

PROXYMED INC /FT LAUDERDALE/

Form 8-K

February 05, 2008

**SECURITIES AND EXCHANGE COMMISSION  
UNITED STATES  
Washington, DC 20549  
FORM 8-K  
CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported) January 31, 2008**

**PROXYMED, INC.**

(Exact name of registrant as specified in its charter)

**Florida**

**000-22052**

**65-0202059**

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

**1854 Shackleford Court, Suite 200  
Norcross, Georgia**

**30093-2924**

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number including area code: **(770)-806-9918**

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.01 Completion of Acquisition or Disposition of Assets**

On January 31, 2008, ProxyMed, Inc. d/b/a MedAvant Healthcare Solutions, a Florida corporation (the Company ) completed the sale of its National Preferred Provider Network ( NPPN ) for approximately \$23.5 million in cash to a subsidiary of Coalition America, Inc., a Georgia corporation ( CAI ). The sale was made pursuant to a Stock Purchase Agreement (the Agreement ) between the Company, CAI and CCB Acquisition, LLC, a Delaware limited liability company and a subsidiary of CAI. The Agreement was previously filed as an exhibit to the Company s Form 10-Q for the quarter ended on September 30, 2007.

Pursuant to the terms of the Agreement, \$3 million of the purchase price was placed in escrow and the purchase price is subject to a working capital adjustment. The transaction was structured as the sale of all of the equity interests in the following subsidiaries of the Company: Plan Vista Solutions, Inc. (f/k/a National Preferred Provider Network, Inc.), a New York corporation, National Network Services, LLC (f/k/a National Network Services, Inc.), a Delaware limited liability company, PlanVista Corporation (f/k/a HealthPlan Services Corporation), a Delaware corporation, Medical Resource, LLC, a Delaware limited liability company and National Provider Network, Inc., a Delaware corporation. These subsidiaries combine to comprise NPPN.

**Item 8.01 Other Events**

On February 1, 2008, the Company issued a press release announcing that it had completed the sale of the business to CAI. The full text of the press release is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by this reference.

**Item 9.01 Financial Statements and Exhibits**

(b) Pro Forma Financial Information

**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**  
**ProxyMed, Inc., and Subsidiaries**

**General Information**

The following unaudited pro forma consolidated financial information sets forth the pro forma consolidated results of operations of the Company for the nine months ended September 30, 2007 and 2006 and the twelve months ended December 31, 2006, 2005 and 2004, and the pro forma consolidated financial position of the Company as of September 30, 2007.

The unaudited pro forma consolidated results of operations for the nine months ended September 30, 2007 and 2006 and the twelve months ended December 31, 2006, 2005 and 2004 have been derived from the Company's historical consolidated financial information and give effect to the following transaction as if it had occurred on January 1, 2004 (the earliest period presented). In addition, the unaudited pro forma consolidated balance sheet as of September 30, 2007 has been derived from the Company's historical consolidated financial information and gives effect to the following transaction as if it had occurred on September 30, 2007:

*Transaction* The sale of substantially all of the net assets of the Company's Cost Containment Business to CAI in exchange for \$23.5 million in cash. At closing, \$3.0 million of the cash proceeds will be placed in escrow to cover possible indemnification claims, \$4.0 million will be used to pay transaction costs and certain Cost Containment Business liabilities, and the remaining \$16.5 million will be used to pay down a portion of the Company's senior debt.

The unaudited pro forma consolidated financial information has been prepared in accordance with Article 11 of Regulation S-X of the SEC and should be read in conjunction with the Company's historical audited consolidated financial statements and unaudited interim consolidated financial statements.

The unaudited pro forma consolidated financial information does not purport to represent what the Company's consolidated results of operations or consolidated financial position would have been if this transaction had occurred on the date indicated and are not intended to project the Company's consolidated results of operations or consolidated financial position for any future period or date.

