-converted basis. Brantley IV also received the option to purchase additional shares of Class A Common Stock for cash in an amount up to an aggregate of $3,000,000 from time to time after the consummation of the restructuring, subject to the approval of a majority of the unaffiliated members of our board of directors, at a price equal to the lesser of $1.25 per share or 70% of the daily average of the high and low trading prices of the Class A Common Stock for the twenty trading days preceding the date of the closing of such investment. Each of Brantley IV and Brantley Capital used its own cash for the acquisition of the Class B Common Stock.

Pursuant to a registration rights agreement, dated as of December 15, 2004, by and among us, Brantley IV and certain other investors, Brantley IV, the other investors and/or their permitted transferees were granted the right to request that we effect the registration of shares of Class A Common Stock currently issued, or issued in the future, to Brantley IV, the other investors and/or their permitted transferees (including shares of Class A Common Stock into which shares of Class B Common Stock or our other securities are convertible, collectively, Registerable Securities) having an anticipated net aggregate offering price of at least $5,000,000. At any time we otherwise proposes to register any of its equity securities, Brantley IV and the other investors and/or their permitted transferees may request the registration of Registerable Securities. Brantley IV and the other investors have registration rights for all of the shares of Class A Common Stock issuable upon conversion of its shares of Class B Common Stock. As of December 15, 2004, this was approximately 16,033,984 shares of Class A Common Stock but, assuming everything else remains the same, the number of shares of Class A Common Stock as to which Brantley IV and the other investors have registration rights will continually increase, since the conversion factor for the Class B Common Stock is designed to yield additional shares of Class A Common Stock over time pursuant to the terms thereof. The third-party beneficiaries will have registration rights for one year with respect to an aggregate of up to approximately 6,122,172 shares of Class A Common Stock.

We entered into the Stockholders Agreement with Brantley III, Brantley IV and Brantley Capital, pursuant to which each of Brantley III, Brantley IV and Brantley Capital (i) is entitled to nominate one person to become a member of our board of directors and (ii) has agreed to cast all votes necessary to elect as members of our board of directors the three people who have been nominated by Brantley III, Brantley IV and Brantley Capital. In accordance with the Stockholders Agreement, Paul Cascio, Michael Finn and David Crane were nominated to be elected as directors at the last annual meeting.

As part of the restructuring, we entered into employment agreements with Terrence L. Bauer, our director, President and Chief Executive Officer and a stockholder, Stephen H. Murdock, our Chief Financial Officer and Corporate Secretary, Dennis M. Cain, the Chief Executive Officer of MBS and a stockholder of ours and Tommy M. Smith, the President and Chief Operating Officer of MBS and a stockholder of ours.

In connection with the DCPS/MBS Merger in December 2004, holders of MBS common stock, DCPS limited partnership interests and Dennis Cain Management, LLC (DCM) limited liability company interests received an aggregate of cash, our promissory notes and shares of our Class C Common Stock. The purchase price was subject to retroactive increase (including issuance of up to 450,000 additional shares of Class A Common Stock) or decrease based on the financial results of us and our predecessors in 2004 and 2005. Pursuant to the merger agreement governing the DCPS/MBS Merger (the DCPS/MBS Merger Agreement), the adjustment was based on whether DCPS and MBS, on a combined basis, met an earnings before income taxes, depreciation and amortization (EBITDA) target

of $2 million for the fiscal years ended December 31, 2004 and 2005. We accrued a liability in the amount of $840,286 as of December 31, 2005 based on this provision of the DCPS/MBS Merger Agreement and adjusted the purchase price accordingly. On April 19, 2006, we executed subordinated promissory notes for an aggregate of $714,336. The notes bear interest at the rate of 8% per annum, payable monthly beginning on April 30, 2006, and will mature on December 15, 2007. Additional, as a result of this purchase price adjustment, we issued 285,726 shares of Class A Common Stock to the former equity holders of MBS, DCPS and DCM on May 9, 2006. In addition, 75,758 shares of our Class A Common Stock were reserved for issuance at the direction of the sellers of the

DCPS and MBS equity, which includes Messrs. Cain and Smith. On July 14, 2006, we issued 75,000 shares of our Class A Common Stock to certain employees and affiliates of MBS and DCPS. Each share of Class C Common Stock was convertible into one share of Class A Common Stock at September 5, 2006 or 13.2 shares of Class A Common Stock assuming simultaneous conversion of the shares of Class B Common Stock.

In connection with the restructuring, we entered into the Loan and Security Agreement dated as of December 15, 2004, by and among us, certain of our affiliates and subsidiaries and CIT Healthcare, LLC (formerly known as Healthcare Business Credit Corporation) (CIT) (the Loan and Security Agreement) and revolving credit note with CIT. Pursuant to the Guaranty Agreement (the Brantley IV Guaranty), dated as of December 15, 2004, provided by Brantley IV to CIT, Brantley IV agreed to provide a deficiency guaranty in the amount of $3,272,727. Pursuant to the Guaranty Agreement (the Brantley Capital Guaranty ; and together with the Brantley IV Guaranty, collectively, the Guaranties), dated as of December 15, 2004, provided by Brantley Capital to CIT, Brantley Capital agreed to provide a deficiency guaranty in the amount of $727,273. We issued warrants to purchase an aggregate of 25,000 shares of Class A Common Stock, at an exercise price of $0.01 per share, to Brantley IV and Brantley Capital in consideration for deficiency Guaranties in the aggregate amount of $4,000,000 by Brantley IV and Brantley Capital in connection with the new credit facility.

On March 16, 2005, Brantley IV loaned us an aggregate of $1,025,000 (the First Loan). On June 1, 2005, we executed a convertible subordinated promissory note in the principal amount of $1,025,000 (the First Note) payable to Brantley IV to evidence the terms of the First Loan. The material terms of the First Note are as follows: (i) the First Note is unsecured; (ii) the First Note is subordinate to our outstanding loan from CIT and other indebtedness for monies borrowed, and ranks *pari passu* with general unsecured trade liabilities; (iii) principal and interest on the First Note is due in a lump sum on April 19, 2006 (the First Note Maturity Date); (iv) the interest on the First Note accrues from and after March 16, 2005, at a per annum rate equal to nine percent (9.0%) and is non-compounding; (v) if an event of default occurs and is continuing, Brantley IV, by notice to us, may declare the principal of the First Note to be due and immediately payable; and (vi) on or after the First Note Maturity Date, Brantley IV, at its option, may convert all or a portion of the outstanding principal and interest due of the First Note into shares of our Class A Common Stock at a price per share equal to $1.042825 (the First Note Conversion Price). The number of shares of Class A Common Stock to be issued upon conversion of the First Note shall be equal to the number obtained by dividing (x) the aggregate amount of principal and interest to be converted by (y) the First Note Conversion Price (as defined above); provided, however, the number of shares to be issued upon conversion of the First Note shall not exceed the lesser of: (i) 1,159,830 shares of Class A Common Stock, or (ii) 16.3% of the then outstanding Class A Common Stock. As of September 5, 2006, if Brantley IV were to convert the First Note, we would have to issue 1,115,108 shares of Class A Common Stock. On May 9, 2006, we and Brantley IV executed an amendment to the First Note (the First and Second Note Amendment) extending the First Note Maturity Date to August 15, 2006. On August 8, 2006, we and Brantley IV executed another amendment to the First Note (the First and Second Note Second Amendment) extending the First Note Maturity Date to October 15, 2006.

On April 19, 2005, Brantley IV loaned us an additional $225,000 (the Second Loan). On June 1, 2005, we executed a convertible subordinated promissory note in the principal amount of $225,000 (the Second Note) payable to Brantley IV to evidence the terms of the Second Loan. The material terms of the Second Note are as follows: (i) the Second Note is unsecured; (ii) the Second Note is subordinate to our outstanding loan from CIT and other indebtedness for monies borrowed, and ranks *pari passu* with general unsecured trade liabilities; (iii) principal and interest on the Second Note is due in a lump sum on April 19, 2006 (the Second Note Maturity Date); (iv) the interest on the Second Note accrues from and after April 19, 2005, at a per annum rate equal to nine percent (9.0%) and is non-compounding; (v) if an event of default occurs and is continuing, Brantley IV, by notice to us, may declare the principal of the Second Note to be due and immediately payable; and (vi) on or after the Second Note Maturity Date, Brantley IV, at its option, may convert all or a portion of the outstanding principal and interest due of the Second Note into shares of our Class A Common Stock at a price per share equal to $1.042825 (the Second Note Conversion

Price). The number of shares of Class A Common Stock to be issued upon conversion of the Second Note shall be equal to the number obtained by dividing (x) the aggregate amount of principal and interest to be converted by (y) the Second Note Conversion Price (as defined above); provided, however, the number of shares to be issued upon conversion of the Second Note shall not exceed the lesser of: (i) 254,597 shares of Class A Common Stock, or (ii) 3.6% of the then outstanding Class A Common Stock. As of September 5, 2006, if

Brantley IV were to convert the Second Note, we would have to issue 242,946 shares of Class A Common Stock. On May 9, 2006, we and Brantley IV executed the First and Second Note Amendment extending the Second Note Maturity Date to August 15, 2006. On August 8, 2006, we and Brantley IV executed another amendment to the First and Second Note Second Amendment extending the Second Note Maturity Date to October 15, 2006.

Additionally, in connection with the First Loan and the Second Loan, we entered into a First Amendment to the Loan and Security Agreement (the First Amendment), dated March 22, 2005, with certain of our affiliates and subsidiaries, and CIT, whereby its $4,000,000 secured two-year revolving credit facility has been reduced by the amount of the loans from Brantley IV to $2,750,000. As a result of the First Amendment, the Brantley IV Guaranty was amended by the Amended and Restated Guaranty Agreement, dated March 22, 2005, which reduced the deficiency guaranty provided by Brantley IV by the amount of the First Loan to $2,247,727. Also as a result of the First Amendment, the Brantley Capital Guaranty was amended by the Amended and Restated Guaranty Agreement, dated March 22, 2005, which reduced the deficiency guaranty provided by Brantley Capital by the amount of the Second Loan to $502,273.

On June 17, 2005, we granted stock options to certain of our employees, officers, directors and former directors under our 2004 Incentive Plan, including Terrence L. Bauer, our director, President and Chief Executive Officer and a stockholder of ours, Stephen H. Murdock, our Chief Financial Officer and Corporate Secretary, Dennis M. Cain, the Chief Executive Officer of MBS and a stockholder of ours and Tommy M. Smith, the President and Chief Operating Officer of MBS and a stockholder of ours. As part of the aforementioned stock option grants, we granted stock options to Joseph M. Valley, Jr., our current director and a former director of IPS, Michael J. Finn, our current director and former director of IPS, David Crane, our current director, Gerald M. McIntosh, our former director, and Robert P. Pinkas, a former director of IPS. The options granted to Mr. McIntosh were cancelled in connection with Mr. McIntosh s resignation from the board of directors on November 3, 2005.

On August 31, 2005, we granted restricted stock units to Messrs. Bauer and Murdock, as well as Keith G. LeBlanc, our former President.

On May 12, 2006, we granted stock options to certain of our employees and directors under our 2004 Incentive Plan, including Joseph M. Valley, Jr. and David Crane, two of our current directors.

Our Corporate Code of Business Conduct and Ethics addresses any conflicts of interests on the part of any employees that might cast doubt on an employee s ability to act objectively when representing us. In addition to setting guidelines, the Corporate Code of Business Conduct and Ethics provides that each potential conflict of interest will be reviewed and the final decision as to the existence of a conflict made by our chief executive officer. Further, the Audit Committee, in accordance with the AMEX corporate governance rules, reviews all related party transactions involving our directors or executive officers.

MISCELLANEOUS

The cost of soliciting proxies will be borne by us. We may reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of Common Stock.

The board of directors provides that a stockholder may send written communications to the board of directors or any of the individual directors by addressing such written communication to the Corporate Secretary, Orion HealthCorp, Inc., 1805 Old Alabama Road, Suite 350, Roswell, Georgia, 30076. All communications will be compiled by the Corporate Secretary and submitted to the board of directors or the individual directors on a periodic basis.

INDEPENDENT PUBLIC ACCOUNTANTS

Our annual financial statements included in this Proxy Statement have been audited by UHY Mann Frankfort Stein and Lipp, CPAs, LLP (UMFSL), independent certified public accountants, to the extent and for the periods set forth in their report included herewith and are included herein in reliance upon such report given upon authority of said firm as experts in accounting and auditing We expect representatives of UMFSL, our independent certified public accountants, to be present at the Special Meeting. Our accountants will have an opportunity to make a statement if they so choose and will be available to respond to appropriate questions.

STOCKHOLDER PROPOSALS

The board of directors is not aware of any business to come before the Special Meeting other than those matters described above in this Proxy Statement. However, if any other matters should properly come before the Special Meeting, it is intended that proxies in the accompanying form will be voted in respect thereof in accordance with the judgment of the persons named in the accompanying proxy.

In order to be eligible for inclusion in our proxy materials for next year s annual meeting of stockholders, any stockholder proposal to take action at that meeting must be received at our executive offices at 1805 Old Alabama Road, Suite 350, Roswell, Georgia, 30076, no later than December 13, 2006.

In the event we receive notice of a stockholder proposal to take action at next year s annual meeting of stockholders that is not submitted for inclusion in our proxy material, or is submitted for inclusion but is properly excluded from the proxy material, the persons named in the proxy sent by us to our stockholders may exercise their discretion to vote on the stockholder proposal in accordance with their best judgment if notice of the proposal is not received at our executive offices by January 27, 2007.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file reports, proxy statements and other information with the SEC as required by the Securities Act.

You may read and copy reports, proxy statements and other information filed by us with the SEC at the SEC public reference room located at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549.

You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain copies of the materials described above at prescribed rates by writing to the Securities and Exchange Commission, Public Reference Section, Station Place, 100 F St. NE, Washington, D.C. 20549.

We file our reports, proxy statements and other information electronically with the SEC. You may access information on us at the SEC website containing reports, proxy statements and other information at http://www.sec.gov.

Information and statements contained in this Proxy Statement or any annex to this Proxy Statement are qualified in all respects by reference to the copy of the relevant contract or other annex filed as an exhibit to this proxy statement.

All information contained in this Proxy Statement relating to us has been supplied by us, and all such information relating to Rand or the On Line businesses has been supplied by them, respectively.

If you would like additional copies of this Proxy Statement or if you have questions about the proposals herein, you should contact:

ORION HEALTHCORP, INC.
1805 Old Alabama Road, Suite 350
Roswell, Georgia 30076
(678) 832-1800
Attention: Corporate Secretary

BY ORDER OF THE BOARD OF DIRECTORS

Stephen H. Murdock
Corporate Secretary

Roswell, Georgia
September , 2006

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Annex A

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (Agreement), dated as of the 8th day of September, 2006, is made and entered into on the terms and conditions hereinafter set forth, by and among **ORION HEALTHCORP, INC.**, a Delaware corporation (the Company), **PHOENIX LIFE INSURANCE COMPANY**, a New York corporation (Phoenix) and **BRANTLEY PARTNERS IV, L.P.**, a Delaware limited partnership (Brantley and together with Phoenix, Investors).

RECITALS:

1. The Company is a healthcare services organization that provides outsourced business services to physicians.

2. The Company intends to raise capital in the amount of $8,000,000 by issuing $4,650,000 of a new series of its common stock (the Equity Investment) and $3,350,000 in subordinated debt (the Note Purchase).

3. Investors desire to acquire an aggregate of $4,650,000 of a new series of Class D Common Stock of the Company, par value $0.001 per share (the Class D Common Stock) on the terms and conditions hereinafter set forth, and for the purpose hereinafter set forth.

AGREEMENT:

NOW, THEREFORE, in consideration of the agreement of Investors to make the Equity Investment, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

ARTICLE 1

DEFINITIONS

1.1 *Defined Terms*. As used in this Agreement, the following terms have the meanings specified below:

Acquisition Targets shall mean Rand Medical Billing, Inc., On Line Alternatives, Inc. and On Line Payroll Services, Inc.

Agreement has the meaning set forth in the Preamble.

Brantley has the meaning set forth in the Preamble.

Brantley Capital Shares means 1,722,983 shares of Class B Common Stock issued in the name of Brantley Capital Corporation.

Brantley Notes means (i) that certain Convertible Subordinated Promissory Note dated June 1, 2005 in the original principal amount of $225,000, as amended on May 9, 2006 and August 8, 2006, and (ii) that certain Convertible Subordinated Promissory Note dated June 1, 2005 in the original principal amount of $1,025,000, as amended on May 9, 2006 and August 8, 2006.

Business Day means any day other than a Saturday, Sunday or day on which banks in New York City are authorized or required by law to close.

Capital Stock means any and all shares, interests or equivalents in capital stock (whether voting or nonvoting, and whether common or preferred) of a Person, including any and all warrants, rights or options to purchase any of the foregoing.

Closing has the meaning set forth in Section 4.1.

Closing Date has the meaning set forth in Section 4.1.

Class A Common Stock means the Class A Common Stock, par value $0.001, of the Company.

Class B Common Stock means the Class B Common Stock, par value $0.001, of the Company.

Class C Common Stock means the Class C Common Stock, par value $0.001, of the Company.

Class D Common Stock has the meaning set forth in the Recitals.

Class D Shares has the meaning set forth in Section 2.1.

Commission means the Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act or the Exchange Act.

Company Board Recommendation has the meaning set forth in Section 3.1(cc).

Company SEC Documents has the meaning set forth in Section 3.1(g).

Equity Investment has the meaning set forth in the Recitals.

Equity Investment Documents means the documents and agreements entered into in connection with the Equity Investment.

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

Financial Statements has the meaning set forth in Section 3.1(g).

Fiscal Year means the Company s Fiscal Year, which is the period of twelve consecutive calendar months ending on December 31.

GAAP means generally accepted accounting principles in the United States applied on a consistent basis.

Governmental Authority means any federal, state, municipal, national, foreign or other governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the District of Columbia or a foreign entity or government.

Indemnified Party has the meaning set forth in Section 5.1(a).

Investors has the meaning set forth in the Preamble.

Lien means any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the Uniform Commercial Code as adopted and in effect in the relevant jurisdiction or other similar recording or notice statute, and any lease in the nature thereof).

Losses has the meaning set forth in Section 5.1(a).

Material Adverse Change or *Material Adverse Effect* means (a) a material adverse change in, or a material adverse effect upon, the business, assets, liabilities (actual or contingent), operations or financial condition of a Person and its Subsidiaries, taken as a whole; (b) a material adverse change in, or a material adverse effect upon, the ability of a Person and its Subsidiaries, taken as a whole, to perform the material obligations under any Equity Investment Document; or (c) a material adverse change in, or a material adverse effect upon the legality, validity, binding effect or enforceability against such Person of any Equity Investment Document to which it is a party.

Note Purchase has the meaning set forth in the Recitals.

Note Purchase Documents means the documents and agreements entered into in connection with the Note Purchase.

Outstanding Class A Common Stock means, as of the close of business on the Business Day that immediately precedes the Closing Date, the sum of (i) the then-outstanding shares of Class A Common Stock, (i) the number of shares of Class A Common Stock into which the then-outstanding shares of Class B Common

Stock are convertible (excluding the Brantley Capital Shares), (iii) the number of shares of Class A Common Stock into which the then-outstanding shares of Class C Common Stock are convertible, (iv) the number of shares of Class A Common Stock into which the Class D Shares would be convertible, assuming that such shares were issued as of such date, (v) the number of shares of Class A Common Stock into which the Brantley Notes are convertible, (vi) the number of shares of Class A Common Stock issuable upon exercise of the warrants and options of the Company specified on Schedule 1.1, solely to the extent that the exercise price of such warrants or options are equal to or less than the closing price of the Class A Common Stock as listed on the American Stock Exchange as of such date and (vii) the total number of shares of Class A Common Stock that have been granted as restricted stock units of the Company as specified on Schedule 1.1.

Person means any corporation, association, joint venture, partnership, limited liability company, organization, business, individual, trust, government or agency or political subdivision thereof or any other legal entity.

Phoenix has the meaning set forth in the Preamble.

Properly Contested means, in the case of any taxes that are not paid as and when due or payable by reason of the Company s bona fide dispute concerning its liability to pay same or concerning the amount thereof, (i) such taxes are being properly contested in good faith by appropriate proceedings promptly instituted and diligently conducted; (ii) the Company has established appropriate reserves as shall be required in conformity with GAAP; (iii) the non-payment of such taxes will not have a Material Adverse Effect on the Company; (iv) if the taxes result from, or are determined by the entry, rendition or issuance against the Company or any of its assets of a judgment, writ, order or decree, execution on such judgment, writ, order or decree is stayed pending a timely appeal or other judicial review; and (vi) if such contest is abandoned, settled or determined adversely (in whole or in part) to the Company, the Company forthwith pays such taxes and all penalties, interest and other amounts due in connection therewith.

Proxy Statement has the meaning set forth in Section 2.4(a).

Registration Rights Agreement has the meaning set forth in Section 2.3.

Required Company Stockholder Approval has the meaning set forth in Section 3.1(bb).

Second Amended and Restated Certificate has the meaning set forth in Section 2.1.

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder.

Significant Contracts has the meaning set forth in Section 3.1(s).

Special Committee has the meaning set forth in Section 3.1(bb).

Subsidiary means any corporation or other entity of which more than fifty percent (50%) of the issued and outstanding Capital Stock entitled to vote for the election of directors or persons performing similar functions (other than by reason of default in the payment of dividends or other distributions) is at the time owned directly or indirectly by a Person and/or any Subsidiary of such Person.

1.2 *Terms Generally*. The definitions in Section 1.1 apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun includes the corresponding masculine, feminine and neuter forms. The words include, includes and including are deemed to be followed by the phrase without limitation. All references herein to Articles, Sections, Exhibits and Schedules are deemed references to Articles and Sections of, and

Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, any reference in this Agreement to any Loan Document means such document as amended, restated, supplemented or otherwise modified from time to time.

ARTICLE 2

PURCHASE AND SALE; STOCKHOLDER APPROVAL

2.1 *Sale and Issuance of the Class D Shares*. Subject to the terms and conditions contained herein, on the Closing Date:

(a) Phoenix will pay to the Company Three Million Dollars ($3,000,000) and the Company will issue and sell to Phoenix that number of shares of Class D Common Stock representing twelve and one half percent (12.5%) of the Outstanding Class A Common Stock; and

(b) Brantley will pay to the Company One Million Six Hundred Fifty Thousand Dollars ($1,650,000) and the Company will issue and sell to Brantley that number of shares of Class D Common Stock representing six and eight hundred seventy five one-thousandths percent (6.875%) of the Outstanding Class A Common Stock.

