

CHAMBERLIN EDMONDS & ASSOCIATES INC

Form S-4/A

September 17, 2012

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As filed with the Securities and Exchange Commission on September 17, 2012

Registration No. 333-182786

**United States**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Amendment No. 2**

**to**

**FORM S-4**

REGISTRATION STATEMENT

*UNDER*

*THE SECURITIES ACT OF 1933*

**EMDEON INC.**

(Exact name of registrant as specified in its charter)

SEE TABLE OF ADDITIONAL REGISTRANTS

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>7374</b> (Primary Standard Industrial Classification Code Number) <b>3055 Lebanon Pike, Suite 1000</b>  <b>Nashville, Tennessee 37214</b>  <b>(615) 932-3000</b>	<b>20-5799664</b> (I.R.S. Employer Identification Number)
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(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

**Gregory T. Stevens, Esq.**

**Executive Vice President, General Counsel and Secretary**

**3055 Lebanon Pike, Suite 1000**

**Nashville, Tennessee 37214**

**(615) 932-3000**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*With copies to:*

**Howard H. Lamar III, Esq.**

**Scott W. Bell, Esq.**

**Bass, Berry & Sims PLC**

**150 Third Avenue South**

**Suite 2800**

**Nashville, Tennessee 37201**

**(615) 742-6200**

**Craig E. Marcus, Esq.**

**Ropes & Gray LLP**

**Prudential Tower**

**800 Boylston Street**

**Boston, Massachusetts 02199**

**(617) 951-7000**

**Approximate date of commencement of proposed exchange offers:** As soon as practicable after this Registration Statement is declared effective.

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer "

Accelerated filer "

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company "

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issue Tender Offer) "

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) "

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

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<b>Exact Name of Registrant</b>	<b>State or Other Jurisdiction of Incorporation</b>	<b>Primary Standard Industrial Classification Code Number</b>	<b>I.R.S. Employer Identification Number</b>
<b>Guarantor as Specified in its Charter<sup>(1)</sup></b>	<b>or Organization</b>		
Advanced Business Fulfillment, LLC	Delaware	7374	20-2058917
Chamberlin Edmonds & Associates, Inc.	Delaware	7374	58-1749642
Chamberlin Edmonds Holdings, Inc.	Delaware	7374	26-2430743
Chapin Revenue Cycle Management, LLC	Delaware	7374	14-1863320
Dakota Imaging LLC	Delaware	7374	20-5716950
EBS Holdco I, LLC	Delaware	7374	27-0684782
EBS Holdco II, LLC	Delaware	7374	27-0684941
EBS Master LLC	Delaware	7374	20-5591816
Emdeon Business Services LLC	Delaware	7374	20-5731067
Emdeon FutureVision LLC	Delaware	7374	27-1847464
Envoy LLC	Delaware	7374	20-5716594
EquiClaim, LLC	Delaware	7374	20-3014624
eRx Network, L.L.C.	Texas	7374	75-2933687
ExpressBill LLC	Delaware	7374	20-5716738
Healthcare Technology Management Services LLC	Delaware	7374	27-2205817
IXT Solutions, Inc.	Tennessee	7374	62-1846346
Kinetra LLC	Delaware	7374	74-2868935
MedE America of Ohio LLC	Delaware	7374	20-5716888
Medi, Inc.	California	7374	95-4550547
MediFAX-EDI Holding Company	Delaware	7374	74-3031728
Medifax-EDI Holdings, Inc.	Delaware	7374	04-3595347
MediFAX-EDI, LLC	Tennessee	7374	20-0497265
TC3 Health, Inc.	Delaware	7374	13-4346850
The Sentinel Group Services LLC	Delaware	7374	27-0175313

(1) The address, including zip code, and telephone number, including area code, of each additional registrant guarantor's principal executive offices is: c/o Emdeon Inc., 3055 Lebanon Pike, Suite 1000, Nashville, Tennessee 37214, (615) 932-3000.

The name, address, including zip code, and telephone number, including area code, of agent for service of each additional registrant guarantor is:

Gregory T. Stevens, Esq.

Executive Vice President, General Counsel and Secretary

3055 Lebanon Pike, Suite 1000

Nashville, Tennessee 37214

(615) 932-3000

**With copies to:**

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**The information in this prospectus is not complete and may be changed. We may not issue the exchange notes in the exchange offers until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or jurisdiction where such offer or sale is not permitted.**

**Subject to Completion, dated September 17, 2012**

**PRELIMINARY PROSPECTUS**

# **Emdeon Inc.**

## **Offers to Exchange**

up to \$375,000,000 in aggregate principal amount of 11% Senior Notes due 2019 (the exchange 2019 notes ), which have been registered under the Securities Act of 1933, as amended (the Securities Act ), for any and all outstanding 11% Senior Notes due 2019 (the outstanding 2019 notes ), and

up to \$375,000,000 in aggregate principal amount of 11<sup>1</sup>/<sub>4</sub>% Senior Notes due 2020 (the exchange 2020 notes and together with the exchange 2019 notes, the exchange notes ), which have been registered under the Securities Act, for any and all outstanding <sup>1</sup>/<sub>4</sub>% Senior Notes due 2020 (the outstanding 2020 notes and, together with the outstanding 2019 notes, the outstanding notes ).

The exchange notes will be guaranteed on a senior unsecured basis by all of our existing and subsequently acquired or organized direct or indirect wholly-owned United States restricted subsidiaries that guarantee our existing senior secured credit facilities or our other indebtedness or indebtedness of any guarantor.

We are conducting the exchange offers in order to provide you with an opportunity to exchange your unregistered outstanding notes for freely tradeable exchange notes that have been registered under the Securities Act.

### **The Exchange Offers:**

We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradeable.

You may withdraw tenders of outstanding notes at any time prior to the expiration date of the applicable exchange offer.

The exchange offers expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 2012, which is the 21st business day after the date of this prospectus.

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The exchange of outstanding notes for exchange notes in the exchange offers will not be a taxable event for United States federal income tax purposes.

The terms of the exchange notes to be issued in the exchange offers are substantially identical to the outstanding notes, except that the transfer restrictions, registration rights and additional interest provisions relating to the outstanding notes will not apply to the exchange notes.

### **Results of the Exchange Offers:**

The exchange notes may be sold in the over-the-counter-market, in negotiated transactions or through a combination of such methods. We do not plan to list the exchange notes on a national market.

We will not receive any proceeds from the exchange offers.

All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the applicable indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offers, we do not currently anticipate that we will register the outstanding notes under the Securities Act.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offers must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. The letter of transmittal relating to the exchange offer states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes that were acquired by such broker-dealer as a result of market-making or other trading activities. We have agreed that for a period of up to 90 days after the expiration of the exchange offer, we will make this prospectus available to broker-dealers for use in connection with any such resales.

**You should carefully consider the Risk Factors beginning on page 20 of this prospectus before participating in the exchange offers.**

**Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of the exchange notes to be distributed in the exchange offers or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2012.

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You should rely only on the information contained in this prospectus or any free writing prospectus related to this offering we may authorize to be delivered to you. We have not authorized anyone to provide you with different information. This prospectus may be used only for the purposes for which it has been published and no person has been authorized to give any information not contained herein. If you receive any other information, you should not rely on it. We are not making an offer of these securities in any state where the offer is not permitted.

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**FORWARD-LOOKING STATEMENTS**

This prospectus includes certain forward-looking statements within the meaning of the federal securities laws regarding, among other things, our or management's intentions, plans, beliefs, expectations or predictions of future events are forward-looking statements. These statements often include words such as may, will, should, believe, expect, anticipate, intend, plan, estimate or similar expressions. Forward-looking statements also may include information concerning our possible or assumed future results of operations, including descriptions of our revenues, profitability and outlook and its overall business strategy. These statements are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements.

Other factors that may cause actual results to differ materially include those set forth in the risks discussed in the sections entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. You should keep in mind that any forward-looking statement made by us in this prospectus, or elsewhere, speaks only as of the date on which made. We caution against any undue reliance on these statements and expressly disclaim any intent, obligation or undertaking to update or revise any forward-looking statements made herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

**MARKET AND INDUSTRY DATA**

The market data and other statistical information used throughout or incorporated by reference in this prospectus are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, which are derived from our review of internal surveys, as well as the independent sources listed above. None of the independent industry publications used or incorporated by reference in this prospectus were prepared on our or our affiliates' behalf and none of the sources cited or incorporated by reference in this prospectus consented to the inclusion of any data from its reports, nor have we sought their consent.

**TRADEMARKS**

We use numerous trademarks, trade names and service marks for our solutions, including EMDEON®, EMDEON CLAIM MASTER®, HEALTHPAYERS USA®, eRx NETWORK® and EMDEON VISION<sup>SM</sup>. All other trademarks or service marks appearing in this prospectus that are not identified as marks owned by us are the property of their respective owners. Solely for convenience, some of the trademarks, service marks, tradenames and copyrights referred to in this prospectus are listed without the ®, ® and <sup>TM</sup> symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, service marks and trade names.

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**BASIS OF PRESENTATION**

As used throughout this prospectus, unless indicated otherwise or the context otherwise requires:

Emdeon, the Company, our company, we, us, and our mean Emdeon Inc. and its consolidated subsidiaries;

Issuer means Emdeon Inc. exclusive of its subsidiaries;

Merger Sub means Beagle Acquisition Corp., a Delaware corporation;

Parent means Beagle Parent Corp., a Delaware corporation and indirect parent company of the Issuer, exclusive of its subsidiaries;

Blackstone means The Blackstone Group L.P.;

Hellman & Friedman means Hellman & Friedman LLC; and

Investor Group means, collectively, Blackstone, Hellman & Friedman and certain investment funds affiliated with Blackstone and Hellman & Friedman.

The term outstanding notes refers to the outstanding 11% Senior Notes due 2019 and 11¼% Senior Notes due 2020. The term exchange notes refers to the 11% Senior Notes due 2019 and 11¼% Senior Notes due 2020, as registered under the Securities Act. The term 2019 notes refers collectively to the outstanding 2019 notes and the exchange 2019 notes; the term 2020 notes refers collectively to the outstanding 2020 notes and the exchange 2020 notes; and the term notes refers collectively to the outstanding notes and the exchange notes.

The outstanding notes were issued on November 2, 2011 by Merger Sub, a wholly-owned indirect subsidiary of Parent formed solely for the purpose of acquiring Emdeon and its subsidiaries for the benefit of an investor group led by Blackstone and Hellman & Friedman. On November 2, 2011, Merger Sub merged with and into the Company, with the Company surviving as a wholly-owned subsidiary of Parent (the Merger), pursuant to an Agreement and Plan of Merger, dated as of August 3, 2011, by and among the Company, Parent and Merger Sub (the Merger Agreement). As a result of the Merger, the Company became a wholly-owned subsidiary of Parent and the Company assumed all of the obligations of Merger Sub under the outstanding notes, the indentures governing the outstanding notes and the related registration rights agreements. Additionally, as a result of the Merger, the Investor Group, through the ownership of Parent, indirectly owns all of the Company's issued and outstanding shares of capital stock.

On November 2, 2011, in connection with the Merger and transactions related thereto, the Company entered into a credit agreement and related security and other agreements for (1) a \$1,224.0 million senior secured term loan credit facility (the term loan facility) and (2) a \$125.0 million senior secured revolving credit facility (the revolving facility) and together with the term loan facility, the senior credit facilities) with certain lenders. In April 2012, the Company amended the credit agreement governing the senior credit facilities to reprice the senior credit facilities and borrow \$80.0 million of additional term loans for general corporate purposes, including acquisitions.

As a result of the Merger, the Company applied the acquisition method of accounting and established a new basis of accounting on November 2, 2011. Throughout this prospectus, periods presented prior to November 2, 2011 represent the operations of the predecessor company (Predecessor) and periods presented on and after November 2, 2011 represent the operations of the successor company (Successor). As a result, our consolidated financial statements for 2011 are presented for the period from January 1, 2011 through November 1, 2011 for the Predecessor and for the period from November 2, 2011 through December 31, 2011 for the Successor. The comparability of the financial statements of the Predecessor and Successor periods has been impacted by the application of acquisition accounting and changes in our capital structure resulting from the Merger.

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Unless the context otherwise requires, the financial information presented herein is the financial information of Emdeon on a consolidated basis together with its subsidiaries.

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**PROSPECTUS SUMMARY**

*This summary highlights information about us and the exchange offers contained in greater detail elsewhere in this prospectus. This summary is not complete and may not contain all of the information that may be important to you. You should carefully read the entire prospectus, especially the information set forth in the sections entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations, before participating in the exchange offers.*

**Our Company**

We are a leading provider of revenue and payment cycle management and clinical information exchange solutions connecting payers, providers and patients in the United States healthcare system. Our solutions integrate and automate key business and administrative functions of our payer and provider customers throughout the patient encounter. These solutions include pre-care patient eligibility and benefits verification and enrollment, clinical information exchange capabilities, claims management and adjudication, payment integrity, payment distribution, payment posting, denial management and patient billing and payment processing.

Through the use of our comprehensive suite of solutions, customers are able to improve efficiency, reduce costs, increase cash flow and more efficiently manage the complex revenue and payment cycle and clinical information exchange processes. Our solutions are delivered primarily through recurring, transaction-based processes that are designed to leverage our health information network, the single largest financial and administrative information exchange in the United States healthcare system. Our health information network currently reaches approximately 1,200 payers, 500,000 providers, 5,000 hospitals, 81,000 dentists, 60,000 pharmacies and 300 labs.

In 2011, we processed a total of approximately 6.4 billion healthcare-related transactions, including approximately one out of every two commercial healthcare claims delivered electronically in the United States. We have developed our network of payers and providers over 25 years and connect to virtually all private and government payers, claim-submitting providers and pharmacies. Our network and related solutions are designed to integrate with our customers' existing technology infrastructures and administrative workflow and typically require minimal capital expenditure on the part of the customer, while generating significant savings and operating efficiencies.

**Our Solutions**

We deliver our solutions and operate our business in three segments: (i) payer services, which provides solutions to commercial insurance companies, third party administrators and governmental payers; (ii) provider services, which provides solutions to hospitals, physicians, dentists and other healthcare providers, such as labs and home healthcare providers; and (iii) pharmacy services, which provides solutions to pharmacies, pharmacy benefit management companies and other payers.

Through the payer services segment, we provide payment cycle solutions that help simplify the administration of healthcare, both directly and through the network of companies, or channel partners, with whom we contract to market and sell certain of our solutions. Our payer services offerings include insurance eligibility and benefit verification, claims management, payment integrity and claims and payment distribution. Additionally, we provide consulting services through the payer services segment.

Through the provider services segment, we provide revenue cycle and clinical information exchange solutions, both directly and through our network of channel partners, that help simplify providers' workflow,

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reduce related costs and improve cash flows. Our provider services offerings include revenue cycle management solutions, patient billing and payment services, government program eligibility and enrollment services and clinical information exchange capabilities.

Through the pharmacy services segment, we provide electronic prescribing services and other electronic solutions to pharmacies, pharmacy benefit management companies and government agencies related to prescription benefit claim filing, adjudication and management.

## **Our Industry**

Healthcare expenditures are a significant component of the United States economy, representing approximately \$2.6 trillion in 2010, or 17.9% of gross domestic product ( GDP ) and are expected to grow at 5.8% per year to \$4.6 trillion, or approximately 19.9% of GDP, in 2020. The cost of healthcare administration in the United States is approximately \$360 billion per year, or 14% of total healthcare expenditures, and approximately one half of these costs was spent by payers and providers on billing and insurance-related activities. In addition, industry estimates indicate that between \$68 billion and \$226 billion in healthcare costs are attributable to fraud, waste and abuse each year. The growing need to slow the rise in healthcare expenditures, particularly during the recent period of United States economic weakness, increased financial pressures on payers and providers and public policy initiatives to reduce healthcare administrative inefficiencies should accelerate demand for solutions that simplify the business of healthcare.

### ***Payer and Provider Landscape***

Healthcare is generally provided through a fragmented industry of payers and providers that have, in many cases, historically under-invested in administrative and clinical information systems. Within the universe of providers, there are currently over 5,700 hospitals and over 560,000 office-based doctors. Approximately 73% of the office-based doctors are in small physician practices consisting of six or fewer physicians and have fewer resources to devote to administrative and financial matters compared to larger practices. In addition, providers may maintain relationships with 50 or more individual payers, many of which have customized claim requirements and reimbursement procedures. Among payers, despite significant consolidation among private

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payers in recent years, claims systems have often not been sufficiently integrated, resulting in persistently high costs associated with administering these plans.

The administrative portion of healthcare costs is expected to continue to expand due in part to the increasing complexity in the reimbursement process and the greater administrative burden placed on payers and providers for reporting and documentation relating to the services and care they provide. These complexities and other factors are compounded by the fact that many payers and providers lack the technological infrastructure and human resources to bill, collect and obtain full reimbursement for their services, and instead rely on inefficient, labor-intensive processes to perform these functions. These manual and paper-based processes are more prone to human error and administrative inefficiencies, often resulting in increased costs and uncompensated care. As a result, payers and providers are expected to continue to seek solutions that automate and simplify the administrative and clinical processes of healthcare.

### ***The Revenue and Payment Cycle***

The healthcare revenue and payment cycle consists of all the processes and efforts that providers undertake to ensure they are compensated properly by payers and patients for the medical services rendered to patients. For payers, the payment cycle includes all the processes necessary to facilitate provider compensation and use of medical services by members. Major steps in this process include:

*Pre-Care/Medical Treatment:* The provider verifies insurance benefits available to the patient, ensures treatment will adhere to medical necessity guidelines and confirms patient personal financial and demographic information. For certain uninsured or underinsured populations, providers also may assist their patients with enrollment in government, charity and community benefit programs for which they may be eligible.

*Claims Management/Adjudication:* The provider prepares and submits paper or electronic claims to a payer for services rendered directly or through a clearinghouse.

*Payment Distribution:* The payer sends a payment and a payment explanation (i.e., remittance advice) to the provider and sends an explanation of benefits ( EOB ) to the patient.

*Payment Posting/Denial Management:* The provider posts payments internally, reconciles payments with accounts receivable and submits any claims to secondary insurers if secondary coverage exists.

*Patient Billing and Payment:* The provider sends a bill to the patient for any remaining balance and posts payments received.

### **Our Strengths**

We believe that we have a number of strengths including, but not limited to, the following:

#### ***Market Leadership Position***

We have an expansive and scalable network, which reaches an estimated 1,200 payers (nearly all of United States total), 500,000 physicians (approximately 88% of United States total), 5,000 hospitals (approximately 88% of United States total), 81,000 dentists (approximately 92% of United States electronic claim submitting dentists) and 60,000 pharmacies (nearly all of United States total). In 2011, we processed a total of approximately 6.4 billion healthcare-related transactions, including one out of every two commercial healthcare claims delivered electronically in the United States.



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### ***Secure Competitive Position***

We believe we benefit from a powerful network effect: the broader our platform, the more valuable our solutions are to our customers and the stronger our competitive position becomes.

*Breadth of Solutions:* Our competitors typically address only one or two segments of the revenue and payment cycle. We are the sole source transaction processing service provider for over 400 payer customers, representing approximately one-third of United States payers. We believe our customers will benefit from economies of scale resulting from using one vendor to provide outsourced administrative services.

*Critical Mass:* We offer solutions across the entire healthcare revenue and payment cycle. We are connected to an extensive payer and provider network that has taken over 25 years to build, and our low variable costs provide significant economies of scale.

*Switching Costs:* We believe that our position across the entire healthcare revenue and payment cycle provides disincentive for customers to replace our solutions, in part because core services are easy to add but time-consuming and disruptive to replace. Providers face increased costs if a transition is unsuccessful and likely marginal benefits if it is successful.

### ***Diversified and Recurring Revenue Base***

We have a diversified and recurring revenue base which promotes stable growth of our business. For the six months ended June 30, 2012, payer services, provider services and pharmacy services comprised approximately 42%, 50% and 8% of total revenue, respectively. Our solutions drive revenue on a per transaction, per document, per communication or per-member per-month, or, in some cases, on a monthly flat-fee, contingent fee or hourly basis. While these pricing models expose us to a degree of transaction volume variability, they generally lend themselves to revenue stability. We estimate that 90 - 95% of our revenue is recurring and highly visible. In addition, our customer base is diversified and generally has a long history with us, with several of our customer relationships exceeding 20 years. We also have low customer concentration with the top ten providers and top ten payers each making up approximately 10% and 13% of 2011 revenue, respectively. No single customer represented more than 4% of total revenues in 2011.

### ***Attractive Industry Trends***

We believe that our business will benefit from current healthcare industry trends, including the following:

*Increasing Healthcare Costs:* We believe that growing healthcare costs will continue to drive industry focus on efficiency and eliminating waste. In 2010, it is estimated that approximately \$2.6 trillion in annual healthcare expenditures were made in the United States, with an estimated \$150 billion spent on billing and insurance administration alone. A range of \$68 billion to \$226 billion of annual healthcare costs is often attributed to fraud, waste and abuse.