The unaudited pro forma adjustments are based on estimates and certain assumptions that the Company believes are reasonable. The unaudited consolidated pro forma adjustments and primary assumptions are described in the accompanying notes herein.

**ProxyMed, Inc. and Subsidiaries**  
**Pro Forma Consolidated Balance Sheet**  
**As of September 30, 2007**  
**(Unaudited)**

|  | <b>ProxyMed,<br/>Inc.<br/>Historical<br/>Consolidated(a)</b> | <b>Cost<br/>Containment<br/>Business(b)</b> | <b>Pro Forma<br/>Adjustments(c)</b>                                      | <b>Pro Forma<br/>Consolidated</b> |
|--|--|---|--|-----------------------------------|
|  | <b>(In thousands)</b>  |   |  |                                   |
| Cash and Cash Equivalents  | \$ 932   | \$ 66                                       | \$ 20,500 <sup>(1)</sup><br>(20,500) <sup>(2)</sup><br>66 <sup>(3)</sup> | \$ 932                            |
| Accounts Receivable Net  | 12,696   | 7,993                                       |  | 4,703                             |
| Note and Other Receivables   | 86   | 0   |  | 86                                |
| Inventory  | 571  | 0   |  | 571                               |
| Other Current Assets   | 1,378  | 266   |  | 1,112                             |
| <b>Total Current Assets</b>  | <b>15,663</b>  | <b>8,325</b>                                | <b>66</b>  | <b>7,404</b>                      |
| Property and Equipment, Net  | 3,901  | 88  |  | 3,813                             |
| Goodwill, Net  | 11,870   | 8,176                                       |  | 3,694                             |
| Purchased Technology, Capitalized<br>Software & Other Intangible Assets, Net | 10,353   | 7,222                                       |  | 3,131                             |
| Other Assets   | 2,725  | 260   | (1,193) <sup>(4)</sup>   | 1,272                             |
| <b>Total Assets</b>  | <b>\$ 44,512</b>   | <b>\$ 24,071</b>                            | <b>\$ (1,127)</b>  | <b>\$ 19,314</b>                  |
| Accounts payable, accrued expenses and<br>other current liabilities          | 11,918   | 2,150                                       | (2,000) <sup>(5)</sup>   | 7,768                             |
| Current Portion of Capital Leases  | 835  | 0   |  | 835                               |
| Notes Payable and Current Portion of<br>Long-Term Debt                       | 18,901   | 0   | (16,500) <sup>(6)</sup><br>(800) <sup>(7)</sup>                          | 1,601                             |
| Deferred Revenue   | 238  | 0   |  | 238                               |
| Income Taxes payable   | 412  | 0   |  | 412                               |
| <b>Total Current Liabilities</b>   | <b>32,304</b>  | <b>2,150</b>                                | <b>(19,300)</b>  | <b>10,854</b>                     |
| Convertible Notes  | 13,137   | 0   |  | 13,137                            |
| Other Long-Term Debt   | 89   | 0   | (89) <sup>(7)</sup>  | 0                                 |
| Long-Term Capital Leases   | 644  | 0   |  | 644                               |
| Long-Term Deferred Revenue and Other<br>Long-Term Liabilities                | 380  | 0   |  | 380                               |
| <b>Total Liabilities</b>   | <b>46,554</b>  | <b>2,150</b>                                | <b>(19,389)</b>  | <b>25,015</b>                     |
| Stockholders' Equity   |  |   |  |                                   |
| Preferred Stock  | 0  |   |  | 0                                 |
| Common Stock   | 14   | 0   |  | 14                                |