The shares of Class D Common Stock being issued and sold to Phoenix and Brantley are collectively referred to in this Agreement as the Class D Shares . The voting powers, preferences and other rights of the Class D Common Stock, and the qualifications, limitations or restrictions thereof, are set forth in the proposed Second Amended and Restated Certificate of Incorporation of the Company (the Second Amended and Restated Certificate), a draft copy of which is attached as Exhibit A to this Agreement.

2.2 *Reservation of Shares*. The Company shall at all times reserve and keep available out of its authorized shares of Class A Common Stock, solely for the purpose of the issuance and delivery of the shares of Class A Common Stock issuable upon conversion of the Class D Shares, the maximum number of shares of Class A Common Stock that may be issuable or deliverable thereupon.

2.3 *Registration Rights*. On the Closing Date, the Company shall grant to Investor the right to have the Class A Common Stock issuable upon conversion of the Class D Shares registered under the Securities Act, pursuant to the terms of a Registration Rights Agreement, substantially in the form of Exhibit B attached hereto (the Registration Rights Agreement).

2.4 *Stockholder Approval*.

(a) To the extent that stockholder approval of the issuance of the Class D Shares and/or the issuance of the warrants as part of the Note Purchase is required by the rules of the American Stock Exchange, as promptly as practicable after the execution of this Agreement, the Company will prepare and file with the Commission a proxy statement setting forth the time and place for holding of a special meeting of the stockholders of the Company for the purpose of obtaining the Required Company Stockholder Approval (the Proxy Statement). The Company will respond promptly to any comments of the Commission and will use all reasonable efforts to cause the Proxy Statement to be mailed to the Company s stockholders at the earliest practicable time.

(b) The Company Board Recommendation shall be included in the Proxy Statement, except that the Board of Directors of the Company may withdraw or modify in a manner adverse to Investors such recommendation only if the Special Committee determines, in good faith, after consultation with outside legal counsel, that such action is required in order for the directors of the Company to comply with their fiduciary duties to the stockholders of the Company.

2.5 *Termination of Purchase Right*. Upon Closing and sale and issuance of the Class D Shares, the right of Brantley to purchase shares of Class A Common Stock for cash in an amount up to an aggregate of $3,000,000, as set forth in more detail in Section 2.4 of that certain Amended and Restated Stock Subscription Agreement, dated February 9,

2004, between the Company and Brantley, as amended, shall terminate.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

3.1 *The Company s Representations*. In order to induce Investors to enter into this Agreement, the Company hereby represents and warrants to Investors that as of the date hereof and as of the Closing Date:

(a) *Legal Status*. The Company is a corporation duly formed and validly existing under the laws of the State of Delaware. The Company has the corporate power to own and operate its properties, to carry on its business as now conducted and to enter into and to perform its obligations under this Agreement and the Registration Rights Agreement. The Company is duly qualified to do business and in good standing in each state in which a failure to be so qualified would reasonably be expected to have a Material Adverse Effect on the Company.

(b) *Authorization*. The Company has the requisite corporate power and authority to conduct its business and affairs as currently conducted. Except for obtaining the Required Company Stockholder Approval, the Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement, without the consent or approval of any other person, firm, governmental agency or other legal entity. Except for obtaining the Required Company Stockholder Approval and any notices of sale required to be filed with the Commission under Regulation D of the Securities Act, or such post-closing filings as may be required under applicable federal or state securities laws, which will be timely filed within the applicable periods therefor, the execution and delivery of this Agreement, the issuance, sale and delivery of the Class D Shares, the execution and delivery of the Registration Rights Agreement, and the performance by the Company of its obligations thereunder are within the corporate powers of the Company and have been duly authorized by all necessary corporate action properly taken, and the Company has received all necessary governmental approvals, if any, that are required. The officer(s) executing this Agreement and the Registration Rights Agreement are duly authorized to act on behalf of the Company.

(c) *Validity and Binding Effect*. This Agreement and the Registration Rights Agreement are the legal, valid and binding obligations of the Company enforceable in accordance with their respective terms, subject to limitations imposed by bankruptcy, insolvency, moratorium or other similar laws affecting the rights of creditors generally or the application of general equitable principles.

(d) *Capitalization*. Attached hereto as Schedule 3.1(d) is a table showing the authorized and issued Capital Stock of the Company, as of the date hereof, on a fully diluted basis. As of the date hereof, the Company does not have outstanding any interests or securities convertible or exchangeable for any of its Capital Stock or containing any profit participation features, and does not have outstanding any rights or options to subscribe for or to purchase its Capital Stock or any stock appreciation rights or phantom stock plans, except as set forth on Schedule 3.1(d). Schedule 3.1(d) accurately sets forth the following with respect to all outstanding options and rights to acquire any of the Company s Capital Stock: (i) the total number of shares (or equivalent) issuable upon exercise of all outstanding options; (ii) the range of exercise prices for all such outstanding options; (iii) the number of shares (or equivalent) issuable, the exercise price and the expiration date for each such outstanding option; and (iv) with respect to all outstanding options, warrants and rights to acquire the Company s Capital Stock, the number of shares (or equivalent) covered, the exercise price and the expiration date. The Company is not subject to any obligation (contingent or otherwise) to repurchase, redeem, retire or otherwise acquire any of its Capital Stock or any warrants, options or other rights to acquire its Capital Stock, except as set forth on Schedule 3.1(d). The Company has not violated any applicable federal or state securities laws in connection with the offer, sale or issuance of any of its Capital Stock, and the offer, sale and issuance of the Class D Shares hereunder do not require registration under the Securities Act of 1933, as amended, or any applicable state securities laws.

(e) *No Conflicts*. Except as set forth on Schedule 3.1(e) hereto, consummation of the transactions contemplated hereby and the issuance of the Class D Shares do not conflict with, and will not result in any breach of, or constitute a default or trigger a Lien under, (i) the certificate of incorporation or bylaws of the Company, (ii) any mortgage, security deed or agreement, deed of trust, lease, bank loan or credit agreement, license, franchise or any other material instrument or agreement to which the Company or any of its

Subsidiaries is a party or by which the Company, any of its Subsidiaries or their respective properties may be bound or affected or to which the Company or any of its Subsidiaries has not obtained an effective waiver, except where such event would not reasonably be expected to have a Material Adverse Effect on the Company or (iii) any federal or state judgment, order, writ, decree, statute, rule or regulation applicable to the Company.

(f) *Litigation*. Except as set forth on Schedule 3.1(f) hereto, there are no actions, suits, investigations, criminal prosecutions, civil investigative demands, impositions of civil fines or penalties, arbitrations, administrative hearings or other proceedings pending, or, to the knowledge of the Company, threatened against or affecting the Company or any of the Company s property, any of its Subsidiaries or any property of any of such Subsidiaries, which, if adversely determined, would reasonably be expected to have a Material Adverse Effect on the Company, or involving the validity or enforceability of any of the Equity Investment Documents at law or in equity, or before any Governmental Authority. Neither the Company nor any Subsidiary is subject to any order, writ, injunction, decree or demand of any court or any Governmental Authority.

(g) *SEC Filings*. The Company has furnished or made available to Investor true and complete copies of all reports or registration statements it has filed with the Commission under the Securities Act and the Exchange Act for all periods subsequent to December 14, 2004, all in the form so filed (collectively, the Company SEC Documents). As of their respective filing dates, the Company SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as applicable, and, as of its respective filing date, no Company SEC Document filed under the Exchange Act contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances in which they were made, not misleading, except to the extent corrected by a subsequently filed document with the Commission. No Company SEC Document filed under the Securities Act contained an untrue statement of material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading at the time such Company SEC Documents became effective under the Securities Act. The Company s financial statements, including the notes thereto, included in the Company SEC Documents (the Financial Statements) comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the Commission with respect thereto, have been prepared in accordance with GAAP and present fairly the Company s consolidated financial position at the dates thereof and of its operations and cash flows for the periods specified (subject, in the case of unaudited statements, to normal audit adjustments and footnote disclosures). Since the date of the most recent Company SEC Document, the Company has not effected any change in any method of accounting or accounting practice, except for any such change required because of a concurrent change in GAAP.

(h) *Other Agreements; No Defaults*. Except as set forth in the Company SEC Documents or on Schedule 3.1(h), neither the Company nor any of its Subsidiaries is a party to any indenture, loan or credit agreement, lease or other agreement or instrument, or subject to any charter or corporate restriction, that, if a default occurs thereunder, such default would reasonably be expected to result in a Material Adverse Change to the Company. Except as set forth in the Company SEC Documents or on Schedule 3.1(h), neither the Company nor any of its Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument material to its business to which it is a party, including but not limited to this Agreement, which would reasonably be expected to result in a Material Adverse Change to the Company, and no other default or event has occurred and is continuing that with notice or the passage of time or both would constitute a default or event of default under any of the same.

(i) *Compliance With Law*. The Company and each of its Subsidiaries have obtained all licenses, permits, approvals and authorizations necessary or required in order to conduct their respective business and affairs as heretofore conducted (other than where the failure to so obtain would not reasonably be expected to have a Material Adverse Effect on the Company) and has ensured that all required licenses are in full force and effect on the Closing Date and have not been revoked, suspended or otherwise limited. The Company and each of its Subsidiaries is in compliance

with all laws, regulations, decrees and orders applicable to it (including but not limited to laws, regulations, decrees and orders relating to environmental, occupational, and health standards and controls, antitrust, monopoly, restraint of trade or unfair competition), except to the extent that

any noncompliance, in the aggregate, cannot reasonably be expected to have a Material Adverse Effect on the Company.

(j) *Statements Not False or Misleading*. No representation or warranty given as of the date hereof by the Company contained in this Agreement or any schedule attached hereto or any statement in any document, certificate or other instrument furnished or to be furnished by the Company to Investor pursuant hereto, taken as a whole, contains or will (as of the time so furnished) contain any untrue statement of a material fact, or omits or will (as of the time so furnished) omit to state any material fact which is necessary in order to make the statements contained therein not misleading.

(k) *Valid Issuance of Class D Shares*. The Class D Shares that are being purchased and acquired by Investors hereunder, when issued, sold and delivered by the Company in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and nonassessable, and will be free of restrictions on transfer other than restrictions on transfer under applicable state and federal securities laws, including containing the restrictive legend set forth in Section 3.2(i) hereof.

(l) *Fees/Commissions*. Except for fees and expenses that may be owed to Stephens, Inc., the Company has not agreed to pay any finder s fee, commission, origination fee or other fee or charge to any person or entity with respect to the Note Purchase or other transactions contemplated hereunder.

(m) *Limited Offering of Shares*. Assuming the accuracy of the representations and warranties of Investors contained in Section 3.2 hereof, the offer and sale of the Class D Shares is not required to be registered pursuant to the provisions of Section 6 of the Securities Act or the registration or qualification provisions of the blue sky laws of any state. Neither the Company nor any agent on its behalf has solicited or will solicit any offers to sell or has offered to sell or will offer to sell all or any part of the Class D Shares or any other similar securities to any Person so as to bring the sale of the Class D Shares by the Company within the registration provisions of the Securities Act or any state securities laws.

(n) *Subsidiaries*. Schedule 3.1(n) hereto is a complete list of each corporation, partnership, joint venture, limited liability company, or other business organization in which the Company or any Subsidiary of the Company owns, directly or indirectly, any Capital Stock or other equity interest, or with respect to which the Company or any Subsidiary of the Company, alone or in combination with others, is in a control position, which list shows the jurisdiction of incorporation or other organization and the percentage of stock or other equity interest of each Subsidiary owned by the Company or such Subsidiary. Each Subsidiary of the Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and is duly qualified to transact business as a foreign corporation (or other entity) and is in good standing (or equivalent) in the jurisdictions listed on Schedule 3.1(n), which are the only jurisdictions where the properties owned or leased or the business transacted by it makes such licensing or qualification to do business as a foreign corporation (or other entity) necessary, and no other jurisdiction has demanded, requested or otherwise indicated that (or inquired whether) it is required so to qualify. The outstanding Capital Stock of each Subsidiary of the Company is validly issued, fully paid and nonassessable. Except as set forth on Schedule 3.1(n), the Company and the Subsidiaries have good and valid title to the equity interests in the Subsidiaries shown as owned by each of them on Schedule 3.1(n), free and clear of all liens, claims, charges, restrictions, security interests, equities, proxies, pledges or encumbrances of any kind. Except where otherwise indicated herein or unless the context otherwise requires, any reference to the Company herein shall include the Company and all of its Subsidiaries.

(o) *Trademarks, Patents, Etc*. Schedule 3.1(o) is an accurate and complete list of all patents, trademarks, trade names, trademark registrations, service names, service marks, copyrights, licenses, formulae and applications therefor owned by the Company or any of its Subsidiaries or used or required by the Company or any of its Subsidiaries in the

operation of its business, title to each of which is, except as set forth on Schedule 3.1(o) hereto, held by the Company or a Subsidiary of the Company free and clear of all adverse claims, liens, security agreements, restrictions or other encumbrances. Except as set forth on Schedule 3.1(o), the Company and its Subsidiaries own or possess adequate (and will use their best efforts to obtain as expediently as possible any additional) licenses or other rights to use all patents, trademarks, trade names, service marks, trade secrets or other intangible property rights and know how necessary to entitle the Company

or such Subsidiary to conduct its business as presently being conducted. There is no pending infringement action, lawsuit, claim or complaint which asserts that the Company s or any such Subsidiary s operations violate or infringe the rights or the trade names, trademarks, trademark registrations, service names, service marks or copyrights of others with respect to any apparatus or method of the Company, any of its Subsidiaries or any adversely held trademarks, trade names, trademark registrations, service names, service marks or copyrights, and neither the Company nor any of its Subsidiaries is in any way making use of any confidential information or trade secrets of any person, except with the consent of such person. Except as set forth on Schedule 3.1(o), the Company and each of its Subsidiaries have taken reasonable steps to protect its proprietary information (except disclosure of source codes pursuant to licensing agreements) and is the lawful owner of the proprietary information free and clear of any claim of any third party. As used herein, proprietary information includes without limitation, (i) any computer programming language, software, hardware, firmware or related documentation, inventions, technical and nontechnical data related thereto and (ii) other documentation, inventions and data related to patterns, plans, methods, techniques, drawings, finances, customer lists, suppliers, products, special pricing and cost information, designs, processes, procedures, formulas, research data owned or used by the Company or any of its Subsidiaries or marketing studies conducted by the Company or any of its Subsidiaries, all of which the Company considers to be commercially important and competitively sensitive and which generally has not been disclosed to third parties.

(p) *Debt*. Schedule 3.1(p) is a complete and correct list of all credit agreements, indentures, purchase agreements, promissory notes and other evidences of indebtedness, guaranties, capital leases and other instruments, agreements and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing) in respect of which the Company, any of its Subsidiaries or any of their respective properties is in any manner directly or contingently obligated, and the maximum principal or face amounts of the credit in question that are outstanding and that can be outstanding are correctly stated, and all Liens of any nature given or agreed to be given as security therefor are correctly described or indicated on Schedule 3.1(p).

(q) *Taxes*. The Company and each of its Subsidiaries has filed or caused to be filed all tax returns that are required to be filed (except for returns that have been appropriately extended by it), and has paid, or will pay when due, all taxes shown to be due and payable on said returns and all other taxes, impositions, assessments, fees or other charges imposed on it by any Governmental Authority, prior to any delinquency with respect thereto (other than taxes, impositions, assessments, fees and charges currently being Properly Contested).

(r) *Certain Transactions*. Except as set forth on Schedule 3.1(r) hereto, no officer, director or, to the knowledge of the Company, any member of their immediate families, nor any Subsidiary or affiliate of the Company is, directly or indirectly, interested in any material contract or agreement with the Company or any Subsidiary. Except as set forth on Schedule 3.1(r) hereto, the Company is not indebted, directly or indirectly, to any of its equityholders, officers or directors or, to the knowledge of the Company, their respective spouses or children, in any amount whatsoever, and none of said equityholders, officers or directors or, to the knowledge of the Company, any members of their immediate families, are indebted to any of the Company or any of its Subsidiaries or have any direct or indirect ownership interest in any firm or corporation with which the Company or any of its Subsidiaries has a business relationship. Neither the Company nor any of its Subsidiaries is a guarantor or indemnitor of any indebtedness of any other person, firm, corporation or other legal entity.

(s) *Significant Contracts*. Schedule 3.1(s) is a complete and correct list of all contracts, agreements and other documents pursuant to which the Company or any of its Subsidiaries receives revenues in excess of $500,000 per Fiscal Year or has committed to make expenditures in excess of $500,000 per Fiscal Year (collectively, the Significant Contracts). Each such Significant Contract is in full force and effect as of the date hereof and the Company does not know of any reason why any such Significant Contract would not remain in full force and effect pursuant to the terms thereof.

(t) *Environmental*. Except as set forth on Schedule 3.1(t) or the reports listed therein, the Company and each of its Subsidiaries has duly complied with, and its business, operations, assets, equipment, property, leaseholds or other facilities are in material compliance with, the provisions of all applicable federal, state and

local environmental, health, and safety laws, codes and ordinances, and all rules and regulations promulgated thereunder. Except as set forth on Schedule 3.1(t) or the reports listed therein, neither the Company nor any Subsidiary has received written notice of, or knows of, any violations by the Company or any of its Subsidiaries of any federal, state or local environmental, health or safety laws, codes or ordinances, and any rules or regulations promulgated thereunder with respect to its businesses, operations, assets, equipment, property, leaseholds, or other facilities.

(u) *ERISA*. Neither the Company nor any Subsidiary of the Company has any pension plan that is sponsored, maintained or contributed to by the Company and that is subject to the requirements of Title IV of the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1001-1461, as amended from time to time. The Company and each of its Subsidiaries have operated and administered each of its welfare and pension plans in compliance with all requirements of the Employee Retirement Income Security Act of 1974, as amended from time to time, except for such instances of noncompliance as have not resulted in and could not reasonably be expected to have a Material Adverse Effect on the Company.

(v) *Title to Properties*. The Company and each of its Subsidiaries have good and marketable title to, or valid leasehold interests in, all its real properties and good title to its other assets, free and clear of all liens other than those liens set forth on Schedule 3.1(v).

(w) *Registration Rights*. Except as set forth on Schedule 3.1(w) hereto, except as described in the Registration Rights Agreement, the Company is not under any obligation to register under the Securities Act, or the Trust Indenture Act of 1939, as amended, any of its presently outstanding securities or any of its securities that may subsequently be issued.

(x) *Employees*. Neither the Company nor any of its Subsidiaries has had any current strikes, work stoppages or similar disputes which have resulted in or which the Company reasonably believes would be expected to have a Material Adverse Effect on the Company.

(y) *Location of Properties, Places of Business*. The only jurisdictions in which the Company or any of its Subsidiaries maintains any tangible personal property or carries on business are as listed on Schedule 3.1(y) hereto. All billings for the supply of goods and services by the Company and its Subsidiaries are made from, and require payment to be made to, the chief executive office of the Company. Except as set forth on Schedule 3.1(y), neither the Company nor any of its Subsidiaries has, during the five years preceding the date of this Agreement, been known as or used any other corporate, trade or fictitious name, or acquired all or substantially all of the assets, Capital Stock or operating units of any Person. Neither the Company nor any of its Subsidiaries has, during the five years preceding the date of this Agreement, had a business location at any address other than addresses set forth on Schedule 3.1(y).

(z) *Insurance*. The Company and each of its Subsidiaries carries or is covered by insurance in such amounts and covering such risks as is adequate for the conduct of its business and the value of its properties and as is customary for companies engaged in similar businesses in similar industries.

(aa) *Real Properties*. Schedule 3.1(aa) hereof sets forth, the address or tax parcel number of each parcel of real property in which the Company or any of its Subsidiaries has any estate or interest, together with a description of the estate or interest (e.g., fee simple, leasehold, etc.) held by the Company or such Subsidiary. The Company further represents and warrants that with respect to each parcel of such real property, neither it nor any of its Subsidiaries has entered into any leases, subleases or other arrangements for occupancy of space within such parcel, other than the leases described in Schedule 3.1(aa) hereof, and (v) each lease, sublease, or other arrangement in Schedule 3.1(aa) hereof, is in full force and effect, and, except as disclosed in Schedule 3.1(aa) hereof, or as otherwise disclosed to Investor in writing after the date hereof, there is not continuing any material default on the part of the Company or any of its Subsidiaries with respect to each lease, sublease, or other arrangement.

(bb) *Fairness Opinion*. The Special Committee of the Company has received the written opinion of Valuation Research Corporation, an independent financial advisor to the Company, to the effect that, as of the date of this Agreement, the price to be paid for the Class D Shares is fair, from a financial point of view, to the

Company s stockholders. The Company has provided a copy of such opinion to Investors, and such opinion has not been withdrawn or revoked or otherwise modified in any material respect.

(cc) *Special Committee; Board Recommendation; Required Vote*.

(i) The special committee of independent directors of the Board of Directors of the Company (the Special Committee), at a meeting duly called and held, has, by unanimous vote of its members, (A) determined that this Agreement and the transactions contemplated by this Agreement are advisable and fair to and in the best interests of the stockholders of the Company, and (B) resolved to recommend that the stockholders of the Company approve the issuance of the Class D Shares pursuant to this Agreement (the Company Board Recommendation).

(ii) The affirmative vote of (x) holders of (1) a majority of the voting power of the outstanding shares of the Company s common stock, voting together as a single class, and (2) a majority of the voting power of the outstanding shares of the Class B Common Stock and Class C Common Stock, voting as separate classes, to approve filing of the Second Amended and Restated Certificate and (y) holders of a majority of the voting power of the outstanding shares of the Company s common stock, voting together as a single class to approve the issuance of the Class D Shares (collectively, the Required Company Stockholder Approval), are the only votes of the holders of any class or series of Capital Stock of the Company necessary to approve the issuance of the Class D Shares pursuant to this Agreement.

(dd) *Foreign Assets Control Regulations, Etc*.

(i) Except as a result of the identity or status of Investors, neither the sale of the Class D Shares by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(ii) Neither the Company nor any of its Subsidiaries is a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49, 079 (2001), as amended and is not a Person that, to its knowledge, engages in any dealings or transactions with any such Person.

(ee) *Status under 1940 Act*. The Company is not subject to regulation under the Investment Company Act of 1940, as amended.

3.2 *Representations of Each Investor*. Each Investor represents and warrants to the Company (as to itself only) that as of the date hereof and as of the Closing Date:

(a) *Legal Status; Authorization*. Such Investor is (a) a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and (b) has the full power and authority to execute, deliver and perform its obligations under this Agreement and the Registration Rights Agreement and to consummate the transactions contemplated by this Agreement and the Registration Rights Agreement. The execution, delivery and performance by it of this Agreement and the Registration Rights Agreement and (a) has been duly authorized by all necessary action and (b) does not contravene the terms of its organizational documents, or any amendment thereof.

(b) *Validity and Binding Effect*. This Agreement and the Registration Rights Agreement are the legal, valid and binding obligations of such Investor enforceable in accordance with their respective terms, subject to limitations imposed by bankruptcy, insolvency, moratorium or other similar laws affecting the rights of creditors generally or the application of general equitable principles.