*Aging United States Population:* In 2010, based on United States Census Bureau data, the number of individuals age 65 and over grew to 40.3 million from 35.0 million in 2000, representing a growth rate that was 1.6 times the overall projected population growth rate during the same period. The United States Census Bureau expects to see an even more dramatic increase in this age group in the successive ten years (2010 to 2020), with the 65-plus demographic growing at 3.6 times the overall population growth rate.

*Increased Reliance on Paperless Technology:* We believe the healthcare industry will continue to transition from paper-based transactions to electronic forms and automated processes, driving new solution growth and transaction-based revenue opportunities for Emdeon.





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*Increasing Complexity:* We believe that the increasing complexity of healthcare promotes the outsourcing of administrative functions. Because of increased governmental requirements and the continued proliferation of private-payer benefit plan design changes, providers face increasingly complex and frequently changing reimbursement mechanisms involving multiple parties and greater administrative burdens of reporting and documentation of care provided. Many payers and most providers are not equipped to handle this increased complexity and the associated administrative challenges alone, instead relying on inefficient and labor intensive processes. As a result, payers and providers continue to seek solutions that automate and simplify administrative and clinical processes.

*Increases in Coverage:* We expect there to be large increases in the amount of covered lives in the United States due to the adoption of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the PPACA ). We believe that this expansion of coverage will likely lead to higher healthcare utilization, which we believe will increase the use of the Company's eligibility and enrollment, eServices, revenue cycle management and pharmacy solutions. However, if states opt out of the Medicaid expansion provisions of PPACA or if Congress modifies or repeals PPACA, expected increases in covered lives may not occur or be reduced.

### ***Strong and Stable Cash Flow Generation and Proven Ability to Pay Down Financed Debt***

With a long-standing customer base and the majority of our revenue recurring, we have a stable cash flow profile. We have a track record of debt reduction following a prior leveraged buy-out in 2006, and have demonstrated an ability to pay down financed debt, even during recent challenging macroeconomic conditions.

### ***Experienced Management Team and Investor Group***

We have an experienced management team which has operated Emdeon through multiple transitions over the years. The management team has extensive experience in the healthcare industry and the team collectively possesses over 120 years of experience at the Company and its predecessors. In addition, Blackstone has extensive investment experience in healthcare, having completed 13 transactions with an aggregate value of \$33 billion as of June 30, 2012. Furthermore, since its founding in 1984, Hellman & Friedman has raised and managed over \$25 billion of committed capital in select industries, including healthcare.

## **Business Strategy**

We are pursuing the following business growth strategies:

### ***Increase Customer Penetration through Cross-Selling***

We believe we have significant opportunities to sell additional solutions to our existing payer and provider customers. Our broad network of payers and providers, combined with our comprehensive suite of solutions and strong customer relationships, present significant cross-selling opportunities. Although we have made progress increasing penetration within our existing customer base, we believe there remains a significant opportunity for additional cross-selling. Each of the five steps of the healthcare revenue and payment cycle process represents a separate product and/or services category in which we offer one or more solutions. Our growth opportunity from our existing customers comes from additional utilization of current offerings, adoption of additional solutions within that same category and adoption of solutions that fall into other categories.

***Offer Revenue Cycle Management Services into the Hospital Market.*** Through our acquisitions of Chapin Revenue Cycle Management, LLC ( Chapin ) and Chamberlin Edmonds & Associates, Inc. ( CEA ), we have the ability to complement our technology solutions with professional services that help hospitals and health systems capture more revenue, reduce bad debt and improve payment integrity.

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***Develop New Solutions for our Customers Revenue and Payment Cycle Needs.*** We have fostered a culture of innovation and continually seek to develop and market new solutions for our customers. As the largest financial and administrative information exchange in the United States healthcare system, we believe that we are uniquely positioned to develop solutions that benefit from our network and our access to all key healthcare constituent groups to complement our current offerings.

***Continue to Drive Healthcare's Transition from Paper-Based to Electronic Transactions.*** We believe that we are well positioned to further drive the healthcare industry's adoption of automated, cost-saving processes through our comprehensive network of payers and providers. In 2008, approximately 10% of commercial healthcare payer payment processes were electronic. We plan to assist our customers in automating these processes by: (i) converting paper-based payer remittances and payments to electronic form, (ii) expanding our remittance and payment distribution network, (iii) improving workflow automation for provider payment posting and (iv) automating the provider's patient billing and payment process. Unlike many of our competitors that lack an electronic network to facilitate conversion to electronic solutions, our incentives are aligned with those of our customers and are not compromised by a motivation to protect legacy, paper-based solutions. Furthermore, our existing infrastructure positions us to expand into the clinical information exchange market, which we believe could grow substantially in connection with the increased adoption of electronic medical record technology. As we continue to drive these transitions, we believe we benefit from the credibility and reputation we have earned for leading the healthcare industry's migration from paper to electronic claims submissions, which represent 85% of all claims submitted in 2009 but represented only 2% of claims in 1990.

***Provide Strategic Consulting for our Customers.*** We offer strategic consulting services for our customers with a special focus on technology and operations to assist our payer customers. Acting as a strategic business consultant, we help our customers develop and implement technology plans that ensure alignment with healthcare trends and each payer's overall business strategy.

***Provide New and Advanced Transaction Services for our Customers.*** As regulatory changes are mandated and our customers require new and advanced transaction services, due to our position in our customers' workflow and our broad network, we believe we are well-positioned to develop and implement these solutions. For example, due to our advanced technical editing capability, we can help our pharmacy customers optimize third party reimbursements and reduce submission errors. We also provide specialized retail processing services for our pharmacy customers.

### ***Leveraging our Strengths in Emerging Areas of Need***

We have prioritized key areas of emerging growth and are accumulating the assets, capabilities and expertise to capitalize on the significant opportunities in the following areas:

***Leverage our Expansive Data Set and Position in the Workflow to Help Identify and Prevent Fraud, Waste and Abuse in Healthcare.*** Healthcare fraud is estimated to be between 3% and 10% of total healthcare costs. Through our expansive network, we have the ability to help our customers identify potential fraud, waste and abuse prior to the adjudication and payment of healthcare claims. We also have the ability to perform recovery and audit services for our customers, as well as provide strategic investigative services.

***Distribute our Solutions More Broadly to Government Entities.*** Our solutions can provide significant benefit to government agencies. We have a strategic relationship with a well-established Medicare Administrative Contractor (MAC) involving the provision of payment distribution services and a teaming arrangement designed to enhance Emdeon's business development efforts within the public payer sector.

***Leverage our Connectivity to Support the Exchange of Clinical Information.*** Our industry-leading connectivity, position in the workflow and access to data positions us to facilitate the exchange of clinical



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information. Emdeon's clinical information exchange services leverage our network to deliver real-time patient information at the point of care when it is needed most. Our expanded services also provide patient information to authorized healthcare providers to help improve outcomes by identifying gaps in care and creating medical utilization alerts, and will help assemble a virtual view of patient information.

***Leverage our Expansive Data Set to Create Business Intelligence and Analytics Solutions.*** We have access to extensive financial and administrative data across a range of payers and providers that we are using to develop innovative business intelligence and analytics solutions. We believe that we have one of the most comprehensive and up to date sources of United States healthcare information, with a database of approximately 50 terabytes of historical claim and reimbursement data. We believe our access to vast amounts of healthcare transactions and other data at, or close to, the point of care positions us to develop future business intelligence reporting capabilities to further improve transparency for our payer and provider customers and ultimately reduce costs for patients.

### ***Pursue Selective Acquisitions***

In addition to our internal development efforts, we actively evaluate opportunities to improve and expand our solutions and profitability through strategic acquisitions. Our acquisition strategy focuses on identifying targets that optimize and streamline the healthcare revenue and payment cycle. The acquisitions we have completed in the last four years have reflected our focus on developing next generation product extensions, expanding our core footprint and adding new solutions in potential high growth areas. Our customer footprint affords us the advantage of being able to deploy acquired solutions into our installed base, which, in turn, can help to accelerate growth of our acquired businesses. We believe our management team's proven ability to successfully identify acquisition opportunities that are complementary and synergistic to our business and to integrate them into our existing operations with minimal disruption has played, and will continue to play, an important role in the expansion of our business and in our growth.

### ***Continue to Capitalize on Efficiencies of Scale and Rationalize Costs to Improve Profitability***

We have significant operating leverage as we have been able to spread our fixed costs over an increasing volume of transactions among payers, providers and patients. We believe our revenue growth, coupled with the highly-fixed cost structure associated with our electronic services network, will allow us to increase our margins and profitability. In addition, our management team evaluates and implements initiatives on an ongoing basis to improve our financial and operating performance through cost savings and productivity improvements. Since late 2006, we have adopted a number of programs to streamline our operations, including process and system innovation through integration and consolidation and outsourcing some of our information technology and operations functions.

## **Recent Developments**

In April 2012, we amended the credit agreement governing the senior credit facilities to reprice the senior credit facilities and borrow \$80.0 million of additional term loans for general corporate purposes, including acquisitions. Following this amendment, the LIBOR-based interest rate on the term loan facility is LIBOR plus 3.75%, compared to the previous interest rate of LIBOR plus 5.50%. The new LIBOR-based interest rate on the revolving facility is LIBOR plus 3.50% (with a potential step-down to LIBOR plus 3.25% based on our first lien net leverage ratio), compared to the previous interest rate of LIBOR plus 5.25% (with a potential step-down to LIBOR plus 5.00% based on our first lien net leverage ratio). The term loan facility remains subject to a LIBOR floor of 1.25%, and there continues to be no LIBOR floor on the revolving facility. For a more complete description of the credit agreement governing the senior credit facilities, see [Description of Other Indebtedness - Senior Credit Facilities](#).

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In May 2012, we acquired all of the equity interests of TC3 Health, Inc. ( TC3 ), a technology-enabled provider of cost containment and payment integrity solutions for healthcare payers. Consideration for the transaction was approximately \$61.0 million in cash, which is subject to a customary working capital adjustment.

### **The 2011 Transactions**

On August 3, 2011, Emdeon, Parent and Merger Sub entered into the Merger Agreement, pursuant to which, on November 2, 2011, Merger Sub merged with and into Emdeon, with Emdeon being the surviving corporation following the Merger. As a result of the consummation of the Merger, each share of Class A common stock and Class B common stock of Emdeon, other than (i) shares owned by Emdeon and its wholly-owned subsidiaries and (ii) shares owned by Parent and its subsidiaries, including shares and other equity contributed by certain rollover investors in connection with the Merger, was cancelled and/or converted into the right to receive \$19.00 in cash, without interest and less any applicable withholding taxes. As a result of the Merger, the Investor Group, through the ownership of Parent, indirectly owns all of Emdeon's issued and outstanding shares of capital stock.

The Merger was financed as follows (collectively, the 2011 Transactions ):

Cash held by the Company at the closing of the Merger;

\$1,224.0 million term loan facility;

\$125.0 million revolving facility;

Outstanding 2019 notes;

Outstanding 2020 notes;

\$966.0 million cash capital contribution from the Company's new equity investors;

Contribution by affiliates of Hellman & Friedman of shares of the Company's Class A common stock, par value \$0.00001 ( Class A common stock ), and membership interests in EBS Master LLC ( EBS Master ) in exchange for shares of common stock of Parent ( Parent common stock ); and

Contribution by certain of our senior management team members of a limited number of stock options to acquire shares of Class A common stock in exchange for stock options to acquire shares of Parent common stock.

Subsequent to the 2011 Transactions, in April 2012, the Company amended the credit agreement governing the senior credit facilities to reprice the senior credit facilities and borrow \$80.0 million of additional term loans for general corporate purposes, including acquisitions.

For a more complete description of the 2011 Transactions, see The 2011 Transactions and Description of Other Indebtedness.

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**Our Corporate Structure**

The following chart summarizes our organizational structure as of the date of this prospectus. This chart is provided for illustrative purposes only and does not represent all legal entities of Emdeon and its consolidated subsidiaries.

- (1) Issuer of the outstanding notes and co-borrower under the senior credit facilities.
- (2) Guarantor under the outstanding notes and guarantor or co-borrower under the senior credit facilities.
- (3) Guarantor under the senior credit facilities.
- (4) The outstanding notes are structurally subordinated to indebtedness and other liabilities of our non-guarantor subsidiaries. For the six months ended June 30, 2012, our non-guarantor subsidiaries represented approximately 0.2% of our revenues, and as of June 30, 2012, our non-guarantor subsidiaries represented approximately 0.1% of our total assets (excluding intercompany balances) and approximately 0.1% of our total liabilities.

**Table of Contents****The Investor Group**

*Blackstone.* Founded in 1985 and headquartered in New York, Blackstone is one of the world's leading investment and advisory firms. Blackstone's alternative asset management businesses include the management of private equity funds, real estate funds, hedge funds, solutions, credit-oriented funds and closed-end mutual funds. Assets under management in Blackstone Private Equity Funds totaled \$46.6 billion as of June 30, 2012. Blackstone has extensive experience investing in multiple healthcare sectors. As of June 30, 2012, Blackstone has committed approximately \$6 billion in the sector in 13 transactions having an aggregate value of approximately \$33 billion. Blackstone also provides various financial advisory services, including financial and strategic advisory, restructuring and reorganization advisory and fund placement services. Blackstone seeks to create positive economic impact and long-term value for its investors, the companies it invests in, the companies it advises and the broader global economy. Blackstone is publicly traded on the New York Stock Exchange (NYSE: BX).

*Hellman & Friedman.* Hellman & Friedman is a leading private equity investment firm with offices in San Francisco, New York and London. Since its founding in 1984, Hellman & Friedman has raised and, through its affiliated funds, managed over \$25 billion of committed capital. The firm focuses on investing in superior business franchises and serving as a value-added partner to management in select industries including internet and digital media, software, business and marketing services, financial services, insurance, media, healthcare, and energy and industrials.

**Corporate Information**

Our principal executive offices are located at 3055 Lebanon Pike, Suite 1000, Nashville, Tennessee 37214. Our telephone number at that address is (615) 932-3000. Our corporate website address is <http://www.emdeon.com>. Our website and the information contained on our website are not part of this prospectus.

**Ratio of Earnings to Fixed Charges**

The following table sets forth our ratios of earnings to fixed charges for each of the periods indicated below.

	Predecessor				January	Successor	Successor
	Year Ended December 31,				1	November	Unaudited
	2007	2008	2009	2010	through	2	Six Months
					November 1,	through	Ended
					November 1,	December 31,	June 30,
	2007	2008	2009	2010	2011	2011	2012
<b>Ratio of Earnings to Fixed Charges<sup>(1)</sup></b>	1.46x	1.27x	1.43x	2.03x			

(1) Earnings were inadequate to cover fixed charges for the periods from January 1, 2011 to November 1, 2011, November 2, 2011 to December 31, 2011 and the six months ended June 30, 2012 by \$11.3 million, \$26.9 million and \$80.2 million, respectively.

These ratios are computed by dividing total earnings by total fixed charges. For purposes of calculating the ratio of earnings to fixed charges, earnings generally consist of the sum of pretax income from continuing operations and fixed charges. Fixed charges consist of interest expense, amortized discounts and loan costs related to indebtedness and an estimate of the interest within rental expense.



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### **The Exchange Offers**

*The following summary is provided solely for your convenience and is not intended to be complete. For a more detailed description of the exchange offers, see The Exchange Offers.*

#### **General**

On November 2, 2011, the Issuer issued an aggregate of \$375.0 million in principal amount of 11% Senior Notes due 2019 (CUSIP Nos. 07370U AA8 and U0733B AA4; ISIN Nos. US07370UAA88 and USU0733BAA45) and \$375.0 million in principal amount of 11 <sup>1</sup>/<sub>4</sub>% Senior Notes due 2020 (CUSIP Nos. 07370U AB6 and U0733B AB2; ISIN Nos. US07370UAB61 and USU0733BAB28) in private offerings. In connection with the private offerings, the Issuer and the guarantors entered into registration rights agreements with the initial purchasers in which they agreed, among other things, to complete the exchange offers on or prior to the 365th day following the date of issuance of the outstanding notes.

You are entitled to exchange in the exchange offers your outstanding notes for exchange notes which are identical in all material respects to the outstanding notes except:

the exchange notes have been registered under the Securities Act;

the exchange notes are not entitled to any registration rights which are applicable to the outstanding notes under the registration rights agreements; and

certain additional interest rate provisions will not be applicable to the exchange notes.

#### **The Exchange Offers**

The Issuer is offering to exchange:

\$375.0 million in aggregate principal amount of 11% Senior Notes due 2019, which have been registered under the Securities Act, for any and all of its outstanding 11% Senior Notes due 2019; and

\$375.0 million in aggregate principal amount of 11 <sup>1</sup>/<sub>4</sub>% Senior Notes due 2020, which have been registered under the Securities Act, for any and all of its outstanding 11 <sup>1</sup>/<sub>4</sub>% Senior Notes due 2020.

You may only exchange outstanding notes in a minimum principal amount of \$2,000, or in integral multiples of \$1,000 in excess thereof.

#### **Resale**

Based on an interpretation by the staff of the SEC set forth in no-action letters issued to third parties unrelated to the Issuer, the Issuer believes that the exchange notes issued pursuant to the exchange offers in exchange for outstanding notes may be offered for resale, resold and otherwise transferred by you (unless you are our affiliate within the meaning of Rule 405 under the Securities Act) without compliance with the registration

and prospectus delivery provisions of the Securities Act, provided that:

you are acquiring the exchange notes in the ordinary course of your business; and

you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a

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distribution of the exchange notes within the meaning of the federal securities laws.

We have not submitted a request for a no-action letter to the SEC, and we cannot assure that the SEC would make a similar determination with respect to these exchange offers. If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making activities or other trading activities, you must acknowledge that you will deliver this prospectus in connection with any resale of the exchange notes. See Plan of Distribution.

Any holder of outstanding notes who:

is our affiliate;

does not acquire exchange notes in the ordinary course of its business; or

tenders its outstanding notes in the exchange offers with the intention to participate, or for the purpose of participating, in a distribution of exchange notes;

cannot rely on the position of the staff of the SEC enunciated in *Morgan Stanley & Co. Incorporated* (available June 5, 1991) and *Exxon Capital Holdings Corporation* (available May 13, 1988), as interpreted in the SEC's letter to Shearman & Sterling (available July 2, 1993), or similar no-action letters and, in the absence of an exemption therefrom, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes. If you fail to comply with these requirements you may incur liabilities under the Securities Act, and we will not indemnify you for any such liabilities.

**Expiration Date**

The exchange offers will expire at 5:00 p.m., New York City time, on \_\_\_\_\_, 2012, which is the 21st business day after the date of this prospectus, unless extended by the Issuer. The Issuer may, but does not currently intend to, extend the expiration date.

**Withdrawal**

You may withdraw the tender of your outstanding notes at any time prior to the expiration of the applicable exchange offer. The Issuer will return to you any of your outstanding notes that are not accepted for any reason for exchange, without expense to you, promptly after the expiration or termination of the exchange offers.

**Interest on the Exchange Notes and the Outstanding Notes**

The exchange notes will bear interest at their respective rate per annum set forth on the cover page of this prospectus from the most recent date to which interest has been paid on the outstanding notes. The interest on the exchange 2019 notes will be payable semi-annually on June 30 and December 31 of each year, and the interest on the exchange 2020 notes will be payable quarterly in arrears on each of March 31, June 30, September 30 and December 31 of each year. Holders whose outstanding notes are accepted for exchange will be deemed to have waived the right to receive interest accrued on the outstanding notes.



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### **Conditions to the Exchange Offers**

The exchange offers are subject to customary conditions, which the Issuer may waive. See The Exchange Offers Conditions to the Exchange Offers.

### **Procedures for Tendering Outstanding Notes**

If you wish to participate in the exchange offers, you must complete, sign and date the applicable accompanying letter of transmittal relating to the exchange offers, the form of which is filed as an exhibit to the registration statement of which this prospectus forms a part, or a facsimile of such letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must then mail or otherwise deliver the letter of transmittal, or a facsimile of such letter of transmittal, together with the outstanding notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal.

If you hold outstanding notes through The Depository Trust Company ( DTC ) and wish to participate in the exchange offers, you must comply with the Automated Tender Offer Program procedures of DTC, by which you will agree to be bound by the letter of transmittal. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:

you are not our affiliate within the meaning of Rule 405 under the Securities Act or, if you are our affiliate, that you will comply with any applicable registration and prospectus delivery requirements of the Securities Act;

you do not have an arrangement or understanding with any person or entity to participate in the distribution of the exchange notes;

you are acquiring the exchange notes in the ordinary course of your business; and

if you are a broker-dealer that will receive exchange notes for your own account in exchange for outstanding notes that were acquired as a result of market-making activities or other trading activities, that you will deliver a prospectus, as required by law, in connection with any resale of such exchange notes.

### **Special Procedures for Beneficial Owners**

If you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender those outstanding notes in the exchange offers, you should contact the registered holder promptly and instruct the registered holder to tender those outstanding notes on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your outstanding notes, either make appropriate arrangements to register ownership of the outstanding notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.