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|  |                  |                  |                          |                  |
|--|------------------|------------------|--------------------------|------------------|
| Additional Paid-In Capital                       | 245,448          | 230,483          | 230,483 <sup>(8)</sup>   | 245,448          |
| Retained Earnings (Deficit)                      | (247,504)        | (208,562)        | (230,483) <sup>(8)</sup> | (251,163)        |
|  |                  |                  | 66 <sup>(3)</sup>        |                  |
|  |                  |                  | (1,200) <sup>(9)</sup>   |                  |
|  |                  |                  | (1,193) <sup>(4)</sup>   |                  |
|  |                  |                  | 20,500 <sup>(1)</sup>    |                  |
|  |                  |                  | 89 <sup>(7)</sup>        |                  |
| <b>Total Stockholder s Equity</b>                | <b>(2,042)</b>   | <b>21,921</b>    | 18,262                   | <b>(5,701)</b>   |
| <b>Total Liabilities and Stockholders Equity</b> | <b>\$ 44,512</b> | <b>\$ 24,071</b> | <b>\$ (1,127)</b>        | <b>\$ 19,314</b> |

See the accompanying notes to the unaudited pro forma consolidated financial information.

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**ProxyMed, Inc. and Subsidiaries**  
**Pro Forma Consolidated**  
**Statement of Operations**  
**Nine Months Ended September 30, 2007**  
**(Unaudited)**

|   | <b>ProxyMed,<br/>Inc<br/>Historical<br/>Consolidated<br/>(a)</b> | <b>Cost<br/>Containment<br/>Business (b)</b> | <b>Pro Forma<br/>Adjustments<br/>(c)</b> | <b>Pro Forma<br/>Consolidated</b> |
|---|--|--|--|-----------------------------------|
|   | (In thousands except for share and per share data)               |  |  |                                   |
| Net Revenues:   |  |  |  |                                   |
| Transaction fees, cost containment services and license fees  | \$ 36,382  | \$ 14,408                                    |  | \$ 21,974                         |
| Communication devices and other tangible goods  | 4,940  | 0  |  | 4,940                             |
|   | 41,322   | 14,408                                       |  | 26,914                            |
| Cost and expenses:  |  |  |  |                                   |
| Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization | 9,297  | 4,873  |  | 4,424                             |
| Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization    | 2,785  | 0  |  | 2,785                             |
| Selling, general and administrative expenses  | 31,287   | 9,959  |  | 21,328                            |
| Depreciation and amortization   | 4,613  | 1,517  |  | 3,096                             |
| Write-off of impaired assets  | 21,550   | 14,409                                       |  | 7,141                             |
| Other expense, net  | 0  | 0  |  | 0                                 |
| (Gain)/Loss on disposal of assets   | 12   | 0  |  | 12                                |
| Litigation settlements  | 0  | 0  |  | 0                                 |
| Total Expenses  | 69,544   | 30,758                                       | 0  | 38,786                            |
| Operating income (loss)   | (28,222)   | (16,350)                                     | 0  | (11,872)                          |
| Other (Income), net   | 0  | 0  |  | 0                                 |
| Interest expense, net   | 3,308  | 0  | (2,632) <sup>(1)</sup>                   | 676                               |
| Income (loss) before income taxes   | (31,530)   | (16,350)                                     | 2,632                                    | (12,548)                          |
| Provision for income taxes  | 0  | 0  | 0  | 0                                 |
| Net Income (loss)   | \$ (31,530)  | \$ (16,350)                                  | \$ 2,632                                 | \$ (12,548)                       |
| Basic and diluted weighted average shares outstanding   | 13,422,076   | 13,422,076                                   | 13,422,076                               | 13,422,076                        |
| Basic and diluted loss per share  | \$ (2.35)  | \$ (1.22)                                    | \$ 0.20                                  | \$ (0.93)                         |

See the accompanying notes to the unaudited pro forma consolidated financial information.