(c) *Fees/Commissions*. Such Investor has not agreed to pay any finder s fee, commission, origination fee or other fee or charge to any person or entity with respect to the Equity Investment or other transactions contemplated hereunder.

(d) *Accredited Investor; Purchase Entirely for Own Account*. Such Investor is an accredited investor as that term is defined in Rule 501 of the Securities Act and, in making the purchase contemplated herein, it is specifically understood and agreed that such Investor is acquiring the Class D Shares for the purpose of investment and not with a view towards the sale or distribution thereof within the meaning of the Securities Act.

(e) *Restricted Securities*. Such Investor understands that the Class D Shares will not be registered under the Securities Act, by reason of their issuance by the Company in a transaction exempt from the registration requirements of the Securities Act, and that it must hold the Class D Shares indefinitely unless a subsequent disposition thereof is registered under the Securities Act and applicable state securities laws or is exempt from registration.

(f) *Receipt of Information*. Such Investor has received all the information it considers necessary or appropriate for deciding whether to purchase the Class D Shares. Such Investor further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Class D Shares, the business, properties, prospects and financial condition of the Company and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify the accuracy of any information furnished to it or to which it had access. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 3.1 of this Agreement or the right of such Investor to rely thereon. Such Investor learned of this investment opportunity as a result of direct contact by the Company or an agent of the Company and not by means of advertising, publication or other written materials.

(g) *Investment Experience*. Such Investor is experienced in evaluating and investing in securities, of companies in the development state and acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment in the Class D Shares. Such Investor also represents that it has not been organized for the purpose of purchasing the Class D Shares.

(h) *Reliance Upon Investor s Representations*. Such Investor understands that the Class D Shares are not registered under the Securities Act on the ground that the sale provided for in this Agreement and the issuance of the Class D Shares hereunder is exempt from registration under the Securities Act pursuant to Section 4(2) thereof and/or Regulation D thereunder, and that the Company s reliance on such exemption is based on the representations of Investors set forth herein. Such Investor realizes that the basis for the exemption may not be present if, notwithstanding such representations, such Investor has in mind merely purchasing the Class D Shares being purchased by it for a fixed or determinable period in the future, or for a market rise, or for sale if the market does not rise. Such Investor does not have any such intention.

(i) *Legends*. The certificate evidencing the Class D Shares shall be endorsed with the legend substantially in the form set forth below, and such Investor covenants that, except to the extent such restrictions are waived by the Company, such Investor shall not transfer the securities represented by any such certificate without complying with the restrictions on transfer described in the legend endorsed on such certificate:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE, AND MAY BE OFFERED AND SOLD ONLY IF REGISTERED AND QUALIFIED PURSUANT TO THE RELEVANT PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS OR IF THE COMPANY IS PROVIDED AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY (WHICH IN THE CASE OF ANY FINANCIAL INSTITUTIONAL HOLDER HEREOF MAY BE ITS INTERNAL COUNSEL) THAT REGISTRATION AND QUALIFICATION UNDER FEDERAL AND STATE SECURITIES LAWS IS NOT REQUIRED.

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ARTICLE 4

CLOSING; CONDITIONS TO CLOSING

4.1 *Closing*. The purchase and sale of the Class D Shares shall take place at the offices of the Company, 1805 Old Alabama Road, Suite 350, Roswell, Georgia 33076 (the Closing) on the third (3rd) Business Day after the satisfaction or waiver of the conditions set forth in this Article 4 (other than any such conditions that by their terms cannot be satisfied until the Closing Date, which conditions shall be required to be so satisfied or waived on the Closing Date), unless another time or date is agreed to in writing by the parties hereto (the Closing Date). Conditions precedent set forth in Section 4.2 below may be waived solely by both Investors in their sole discretion. Conditions precedent set forth in Section 4.3 below may be waived solely by the Company in its sole discretion. If the Agreement shall have been terminated pursuant to Section 6.1 hereof prior to the Closing Date, no Closing shall occur.

4.2 *Conditions to Investors Obligations*. Investors obligations to purchase and pay for the Class D Shares at the Closing are subject to Investors determining, in their good faith discretion, that the following conditions have been satisfied (or Investors waiving, in their sole discretion, in writing the conditions that they have determined have not been satisfied), on or before the Closing Date:

(a) *No Material Adverse Change*. Since June 30, 2006, there has not occurred a Material Adverse Change to the Company or any Acquisition Target.

(b) *Representations, Warranties and Covenants*. Subject to the second sentence of this clause (b), the representations and warranties of the Company contained in Article 3 shall be true and correct in all material respects (without duplication of materiality qualifiers) on and as of the date when made and on and as of the Closing Date. The Company shall have delivered to each of the Investors all revisions to the representations in Sections 3.1(d), (g), (n), (o), (p), (q), (r), (s), (t), (v), (x), (y), and (aa) to give effect to the consummation of the Note Purchase and the acquisition of the Acquisition Targets, and such revisions shall be in form and substance satisfactory to the Investors in their good faith discretion. In addition, the Company will have performed, or shall have caused to be performed, all agreements, obligations and covenants required herein to be performed by it on or prior to the Closing Date.

(c) *Consummation of the Note Purchase and the Acquisitions*. On or prior to the Closing Date, the Note Purchase and the acquisition of the Acquisition Targets shall have been consummated in accordance with the terms and conditions of the Note Purchase Documents, the applicable acquisition agreements and all applicable laws. On or prior to the Closing Date, the Company shall have delivered to each Investor pro forma financial statements of the Company and its Subsidiaries giving effect to the acquisition of the Acquisition Targets, the consummation of the Equity Investment and the Note Purchase, the closing of the senior financing provided for in Section 4.2(h) below, the retirement of the Brantley Capital Shares and the conversion of the Brantley Notes, the Class B Common Stock and the Class C Common Stock, and such pro forma financial statements shall be satisfactory to each Investor.

(d) *Consent of Third Parties, Governmental Authorities, etc*. The Company shall have presented evidence satisfactory to Investors to the effect that (i) all consents, waivers and amendments required in connection with the consummation of the transactions related to this Agreement and the transactions contemplated hereby have been obtained, (ii) the transactions related to issuance of the Class D Shares shall not violate, or constitute or trigger the occurrence of a default or an event of default with respect to, any contractual obligations of the Company or any of its Subsidiaries and (iii) neither the Company nor any of its Subsidiaries is in violation of or default under or with respect to any of its material contractual obligations.

(e) *Stockholder Approval*. The Company shall have received the Required Company Stockholder Approval for the filing of the Second Amended and Restated Certificate and the consummation of the Equity Investment and the

transactions contemplated by this Agreement on the terms and conditions approved by the Company Board Recommendation and such Company Stockholder Approval shall not be subject to any injunction or court, stock exchange or administrative proceeding challenging its legality, validity or effectiveness.

(f) *Filing of Charter*. The Company shall have filed the Second Amended and Restated Certificate with, and it shall have been accepted by, the Secretary of State of Delaware.

(g) *Reservation of Shares*. The Company shall have taken all corporate actions to reserve a sufficient number of shares of the Class A Common Stock for issuance on conversion of the Class D Shares.

(h) *Senior Financing*. On or prior to the Closing Date, the Company shall have consummated a transaction with one or more lenders for the provision of not less than $6,500,000 of senior secured financing.

(i) *Conversions; Repurchase*. On or before Closing, Brantley shall have converted the entire unpaid principal amount of, and any accrued but unpaid interest on, the Brantley Notes into shares of Class A Common Stock. On or before Closing, the Company shall have acquired all of the Brantley Capital Shares and have retired the same and/or all of the outstanding shares of Class B Common Stock and Class C Common Stock shall have been either converted into shares of Class A Common Stock or otherwise redeemed, repurchased or purchased by the Company.

(j) *Equity Investment*. Contemporaneously with Closing, each other Investor shall have consummated the Equity Investment in all material respects in accordance with the terms and conditions of the Equity Investment Documents and all applicable laws.

(k) *Certain Documents*. Each of the Investors shall have received the following closing documents, in form and substance satisfactory to such Investor, all of which shall, except as specified below, be fully executed originals, and shall be in full force and effect:

(i) stock certificates representing the Class D Shares to be acquired by such Investor hereunder; a Private Placement Number issued by Standard & Poor s CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for each such stock certificate;

(ii) the Registration Rights Agreement, duly executed by the Company;

(iii) a certificate of the Secretary of State of Delaware as to the good standing of the Company in such jurisdiction dated as of a date within five (5) Business Days prior to the Closing Date;

(iv) a certificate, dated as of the Closing Date, of the secretary of the Company certifying (A) that the copies of the certificate of incorporation and the bylaws of the Company, attached thereto and as amended to date, are true, complete and correct, (B) that the copies of the resolutions of the directors of the Company, authorizing the transactions contemplated by this Agreement and issuance of the Class D Shares are true, complete and correct, (C) as to the incumbency of each Person executing this Agreement, and (D) as to any other matters reasonably requested by Investors;

(v) a certificate from an officer of the Company, in form and substance satisfactory to Investors, with respect to the satisfaction of the requirements under Sections 4.2(a), (b), (c), (e), (f), (g), (h) and (i) above;

(vi) a legal opinion of the Company s counsel, in form and substance satisfactory to Investors; and

(vii) such other documents as such Investor may reasonably request in connection with this Agreement, and each such document shall be in form and substance reasonably satisfactory to such Investor. All fees and expenses of such Investor required to be paid pursuant to Section 7.2 hereof shall have been paid. Any withdrawals or modifications referred to in Section 2.4(b) hereof shall be satisfactory to such Investor in its sole discretion.

4.3 *Conditions to the Company s Obligations*. The Company s obligations to issue and sell the Class D Shares at the Closing are subject to the Company determining, in its reasonable discretion, that the following conditions have been satisfied (or the Company waiving in writing the conditions that it has determined have not been satisfied), on or before the Closing Date:

(a) *Representations, Warranties and Covenants*. The representations and warranties of each Investor contained in Article 3 shall be true and correct in all material respects (without duplication of materiality

qualifiers) on and as of the Closing Date. In addition, Investors will have performed, or shall have caused to be performed, all agreements, obligations and covenants required herein to be performed by them on or prior to the Closing Date.

(b) *Consummation of the Note Purchase*. On or prior to the Closing Date, the Note Purchase shall have been consummated in all material respects in accordance with the terms and conditions of the Note Purchase Documents and all applicable laws.

(c) *Consent of Third Parties, Governmental Authorities, etc*. The Company shall have received evidence reasonably satisfactory to it to the effect that (i) all material consents, waivers and amendments required in connection with the consummation of the transactions related to this Agreement and the transactions contemplated hereby have been obtained, (ii) the transactions related to issuance of the Class D Shares shall not violate, or constitute or trigger the occurrence of an event of default with respect to, any contractual obligations of the Company or any of its Subsidiaries and (iii) neither the Company nor any of its Subsidiaries is in violation of or default under or with respect to any of its material contractual obligations.

(d) *Stockholder Approval*. The Company shall have received the Required Company Stockholder Approval for the filing of the Second Amended and Restated Certificate and the consummation of the Equity Investment and the transactions contemplated by this Agreement on the terms and conditions approved by the Company Board Recommendation and such Company Stockholder Approval shall not be subject to any injunction or court, stock exchange or administrative proceeding challenging its legality, validity or effectiveness.

(e) *Filing of Charter*. The Company shall have filed the Second Amended and Restated Certificate with, and it shall have been accepted by, the Secretary of State of Delaware.

(f) *Conversions; Repurchase*. On or before Closing, Brantley shall have converted the entire unpaid principal amount of, and any accrued but unpaid interest on, the Brantley Notes into shares of Class A Common Stock. On or before Closing, the Company shall have acquired all of the Brantley Capital Shares and have retired the same and/or all of the outstanding shares of Class B Common Stock and Class C Common Stock shall have been either converted into shares of Class A Common Stock or otherwise redeemed, repurchased or purchased by the Company.

(g) *Certain Documents*. The Company shall have received the following closing documents, in form and substance satisfactory to the Company, all of which shall, except as specified below, be fully executed originals, and shall be in full force and effect:

(i) the Registration Rights Agreement, duly executed by Investors; and

(ii) such other documents as the Company may reasonably request in connection with this Agreement, and each such document shall be in form and substance reasonably satisfactory to the Company.

ARTICLE 5

INDEMNIFICATION; SURVIVAL

5.1 *General Indemnification*.

(a) The Company, without limitation as to time, will defend and indemnify each of the Investors and their respective officers, directors, managers, employees, attorneys and agents (each, an Indemnified Party) against, and hold each Indemnified Party harmless from, all losses, claims, damages, liabilities, costs (including the costs of preparation and

attorneys fees and expenses) (collectively, the Losses) incurred by any Indemnified Party as a result of, or arising out of, or relating to (A) any misrepresentation or breach of any representation or warranty made by the Company herein or (B) any breach of any covenant or agreement of the Company contained in this Agreement, other than in either case any Losses resulting from action on the part of such Indemnified Party to the extent they are a result of such party s gross negligence or willful misconduct. The Company agrees to reimburse each Indemnified Party promptly for all such Losses as they are incurred by such Indemnified Party in connection

with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom. The obligations of the Company under this paragraph will survive any transfer of the Class D Shares and the termination of this Agreement. In the event that the foregoing indemnity is unavailable or insufficient to hold an Indemnified Party harmless, then the Company will contribute to amounts paid or payable by such Indemnified Party in respect of such Indemnified Party s Losses in such proportions as appropriately reflect the relative benefits received by and fault of the Company and such Indemnified Party in connection with the matters as to which such Losses relate and other equitable considerations.

(b) If any action, proceeding or investigation is commenced, as to which any Indemnified Party proposes to demand indemnification, it shall notify the Company with reasonable promptness; provided, however, that any failure by such Indemnified Party to notify the Company shall not relieve the Company from its obligations hereunder except to the extent the Company is prejudiced thereby. The Company shall be entitled to assume the defense of any such action, proceeding or investigation, including the employment of counsel and the payment of all fees and expenses. Any Indemnified Party shall have the right to employ separate counsel in connection with any such action, proceeding or investigation and to participate in the defense thereof, but the fees and expenses of such counsel shall be paid by the Indemnified Party, unless (A) the Company has failed to assume the defense and employ counsel as provided herein, (B) the Company has agreed in writing to pay such fees and expenses of separate counsel or (C) an action, proceeding, or investigation has been commenced against both the Indemnified Party and/or the Company and representation of both the Company and the Indemnified Party by the same counsel would be inappropriate because of actual or potential conflicts of interest between the parties. In the case of any circumstance described in clauses (A), (B) or (C) of the immediately preceding sentence, the Company shall be responsible for the reasonable fees and expenses of such separate counsel; provided, however, that the Company shall not in any event be required to pay the fees and expenses of more than one separate counsel (and, if deemed necessary by such separate counsel, appropriate local counsel who shall report to such separate counsel) for any related Indemnified Parties. The Company shall be liable only for settlement of any claim against an Indemnified Party made with the Company s written consent.

5.2 *Limitation of Damages*. Neither Investors nor the Company shall in any event be liable to the other party for special or consequential damages arising from this Agreement.

5.3 *Survival*. All representations, warranties, covenants and agreements contained herein or made in writing by the Company or Investors in connection herewith (except as specifically set forth herein) shall survive the execution and delivery of this Agreement and consummation of the Equity Investment.

ARTICLE 6

TERMINATION

6.1 *Termination*. This Agreement and the transactions contemplated under it may be terminated and abandoned at any time prior to the Closing (notwithstanding the Company s receipt of the Required Company Stockholder Approval):

(a) by mutual consent in writing of the Company and each Investor;

(b) (i) by any Investor, if there has been a breach of any covenant of the Company hereunder, or a breach of any of the representations and warranties of the Company made in Section 3.1 of this Agreement, or the failure of any condition to Closing set forth in Section 4.2 hereof, or (ii) by the Company, if there has been a breach of any covenant of any Investor hereunder, a breach of any of the representations and warranties of any Investor made in Section 3.2 of this Agreement or a failure of any of the conditions to Closing set forth in Section 4.3 hereof;

(c) by the Company or any Investor, if there shall be any law of any competent Governmental Authority that makes consummation of the transactions contemplated hereby, illegal or otherwise prohibited or if any order of any competent Governmental Authority prohibiting such transactions is entered and such order shall become final and non-appealable; and

(e) by any Investor, if the Closing shall have not occurred on or prior to December 31, 2006 for any reason whatsoever other than Investors breaching any of their undertakings hereunder or acting in bad faith.

6.2 *Effect of Termination*. In the event of the termination of this Agreement pursuant to Section 6.1, this Agreement, except for the provisions of this Section 6.2, Article 5, and Section 7.2, shall become void and have no effect, without any liability on the party of any party to this Agreement or their respective directors, officers, or stockholders. Notwithstanding the foregoing, nothing in this Section 6.2 shall relieve any party to this Agreement of liability for willful breach; *provided, however*, that if it shall be judicially determined that termination of this Agreement was caused by a willful breach of this Agreement, then, as the sole remedy of any party aggrieved by such breach (all other liability being hereby irrevocably waived by such aggrieved party and such aggrieved party hereby agrees not to assert any such other liability or any claim in connection therewith), the party to this Agreement found to have intentionally breached this Agreement shall indemnify and hold harmless such aggrieved party for the out-of-pocket costs, feels and expenses of its counsel, accountants, financial advisors and other experts and advisors incurred in connection with, as well as its other out-of-pocket fees and expenses directly incident to, the negotiation, preparation and execution of this Agreement and related documentation and the stockholders meeting.

ARTICLE 7

MISCELLANEOUS

7.1 *Successors and Assigns Included in Parties*. Whenever in this Agreement one of the parties hereto is named or referred to, the heirs, legal representatives, successors, successors in title and assigns of such parties shall be included, and all covenants and agreements contained in this Agreement by or on behalf of the Company or by or on behalf of each Investor shall bind and inure to the benefit of their respective heirs, legal representatives, successors in title and assigns, whether so expressed or not.

7.2 *Costs and Expenses*. The Company agrees to pay upon demand all reasonable out-of-pocket costs and expenses of each of the Investors in connection with such Investor s due diligence investigation in connection with, and the preparation, negotiation, execution, delivery of, this Agreement, and any amendment, modification or waiver hereof or thereof or consent with respect hereto or thereto.

7.3 *Assignment*. No Investor may assign this Agreement or any rights or obligations hereunder, other than to affiliates of such Investor, without the prior written consent of the Company, such consent not to be unreasonably withheld, conditioned or delayed, provided that any permitted transferee shall agree in writing to be bound, with respect to the transferred securities, by the provisions hereof that apply to Investors. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Investor, except pursuant to a merger, recapitalization or other business combination transaction in which the surviving entity agrees in writing to assume all of the covenants, liabilities and obligations of the Company hereunder. Any assignment contrary to the terms hereof is null and void and of no force and effect. Notwithstanding the foregoing, nothing in this Agreement is intended to give any person not named herein the benefit of any legal or equitable right, remedy or claim under this Agreement, except as expressly provided herein.

7.4 *Severability*. If any provision(s) of this Agreement or the application thereof to any Person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

7.5 *Article and Section Headings; Defined Terms*. Numbered and titled article and section headings and defined terms are for convenience only and shall not be construed as amplifying or limiting any of the provisions of this

Agreement.

7.6 *Notices*. Any and all notices, elections or demands permitted or required to be made under this Agreement shall be in writing, signed by the party giving such notice, election or demand and shall be delivered personally, telecopied, or sent by certified mail or overnight via nationally recognized courier service (such as Federal Express), to the other party at the address set forth below, or at such other address as may be supplied in writing and of which receipt has been acknowledged in writing. The date of personal delivery or telecopy (delivery

receipt confirmed) or two (2) Business Days after the date of mailing (or the next Business Day after delivery to such courier service), as the case may be, shall be the date of such notice, election or demand. For the purposes of this Agreement:

The address of each Investor is:

Phoenix Life Insurance Company
c/o Phoenix Investment Management, LLC
56 Prospect Street
Hartford, CT 06115
Attention: Paul Chute, Managing Director
Facsimile: (860) 403-7248

Brantley Partners IV, L.P.
Lakepoint
3201 Enterprise Parkway, Suite 350
Beachwood, Ohio 44122
Attention: Paul H. Cascio
Facsimile: (216) 464-8405

in either case, with a copy to:

Ober Kaler Grimes & Shriver, P.C.
120 East Baltimore Street
Baltimore, Maryland 21202
Attention: Jeffrey S. Kuperstock, Esq.
Facsimile: (410) 547-0699

The address of the Company is:

Orion HealthCorp, Inc.
1805 Old Alabama Road, Suite 350
Roswell, Georgia 33076
Attention: Terrence L. Bauer
Facsimile: (678) 832-1888

with a copy to:

Benesch Friedlander Coplan & Aronoff LLP
2300 BP Tower
200 Public Square
Cleveland, Ohio 44114
Attention: Ira C. Kaplan, Esq.
Facsimile: (216) 363-4588

7.7 *Entire Agreement*. This Agreement and the other written agreements between the Company and Investors represent the entire agreement between the parties concerning the subject matter hereof, and all oral discussions and prior agreements are merged herein; provided, if there is a conflict between this Agreement and any other document executed contemporaneously herewith with respect to the Class D Shares, the provision of this Agreement shall

control. The execution and delivery of this Agreement and the Registration Rights Agreement by the Company were not based upon any fact or material provided by Investors, nor was the Company induced or influenced to enter into this Agreement or the Registration Rights Agreement by any representation, statement, analysis or promise by Investors.

7.8 *Governing Law; Amendment or Waiver*.

(a) This Agreement shall be construed and enforced under the laws of the State of New York without regard to conflicts of laws.

(b) This Agreement may be amended, and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain the prior written consent of Investors to such amendment, action or omission to act.

7.9 *Counterparts* This Agreement may be executed in any number of counterparts (including by facsimile and by PDF transmission), each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

7.10 *Construction and Interpretation*. Should any provision of this Agreement require judicial interpretation, the parties hereto agree that the court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be more strictly construed against the party that itself or through its agent prepared the same, it being agreed that the Company, Investors and their respective agents have participated in the preparation hereof.

