PROXYMED INC /FT LAUDERDALE/
Form PREM14A
December 18, 2007

Table of Contents

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

SCHEDULE 14A

(RULE 14a-101)
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 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.

PROXYMED, INC.
(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

o No fee required.

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

(1) Title of each class of securities to which transaction applies: Common stock, par value $0.001

(2) Aggregate number of securities to which transaction applies: 13,782,915

(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): The filing fee was determined based on the $23,500,000 total consideration proposed to be paid to ProxyMed, Inc. d/b/a MedAvant Healthcare Solutions in the transaction.

(4) Proposed maximum aggregate value of transaction: $23,500,000

(5) Total fee paid: $721.45

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:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Table of Contents

Preliminary Copy

ProxyMed, Inc.
1854 SHACKLEFORD COURT, SUITE 200
NORCROSS, GEORGIA 30093
(770) 806-9918

December 31, 2007

Dear Shareholders:

I am pleased to enclose the proxy statement for our Special Meeting of shareholders to be held on Tuesday, January 22, 2008. We are asking shareholders to approve the sale of our cost containment business to Coalition America, Inc. for $23.5 million, subject to certain purchase price adjustments.

This sale will allow us to exit from a line of business that had experienced declining revenues under very competitive market conditions. We will use the proceeds to pay down a portion of our outstanding indebtedness allowing us to focus on our remaining lines of business.

The date, time, place and agenda for the Special Meeting are set forth in the accompanying notice of Special Meeting. The accompanying proxy statement contains important information about the proposals to be submitted for a vote at the meeting, including approval of the sale of our cost containment business to Coalition America, Inc. Please review this information carefully in deciding how to vote. **Our board of directors unanimously recommends that you vote FOR each proposal.**

YOUR VOTE ON THESE MATTERS IS IMPORTANT. Please see the accompanying notice of meeting for instructions on how to vote.

I look forward to seeing you at the meeting.

Sincerely,

John G. Lettko
Chief Executive Officer

Table of Contents

ProxyMed, Inc.
1854 SHACKLEFORD COURT, SUITE 200
NORCROSS, GEORGIA 30093
(770) 806-9918

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON JANUARY 22, 2008

NOTICE IS HEREBY GIVEN that a Special Meeting of shareholders (the Special Meeting) of ProxyMed, Inc., a Florida corporation, d/b/a MedAvant Healthcare Solutions (MedAvant, we, or us), will be held on January 22, 2008, a 10:00 a.m., Eastern Time, at our corporate offices located at 1854 Shackleford Court, Suite 200, Norcross, Georgia 30093. At our Special Meeting we will ask you to:

1. Approve the sale of substantially all of our assets that relate to our cost containment business (the Cost Containment Business) pursuant to a Stock Purchase Agreement dated November 8, 2007 by and among Coalition America, Inc., CCB Acquisition, LLC and us;

2. Approve one or more adjournments of the Special Meeting if deemed necessary to facilitate the approval of Proposal No. 1, including to permit the solicitation of additional proxies if there are not sufficient votes at the time of the Special Meeting to establish a quorum or to approve Proposal No. 1; and

3. Transact any other business that may properly come before the Special Meeting and any adjournment or postponement thereof.

Our board of directors recommends that you vote FOR Proposals 1 and 2 and that you allow our representatives to vote the shares represented by your proxy as recommended by our board of directors.

Pursuant to our bylaws, our board of directors has fixed the close of business on December 5, 2007, as the record date for determining those shareholders entitled to notice of and to vote at the Special Meeting.

BY ORDER OF THE BOARD OF DIRECTORS,

Peter E. Fleming, III
Executive Vice President, General Counsel and Secretary

December 31, 2007
Norcross, Georgia

A FORM OF PROXY IS ENCLOSED. YOUR VOTE IS VERY IMPORTANT. IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU PLAN TO BE PRESENT IN PERSON AT THE SPECIAL MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE, WHICH DOES NOT REQUIRE POSTAGE

IF MAILED IN THE UNITED STATES. YOUR PROXY MAY BE REVOKED AT ANY TIME BEFORE THE VOTE AT THE SPECIAL MEETING BY FOLLOWING THE PROCEDURES OUTLINED IN THE ACCOMPANYING PROXY STATEMENT.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Page

Table of Contents

Table of Contents

FORWARD LOOKING STATEMENTS

Statements in this Proxy Statement that are forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties. In some cases, forward-looking statements can be identified by terminology such as may, should, potential, continue, expects, anticipates, intends, plans, believes, similar expressions. Actual results could differ materially from projected results because of factors such as:

- failure of our shareholders to approve the proposed transaction, and our ability to satisfy the other conditions to closing the proposed transaction, certain of which are not within our control;
- the soundness of our business strategies relative to the perceived market opportunities;
- our ability to successfully develop, market, sell, cross-sell, install and upgrade our clinical and financial transaction services and applications to current and new physicians, payers and medical laboratories;
- our ability to compete effectively on price and support services;
- our ability and that of our business associates to perform satisfactorily under the terms of our contractual obligations, and to comply with various government rules regarding healthcare and patient privacy;
- entry into markets with vigorous competition, market acceptance of existing products and services, changes in licensing programs, product price discounts, delays in product development and related product release schedules, any of which may cause our revenues and income to fall short of anticipated levels;
- the availability of competitive products or services;
- the continued ability to protect our intellectual property rights;
- implementation of operating cost structures that align with revenue growth;
- uninsured losses;
- adverse results in legal disputes;
- unanticipated tax liabilities; and
- the effects of a natural disaster or other catastrophic event beyond our control that results in the destruction or disruption of any of our critical business or information technology systems.

Any of these factors could affect our ability to consummate the transaction described herein and cause our actual results to differ materially from the guidance given at this time. For further information about the risks of the proposed transaction and our Company, we refer you to the documents we file from time to time with the Securities and Exchange Commission, particularly our Form 10-K for the year ended December 31, 2006.

There are representations and warranties contained in the Stock Purchase Agreement that is attached as an appendix and described herein which were made by the parties to each other as of specific dates. The assertions embodied in these representations and warranties were made solely for purposes of the Stock Purchase Agreement and may be subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms. Moreover, certain representations and warranties may not be accurate or complete as of any specified date because

they are subject to a contractual standard of materiality that is different from certain standards generally applicable to shareholders or were used for the purpose of allocating risk between the parties rather than establishing matters as facts. Therefore, you should not rely on the representations and warranties contained in the Stock Purchase Agreement as statements of factual information.

We do not assume any obligation to update information contained in this document, except as required by federal securities laws. Although this Proxy Statement may remain available on our website or elsewhere, its continued availability does not indicate that we are reaffirming or confirming any of the information contained herein.

Table of Contents

SUMMARY TERM SHEET

The following summary, together with the following question and answer section, provides an overview of the proposed sale of our Cost Containment Business discussed in this Proxy Statement and the attached appendices. The summary also contains cross-references to the more detailed discussions elsewhere in the Proxy Statement. This summary may not contain all of the information that is important to you. To understand fully the proposed sale of our Cost Containment Business, and for a more complete description of the terms thereto, you should carefully read this entire Proxy Statement and the attached appendices in their entirety.

Proposal No. 1: Sale of our Cost Containment Business:

General (see page 13)

We have entered into a Stock Purchase Agreement with Coalition America, Inc. (CAI) and CCB Acquisition, LLC (CCB), a wholly owned subsidiary of CAI (the Stock Purchase Agreement) in which we will sell to CAI the following subsidiaries: Plan Vista Solutions, Inc., National Network Services, LLC, Plan Vista Corporation, Medical Resource, LLC, and National Provider Network, Inc. (collectively, the Cost Containment Subsidiaries) that constitute our Cost Containment Business. In 2006, our Cost Containment Business had revenue of $23.9 million or 36.5% of our total revenue and operating income of $2.4 million, while our Company had a net loss of ($6.6 million). At September 30, 2007, our Cost Containment Business had total assets of $24.1 million or 54.2% of our total assets.

The Parties

MedAvant Healthcare Solutions

We, MedAvant Healthcare Solutions (MedAvant or the Company), are an information technology company that facilitates the exchange of medical claim and clinical information among doctors, hospitals, medical laboratories, and insurance payers. We also enable the electronic transmission of laboratory results. MedAvant is a trade name of ProxyMed, Inc. which was incorporated in 1989 in Florida. In December 2005, ProxyMed began doing business under the new operating name, MedAvant Healthcare Solutions, to unite all business units and employees under one brand identity. Adopting a new name was one of several results of a strategic analysis completed in the third quarter of 2005 following the acquisition of seven companies between 1997 and 2004. One of our core businesses is cost containment, which includes re-pricing of medical claims among healthcare providers and insurers and other payers (the Cost Containment Business).

Coalition America, Inc.

Coalition America, Inc. (CAI) is a Georgia corporation based in Atlanta, Georgia that specializes in healthcare cost containment. CAI offers its clients direct provider contracts, PPO networks and provider negotiations.

CCB Acquisition, LLC

CCB Acquisition, LLC (CCB) is a Delaware limited liability company and wholly owned subsidiary of CAI formed for the purpose of effectuating CAI s purchase of our Cost Containment Business.