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**ProxyMed, Inc. and Subsidiaries**  
**Pro Forma Consolidated**  
**Statement of Operations**  
**Nine Months Ended September 30, 2006**  
**(Unaudited)**

|   | <b>ProxyMed,<br/>Inc</b>                                  | <b>Cost<br/>Containment</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Pro Forma<br/>Consolidated</b> |
|---|---|-----------------------------|----------------------------------|-----------------------------------|
|   | <b>Historical<br/>Consolidated</b>                        | <b>Business (b)</b>         | <b>(c)</b>                       | <b>Consolidated</b>               |
|   | <b>(a)</b>  | <b>(b)</b>                  | <b>(c)</b>                       | <b>(d)</b>                        |
|   | <b>(In thousands except for share and per share data)</b> |                             |                                  |                                   |
| Net Revenues:   |   |                             |                                  |                                   |
| Transaction fees, cost containment services and license fees  | \$ 42,842   | \$ 18,272                   |                                  | \$ 24,570                         |
| Communication devices and other tangible goods  | 6,773   | 0                           |                                  | 6,773                             |
|   | 49,615  | 18,272                      |                                  | 31,343                            |
| Cost and expenses:  |   |                             |                                  |                                   |
| Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization | 10,873  | 5,382                       |                                  | 5,491                             |
| Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization    | 4,027   | 0                           |                                  | 4,027                             |
| Selling, general and administrative expenses  | 31,930  | 8,733                       |                                  | 23,197                            |
| Depreciation and amortization   | 5,554   | 2,208                       |                                  | 3,346                             |
| Write-off of impaired assets  | 0   | 0                           |                                  | 0                                 |
| Other expense, net  | 0   | 0                           |                                  | 0                                 |
| (Gain)/Loss on disposal of assets   | 0   | 0                           |                                  | 0                                 |
| Litigation settlements  | 0   | 0                           |                                  | 0                                 |
| Total Expenses  | 52,384  | 16,323                      | 0                                | 36,061                            |
| Operating income (loss)   | (2,769)   | 1,949                       | 0                                | (4,718)                           |
| Other (Income), net   | 0   | 0                           |                                  | 0                                 |
| Interest expense, net   | 2,239   | 0                           | (1,563) <sup>(1)</sup>           | 676                               |
| Income (loss) before income taxes   | (5,008)   | 1,949                       | 1,563                            | (5,394)                           |
| Provision for income taxes  | 0   | 760                         | 760 <sup>(2)</sup>               | 0                                 |
| Net Income (loss)   | \$ (5,008)  | \$ 1,189                    | \$ 803                           | \$ (5,394)                        |

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|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Basic and diluted weighted average<br>shares outstanding | 13,206,994 | 13,206,994 | 13,206,994 | 13,206,994 |
| Basic and diluted loss per share                         | \$ (0.38)  | \$ 0.09    | \$ 0.06    | \$ (0.41)  |

See the accompanying notes to the unaudited pro forma consolidated financial information.

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**ProxyMed, Inc. and Subsidiaries**  
**Pro Forma Consolidated**  
**Statement of Operations**  
**Twelve Months Ended December 31, 2006**  
**(Unaudited)**