7.11 *Consent to Jurisdiction; Exclusive Venue*. THE COMPANY HEREBY IRREVOCABLY CONSENTS TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ALL STATE COURTS SITTING IN NEW YORK CITY FOR THE PURPOSE OF ANY LITIGATION TO WHICH ANY INVESTOR MAY BE A PARTY AND WHICH CONCERNS THIS AGREEMENT. IT IS FURTHER AGREED THAT VENUE FOR ANY SUCH ACTION SHALL LIE EXCLUSIVELY WITH COURTS SITTING IN NEW YORK CITY, UNLESS SUCH INVESTOR AGREES TO THE CONTRARY IN WRITING. THE COMPANY WAIVES ANY OBJECTION BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS. THE COMPANY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREE THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY COMPLYING WITH THE PROVISIONS FOR GIVING NOTICE AS SET FORTH IN THIS AGREEMENT. NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO AFFECT THE RIGHT OF ANY INVESTOR TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW, OR TO PRECLUDE THE ENFORCEMENT BY SUCH INVESTOR OF ANY JUDGMENT OR ORDER OBTAINED IN SUCH FORUM OR THE TAKING OF ANY ACTION UNDER THIS AGREEMENT TO ENFORCE SAME IN ANY OTHER APPROPRIATE FORUM OR JURISDICTION.

7.12 *Waiver of Trial by Jury*. EACH OF THE INVESTORS AND THE COMPANY HEREBY KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COUNSEL WAIVE TRIAL BY JURY IN ANY ACTIONS, PROCEEDINGS, CLAIMS OR COUNTERCLAIMS, WHETHER IN CONTRACT OR TORT OR OTHERWISE, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATING TO THIS AGREEMENT.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers, as of the day and year first above written.

THE COMPANY:

ORION HEALTHCORP, INC., a Delaware corporation

By: /s/ Terrence L. Bauer

Name: Terrence L. Bauer
Title: President and Chief Executive Officer

INVESTORS:

PHOENIX LIFE INSURANCE COMPANY,
a New York corporation

By: /s/ John H. Beers

Name: John H. Beers
Title: Vice President

BRANTLEY PARTNERS IV, L.P., a Delaware limited partnership

By: Brantley Venture Management IV, L.P., its general partner

By: /s/ Paul H. Cascio

Name: Paul H. Cascio
Title: General Partner

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Annex B

NOTE PURCHASE AGREEMENT

THIS NOTE PURCHASE AGREEMENT (Agreement), dated as of the 8th day of September, 2006, is made and entered into on the terms and conditions hereinafter set forth, by and between **ORION HEALTHCORP, INC.**, a Delaware corporation (the Company), and **PHOENIX LIFE INSURANCE COMPANY**, a New York corporation (Investor).

RECITALS:

1. The Company is a healthcare services organization that provides outsourced business services to physicians.

2. The Company intends to raise capital in the amount of $8,000,000 by issuing $4,650,000 of a new class of its common stock (the Equity Investment) and $3,350,000 in subordinated debt (the Note Purchase).

3. Investor desires to make an investment in the Company in the form of a senior subordinated unsecured promissory note (the Note) in the aggregate original principal amount of $3,350,000 on the terms and conditions hereinafter set forth, and for the purpose hereinafter set forth.

AGREEMENT:

NOW, THEREFORE, in consideration of the agreement of Investor to make the Note Purchase, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

ARTICLE 1

DEFINITIONS

1.1 *Defined Terms*. As used in this Agreement, the following terms have the meanings specified below:

Acquisition Targets shall mean Rand Medical Billing, Inc., On Line Alternatives, Inc. and On Line Payroll Services, Inc.

Agreement has the meaning set forth in the Preamble.

Brantley Capital Shares means 1,722,983 shares of Class B Common Stock issued in the name of Brantley Capital Corporation.

Brantley Notes means (i) that certain Convertible Subordinated Promissory Note dated June 1, 2005 in the original principal amount of $225,000, as amended on May 9, 2006 and August 8, 2006, and (ii) that certain Convertible Subordinated Promissory Note dated June 1, 2005 in the original principal amount of $1,025,000, as amended on May 9, 2006 and August 8, 2006.

Business Day means any day other than a Saturday, Sunday or day on which banks in New York City are authorized or required by law to close.

Capital Stock means any and all shares, interests or equivalents in capital stock (whether voting or nonvoting, and whether common or preferred) of a Person, including any and all warrants, rights or options to purchase any of the foregoing.

Closing has the meaning set forth in Section 5.1.

Closing Date has the meaning set forth in Section 5.1.

Class A Common Stock means the Class A Common Stock, par value $0.001, of the Company.

Class B Common Stock means the Class B Common Stock, par value $0.001, of the Company.

Class C Common Stock means the Class C Common Stock, par value $0.001, of the Company.

Class D Common Stock means the Class D Common Stock, par value $0.001, of the Company to be created and issued as part of the Equity Investment.

Commission means the Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act or the Exchange Act.

Company Board Recommendation has the meaning set forth in Section 3.1(bb).

Company SEC Documents has the meaning set forth in Section 3.1(g).

Default means any event or condition that constitutes an Event of Default or that with the giving of notice, the passage of time, or both, would be an Event of Default.

Equity Investment has the meaning set forth in the Recitals.

Equity Investment Documents means the documents and agreements entered into in connection with the Equity Investment.

Event of Default means the events specified in Section 6.1.

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

Financial Statements has the meaning set forth in Section 3.1(g).

Fiscal Year means the Company s Fiscal Year, which is the period of twelve consecutive calendar months ending on December 31. GAAP means generally accepted accounting principles in the United States applied on a consistent basis.

Governmental Authority means any federal, state, municipal, national, foreign or other governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the District of Columbia or a foreign entity or government.

Guaranty Obligations means, without duplication, any obligations of the Company (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (i) to purchase any such Indebtedness or any property constituting security therefor, (ii) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (iii) to lease or purchase property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (iv) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof.

Indebtedness means, without duplication, (a) all obligations of the Company for borrowed money, (b) all obligations of the Company evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of the Company under conditional sale or other title retention

agreements relating to property purchased by the Company (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of the Company issued or assumed as the deferred purchase price of property or services purchased by such Person which appear as liabilities on the balance sheet of the Company (other than trade debt incurred in the ordinary course of business), (e) all obligations of the Company under any take or pay or similar arrangements or under commodities agreements, (f) the implied principal component of all obligations of the Company under capitalized leases, (g) all obligations of the Company under any interest rate protection agreement or foreign currency exchange agreement, (h) the principal portion of all obligations of the Company as an account party in respect of letters of credit (other than trade letters of credit) and bankers acceptances, including, without duplication, all unreimbursed drafts drawn thereunder (less the amount of any cash collateral securing any such letters of credit and bankers acceptances), (i) the

principal portion of all obligations of the Company under synthetic leases, (j) all obligations of the Company to repurchase any securities issued by the Company at any time prior to 51/2 years from the Closing Date which repurchase obligations are related to the issuance thereof, including, without limitation, obligations commonly known as residual equity appreciation potential shares, (k) the aggregate amount of uncollected accounts receivable of the Company subject at such time to a sale of receivables (or similar transaction) to the extent such transaction is effected with recourse to the Company (whether or not such transaction would be reflected on the balance sheet of the Company in accordance with GAAP), (l) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, property owned or acquired by the Company, whether or not the obligations secured thereby have been assumed, (m) all Guaranty Obligations of the Company with respect to Indebtedness of another Person, (n) all accounts payable to trade creditors which are more than 60 days past due, other than those being Properly Contested, and (o) the Indebtedness of any partnership or unincorporated joint venture in which the Company is a general partner or a joint venturer to the extent such Indebtedness is recourse to the Company.

Indemnified Party has the meaning set forth in Section 7.1(a).

Intercreditor Agreement means one or more agreements among the Company, the Senior Lenders, the Investor and the holders of certain Junior Indebtedness setting forth the subordination of the Obligations to the Senior Indebtedness and the priority of the Obligations to such Junior Indebtedness.

Investor has the meaning set forth in the Preamble.

Junior Indebtedness shall mean the following Indebtedness (i) all amounts owed to U.S. Bank Portfolio Services, as successor to DVI Financial Services, Inc., pursuant to that certain Restated Loan Agreement, dated June 18, 2004, as amended and as may be amended from time to time, (ii) all amounts owed under the various Subordinated Notes Due December 15, 2007 issued by the Company to the former owners of Medical Billing Solutions, Inc. and Dennis Cain Physician Solutions, Ltd and (iii) any amounts that may be owed by the Company pursuant to any notes issued by the Company to the sellers of any businesses acquired by the Company between the date hereof and the Closing Date.

Lien means any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the Uniform Commercial Code as adopted and in effect in the relevant jurisdiction or other similar recording or notice statute, and any lease in the nature thereof).

Loan Document(s) has the meaning set forth in Section 2.1(b).

Losses has the meaning set forth in Section 7.1(a).

Material Adverse Change or *Material Adverse Effect* means (a) a material adverse change in, or a material adverse effect upon, the business, assets, liabilities (actual or contingent), operations or financial condition of a Person and its Subsidiaries, taken as a whole; (b) a material adverse change in, or a material adverse effect upon, the ability of a Person and its Subsidiaries, taken as a whole, to perform the material obligations under any Loan Document; or (c) a material adverse change in, or a material adverse effect upon the legality, validity, binding effect or enforceability against such Person of any Loan Document (other than Uniform Commercial Code filing statements) to which it is a party.

Note has the meaning set forth in the Recitals, together with any replacement or substitution thereof, any addition or allonge thereto and any amendment, restatement or other modification thereto from time to time.

Note Purchase has the meaning set forth in the Recitals.

Obligations has the meaning set forth in Section 2.1(b).

Outstanding Class A Common Stock means, as of the close of business on the Business Day that immediately precedes the Closing Date, the sum of (i) the then-outstanding shares of Class A Common Stock, (i) the number of shares of Class A Common Stock into which the then-outstanding shares of Class B Common Stock are convertible (excluding the Brantley Capital Shares), (iii) the number of shares of Class A Common Stock

into which the then-outstanding shares of Class C Common Stock are convertible, (iv) the number of shares of Class A Common Stock into which the shares of Class D Common Stock to be issued as part of the Equity Investment would be convertible, assuming that such shares were issued as of such date, (v) the number of shares of Class A Common Stock into which the Brantley Notes are convertible, (vi) the number of shares of Class A Common Stock issuable upon exercise of the warrants and options of the Company specified on Schedule 1.1, solely to the extent that the exercise price of such warrants or options are equal to or less than the closing price of the Class A Common Stock as listed on the American Stock Exchange as of such date and (vii) the total number of shares of Class A Common Stock that have been granted as restricted stock units of the Company as specified on Schedule 1.1.

Person means any corporation, association, joint venture, partnership, limited liability company, organization, business, individual, trust, government or agency or political subdivision thereof or any other legal entity.

Properly Contested means, in the case of any Indebtedness of the Company (including any taxes) that is not paid as and when due or payable by reason of the Company s bona fide dispute concerning its liability to pay same or concerning the amount thereof, (i) such Indebtedness is being properly contested in good faith by appropriate proceedings promptly instituted and diligently conducted; (ii) the Company has established appropriate reserves as shall be required in conformity with GAAP; (iii) the non-payment of such Indebtedness will not have a Material Adverse Effect on the Company; (iv) if the Indebtedness results from, or is determined by the entry, rendition or issuance against the Company or any of its assets of a judgment, writ, order or decree, execution on such judgment, writ, order or decree is stayed pending a timely appeal or other judicial review; and (vi) if such contest is abandoned, settled or determined adversely (in whole or in part) to the Company, the Company forthwith pays such Indebtedness and all penalties, interest and other amounts due in connection therewith.

Proxy Statement has the meaning set forth in Section 2.7(a).

Registration Rights Agreement has the meaning set forth in Section 2.6.

Required Company Stockholder Approval has the meaning set forth in Section 3.1(bb).

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder.

Senior Indebtedness has the meaning to be set forth in the Intercreditor Agreement to be executed between Senior Lender(s) and Investor at the Closing.

Senior Lender means any Person that holds Senior Indebtedness.

Significant Contracts has the meaning set forth in Section 3.1(s).

Special Committee has the meaning set forth in Section 3.1(bb).

Subsidiary means any corporation or other entity of which more than fifty percent (50%) of the issued and outstanding Capital Stock entitled to vote for the election of directors or persons performing similar functions (other than by reason of default in the payment of dividends or other distributions) is at the time owned directly or indirectly by a Person and/or any Subsidiary of such Person.

Warrant has the meaning set forth in Section 2.4.

1.2 *Terms Generally*. The definitions in Section 1.1 apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun includes the corresponding masculine, feminine and neuter forms. The words include, includes and including are deemed to be followed by the phrase without limitation. All references herein to Articles, Sections, Exhibits and Schedules are deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, any reference in this Agreement to any Loan Document means such document as amended, restated, supplemented or otherwise modified from time to time.

1.3 *Accounting Principles*. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be

delivered hereunder after the Closing Date shall be prepared in accordance with GAAP applied on a basis consistent with the most recent audited financial statements of the Company delivered to Investor.

ARTICLE 2

NOTE PURCHASE; STOCKHOLDER APPROVAL

2.1 *Evidence of Investment and Repayment*.

(a) Subject to the terms contained herein and the satisfaction of the conditions precedent set forth in Section 5.2 or elsewhere herein or in the other Loan Documents, on the Closing Date Investor shall purchase the Note from the Company by wire transfer of immediately available funds in the amount of Three Million Three Hundred Fifty Thousand Dollars ($3,350,000) to an account designated by the Company prior to Closing and, subject to the satisfaction of the conditions precedents set forth in Section 5.3 hereof, the Company shall sell the Note to the Investor and issue the Warrant to the Investor. The Note shall be in the original principal amount of Three Million Three Hundred Fifty Thousand Dollars ($3,350,000), executed by the Company in favor of Investor, substantially in the form of Exhibit A attached hereto.

(b) The Note, this Agreement, and any Intercreditor Agreement to which the Company and Investor are parties, and any other instruments and documents executed by the Company, now or hereafter evidencing or in any way related to the Indebtedness evidenced by the Note are herein individually referred to as a Loan Document and collectively referred to as the Loan Documents . The term Obligations as used herein shall refer to (i) the Note, and any renewals or extensions thereof, (ii) the full and prompt payment and performance of any and all other Indebtedness and other obligations of the Company to Investor under the Loan Documents, direct or contingent (including but not limited to obligations incurred as endorser, guarantor or surety and including, without limitation, accrued and unpaid interest, capitalized interest, prepayment premiums and all costs, fees and expenses provided for hereunder), however evidenced or denominated, and however and whenever incurred, including but not limited to Indebtedness incurred pursuant to any present or future commitment of Investor to the Company under the Loan Documents and (iii) all future advances made by Investor for taxes, levies, and insurance and all reasonable attorneys fees, court costs and expenses of whatever kind incident to the collection of any of said Indebtedness or other obligations and the enforcement and protection of the security interest created hereby or by the other Loan Documents.

(c) All payments of principal and interest due from the Company hereunder shall be due, without any presentment thereof, directly to Investor, at Investor s address set forth in Section 8.9 or such other address as Investor may from time to time designate in writing to the Company or, if a bank account with a United States bank is designated Investor for or in any written notice to the Company from Investor, the Company will make such payments in immediately available funds to such bank account, no later than 2:00 p.m. New York City local time on the date due, marked for attention as indicated, or in such other manner or to such other account in any United States bank as Investor may from time to time direct in writing.

2.2 *Optional Prepayment of Notes*. Subject to any terms as may be set forth in an Intercreditor Agreement from time to time, on and after the second (2nd) anniversary of the Closing Date the Company shall have the right at any time and from time to time, upon the notice provided for below, to prepay the Note in whole or in part (and, if prepaid in part, in a minimum amount of $500,000). In the event of an optional prepayment made under this Section 2.2, the Company shall give Investor written notice of such prepayment not less than 30 nor more than 60 days prior to the prepayment date, specifying (i) such prepayment date, (ii) the principal amount of the Note to be prepaid on such date, and (iii) the accrued interest applicable to the prepayment, and stating that such prepayment is to be made pursuant to this Section 2.2. The price of the Note payable upon an optional prepayment pursuant to this Section 2.2 shall be an amount, as determined on the date of prepayment, equal to (x) the then-outstanding principal

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amount of the Note being redeemed multiplied by (y) the applicable price percentage set forth below, as such amount may be reduced by Investor, plus (z) all accrued and unpaid interest on the principal redeemed:

Date of Prepayment	**Prepayment Price Percentage**
The second (2nd) anniversary of the Closing Date through, but not including the third (3rd) anniversary of the Closing Date	103%
The third (3rd) anniversary of the Closing Date through, but not including the fourth (4th) anniversary of the Closing Date	102%
The fourth (4th) anniversary of the Closing Date through, but not including the fifth (5th) anniversary of the Closing Date	101%
The fifth (5th) anniversary of the Closing Date and thereafter	100%

All optional prepayments under this Section 2.2 shall be applied first to all costs, expenses, indemnities and other amounts payable hereunder and under the Note, then to payment of default interest, if any, then to payment of accrued interest and thereafter to payment of principal. Any portion of the Note which has been prepaid may not be reborrowed.

2.3 *Purpose of Note Purchase and Use of Proceeds*. The purpose of the Note Purchase and the use of proceeds shall be to finance the acquisition of the Acquisition Targets (to be consummated contemporaneously or substantially contemporaneously with the Closing) and for working capital purposes and related closing costs.

2.4 *Issuance of Warrant*. On the Closing Date, the Company shall issue to Investor the right to purchase at any time within five years of the Closing Date, for a purchase price of $0.01 per share, such number of shares of the Class A Common Stock equal to one and one hundred seventeen one-thousandths percent (1.117%) of the Outstanding Class A Common Stock on the Closing Date, pursuant to the terms of a Common Stock Purchase Warrant, substantially in the form of Exhibit B attached hereto (the Warrant). The Warrant is fully detachable from this Agreement and the Note and may be transferred separately pursuant to the terms thereof.

2.5 *Reservation of Shares*. The Company shall at all times reserve and keep available out of its authorized shares of Class A Common Stock, solely for the purpose of the issuance and delivery of the shares of Class A Common Stock issuable upon exercise of the Warrant, the maximum number of shares of Class A Common Stock that may be issuable or deliverable thereupon.

2.6 *Registration Rights*. On the Closing Date, the Company shall grant to Investor the right to have the Class A Common Stock issuable upon exercise of the Warrant registered under the Securities Act, pursuant to the terms of a Registration Rights Agreement, substantially in the form of Exhibit C attached hereto (the Registration Rights Agreement).

2.7 *Stockholder Approval*.

(a) To the extent that stockholder approval of the issuance of the Warrant and/or the issuance of the Class D Common Stock as part of the Equity Investment is required by the rules of the American Stock Exchange, as promptly as practicable after the execution of this Agreement, the Company will prepare and file with the Commission a proxy statement setting forth the time and place for holding of a special meeting of the stockholders of the Company for the purpose of obtaining the Required Company Stockholder Approval (the Proxy Statement). The Company will respond promptly to any comments of the Commission and will use all reasonable efforts to cause the Proxy Statement to be

mailed to the Company s stockholders at the earliest practicable time.

(b) The Company Board Recommendation shall be included in the Proxy Statement, except that the Board of Directors of the Company may withdraw or modify in a manner adverse to Investor such recommendation only if the Special Committee of the Company determines, in good faith, after consultation with outside legal counsel, that such action is required in order for the directors of the Company to comply with their fiduciary duties to the stockholders of the Company.

2.8 *Purchase Price Allocation*. On the Closing Date, or within sixty (60) days thereafter, the Company and Investor shall mutually agree upon an allocation of the $3,350,000 purchase price for the Note and the Warrant as

between the Note and the Warrant. The Company and Investor will report the purchase and sale of the Note and the Warrant in accordance with such allocation for all federal, state and local tax purposes.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

3.1 *The Company s Representations*. In order to induce Investor to enter into this Agreement, the Company hereby represents and warrants to Investor that as of the date hereof, and, immediately after giving effect to the transactions contemplated by this Agreement and the other Loan Documents, as of the Closing Date:

(a) *Legal Status*. The Company is a corporation duly formed and validly existing under the laws of the State of Delaware. The Company has the corporate power to own and operate its properties, to carry on its business as now conducted and to enter into and to perform its obligations under this Agreement and the other Loan Documents to which it is a party. The Company is duly qualified to do business and in good standing in each state in which a failure to be so qualified would reasonably be expected to have a Material Adverse Effect on the Company.

(b) *Authorization*. The Company has the requisite corporate power and authority to conduct its business and affairs as currently conducted. Except for obtaining the Required Company Stockholder Approval, the Company has the requisite corporate power and authority to enter into and perform its obligations under the Loan Documents and the Warrant, without the consent or approval of any other person, firm, governmental agency or other legal entity. Except for obtaining the Required Company Stockholder Approval, the execution and delivery of this Agreement, the borrowing hereunder, the execution and delivery of each Loan Document to which the Company is a party and the Warrant, and the performance by the Company of its obligations thereunder are within the corporate powers of the Company and have been duly authorized by all necessary corporate action properly taken, and the Company has received all necessary governmental approvals, if any, that are required. The officer(s) executing this Agreement, the Note, the Warrant and all of the other documents to be delivered pursuant to the Loan Documents to which the Company is a party are duly authorized to act on behalf of the Company.

(c) *Validity and Binding Effect*. This Agreement, the Warrant and the other Loan Documents are the legal, valid and binding obligations of the Company enforceable in accordance with their respective terms, subject to limitations imposed by bankruptcy, insolvency, moratorium or other similar laws affecting the rights of creditors generally or the application of general equitable principles.

(d) *Capitalization*. Attached hereto as Schedule 3.1(d) is a table showing the authorized and issued Capital Stock of the Company, as of the date hereof, on a fully diluted basis. As of the date hereof, the Company does not have outstanding any interests or securities convertible or exchangeable for any of its Capital Stock or containing any profit participation features, and does not have outstanding any rights or options to subscribe for or to purchase its Capital Stock or any stock appreciation rights or phantom stock plans, except as set forth on Schedule 3.1(d). Schedule 3.1(d) accurately sets forth the following with respect to all outstanding options and rights to acquire any of the Company s Capital Stock: (i) the total number of shares (or equivalent) issuable upon exercise of all outstanding options; (ii) the range of exercise prices for all such outstanding options; (iii) the number of shares (or equivalent) issuable, the exercise price and the expiration date for each such outstanding option; and (iv) with respect to all outstanding options, warrants and rights to acquire the Company s Capital Stock, the number of shares (or equivalent) covered, the exercise price and the expiration date. The Company is not subject to any obligation (contingent or otherwise) to repurchase, redeem, retire or otherwise acquire any of its Capital Stock or any warrants, options or other rights to acquire its Capital Stock, except as set forth on Schedule 3.1(d). The Company has not violated any applicable federal or state securities laws in connection with the offer, sale or issuance of any of its Capital Stock, and the offer, sale and issuance of the Note hereunder do not require registration under the Securities Act of 1933, as amended, or any

applicable state securities laws.