### **Guaranteed Delivery Procedures**

If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your



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outstanding notes, the letter of transmittal or any other required documents, or you cannot comply with the applicable procedures under DTC's Automated Tender Offer Program for transfer of book-entry interests, prior to the expiration date, you must tender your outstanding notes according to the guaranteed delivery procedures set forth in the section entitled "The Exchange Offer - Guaranteed Delivery Procedures."

**Effect on Holders of Outstanding Notes**

As a result of the making of the exchange offers hereby, and upon acceptance for exchange of all validly tendered outstanding notes pursuant to the terms of the exchange offers, the Issuer and the guarantors will have fulfilled a covenant under the applicable registration rights agreement. Accordingly, there will be no increase in the interest rate on the outstanding notes under the circumstances described in the registration rights agreements. If you do not tender your outstanding notes in the exchange offers, you will continue to be entitled to all the rights and limitations applicable to the outstanding notes as set forth in the applicable indenture, except the Issuer and the guarantors will not have any further obligation to you to provide for the exchange and registration of the outstanding notes under the applicable registration rights agreement. To the extent that outstanding notes are tendered and accepted in the exchange offers, the trading market for remaining outstanding notes that are not so tendered and exchanged could be adversely affected.

**Consequences of Failure to Exchange**

All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with the exchange offers, the Issuer and the guarantors do not currently anticipate that they will register the outstanding notes under the Securities Act.

**Dissenters' Rights**

Holders of outstanding notes do not have any appraisal or dissenters' rights in connection with the exchange offer.

**Certain Material United States Federal Income Tax Considerations** The exchange of outstanding notes in the exchange offers will not be a taxable event for United States federal income tax purposes. See "Certain Material United States Federal Income Tax Considerations."

**Use of Proceeds**

The Issuer will not receive any cash proceeds from the issuance of exchange notes in the exchange offers. See "Use of Proceeds."

**Exchange Agent**

Wilmington Trust, National Association is the exchange agent for the exchange offers (the "exchange agent"). The addresses and telephone numbers of the exchange agent are set forth in the section entitled "The Exchange Offers - Exchange Agent."

**Table of Contents****The Exchange Notes**

*The terms of the exchange notes are identical in all material respects to the terms of the outstanding notes, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreements. The exchange notes will evidence the same debt as the outstanding notes. The exchange notes will be governed by the same indentures under which the outstanding notes were issued. The following summary is not intended to be a complete description of the terms of the exchange notes. For a more detailed description of the Notes, see Description of the Exchange 2019 Notes and Description of the Exchange 2020 Notes.*

<b>Issuer</b>	Emdeon Inc.
<b>Notes Offered</b>	\$375.0 million in aggregate principal amount of 11% Senior Notes due 2019 and \$375.0 million in aggregate principal amount of 11 1/4% Senior Notes due 2020.
<b>Maturity Date</b>	The exchange 2019 notes and the exchange 2020 notes will mature on December 31, 2019 and December 31, 2020, respectively.
<b>Interest</b>	The exchange 2019 notes and the exchange 2020 notes will bear interest at a rate of 11% and 11 1/4% per annum, respectively.
<b>Interest Payment Dates</b>	The interest on the exchange 2019 notes will be payable semi-annually on June 30 and December 31 of each year, and the interest on the exchange 2020 notes will be payable quarterly in arrears on each of March 31, June 30, September 30 and December 31 of each year.
<b>Ranking</b>	<p>The exchange notes will be our unsecured senior obligations and will:</p> <ul style="list-style-type: none"> <li>rank equally in right of payment to all of our existing and future senior indebtedness, including indebtedness under our senior credit facilities;</li> <li>rank senior in right of payment to any of our future subordinated obligations;</li> <li>be effectively subordinated to all of our existing and future secured obligations, including our senior credit facilities, to the extent of the value of the collateral securing such secured obligations; and</li> <li>be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of our non-guarantor subsidiaries.</li> </ul>
<b>Guarantees</b>	The exchange notes will be guaranteed on a senior unsecured basis by each of Emdeon's existing and subsequently acquired or organized direct or indirect wholly-owned United



States restricted subsidiaries to the extent such entities guarantee our senior credit facilities or our other indebtedness or indebtedness of any guarantor. These guarantees are subject to release under specified circumstances. See Description of the Exchange 2019 Notes and Description of the Exchange 2020 Notes. The guarantee of each guarantor will be an unsecured senior obligation of that guarantor and will rank:

equal in right of payment with all existing and future senior unsecured indebtedness of that guarantor, including such guarantor's guarantee of exchange notes and our senior credit facilities;

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senior in right of payment with all future subordinated indebtedness of that guarantor;

effectively subordinated to all existing and future secured obligations of that guarantor, including such guarantor's guarantee of indebtedness under our senior credit facilities, to the extent of the value of the collateral securing such indebtedness; and

structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, of our non-guarantor subsidiaries, including our non-United States subsidiaries.

For the six months ended June 30, 2012, our non-guarantor subsidiaries represented approximately 0.2% of our revenues, and as of June 30, our non-guarantor subsidiaries represented approximately 0.1% of our total assets (excluding intercompany balances) and approximately 0.1% of our total liabilities, respectively.

### **Optional Redemption**

We may redeem the exchange notes, in whole or in part, at any time prior to December 31, 2015 at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus the make-whole premium described in the sections entitled Description of the Exchange 2019 Notes (in the case of the exchange 2019 notes) and Description of the Exchange 2020 Notes (in the case of the exchange 2020 notes). We may redeem the exchange notes, in whole or in part, at any time on and after December 31, 2015, at the redemption prices listed in the sections entitled Description of the Exchange 2019 Notes (in the case of the exchange 2019 notes) and Description of the Exchange 2020 Notes (in the case of the exchange 2020 notes), plus accrued and unpaid interest, if any, to the redemption date.

Additionally, at any time before December 31, 2014, we may redeem up to 35% of the aggregate principal amount of the exchange notes at the redemption prices listed in the sections entitled Description of the Exchange 2019 Notes Optional Redemption (in the case of the exchange 2019 notes) and Description of the Exchange 2020 Notes Optional Redemption (in the case of the exchange 2020 notes), plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds that we raise in one or more equity offerings; provided that at least 50% of the aggregate principal amount of the exchange notes originally issued under the applicable indenture (including any additional notes) remain outstanding under such indenture immediately after the occurrence of such redemption and the redemption occurs within 180 days of the closing date of any such equity offering.

### **Change of Control**

Upon the occurrence of specific kinds of a change of control, if we do not redeem the exchange notes, you will have the right, as holders of the exchange notes, to require us to repurchase some or all of your exchange notes at 101% of their principal amount, plus accrued and unpaid interest to the repurchase date. See Description of the Exchange 2019 Notes and Description of the Exchange 2020 Notes.

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We may not be able to pay you the required price for exchange notes you present to us at the time of a change of control because:

we may not have enough funds at that time; or

the terms of our indebtedness under our senior credit facilities may prevent us from making such payment and we may be unable to obtain a waiver of such terms or refinance the senior credit facilities.

**Asset Disposition Offer**

If we or our restricted subsidiaries sell assets, under certain circumstances, then we will be required to use the net proceeds to make an offer to purchase exchange notes at an offer price in cash in an amount equal to 100% of the principal amount of the exchange notes, plus accrued and unpaid interest to, but not including, the repurchase date. See Description of the Exchange 2019 Notes Asset Sales and Description of the Exchange 2020 Notes Asset Sales.

**Certain Covenants**

The exchange notes will be governed by the same indentures under which the outstanding notes were issued. The indentures governing the exchange notes contain covenants that, among other things, will limit our ability and the ability of certain of our subsidiaries to:

pay dividends on our capital stock or redeem, repurchase or retire our capital stock;

incur additional indebtedness or issue certain capital stock;

incur certain liens;

make investments, loans, advances and acquisitions;

consolidate, merge or transfer of all or substantially all or substantially all of our assets and the assets of our subsidiaries;

prepay subordinated debt;

engage in certain transactions with our affiliates; and

enter into agreements restricting our restricted subsidiaries ability to pay dividends.

These covenants are subject to a number of important limitations and exceptions. See Description of the Exchange 2019 Notes Certain Covenants and Description of the Exchange 2020 Notes Certain Covenants.

**No Established Market**

The exchange notes are securities for which there is no established public market. We currently do not intend to have the exchange notes listed on a national securities exchange or included in any automated quotation system.

**Certain Material ERISA Considerations**

The exchange notes may, subject to certain restrictions described in the section entitled Certain Material ERISA Considerations, be sold and transferred to Plans (as defined below) subject to ERISA (as defined below) or Section 4975 of the Code (as defined below). See Certain Material ERISA Considerations.

**Risk Factors**

You should consider carefully the information set forth in the section entitled Risk Factors and all other information contained in this prospectus before deciding to exchange the exchange notes.

**Table of Contents****Summary Historical Consolidated Financial Data**

The summary information in the following tables should be read in conjunction with Use of Proceeds, The 2011 Transactions, Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and related notes included elsewhere in this prospectus.

The summary historical financial data presented below for, and as of the end of, fiscal years ended December 31, 2009, 2010 and 2011 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical financial data presented below for, and as of the end of the six month period ended June 30, 2011 and 2012 have been derived from our unaudited consolidated financial statements included in this prospectus. Our historical results for any prior period are not necessarily indicative of results to be expected in any future period.

On November 2, 2011, Merger Sub merged with and into Emdeon, which resulted in a change in basis of the Company's assets and liabilities. Periods prior to the Merger and this change in basis are referred to as Predecessor and periods after the Merger are referred to as Successor. As a result of the Merger and the resulting change in basis of the Company's assets and liabilities, the Predecessor and Successor period financial data is not comparable.

	Predecessor		January 1 through	Successor November 2 through	Predecessor Unaudited	Successor Unaudited
	Year Ended December 31,	Year Ended December 31,	November 1,	December 31,	Six Months Ended June	Six Months Ended June
	2009	2010	2011	2011	2011	2012
	(In thousands)					
<b>Statement of Operations Data: <sup>(1)</sup></b>						
Revenues	\$ 918,448	\$ 1,002,152	\$ 929,264	\$ 190,384	\$ 553,610	\$ 580,503
Costs and expenses:						
Cost of operations	562,636	612,367	572,541	117,421	342,026	357,756
Development and engineering	30,539	30,638	26,090	5,153	16,130	16,252
Sales, marketing, general and administrative	118,996	116,947	111,463	21,778	67,263	72,072
Depreciation and amortization	105,321	124,721	128,761	29,094	76,956	91,782
Accretion				2,459		12,346
Transaction related costs			66,625	17,857		
Total costs and expenses	817,492	884,673	905,480	193,762	502,375	550,208
Operating income	100,956	117,479	23,784	(3,378)	51,235	30,295
Interest expense	70,171	61,017	43,201	29,343	25,275	88,641
Loss on extinguishment of debt						21,853
Other	(519)	(9,284)	(8,036)	(5,843)	(3,638)	
Income (loss) before income taxes	31,304	65,746	(11,381)	(26,878)	29,598	(80,199)
Income tax provision (benefit)	17,301	32,579	8,201	(10,185)	13,095	(27,272)
Net income (loss)	14,003	33,167	(19,582)	(16,693)	16,503	(52,927)
Net income attributable to noncontrolling interest	4,422	13,621	5,109		6,309	
Net income (loss) attributable to Emdeon Inc.	\$ 9,581	\$ 19,546	\$ (24,691)	\$ (16,693)	\$ 10,194	\$ (52,927)



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	As of December 31,			As of June 30,	
	2009	2010	2011	2011	2012
<b>Balance Sheet Data:</b> <sup>(1)</sup>					
Cash and cash equivalents	\$ 211,999	\$ 99,188	\$ 37,925	\$ 122,460	\$ 52,388
Total assets	2,229,413	2,491,565	3,832,315	2,513,833	3,848,482
Total debt <sup>(2)</sup>	840,682	946,243	1,961,108	948,714	2,023,852
Tax receivable obligation to related parties <sup>(3)</sup>	142,044	142,279	117,810	139,424	130,042
Total equity	\$ 979,869	\$ 1,055,288	\$ 1,103,789	\$ 1,086,109	\$ 1,052,437

- (1) As a result of our history of business combinations, our financial position and results of operations may not be comparable for each of the periods presented.
- (2) Our debt at December 31, 2009, 2010 and 2011 and June 30, 2011 and 2012, is reflected net of unamortized debt discount of approximately \$53.3 million, \$42.6 million, \$58.5 million, \$35.9 million and \$54.5 million, respectively, related to original loan fees and purchase accounting adjustments to discount the debt to fair value. Total debt as of December 31, 2009, 2010 and 2011 and June 30, 2011 and 2012 includes an obligation of approximately \$37.6 million, \$40.3 million, \$30.6 million, \$40.3 million and \$30.6 million, respectively related to our data sublicense agreement.
- (3) In connection with the Merger, the tax receivable obligation to related parties was recorded at fair value with future payments expected to total approximately \$353.2 million. In the Predecessor periods, the liability was recorded at total expected future payments.

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### **RISK FACTORS**

*You should carefully consider the risks described below before making a decision whether to participate in the exchange offers. You should carefully consider the factors described below, and the other information contained in this prospectus, when evaluating us and our business and before you participate in the exchange offers. We believe that the following information identifies the material risks and uncertainties affecting the Company and the exchange notes, but it is possible that other risks and uncertainties might significantly impact us and the value of the exchange notes. Additional risks and uncertainties not presently known to us also may materially and adversely affect our business operations and the value of the exchange notes. Any of the following risks could materially adversely affect our business, financial condition or results of operations.*

#### **Risks Associated with the Exchange Offers**

***If you fail to follow the procedures of the exchange offers, your outstanding notes will not be accepted for exchange.***

We will not accept your outstanding notes for exchange if you do not follow the procedures of the exchange offers. We will issue the exchange notes as part of the exchange offers only after timely receipt of your outstanding notes, a properly completed and duly executed letter of transmittal and all other required documents or if you comply with the guaranteed delivery procedures for tendering your outstanding notes. Therefore, if you want to tender your outstanding notes, please allow sufficient time to ensure timely delivery. If we do not receive your outstanding notes, letter of transmittal and all other required documents by the expiration date of the exchange offers, or you do not otherwise comply with the guaranteed delivery procedures for tendering your outstanding notes, we will not accept your outstanding notes for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of exchange notes for exchange. If there are defects or irregularities with respect to your tender of outstanding notes, we will not accept your exchange notes for exchange unless we decide in our sole discretion to waive such defects or irregularities.

***If you choose not to exchange your outstanding notes in the exchange offers, the transfer restrictions currently applicable to your outstanding notes will remain in force and you may have difficulty selling the outstanding notes that you do not exchange.***

If you do not exchange your outstanding notes for exchange notes in the exchange offers, then you will continue to be subject to the transfer restrictions on the outstanding notes as set forth in the applicable offering memorandum distributed in connection with the private offering of the outstanding notes. In general, the outstanding notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except in connection with the exchange offers, we do not intend to register resales of the outstanding notes under the Securities Act.

***You may suffer adverse consequences if you do not exchange your outstanding notes.***

The outstanding notes that are not exchanged for exchange notes have not been registered with the SEC or in any state. Unless the outstanding notes are registered, they only may be offered and sold pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the Securities Act. Depending upon the percentage of outstanding notes exchanged for exchange notes, the liquidity of the outstanding notes may be adversely affected, which may have an adverse effect on the price of the outstanding notes.

***Broker-dealers or holders of outstanding notes may become subject to the registration and prospectus delivery requirements of the Securities Act.***

Any broker-dealer that exchanges its outstanding notes in the exchange offers for the purpose of participating in a distribution of the exchange notes or resells exchange notes that were received by it for its own



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account in the exchange offer may be deemed to have received restricted securities and may be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction by that broker-dealer. Any profit on the resale of the exchange notes and any commission or concessions received by a broker-dealer may be deemed to be underwriting compensation under the Securities Act. In addition to broker-dealers, any holder of notes that exchanges its outstanding notes in the exchange offer for the purpose of participating in a distribution of the exchange notes may be deemed to have received restricted securities and may be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction by that holder.

*Your ability to transfer the exchange notes may be limited by the absence of an active trading market, and there can be no assurance that any active trading market will develop, or if developed, be maintained, for the exchange notes.*

The exchange notes are securities for which there is no established public market. We do not intend to have the exchange notes listed on a national securities exchange or included in any automated quotation system. Therefore, an active market for any of the exchange notes may not develop or, if developed, it may not continue. The liquidity of any market for the exchange notes will depend upon the number of holders of the exchange notes, our performance, the market for similar securities, the interest of securities dealers in making a market in the exchange notes and other factors. A liquid trading market may not develop for the exchange notes. If an active market does not develop or is not maintained, the price and liquidity of the exchange notes may be adversely affected. The market, if any, for any of the exchange notes may not be free from disruptions and any such disruptions may adversely affect the prices at which you may sell your exchange notes. In addition, the exchange notes may trade at a discount from their value on the date you acquired the exchange notes or the outstanding notes (as applicable), depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

## **Risks Relating to Our Business**

*We face significant competition for our solutions.*

The markets for our various solutions are intensely competitive, continually evolving and, in some cases, subject to rapid technological change. We face competition from many healthcare information systems companies and other technology companies within segments of the healthcare information technology and services markets. We also compete with certain of our customers that provide internally some of the same solutions that we offer. Our key competitors include: (i) healthcare transaction processing companies, including those providing electronic data interchange ( EDI ), and/or internet-based services and those providing services through other means, such as paper and fax; (ii) healthcare information system vendors that support providers and their revenue and payment cycle management and clinical information exchange processes, including physician and dental practice management, hospital information and electronic medical record system vendors; (iii) large information technology and healthcare consulting service providers; (iv) health insurance companies, pharmacy benefit management companies, hospital management companies and pharmacies that provide or are developing electronic transaction and payment distribution services for use by providers and/or by their members and customers; (v) healthcare focused print and mail vendors; (vi) financial institutions and payment processors that have invested in healthcare data management assets; and (vii) government program eligibility and enrollment services companies. In addition, major software, hardware, information systems and business process outsourcing companies, both with and without healthcare companies as their partners, offer or have announced their intention to offer products or services that are competitive with solutions that we offer.

Within certain of the markets in which we operate, we face competition from entities that are significantly larger and have greater financial resources than we do and have established reputations for success. Other companies have targeted these markets for growth, including by developing new technologies utilizing internet-based systems. We may not be able to compete successfully with these companies and these or other competitors may commercialize products, services or technologies that render our products, services or technologies obsolete or less marketable.

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*Some of our customers compete with us and some, instead of using a third party provider, perform internally some of the same services that we offer.*

Some of our existing customers compete with us or may plan to do so or belong to alliances that compete with us or plan to do so, either with respect to the same solutions we provide to them or with respect to some of our other lines of business. For example, some of our payer customers currently offer through affiliated clearinghouses, web portals and other means electronic data transmission services to providers that allow the provider to bypass third party EDI service providers such as us, and additional payers may do so in the future. The ability of payers to replicate our solutions may adversely affect the terms and conditions we are able to negotiate in our agreements with them and our transaction volume with them, which directly relates to our revenues. We may not be able to maintain our existing relationships for connectivity services with payers or develop new relationships on satisfactory terms, if at all. In addition, some of our solutions allow payers and providers to outsource business processes that they have been or could be performing internally and, in order for us to be able to compete, use of our solutions must be more efficient for them than use of internal resources.

*If we are unable to retain our existing customers, our business, financial condition and results of operations could suffer.*

Our success depends substantially upon the retention of our customers, particularly due to our transaction-based, recurring revenue model. We may not be able to retain some of our existing customers if we are unable to continue to provide solutions that our payer customers believe enable them to achieve improved efficiencies and cost-effectiveness, and that our provider and pharmacy customers believe allow them to more effectively manage their revenue cycle, increase reimbursement rates and improve cash flows. We also may not be able to retain customers if our electronic and/or paper-based solutions contain errors or otherwise fail to perform properly, if our pricing structure is no longer competitive or upon expiration of our contracts. Historically, we have enjoyed high customer retention rates; however, we may not be able to maintain high retention rates in the future. Our transaction-based, recurring revenues depend in part upon maintaining this high customer retention rate, and if we are unable to maintain our historically high customer retention rate, our business, financial condition and results of operations could be adversely impacted.

*If we are unable to connect to a large number of payers and providers, our solutions would be limited and less desirable to our customers.*

Our business largely depends upon our ability to connect electronically to a substantial number of payers, such as insurance companies, Medicare and Medicaid agencies and pharmacy benefit managers, and providers, such as hospitals, physicians, dentists, laboratories and pharmacies. The attractiveness of some of the solutions we offer to providers, such as our claims management and submission services, depends in part on our ability to connect to a large number of payers, which allows us to streamline and simplify workflows for providers. These connections may either be made directly or through a clearinghouse. We may not be able to maintain our links with a large number of payers on terms satisfactory to us and we may not be able to develop new connections, either directly or through other clearinghouses, on satisfactory terms. The failure to maintain these connections could cause our solutions to be less attractive to our provider customers. In addition, our payer customers view our connections to a large number of providers as essential in allowing them to receive a high volume of transactions and realize the resulting cost efficiencies through the use of our solutions. Our failure to maintain existing connections with payers, providers and other clearinghouses or to develop new connections as circumstances warrant, or an increase in the utilization of direct links between payers and providers, could cause our electronic transaction processing systems to be less desirable to healthcare constituents, which would reduce the number of transactions that we process and for which we are paid, resulting in a decrease in revenues and an adverse effect on our financial condition and results of operations.