|   | <b>ProxyMed,<br/>Inc</b>                                  | <b>Cost<br/>Containment</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Pro Forma<br/>Consolidated</b> |
|---|---|-----------------------------|----------------------------------|-----------------------------------|
|   | <b>Historical<br/>Consolidated</b>                        | <b>Business (b)</b>         | <b>(c)</b>                       | <b>Consolidated</b>               |
|   | <b>(a)</b>  | <b>(b)</b>                  | <b>(c)</b>                       | <b>(d)</b>                        |
|   | <b>(In thousands except for share and per share data)</b> |                             |                                  |                                   |
| Net Revenues:   |   |                             |                                  |                                   |
| Transaction fees, cost containment services and license fees  | \$ 56,240   | \$ 23,886                   |                                  | \$ 32,354                         |
| Communication devices and other tangible goods  | 9,222   | 0                           |                                  | 9,222                             |
|   | 65,462  | 23,886                      |                                  | 41,576                            |
| Cost and expenses:  |   |                             |                                  |                                   |
| Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization | 13,944  | 6,869                       |                                  | 7,075                             |
| Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization    | 5,389   | 0                           |                                  | 5,389                             |
| Selling, general and administrative expenses  | 41,787  | 11,830                      |                                  | 29,957                            |
| Depreciation and amortization   | 7,379   | 2,919                       |                                  | 4,460                             |
| Write-off of impaired assets  | 0   | 0                           |                                  | 0                                 |
| Other expense, net  | 0   | 0                           |                                  | 0                                 |
| (Gain)/Loss on disposal of assets   | 12  | (7)                         |                                  | 19                                |
| Litigation settlements  | 321   | 0                           |                                  | 321                               |
| Total Expenses  | 68,832  | 21,611                      | 0                                | 47,221                            |
| Operating income (loss)   | (3,370)   | 2,275                       | 0                                | (5,645)                           |
| Other (Income), net   | 0   | 0                           |                                  | 0                                 |
| Interest expense, net   | 3,240   | 0                           | (2,340) <sup>(1)</sup>           | 900                               |
| Income (loss) before income taxes   | (6,610)   | 2,275                       | 2,340                            | (6,545)                           |
| Provision for income taxes  | 0   | 887                         | 887 <sup>(2)</sup>               | 0                                 |
| Net Income (loss)   | \$ (6,610)  | \$ 1,388                    | \$ 1,453                         | \$ (6,545)                        |
|   | 13,207,789  | 13,207,789                  | 13,207,789                       | 13,207,789                        |

Basic and diluted weighted average  
shares outstanding

|                                  |    |        |    |      |    |      |    |        |
|----------------------------------|----|--------|----|------|----|------|----|--------|
| Basic and diluted loss per share | \$ | (0.50) | \$ | 0.11 | \$ | 0.11 | \$ | (0.50) |
|----------------------------------|----|--------|----|------|----|------|----|--------|

See the accompanying notes to the unaudited pro forma consolidated financial information.

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**ProxyMed, Inc. and Subsidiaries**

**Pro Forma Consolidated  
Statement of Operations  
Twelve Months Ended December 31, 2005  
(Unaudited)**

|   | <b>ProxyMed,<br/>Inc</b>                                  | <b>Cost<br/>Containment</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Pro Forma<br/>Consolidated</b> |
|---|---|-----------------------------|----------------------------------|-----------------------------------|
|   | <b>Historical<br/>Consolidated</b>                        | <b>Business (b)</b>         | <b>(c)</b>                       | <b>Consolidated</b>               |
|   | <b>(a)</b>  | <b>(b)</b>                  | <b>(c)</b>                       | <b>(d)</b>                        |
|   | <b>(In thousands except for share and per share data)</b> |                             |                                  |                                   |
| Net Revenues:   |   |                             |                                  |                                   |
| Transaction fees, cost containment services and license fees  | \$ 67,909   | \$ 27,943                   |                                  | \$ 39,966                         |
| Communication devices and other tangible goods  | 9,610   | 0                           |                                  | 9,610                             |
|   | 77,519  | 27,943                      |                                  | 49,576                            |
| Cost and expenses:  |   |                             |                                  |                                   |
| Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization | 20,674  | 10,265                      |                                  | 10,409                            |
| Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization    | 6,150   | 0                           |                                  | 6,150                             |
| Selling, general and administrative expenses  | 47,962  | 12,826                      |                                  | 35,136                            |
| Depreciation and amortization   | 9,305   | 4,421                       |                                  | 4,884                             |
| Write-off of impaired assets  | 96,416  | 70,313                      |                                  | 26,103                            |
| Other expense, net  | 0   | 0                           |                                  | 0                                 |
| (Gain)/Loss on disposal of assets   | 14  | 0                           |                                  | 14                                |
| Litigation settlements  | 175   | 175                         |                                  | 0                                 |
| Total Expenses  | 180,696   | 98,000                      | 0                                | 82,696                            |
| Operating income (loss)   | (103,177)   | (70,057)                    | 0                                | (33,120)                          |
| Other (Income), net   | (1)   | 0                           |                                  | (1)                               |
| Interest expense, net   | 2,118)  | 0                           | (1,218) <sup>(1)</sup>           | 900                               |
| Income (loss) before income taxes   | (105,294)   | (70,057)                    | 1,218                            | (34,019)                          |
| Provision for income taxes  | 0   | 0                           |                                  | 0                                 |
| Net Income (loss)   | \$ (105,294)  | \$ (70,057)                 | \$ 1,218                         | \$ (34,019)                       |