Background of the Proposed Sale of the Cost Containment Business (see page 13)

We believe MedAvant is the nation s fourth largest claims processor, among the top five independent Preferred Provider Organizations (PPO) and the largest company that facilitates delivery of laboratory results. Our PPO is called the National Preferred Provider Network (NPPN) and is accessed by more than 550,000 physicians, 4,000 acute care facilities and 90,000 ancillary care providers. NPPN is the core of our Cost Containment Business. We generate revenue primarily by charging participating payers a percentage of the savings they receive through the Cost Containment Business, including NPPN. Because we operate a PPO, we can offer payers discounts on claims when a patient uses an out-of-network provider and we can negotiate non-discounted claims for payers.

Table of Contents

We have faced declining operating performance and revenues in each of our business units for the last several years. In response to declining operating performance and revenues, beginning in the second quarter of 2007, our board began to actively explore strategic alternatives for us. We engaged a financial advisor, Cain Brothers & Company, LLC (Cain Brothers), with respect to, among other things, exploring and evaluating our strategic alternatives, including a sale of our entire company or any of our business units. Cain Brothers contacted approximately forty-nine potential acquirers regarding their interest in our entire company or our business units. Through that process, we did not receive any interest in a business combination or acquisition of our entire company, but we did receive some indications of interest in the purchase of our Cost Containment Business on a stand alone basis as well as interest in our other business units.

During the summer of 2007, CAI expressed interest in entering into a potential transaction with us for the sale of our Cost Containment Business. Since then, certain of our executive officers met with representatives from CAI to discuss and negotiate a potential transaction involving the sale of the Cost Containment Business to CAI. Our board met on multiple occasions to discuss and consider the proposed transaction with CAI. These efforts culminated with the execution of the Stock Purchase Agreement for the Cost Containment Business on November 8, 2007.

Reasons for the Sale of the Cost Containment Business (see page 15)

We believe that the sale of the Cost Containment Business and the terms of the Stock Purchase Agreement are in the best interests of our shareholders. The sale of the Cost Containment Business will permit us to focus on our other business units and provide the following anticipated benefits:

- May prevent Laurus Master Fund Ltd. (Laurus) from exercising its rights under our loan agreements to foreclose on all of our assets as a result of our continuing default under such loan agreements;
- Provides us with immediately available funds to pay off a portion of our outstanding indebtedness and liabilities; and
- Allows us to focus on our other core business as related to health claim electronic data processing and laboratory service, and to develop a strategy for reversing our continuing losses and depletion of our cash reserves.

Our Board also considered various risks when evaluating the sale of the Cost Containment Business, which include:

- The viability of our remaining business after the sale of the Cost Containment Business;
- The possibility that the proposed sale might not be completed;
- The effect of the public announcement of the proposed sale on key customer accounts and on our ability to attract and retain personnel; and
- Potential delay in the closing of the proposed sale, resulting in us incurring more losses, depleting more of our cash reserves, and causing Laurus to exercise its right to foreclose on all of our assets.

Fairness Opinion of Financial Advisor (see page 18)

Our financial advisor, Cain Brothers, delivered a written opinion to our board as to the fairness to us of the sale of the Cost Containment Business, from a financial point of view, of the $23.5 million cash consideration (before any adjustments) to be paid to us in connection with the sale of the Cost Containment Business. The full text of the written

opinion of Cain Brothers, dated November 8, 2007, is attached to as Appendix B to this Proxy Statement and should be read in its entirety for a description of the procedures followed, assumptions made, matters concerned and limitations on the review undertaken. We paid Cain Brothers a fee for the delivery of this opinion.

THE OPINION OF CAIN BROTHERS IS DIRECTED TO OUR BOARD OF DIRECTORS, WILL NOT BE UPDATED AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY SHAREHOLDER AS TO HOW SUCH SHAREHOLDER SHOULD VOTE ON THE PROPOSED SALE OF THE COST CONTAINMENT BUSINESS.

Table of Contents

The Transaction (see page 14)

Purchase Price (see page 24)

As consideration for the sale of all the capital stock or equity interests relating to the Cost Containment Subsidiaries, CAI will pay us $23.5 million, subject to a post-closing adjustment based on the final net working capital of the Cost Containment Subsidiaries as of the closing. At closing, we will receive $20.5 million in cash, approximately $16.5 million will be immediately used to pay down senior debt and approximately $4.0 million will be used to pay transaction costs, outstanding accounts payable, and other debt of the Cost Containment Business. Also, $3.0 million will be placed in escrow to cover possible indemnification claims by CAI and CCB.