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***The failure to maintain our relationships with our channel partners or significant changes in the terms of the agreements we have with them may have an adverse effect on our ability to successfully market our solutions.***

We have entered into contracts with our channel partners to market and sell some of our solutions. Most of these contracts are on a non-exclusive basis. However, under contracts with some of our channel partners, we may be bound by provisions that restrict our ability to market and sell our solutions to potential customers. Our arrangements with some of these channel partners involve negotiated payments to them based on percentages of revenues they generate. If the payments prove to be too high, we may be unable to realize acceptable margins, but if the payments prove to be too low, the channel partners may not be motivated to produce a sufficient volume of revenues. The success of these contractual arrangements will depend in part upon the channel partners' own competitive, marketing and strategic considerations, including the relative advantages of using alternative products being developed and marketed by them or our competitors. If any of these channel partners are unsuccessful in marketing our solutions or seek to amend the financial or other terms of the contracts we have with them, we will need to broaden our marketing efforts to increase focus on the solutions they sell and alter our distribution strategy, which may divert our planned efforts and resources from other projects. In addition, as part of the packages these channel partners sell, they may offer a choice to their customers between solutions that we supply and similar solutions offered by our competitors or by the channel partners directly. If our solutions are not chosen for inclusion in these packages, the revenues we earn from our channel partner relationships will decrease. Lastly, we could be subject to claims and liability, as a result of the activities, products or services of these channel partners or other resellers of our solutions. Even if these claims do not result in liability to us, investigating and defending these claims could be expensive, time-consuming and result in adverse publicity that could harm our business.

***Our business and future success may depend on our ability to cross-sell our solutions.***

Our ability to generate revenue and growth partly depends on our ability to cross-sell our solutions to our existing customers and new customers. We expect our ability to successfully cross-sell our solutions will be one of the most significant factors influencing our growth. We may not be successful in cross-selling our solutions because our customers may find our additional solutions unnecessary or unattractive. Our failure to sell additional solutions to existing customers could affect our ability to grow our business.

***We have faced and will continue to face increasing pressure to reduce our prices, which may reduce our margins, profitability and competitive position.***

As electronic transaction processing further penetrates the healthcare market or becomes highly standardized, competition among electronic transaction processors is increasingly focused on pricing. This competition has placed, and could place further, intense pressure on us to reduce our prices in order to retain market share. If we are unable to reduce our costs sufficiently to offset declines in our prices, or if we are unable to introduce new innovative offerings with higher margins, our results of operations could decline.

In addition, many healthcare industry constituents are consolidating to create integrated healthcare delivery systems with greater market power. As provider networks, such as hospitals, and payer organizations, such as private insurance companies, consolidate competition to provide the types of solutions we provide will become more intense, and the importance of establishing and maintaining relationships with key healthcare industry constituents will become more significant. These healthcare industry constituents have, in the past, and may, in the future, try to use their market power to negotiate price reductions for our solutions. If we are forced to reduce prices, our margins will decrease and our results of operations will decline, unless we are able to achieve corresponding reductions in expenses.

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***Our ability to generate revenue could suffer if we do not continue to update and improve our existing solutions and develop new ones.***

We must improve the functionality of our existing solutions in a timely manner and introduce new and valuable healthcare information technology and service solutions in order to respond to technological and regulatory developments and, thereby, retain existing customers and attract new ones. For example, from time to time, government agencies may alter format and data code requirements applicable to electronic transactions. We may not be successful in responding to technological and regulatory developments and changing customer needs. The pace of change in the markets we serve is rapid, and there are frequent new product and service introductions by our competitors and channel partners who use our solutions in their offerings. If we do not respond successfully to technological and regulatory changes and evolving industry standards, our solutions may become obsolete. Technological changes also may result in the offering of competitive solutions at lower prices than we are charging for our solutions, which could result in our losing sales unless we lower the prices we charge. If we do lower our prices on some of our solutions, we will need to increase our margins on these solutions in order to maintain our overall profitability. In addition, the solutions we develop or license may not be able to compete with the alternatives available to our customers.

***Our business will suffer if we fail to successfully integrate acquired businesses and technologies or to appropriately assess the risks in particular transactions.***

We have historically acquired and, in the future, plan to acquire, businesses, technologies, services, product lines and other assets. The successful integration of any businesses and assets we acquire into our operations, on a cost-effective basis, can be critical to our future performance. The amount and timing of the expected benefits of any acquisition, including potential synergies, are subject to significant risks and uncertainties. These risks and uncertainties include, but are not limited to, those relating to:

our ability to maintain relationships with the customers of the acquired business;

our ability to cross-sell solutions to customers with which we have established relationships and those with which the acquired businesses have established relationships;

our ability to retain or replace key personnel of the acquired business;

potential conflicts in payer, provider, pharmacy, vendor or marketing relationships;

our ability to coordinate organizations that are geographically diverse and may have different business cultures; and

compliance with regulatory requirements.

We cannot guarantee that any acquired businesses will be successfully integrated with our operations in a timely or cost-effective manner, or at all. Failure to successfully integrate acquired businesses or to achieve anticipated operating synergies, revenue enhancements or cost savings could have an adverse effect on our business, financial condition and results of operations.

Although our management attempts to evaluate the risks inherent in each transaction and to evaluate acquisition candidates appropriately, we may not properly ascertain all such risks and the acquired businesses and assets may not perform as we expect or enhance the value of our company as a whole. Acquired companies or businesses also may have larger than expected liabilities that are not covered by the indemnification, if any, that we are able to obtain from the sellers. Furthermore, the historical financial statements of the companies we have acquired or may acquire in the future are prepared by management of such companies and are not independently verified by our management. In addition, any pro forma financial statements prepared by us to give effect to such acquisitions may not accurately reflect the results of operations of such companies that would have been achieved had the acquisition of such entities been completed at the beginning of the applicable periods. Finally, we cannot assure you that we will continue to acquire businesses at valuations consistent with our prior acquisitions or that we will complete acquisitions at all.



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*Achieving market acceptance of new or updated solutions is necessary in order for them to become profitable and will likely require significant efforts and expenditures.*

Our future financial results will depend in part on whether our new or updated solutions receive sufficient customer acceptance. These solutions include, without limitation:

electronic billing, payment and remittance services for payers and providers that complement our existing paper-based patient billing and payment and payment distribution services;

electronic prescriptions from healthcare providers to pharmacies and pharmacy benefit managers;

our other pre- and post-adjudication services for payers and providers;

payment integrity and fraud, waste and abuse services for payers and providers;

government program eligibility and enrollment services for providers;

accounts receivable management, denial management, appeals and collection improvement services for providers;

healthcare and information technology consulting services for payers; and

decision support, clinical information exchange or other business intelligence solutions.

Achieving market acceptance for new or updated solutions is likely to require substantial marketing efforts and expenditure of significant funds to create awareness and demand by constituents in the healthcare industry. In addition, deployment of new or updated solutions may require the use of additional resources for training our existing sales force and customer service personnel and for hiring and training additional salespersons and customer service personnel. Failure to achieve broad penetration in target markets with respect to new or updated solutions could have an adverse effect on our business prospects and financial results.

***A prolonged economic downturn and volatility could have a material adverse effect on our business, financial condition and results of operations.***

The United States economy experienced a significant economic downturn and volatility during recent years. We are unable to predict the likely duration or ultimate severity of the recent economic downturn and continuing volatility. A prolonged or further weakening of economic conditions could lead to reductions in demand for our solutions. For example, for the years ended December 31, 2011 and 2010, our revenues were adversely affected by the impact of lower healthcare utilization trends driven by continued high unemployment and other economic factors. Further, weakened economic conditions or another recession could reduce the amount of income patients are able to spend on healthcare services. As a result, patients may elect to delay or forgo seeking healthcare services, which could further reduce healthcare utilization and our transaction volumes or decrease payer and provider demand for our solutions. Also, prolonged high unemployment rates could cause commercial payer membership to decline which also could lessen healthcare utilization and decrease our transaction volumes. In addition, as a result of volatile economic conditions, we may experience the negative effects of increased financial pressures on our payer and provider customers. For instance, our business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure and a decline in our customers' credit worthiness, which could result in us incurring increased bad debt expense. If we are not able to timely and appropriately adapt to changes resulting from a weak economic environment, our business, results of operations and financial condition may be materially and adversely affected.

*There are increased risks of performance problems during times when we are making significant changes to our solutions or to systems we use to provide services. In addition, implementation of our solutions and cost savings initiatives may cost more, may not provide the benefits expected, may take longer than anticipated or may increase the risk of performance problems.*

In order to respond to technological and regulatory changes and evolving industry standards, our solutions must be continually updated and enhanced. The software and systems that we sell and use to provide services are

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inherently complex and, despite testing and quality control, we cannot be certain that errors will not be found in any changes, enhancements, updates and new versions that we market or use. Even if new or modified solutions do not have performance problems, our technical and customer service personnel may have difficulties in installing them or in providing any necessary training and support to customers.

Implementation of changes in our technology and systems may cost more or take longer than originally expected and may require more testing than initially anticipated. While new hardware and software will be tested before it is used in production, we cannot be sure that the testing will uncover all problems that may occur in actual use. If significant problems occur as a result of these changes, we may fail to meet our contractual obligations to customers, which could result in claims being made against us or in the loss of customer relationships. In addition, changes in our technology and systems may not provide the additional functionality or other benefits that were expected.

In addition, we also periodically implement efficiency measures and other cost saving initiatives to improve our operating performance. These efficiency measures and other cost saving initiatives may not provide the benefits anticipated or do so in the time frame expected. Implementation of these measures also may increase the risks of performance problems due to unforeseen impacts on our organization, systems and processes.

***Disruptions in service or damages to our data or other operation centers, or other software or systems failures, could adversely affect our business.***

Our data centers and operation centers are essential to our business. Our operations depend on our ability to maintain and protect our computer systems, many of which are located in our primary data centers that we operate in Memphis and Nashville, Tennessee. We also operate several satellite data centers that we plan to consolidate over time to our primary data centers. Our business and results of operations are also highly dependent on our print and mail operations, which are primarily conducted in Bridgeton, Missouri and Toledo, Ohio. We conduct business continuity planning and maintain insurance against fires, floods, other natural disasters and general business interruptions to mitigate the adverse effects of a disruption, relocation or change in operating environment; however, the situations we plan for and the amount of insurance coverage may not be adequate in any particular case. The occurrence of any of these events could result in interruptions, delays or cessations in service to users of our solutions, which could impair or prohibit our ability to provide our solutions, reduce the attractiveness of our solutions to our customers and adversely impact our financial condition and results of operations.

In addition, despite the implementation of security measures, our infrastructure, data centers or systems that we interface with, including the internet and related systems, may be vulnerable to physical break-ins, hackers, improper employee or contractor access, computer viruses, programming errors, denial-of-service attacks, terrorist attacks or other attacks by third parties or similar disruptive problems. Any of these events can cause system failure, including network, software or hardware failure, which can result in service disruptions or increased response time for our solutions. As a result, we may be required to expend significant capital and other resources to protect against security breaches and hackers or to alleviate problems caused by such breaches. The occurrence of any of these events also could disrupt our business and operations or harm our brand and reputation, either of which could adversely affect our financial condition and operating results.

We also rely on a limited number of suppliers to provide us with a variety of solutions, including telecommunications and data processing services necessary for our transaction services and processing functions and software developers for the development and maintenance of certain software products we use to provide our solutions. If these suppliers do not fulfill their contractual obligations or choose to discontinue their products or services, our business and operations could be disrupted, our brand and reputation could be harmed and our financial condition and operating results could be adversely affected.



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*We may be liable to our customers and may lose customers if we provide poor service, if our solutions do not comply with our agreements or if our software products or transmission systems contain errors or experience failures.*

We must meet our customers' service level expectations and our contractual obligations with respect to our solutions. Failure to do so could subject us to liability, as well as cause us to lose customers. In some cases, we rely upon third party contractors to assist us in providing our solutions. Our ability to meet our contractual obligations and customer expectations may be impacted by the performance of our third party contractors and their ability to comply with applicable laws and regulations. For example, our electronic payment and remittance solutions depend in part on the ability of our vendors to comply with applicable banking and financial service requirements and their failure to do so could cause an interruption in the solutions we provide or require us to seek alternative solutions or relationships.

Errors in the software and systems we provide to customers or use to provide our solutions also could cause serious problems for our customers. In addition, because of the large amount of data we collect and manage, it is possible that hardware failures and errors in our systems would result in data loss or corruption or cause the information that we collect to be incomplete or contain inaccuracies that our customers could regard as significant. For example, errors in our transaction processing systems can result in payers paying the wrong amount, making payments to the wrong payee or delaying payments. Since some of our solutions relate to laboratory ordering and reporting and electronic prescriptions, an error in our systems also could result in injury to a patient. If problems like these occur, our customers may seek compensation from us or may seek to terminate their agreements with us, withhold payments due to us, seek refunds from us of part or all of the fees charged under our agreements, request a loan or advancement of funds or initiate litigation or other dispute resolution procedures. In addition, we may be subject to claims against us by others affected by any such problems.

Our activities and the activities of our third party contractors involve the storage, use and transmission of financial and personal health information. Accordingly, security breaches of our or their computer systems or at our print and mail operation centers could expose us to a risk of loss or litigation, government enforcement actions and contractual liabilities. We cannot be certain that contractual provisions attempting to limit our liability in these areas will be successful or enforceable, or that other parties will accept such contractual provisions as part of our agreements. Any security breaches also could impact our ability to provide our solutions, as well as impact the confidence of our customers in our solutions, either of which could have an adverse effect on our business, financial condition and results of operations.

We attempt to limit, by contract, our liability for damages arising from our negligence, errors, mistakes or security breaches. However, contractual limitations on liability may not be enforceable or may otherwise not provide sufficient protection to us from liability for damages. We maintain liability insurance coverage, including coverage for errors and omissions. It is possible, however, that claims could exceed the amount of our applicable insurance coverage, if any, or that this coverage may not continue to be available on acceptable terms or in sufficient amounts. Even if these claims do not result in liability to us, investigating and defending against them could be expensive and time consuming and could divert management's attention away from our operations. In addition, negative publicity caused by these events may negatively impact market acceptance of our solutions, including unrelated solutions, or may harm our reputation and our business.

### ***Recent and future developments in the healthcare industry could adversely affect our business***

Almost all of our revenue is either derived from the healthcare industry or could be affected by changes in healthcare spending. The healthcare industry is highly regulated and subject to changing political, legislative, regulatory and other influences. In March 2010, the President signed into law PPACA. As enacted, PPACA will change how healthcare services are covered, delivered and reimbursed through expanded coverage of uninsured individuals, reduced Medicare program spending and insurance market reforms. By January 2014, PPACA requires states to expand Medicaid coverage significantly and establish health insurance exchanges to facilitate

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the purchase of health insurance by individuals and small employers and provides subsidies to states to create non-Medicaid plans for certain low-income residents. As further described below, however, the United States Supreme Court recently ruled that states may opt out of the Medicaid expansion provisions. Effective in 2014, PPACA imposes penalties on individuals who do not obtain health insurance and employers that do not provide health insurance to their employees. PPACA also sets forth several insurance market reforms, including increased dependent coverage, prohibitions on excluding individuals based on pre-existing conditions and mandated minimum medical loss ratios for health plans. In addition, PPACA provides for significant new taxes, including an industry user tax paid by health insurance companies beginning in 2014, as well as an excise tax on health insurers and employers offering high cost health coverage plans. PPACA also imposes significant Medicare Advantage funding cuts and material reductions to Medicare and Medicaid program spending. PPACA further provides for additional resources to combat healthcare fraud, waste and abuse and also requires the United States Department of Health and Human Services ( HHS ) to adopt standards for electronic transactions in addition to those required under Health Insurance Portability and Accountability Act of 1996 ( HIPAA ) and to establish operating rules to promote uniformity in the implementation of each standardized electronic transaction. In addition, several states are considering, or may consider, legislative proposals that could affect our business or that of our customers.

If implemented as enacted and if states do not opt out of the Medicaid expansion provisions, the provisions of PPACA that are designed to expand health coverage potentially could result in an overall increase in transactions for our business and demand for our solutions; however, our customers may attempt to reduce spending to offset the increased costs associated with meeting the various PPACA insurance market reforms. Likewise, as the Medicare payment reductions and other reimbursement changes impact our customers, our customers may attempt to seek price concessions from us or reduce their use of our solutions. Thus, PPACA may result in a reduction of expenditures by customers or potential customers in the healthcare industry, which could have an adverse effect on our business, financial condition and results from operations. Further, we may experience increased costs from responding to new standardized transaction and implementation rules and our customers' needs.

While many of the provisions of PPACA will not be directly applicable to us, PPACA, as enacted, will affect the business of our payer, provider and pharmacy customers and also will affect the Medicaid programs of the states with which we have contracts. Numerous lawsuits have challenged the constitutionality of PPACA. On June 28, 2012, the United States Supreme Court upheld the constitutionality of PPACA except for provisions that would have allowed HHS to penalize states that did not implement the Medicaid expansion provisions with the loss of existing federal Medicaid funding. Because states that do not implement the Medicaid expansion will forego funding established by PPACA to cover most of the expansion costs, it is unclear how many states will decline to implement the Medicaid expansion. Further, repeal or modification of PPACA has become a theme in political campaigns during the 2012 election year. Due to these factors, we are unable to predict with any reasonable certainty or otherwise quantify the likely impact of PPACA on our business model, financial condition or results of operations.

Moreover, currently there are numerous federal, state and private initiatives and studies seeking ways to increase the use of information technology in healthcare as a means of improving care and reducing costs. These initiatives may result in additional or costly legal or regulatory requirements that are applicable to us and our customers, may encourage more companies to enter our markets, may provide advantages to our competitors and may result in the development of technology solutions that compete with ours. Any such initiatives may result in a reduction of expenditures by customers or potential customers in the healthcare industry, which could have an adverse effect on our business.

In addition, other general reductions in expenditures by healthcare industry constituents could result from, among other things:

government regulation or private initiatives that affect the manner in which providers interact with patients, payers or other healthcare industry constituents, including changes in pricing or means of delivery of healthcare solutions;

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reductions in governmental funding for healthcare, in addition to reductions required by PPACA, such as reductions resulting from the Budget Control Act of 2011 ( BCA ). Pursuant to BCA, a bipartisan joint Congressional committee was created to identify additional deficit reductions. Because the committee failed to propose a plan to cut the deficit by an additional \$1.2 trillion by the November 2011 deadline, BCA requires automatic spending reductions of \$1.2 trillion for federal fiscal years 2013 through 2021, minus any deficit reductions enacted by Congress and debt service costs; and

adverse changes in business or economic conditions affecting payers, providers, pharmaceutical companies, medical device manufacturers or other healthcare industry constituents.

Even if general expenditures by healthcare industry constituents remain the same or increase, other developments in the healthcare industry may result in reduced spending on information technology and services or in some or all of the specific markets we serve or are planning to serve. In addition, our customers' expectations regarding pending or potential healthcare industry developments also may affect their budgeting processes and spending plans with respect to the types of solutions we provide. For example, use of our solutions could be affected by:

changes in the billing patterns of providers;

changes in the design of health insurance plans;

changes in the contracting methods payers use in their relationships with providers; and

decreases in marketing expenditures by pharmaceutical companies or medical device manufacturers, as a result of governmental regulation or private initiatives that discourage or prohibit promotional activities by pharmaceutical or medical device companies. For example, PPACA includes a requirement that manufacturers of drugs and medical devices annually report to HHS anything of value given by such manufacturers to physicians, beginning March 31, 2013.

The healthcare industry has changed significantly in recent years, and we expect that significant changes will continue to occur. The timing and impact of developments in the healthcare industry are difficult to predict. Furthermore, we are unable to predict how providers, payers, pharmacies and other healthcare market participants will respond to the various reform provisions contained in PPACA, many of which will not be implemented for several years and could be delayed, repealed or blocked. We cannot be sure that the markets for our solutions will continue to exist at current levels or that we will have adequate technical, financial and marketing resources to react to changes in those markets.

### ***Government regulation creates risks and challenges with respect to our compliance efforts and our business strategies.***

The healthcare industry is highly regulated and subject to changing political, legislative, regulatory and other influences. Many healthcare laws are complex, and their application to specific services and relationships may not be clear. In particular, many existing healthcare laws and regulations, when enacted, did not anticipate the healthcare information solutions that we provide, and these laws and regulations may be applied to our solutions in ways that we do not anticipate. PPACA, as enacted, and other federal and state proposals to reform or revise aspects of the healthcare industry or to revise or create additional statutory and regulatory requirements, if implemented, could impact our operations, the use of our solutions and our ability to market new solutions, or could create unexpected liabilities for us. We also may be impacted by non-healthcare laws as a result of some of our solutions. For example, laws, regulations and industry standards regulating the banking and financial services industry may impact our operations as a result of the electronic payment and remittance services we offer directly or through third party vendors. We are unable to predict what changes to laws or regulations might be made in the future or how those changes could affect our business or the costs of compliance.