|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Basic and diluted weighted average<br>shares outstanding | 12,707,695 | 12,707,695 | 12,707,695 | 12,707,695 |
| Basic and diluted loss per share                         | \$ (8.29)  | \$ (5.51)  | \$ 0.10    | \$ (2.68)  |

See the accompanying notes to the unaudited pro forma consolidated financial information.

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**ProxyMed, Inc. and Subsidiaries**  
**Pro Forma Consolidated**  
**Statement of Operations**  
**Twelve Months Ended December 31, 2004**  
**(Unaudited)**

|   | <b>ProxyMed,<br/>Inc</b>                                  | <b>Cost<br/>Containment</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Pro Forma<br/>Consolidated</b> |
|---|---|-----------------------------|----------------------------------|-----------------------------------|
|   | <b>Historical<br/>Consolidated</b>                        | <b>Business (b)</b>         | <b>(c)</b>                       | <b>Consolidated</b>               |
|   | <b>(a)</b>  | <b>(b)</b>                  | <b>(c)</b>                       | <b>Consolidated</b>               |
|   | <b>(In thousands except for share and per share data)</b> |                             |                                  |                                   |
| Net Revenues:   |   |                             |                                  |                                   |
| Transaction fees, cost containment services and license fees  | \$ 73,538   | 26,913                      |                                  | \$ 46,625                         |
| Communication devices and other tangible goods  | 16,708  | 0                           |                                  | 16,708                            |
|   | 90,246  | 26,913                      |                                  | 63,333                            |
| Cost and expenses:  |   |                             |                                  |                                   |
| Cost of transaction fees, cost containment services and license fees, excluding depreciation and amortization | 22,626  | 8,788                       |                                  | 13,838                            |
| Cost of laboratory communication devices and other tangible goods, excluding depreciation and amortization    | 11,586  | 0                           |                                  | 11,586                            |
| Selling, general and administrative expenses  | 48,023  | 10,967                      |                                  | 37,056                            |
| Depreciation and amortization   | 9,763   | 4,123                       |                                  | 5,640                             |
| Write-off of impaired assets  | 0   | 0                           |                                  | 0                                 |
| Other expense, net  | 0   | 0                           |                                  | 0                                 |
| (Gain)/Loss on disposal of assets   | 47  | 0                           |                                  | 47                                |
| Litigation settlements  | 175   | 175                         |                                  | 0                                 |
| Total Expenses  | 92,220  | 24,053                      | 0                                | 68,167                            |
| Operating income (loss)   | (1,974)   | 2,860                       | 0                                | (4,834)                           |
| Other (Income), net   | (134)   | 0                           |                                  | (134)                             |
| Interest expense, net   | 1,920   | 0                           | (1,020) <sup>(1)</sup>           | 900                               |
| Income (loss) before income taxes   | (3,760)   | 2,860                       | 1,020                            | (5,600)                           |
| Provision for income taxes  | 40  | 1,115                       | 1,115 <sup>(2)</sup>             | 40                                |
| Net Income (loss)   | \$ (3,800)  | 1,745                       | \$ (95)                          | \$ (5,640)                        |
|   | 11,617,601  | 11,617,601                  | 11,617,601                       | 11,617,601                        |

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Basic and diluted weighted average  
shares outstanding

|                                  |    |        |      |    |        |    |        |
|----------------------------------|----|--------|------|----|--------|----|--------|
| Basic and diluted loss per share | \$ | (0.33) | 0.15 | \$ | (0.01) | \$ | (0.49) |
|----------------------------------|----|--------|------|----|--------|----|--------|

See the accompanying notes to the unaudited pro forma consolidated financial information.