(e) *No Conflicts*. Except as set forth on Schedule 3.1(e) hereto, consummation of the transactions contemplated hereby and the performance of the Obligations of the Company under and by virtue of the Loan

Documents and the Warrant do not conflict with, and will not result in any breach of, or constitute a default or trigger a Lien under, any mortgage, security deed or agreement, deed of trust, lease, bank loan or credit agreement, corporate charter or bylaws, agreement or certificate of limited partnership, limited liability company agreement, license, franchise or any other material instrument or agreement to which the Company or any of its Subsidiaries is a party or by which the Company, any of its Subsidiaries or their respective properties may be bound or affected or to which the Company or any of its Subsidiaries has not obtained an effective waiver, except where such event would not reasonably be expected to have a Material Adverse Effect on the Company.

(f) *Litigation*. Except as set forth on Schedule 3.1(f) hereto, there are no actions, suits, investigations, criminal prosecutions, civil investigative demands, impositions of civil fines or penalties, arbitrations, administrative hearings or other proceedings pending, or, to the knowledge of the Company, threatened against or affecting the Company, any of the Company s property, any of its Subsidiaries or any property of any of such Subsidiaries, which, if adversely determined, would reasonably be expected to have a Material Adverse Effect on the Company, or involving the validity or enforceability of any of the Loan Documents at law or in equity, or before any Governmental Authority. Neither the Company nor any Subsidiary is subject to any order, writ, injunction, decree or demand of any court or any Governmental Authority.

(g) *SEC Filings*. The Company has furnished or made available to Investor true and complete copies of all reports or registration statements it has filed with the Commission under the Securities Act and the Exchange Act for all periods subsequent to December 14, 2004, all in the form so filed (collectively, the Company SEC Documents). As of their respective filing dates, the Company SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as applicable, and, as of its respective filing date, no Company SEC Document filed under the Exchange Act contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances in which they were made, not misleading, except to the extent corrected by a subsequently filed document with the Commission. No Company SEC Document filed under the Securities Act contained an untrue statement of material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading at the time such Company SEC Documents became effective under the Securities Act. The Company s financial statements, including the notes thereto, included in the Company SEC Documents (the Financial Statements) comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the Commission with respect thereto, have been prepared in accordance with GAAP and present fairly the Company s consolidated financial position at the dates thereof and of its operations and cash flows for the periods specified (subject, in the case of unaudited statements, to normal audit adjustments and footnote disclosures). Since the date of the most recent Company SEC Document, the Company has not effected any change in any method of accounting or accounting practice, except for any such change required because of a concurrent change in GAAP.

(h) *Other Agreements; No Defaults*. Except as set forth in the Company SEC Documents or on Schedule 3.1(h), except for the Loan Documents, neither the Company nor any of its Subsidiaries is a party to any indenture, loan or credit agreement, lease or other agreement or instrument, or subject to any charter or corporate restriction, that, if a default occurs thereunder, such default would reasonably be expected to result in a Material Adverse Change to the Company. Except as set forth in the Company SEC Documents or on Schedule 3.1(h), neither the Company nor any of its Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument material to its business to which it is a party, including but not limited to this Agreement and the other Loan Documents, which would reasonably be expected to result in a Material Adverse Change to the Company, and no other default or event has occurred and is continuing that with notice or the passage of time or both would constitute a default or event of default under any of the same.

(i) *Compliance With Law*. The Company and each of its Subsidiaries have obtained all licenses, permits, approvals and authorizations necessary or required in order to conduct their respective business and affairs as heretofore

conducted (other than where the failure to so obtain would not reasonably be expected to have a Material Adverse Effect on the Company) and has ensured that all required licenses are in full force and

effect on the Closing Date and have not been revoked, suspended or otherwise limited. The Company and each of its Subsidiaries is in compliance with all laws, regulations, decrees and orders applicable to it (including but not limited to laws, regulations, decrees and orders relating to environmental, occupational, and health standards and controls, antitrust, monopoly, restraint of trade or unfair competition), except to the extent that any noncompliance, in the aggregate, cannot reasonably be expected to have a Material Adverse Effect on the Company.

(j) *Statements Not False or Misleading*. No representation or warranty given as of the date hereof by the Company contained in this Agreement or any schedule attached hereto or any statement in any document, certificate or other instrument furnished or to be furnished by the Company to Investor pursuant hereto, taken as a whole, contains or will (as of the time so furnished) contain any untrue statement of a material fact, or omits or will (as of the time so furnished) omit to state any material fact which is necessary in order to make the statements contained therein not misleading.

(k) *Margin Regulations*. The Company is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. No proceeds received pursuant to this Agreement will be used to purchase or carry any equity security of a class which is registered pursuant to Section 12 of the Exchange Act.

(l) *Fees/Commissions*. Except for fees and expenses that may be owed to Stephens, Inc., the Company has not agreed to pay any finder s fee, commission, origination fee or other fee or charge to any person or entity with respect to the Note Purchase or other transactions contemplated hereunder.

(m) *Limited Offering of Note*. Assuming the accuracy of the representations and warranties of Investor contained in Section 3.2 hereof, the offer and sale of the Note and the Warrant is not required to be registered pursuant to the provisions of Section 6 of the Securities Act or the registration or qualification provisions of the blue sky laws of any state. Neither the Company nor any agent on its behalf has solicited or will solicit any offers to sell or has offered to sell or will offer to sell all or any part of the Note or Warrant, to any Person so as to bring the sale of the Note and/or the Warrant by the Company within the registration provisions of the Securities Act or any state securities laws.

(n) *Subsidiaries*. Schedule 3.1(n) hereto is a complete list of each corporation, partnership, joint venture, limited liability company, or other business organization in which the Company or any Subsidiary of the Company owns, directly or indirectly, any Capital Stock or other equity interest, or with respect to which the Company or any Subsidiary of the Company, alone or in combination with others, is in a control position, which list shows the jurisdiction of incorporation or other organization and the percentage of stock or other equity interest of each Subsidiary owned by the Company or such Subsidiary. Each Subsidiary of the Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and is duly qualified to transact business as a foreign corporation (or other entity) and is in good standing (or equivalent) in the jurisdictions listed on Schedule 3.1(n), which are the only jurisdictions where the properties owned or leased or the business transacted by it makes such licensing or qualification to do business as a foreign corporation (or other entity) necessary, and no other jurisdiction has demanded, requested or otherwise indicated that (or inquired whether) it is required so to qualify. The outstanding Capital Stock of each Subsidiary of the Company is validly issued, fully paid and nonassessable. Except as set forth on Schedule 3.1(n), the Company and the Subsidiaries have good and valid title to the equity interests in the Subsidiaries shown as owned by each of them on Schedule 3.1(n), free and clear of all liens, claims, charges, restrictions, security interests, equities, proxies, pledges or encumbrances of any kind. Except where otherwise indicated herein or unless the context otherwise requires, any reference to the Company herein shall include the Company and all of its Subsidiaries.

(o) *Trademarks, Patents, Etc*. Schedule 3.1(o) is an accurate and complete list of all patents, trademarks, trade names, trademark registrations, service names, service marks, copyrights, licenses, formulae and applications therefor owned by the Company or any of its Subsidiaries or used or required by the Company or any of its Subsidiaries in the

operation of its business, title to each of which is, except as set forth on Schedule 3.1(o) hereto, held by the Company or a Subsidiary of the Company free and clear of all adverse claims, liens, security agreements, restrictions or other encumbrances. Except as set forth on Schedule 3.1(o),

the Company and its Subsidiaries own or possess adequate (and will use their best efforts to obtain as expediently as possible any additional) licenses or other rights to use all patents, trademarks, trade names, service marks, trade secrets or other intangible property rights and know how necessary to entitle the Company or such Subsidiary to conduct its business as presently being conducted. There is no pending infringement action, lawsuit, claim or complaint which asserts that the Company s or any such Subsidiary s operations violate or infringe the rights or the trade names, trademarks, trademark registrations, service names, service marks or copyrights of others with respect to any apparatus or method of the Company, any of its Subsidiaries or any adversely held trademarks, trade names, trademark registrations, service names, service marks or copyrights, and neither the Company nor any of its Subsidiaries is in any way making use of any confidential information or trade secrets of any person, except with the consent of such person. Except as set forth on Schedule 3.1(o), the Company and each of its Subsidiaries have taken reasonable steps to protect its proprietary information (except disclosure of source codes pursuant to licensing agreements) and is the lawful owner of the proprietary information free and clear of any claim of any third party. As used herein, proprietary information includes without limitation, (i) any computer programming language, software, hardware, firmware or related documentation, inventions, technical and nontechnical data related thereto and (ii) other documentation, inventions and data related to patterns, plans, methods, techniques, drawings, finances, customer lists, suppliers, products, special pricing and cost information, designs, processes, procedures, formulas, research data owned or used by the Company or any of its Subsidiaries or marketing studies conducted by the Company or any of its Subsidiaries, all of which the Company considers to be commercially important and competitively sensitive and which generally has not been disclosed to third parties.

(p) *Debt*. Schedule 3.1(p) is a complete and correct list of all credit agreements, indentures, purchase agreements, promissory notes and other evidences of Indebtedness, guaranties, capital leases and other instruments, agreements and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing) in respect of which the Company, any of its Subsidiaries or any of their respective properties is in any manner directly or contingently obligated, and the maximum principal or face amounts of the credit in question that are outstanding and that can be outstanding are correctly stated, and all Liens of any nature given or agreed to be given as security therefor are correctly described or indicated on Schedule 3.1(p).

(q) *Taxes*. The Company and each of its Subsidiaries has filed or caused to be filed all tax returns that are required to be filed (except for returns that have been appropriately extended by it), and has paid, or will pay when due, all taxes shown to be due and payable on said returns and all other taxes, impositions, assessments, fees or other charges imposed on it by any Governmental Authority, prior to any delinquency with respect thereto (other than taxes, impositions, assessments, fees and charges currently being Properly Contested).

(r) *Certain Transactions*. Except as set forth on Schedule 3.1(r) hereto, no officer, director or, to the knowledge of the Company, any member of their immediate families, nor any Subsidiary or affiliate of the Company is, directly or indirectly, interested in any material contract or agreement with the Company or any Subsidiary. Except as set forth on Schedule 3.1(r) hereto, the Company is not indebted, directly or indirectly, to any of its equityholders, officers or directors or, to the knowledge of the Company, their respective spouses or children, in any amount whatsoever, and none of said equityholders, officers or directors or, to the knowledge of the Company, any members of their immediate families, are indebted to any of the Company or any of its Subsidiaries or have any direct or indirect ownership interest in any firm or corporation with which the Company or any of its Subsidiaries has a business relationship. Neither the Company nor any of its Subsidiaries is a guarantor or indemnitor of any indebtedness of any other person, firm, corporation or other legal entity.

(s) *Significant Contracts*. Schedule 3.1(s) is a complete and correct list of all contracts, agreements and other documents pursuant to which the Company or any of its Subsidiaries receives revenues in excess of $500,000 per Fiscal Year or has committed to make expenditures in excess of $500,000 per Fiscal Year (collectively, the Significant

Contracts). Each such Significant Contract is in full force and effect as of the date hereof and the Company does not know of any reason why any such Significant Contract would not remain in full force and effect pursuant to the terms thereof.

(t) *Environmental*. Except as set forth on Schedule 3.1(t) or the reports listed therein, the Company and each of its Subsidiaries has duly complied with, and its business, operations, assets, equipment, property, leaseholds or other facilities are in material compliance with, the provisions of all applicable federal, state and local environmental, health, and safety laws, codes and ordinances, and all rules and regulations promulgated thereunder. Except as set forth on Schedule 3.1(t) or the reports listed therein, neither the Company nor any Subsidiary has received written notice of, or knows of, any violations by the Company or any of its Subsidiaries of any federal, state or local environmental, health or safety laws, codes or ordinances, and any rules or regulations promulgated thereunder with respect to its businesses, operations, assets, equipment, property, leaseholds, or other facilities.

(u) *ERISA*. Neither the Company nor any Subsidiary of the Company has any pension plan that is sponsored, maintained or contributed to by the Company and that is subject to the requirements of Title IV of the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1001-1461, as amended from time to time. The Company and each of its Subsidiaries have operated and administered each of its welfare and pension plans in compliance with all requirements of the Employee Retirement Income Security Act of 1974, as amended from time to time, except for such instances of noncompliance as have not resulted in and could not reasonably be expected to have a Material Adverse Effect on the Company.

(v) *Title to Properties*. The Company and each of its Subsidiaries have good and marketable title to, or valid leasehold interests in, all its real properties and good title to its other assets, free and clear of all liens other than those liens set forth on Schedule 3.1(v).

(w) *Registration Rights*. Except as set forth on Schedule 3.1(w) hereto, except as described in the Registration Rights Agreement, the Company is not under any obligation to register under the Securities Act, or the Trust Indenture Act of 1939, as amended, any of its presently outstanding securities or any of its securities that may subsequently be issued.

(x) *Employees*. Neither the Company nor any of its Subsidiaries has had any current strikes, work stoppages or similar disputes which have resulted in or which the Company reasonably believes would be expected to have a Material Adverse Effect on the Company.

(y) *Location of Properties, Places of Business*. The only jurisdictions in which the Company or any of its Subsidiaries maintains any tangible personal property or carries on business are as listed on Schedule 3.1(y) hereto. All billings for the supply of goods and services by the Company and its Subsidiaries are made from, and require payment to be made to, the chief executive office of the Company. Except as set forth on Schedule 3.1(y), neither the Company nor any of its Subsidiaries has, during the five years preceding the date of this Agreement, been known as or used any other corporate, trade or fictitious name, or acquired all or substantially all of the assets, Capital Stock or operating units of any Person. Neither the Company nor any of its Subsidiaries has, during the five years preceding the date of this Agreement, had a business location at any address other than addresses set forth on Schedule 3.1(y).

(z) *Insurance*. The Company and each of its Subsidiaries carry or are covered by insurance in such amounts and covering such risks as is adequate for the conduct of its business and the value of its properties and as is customary for companies engaged in similar businesses in similar industries.

(aa) *Real Properties*. Schedule 3.1(aa) hereof sets forth, the address or tax parcel number of each parcel of real property in which the Company or any of its Subsidiaries has any estate or interest, together with a description of the estate or interest (e.g., fee simple, leasehold, etc.) held by the Company or such Subsidiary. The Company further represents and warrants that with respect to each parcel of such real property, neither it nor any of its Subsidiaries has entered into any leases, subleases or other arrangements for occupancy of space within such parcel, other than the leases described in Schedule 3.1(aa) hereof, and (v) each lease, sublease, or other arrangement in Schedule 3.1(aa) hereof, is in full force and effect, and, except as disclosed in Schedule 3.1(aa) hereof, or as otherwise disclosed to

Investor in writing after the date hereof, there is not continuing any material default on the part of the Company or any of its Subsidiaries with respect to each lease, sublease, or other arrangement.

(bb) *Special Committee; Board Recommendation; Required Vote*.

(i) The special committee of independent directors of the Board of Directors of the Company (the Special Committee), at a meeting duly called and held, has, by unanimous vote of its members, (A) determined that this Agreement and the transactions contemplated by this Agreement are advisable and fair to and in the best interests of the stockholders of the Company, and (B) resolved to recommend that the stockholders of the Company approve the issuance of the Warrant pursuant to this Agreement (the Company Board Recommendation).

(ii) The affirmative vote of holders of a majority of the voting power of the outstanding shares of the Company s common stock present at such meeting, voting together as a single class (the Required Company Stockholder Approval), is the only vote of the holders of any class or series of Capital Stock of the Company necessary to approve the issuance of the Warrant pursuant to this Agreement.

(cc) *Foreign Assets Control Regulations, Etc*.

(i) Except as a result of the identity or status of Investor, neither the sale of the Note by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(ii) Neither the Company nor any of its Subsidiaries is a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49, 079 (2001), as amended and is not a Person that, to its knowledge, engages in any dealings or transactions with any such Person.

(dd) *Status under 1940 Act*. The Company is not subject to regulation under the Investment Company Act of 1940, as amended.

3.2 *Investor s Representations*. Investor represents and warrants to the Company that as of the date hereof, and, immediately after giving effect to the transactions contemplated by this Agreement and the other Loan Documents, as of the Closing Date:

(a) *Legal Status; Authorization*. Investor is (a) a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and (b) has the full power and authority to execute, deliver and perform its obligations under this Agreement and the other Loan Documents and to consummate the transactions contemplated by this Agreement and the other Loan Documents. The execution, delivery and performance by it of this Agreement and the other Loan Documents (a) has been duly authorized by all necessary action and (b) does not contravene the terms of its organizational documents, or any amendment thereof.

(b) *Validity and Binding Effect*. This Agreement and the other Loan Documents are the legal, valid and binding obligations of Investor enforceable in accordance with their respective terms, subject to limitations imposed by bankruptcy, insolvency, moratorium or other similar laws affecting the rights of creditors generally or the application of general equitable principles.

(c) *Fees/Commissions*. Investor has not agreed to pay any finder s fee, commission, origination fee or other fee or charge to any person or entity with respect to the Note Purchase or other transactions contemplated hereunder.

(d) *Accredited Investor; Purchase Entirely for Own Account*. Investor is an accredited investor as that term is defined in Rule 501 of the Securities Act and, in making the purchase contemplated herein, it is specifically understood and agreed that Investor is acquiring the Note for the purpose of investment and not with a view towards the sale or distribution thereof within the meaning of the Securities Act.

(e) *Restricted Securities*. Investor understands that the Note will not be registered under the Securities Act, by reason of its issuance by the Company in a transaction exempt from the registration requirements of the

Securities Act, and that it must hold the Note indefinitely unless a subsequent disposition thereof is registered under the Securities Act and applicable state securities laws or is exempt from registration.

(f) *Receipt of Information*. Investor has received all the information it considers necessary or appropriate for deciding whether to purchase the Note. Investor further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Note, the business, properties, prospects and financial condition of the Company and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify the accuracy of any information furnished to it or to which it had access. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 3.1 of this Agreement or the right of Investor to rely thereon. Investor learned of this investment opportunity as a result of direct contact by the Company or an agent of the Company and not by means of advertising, publication or other written materials.

(g) *Investment Experience*. Investor is experienced in evaluating and investing in securities, of companies in the development state and acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment in the Note. Investor also represents that it has not been organized for the purpose of purchasing the Note.

ARTICLE 4

POST CLOSING COVENANTS AND AGREEMENTS

The Company hereby covenants and agrees, that on the Closing Date and thereafter for so long as this Agreement is in effect and until the payment in full of all principal and interest under the Note together with all other Obligations under the Loan Documents:

4.1 *Payment of Obligations*. The Company shall pay the Indebtedness evidenced by the Note according to the terms thereof, and shall timely pay or perform, as the case may be, all of the other Obligations of the Company to Investor, together with interest thereon, and any extensions, modifications, consolidations and/or renewals thereof and any notes given in payment thereof.

4.2 *Financial Statements and Other Reports*. The Company shall furnish to Investor (a) not later than such time as provided to the Senior Lenders, such reports delivered by the Company to the Senior Lenders and (b) a copy of each financial statement and report that the Company files with the Commission or any stock exchange. The Company shall furnish to Investor, with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder, under the Note or under the other Loan Documents, as from time to time may be reasonably requested, in writing, by the Investor.

4.3 *Maintenance of Books and Records; Inspection*. The Company shall, and shall cause each of its Subsidiaries to, maintain its books, accounts and records in accordance with GAAP, and after reasonable notice from Investor, permit Investor, its officers and employees and any professionals designated by Investor in writing, at the Company s expense, to visit and inspect any of its or its Subsidiaries properties, corporate books and financial records, and to discuss its and its Subsidiaries accounts, affairs and finances with the Company or the principal officers of the Company or any Subsidiary during reasonable business hours, all at such times as Investor may reasonably request; provided that no such inspection shall materially interfere with the conduct of the Company s or any Subsidiary s business, and that prior to an Event of Default, the Company shall not be responsible for the expenses of more than two such audits each Fiscal Year.

4.4 *Insurance*. Without limiting any of the requirements of any of the other Loan Documents, the Company shall, and shall cause each of its Subsidiaries to, maintain, in such form, written by such companies, in such amounts, for such period, and against such risks as is customary for entities engaged in comparable business activities or as otherwise may be reasonably acceptable to Investor, including, without limitation, (a) to the extent required by applicable law, worker s compensation insurance (or a legally sufficient amount of

self insurance against worker s compensation liabilities, with adequate reserves, under a plan approved by Investor, such approval not to be unreasonably withheld or delayed), (b) fire and all risk casualty insurance on all its real and personal property, (c) public liability insurance, and (d) business interruption insurance. At the request of Investor, the Company will deliver forthwith a certificate specifying the details of such insurance in effect. The Company shall promptly provide written notice, in reasonable detail, to Investor whenever there is any material change to the Company s or any Subsidiary s insurance coverage.

4.5 *Taxes and Assessments*. The Company shall, and shall cause each of its Subsidiaries to, (a) file all tax returns and appropriate schedules thereto that are required to be filed under applicable law, prior to the date of delinquency, (b) pay and discharge all taxes, assessments and governmental charges or levies imposed upon the Company or any Subsidiary upon its income and profits or upon any properties belonging to it, prior to the date on which penalties attach thereto, and (c) pay all taxes, assessments and governmental charges or levies that, if unpaid, would reasonably be expected to result in a lien or charge upon any of its properties; provided, however, that the Company or any Subsidiary in good faith may Properly Contest any such tax, assessment, governmental charge or levy described in the foregoing clauses (b) and (c).

4.6 *Corporate Existence*. The Company shall, and shall cause each of its Subsidiaries to, maintain its legal existence and good standing in the state of its formation, and its qualification and good standing as a foreign entity in each jurisdiction in which such qualification is necessary pursuant to applicable law except where the failure to be qualified and in good standing as a foreign corporation would not reasonably be expected to result in a Material Adverse Change to the Company.

4.7 *Compliance with Law and Other Agreements*. Except where the failure to do so would not reasonably be expected to have a Material Adverse Effect on the Company, the Company shall, and shall cause each of its Subsidiaries to, maintain its business operations and property owned or used in connection therewith in compliance with (a) all applicable federal, state and local laws, regulations and ordinances governing such business operations and the use and ownership of such property, and (b) all agreements, licenses, franchises, indentures and mortgages to which the Company or any of its Subsidiaries is a party or by which the Company, any of its Subsidiaries or any of their respective properties is bound.

4.8 *Notice of Default*. The Company shall give written notice to Investor of the occurrence of any Default or Event of Default under this Agreement or any default or event of default under any other Loan Document promptly upon the occurrence thereof.

4.9 *Notice of Litigation*. The Company shall give notice, in writing, to Investor of (a) any actions, suits or proceedings, instituted by any Person against the Company or any of its Subsidiaries or affecting any of the assets of the Company of any of its Subsidiaries wherein the amount at issue is in excess of $500,000 and after any such action, suit or proceeding is instituted, information reasonably related thereto as reasonably requested from time to time by Investor, and (b) any dispute, investigation, claim, imposition of criminal or civil fines and penalties or civil investigative demands, not resolved within 30 days of the commencement thereof, between the Company or any of its Subsidiaries on the one hand and any governmental regulatory body on the other hand, which dispute would reasonably be expected to materially interfere with the normal operations of the Company and its Subsidiaries.