We have attempted to structure our operations to comply with legal requirements applicable to us directly and to our customers and third party contractors, but there can be no assurance that our operations will not be

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challenged or impacted by enforcement initiatives. Any determination by a court or agency that our solutions violate, or cause our customers to violate, applicable laws or regulations could subject us or our customers to civil or criminal penalties. Such a determination also could require us to change or terminate portions of our business, disqualify us from serving customers who are or do business with government entities, or cause us to refund some or all of our service fees or otherwise compensate our customers. In addition, failure to satisfy laws or regulations could adversely affect demand for our solutions and could force us to expend significant capital, research and development and other resources to address the failure. Even an unsuccessful challenge by regulatory authorities or private whistleblowers could result in loss of business, exposure to adverse publicity and injury to our reputation and could adversely affect our ability to retain and attract customers. Laws and regulations impacting our operations include the following:

*HIPAA and Other Privacy and Security Requirements.* There are numerous federal and state laws and regulations related to the privacy and security of personal health information. In particular, regulations promulgated pursuant to HIPAA established privacy and security standards that limit the use and disclosure of individually identifiable health information and require the implementation of administrative, physical and technological safeguards to ensure the confidentiality, integrity and availability of individually identifiable health information in electronic form. Health plans, healthcare clearinghouses and most providers are considered by the HIPAA regulations to be Covered Entities. With respect to our operations as a healthcare clearinghouse, we are directly subject to the privacy regulations established under HIPAA ( Privacy Standards ) and the security regulations established under HIPAA ( Security Standards ). In addition, our payer and provider customers are considered to be Covered Entities and are required to enter into written agreements with us, known as Business Associate agreements, under which we are considered to be a Business Associate and that require us to safeguard individually identifiable health information and restrict how we may use and disclose such information. Effective February 2010, American Recovery and Reinvestment Act of 2009 ( ARRA ) extended the direct application of certain provisions of the Privacy Standards and Security Standards to us when we are functioning as a Business Associate of our payer or provider customers. In addition, in July 2010, HHS published a notice of proposed rulemaking to modify the Privacy Standards, Security Standards and enforcement rules to align with the statutory changes in ARRA, which would require substantially all of our Business Associate agreements to be re-contracted within eighteen months of the final rule. To date, final regulations have not been issued on this matter. If the final regulations require re-contracting of our Business Associate agreements, then we will be required to apply additional resources to the re-contracting process and our affected customers in complying with this rule.

Violations of the Privacy Standards and Security Standards may result in civil and criminal penalties, and ARRA increased the penalties for HIPAA violations and strengthened the enforcement provisions of HIPAA. Recently, enforcement activities appear to have increased, and ARRA further increased such enforcement activities. For example, as required by ARRA, HHS is completing a pilot program involving audits of up to 115 Covered Entities by the end of 2012. In addition, ARRA authorizes state attorneys general to bring civil actions seeking either injunctions or damages in response to violations of Privacy Standards and Security Standards that threaten the privacy of state residents.

*Data Protection and Breaches.* In recent years, there have been a number of well-publicized data breaches involving the improper dissemination of personal information of individuals both within and outside of the healthcare industry. Many states have responded to these incidents by enacting laws requiring holders of personal information to maintain safeguards and take certain actions in response to a data breach, such as providing prompt notification of the breach to affected individuals. In many cases, these laws are limited to electronic data, but states are increasingly enacting or considering stricter and broader requirements. Covered Entities must report breaches of unsecured protected health information to affected individuals without unreasonable delay but not to exceed 60 days following discovery of the breach by a Covered Entity or its agents. Notification also must be made to HHS and, in certain circumstances involving large breaches, to the media. Business Associates must report breaches of unsecured protected health information to Covered Entities within 60 days of discovery of

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the breach by the Business Associate or its agents. In addition, the Federal Trade Commission ( FTC ) has prosecuted certain data breach cases as unfair and deceptive acts or practices under the Federal Trade Commission Act. Further, by regulation, the FTC requires creditors, which may include some of our customers, to implement identity theft prevention programs to detect, prevent and mitigate identity theft in connection with customer accounts. Although Congress passed legislation that restricts the definition of creditor and exempts many healthcare providers from complying with this rule, we may be required to apply additional resources to our existing process to assist our affected customers in complying with this rule. We have implemented and maintain physical, technical and administrative safeguards intended to protect all personal data and have processes in place to assist us in complying with all applicable laws and regulations regarding the protection of this data and properly responding to any security breaches or incidents; however, we cannot be sure that these safeguards are adequate to protect all personal data or assist us in complying with all applicable laws and regulations regarding the protection of personal data and responding to any security breaches or incidents.

*HIPAA Transaction and Identifier Standards.* HIPAA and its implementing regulations mandate format, data content and provider identifier standards that must be used in certain electronic transactions, such as claims, payment advice and eligibility inquiries. Although our systems are fully capable of transmitting transactions that comply with these requirements, some payers and healthcare clearinghouses with which we conduct business interpret HIPAA transaction requirements differently than we do or may require us to use legacy formats or include legacy identifiers as they transition to full compliance. PPACA, however, requires HHS to establish operating rules to promote uniformity in the implementation of each standardized electronic transaction. Where payers or healthcare clearinghouses require conformity with their interpretations or require us to accommodate legacy transactions or identifiers as a condition of successful transactions, we seek to comply with their requirements, but may be subject to enforcement actions as a result. In January 2012, HHS issued a final rule establishing uniform standards that health plans must use by no later than January 1, 2014 for electronic fund transfers with providers. In addition, PPACA requires HHS to establish standards for health claims attachment transactions.

In January 2009, the Centers for Medicare and Medicaid Services ( CMS ) published a final rule adopting updated standard code sets for diagnoses and procedures known as the ICD-10 code sets. A separate final rule also published by CMS in January 2009 resulted in changes to the formats to be used for electronic transactions known as Version 5010. The use of Version 5010 became mandatory on January 1, 2012, but CMS delayed enforcement until July 1, 2012. The use of the ICD-10 code sets is required by October 1, 2013, but HHS has proposed to extend this deadline by one year. We have been modifying and will continue to modify our systems and processes to prepare for and implement these changes. We may not be successful in responding to these changes and any responsive changes we make to our transactions and software may result in errors or otherwise negatively impact our service levels. We also may experience complications related to supporting customers that are not fully compliant with the revised requirements as of the applicable compliance and/or enforcement date. In addition, the compliance dates for ICD-10 code sets may overlap with the adoption of the operating rules as mandated by PPACA, which may further burden our resources.

Similar to the provider identifier standards, known as the national provider identifier ( NPI ), CMS has proposed a unique health plan identifier that health plans would be required to use and an other entity identifier that entities involved in health care transactions that are not health plans, providers or individuals could opt to use. If these proposals are finalized, we may be required to modify our systems to accommodate these identifiers.

*Electronic Health Records.* ARRA provides for Medicare and Medicaid incentive payments for eligible hospitals and eligible professionals to adopt and meaningfully use certified electronic health records ( EHR ) technology. Beginning in 2015, eligible hospitals and eligible professionals who fail to attest to the meaningful use of EHR technology will face reductions in Medicare payments. These incentives and the risk of reduced Medicare payments promote the adoption of EHR technology which may impact our business.

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*Anti-Kickback and Anti-Bribery Laws.* A number of federal and state laws govern patient referrals, financial relationships with physicians and other referral sources and inducements to providers and patients, including restrictions contained in amendments to the Social Security Act, commonly known as the federal Anti-Kickback Law. The federal Anti-Kickback Law prohibits any person or entity from offering, paying, soliciting or receiving, directly or indirectly, anything of value with the intent of generating referrals of patients covered by Medicare, Medicaid or other federal healthcare programs. Many states also have similar anti-kickback laws that are not necessarily limited to items or services for which payment is made by a federal healthcare program. Moreover, both federal and state laws forbid bribery and similar behavior. Any determination by a state or federal regulatory agency that any of our activities or those of our customers or vendors violate any of these laws could subject us to civil or criminal penalties, could require us to change or terminate some portions of our business, could require us to refund a portion of our service fees, could disqualify us from providing services to customers who are or do business with government programs and could have an adverse effect on our business. Even an unsuccessful challenge by regulatory authorities of our activities could result in adverse publicity and could require a costly response from us.

*False or Fraudulent Claim Laws.* There are numerous federal and state laws that prohibit false or fraudulent claims. False or fraudulent claims include, but are not limited to, billing for services not rendered, failing to refund known overpayments, misrepresenting actual services rendered, improper coding and billing for medically unnecessary items or services. The federal False Claims Act ( FCA ) and some state false claims laws contain whistleblower provisions that allow private individuals to bring actions on behalf of the government alleging that the defendant has defrauded the government. Whistleblowers, the federal government and some courts have taken the position that entities that have violated other statutes, such as the federal Anti-Kickback Law, have thereby submitted false claims under the FCA. We rely on our customers to provide us with accurate and complete information. Errors and the unintended consequences of data manipulations by us or our systems with respect to entry, formatting, preparation or transmission of claim information may be determined or alleged to be in violation of these laws and regulations or could adversely impact the compliance of our customers.

*Financial Services Related Laws and Rules.* Financial services and electronic payment processing services are subject to numerous laws, regulations and industry standards, some of which may impact our operations and subject us, our vendors and our customers to liability as a result of the payment distribution and processing solutions we offer. Although we do not act as a bank, we offer solutions that involve banks, or vendors who contract with banks and other regulated providers of financial services. As a result, we may be impacted by banking and financial services industry laws, regulations and industry standards, such as licensing requirements, solvency standards, requirements to maintain the privacy and security of nonpublic personal financial information and Federal Deposit Insurance Corporation deposit insurance limits. In addition, our patient billing and payment distribution and processing solutions may be impacted by payment card association operating rules, certification requirements and rules governing electronic funds transfers. If we fail to comply with applicable payment processing rules or requirements, we may be subject to fines and changes in transaction fees and may lose our ability to process credit and debit card transactions or facilitate other types of billing and payment solutions. Moreover, payment transactions processed using the Automated Clearing House Network ( ACH ) are subject to network operating rules promulgated by the National Automated Clearing House Association and to various federal laws regarding such operations, including laws pertaining to electronic funds transfers, and these rules and laws may impact our billing and payment solutions. Further, our solutions may impact the ability of our payer customers to comply with state prompt payment laws. These laws require payers to pay healthcare claims meeting the statutory or regulatory definition of a clean claim to be paid within a specified time frame.

*United States Postal Service Laws and Regulations.* Our patient statements and payment services solutions provide mailing services primarily delivered through the United States Postal Service ( USPS ). Although we generally pass these costs through to our customers, postage is the largest

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component of our costs of operations. Postage rates are dependent on the operating efficiencies of the USPS and legislative and regulatory mandates imposed on the USPS as a result of various fiscal and political factors. Accordingly, new USPS laws or regulations, including changes in the interpretation of existing regulations, changes in the operations of USPS or future rate increases, may negatively impact our business and results of operations. In addition, we rely on significant discounts from the basic USPS postage rate structure, which could be changed or discontinued at any time. While we cannot predict the timing or magnitude of such changes, the current economic and political environment is likely to lead to further rate increases and/or changes in the operations, policies and regulatory interpretations of the USPS. Because we may be unable to implement changes mandated by the USPS in our operations or pass such rate increases through to our customers, any failure or alleged failure to comply with applicable laws and regulations, or any adverse applications of, or changes in, the USPS laws and regulations affecting our business, could have a material adverse effect on our operating results and/or financial condition.

***Legislative changes may impede our ability to utilize our off-shore service capabilities.***

In our operations, we have contractors located outside of the United States who may have access to patient health information in order to assist us in performing services for our customers. From time to time, the United States Congress considers legislation that would restrict the transmission of personally identifiable information regarding a United States resident to any foreign affiliate, subcontractor or unaffiliated third party without adequate privacy protections or without providing notice to the identifiable individual of the transmission and an opportunity to opt out. Some of the proposals considered would have required patient consent and imposed liability on healthcare businesses arising from the improper sharing or other misuse of personally identifiable information. Congress also has considered creating a private civil cause of action that would allow an injured party to recover damages sustained as a result of a violation of these proposed restrictions. A number of states also have considered, or are in the process of considering, prohibitions or limitations on the disclosure of medical or other personal information to individuals or entities located outside of the United States. If legislation of this type is enacted, our ability to utilize off-shore resources may be impeded, and we may be subject to sanctions for failure to comply with the new mandates of the legislation. In addition, the enactment of such legislation could result in such work being performed at a lower margin of profitability, or even at a loss. Further, as a result of concerns regarding the possible misuse of personally identifiable information, some of our customers have contractually limited our ability to use our off-shore resources. Use of off-shore resources may increase our risk of violating our contractual obligations to our customers to protect the privacy and security of individually identifiable health information provided to us, which could adversely impact our reputation and operating results.

***Failure by our customers to obtain proper permissions or provide us with accurate and appropriate data may result in claims against us or may limit or prevent our use of data which could harm our business.***

We require our customers to provide necessary notices and obtain necessary permissions for the use and disclosure of the information that we receive. If they do not provide necessary notices or obtain necessary permissions, then our use and disclosure of information that we receive from them or on their behalf may be limited or prohibited by state or federal privacy or other laws. Such failures by our customers could impair our functions, processes and databases that reflect, contain or are based upon such data. For example, as part of our claims submission services, we rely on our customers to provide us with accurate and appropriate data and directives for our actions. While we have implemented features and safeguards designed to maximize the accuracy and completeness of claims content, these features and safeguards may not be sufficient to prevent inaccurate claims data from being submitted to payers. In addition, such failures by our customers could interfere with or prevent creation or use of rules, analyses or other data-driven activities that benefit us. Accordingly, we may be subject to claims or liability for inaccurate claims data submitted to payers or for use or disclosure of information by reason of lack of valid notice or permission. These claims or liabilities could damage our reputation, subject us to unexpected costs and adversely affect our financial condition and operating results.

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*Certain of our solutions present the potential for embezzlement, identity theft or other similar illegal behavior by our employees or contractors with respect to third parties.*

Among other things, our solutions include printing and mailing checks and/or facilitating electronic funds transfers for our payer customers and handling mail and payments from payers and from patients for many of our provider customers. These services frequently include handling original checks and/or credit card information and occasionally may include currency. Even in those cases in which we do not facilitate payments or handle original documents or mail, our services also involve the use and disclosure of personal and business information that could be used to impersonate third parties or otherwise gain access to their data or funds. If any of our employees or contractors takes, converts or misuses such funds, documents or data, or we experience a data breach creating a risk of identity theft, we could be liable for damages, and our business reputation could be damaged or destroyed. In addition, we could be perceived to have facilitated or participated in illegal misappropriation of funds, documents or data and, therefore, be subject to civil or criminal liability. Federal and state regulators may take the position that a data breach or misdirection of data constitutes an unfair or deceptive act or trade practice. We also may be required to notify individuals affected by any data breaches. Further, a data breach or similar incident could impact the ability of our customers that are creditors to comply with the federal "red flags" rules, which require the implementation of identity theft prevention programs to detect, prevent and mitigate identity theft in connection with customer accounts.

*Contractual relationships with customers that are governmental agencies or are funded by government programs may impose special burdens on us and provide special benefits to those customers.*

A portion of our revenues comes from customers that are governmental agencies or are funded by government programs. Our contracts and subcontracts may be subject to some or all of the following:

termination when appropriated funding for the current fiscal year is exhausted;

termination for the governmental customer's convenience, subject to a negotiated settlement for costs incurred and profit on work completed, along with the right to place contracts out for bid before the full contract term, as well as the right to make unilateral changes in contract requirements, subject to negotiated price adjustments;

compliance and reporting requirements related to, among other things, agency specific policies and regulations, equal employment opportunity, affirmative action for veterans and workers with disabilities and accessibility for the disabled;

broad audit rights; and

specialized remedies for breach and default, including setoff rights, retroactive price adjustments and civil or criminal fraud penalties, as well as mandatory administrative dispute resolution procedures instead of state contract law remedies.

In addition, certain violations of federal and state law may subject us to having our contracts terminated and, under certain circumstances, suspension and/or debarment from future government contracts. We also are subject to conflict-of-interest rules that may affect our eligibility for some federal, state and local government contracts, including rules applicable to all United States government contracts, as well as rules applicable to the specific agencies with which we have contracts or with which we may seek to enter into contracts.

*The protection of our intellectual property requires substantial resources.*

We rely upon a combination of trade secret, copyright and trademark laws, license agreements, confidentiality procedures, nondisclosure agreements and technical measures to protect the intellectual property used in our business. The steps we have taken to protect and enforce our proprietary rights and intellectual property may not be adequate. For instance, we may not be able to secure trademark or service mark registrations for marks in the United States or in foreign countries or take similar steps to secure patents for our proprietary





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applications. Third parties may infringe upon or misappropriate our copyrights, trademarks, service marks and other intellectual property rights. If we believe a third party has misappropriated our intellectual property, litigation may be necessary to enforce and protect those rights, which would divert management resources, would be expensive and may not effectively protect our intellectual property. As a result, if anyone infringes or misappropriates our intellectual property, it may have an adverse effect on our business, financial condition and results of operations.

***Third parties may claim that we are infringing their intellectual property, and we could suffer significant litigation or licensing expenses or be prevented from selling certain solutions.***

We could be subject to claims that we are misappropriating or infringing intellectual property or other proprietary rights of others. These claims, even if not meritorious, could be expensive to defend and divert management's attention from our operations. If we become liable to third parties for infringing these rights, we could be required to pay a substantial damage award and to develop non-infringing technology, obtain a license or cease selling the solutions or services that use or contain the infringing intellectual property. We may be unable to develop non-infringing solutions or obtain a license on commercially reasonable terms, or at all. We also may be required to indemnify our customers if they become subject to third party claims relating to intellectual property that we license or otherwise provide to them, which could be costly.

***A write-off of all or a part of our identifiable intangible assets or goodwill would adversely affect our operating results and reduce our net worth.***

We have significant identifiable intangible assets and goodwill, which represents the excess of the total consideration transferred in connection with the Merger over the estimated fair value of the net assets acquired. As of June 30, 2012, we had \$1,786.0 million of identifiable intangible assets and \$1,483.0 million of goodwill on our balance sheet, which represented in excess of 85.0% of our total assets. We amortize identifiable intangible assets over their estimated useful lives which range from 1 to 20 years. We also evaluate our goodwill for impairment at least annually. We are not permitted to amortize goodwill under United States generally accepted accounting principles. In the event an impairment of goodwill is identified, a charge to earnings would be recorded. Although it does not affect our cash flow, a write-off in future periods of all or a part of these assets would adversely affect our financial condition and operating results. See Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Goodwill and Intangible Assets.

***Our success depends in part on our ability to identify, recruit and retain skilled management, including our executive officers, and technical personnel. If we fail to recruit and retain suitable candidates or if our relationship with our employees changes or deteriorates, there could be an adverse effect on our business.***

Our future success depends upon our continuing ability to identify, attract, hire and retain highly qualified personnel, including skilled management, product, technology, sales and marketing personnel, all of whom are in high demand and are often subject to competing offers. In particular, our executive officers are critical to the management of our business. The loss of any of our executive officers could impair our ability to execute our business plan and growth strategy, reduce revenues, cause us to lose customers, or lead to employee morale problems and/or the loss of key employees. Competition for qualified personnel in the healthcare information technology and services industry is intense, and we may not be able to hire or retain a sufficient number of qualified personnel to meet our requirements, or be able to do so at salary, benefit and other compensation costs that are acceptable to us. A loss of a substantial number of qualified employees, or an inability to attract, retain and motivate additional highly skilled employees required for expansion of our business, could have an adverse effect on our business. In addition, while none of our employees are currently unionized, unionization of our employees is possible in the future. Such unionizing activities could be costly to address and, if successful, likely would adversely impact our operations.

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***Lengthy sales, installation and implementation cycles for some of our solutions may result in delays or an inability to generate revenues from these solutions.***

Sales of certain complex solutions and applications may result in longer sales, contracting and implementation cycles for our customers. These sales may be subject to delays due to customers' internal procedures for deploying new technologies and processes and implementation may be subject to delays based on the availability of the internal customer resources needed. The use of our solutions also may be delayed due to reluctance to change or modify existing procedures. We are unable to control many of the factors that will influence the timing of the buying decisions of potential customers or the pace at which installation and training may occur. If we experience longer sales, contracting and implementation cycles for our solutions, we may experience delays in generating, or an inability to generate revenue from these solutions, which could have an adverse effect on our financial results.