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**ProxyMed, Inc. and Subsidiaries**

**Notes to Unaudited Pro Forma Consolidated Financial Information**

**I. Adjustments to unaudited pro forma consolidated balance sheet**

**(a) ProxyMed, Inc.**

Represents the historical unaudited consolidated balance sheet as of September 30, 2007 as reported in the Company's Form 10-Q for the quarter ended September 30, 2007.

**(b) Cost Containment Business**

Represents the elimination of the Cost Containment Business' assets and liabilities, as reflected in the historical consolidated balance sheet of the Company as of September 30, 2007.

The Cost Containment Business' historical financial position is included within the Company's Transaction Services segment for financial reporting purposes. However, the Company does maintain a separate balance sheet and subsidiary ledger for the Cost Containment Business, and the corresponding assets and liabilities of the Cost Containment Business have been allocated based on the Cost Containment Business' subsidiary ledger and the corresponding assets and liabilities being sold. In addition, certain liabilities, such as revolving debt and other senior debt, have been transacted through the corporate accounts of the Company and therefore have not historically been reflected in the Cost Containment Business. As such, for purposes of the Cost Containment Business balance sheet, corporate debt was allocated to the Cost Containment Business on the basis of total assets of the Cost Containment Business compared to total consolidated assets.

**(c) Pro Forma Adjustments**

1) At the close of the transaction, the Company will receive net proceeds of \$20.5 million after the placement of \$3.0 million in escrow to cover possible indemnification claims that may arise from this transaction.

2) Represents the pay down of the Company's senior debt, a term note related to the Cost Containment Business, certain Cost Containment Business accounts payables and transaction costs, as further described below.

3) The Company will retain the Cost Containment Business' cash balances at closing.

4) This amount reflects the write off of deferred financing costs as a result of the pay down of \$16.5 million of the Company's senior debt and was estimated based on the percentage of senior debt being paid down at closing.

5) Approximately \$2.0 million of the cash proceeds will be used to pay certain accounts payable over approximately 45 days outstanding and attributable to the Cost Containment Business at closing.

**ProxyMed, Inc. and Subsidiaries**

**Notes to Unaudited Pro Forma Consolidated Financial Information (Continued)**

6) Approximately \$16.5 million of the cash proceeds will be used to pay down a portion of the Company's senior debt at closing.

7) Approximately \$0.9 million of the cash proceeds will be used to extinguish a Cost Containment Business note payable at closing.

8) This amount reflects the elimination of the paid in capital and accumulated deficit related to the Company's investment in the Cost Containment Business.

9) Approximately \$1.2 million of the cash proceeds will be used to pay transaction costs to outside advisors at closing.

**II. Adjustments to unaudited pro forma consolidated statements of operations**

**(a) ProxyMed, Inc.**

Represents the historical unaudited consolidated statement of operations for the nine months ended September 30, 2007 and September 30, 2006, and the years ended December 31, 2006, 2005, and 2004, as reported in the Company's Form 10-Q for the quarter ended September 30, 2007 and Form 10-K for the year ended December 31, 2006.

**(b) Cost Containment Business**

Represents the elimination of Cost Containment Business revenues and expenses as reflected in the historical consolidated statement of operations of the Company for the nine months ended September 30, 2007, and September 30, 2006, and the years ended December 31, 2006, 2005, and 2004. The Cost Containment Business 2004 revenues and expenses represent only 10 months of operating results (March 2, 2004 through December 31, 2004) because the Company acquired the operations of the Cost Containment Business through its acquisition of PlanVista on March 2, 2004.