4.10 *Debt*. Without the prior written consent of Investor, the Company shall not create, incur, assume or suffer to exist Indebtedness of any description whatsoever, excluding:

(a) the Indebtedness evidenced by the Note and the other Loan Documents;

(b) the endorsement of negotiable instruments payable to the Company for deposit or collection in the ordinary course of business;

(c) trade payables incurred in the ordinary course of business;

(d) the Indebtedness listed on Schedule 3.1(l) hereto and any refinancings, refundings, renewals or extensions thereof, which do not increase the principal amount or shorten the maturity thereof, and the interest thereon;

(e) purchase money Indebtedness hereafter incurred by the Company to finance the purchase of fixed assets used in the Company s business; provided that (i) the total of all such Indebtedness for all such Persons taken together shall not exceed an aggregate principal amount of $250,000 at any one time outstanding; (ii) such Indebtedness when incurred shall not exceed the purchase price of the asset(s) financed; and (iii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing; and

(f) other Indebtedness relating to capitalized leases, financing of insurance premiums, capital expenditures and other unsecured Indebtedness incurred in the ordinary course of business, in an aggregate amount not to exceed, at any time, $500,000.

Without the prior written consent of Investor, the Company shall not permit any of its Subsidiaries to create, incur, assume or suffer to exist indebtedness of any description whatsoever.

4.11 *Inconsistent Agreements*. Without the prior written consent of Investor, the Company shall not enter into, or permit any of its Subsidiaries to enter into, any agreement material in amount containing any provision which would be violated or breached by the performance by the Company of its respective Obligations hereunder or under any of the Loan Documents.

4.12 *Modification of Charter*. Without the prior written consent of Investor, the Company will not amend, modify or change any provision of its certificate of incorporation, bylaws, or the terms of any class or series of its Capital Stock, other than in a manner that could not reasonably be expected to adversely affect Investor in its capacity as a holder of the Note.

4.13 *Limitations on Layering*. Notwithstanding the provisions of Section 4.10, the Company shall not incur, or permit to exist, any Indebtedness that is subordinate or junior in right of payment to any Senior Indebtedness and senior in any respect in right of payment to any Indebtedness arising under this Agreement and the Note.

4.14 *Distributions*. Except for the acquisition of the Brantley Capital Shares, the Company will not, at any time, declare or make or incur any liability to declare or make any Distribution and will not permit any of its Subsidiaries to incur any liability with respect to any such Distributions. Distribution means (a) dividends or other distributions or payments on Capital Stock of the Company or (b) the redemption or acquisition of such Capital Stock (except when solely in exchange for such Capital Stock), unless made, contemporaneously, from the net cash proceeds of a sale of such Capital Stock; *provided, however*, that nothing herein shall prevent or prohibit the payment of payable in kind distributions on the Capital Stock of the Company as set forth in the Company s certificate of incorporation. The Company will not permit any of its Subsidiaries to declare or pay dividends or other distributions or payments on its Capital Stock except to the Company. The Company will not permit any of its Subsidiaries to redeem or otherwise acquire any of its Capital Stock.

4.15 *Affiliates*. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly enter into any material transaction or material group of related transactions (including, without limitation, the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any affiliate, except in the ordinary course and pursuant to the reasonable requirements of the Company s and such Subsidiary s business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm s-length transaction with a Person not an affiliate.

ARTICLE 5

CLOSING; CONDITIONS TO CLOSING

5.1 *Closing*. The purchase and sale of the Note shall take place at the offices of the Company, 1805 Old Alabama Road, Suite 350, Roswell, Georgia 33076 (the Closing) on the third (3rd) Business Day after the satisfaction or waiver of the conditions set forth in this Article 5 (other than any such conditions that by their terms cannot be satisfied until the Closing Date, which conditions shall be required to be so satisfied or waived on the Closing Date), unless another time or date is agreed to in writing by the parties hereto (the Closing Date). Conditions precedent set forth in Section 5.2 below may be waived solely by the Investor in its sole discretion.

Conditions precedent set forth in Section 5.3 below may be waived solely by the Company in its sole discretion. If the Agreement shall have been terminated pursuant to Section 8.1 hereof prior to the Closing Date, no Closing shall occur.

5.2 *Conditions to Investor s Obligations*. Investor s obligations to purchase and pay for the Note at the Closing are subject to Investor determining, in its good faith discretion, that the following conditions have been satisfied (or Investor waiving in its sole discretion in writing the conditions that it has determined have not been satisfied), on or before the Closing Date:

(a) *No Material Adverse Change*. Since June 30, 2006, there has not occurred a Material Adverse Change to the Company or any Acquisition Target.

(b) *Representations, Warranties and Covenants*. Subject to the second sentence of this clause (b), the representations and warranties of the Company contained in Article 3 shall be true and correct in all material respects (without duplication of materiality qualifiers) on and as of the date when made and on and as of the Closing Date. The Company shall have delivered to the Investor all revisions to the representations in Sections 3.1(d), (g), (n), (o), (p), (q), (r), (s), (t), (v), (x), (y), and (aa) to give effect to the consummation of the Equity Investment and the acquisition of the Acquisition Targets, and such revisions shall be in form and substance satisfactory to the Investor in its good faith discretion. In addition, the Company will have performed, or shall have caused to be performed, all agreements, obligations and covenants required herein to be performed by it on or prior to the Closing Date. No Default or Event of Default occurring as a result of a breach of any covenant set forth in Article 4 shall exist as of the Closing Date determined as if this Agreement had been in full force and effect at all times from and after June 30, 2006.

(c) *Consummation of the Equity Investment and the Acquisitions*. On or prior to the Closing Date, the Equity Investment and the acquisition of the Acquisition Targets shall have been consummated in accordance with the terms and conditions of the Equity Investment Documents, the applicable acquisition agreements and all applicable laws. On or prior to the Closing Date, the Company shall have delivered to the Investor pro forma financial statements of the Company and its Subsidiaries giving effect to the acquisition of the Acquisition Targets, the consummation of the Equity Investment and the Note Purchase, the closing of the Senior Indebtedness, the retirement of the Brantley Capital Shares and the conversion of the Brantley Notes, the Class B Common Stock and the Class C Common Stock, and such pro forma financial statements shall be satisfactory to the Investor.

(d) *Consent of Third Parties, Governmental Authorities, etc*. The Company shall have presented evidence satisfactory to Investor to the effect that (i) all consents, waivers and amendments required in connection with the consummation of the transactions related to this Agreement and the other Loan Documents and the transactions contemplated hereby and thereby have been obtained, (ii) the transactions related to the Loan Documents shall not violate, or constitute or trigger the occurrence of a default or an event of default with respect to, any contractual obligations of the Company or any of its Subsidiaries and (iii) neither the Company nor any of its Subsidiaries is in violation of or default under or with respect to any of its material contractual obligations.

(e) *Stockholder Approval*. The Company shall have received the Required Company Stockholder Approval for the consummation of the Note Purchase and the transactions contemplated by this Agreement on the terms and conditions approved by the Company Board Recommendation and such Company Stockholder Approval shall not be subject to any injunction or court, stock exchange or administrative proceeding challenging its legality, validity or effectiveness.

(f) *Senior Financing and Intercreditor Agreements*. On or prior to the Closing Date, the Company shall have consummated a transaction with one or more Senior Lenders for the provision of not less than $6,500,000 of senior secured financing. The Company and Investor shall have entered into one or more Intercreditor Agreements with the Senior Lenders and the holders of certain Junior Indebtedness, on terms satisfactory to Investor, and each of the same

shall be in full force and effect.

(g) *Conversions; Repurchase*. On or before Closing, Brantley Partners IV, L.P. shall have converted the entire unpaid principal amount of, and any accrued but unpaid interest on, the Brantley Notes into shares of

Class A Common Stock. On or before Closing, the Company shall have acquired all of the Brantley Capital Shares and have retired the same and/or all of the outstanding shares of Class B Common Stock and Class C Common Stock shall have been either converted into shares of Class A Common Stock or otherwise redeemed, repurchased or purchased by the Company.

(h) *Certain Documents*. Investor shall have received the following closing documents, in form and substance satisfactory to Investor, all of which shall, except as specified below, be fully executed originals, and shall be in full force and effect:

(i) the Note, duly executed by the Company, in form and substance satisfactory to the Investor; a Private Placement Number issued by Standard & Poor s CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Note;

(ii) the Warrant, duly executed by the Company; a Private Placement Number issued by Standard & Poor s CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Warrant;

(iii) the Registration Rights Agreement, duly executed by the Company;

(iv) an opinion of the Company s counsel, dated the Closing Date, as to the Loan Documents, in form and substance reasonably satisfactory to Investor;

(v) a certificate of the Secretary of State of Delaware as to the good standing of the Company in such jurisdiction dated as of a date within five (5) Business Days prior to the Closing Date;

(vi) a certificate, dated as of the Closing Date, of the secretary of the Company certifying (A) that the copies of the certificate of incorporation and the bylaws of the Company, attached thereto and as amended to date, are true, complete and correct, (B) that the copies of the resolutions of the directors of the Company, authorizing the transactions contemplated by this Agreement and each of the Loan Documents (including the issuance of the Note) are true, complete and correct, (C) as to the incumbency of each Person executing this Agreement and each of the Loan Documents on behalf of the Company, and (D) as to any other matters reasonably requested by Investor;

(vii) a certificate from an officer of the Company, in form and substance satisfactory to the Investor, with respect to the satisfaction of the requirements under Sections 5.2(a), (b), (c), (e), (f) and (g) above; and

(vii) such other documents as Investor may reasonably request in connection with this Agreement, and each such document shall be in form and substance reasonably satisfactory to Investor. All fees and expenses of Investor required to be paid pursuant to Section 9.2 hereof shall have been paid and all actions required under Section 2.5 hereof shall have been undertaken and completed. Any withdrawals or modifications referred to in Section 2.7(b) hereof shall be satisfactory to the Investor in its sole discretion.

5.3 *Conditions to the Company s Obligations*. The Company s obligations to issue and sell the Note at the Closing are subject to the Company determining, in its reasonable discretion, that the following conditions have been satisfied (or the Company waiving in writing the conditions that it has determined have not been satisfied), on or before the Closing Date:

(a) *Representations, Warranties and Covenants*. The representations and warranties of Investor contained in Article 3 shall be true and correct in all material respects (without duplication of materiality qualifiers) on and as of the Closing Date. In addition, Investor will have performed, or shall have caused to be performed, all agreements, obligations and

covenants required herein to be performed by it on or prior to the Closing Date.

(b) *Consummation of the Equity Investment*. On or prior to the Closing Date, the Equity Investment shall have been consummated in all material respects in accordance with the terms and conditions of the Equity Investment Documents and all applicable laws.

(c) *Consent of Third Parties, Governmental Authorities, etc*. The Company shall have received evidence reasonably satisfactory to it to the effect that (i) all material consents, waivers and amendments required in connection with the consummation of the transactions related to this Agreement and the other Loan Documents and the transactions contemplated hereby and thereby have been obtained, (ii) the transactions related to the Loan Documents shall not violate, or constitute or trigger the occurrence of an event of default with respect to, any contractual obligations of the Company or any of its Subsidiaries and (iii) neither the Company nor any of its Subsidiaries is in violation of or default under or with respect to any of its material contractual obligations.

(d) *Stockholder Approval*. The Company shall have received the Required Company Stockholder Approval for the consummation of the Note Purchase and the transactions contemplated by this Agreement on the terms and conditions approved by the Company Board Recommendation and such Company Stockholder Approval shall not be subject to any injunction or court, stock exchange or administrative proceeding challenging its legality, validity or effectiveness.

(e) *Conversions; Repurchase*. On or before Closing, Brantley Partners IV, L.P. shall have converted the entire unpaid principal amount of, and any accrued but unpaid interest on, the Brantley Notes into shares of Class A Common Stock. On or before Closing, the Company shall have acquired all of the Brantley Capital Shares and have retired the same and/or all of the outstanding shares of Class B Common Stock and Class C Common Stock shall have been either converted into shares of Class A Common Stock or otherwise redeemed, repurchased or purchased by the Company.

(f) *Certain Documents*. The Company shall have received the following closing documents, in form and substance satisfactory to the Company, all of which shall, except as specified below, be fully executed originals, and shall be in full force and effect:

(i) the Registration Rights Agreement, duly executed by the Investor; and

(ii) such other documents as the Company may reasonably request in connection with this Agreement, and each such document shall be in form and substance reasonably satisfactory to the Company.

ARTICLE 6

DEFAULT AND REMEDIES

6.1 *Events of Default*. The occurrence of any of the following shall constitute an Event of Default hereunder:

(a) Default in the payment of:

(i) Any principal of or premium on the Note when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise, and such Default continues unremedied for a period of three (3) Business Days; or

(ii) Any interest on the Note or any other amount (other than an amount referred to in (i) above) due under any of the Loan Documents, when and as the same becomes due and payable, and such Default continues unremedied for a period of three (5) Business Days;

(b) Any representation or warranty by the Company as to any matter hereunder or under any of the other Loan Documents, or delivery by any of the Company of any schedule, statement, resolution, report, certificate, notice, instruction or writing to or furnished to Investor is untrue in any material respect on the date as of which the facts set forth therein are stated or certified;

(c) Default shall occur in the performance of (i) any of the covenants or agreements of the Company contained in Sections 4.2, 4.6, 4.8, or 4.12 or (ii) any other covenants or agreements of the Company contained herein or in any of the other Loan Documents and, in the case of clause (ii) above, such failure shall continue

for 30 days after the earlier of (a) written notice thereof has been given by Investor to the Company and (b) any officer of the Company knows or reasonably should have known of such failure;

(d) Any of the following events shall have occurred with respect to the Company or any of its Subsidiaries: (i) the Company or any of its Subsidiaries shall have made an assignment for the benefit of its creditors; (ii) the Company or any of its Subsidiaries shall have admitted in writing its inability to pay its debts as they become due; (iii) the Company or any of its Subsidiaries shall have filed a voluntary petition in bankruptcy; (iv) the Company or any of its Subsidiaries shall have been adjudicated bankrupt or insolvent; (v) the Company or any of its Subsidiaries shall have filed any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future applicable law pertinent to such circumstances; (vi) the Company or any of its Subsidiaries shall have filed or shall file any answer admitting or not contesting the material allegations of a bankruptcy, insolvency or similar petition filed against the Company; (vii) the Company or any of its Subsidiaries shall have sought or consented to, or acquiesced in, the appointment of any trustee, receiver, or liquidator of it or of all or any substantial part of its properties; (viii) 60 days shall have elapsed after the commencement of an action against the Company or any of its Subsidiaries seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future applicable law without such action having been dismissed or without all orders or proceedings thereunder affecting the operations or the business of the Company or such Subsidiary having been stayed, or if a stay of any such order or proceedings shall thereafter be set aside and the action setting it aside shall not be timely appealed; or (ix) 60 days shall have expired after the appointment, without the consent or acquiescence of the Company or any of its Subsidiaries, of any trustee, receiver or liquidator of the Company or such Subsidiary or of all or any substantial part of the assets and properties of the Company or such Subsidiary without such appointment having been vacated.

(e) The occurrence with respect to the Company or any of its Subsidiaries of any action initiating, or any event that results in, the dissolution, liquidation, winding up or termination of the Company or such Subsidiary;

(f) Any judgment in excess of $500,000, to the extent not fully paid or discharged (excluding any portion thereof that is covered by an insurance policy issued by an insurance company of recognized standing and creditworthiness which has acknowledged the coverage of such policy with respect to such judgment) is rendered against the Company or any of its Subsidiaries, and the same shall remain undischarged for a period of 21 consecutive days during which execution is not effectively stayed, or any action is legally taken by a judgment creditor to levy upon assets or properties of the Company or any of its Subsidiaries to enforce any such judgment;

(g) Any event of default shall occur under the documents evidencing the Senior Indebtedness, where such event of default results in the acceleration of the Senior Indebtedness; any default in the performance of or compliance with any term of any evidence of any documents or instruments evidencing the Junior Indebtedness or any other Indebtedness (other than Senior Indebtedness), which Junior Indebtedness or other Indebtedness has an aggregate outstanding principal amount of at least $250,000, and such default shall have continued beyond the expiration of any applicable grace period provided for in the documents evidencing such Junior Indebtedness or such other Indebtedness.

6.2 *Acceleration of Maturity; Remedies*. Upon the occurrence and during the continuance of any Event of Default (a) specified in Sections 6.1(d) or 6.1(e), the Note shall automatically become immediately due and payable, together with interest accrued thereon, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company, (b) specified in Section 6.1(a), Investor may, at its option, declare by notice in writing to the Company that the Note to be, and the Note shall thereupon be and become, immediately due and payable, together with interest accrued thereon without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company and (c) if such event is an Event of Default (other than under an Event of Default under any of Sections 6.1(a), 6.1(d) or 6.1(e)), Investor may, at its option, declare by notice in writing to the Company the Note

to be, and the Note shall thereupon be and become, immediately due and payable, together with interest accrued thereon without presentment, demand, protest or other notice of any kind, all of which

are hereby waived by the Company. Upon the occurrence of any such Event of Default and the acceleration of the maturity of the Indebtedness evidenced by the Note:

(a) Investor shall be immediately entitled to exercise any and all rights and remedies possessed by Investor pursuant to the terms of the Note and all of the other Loan Documents; and

(b) Investor shall have any and all other rights and remedies that Investor may now or hereafter possess at law, in equity or by statute.

6.3 *Remedies Cumulative; No Waiver*. No right, power or remedy conferred upon or reserved to Investor by this Agreement or any of the other Loan Documents is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder, under any of the other Loan Documents or now or hereafter existing at law, in equity or by statute. No delay or omission by Investor to exercise any right, power or remedy accruing upon the occurrence and during the continuance of any Event of Default shall exhaust or impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every right, power and remedy given by this Agreement and the other Loan Documents to Investor may be exercised from time to time and as often as may be deemed expedient by Investor.

6.4 *Proceeds of Remedies*. Any or all proceeds resulting from the exercise of any or all of the foregoing remedies shall be applied as set forth in the Loan Document(s) providing the remedy or remedies exercised, if none is specified, or if the remedy is provided by this Agreement, then as follows:

First, to the costs and expenses, including without limitation reasonable attorneys fees and disbursements, incurred by Investor in connection with the exercise of its remedies;

Second, to the reasonable expenses of curing the Default that has occurred, in the event that Investor elects, in its sole discretion, to cure the Default that has occurred;

Third, to the payment of the Obligations under the Loan Documents of the Company, including but not limited to the payment of the principal of and interest on the Indebtedness evidenced by the Notes, in such order of priority as Investor shall determine in its sole discretion; and

Fourth, the remainder, if any, to the Company or to any other Person lawfully thereunto entitled.

ARTICLE 7

INDEMNIFICATION; SURVIVAL

7.1 *General Indemnification*.

(a) The Company, without limitation as to time, will defend and indemnify Investor and its officers, directors, managers, employees, attorneys and agents (each, an Indemnified Party) against, and hold each Indemnified Party harmless from, all losses, claims, damages, liabilities, costs (including the costs of preparation and attorneys fees and expenses) (collectively, the Losses) incurred by any Indemnified Party as a result of, or arising out of, or relating to (A) any misrepresentation or breach of any representation or warranty made by the Company herein or (B) any breach of any covenant, agreement or Obligation of the Company contained in any of the Loan Documents, other than in either case any Losses resulting from action on the part of such Indemnified Party to the extent they are a result of such party s gross negligence or willful misconduct. The Company agrees to reimburse each Indemnified Party

promptly for all such Losses as they are incurred by such Indemnified Party in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom. The obligations of the Company under this paragraph will survive any transfer of the Note and the termination of this Agreement. In the event that the foregoing indemnity is unavailable or insufficient to hold an Indemnified Party harmless, then the Company will contribute to amounts paid or payable by such Indemnified Party in respect of such Indemnified Party s Losses in such proportions as appropriately reflect the relative benefits received by and fault of the Company and such Indemnified Party in connection with the matters as to which such Losses relate and other equitable considerations.

(b) If any action, proceeding or investigation is commenced, as to which any Indemnified Party proposes to demand indemnification, it shall notify the Company with reasonable promptness; provided, however, that any failure by such Indemnified Party to notify the Company shall not relieve the Company from its obligations hereunder except to the extent the Company is prejudiced thereby. The Company shall be entitled to assume the defense of any such action, proceeding or investigation, including the employment of counsel and the payment of all fees and expenses. The Indemnified Party shall have the right to employ separate counsel in connection with any such action, proceeding or investigation and to participate in the defense thereof, but the fees and expenses of such counsel shall be paid by the Indemnified Party, unless (A) the Company has failed to assume the defense and employ counsel as provided herein, (B) the Company has agreed in writing to pay such fees and expenses of separate counsel or (C) an action, proceeding, or investigation has been commenced against both the Indemnified Party and/or the Company and representation of both the Company and the Indemnified Party by the same counsel would be inappropriate because of actual or potential conflicts of interest between the parties. In the case of any circumstance described in clauses (A), (B) or (C) of the immediately preceding sentence, the Company shall be responsible for the reasonable fees and expenses of such separate counsel; provided, however, that the Company shall not in any event be required to pay the fees and expenses of more than one separate counsel (and, if deemed necessary by such separate counsel, appropriate local counsel who shall report to such separate counsel) for all Indemnified Parties. The Company shall be liable only for settlement of any claim against an Indemnified Party made with the Company s written consent. Nothing in this Section 7.1 shall affect, limit or prejudice the obligations, undertakings and liabilities of the Company to pay all amounts owing under the Note and all other Obligations under this Agreement and the other Loan Documents in accordance with the terms thereof and hereof.

7.2 *Limitation of Damages*. Neither Investor nor the Company shall in any event be liable to the other party for special or consequential damages arising from this Agreement or otherwise related to the Obligations under the Loan Documents.

7.3 *Survival*. All representations, warranties, covenants and agreements contained herein or made in writing by the Company or Investor in connection herewith (except as specifically set forth herein) shall survive the execution and delivery of this Agreement and other Loan Documents.