***We may be a party to legal, regulatory and other proceedings that could result in unexpected adverse outcomes.***

From time to time, we are a party to legal and regulatory proceedings, including matters involving governmental agencies with whom we do business and other proceedings arising in the ordinary course of business. In addition, there are an increasing number of investigations and proceedings in the health care industry generally that seek recovery under HIPAA, the federal Anti-Kickback Law, the FCA and other statutes and regulations applicable to our business. We also may be impacted by non-healthcare laws affecting our business, such as employment, banking and financial services and USPS laws and regulations. We evaluate our exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with United States generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Although not currently anticipated by management, unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have a material adverse impact on our financial results.

## **Risks Related to our Organization and Structure**

***We are a holding company and our principal asset is our ownership of equity interests in our subsidiaries; accordingly, we are dependent upon distributions from our subsidiaries to pay any dividends, taxes and any other expenses.***

We are a holding company and our principal asset is our ownership of equity interests in our subsidiaries. We have no independent means of generating revenue. We intend to cause our subsidiaries to make distributions to us as the direct or indirect holder of 100% of the equity interests of such subsidiaries in amounts sufficient to make payments in respect of the term loan facility, revolving facility, the notes and our other outstanding indebtedness, including payments required under our tax receivable agreements (as discussed below). To the extent that we need funds and our subsidiaries are unable or otherwise restricted from making such distributions under applicable law or regulation, as a result of the terms in our credit agreements or are otherwise unable to provide such funds, it could adversely affect our liquidity and financial condition.

***The amounts we will be required to pay under our tax receivable agreements could be significant and, in certain circumstances, could differ significantly (in both timing and amount) from the underlying tax benefits we actually realize.***

In connection with the Company's August 2009 initial public offering (the "IPO"), the Company entered into tax receivable agreements which obligated the Company to make payments to certain current and former owners of the Company, including affiliates of General Atlantic LLC ("General Atlantic"), Hellman & Friedman and certain members of management, equal to 85% of the applicable cash savings that the Company realizes as a result of tax attributes arising from certain previous transactions, including the 2011 Transactions. In connection with the 2011 Transactions, General Atlantic assigned its rights under the tax receivable agreements to affiliates of Blackstone (Blackstone, together with affiliates of Hellman & Friedman and certain current and former members of management, are hereinafter sometimes referred to collectively as the "TRA Members").

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The payments we are required to make under the tax receivable agreements could be substantial. The amount and timing of any payments under the tax receivable agreements will vary depending upon a number of factors, including the determination of the actual amount of step up in tax basis arising as a result of the Merger, the allocation of that step up among the assets of our subsidiaries, the amount and timing of the taxable income we generate in the future and the tax rate then applicable. We expect that, assuming no material changes in tax law and that we earn sufficient taxable income to realize the full potential tax benefit, future payments will range from \$0.2 million to \$59.9 million per year over the next 18 years. It is possible that future transactions or events could increase or decrease the actual tax benefits realized and the corresponding payments due under the tax receivable agreements. As of June 30, 2012, we expected total payments under the tax receivable agreements of \$353.2 million. \$130.0 million of this amount, which included the initial fair value of the tax receivable agreement obligations plus accretion to date, was reflected as an obligation on the balance sheet at June 30, 2012.

There may be circumstances in which the payments under the tax receivable agreements may differ significantly (in both timing and amount) from the underlying tax benefits we actually realize. Pursuant to the tax receivable agreements, upon a covered change of control, we could be required to make payments that significantly exceed our actual cash tax savings from the tax benefits giving rise to such payments. Moreover, upon a covered change of control or initial public offering, we will have the option to terminate the tax receivable agreements in exchange for a lump-sum payment (based on an assumption that all expected potential tax benefits actually will be realized). In addition, under the tax receivable agreements, the TRA Members will not reimburse us for any payments previously made if such tax benefits are subsequently disallowed, except that excess payments made to the TRA Members will be netted against payments otherwise to be made, if any, after our determination of such excess. As a result, in such circumstances, we could make payments under the tax receivable agreements that are greater than our actual cash tax savings and may not be able to recoup those payments. Furthermore, because we are a holding company with no operations of our own, our ability to make payments under the tax receivable agreements is substantially dependent on the ability of our subsidiaries to make distributions to us. To the extent that we are unable to make payments under the tax receivable agreements for any reason, such payments will be deferred and will accrue interest until paid.

Any difference between the payments we are required to make under the tax receivable agreements and the underlying tax benefits we actually realize could adversely affect our results of operations and/or our liquidity.

### ***We are controlled by the Investor Group, whose interests may conflict with ours or yours as a creditor.***

We are controlled by the Investor Group, which includes affiliates of Blackstone and Hellman & Friedman. The Investor Group controls the election of our directors and thereby have the power to control our affairs and policies, including the appointment of management. Circumstances may occur in which the interests of the Investor Group could be in conflict with our interests. The Investor Group may have an interest in pursuing acquisitions, divestitures, financing or other transactions, including, but not limited to, the issuance of additional debt or equity and the declaration and payment of dividends, that, in their judgment, could enhance their equity investments, even though such transactions may involve risk to us or to you as a holder of the notes. The Investor Group does not have any liability for any obligations under or relating to the notes and their interests may be in conflict with yours. Additionally, the Investor Group may make investments in businesses that directly or indirectly compete with us, or may pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. For information concerning our arrangements with the Investor Group, including affiliates of Blackstone and Hellman & Friedman, see Management and Certain Relationships and Related Party Transactions.

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### **Risks Related to Our Indebtedness and the Notes**

*Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under the senior credit facilities or notes.*

As of June 30, 2012, our total debt was \$2,078.3 million (before the deduction of unamortized debt discount of \$54.5 million), comprised of \$1,297.7 million of senior secured indebtedness under our term loan facility, \$375.0 million of indebtedness under outstanding 2019 notes, \$375.0 million of indebtedness under outstanding 2020 notes and \$30.7 million of indebtedness under our data sublicense agreement. Additionally, we had \$125.0 million of unutilized capacity under our revolving facility. If we cannot generate sufficient cash flow from operations to service our debt, we may need to refinance our debt, dispose of assets or issue equity to obtain necessary funds. We do not know whether we will be able to take any of such actions on a timely basis or on terms satisfactory to us or at all.

Our high degree of leverage could have important consequences, including:

making it more difficult for us to make payments on the senior credit facilities and the outstanding notes;

increasing our vulnerability to general economic and industry conditions;

requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;

exposing us to the risk of increased interest rates as certain of our borrowings under our senior credit facilities are at variable rates of interest;

restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;

limiting our ability to adjust to changing market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged; and

increasing our cost of borrowing.

Borrowings under our senior credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. Due to a floor on the floating rate index of 1.25% under the term loan facility, a 0.125% increase in the floating rates on the funded amounts under our senior credit facility would have had only a negligible impact on our annual cash interest expense. Assuming all revolving loans are drawn under the revolving facility, a 0.125% change in the floating rate would result in an additional \$0.2 million increase in our annual cash interest expense. In January 2012, we entered into interest rate swaps that involve the exchange of floating for fixed rate interest payments that partially reduced our exposure to interest rate volatility. However, we may not maintain these interest rate swaps as currently structured with respect to our variable rate indebtedness, and any future additional swaps we enter into may not fully mitigate our interest rate risk.

In addition, the credit agreement governing the senior credit facilities and the indentures governing the notes contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt.

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***Despite our substantial indebtedness, we may still be able to incur significantly more debt. The incurrence of additional debt could increase the risks associated with our substantial leverage, including our ability to service our indebtedness.***

We and our subsidiaries may be able to incur significant additional indebtedness in the future. Although the indentures governing the notes and the credit agreement governing our senior credit facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. If we incur any additional indebtedness that ranks equally with the notes, subject to collateral arrangements, the holders of that debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our Company. Such additional indebtedness may have the effect of reducing the amount of proceeds paid to you. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness.

The credit agreement governing the senior credit facilities provides that, subject to certain conditions, we may request additional tranches of term loans, increase commitments under the revolving facility or the term loan facility or add one or more incremental revolving facility tranches (provided that the revolving credit commitments outstanding at any time have no more than three different maturity dates) in an aggregate amount not to exceed (a) \$300.0 million plus (b) an unlimited amount at any time, subject to compliance on a pro forma basis with a first lien net leverage ratio of no greater than 4.00:1.00. Availability of such additional tranches of term loans or revolving facilities and/or increased commitments is subject to, among other conditions, the absence of any default under the credit agreement governing the senior credit facilities and the receipt of commitments by existing or additional financial institutions.

***We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the senior credit facilities and the notes. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, seek additional capital, restructure or refinance our indebtedness, including the senior credit facilities and the notes, or sell assets. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The credit agreement governing the senior credit facilities and the indentures restrict our ability to use the proceeds from asset sales. We may not be able to consummate those asset sales to raise capital or sell assets at prices that we believe are fair and proceeds that we do receive may not be adequate to meet any debt service obligations then due. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit ratings, which could harm our ability to incur additional indebtedness. See Description of the Exchange 2019 Notes and Description of the Exchange 2020 Notes and Description of Other Indebtedness.

***The outstanding notes are not, and the exchange notes will not be, secured by any of our assets and are effectively subordinated to our secured debt. Our senior credit facilities are secured and, therefore, the lenders thereunder will have a prior claim on substantially all of our assets and those of our guarantors.***

The outstanding notes are not, and the exchange notes will not, be secured by any of our assets, or those of any guarantor. Our senior credit facilities, however, are secured by a security interest in substantially all of the

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tangible and intangible assets of us and of each guarantor, including a pledge of all of our capital stock, the capital stock of substantially all of our existing and certain future wholly-owned United States restricted subsidiaries (with certain exceptions including immaterial subsidiaries) and 65% of the capital stock of certain of our foreign restricted subsidiaries, subject in each case to the exclusion of certain assets and additional exceptions. The lenders under our senior credit facilities are entitled to accelerate all obligations thereunder if we become insolvent or are liquidated, or if we otherwise default on any of our obligations and agreements under our senior credit facilities. If payment under any of the instruments governing our secured debt is accelerated, the lenders under these instruments will be entitled to exercise the remedies available to a secured lender under applicable law and pursuant to instruments governing such debt. Accordingly, the lenders under our senior credit facilities will have a prior claim on our assets (and those of the guarantors under our senior credit facilities). In that event, because the notes will not be secured by any of our or the guarantors' assets, it is possible that our and the guarantors' remaining assets might be insufficient to satisfy the claims of our noteholders in full. Any such exercise of the lenders' remedies under our senior credit facilities could impede or preclude our ability to continue to operate as a going concern.

As of June 30, 2012, we had \$2,078.3 million of total consolidated indebtedness (before unamortized discount), of which \$1,328.8 million (including our capital leases) was secured indebtedness as defined in the indentures governing the notes. We also may incur additional secured indebtedness as permitted under the agreements governing our senior secured credit facilities and other existing instruments governing our indebtedness.

***We will continue to require a significant amount of cash to service our indebtedness. The ability to generate cash or refinance our indebtedness as it becomes due depends on many factors, some of which are beyond our control.***

Emdeon is a holding company, and as such has no independent operations or material assets other than its ownership of equity interests in its subsidiaries, and its subsidiaries' contractual arrangements with customers, and it will continue to depend on its subsidiaries to distribute funds to it so that it may pay its obligations and expenses, including satisfying its obligations under the notes. The ability of the Issuer to make scheduled payments on, or to refinance its respective obligations under, its indebtedness, including the notes, and to fund planned capital expenditures and other corporate expenses will depend on the ability of its subsidiaries to make distributions, dividends or advances to it, which in turn will depend on their future operating performance and on economic, financial, competitive, legislative, regulatory and other factors and any legal and regulatory restrictions on the payment of distributions and dividends to which they may be subject. Many of these factors are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized or that future borrowings will be available to the Company in an amount sufficient to enable it to satisfy its respective obligations under its indebtedness or to fund its other needs. In order for the Company to satisfy its obligations under its indebtedness and fund planned capital expenditures, we must continue to execute our business strategy. If we are unable to do so, we may need to reduce or delay our planned capital expenditures or refinance all or a portion of our indebtedness on or before maturity. Significant delays in our planned capital expenditures may materially and adversely affect our future revenue prospects. In addition, we cannot assure you that we will be able to refinance any of our indebtedness, including the notes and our senior secured credit facilities, on commercially reasonable terms or at all.

***The credit agreement governing the senior credit facilities and the indentures restrict our ability and the ability of most of our subsidiaries to engage in some business and financial transactions.***

***Senior Credit Facilities.*** The credit agreement governing the senior credit facilities requires us to comply with certain financial covenants, including a quarterly maximum consolidated first lien net leverage ratio test and a quarterly minimum consolidated cash interest coverage ratio test, which financial covenants will become more



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restrictive over time. In addition, our senior credit facilities include negative covenants that, among other things and subject to certain significant exceptions, limit our ability and the ability of our restricted subsidiaries to:

incur indebtedness or guarantees;

incur liens;

make investments, loans and acquisitions;

consolidate or merge;

sell assets, including capital stock of our subsidiaries;

pay dividends on our capital stock or redeem, repurchase or retire our capital stock;

alter the business we conduct;

amend, prepay, redeem or purchase subordinated debt;

engage in transactions with our affiliates; and

enter into agreements limiting subsidiary dividends and distributions.

Our ability to borrow additional amounts under our senior credit facilities depends upon satisfaction of these covenants. Events beyond our control can affect our ability to meet these covenants.

*Indentures.* The indentures contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability and the ability of our restricted subsidiaries to:

pay dividends on our capital stock or redeem, repurchase or retire our capital stock;

incur additional indebtedness or issue certain capital stock;

incur certain liens;

make investments, loans, advances and acquisitions;

consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries;

prepay subordinated debt;

engage in certain transactions with our affiliates; and;

enter into agreements restricting our restricted subsidiaries' ability to pay dividends.

If we or our restricted subsidiaries engage in certain asset sales, we generally must either invest the net proceeds from such sales in our business within a period of time, prepay certain debt (including indebtedness outstanding under our senior credit facilities) or make an offer to purchase a principal amount of the outstanding notes equal to the excess net proceeds, subject to certain exceptions. In such case, the purchase price of the notes will be 100% of the principal amount of such notes, plus accrued and unpaid interest. See Description of the Exchange 2019 Notes and Description of the Exchange 2020 Notes.

***If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the notes.***

Any default under the agreements governing our indebtedness, including a default under our senior credit facilities that is not waived by the required lenders or a default under the notes that is not waived by the required holders of the notes, and the remedies sought by such creditors, could prevent us from paying principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants,

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including financial and operating covenants, in the instruments governing our indebtedness, including covenants in the agreements governing our senior credit facilities, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness may be able to cause all of our available cash flow to be used to pay such indebtedness and, in any event, could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest; the lenders under our senior credit facilities could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets and we could be forced into bankruptcy or liquidation. Upon any such bankruptcy filing, we would be stayed from making any ongoing payments on the notes, and the holders of the notes would not be entitled to receive post-petition interest or applicable fees, costs or charges, or any adequate protection under Title 11 of the United States Code (the Bankruptcy Code). Furthermore, if a bankruptcy case were to be commenced under the Bankruptcy Code, we could be subject to claims, with respect to any payments made within 90 days prior to commencement of such a case, that we were insolvent at the time any such payments were made and that all or a portion of such payments, which could include repayments of amounts due under the notes, might be deemed to constitute a preference under the Bankruptcy Code, and that such payments should be voided by the bankruptcy court and recovered from the recipients for the benefit of the entire bankruptcy estate. Also, in the event that we were to become a debtor in a bankruptcy case seeking reorganization or other relief under the Bankruptcy Code, a delay and/or substantial reduction in payments under the notes may otherwise occur. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our senior credit facilities and the notes to avoid being in default. If we breach our covenants under the agreements governing our senior credit facilities and the notes and seek a waiver, we may not be able to obtain a waiver from the required lenders and holders. If this occurs, we would be in default under our senior credit facilities and the notes, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation. See Description of the Exchange 2019 Notes, Description of the Exchange 2020 Notes and Description of Other Indebtedness.

***We may not be able to repurchase the notes upon a change of control.***

Upon the occurrence of specific kinds of change of control events, we will be required to offer to repurchase all notes at 101% of their principal amount plus accrued and unpaid interest, unless such notes have been previously called for redemption. The source of funds for any such purchase of the notes will be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the notes upon a change of control because we may not have sufficient financial resources to purchase all of the notes that are tendered upon a change of control. Our failure to repurchase the notes tendered upon a change of control would cause a default under the indentures governing the notes and a cross default under our senior credit facilities. See Description of the Exchange 2019 Notes and Description of the Exchange 2020 Notes. The agreements governing our senior credit facilities also provide that a change of control will be a default that permits lenders to accelerate the maturity of borrowings thereunder. See Description of Other Indebtedness. Any of our future debt agreements may contain similar provisions.

In addition, some important corporate events, such as leveraged recapitalizations, may not, under the indentures governing the notes, constitute a change of control that would require us to repurchase the notes, even though those corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings, financial condition or the value of the notes. See Description of the Exchange 2019 Notes Repurchase at the Option of Holders Change of Control and Description of the Exchange 2020 Notes Repurchase at the Option of Holders Change of Control.

***Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of substantially all of our assets.***

The definition of change of control in the indentures governing the notes includes a phrase relating to the sale of all or substantially all of our assets. There is no precise established definition of the phrase substantially all under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

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***The lenders under our senior credit facilities have the discretion to release the guarantors under our senior credit facilities in a variety of circumstances, which will cause those guarantors to be released from their guarantees of the notes.***

While any obligations under our senior credit facilities remain outstanding, any guarantee of the notes may be released without action by, or consent of, any holder of the notes or the trustee under the indentures governing the notes, at the discretion of lenders under our senior credit facilities, if the related guarantor is no longer a guarantor of obligations under our senior credit facilities or any other indebtedness. See

Description of the Exchange 2019 Notes and Description of the Exchange 2020 Notes. The lenders under our senior credit facilities have the discretion to release the guarantees under our senior credit facilities in a variety of circumstances. You do not have a claim as a creditor against any subsidiary that is no longer a guarantor of the notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries are effectively senior to claims of noteholders.

***Because each guarantor's liability under its guarantees may be reduced to zero, avoided or released under certain circumstances, you may not receive any payments from some or all of the guarantors.***

You have the benefit of the guarantees of the subsidiary guarantors. However, the guarantees by the subsidiary guarantors are limited to the maximum amount that the subsidiary guarantors are permitted to guarantee under applicable law. As a result, a subsidiary guarantor's liability under its guarantee could be reduced to zero, depending upon the amount of other obligations of such subsidiary guarantor. Further, under the circumstances discussed more fully below, a court under federal and state fraudulent conveyance and transfer statutes could void the obligations under a guarantee or further subordinate it to all other obligations of the guarantor. See Federal and state fraudulent transfer laws may permit a court to void the notes and the guarantees, subordinate claims in respect of the notes and the guarantees and require noteholders to return payments received and, if that occurs, you may not receive any payments on the notes. In addition, you will lose the benefit of a particular guarantee if it is released under certain circumstances described in the sections entitled Description of the Exchange 2019 Notes Guarantees and Description of the Exchange 2020 Notes Guarantees.

***Federal and state fraudulent transfer laws may permit a court to void the notes and the guarantees, subordinate claims in respect of the notes and the guarantees and require noteholders to return payments received and, if that occurs, you may not receive any payments on the notes.***

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the notes and the incurrence of any guarantees of the notes, including the guarantee by the guarantors entered into upon issuance of the notes and subsidiary guarantees (if any) that may be entered into thereafter under the terms of the indentures governing the notes. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the notes or guarantees could be voided as a fraudulent transfer or conveyance if (i) the Issuer or any of the guarantors, as applicable, issued the notes or incurred the guarantees with the intent of hindering, delaying or defrauding creditors or (ii) the Issuer or any of the guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for either issuing the notes or incurring the guarantees and, in the case of (ii) only, one of the following is also true at the time thereof:

the Issuer or any of the guarantors, as applicable, was insolvent or rendered insolvent by reason of the issuance of the notes or the incurrence of the guarantees;

the issuance of the notes or the incurrence of the guarantees left the Issuer or any of the guarantors, as applicable, with an unreasonably small amount of capital to carry on the business;

the Issuer or any of the guarantors intended to, or believed that the Issuer or such guarantor would, incur debts beyond the Issuer's or such guarantor's ability to pay such debts as they mature; or

the Issuer or any of the guarantors was a defendant in an action for money damages, or had a judgment for money damages docketed against it or such guarantor if, in either case, after final judgment, the judgment is unsatisfied.



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A court would likely find that the Issuer or a guarantor did not receive reasonably equivalent value or fair consideration for the notes or such guarantee if the Issuer or such guarantor did not substantially benefit directly or indirectly from the issuance of the notes or the applicable guarantee. As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied. A debtor will generally not be considered to have received value in connection with a debt offering if the debtor uses the proceeds of that offering to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor.