The Cost Containment Business historical financial results are reported as part of the Company's Transaction Services segment for financial reporting purposes. However, the Company does maintain a separate income statement and subsidiary ledger for the Cost Containment Business, and the corresponding operating revenues and expenses of the Cost Containment Business have been allocated based on the Cost Containment Business subsidiary ledger. In addition, certain expenses, including certain payroll, share-based compensation, professional fees, insurance, and other corporate overhead, have been transacted through the corporate accounts of the Company and therefore have not historically been reflected in the Cost Containment Business. As such, for purposes of the Cost Containment Business balance sheet, these expenses were allocated to the Cost Containment Business statement of operations as follows:

a) Payroll, share based-compensation, professional fees and insurance allocated based on Cost Containment Business revenue as a percentage of consolidated revenue.

b) Other corporate overhead allocated primarily based on Cost Containment Business headcount as a percentage to total consolidated headcount.

**ProxyMed, Inc. and Subsidiaries**

**Notes to Unaudited Pro Forma Consolidated Financial Information (Continued)**

c) Provision for income taxes have been estimated based on the historical statutory tax rate of 39% for the periods presented, where applicable.

***c) Pro forma adjustments***

1) Represents adjustment to reflect interest and loan amortization expense after the payment of approximately \$16.5 million of the Company's senior debt and approximately \$0.8 million of a Cost Containment Business note payable for the periods presented.

The following table reflects the assumed interest rate and amounts of borrowings the pro forma interest expense calculation is based on and the pro-forma deferred loan amortization costs for each nine and twelve month period presented:

**ProxyMed, Inc. and Subsidiaries**  
**Notes to Unaudited Pro Forma Consolidated Financial Information (Continued)**

|   | <b>Total<br/>rate</b> | <b>Amount<br/>of<br/>borrowing</b> | <b>Pro-forma<br/>interest<br/>expense nine<br/>month<br/>periods</b> | <b>Pro-forma<br/>interest<br/>expense<br/>twelve<br/>month<br/>periods</b> |
|---|-----------------------|------------------------------------|--|--|
| <b>Interest expense (in thousands)</b>                              |                       |                                    |  |  |
| Senior debt   | 10.0%                 | \$ 1,690                           | \$ 127   | \$ 169   |
| Convertible debt  | 4.0%                  | \$ 13,137                          | \$ 394   | \$ 525   |
| Other   | 7.0%                  | \$ 1,479                           | \$ 78  | \$ 104   |
| <br>  |                       |                                    |  |  |
| Total interest expense  |                       |                                    | \$ 599   | \$ 798   |
| <br>  |                       |                                    |  |  |
| <b>Amortization of deferred financing costs (in thousands)</b>      |                       |                                    |  |  |
| Senior debt   |                       |                                    | \$ 77  | \$ 102   |
| <br>  |                       |                                    |  |  |
| Total amortization of deferred financing costs                      |                       |                                    | \$ 77  | \$ 102   |
| <br>  |                       |                                    |  |  |
| Total interest expense and amortization of deferred financing costs |                       |                                    | \$ 676   | \$ 900   |

|   | <b>ProxyMed, Inc.<br/>Historical<br/>Consolidated</b> | <b>Pro forma<br/>Adjustment</b> |
|---|---|---------------------------------|
| <b>Interest and amortization expense (in thousands)</b> |   |                                 |
| Nine months ended September 30, 2007                    | \$ 3,308  | \$ 2,632                        |
| Nine months ended September 30, 2006                    | \$ 2,239  | \$ 1,563                        |
| Twelve months ended December 31, 2006                   | \$ 3,240  | \$ 2,340                        |
| Twelve months ended December 31, 2005                   | \$ 2,118  | \$ 1,218                        |
| Twelve months ended December 31, 2006                   | \$ 1,920  | \$ 1,020                        |

2) Provision for income tax is eliminated due to a remaining net loss after the elimination of the Cost Containment Business and the pro forma adjustments.

(d) Exhibits:

Exhibit No. Description

99.1 Press Release dated February 1, 2008

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**SIGNATURES**

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

**ProxyMed, Inc.**  
(registrant)

February 5, 2008

By: /s/ John G. Lettko  
John G. Lettko, President  
and Chief Executive Officer