ARTICLE 8

TERMINATION

8.1 *Termination*. This Agreement and the transactions contemplated under it may be terminated and abandoned at any time prior to the Closing (notwithstanding the Company s receipt of the Required Company Stockholder Approval):

(a) by mutual consent in writing of the Company and Investor;

(b) (i) by the Investor, if there has been a breach of any covenant of the Company hereunder, or a breach of any of the representations and warranties of the Company made in Section 3.1 of this Agreement, or the failure of any condition to Closing set forth in Section 5.2 hereof, or (ii) by the Company if there has been a breach of any covenant of the Investor hereunder, a breach of any of the representations and warranties of the Investor made in Section 3.2 of this Agreement or a failure of any of the conditions to Closing set forth in Section 5.3 hereof;

(c) by Investor, if Investor shall have determined, in its good faith discretion, in connection with the completion of its due diligence review of the Company and the Acquisition Targets that the Company, after giving effect to such acquisitions and the Equity Investment, is not creditworthy;

(d) by the Company or Investor, if there shall be any law of any competent Governmental Authority that makes consummation of the transactions contemplated hereby, illegal or otherwise prohibited or if any order of any competent Governmental Authority prohibiting such transactions is entered and such order shall become final and non-appealable; and

(e) by the Investor if the Closing shall have not occurred on or prior to December 31, 2006 for any reason whatsoever other than Investor breaching any of its undertakings hereunder or acting in bad faith.

8.2 *Effect of Termination*. In the event of the termination of this Agreement pursuant to Section 8.1, this Agreement, except for the provisions of this Section 8.2, Article 7 and Section 9.2, shall become void and have no effect, without any liability on the party of any party to this Agreement or their respective directors, officers, or stockholders. Notwithstanding the foregoing, nothing in this Section 8.2 shall relieve any party to this Agreement of liability for willful breach; *provided, however*, that if it shall be finally judicially determined that termination of this Agreement was caused by a willful breach of this Agreement, then, as the sole remedy of any party aggrieved by such breach (all other liability being hereby irrevocably waived by such aggrieved party and such aggrieved party hereby agrees not to assert any such other liability or any claim in connection therewith), the party to this Agreement found to have intentionally breached this Agreement shall indemnify and hold harmless such aggrieved party for the out-of-pocket costs, fees and expenses of its counsel, accountants, financial advisors and other experts and advisors incurred in connection with, as well as its other out-of-pocket fees and expenses directly incident to, the negotiation, preparation and execution of this Agreement and related documentation and the stockholders meeting. The Company agrees that any determination by the Investor to terminate this Agreement by virtue of the Investor s determination, in good faith, that the Company is not creditworthy shall not give rise to any action by the Company for wrongful termination of this Agreement.

ARTICLE 9

MISCELLANEOUS

9.1 *Successors and Assigns Included in Parties*. Whenever in this Agreement one of the parties hereto is named or referred to, the heirs, legal representatives, successors, successors in title and assigns of such parties shall be included, and all covenants and agreements contained in this Agreement by or on behalf of the Company or by or on behalf of Investor shall bind and inure to the benefit of their respective heirs, legal representatives, successors in title and assigns, whether so expressed or not.

9.2 *Costs and Expenses*. The Company agrees (a) to pay upon demand all reasonable out-of-pocket costs and expenses of Investor in connection with (i) Investor s due diligence investigation in connection with, and the preparation, negotiation, execution, delivery of, this Agreement and the other Loan Documents, and any amendment, modification or waiver hereof or thereof or consent with respect hereto or thereto and (ii) the administration, monitoring and review of the Note (including, without limitation, reasonable out-of-pocket expenses for travel, meals, long distance telephone calls, wire transfers, facsimile transmissions and copying and with respect to the engagement of appraisers, consultants, auditors or similar Persons by Investor at any time, whether before or after the Closing Date, to render opinions concerning the Company s financial condition), (b) to pay upon demand all reasonable out of pocket costs and expenses of Investor in connection with (x) any refinancing or restructuring of the Note Purchase, whether in the nature of a work out, in any insolvency or bankruptcy proceeding or otherwise and whether or not consummated, and (y) any amendments, waivers, or extensions and (z) the enforcement, attempted enforcement or preservation of any rights or remedies under this Agreement or any of the other Loan Documents, whether in any action, suit or proceeding (including any bankruptcy or insolvency proceeding) or otherwise, and (c) to pay and hold Investor harmless from and against all liability for any intangibles, documentary, stamp or other similar taxes, fees and excises, if any, including any interest and penalties, and any finder s or brokerage fees, commissions and expenses (other than any fees, commissions or expenses of finders or brokers engaged by Investor), that may be payable in connection with the transactions contemplated by this Agreement and the other Loan Documents. All such costs or expenses shall constitute a part of the Obligations under the Loan Documents.

9.3 *Assignment*.

(a) Investor may not assign this Agreement or any rights or obligations hereunder, other than to affiliates of Investor, without the prior written consent of the Company, such consent not to be unreasonably withheld, conditioned or

delayed, provided that any permitted transferee shall agree in writing to be bound, with respect to the transferred securities, by the provisions hereof that apply to Investor. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of Investor, except pursuant to a merger, recapitalization or other business combination transaction in which the surviving entity is a United States entity and agrees in writing to assume all of the covenants, liabilities and obligations of the Company hereunder and with

respect to which the Investor shall have reasonably determined that such surviving entity has the same or better credit standing than the Company and provided that, in any case, no other Default or Event of Default shall then exist and no blockage, standstill or other similar event shall have been thereby triggered and still exist in any Intercreditor Agreement with respect to any Senior Indebtedness. Any assignment contrary to the terms hereof is null and void and of no force and effect. Notwithstanding the foregoing, nothing in this Agreement is intended to give any person not named herein the benefit of any legal or equitable right, remedy or claim under this Agreement, except as expressly provided herein.

(b) The Company shall keep at its principal executive office a register for the registration of transfers of the Note. The name and address of the holder of the Note, each transfer thereof and the name and address of each transferee thereof shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name the Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. Subject to compliance with applicable restrictions on transfer pursuant to federal and state securities laws, upon surrender of the Note at the principal executive office of the Company for registration of transfer (duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or its attorney duly authorized in writing and accompanied by the address for notices of the transferee of such Note or part thereof), the Company shall execute and deliver, at the Company s expense (except as provided below), a new Note (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note (which shall include all capitalized interest with respect thereto to the extent such interest has not already been represented by the issuance of a new Note). Subject to the requirements set forth above in this Section 9.3, each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of the old Note being so replaced. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of the Note.

9.4 *Time of the Essence*. Time is of the essence with respect to each and every covenant, agreement and Obligation of the Company hereunder and under all of the other Loan Documents.

9.5 *Severability*. If any provision(s) of this Agreement or the application thereof to any Person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

9.6 *Interest and Charges Not to Exceed Maximum Allowed by Law*. Anything in this Agreement, the Note or any of the other Loan Documents to the contrary notwithstanding, in no event whatsoever, whether by reason of advancement of proceeds of the Note, acceleration of the maturity of the unpaid balance of the Note or otherwise, shall the interest and other charges agreed to be paid to Investor for the use of the money advanced or to be advanced hereunder exceed the maximum amounts collectible under applicable laws in effect from time to time. It is understood and agreed by the parties that, if for any reason whatsoever the interest or loan charges paid or contracted to be paid by the Company in respect of the Indebtedness evidenced by the Note shall exceed the maximum amounts collectible under applicable laws in effect from time to time, then ipso facto, the obligation to pay such interest and/or loan charges shall be reduced to the maximum amounts collectible under applicable laws in effect from time to time, and any amounts collected by Investor that exceed such maximum amounts shall be applied to the reduction of the principal balance of the Indebtedness evidenced by the Note and/or refunded to the Company so that at no time shall the interest or loan charges paid or payable in respect of the Indebtedness evidenced by the Note exceed the maximum amounts permitted from time to time by applicable law.

9.7 *Article and Section Headings; Defined Terms*. Numbered and titled article and section headings and defined terms are for convenience only and shall not be construed as amplifying or limiting any of the provisions of this Agreement.

9.8 *Notices*. Any and all notices, elections or demands permitted or required to be made under this Agreement shall be in writing, signed by the party giving such notice, election or demand and shall be delivered personally, telecopied, or sent by certified mail or overnight via nationally recognized courier service (such as

Federal Express), to the other party at the address set forth below, or at such other address as may be supplied in writing and of which receipt has been acknowledged in writing. The date of personal delivery or telecopy (delivery receipt confirmed) or two (2) Business Days after the date of mailing (or the next Business Day after delivery to such courier service), as the case may be, shall be the date of such notice, election or demand. For the purposes of this Agreement:

The address of Investor is:

Phoenix Life Insurance Company
c/o Phoenix Investment Management, LLC
56 Prospect Street
Hartford, CT 06115
Attention: Paul Chute, Managing Director
Facsimile: (860) 403-7248

with a copy to:

Ober Kaler Grimes & Shriver, P.C.
120 East Baltimore Street
Baltimore, Maryland 21202
Attention: Jeffrey S. Kuperstock, Esq.
Facsimile: (410) 547-0699

The address of the Company is:

Orion HealthCorp, Inc.
1805 Old Alabama Road, Suite 350
Roswell, Georgia 33076
Attention: Terrence L. Bauer
Facsimile: (678) 832-1888

with a copy to:

Benesch Friedlander Coplan & Aronoff LLP
2300 BP Tower
200 Public Square
Cleveland, Ohio 44114
Attention: Ira C. Kaplan, Esq.
Facsimile: (216) 363-4588

9.9 *Entire Agreement*. This Agreement and the other written agreements between the Company and Investor represent the entire agreement between the parties concerning the subject matter hereof, and all oral discussions and prior agreements are merged herein; provided, if there is a conflict between this Agreement and any other document executed contemporaneously herewith with respect to the Obligations under the Loan Documents, the provision of this Agreement shall control. The execution and delivery of this Agreement and the other Loan Documents by the Company were not based upon any fact or material provided by Investor, nor was the Company induced or influenced to enter into this Agreement or the other Loan Documents by any representation, statement, analysis or promise by Investor.

9.10 _Governing Law; Amendment or Waiver_.

(a) This Agreement shall be construed and enforced under the laws of the State of New York without regard to conflicts of laws.

(b) This Agreement may be amended, and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain the prior written consent of Investor to such amendment, action or omission to act.

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9.11 *Counterparts*. This Agreement may be executed in any number of counterparts (including by facsimile and by PDF transmission), each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

9.12 *Construction and Interpretation*. Should any provision of this Agreement require judicial interpretation, the parties hereto agree that the court interpreting or construing the same shall not apply a presumption that the terms hereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be more strictly construed against the party that itself or through its agent prepared the same, it being agreed that the Company, Investor and their respective agents have participated in the preparation hereof.

9.13 *Consent to Jurisdiction; Exclusive Venue*. THE COMPANY HEREBY IRREVOCABLY CONSENTS TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ALL STATE COURTS SITTING IN NEW YORK CITY FOR THE PURPOSE OF ANY LITIGATION TO WHICH INVESTOR MAY BE A PARTY AND WHICH CONCERNS THIS AGREEMENT OR THE OBLIGATIONS UNDER THE LOAN DOCUMENTS. IT IS FURTHER AGREED THAT VENUE FOR ANY SUCH ACTION SHALL LIE EXCLUSIVELY WITH COURTS SITTING IN NEW YORK CITY, UNLESS INVESTOR AGREES TO THE CONTRARY IN WRITING. THE COMPANY WAIVES ANY OBJECTION BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS. THE COMPANY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREE THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY COMPLYING WITH THE PROVISIONS FOR GIVING NOTICE AS SET FORTH IN THIS AGREEMENT. NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO AFFECT THE RIGHT OF INVESTOR TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW, OR TO PRECLUDE THE ENFORCEMENT BY INVESTOR OF ANY JUDGMENT OR ORDER OBTAINED IN SUCH FORUM OR THE TAKING OF ANY ACTION UNDER THIS AGREEMENT TO ENFORCE SAME IN ANY OTHER APPROPRIATE FORUM OR JURISDICTION.

9.14 *Waiver of Trial by Jury*. INVESTOR AND THE COMPANY HEREBY KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COUNSEL WAIVE TRIAL BY JURY IN ANY ACTIONS, PROCEEDINGS, CLAIMS OR COUNTERCLAIMS, WHETHER IN CONTRACT OR TORT OR OTHERWISE, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATING TO THIS AGREEMENT OR THE LOAN DOCUMENTS.

9.15 *No Setoffs, etc*. All payments hereunder and under the Note shall be made by the Company without setoff, offset, deduction or counterclaim, free and clear of all taxes, levies, imports, duties, fees and charges, and without any withholding, restriction or conditions imposed by any governmental authority. If the Company shall be required by any law to deduct, setoff or withhold any amount from or in respect of any payment to Investor hereunder or under the Notes, then the amount so payable to Investor shall be increased as may be necessary so that, after making all required deductions, setoffs and withholdings, Investor shall receive an amount equal to the sum it would have received had no such deductions, setoffs or withholding been made.

[Signature Page to Follow]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers, as of the day and year first above written.

THE COMPANY:

ORION HEALTHCORP, INC., a Delaware corporation

By: /s/ Terrence L. Bauer

Name: Terrence L. Bauer
Title: President and Chief Executive Officer

INVESTOR:

PHOENIX LIFE INSURANCE COMPANY, a New York corporation

By: /s/ John H. Beers

Name: John H. Beers
Title: Vice President

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Annex C

STOCK PURCHASE AGREEMENT

This **STOCK PURCHASE AGREEMENT** (Agreement) is made and entered into this 8th day of September, 2006 by and among (i) Rand Medical Billing, Inc. a California corporation (Rand), (ii) Marvin I. Retsky, M.D. (Retsky), the sole stockholder of Rand and (iii) Orion HealthCorp Inc., a Delaware corporation (Purchaser), (Purchaser, Retsky and Rand are each a Party and are collectively the Parties).

RECITALS:

WHEREAS, Retsky owns one hundred percent of the issued and outstanding shares of capital stock of Rand; and

WHEREAS, Retsky desires to sell to Purchaser, and Purchaser desires to purchase from Retsky, the Shares (as defined below) owned by Retsky, all in accordance with the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants, and agreements, and subject to the terms and conditions, set forth herein, the parties agree as follows:

ARTICLE I

PURCHASE OF SHARES

1.1 Sale of Shares

Upon the terms and subject to the conditions in this Agreement, Purchaser will purchase, and Retsky will convey, transfer, assign and deliver to Purchaser, free and clear of all Encumbrances (as defined below), on the Closing Date (as defined below), the number of the shares of capital stock of Rand set forth opposite his name on Schedule 1.1 attached hereto (the Shares), which represents all of the issued and outstanding shares of capital stock of Rand.

1.2 Method and Conveyance of Transfer

The conveyance and transfer of the Shares will be effected by delivery of all certificates evidencing the Shares, duly endorsed in blank by Retsky, or such other instruments of transfer as are reasonably acceptable to Purchaser in each case, vesting in Purchaser good and marketable title to the Shares, free and clear of all Encumbrances.

ARTICLE II

PURCHASE PRICE

2.1 Purchase Price

Purchaser agrees to pay Retsky, Nine Million Three Hundred Sixty Five Thousand Three Hundred Thirty Three Dollars ($9,365,333) (the Purchase Price) for the Shares. The Purchase Price will be subject to possible adjustments pursuant to future revenue results and possible Losses subject to indemnification. The Purchase Price shall be paid as follows:

(a) *Cash Down*. At the Closing, Purchaser will pay Retsky, by wire transfer of immediately available funds to an account specified by Retsky, an amount equal to Six Million Eight Hundred Thousand Dollars ($6,800,000) (the Cash

Down Payment);

(b) *Promissory Note*. At the Closing, Purchaser will execute and deliver to Retsky a promissory note in the original principal amount of One Million Three Hundred Sixty Five Thousand Three Hundred Thirty Three Dollars ($1,365,333), in substantially the form attached hereto as Exhibit A (the Promissory Note);

(c) *Cash Escrow*. At the Closing, Purchaser will deliver to City National Bank, or such other escrow agent as mutually agreed to by the parties located in the State of California, (the Escrow Agent) for deposit

into an interest-bearing escrow account (Cash Escrow Account), by wire transfer of immediately available funds, an amount equal to Six Hundred Thousand Dollars ($600,000) (the Escrow Amount) to be held pursuant to the terms of an Escrow Agreement between Retsky, Purchaser and Escrow Agent (the Escrow Agreement);

(d) *Stock Shares Issued*. At the Closing, Purchaser will deliver to Escrow Agent a stock certificate for the number of shares of Class A common stock of Purchaser (the Common Stock) equal in value to Six Hundred Thousand Dollars ($600,000). For purposes of calculating the average price per share (the Closing Date Price Per Share) for the Common Stock to be delivered pursuant to this Section 2.1(d) at the Closing, the price per share shall be the price of the Common Stock for the twenty (20) day period immediately prior to the Closing Date. The number of shares of Common Stock delivered in satisfaction of the Stock Consideration portion of the Purchase Price shall be determined by dividing Six Hundred Thousand Dollars ($600,000) by the Closing Date Price Per Share (the Stock Consideration). The number of shares of Common Stock included in the Purchase Price shall be adjusted to reflect any subsequent stock split, reverse split or reclassification, or the like.

2.2 Methods and Definitions

(a) *Gross Revenue Targets and Definitions*.

(i) The calendar 2007 minimum gross revenue target is Six Million Three Hundred Forty Nine Thousand Two Hundred and Six Dollars ($6,349,206) (2007 Minimum Revenue Target).

(ii) The calendar 2008 minimum gross revenue target is Nine Million Six Hundred Thousand Dollars ($9,600,000) (2008 Minimum Revenue Target).

(iii) The last day of the financial period that will be used for determining the revenue levels achieved shall be referred to as the Reporting Date .

(b) *Determination of Gross Revenue*. Within sixty (60) days following the Reporting Dates set forth in Sections 2.3 and 2.4 below, Purchaser will deliver a written notice to Retsky (Revenue Notice) detailing the Gross Revenue (as defined below) of Rand for the 12 month period ended on the Reporting Date, (such amount as finally determined in accordance with this Section 2.2(b), the Actual Gross Revenue). If Retsky objects to the calculation of Gross Revenue in the Revenue Notice, he shall notify Purchaser within thirty (30) days following receipt of such Revenue Notice, setting forth in specific detail the basis for such objection (the Objection Notice). If Retsky fails to deliver the Objection Notice within such time period, the Actual Gross Revenue shall be as set forth in the Revenue Notice. If an Objection Notice is delivered within the required period, then Purchaser and Retsky shall use their respective best efforts to reach agreement as to any such proposed adjustment to Gross Revenue detailed in such Objection Notice. If Purchaser and Retsky are unable to resolve any such dispute within thirty (30) days of Purchaser s receipt of the Objection Notice, then Purchaser and Retsky shall select a regionally recognized independent accounting firm (Accounting Firm) mutually acceptable to the parties to resolve said dispute. In the event Purchaser and Retsky cannot agree on a mutually acceptable Accounting Firm, Purchaser and Retsky each shall select a regionally recognized independent accounting firm and the two accounting firms so selected shall select the Accounting Firm. Purchaser and Retsky shall use commercially reasonable efforts to cause a report to be rendered by the Accounting Firm within thirty (30) days of its appointment. The determination of the Accounting Firm shall be final and binding on Retsky and Purchaser. The costs and expenses of the Accounting Firm will be shared equally by Purchaser and Retsky. For purposes of this Agreement, Gross Revenue means revenue recognized in accordance with generally accepted accounting principles (GAAP) used by Purchaser in preparing its consolidated financial statements.

2.3 2007 Actual Gross Revenue Calculation

For purposes of this Agreement, the Actual Gross Revenue for the period ending December 31, 2007 (the "2007 Actual Revenue") will be equal to the Actual Gross Revenue, based upon a Reporting Date of December 31, 2007, as determined pursuant to the methods set forth in Section 2.2(b) above.

(a) *Early Escrow Release*. If the 2007 Actual Revenue equals or exceeds the 2007 Minimum Revenue Target and the amount of the aggregate Losses, as defined in Article X subject to indemnification by Retsky, is less than the Threshold amount defined in Section 10.2, then, within thirty (30) days following the final determination of the 2007 Actual Revenue, Purchaser and Rand shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to take the following actions:

(i) Release the balance of the funds held in the Cash Escrow Account (including any accrued interest) to Retsky.

(ii) Release the balance of the Stock Consideration held in escrow pursuant to Section 2.1(d) to Retsky.

(b) *Escrow Release Postponed*. If the 2007 Actual Revenue is less than the 2007 Minimum Revenue Target, then the Cash Escrow Account and the Stock Consideration will not be released by the Escrow Agent and the Purchase Price will be subject to the adjustments set forth in Section 2.4 below and not pursuant to Section 2.3.

(c) *Partial Escrow Release*. If the 2007 Actual Revenue is greater than the 2007 Minimum Revenue Target, but if the amount of the aggregate Losses as defined in Article X, subject to indemnification by Retsky, is more than or equal to the Threshold amount defined in Section 10.2, then the Cash Escrow Account and the Stock Consideration will in that order be reduced by the amount of the aggregate Losses as defined in Article X, subject to indemnification by Retsky, with the balance of the funds held in the Cash Escrow Account if any (including any accrued interest) and the balance of the Stock Consideration held in Escrow pursuant to Section 2.1(d), if any paid to Retsky. For purposes herein, the price per share shall be determined in the manner set forth in Section 2.4(d)(vi) using December 31, 2007 as the date and not December 31, 2008.

2.4 2008 Purchase Price Adjustment

For purposes of this Agreement, the Actual Gross Revenue for the period ending December 31, 2008 (the 2008 Actual Revenue) will be equal to the Actual Gross Revenue, based upon a Reporting Date of December 31, 2008, as determined pursuant to the method set forth in Section 2.2(b) above. Subsections (a) through (d) define the four possible outcomes and the respective actions to be taken:

(a) *Revenue Exceeds 2008 Minimum Revenue Target*. If the 2008 Actual Revenue is equal to or greater than the 2008 Minimum Revenue Target then, subject to Section 2.5 below, (i) Purchaser and Retsky shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to take the actions described in Section 2.3(a) provided that these actions were not previously taken in compliance with Section 2.3(a) above (ii) Purchaser will proceed to pay the balance due on the Promissory Note (Section 2.1(b)) in five equal monthly installments beginning March 1, 2009. In this case the Purchase Price equals the amount stated in Section 2.1.

(b) *Revenue Exceeds 2007 Minimum Revenue Target*. If the 2008 Actual Revenue is less than the 2008 Minimum Revenue Target but is equal to or greater than the 2007 Minimum Revenue Target, then, subject to Section 2.5 below, Purchaser and Retsky shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to take the actions described in Section 2.3(a), provided that these actions were not previously taken in compliance with Section 2.3(a). In addition, the total amount due on the Promissory Note will be computed subject to the following adjustment:

(i) An adjustment factor will be computed, as follows: the 2007 Minimum Revenue Target amount will be subtracted from the 2008 Actual Revenue with the remainder then divided by Three Million Two Hundred Fifty Thousand Seven Hundred Ninety Four Dollars ($3,250,794) (Promissory Note Adjustment Factor), provided, however the Promissory Note Adjustment Factor cannot be greater than one (1).