We cannot be certain as to the standards a court would use to determine whether or not the Issuer or the guarantors were solvent at the relevant time or, regardless of the standard that a court uses, that the issuance of the guarantees would not be further subordinated to the Issuer's or any of its guarantors' other debt. Generally, however, an entity would be considered insolvent if, at the time it incurred indebtedness:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets;

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

If a court were to find that the issuance of the notes or the incurrence of the guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes or such guarantee or further subordinate the notes or such guarantee to presently existing and future indebtedness of the Issuer or of the related guarantor, or require the holders of the notes to repay any amounts received with respect to such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the notes or such guarantee, as applicable. Sufficient funds to repay the notes may not be available from other sources, including any remaining guarantor, if any. In addition, the court might direct you to repay any amounts that you already received from us or the guarantor. Further, the voidance of the notes could result in an event of default with respect to the Issuer's and its subsidiaries' other debt that could result in acceleration of such debt.

If the guarantees were legally challenged, any guarantee could also be subject to the claim that, since the guarantee was incurred for the Issuer's benefit, and only indirectly for the benefit of the applicable guarantor, the obligations of the applicable guarantor were incurred for less than fair consideration. A court could thus void the obligations under the guarantees, subordinate them to the applicable guarantor's other debt or take other action detrimental to the holders of the notes.

Although each guarantee entered into by a subsidiary will contain a provision intended to limit that guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer, this provision may not be effective to protect those guarantees from being voided under fraudulent transfer law, or may reduce that guarantor's obligation to an amount that effectively makes its guarantee worthless. In a recent Florida bankruptcy case, this kind of provision was found to be ineffective to prohibit the guarantees.

In addition, any payment by us pursuant to the notes made at a time we were found to be insolvent could be voided and required to be returned to us or to a fund for the benefit of our creditors if such payment is made to an insider within a one-year period prior to a bankruptcy filing or within 90 days for any outside party and such payment would give such insider or outsider party more than such creditors would have received in a distribution under the Bankruptcy Code.

Finally, as a court of equity, the bankruptcy court may otherwise subordinate the claims in respect of the notes to other claims against us under the principle of equitable subordination, if the court determines that: (i) the

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holder of the notes engaged in some type of inequitable conduct; (ii) such inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holder of the notes; and (iii) equitable subordination is not inconsistent with the provisions of the Bankruptcy Code.

***Many of the covenants in the indentures governing the notes will not apply during any period in which the notes are rated investment grade by both Moody's and Standard & Poor's.***

Many of the covenants in the indentures governing the notes will not apply to us during any period in which the notes are rated investment grade by both Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (S&P), provided at such time no default or event of default has occurred and is continuing. These covenants restrict, among other things, our ability to pay distributions, incur debt and to enter into certain other transactions. There can be no assurance that the notes will ever be rated investment grade, or that if they are rated investment grade, that the notes will maintain these ratings. However, suspension of these covenants would allow us to incur debt, pay dividends and make other distributions and engage in certain other transactions that would not be permitted while these covenants were in force. To the extent the covenants are subsequently reinstated, any such actions taken while the covenants were suspended would not result in an event of default under the indenture that will govern the notes. See Description of the Exchange 2019 Notes Certain Covenants and Description of the Exchange 2020 Notes Certain Covenants.

***A downgrade, suspension or withdrawal of the rating assigned by a rating agency to the Company or the notes, if any, could cause the liquidity or market value of the notes to decline.***

The outstanding notes have been, and the exchange notes are expected to be, rated by Moody's and S&P and may in the future be rated by additional rating agencies. We cannot assure you that any rating assigned will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, circumstances relating to the basis of the rating, such as adverse changes in our business, so warrant. Any downgrade, suspension or withdrawal of a rating by a rating agency (or any anticipated downgrade, suspension or withdrawal) could reduce the liquidity or market value of the notes. Any future lowering of our ratings may make it more difficult or more expensive for us to obtain additional debt financing. If any credit rating initially assigned to the notes is subsequently lowered or withdrawn for any reason, you may lose some or all of the value of your investment in the notes.

**THE 2011 TRANSACTIONS**

On August 3, 2011, Emdeon, Parent and Merger Sub entered into the Merger Agreement, pursuant to which, on November 2, 2011, Merger Sub merged with and into Emdeon, with Emdeon being the surviving corporation following the Merger. As a result of the consummation of the Merger, each share of Class A common stock and Class B common stock of Emdeon, other than (i) shares owned by Emdeon and its wholly-owned subsidiaries and (ii) shares owned by Parent and its subsidiaries, including shares and other equity contributed by certain rollover investors in connection with the Merger, was cancelled and/or converted into the right to receive \$19.00 in cash, without interest and less any applicable withholding taxes. As a result of the Merger, the Investor Group, through the ownership of Parent, indirectly owns all of Emdeon's issued and outstanding shares of capital stock.

In connection with the 2011 Transactions, certain investment funds affiliated with Blackstone made an approximately \$966 million investment in equity interests of Parent. Additionally, affiliates of Hellman & Friedman contributed shares of Emdeon Class A common stock and membership interests in EBS Master in exchange for shares of Parent common stock. Furthermore, certain of our senior management team members contributed a limited number of stock options to acquire shares of Emdeon Class A common stock in exchange for stock options to acquire shares of Parent common stock.

On November 2, 2011, in connection with the 2011 Transactions, the Company entered into a credit agreement and related security and other agreements for (1) a \$1,224.0 million term loan facility and (2) a \$125.0 million revolving facility. On the closing date of the senior credit facilities, the Company and its subsidiary co-borrowers borrowed, in the aggregate, the full amount available under the term loan facility and one of its

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subsidiary co-borrowers borrowed \$25.0 million under the revolving facility. Proceeds of the term loan facility and the revolving facility were, together with other sources of funds, used to finance the 2011 Transactions. After the closing date, proceeds of the revolving facility, including swingline loans and letters of credit, are available to provide financing for working capital and general corporate purposes.

In connection with the 2011 Transactions, the Company issued \$375.0 million in aggregate principal amount of the outstanding 2019 notes and \$375.0 million in aggregate principal amount of the outstanding 2020 notes.

Immediately following the Merger, the Company repaid all amounts due under the Company's prior credit agreements and terminated its prior interest rate swap agreement with the proceeds from the 2011 Transactions.

Subsequent to the 2011 Transactions, in April 2012, the Company amended the credit agreement governing the senior credit facilities to reprice the senior credit facilities and borrow \$80.0 million of additional term loans for general corporate purposes, including acquisitions.

**USE OF PROCEEDS**

We will not receive any proceeds from the issuance of the exchange notes in the exchange offers. The exchange offers are intended to satisfy our obligations under the registration rights agreements that we entered into in connection with the private offerings of the outstanding notes. As consideration for issuing the exchange notes as contemplated in this prospectus, we will receive in exchange a like principal amount of outstanding notes, the terms of which are identical in all material respects to the exchange notes, except that the exchange notes will not contain terms with respect to transfer restrictions or additional interest upon a failure to fulfill certain of our obligations under the registration rights agreements. The outstanding notes that are surrendered in exchange for the exchange notes will be retired and cancelled and cannot be reissued. As a result, the issuance of the exchange notes will not result in any change in our capitalization.



**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The selected historical consolidated financial data set forth below should be read in conjunction with, and are qualified by reference to, Use of Proceeds, The 2011 Transactions, Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and related notes included elsewhere in this prospectus.

The following table sets forth our selected historical consolidated financial data at the dates and for the periods indicated. The selected historical consolidated financial data as of December 31, 2009, 2010 and 2011, and for the years ended December 31, 2009 and 2010 and for the periods from January 1, 2011 to November 1, 2011 and November 2, 2011 to December 31, 2011 presented in this table, have been derived from the historical audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data as of and for the years ended December 31, 2007 and 2008 presented in this table have been derived from our historical audited consolidated financial statements not included in this prospectus. The selected historical consolidated financial data as of June 30, 2012 and 2011 and for the six months ended June 30, 2012 and 2011 have been derived from the historical unaudited consolidated financial statements included in this prospectus and have been prepared on the same basis as the audited consolidated financial statements.

On November 2, 2011, Merger Sub merged with and into Emdeon, which resulted in a change in basis of the Company's assets and liabilities. Periods prior to the Merger and this change in basis are referred to as Predecessor and periods after the Merger are referred to as Successor. As a result of the Merger and the resulting change in basis of the Company's assets and liabilities, the Predecessor and Successor period financial data is not comparable.

	Predecessor				January 1 through November 1, 2011 (In thousands)	Successor November 2 through December 31, 2011	Predecessor Unaudited Six Months Ended June 30, 2011	Successor Unaudited Six Months Ended June 30, 2012
	Year Ended December 31,							
	2007	2008	2009	2010				
<b>Statement of Operations Data:<sup>(1)</sup></b>								
Revenues	\$ 808,537	\$ 853,599	\$ 918,448	\$ 1,002,152	\$ 929,264	\$ 190,384	\$ 553,610	\$ 580,503
Costs and expenses:								
Cost of operations	514,918	541,138	562,636	612,367	572,541	117,421	342,026	357,756
Development and engineering	28,198	22,391	30,539	30,638	26,090	5,153	16,130	16,252
Sales, marketing, general and administrative	94,475	100,952	118,996	116,947	111,463	21,778	67,263	72,072
Depreciation and amortization	62,811	97,864	105,321	124,721	128,761	29,094	76,956	91,782
Accretion						2,459		12,346
Transaction related costs					66,625	17,857		
Total costs and expenses	700,402	762,345	817,492	884,673	905,480	193,762	502,375	550,208
Operating income	108,135	91,254	100,956	117,479	23,784	(3,378)	51,235	30,295
Interest expense	72,758	70,754	70,171	61,017	43,201	29,343	25,275	88,641
Loss on extinguishment of debt								21,853
Other			(519)	(9,284)	(8,036)	(5,843)	(3,638)	
Income (loss) before income taxes	35,377	20,500	31,304	65,746	(11,381)	(26,878)	29,598	(80,199)
Income tax provision (benefit)	18,101	8,567	17,301	32,579	8,201	(10,185)	13,095	(27,272)
Net income (loss)	17,276	11,933	14,003	33,167	(19,582)	(16,693)		(52,927)
Net income attributable to noncontrolling interest		2,702	4,422	13,621	5,109		6,309	
Net income (loss) attributable to Emdeon Inc.	\$ 17,276	\$ 9,231	\$ 9,581	\$ 19,546	\$ (24,691)	\$ (16,693)	\$ 10,194	\$ (52,927)
Ratio of earnings to fixed charges: <sup>(2)</sup>	1.46	1.27	1.43	2.03			2.10	



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	As of December 31,					As of June 30,	
	2007	2008	2009	2010	2011	2011	2012
<b>Balance Sheet Data: <sup>(1)</sup></b>							
Cash and cash equivalents	\$ 33,687	\$ 71,478	\$ 211,999	\$ 99,188	\$ 37,925	\$ 122,460	\$ 52,388
Total assets	1,357,229	2,000,279	2,229,413	2,491,565	3,832,315	2,513,833	3,848,482
Total debt <sup>(3)</sup>	871,934	825,230	840,682	946,243	1,961,108	948,714	2,023,852
Tax receivable obligation to related parties <sup>(4)</sup>			142,044	142,279	117,810	139,424	130,042
Total equity	\$ 300,969	\$ 878,153	\$ 979,869	\$ 1,055,288	\$ 1,103,789	\$ 1,086,109	\$ 1,052,437

- (1) As a result of our history of business combinations, our financial position and results of operations may not be comparable for each of the periods presented.
- (2) Earnings were inadequate to cover fixed charges for the periods from January 1, 2011 to November 1, 2011, and November 2, 2011 to December 31, 2011 and for the six months ended June 30, 2012 by \$11,381, \$26,878 and \$80,199, respectively.
- (3) Our debt at December 31, 2009, 2010 and 2011 and June 30, 2011 and 2012, is reflected net of unamortized debt discount of approximately \$53.3 million, \$42.6 million, \$58.5 million, \$35.9 million and \$54.5 million, respectively, related to original loan fees and purchase accounting adjustments to discount the debt to fair value. Total debt as of December 31, 2009, 2010 and 2011 and June 30, 2011 and 2012 includes an obligation of approximately \$37.6 million, \$40.3 million, \$30.6 million, \$40.3 million and \$30.6 million, respectively related to our data sublicense agreement.
- (4) In connection with the Merger, the tax receivable obligation to related parties was recorded at fair value with future payments expected to total \$353.2 million. In the Predecessor periods, the liability was recorded at total expected payments.

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**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA**

The following unaudited pro forma consolidated financial data has been derived by the application of pro forma adjustments to our historical consolidated financial statements included elsewhere in this prospectus.

The unaudited pro forma consolidated statement of operations for the six months ended June 30, 2012 gives effect to the amendment of the credit agreement governing the senior credit facilities to reprice the senior credit facilities and borrow \$80.0 million of additional term loans for general corporate purposes, including acquisitions (the Repricing ), as if the Repricing had occurred on January 1, 2011. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2011 gives effect to (i) the 2011 Transactions and (ii) the Repricing as if they had occurred on January 1, 2011. The unaudited pro forma consolidated financial data, however, does not give effect to the acquisition of all of the equity interests of TC3 in May 2012.

On November 2, 2011, Merger Sub merged with and into Emdeon, which resulted in a change in basis of the Company's assets and liabilities. Periods prior to the Merger and this change in basis are referred to as Predecessor and periods after the Merger are referred to as Successor. As a result of the Merger and the resulting change in basis of the Company's assets and liabilities, the Predecessor and Successor period financial information is not comparable.

The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The unaudited pro forma consolidated financial data are for informational purposes only and do not purport to represent what our results of operations, balance sheet data or financial information would have been if the 2011 Transactions or the Repricing had occurred as of the dates indicated, or what such results will be for any future periods or as of any future date.

The unaudited pro forma consolidated financial data and the accompanying notes should be read in conjunction with our historical audited consolidated financial statements and related notes included elsewhere in this prospectus and the other financial information set forth in the sections entitled Selected Historical Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Table of Contents****Emdeon Inc.****Unaudited Pro Forma Consolidated Statement of Operations**

(\$ in thousands)

For the Year Ended December 31, 2011

	Historical		Pro Forma Transactions Adjustments <sup>(2)</sup>	Notes	Successor		
	Predecessor January 1 through November 1, 2011 <sup>(1)</sup>	November 2 through December 31, 2011 <sup>(1)</sup>			Transactions Pro Forma Combined	Pro Forma Repricing Adjustments <sup>(3)</sup>	Notes
Revenues	\$ 929,264	\$ 190,384	\$ (3,398)	(a)	\$ 1,116,250	\$	\$ 1,116,250
Costs and expenses:							
Cost of operations	572,541	117,421			689,962		689,962
Development and engineering	26,090	5,153			31,243		31,243
Sales, marketing, general and administrative	111,463	21,778	5,014	(b)	138,255		138,255
Depreciation and amortization	128,761	29,094	16,709	(c)	174,564		174,564
Accretion		2,459	12,899	(d)	15,358		15,358
Transaction related costs	66,625	17,857	(84,482)	(e)			
Total costs and expenses	905,480	193,762	(49,860)		1,049,382		1,049,382
Operating income (loss)	23,784	(3,378)	46,462		66,868		66,868
Interest expense, net	43,201	29,343	108,276	(f)	180,820	(17,645)	163,175
Other income, net	(8,036)	(5,843)			(13,879)		(13,879)
Income (loss) before income	(11,381)	(26,878)	(61,814)		(100,073)	17,645	(82,428)
Income tax provision (benefit)	8,201	(10,185)	(35,043)	(g)	(37,027)	6,529	(30,498)
Net income (loss)	(19,582)	(16,693)	(26,771)		(63,046)	11,116	(51,930)
Net income (loss) attributable to noncontrolling interest	5,109		(5,109)	(h)			
Net income (loss) attributable to Emdeon Inc.	\$ (24,691)	(16,693)	\$ (21,662)		\$ (63,046)	\$ 11,116	\$ (51,930)

**Table of Contents****Emdeon Inc.****Unaudited Pro Forma Consolidated Statement of Operations**

(\$ in thousands)

For the Six Months Ended June 30, 2012

	Actual <sup>(1)</sup>	Pro Forma Repricing Adjustments <sup>(3)</sup>	Notes	Pro Forma Consolidated
Revenues	\$ 580,503	\$		\$ 580,503
Costs and expenses:				
Cost of operations	357,756			357,756
Development and engineering	16,252			16,252
Sales, marketing, general and administrative	72,072	(3,558)	(c)	68,514
Depreciation and amortization	91,782			91,782
Accretion	12,346			12,346
Total costs and expenses	550,208	(3,558)		546,650
Operating income	30,295	3,558		33,853
Interest expense, net	88,641	(7,185)	(a)	81,456
Loss on extinguishment of debt	21,853	(21,853)	(c)	
Income (loss) before income tax provision	(80,199)	32,596		(47,603)
Income tax provision (benefit)	(27,272)	9,659	(b)	(17,613)
Net income (loss)	\$ (52,927)	\$ 22,937		\$ (29,990)

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands)**

- (2) The amounts in this column represent the pro forma adjustments made to reflect the 2011 Transactions as if they occurred as of January 1, 2011.
- (a) Reflects an adjustment to reduce deferred revenue and to write off certain deferred costs impacting revenue in accordance with the Financial Accounting Standards Board ( FASB ) Accounting Standards Codification Business Combination Topic.
- (b) Reflects expense associated with an annual monitoring fee paid to affiliates of Blackstone and Hellman & Friedman.
- (c) Reflects impact to depreciation and amortization as a result of a step up in basis of certain identifiable intangible and technology assets as of the assumed date of the 2011 Transactions as follows:

<b>Description</b>	<b>Amount</b>	<b>Weighted Average Useful Life</b>	<b>Pro Forma Year Ended December 31, 2011</b>
Value of intangible assets acquired:			
Customer relationships	\$ 1,623,000	19.8	\$ 81,970
Trade names	156,000	20.0	7,800
Data sublicense agreement	31,000	5.9	5,236
Backlog	19,000	1.3	14,286
Non-compete agreements	11,500	5.0	2,300
Total pro forma amortization			111,592
Fair value of fixed assets	278,122	4.4	62,972
Pro Forma depreciation and amortization expense			174,564
Historical depreciation and amortization expense			157,855
Total Pro Forma depreciation and amortization adjustment			\$ 16,709

- (d) Reflects an adjustment to record accretion expense related to the recognition of the tax receivable agreements at fair value as of date of the 2011 Transactions.
- (e) Reflects an adjustment to remove costs that are non-recurring in nature and directly attributable to the 2011 Transactions.
- (f) Reflects impact to interest expense (including amortization of loan costs and discount) related to the senior credit facilities, the outstanding 2019 notes and the outstanding 2020 notes as if the borrowing (and repayment of existing debt) occurred as of the assumed date of the 2011 Transactions as follows:

	<b>Pro Forma Year Ended December 31, 2011</b>
Pro forma interest related to term loan facility, outstanding 2019 notes, outstanding 2020 notes and data sublicense	\$ 170,622
Pro forma amortization of debt discount and deferred loan costs	10,211
Historical interest income	(13)
Pro forma interest expense, net	180,820
Less: historical interest expense, net	(72,544)

Pro Forma adjustment	\$	108,276
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Represents interest on our new borrowings under the term loan facility, the outstanding 2019 notes and the outstanding 2020 notes, plus the amortization of deferred financing costs. Pro forma interest expense reflects a weighted average annual interest rate of 8.4% on indebtedness incurred to fund the 2011 Transactions and amortization expense on the estimated \$79,400 of deferred financing costs associated with our new borrowings, utilizing a weighted average maturity of 7.6 years.

- (g) Reflects an adjustment to reflect income taxes at their statutory tax rates for the applicable period.
- (h) Reflects the elimination of noncontrolling interest in connection with the 2011 Transactions.
- (3) The amounts in this column represent the pro forma adjustments made to reflect the Repricing as if it occurred as of January 1, 2011.
  - (a) Reflects impact to interest expense (including amortization of loan costs and discount) related to the reduction in the interest rate spread on our term debt, as well as the additional borrowings in connection with the Repricing, as follows:

	<b>Pro Forma Six Months Ended June 30, 2012</b>	<b>Pro Forma Year Ended December 31, 2011</b>
Interest related to term loan facility and loan cost and discount amortization post Repricing (effective interest of 5.92%)	\$ 37,045	\$ 74,059
Less: interest related to term loan facility and loan cost and discount amortization prior to Repricing (effective interest of 7.79%)	(44,230)	(91,704)
<b>Pro Forma adjustment</b>	<b>\$ (7,185)</b>	<b>\$ (17,645)</b>

- (b) Reflects an adjustment to reflect income taxes at their statutory tax rates for the applicable period.
- (c) Reflects an adjustment to remove costs that are non-recurring in nature and directly attributable to the Repricing.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

*You should read the following discussion of our results of operations and financial condition with the Selected Historical Consolidated Financial Information and our audited and unaudited historical consolidated financial statements and related notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the section entitled Risk Factors. Our actual results may differ materially from those contained in any forward-looking statements.*

**Merger Transactions with Investor Group**

On November 2, 2011, pursuant to the Merger Agreement among Emdeon, Parent and Merger Sub, Merger Sub merged with and into Emdeon, with Emdeon surviving the Merger. Subsequent to the Merger, we became an indirect wholly-owned subsidiary of Parent, which is controlled by affiliates of the Investor Group. As a result of the consummation of the Merger, each share of Emdeon's Class A common stock and Class B common stock, other than (i) shares owned by Emdeon and its wholly-owned subsidiaries and (ii) shares owned by Parent and its subsidiaries, including shares and other equity contributed by certain rollover investors in connection with the Merger, was cancelled and/or converted into the right to receive \$19.00 in cash, without interest and less any applicable withholding taxes.