Terms of the Stock Purchase Agreement (see page 24)

The Stock Purchase Agreement is attached to this Proxy Statement as Appendix A. We encourage you to read the Stock Purchase Agreement carefully. Our board has approved the Stock Purchase Agreement, which is the binding legal agreement that governs the terms of the sale of our Cost Containment Business.

Some of the key provisions of the Stock Purchase Agreement are as follows:

Representations and Warranties

The Stock Purchase Agreement contains customary representations and warranties of the parties relating to, among other things, their authority to enter into the Stock Purchase Agreement and, in the case of MedAvant, various aspects of the Cost Containment Business.

Covenants

The Stock Purchase Agreement contains customary covenants of the parties, including agreements by us to conduct the Cost Containment Business in accordance with ordinary past practices, to refrain from certain actions between the time of signing the Stock Purchase Agreement and the closing of the sale of the Cost Containment Business, to use commercially reasonable efforts to solicit shareholder proxies approving the sale of the Cost Containment Business and to provide transition services to CAI pursuant to a separate transition services agreement.

Superior Offer

The Stock Purchase Agreement provides that our board may, at any time prior to obtaining shareholder approval of the sale of the Cost Containment Business, withdraw or modify its approval or recommendation of the Stock Purchase Agreement or the sale of the Cost Containment Business or approve or recommend a superior offer to purchase the Cost Containment Business if our board determines, in good faith, that such offer constitutes a superior offer and determines that to do otherwise would violate the board s fiduciary duties.

Indemnification

The Stock Purchase Agreement provides that each party will indemnify the other for any losses incurred as a result of, among other things, breaches of representations, warranties and covenants, subject in certain circumstances to specified dollar and time limitations.

Conditions to Closing

The obligations of the parties to complete the sale of the Cost Containment Business are subject to certain customary closing conditions, including, among other things:

that the sale has been approved by our shareholders;

that Laurus has given its consent;

that certain parties with security interests or claims against the Cost Containment Business have released their security interests or claims; and

Table of Contents

that CAI has obtained sufficient financing to pay the purchase price, on terms no less favorable to CAI than those set forth in a commitment letter obtained from Merrill Lynch prior to signing the Stock Purchase Agreement.

Termination

The Stock Purchase Agreement can be terminated:

by mutual agreement of the parties;

by either party if a material breach of the Stock Purchase Agreement has been committed by the other party;

by either party if the closing has not occurred on or before April 15, 2008 or such later date as the parties may agree upon;

by CCB if we do not obtain shareholder approval by the earlier of the Special Meeting (or any adjournment or postponement thereof) or March 31, 2008;

by either party if the satisfaction of a condition to closing becomes impossible;

by CCB if a material adverse change to the Cost Containment Business occurs;

by either party if our board accepts a superior proposal;

by CCB if it is unable to obtain financing on terms no less favorable to CAI than those set forth in a commitment letter obtained from Merrill Lynch prior to signing the Stock Purchase Agreement; and

by CCB if Laurus either fails to deliver its consent to the sale of the Cost Containment Business prior to January 15, 2008 or does not agree to amend its consent if the payment to Laurus specified in its consent is greater than available proceeds.

Termination Payment and Expenses

All parties to the Stock Purchase Agreement have agreed that each party will pay its own expenses. However, in the event the Stock Purchase Agreement terminates because of a breach by a party, the non-breaching party s right to pursue all legal remedies will survive the agreement s termination unimpaired.

If the Stock Purchase Agreement is terminated because: (a) our shareholders fail to approve the sale of the Cost Containment Business; (b) we accept a superior proposal; or (c) Laurus fails to deliver a satisfactory consent; then we are obligated to pay CAI $940,000 plus fees and expenses incurred in connection with the proposed sale.

If the Stock Purchase Agreement is terminated because CAI is unable to obtain financing and all other conditions to closing have been satisfied on or before January 31, 2008, then CAI is obligated to pay us $940,000 plus fees and expenses incurred in connection with the proposed sale.

Certain Material Federal Income Tax Consequences (see page 30)

The sale of the Cost Containment Business will be a taxable transaction for us. We will realize gain (loss) measured by the difference between the proceeds received by us on such sale and our tax basis in the assets sold. For purposes of calculating gain, the proceeds received by us will include the cash we received, the amount of our indebtedness that is cancelled or assumed, and any other consideration we receive for our assets. It is anticipated that we will have sufficient losses (including net operating loss carryforwards) to offset any gain realized from the sale for regular Federal income tax purposes, subjecting us only to Federal alternative minimum tax.