(ii) The adjusted amount of the Promissory Note will be determined by multiplying the Promissory Note Adjustment Factor by original amount of the Promissory Note (the Adjusted Promissory Note Obligation). The Adjusted Promissory Note Obligation will be the full Purchaser obligation with regard to the Promissory Note, and such amount will be due and payable in five equal monthly installments

beginning March 1, 2009. At Purchasers request Retsky will return the Promissory Note to Purchaser for cancellation and Purchaser will execute and deliver a new Promissory Note to Retsky for the amount of the Adjusted Promissory Note Obligation.

(iii) In this case the Purchase Price equals the amount stated in Section 2.1 less the amount by which the Promissory Note was reduced in this Section 2.4(b).

(c) *2007 Minimum Revenue Target Previously Met but 2008 Revenue is Under 2007 Minimum Revenue Target*. If in accordance with Section 2.3(b), the 2007 Minimum Revenue Target was previously equaled or exceeded, but the 2008 Actual Revenue is less than the 2007 Minimum Revenue Target, the Promissory Note will be marked canceled with no payment due and returned to Purchaser, thereby reducing the amount of the Purchase Price stated in Section 2.1 by the full amount of the Promissory Note.

(d) *Revenue is Under 2007 Minimum Revenue Target*. If the 2007 Actual Revenue was not equal to or greater than the 2007 Minimum Revenue Target and the release of the cash and shares was postponed in accordance with Section 2.3(b) and the 2008 Actual Revenue is less than the 2007 Minimum Revenue Target, then, subject to Section 2.5 below, the following procedures will be used to adjust the Purchase Price:

(i) The Promissory Note will be marked canceled with no payment due and returned to Purchaser.

(ii) An adjustment factor will be computed taking the 2008 Actual Revenue amount and dividing it by the 2007 Minimum Revenue Target amount (the 2008 Reduction Ratio).

(iii) The Purchase Price will be adjusted downward to a number computed by multiplying Eight Million Dollars ($8,000,000) by the 2008 Reduction Ratio.

(iv) Following the above calculation steps, an adjustment amount will be computed by subtracting the Purchase Price from the Eight Million Dollars ($8,000,000) (the Purchase Price Shortfall).

(v) The Purchase Price Shortfall will be first allocated to reduce the amount due to Retsky from the Cash Escrow Account, with the amount of this reduction being due to Purchaser. When this calculation is complete, Purchaser and Retsky shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release the funds held in the Cash Escrow Account by the Escrow Agent to Retsky and Purchaser, according to the above calculations.

(vi) If the Purchase Price Shortfall exceeds the amount in the Cash Escrow Account, the excess amount (the Remaining Losses) will be deducted from the Stock Consideration being held in escrow. The price per share (Price Per Share) shall be determined by using the average of the closing sale price of Purchaser s Common Stock as reported by the American Stock Exchange (AMEX) or any other national securities exchange in which the Common Stock is then listed for the previous twenty (20) trading days on which it shall have traded ending on the last trading day immediately prior to December 31, 2008. Provided, however, that if the Common Stock is not then listed or admitted to trading on any national securities exchange then the Price Per Share will be the average of the closing bid and asked prices of Common Stock as shown by the National Association of Securities Dealers, Inc (NASD) automated quotation system or the over-the-counter market for the previous twenty (20) trading days on which it shall have traded ending on the last trading day immediately prior to December 31, 2008. The number of shares to be deducted from the Stock Consideration will be determined by dividing the amount of the Remaining Losses by the Price Per Share. Purchaser and Retsky shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release the stock certificate to Purchaser for replacement with a new stock certificate with a revised number of shares, subtracting those shares that offset the amount of the Remaining Losses. This revised stock certificate will then be immediately delivered to Retsky by Purchaser. Notwithstanding the foregoing, Retsky shall have, at its option, the

right to pay the amount of the Remaining Losses in cash by December 31, 2008, thereby eliminating the need to forfeit any of the Stock Consideration.

(vii) If the Purchase Price Shortfall exceeds the value of the Stock Consideration being held in escrow, there will be no obligation on the part of Retsky to return any portion of the Cash Down Payment

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relative to the future revenue results obtained by Purchaser. In this case, the Escrow Agent will release the Stock Consideration and the Cash Escrow Account to Purchaser.

2.5 Effects of Indemnification by Retsky

The terms, definitions and methods described in this Article II apply to the Purchase Price, and adjustments to the Purchase Price that may be necessary if the 2008 Minimum Revenue Target is not achieved. At the point where the 2008 Purchase Price Adjustment calculations have been completed, if aggregate Losses, as defined in Article X, exceed the Threshold, after taking into consideration adjustments that have previously been made under Section 2.3(c), above the amount of the additional aggregate Losses will be deducted from the above payments of cash and stock before the actual release of the contents of the escrow accounts and before the Promissory Note is paid. The amount of the aggregate Losses will be deducted first from any amounts due on the Promissory Note, second from amounts available in the Cash Escrow Account and third, to the extent possible, by a reduction in the number of shares held in escrow as the Stock Consideration using the method described in Section 2.4(e)(vi) to determine the number of shares to be removed and returned to Purchaser.

2.6 Excess Accounts Receivable Purchase Price Adjustment

The Purchase Price may be increased if there is an excess amount of the cash collected for the accounts receivables of Rand (the Excess A/R) between October 1, 2006 and through the close of business on December 31, 2006 (Collection Period). The method for computing the Excess A/R will be as follows: (a) cash received from the payment of accounts receivables of Rand during the Collection Period less (b) the sum of (i) the actual expenses incurred by Rand for the items set forth on Schedule 2.6 during such Collection Period and (ii) Three Thousand Six Hundred Twenty Three Dollars and Eighteen Cents ($3,623.18) times the number of days between the Closing Date and December 31, 2006. The amount of any Excess A/R, if any, will be paid by Purchaser to Retsky in four equal monthly payments beginning February 1, 2007.

ARTICLE III

CLOSING

The closing of the transactions contemplated by this Agreement (the Closing) will take place at the offices of Purchaser at 1805 Old Alabama Road Suite 350, Roswell, GA 30076 on October 31, 2006, at 10:00 a.m. Eastern Standard Time after the satisfaction or waiver of the conditions set forth in this Article VI and VII (other than any such conditions that by their terms cannot be satisfied until the Closing Date, which conditions shall be required to be so satisfied or waived on the Closing Date) or such other place or date mutually agreeable to the Parties (the Closing Date). The Parties will use commercially reasonable efforts to cause the Closing to occur as soon as practicable. If the Closing has not taken place by such date by reason of the failure of fulfillment of any condition or conditions contained in this Agreement then either Party may extend the Closing for sixty (60) days to permit fulfillment of such condition or conditions. The Closing shall be effective as of 12:01 A.M. E.S.T. on the Closing Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF RAND AND RETSKY

Retsky and Rand, jointly and severally, represent and warrant to Purchaser that the statements contained in this Article IV are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Article IV), as follows:

4.1 Organization, Power and Authority; Subsidiaries

(a) *Validly Existing Corporation*. Rand is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has all requisite corporate power and authority to own

or lease its properties, to carry on its business as it is now being conducted and to enter into this Agreement and all other agreements contemplated hereby and to perform its obligations hereunder and thereunder. Rand is legally qualified to transact business as a foreign corporation in each of the jurisdictions in which it is required to be so qualified, and it is in good standing in each of the jurisdictions in which it is so qualified and each such jurisdiction is listed on Schedule 4.1.

(b) *Capitalization*. The authorized capital stock of Rand and the number of shares of each class of capital stock issued and outstanding of Rand is as set forth on Schedule 4.1(b). All of the issued and outstanding shares of Rand have been duly authorized, validly issued, fully paid and are nonassessable and are not subject to, and were not issued in violation of, any preemptive rights or any applicable securities laws and regulations. There are no outstanding or authorized offers, subscriptions, conversion rights, options, warrants, rights, convertible or exchangeable securities, stock appreciation, phantom stock, profit participation, understandings, claims of any character, obligations or other agreements or commitments of any nature, whether formal or informal, firm or contingent, written or oral, relating to the capital stock of, or other equity or voting interest in, Rand, pursuant to which Rand is or may become obligated to: (i) issue, deliver, sell or transfer, or cause to be issued, delivered, sold or transferred, any shares of the capital stock or other ownership or voting interests in or securities of Rand (whether debt, equity, or a combination thereof); (ii) grant, extend, issue, deliver or enter into any such agreements or commitments; or (iii) repurchase, redeem or otherwise acquire any capital stock or other ownership interests in or securities of Rand.

(c) *No Other Ownership Interests*. Rand does not own, directly or indirectly, any capital stock of, or other equity interests in, any corporation, partnership, joint venture or other entity.

(d) *Rand Shareholder List*. Retsky owns the number of shares set forth opposite his name on Schedule 1.1. Retsky is the only holder of equity in Rand. Retsky has good and marketable title to the Shares being sold by him to Purchaser hereunder free and clear of all Encumbrances. Upon consummation of the purchase of the Shares as contemplated by this Agreement, Purchaser will be the record and beneficial owner of one hundred percent (100%) of the equity interests of Rand, free and clear of all Encumbrances.

4.2 Due Authorization; Binding Obligation; No Conflicts

(a) *Authority*. Retsky represents that he has the power and authority to (i) execute and deliver this Agreement and the other instruments and agreements to be executed and delivered by him as contemplated hereby, and (ii) to consummate the transactions contemplated hereby and by the other instruments and agreements to be executed and delivered by him contemplated hereby, including the sale, assignment, transfer and conveyance of his Shares pursuant to this Agreement (the Transaction Documents). Retsky further represents that no further action is necessary on his part to make the Transaction Documents valid, binding and enforceable on him in accordance with their terms and when executed and delivered the Transaction Documents shall have been duly executed and delivered by him and shall be the valid and binding obligations of him, enforceable against him in accordance with their terms

(b) *Conflicts*. The execution, delivery, consummation and performance of the Transaction Documents by Retsky or Rand (i) are not contrary to the Charter Documents (as defined below) of Rand, (ii) except as set forth on Schedule 4.2(b), do not now and will not result in a violation or breach of, conflict with or constitute a default (or give rise to any right of termination, cancellation, payment or acceleration) under, result in the creation of any liens, security interests, option, rights of first refusal, claims, easements, mortgages, charges, indentures, deeds of trust, rights of way, restrictions on the use of real property, encroachments, licenses to third parties, leases to third parties, security agreements, or any other encumbrances and other restrictions or limitations on use of real or personal property or irregularities in title thereto (each, an Encumbrance) on any of the properties of Rand or Retsky, under any term or provision of any note, bond, mortgage, indenture, guarantee, license, franchise, permit, agreement, understanding, arrangement, contract, commitment, lease, franchise agreement or other instrument or obligation

(whether oral or written and including all amendments thereto) to which Retsky or Rand are a party, or by which their properties or assets are bound, (iii) do not result in a violation or breach of, conflict with or constitute a default under, nor result in the creation of any Encumbrance on any of the properties of Rand under any Environmental Law (as defined below) or any other statute, law, ordinance, rule or regulation of any Governmental or Regulatory

Authority (as defined below) (individually, a Law) or under any judgment, order, injunction, decree, writ, permit or license of any Governmental or Regulatory Authority or any Arbitration Panel (individually, an Order) applicable to Rand, and (iv) does not result in any acceleration or termination of any loan or security interest agreement to which Retsky or Rand are a party or to which Retsky s or Rand s assets are subject or bound. For purposes of this Agreement, Charter Documents means the Articles of Incorporation, Bylaws or other similar organizational documents of Rand or Purchaser, as the case may be, and any amendments thereto, as applicable.

(c) *Consents*. No consent, approval or action of, filing with or notice to, any instrumentality, subdivision, court, administrative agency, commission, official or other authority of the United States or any other country or any state, province, prefect, municipality, locality or other government or political subdivision thereof, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority or agency (Governmental or Regulatory Authority) or private third party is necessary or required under any of the terms, conditions or provisions of any Law or Order applicable to Rand or Retsky or by which any of his or its properties or assets may be bound, or under any contract to which Rand or Retsky are a party or by which their assets or properties may be bound, for the execution and delivery of this Agreement by Rand or Retsky, the performance by Retsky of his obligations hereunder or the consummation of the transactions contemplated hereby.

4.3 Financial Statements

(a) Prior to the date of this Agreement, Rand has provided Purchaser with the financial statements of Rand listed below (the Financial Statements) and will provide the monthly financial statements of Rand for each full month after the date hereof up to the Closing Date, as soon as practicable after the date of such month (the Interim Monthly Financial Statements):

(i) *Audited Financials*. Rand will provide audited balance sheets and statements of income, changes in stockholders equity, and cash flow as of and for the fiscal years ended December 31, 2005, December 31, 2004 and December 31, 2003, including the notes pertaining thereto, prepared and certified by UHY LLP; and

(ii) *Unaudited Financials*. Unaudited balance sheet and statement of income, changes in stockholder s equity and cash flow of Rand as of and for the month ended July 31, 2006 (the Most Recent Balance Sheet).

(b) *Accounting Standards and Accuracy*. The Financial Statements and the Most Recent Balance Sheet (and with respect to the Interim Monthly Financial Statements, when delivered, will or will be as the content requires): (i) have been prepared in accordance with GAAP throughout the periods covered thereby; (ii) present fairly Rand s financial condition, results of operations and changes in stockholder equity and cash flows as of the respective dates and periods thereof; (iii) are true and complete; and (iv) are consistent with the books and records of Rand; provided however, that the Most Recent Balance Sheet and the Interim Monthly Financial Statements do not include footnotes and are subject to normal year-end adjustments (which will not be material individually or in the aggregate).

4.4 Tax Matters

(a) *All Taxes Paid*. Rand has filed all Tax Returns (as defined in subsection (j) below) required to be filed by Rand. All such Tax Returns were correct and complete in all respects and were prepared in compliance will all applicable Laws. All Taxes due and owing by Rand (whether or not shown on any Tax Return) have been paid. Rand has not requested or is currently the beneficiary of any extension of time within which to file any Tax Return that has not yet been filed. Rand has not received any notice of deficiency, assessment or proposed deficiency with respect to Taxes and Retsky has no knowledge of any unassessed Tax deficiency proposed or threatened against Rand. There are no Encumbrances on the assets of Rand as a result of any Tax liabilities except for Taxes not yet due and payable.

(b) *Compliance with Applicable Tax Laws*. Rand has withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, stockholder, or other party. No claim has ever been made by any Taxing authority in a jurisdiction where Rand does not file Tax Returns that Rand is or may be subject to taxation by that jurisdiction.

(c) *Rand Not Party to Tax Sharing*. Rand has never been and is not a party to any type of Tax sharing or similar allocation agreement.

(d) *No Adjustments*. No adjustments have been made by Rand under Code Section 481 which will affect the Taxes of Rand for any taxable years that end on or after the Closing Date. Rand will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of (i) a change in method of accounting, (ii) a closing agreement as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign Tax law), (iii) any installment sale, open transaction disposition or similar transaction, or (iv) the receipt of any prepaid amount received on or prior to the Closing Date.

(e) *Rand has not been a Real Estate Holding Corporation*. Rand is not nor has it been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Internal Revenue Code of 1986, as amended from time to time and the regulations promulgated and the rulings issued thereunder (the Code), during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(f) *Limit of Tax Obligations Assured*. As to all Tax periods, or portions thereof, which end prior to, or include the Closing Date, the liability of Rand for Taxes with respect to such periods, or portions thereof, does not exceed the amount accrued for such liability on the Most Recent Balance Sheet, as adjusted for operations and transactions of Rand in the ordinary course of business through the Closing Date, in accordance with the past practice and custom of Rand.

(g) *No Current Tax Return Extensions*. There are no outstanding agreements or waivers extending the statutory period of limitations applicable to any Tax Return of Rand for any period. No Taxing authority has audited any Tax Return or report filed by Rand for any taxable period or otherwise commenced any action or proceeding for the assessment or collection of Taxes, nor to Retsky s knowledge has any such event been threatened. All Tax deficiencies of Rand raised as a result of any past audits have been satisfied.

(h) *Tax Deficiencies, Audits, Etc*. Rand has not been and is not a party to any action or proceeding brought by any Governmental or Regulatory Authority for the assessment or collection of Taxes, nor has any such event been asserted or threatened against it. Rand is not obligated to make any payments, nor is Rand a party to any agreement that under certain circumstances could obligate it to make any payments, that would not be deductible under Section 280G of the Code, nor is Rand liable under any agreements to compensate any person for any excise tax imposed pursuant to Section 4999 of the Code. Rand is not and could not be liable for the Taxes of any other Person or entity under Treasury Regulations Section 1.1502-6 or any comparable state, local or foreign statute or regulation, or as a transferee, successor, by contract, operation of Law or otherwise. For purposes of this Agreement, Person shall mean an individual, corporation, limited liability company, partnership, association, estate, trust, unincorporated organization, Governmental or Regulatory Authority, or other entity or organization.

(i) *List of Tax Jurisdictions*. Schedule 4.4 sets forth all jurisdictions in which Rand has filed or will file Tax Returns for each taxable period, or portion thereof, ending on or before the Closing Date. Rand has provided Purchaser with true and complete copies of Rand s Tax Returns for all taxable periods beginning after December 31, 2000 and have furnished to Purchaser complete and correct copies of all audit reports received by Rand with respect to the audit of any Tax Return for any taxable period.

(j) *Definition of Taxes and Tax Returns*. For purposes of this Agreement, Taxes shall mean any and all taxes, charges, fees, duties, levies or other assessments, including, without limitation, income, gross receipts, value added, alternative or add-on minimum, estimated, excise, real or property, sales, withholding, social security, retirement, employment, unemployment, occupation, profits, capital gains, capital stock, severance, windfall profit, stamp, environment

(including taxes under Section 59A of the Code), use, service, service use, license, net worth, payroll, franchise, transfer, recording and other taxes, customs and import dues, fees or other governmental charges of any kind, imposed by any Governmental Authority (whether domestic or foreign including, without limitation, any state, county, local or foreign government or any taxing agency thereof), whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include (i) any interest, fines, penalties or additional amounts attributable to, or imposed upon, or with respect to, any such taxes, (charges, fees, levies or other assessments) and (ii) any liability for such amounts as a result either of being a member of a combined,

consolidated, unitary or affiliated group or of a contractual obligation to indemnify any person or other entity. Tax Return shall mean any report, return, document, declaration or other information or filing required to be supplied to any taxing authority or jurisdiction (foreign or domestic) with respect to Taxes, including, without limitation, information and estimated returns, schedules or attachments, any documents with respect to or accompanying payments of estimated Taxes, or with respect to or accompanying requests for the extension of time in which to file any such report, return, document, declaration or other information and including any amendment thereof.

(k) *S-Election*. Rand elected with the Internal Revenue Service to be taxed as an S Corporation as of February 20, 1985 (S-Election Date). Rand has been validly electing S corporations within the meaning of Sections 1361 and 1362 of the Code at all times since the S-Election Date and will be S corporations up to and including the Closing Date.

4.5 Real Property

(a) *List of All Real Property Related Contracts*. Rand does not own any real property. Schedule 4.5(a) is a true and complete list of (i) all real property leases to which Rand is a party, and all related rights of way, licenses or easements, and (ii) all options, deeds of trust, deeds of declaration, mortgages and land contracts pursuant to or in which Rand has any interest (collectively, the Leased Property). Rand has furnished to Purchaser or their respective counsel true and complete copies of each written contract and a written description of each oral contract relating to the list set forth on Schedule 4.5(a), including, without limitation, each deed, lease or other instrument which provides evidence of Rand s title to or interest in the Leased Property. Other than the Leased Property, Rand does not lease, sublet or otherwise occupy any other real property.

(b) *Representations Regarding Leased Property*. With respect to the Leased Property:

(i) There is no condemnation proceeding or eminent domain proceeding of any kind pending or threatened against any of the Leased Property;

(ii) The Leased Property is occupied under valid and current certificates of occupancy or the like, and the transactions contemplated by this Agreement will not require the issuance of any new or amended certificates of occupancy or the like; there are no facts which would prevent each location from being occupied after the Closing Date in substantially the same manner as before;

(iii) To Rand s knowledge, the Leased Property does not violate, and all improvements are constructed in compliance with, any applicable federal, state or local statutes, Laws, ordinances, codes, Orders or requirements, including, without limitation, any building, zoning, fire or Environmental Laws or codes (the Laws and Ordinances) and Rand will convey, transfer and assign the Leased Property free from any such violations;

(iv) Rand has obtained all appropriate licenses, permits, building permits and occupancy permits that are required to conduct the business as it is presently being conducted;

(v) There are no recorded outstanding variances or special use permits affecting the Leased Property or its uses;

(vi) No notice of a violation of any Laws and Ordinances, or of any covenant, condition, easement or restriction affecting the Leased Property or relating to its use or occupancy has been given, nor is Rand aware of any such violation;

(vii) The Leased Property has and will have as of the Closing Date water supply, storm and sanitary sewage facilities, telephone, gas, electricity, fire protection, means of ingress and egress to and from public highways and, without limitation, other required public utilities adequate to conduct the business as it is presently being conducted;

(viii) Rand has no knowledge of improvements made or contemplated to be made by any public or private authority, the costs of which are to be assessed as special Taxes or charges against the Leased Property, and there are no present assessments;

(ix) The Leased Property either (A) is freely accessible directly from all public streets on which it abuts, or (B) uses adjoining private land to access the same in accordance with valid public easements. Rand has no knowledge of any condition which would result in the termination of such access;

(x) All leases are in writing and are duly executed and, where required, witnessed, acknowledged and recorded to make them valid and binding and in full force and effect for their full term, and none have been modified, amended, sublet or assigned;

(xi) The rental set forth in each such lease is the actual rental being paid, there are no separate agreements or understandings with respect to the same and the receipt for the payment of rental due immediately prior to the date of this Agreement is unqualified;

(xii) Where Rand is the lessee, the lessee under each such lease has the full right to exercise any renewal option and on due exercise will be entitled to enjoy the use of the leased premises for the full term of such renewal option, and such renewal option does not terminate on assignment of such lease;

(xiii) There is no default by Rand or any other party which affects the Leased Property;

(xiv) Where Rand is the lessee, upon performance by the lessee of the terms of each lease (all of which terms have been fully performed by the lessee as of the date of this Agreement and will have been fully performed as of the Closing Date), the lessee has the full right to enjoy the use of the premises demised for the full term of the lease without disturbance by any other party, and there are no written or oral contracts between Rand and any third party relating to any claim by such third party of any right to all or any part of the interest of Rand in any leasehold estate or otherwise relating to the use and occupancy by Rand of such estate;

(xv) All security deposits required by such leases have been made and have not been refunded or returned, or their forfeiture claimed, in whole or in part, by any lessor; and

(xvi) Where Rand is the lessee, all leasehold improvements are in good operating or working condition and repair, after taking into account ordinary wear and tear, and are adequate for the operation of the business as presently operated and conducted. All contributions required to have been paid by any lessor of property in respect of any leasehold improvements have been paid.

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