We may be subject to state income taxes to the extent that gains exceed losses for state tax law purposes, but we do not anticipate that such taxes, if any, will be significant.

The sale of the Cost Containment Business will not result in any Federal income tax consequences to our shareholders.

Table of Contents

Accounting Treatment (see page 30)

We will record the sale of the Cost Containment Business in accordance with generally accepted principles in the United States. Upon completion of the disposition, we will recognize a gain (loss) for financial statement purposes equal to the net proceeds (sum of purchase price less expenses of the sale) less the book value of the assets and liabilities sold.

Regulatory Approvals (see page 30)

We are not aware of any federal or state regulatory requirements that must be complied with or approvals that must be obtained to complete the sale of the Cost Containment Business, other than the filing of this Proxy Statement with the Securities Exchange Commission (the SEC). If any additional approvals or filings are required, we will use our commercially reasonable efforts to obtain those approvals and make any required filings before completing the transactions.

No Changes to the Rights of Shareholders (see page 30)

There will be no change in the rights of our shareholders as a result of the sale of the Cost Containment Business.

No Appraisal Rights (see page 31)

Our shareholders do not have appraisal rights under the Florida Business Corporation Act in connection with the sale of the Cost Containment Business because our common stock is listed on the NASDAQ Global Market.

Required Vote (see page 31)

The affirmative vote of holders of a majority of the shares of common stock and Series C 7% Convertible Preferred Stock (Series C Preferred Stock), on an as converted basis, voting together as a single class, is required in order to approve the sale of the Cost Containment Business. Because the affirmative vote of a majority of the votes entitled to be cast at the Special Meeting is required to approve the sale of the Cost Containment Business, abstentions, broker non-votes and shares not represented at the Special Meeting will have the same effect as a vote against the sale of the Cost Containment Business.

Recommendation of Our Board of Directors Regarding the Sale of the Cost Containment Business (see page 31)

For the reasons described above, our board has determined that the proposed sale of the Cost Containment Business is in the best interests of the Company and our shareholders. Accordingly, our board has unanimously approved the proposed sale of the Cost Containment Business and Stock Purchase Agreement and recommends to our shareholders that they vote FOR approval of Proposal No. 1.

Proposal No. 2: Adjournment of the Special Meeting:

Purpose (see page 32)

In the event there are not sufficient votes present, in person or by proxy, at the Special Meeting to approve the sale of the Cost Containment Business, our chief executive officer, acting in his capacity as chairperson of the meeting, may propose an adjournment of the Special Meeting to a later date or dates to permit further solicitation of proxies.

Required Shareholder Vote to Approve the Adjournment Proposal (see page 32)

Approval of the adjournment proposal will require that the number of votes cast in favor of the proposal exceed the number of votes cast against it. Assuming the presence of a quorum, abstentions, broker non-votes and shares not represented at the Special Meeting will have no effect on the adjournment proposal.

Recommendation of Our Board of Directors (see page 32)

Our board of directors unanimously recommends that our shareholders vote FOR approval of Proposal No. 2 to adjourn the Special Meeting, if necessary to obtain the requisite number of proxies required to approve Proposal No. 1.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND RELATED PROPOSALS

Why am I receiving this Proxy Statement and proxy card?

You are receiving this Proxy Statement and proxy card because you own shares of our common stock or our Series C Preferred Stock. This Proxy Statement describes the proposals on which we would like you, as a shareholder, to vote. It also gives you information on the proposals so that you can make an informed decision.

Who can vote at the Special Meeting?

Only shareholders of record at the close of business on December 5, 2007 will be entitled to vote at the Special Meeting.

What is being voted on?

You are being asked to vote on the following matters:

1. To approve the sale of our Cost Containment Business; and

2. To approve one or more adjournments of the Special Meeting, if deemed necessary to facilitate the approval of Proposal No. 1, including to permit the solicitation of additional proxies if there are not sufficient votes at the time of the Special Meeting to establish a quorum or to approve Proposal No. 1.

What will happen if the proposed sale of the Cost Containment Business is approved?

If the proposed sale of the Cost Containment Business is approved, we will complete the sale subject to the satisfaction of the closing conditions set forth in the Stock Purchase Agreement. We anticipate that the transaction will close shortly after the Special Meeting.

What will happen if the proposed sale of the Cost Containment Business is not approved?

We believe that if we are unable to successfully close the sale of our Cost Containment Business and if we are not successful in obtaining additional financing, we may not be able to continue operations. In addition, we will owe a termination fee to CAI and we would continue to be in default under the terms of our agreement with Laurus, our senior secured lender, who has reserved all rights with respect to such default and who may exercise its right to foreclose on our assets.

Does the board of directors recommend that I vote