As a result of the Merger, the Company applied the acquisition method of accounting and established a new basis of accounting on November 2, 2011. See Significant Items Affecting Comparability Effect of the 2011 Transactions.

**Overview**

We are a leading provider of revenue and payment cycle management and clinical information exchange solutions connecting payers, providers and patients in the United States healthcare system. Our solutions integrate and automate key business and administrative functions of our payer and provider customers throughout the patient encounter, including pre-care patient eligibility and benefits verification and enrollment, clinical information exchange capabilities, claims management and adjudication, payment integrity, payment distribution, payment posting and denial management and patient billing and payment processing. Our customers are able to improve efficiency, reduce costs, increase cash flow and more efficiently manage the complex revenue and payment cycle and clinical information exchange processes by using our comprehensive suite of solutions.

We deliver our solutions and operate our business in three business segments: (i) payer services, which provides solutions to commercial insurance companies, third party administrators and governmental payers; (ii) provider services, which provides solutions to hospitals, physicians, dentists and other healthcare providers, such as labs and home healthcare providers; and (iii) pharmacy services, which provides solutions to pharmacies, pharmacy benefit management companies, government agencies and other payers. Through our payer services segment, we provide payment cycle solutions, both directly and through our network of channel partners, that help simplify the administration of healthcare related to insurance eligibility and benefit verification, claims management, payment integrity and claims and payment distribution. Additionally, we provide consulting services through our payer services segment. Through our provider services segment, we provide revenue cycle management solutions, patient billing and payment services, government program eligibility and enrollment services and clinical information exchange capabilities, both directly and through our channel partners, that simplify providers' revenue cycle and workflow, reduce related costs and improve cash flow. Through our pharmacy services segment, we provide electronic prescribing and other electronic solutions to pharmacies, pharmacy benefit management companies and government agencies related to prescription benefit claim filing, adjudication and management.

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There are a number of Company-specific initiatives and industry trends that may affect our transaction volumes, revenues, cost of operations and margins. As part of our strategy, we encourage our customers to migrate from paper-based claim, patient statement, payment and other transaction processing to electronic, automated processing in order to improve efficiency. Our business is aligned with our customers to support this transition, and as they migrate from paper-based transaction processing to electronic processing, even though our revenues for an applicable customer generally will decline, our margins and profitability will typically increase. For example, because the cost of postage is included in our revenues for patient statement and payment services (which is then also deducted as a cost of operations), when our customers transition to electronic processing, our revenues and costs of operations are expected to decrease as we will no longer incur or be required to charge for postage. As another example, as our payer customers migrate to exclusive or other comprehensive management services agreements with us, our electronic transaction volume usually increases while the rebates we pay and the per transaction rates we charge under these agreements are typically reduced.

Part of our strategy also includes the development and introduction of new solutions. Our new and updated solutions are likely to require us to incur development and engineering expenditures at levels similar to, and possibly greater than, recent years' expenditures in order to successfully develop and achieve market acceptance of such solutions. We also may acquire, or enter into agreements with third parties to assist us in providing, new solutions. For example, we offer our electronic payment solutions through banks or vendors who contract with banks and other financial service firms. The costs of these initiatives or the failure to achieve broad penetration in target markets with respect to new or updated solutions may negatively affect our results of operations and margins. Because newly introduced solutions generally will have lower margins initially as compared to our existing and more mature solutions, our margins and our margin growth may be adversely affected on a percentage basis until these new solutions achieve scale and maturity.

In addition to our internal development efforts, we actively evaluate opportunities to improve and expand our solutions through strategic acquisitions. Our acquisition strategy focuses on identifying acquisitions that improve and streamline the business and administrative functions of healthcare. We believe our broad customer footprint allows us to deploy acquired solutions into our installed base, which, in turn, can help accelerate growth of our acquired businesses. We also believe our management team's ability to identify acquisition opportunities that are complementary and synergistic to our business, and to integrate them into our existing operations with minimal disruption, will continue to play an important role in the expansion of our business and in our growth. Our success in acquiring and integrating acquired businesses into our existing operations, the associated costs of such acquisitions, including integration costs, and the operating characteristics of the acquired businesses also may impact our results of operations and margins. Because the businesses we acquire sometimes have lower margins than our existing businesses, primarily as a result of their lack of scale and maturity, our margins on a percentage basis may be adversely affected in the periods subsequent to an acquisition from revenue mix changes and integration activities associated with these acquisitions.

We also expect to continue to be affected by general economic, regulatory and demographic factors affecting the healthcare industry. For several years, there has been pricing pressure in our industry, particularly as it relates to our claims management solutions, which has led and is expected to continue to lead to reduced prices for the same services. We have sought in the past and will continue to seek to mitigate pricing pressure by providing additional value-added solutions, increasing the volume of solutions we provide and managing our costs. In addition, significant changes in regulatory schemes, such as the updated HIPAA Version 5010 standard electronic transaction code set requirements for ICD-10 (HIPAA Version 5010), ARRA, the PPACA and other federal healthcare policy initiatives, impact our customers' healthcare activities and can result in increased operating costs and capital expenditures for us.

Demographic trends affecting the healthcare industry, such as population growth and aging or continued high unemployment rates as a result of recent adverse economic conditions, also could affect the frequency and nature of our customers' healthcare transactional activity. The impact of such changes could impact our revenues, cost of operations and infrastructure expenses and thereby affect our results of operations and the way

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we operate our business. For example, an increase in the United States population, if such increase is accompanied by an increase in the United States population that has health benefits, or the aging of the United States population, which requires an overall increased need for healthcare services, may result in an increase in our transaction volumes which, in turn, may increase our revenues and cost of operations. Alternatively, a recurrence of the recent general economic downturn, which reduces the number of discretionary health procedures by patients, or a persistent high unemployment rate, which lessens healthcare utilization, may decrease or offset other growth in our transaction volumes, which, in turn, may adversely impact our revenues and cost of operations.

## **Recent Developments**

In April 2012, we amended the credit agreement governing the senior credit facilities to reprice the senior credit facilities and borrow \$80.0 million of additional term loans for general corporate purposes, including acquisitions. Following this amendment, the LIBOR-based interest rate on the term loan facility is LIBOR plus 3.75%, compared to the previous interest rate of LIBOR plus 5.50%. The new LIBOR-based interest rate on the revolving facility is LIBOR plus 3.50% (with a potential step-down to LIBOR plus 3.25% based on the our first lien net leverage ratio), compared to the previous interest rate of LIBOR plus 5.25% (with a potential step-down to LIBOR plus 5.00% based on our first lien net leverage ratio). The term loan facility remains subject to a LIBOR floor of 1.25%, and there continues to be no LIBOR floor on the revolving facility. For a more complete description of the credit agreement governing the senior credit facilities, see Description of Other Indebtedness Senior Credit Facilities.

In May 2012, we acquired all of the equity interests of TC3, a technology-enabled provider of cost containment and payment integrity solutions for healthcare payers. Consideration for the transaction was approximately \$61.0 million in cash, which is subject to a customary working capital adjustment.

## **Our Revenues and Expenses**

We generate virtually all of our revenue by using technology solutions to provide to our customers services that automate and simplify business and administrative functions for payers, providers and pharmacies, generally on either a per transaction, per document, per communication or per member per month basis, or, in some cases, on a monthly flat-fee, contingent fee or hourly basis.

Cost of operations consists primarily of costs related to services we provide to customers and costs associated with the operation and maintenance of our networks. These costs primarily include postage and materials costs related to our patient statements and payment services, rebates paid to our channel partners and data communications costs, all of which generally vary with our revenues and/or volumes. Cost of operations also includes personnel costs associated with production, network operations, customer support and other personnel, facilities expenses and equipment maintenance, all of which vary less directly with our revenue and/or volumes due to the fixed or semi-fixed nature of these expenses.

The largest component of our cost of operations is postage, which is incurred in our patient statements and payment services businesses and which is also a component of our revenue in those businesses. Our postage costs increase as our patient statements and payment services volumes increase and also when the USPS increases postage rates. Postage rate increases, while generally billed as pass-through costs to our customers, affect our cost of operations as a percentage of revenue. In prior years, we have offset the impact of postage rate increases through cost reductions from efficiency measures, including data communication expense reductions and production efficiencies. Though we plan to continue our efficiency measures, we may not be able to offset the impact of postage rate increases in the future and, as a result, cost of operations as a percentage of revenue may increase if postage rate increases continue. Although the USPS historically has increased postage rates annually in most recent years, the frequency and nature of such annual increases may not occur as regularly in the future.

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Rebates are paid to channel partners for electronic and other volumes delivered through our network to certain payers and can be impacted by the number of exclusive or other comprehensive management services agreements we execute with payers, the associated rate structure with our payer customers, the success of our direct sales efforts for provider revenue cycle management solutions and the extent to which direct connections to payers are developed by our channel partners.

Our data communication expense consists of telecommunication and transaction processing charges. Over the last several years, we have been able to reduce our data communication expense due to efficiency measures and contract pricing changes. Due to the significance of these past reductions in recent years, further reductions may have a lesser impact in future periods.

Our material costs relate primarily to our patient statements and payment services volumes, and consist primarily of paper and printing costs.

Development and engineering expense consists primarily of personnel costs related to the development, management and maintenance of our current and future solutions. We may invest more in this area in the future as we develop new and enhance existing solutions.

Sales, marketing, general and administrative expense (excluding corporate expense described in the next paragraph) consists primarily of personnel costs associated with our sales, account management and marketing functions and management and administrative services related to the operations of our business segments.

Our corporate expense relates to personnel and other costs associated with management, administrative, finance, human resources, legal, marketing, public and investor relations, compliance and other corporate service functions, as well as professional services, costs incurred in connection with acquisitions, costs incurred in connection with the 2011 Transactions, accretion expense under our tax receivable agreement obligations, certain facilities costs, insurance, regulatory compliance and other expenses related to our overall business operations.

Our development and engineering expense, sales, marketing, general and administrative expense and our corporate expense, while related to our current operations, are also affected and influenced by our future plans including the development of new solutions, business strategies and enhancement and maintenance of our infrastructure.

Our depreciation and amortization expense is related to depreciation of our property and equipment, including technology assets, and amortization of intangible assets acquired and recorded in conjunction with acquisition method accounting. As a result, the amount of depreciation and amortization expense is affected by the level of our recent investment in property and equipment and the level of our recent acquisition activity. Additionally, as described in the section entitled **Significant Items Affecting Comparability Effect of the 2011 Transactions** below, our depreciation and amortization expense increased significantly subsequent to and as a result of acquisition method adjustments in connection with the 2011 Transactions.

Our interest expense consists principally of cash interest associated with our long-term debt obligations and non-cash interest associated with the amortization of borrowing costs and discounts related to debt issuance. Prior to the 2011 Transactions, interest expense also included cash interest on our prior interest rate swap agreement and non-cash interest related to discontinued cash flow hedges and changes in the fair value of our prior interest rate swap agreement during periods when the prior interest rate swap agreement was not subject to hedge accounting. Additionally, as described in the section entitled **Significant Items Affecting Comparability Effect of the 2011 Transactions** below, our interest expense increased significantly subsequent to and as a result of the additional debt incurred to help finance the 2011 Transactions. If market interest rates on the variable portion of our long-term debt increase in the future, our interest expense may increase. To reduce the variability of interest payments, as described in the section entitled **Significant Items Affecting Comparability Interest Rate Swaps**, we executed three new interest rate swap agreements in January 2012.

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Our income taxes consist of federal and state income taxes. These amounts include current income taxes payable as well as income taxes for which the payment is deferred to future periods and dependent on the occurrence of future events. Our income tax expense may vary from the expense that would be expected based on statutory rates due principally to our organizational structure and differences in the book and tax basis of our investment in EBS Master. The recognition of valuation allowances related to certain net operating loss carryovers can also affect our income tax expense. For additional information see the discussion of income taxes in the section entitled *Significant Items Affecting Comparability-Income Taxes*.

### **Significant Items Affecting Comparability**

Certain significant items or events should be considered to better understand differences in our results of operations from period to period. We believe that the following items or events have had a significant impact on our results of operations for the periods discussed below or may have a significant impact on our results of operations in future periods:

#### ***Effect of the 2011 Transactions***

The 2011 Transactions have had and are expected to continue to have a significant effect on our financial condition and results of operations. These significant effects include those related to acquisition method adjustments, additional debt and associated tax effects.

#### **Acquisition Method Adjustments**

In connection with the Merger, we were required to adjust our assets and liabilities to their respective fair values. These adjustments included the following:

*Recognition of the fair value of tangible and intangible assets.* The fair value of our tangible and intangible assets exceeded the previously recorded amounts. As a result, for periods following the Merger, we have reported and expect to continue to report increased depreciation and amortization expense.

*Adjustment in the carrying value of our tax receivable agreement obligations to fair value.* For periods prior to the Merger, our tax receivable agreement obligations were reported at the amount that was both probable of payment and reasonably estimable. In connection with the Merger, we were required to adjust these obligations to their fair value. Our tax receivable agreement obligations fair value reflects three significant factors that were not previously considered in the carrying value: (i) the impact of a restructuring, effective December 31, 2011, to simplify our corporate structure, (ii) the exchange of units of EBS Master ( EBS Units ) for cash or stock of Parent and (iii) discounting of the tax receivable agreement obligations for the time value of money. The effect of these additional factors resulted in a significant increase in the total payments due under the tax receivable agreements. We currently expect the cumulative payments to total approximately \$353.0 million. After discounting the obligations for the time value of money, however, the fair value of the obligations at the time of the Merger was approximately \$115.0 million. As a result, our consolidated statement of operations for periods following the Merger will reflect accretion expense to adjust the fair value of our tax receivable agreement obligations to the total expected payments. Such accretion expense for the three and six months ended June 30, 2012 and for the period from November 2, 2011 to December 31, 2011 totaled approximately \$8.6 million, \$12.3 million and \$2.5 million, respectively.

*Reduction to fair value of our deferred revenue related to outstanding products and services to be provided in periods following the Merger.* In connection with the Merger, we reduced our deferred revenue to the amount attributable to our remaining contractual obligations at the time of the Merger. As a result of this reduction, our revenue in periods following the Merger will be reduced as compared to what would have been recognized without this adjustment. This reduction of revenue for the three and six months ended June 30, 2012 and for the period from November 2, 2011 to December 31, 2011 was approximately \$1.6 million, \$3.6 million and \$2.2 million, respectively.

**Table of Contents****Additional Debt**

In connection with the 2011 Transactions, we borrowed an aggregate of approximately \$2.0 billion, a portion of which was used to repay all amounts due under our prior credit agreements and interest rate swap agreement and to help finance the Merger. As a result of this additional debt, our interest expense in periods following the Merger has been, and will be, substantially greater than amounts reported in periods prior to the Merger.

**Income Taxes**

In connection with the 2011 Transactions, all EBS Units that were not previously controlled by us were exchanged for cash, or cash and shares of Parent. Additionally, effective December 31, 2011, we simplified our corporate structure. These transactions resulted in additional basis in our assets and will impact income tax expense and cash payments for income taxes in subsequent periods. Pursuant to our tax receivable agreement obligations, however, 85% of any resulting reduction in cash payments for income taxes will be paid to the parties to our tax receivable agreements.

**Acquisitions and Divestitures**

We actively evaluate opportunities to improve and expand our business through targeted acquisitions that are consistent with our strategy. On occasion, we also may dispose of certain components of our business that no longer fit within our overall strategy. Because of our acquisition activity, our results of operations may not be directly comparable among periods. The following summarizes our acquisition transactions since January 1, 2010 and affected segments:

<b>Date</b>	<b>Business</b>	<b>Description</b>	<b>Affected Segment</b>
January 2010	Future Vision Investment Group, L.L.C. ( FVTech )	Electronic data conversion and management solutions	Provider; Payer
March 2010	Healthcare Technology Management Services, Inc. ( HTMS )	Consulting solutions	Payer
April 2010	Data Rights	Acquired certain additional rights to specified uses of data	N/A
June 2010	Chapin	Accounts receivable denial and recovery services	Provider
October 2010	CEA	Government program eligibility and enrollment services	Provider
May 2011	EquiClaim, LLC ( EquiClaim )	Technology-enabled provider of healthcare audit and recovery solutions	Payer
May 2012	TC3	Technology-enabled provider of cost containment and payment integrity solutions	Payer

For certain of our prior acquisitions, we agreed to transfer additional consideration to the sellers of the acquired businesses in the event that specified performance measures are achieved. United States generally accepted accounting principles require us to recognize the initial fair value of the expected amount to be paid under such contingent consideration arrangements as a component of the total consideration transferred. Subsequent changes in the fair value of the amounts expected to be paid, however, generally are required to be recognized as a component of net income. Such changes in fair value may occur based on changes in the expected timing or amount of payments or the effect of discounting the liability for the time value of money. We

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recognized an increase in pretax income of \$2.2 million, \$3.6 million, \$5.8 million, \$8.0 million and \$9.3 million during the three and six months ended June 30, 2011, the period from November 2, 2011 to December 31, 2011, January 1, 2011 to November 1, 2011 and the year ended December 31, 2010, respectively, related to changes in fair value of contingent consideration related to acquisitions.

**Income Taxes**

Our blended statutory federal and state income tax rate ranges from 37% to 40%. Our effective income tax rate, however, is affected by several factors. The following table reconciles our federal statutory rate to our effective income tax rate, and the subsequent commentary describes the more significant of the reconciling factors:

	Successor 6 Months Ended June 30, 2012	Predecessor 6 Months Ended June 30, 2011	Successor November 2 through December 31, 2011	January 1 through November 1, 2011	Predecessor Fiscal Year Ended December 31, 2010	Fiscal Year Ended December 31, 2009
Statutory U.S. federal tax rate	35.00%	35.0%	35.00%	35.00%	35.00%	35.00%
State income taxes (net of federal benefit)	(0.58)	5.70	3.68	52.49	2.78	8.75
Meals and entertainment	(0.27)	0.60	(0.65)	(3.36)	0.63	0.39
2011 Transactions related costs			(0.49)	(34.77)		
Other	(0.66)	0.94	(0.64)	1.54	(1.38)	2.60
Tax credits		(1.20)	0.53	11.14	(0.63)	(1.14)
Equity compensation		2.90		(62.26)	2.06	5.67
Non-timing basis differences	0.51	7.80	0.37	(89.58)	12.49	33.57
Noncontrolling interest		(7.50)		15.71	(7.20)	(5.17)
Foreign loss not benefited			0.09	2.03	(0.34)	3.29
Return to provision adjustments					1.34	10.12
Change in valuation allowance					4.80	(37.81)
Effective income tax rate	34.00%	44.24%	37.89%	(72.06)%	49.55%	55.27%

**Equity compensation** Prior to the IPO, certain members of our senior management team and board of directors held profits interests in EBS Master which had only a nominal, if any, value at the date they were originally granted. Because of this nominal value, each of the profits interest holders made an election to pay income taxes based on the fair value of the profits interest on the grant date. As a result, while the Company recognized compensation expense related to these awards as they vested, the Company received no tax deduction related to these awards.

**Non-timing basis differences** Due to our organizational structure prior to the 2011 Transactions, certain items, including a portion of our equity compensation, other comprehensive income and income of corporate consolidated subsidiaries of EBS Master, affected our book basis in EBS Master without similarly affecting our tax basis in EBS Master. In the case of our corporate consolidated subsidiaries, the Company recognized income tax expense both at the subsidiary and the parent company level for the same income (once as it is earned at the subsidiary level and once as a result of the tax effect of the difference in tax and book basis of the limited liability company which controlled those corporate subsidiaries). As a result, in periods prior to the 2011 Transactions, our effective income tax rates were impacted by these matters. In connection with the 2011 Transactions, our organizational structure was simplified and, as a result, we expect the impact of these factors to be less than prior to the 2011 Transactions.

**Noncontrolling interest** Prior to the 2011 Transactions, a portion of the interests of EBS Master were held by entities not under our control. Accordingly, we historically recognized income tax expense only for the portion of the income generated by EBS Master that was attributable to us. In connection with the 2011 Transactions, EBS Master became a wholly-owned subsidiary of the Company.



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*Return to provision adjustments* Prior to finalizing our tax returns, we are required to make certain assumptions and exercise judgment in estimating the tax we will owe for a given tax year. These assumptions and judgments are often made based on facts and circumstances that change between the balance sheet date and the date the tax returns are finalized. Upon finalizing our tax returns for a given year, we routinely adjust our income tax expense for differences between our initial estimates and the actual amounts and tax positions reflected on our tax returns.

*Change in valuation allowance* We record valuation allowances or reverse existing valuation allowances related to assumed future income tax benefits depending on circumstances and factors related to our business. During 2009, we concluded, based primarily on our taxable income during the year and the expected accretive impact of our recent acquisitions on future taxable income, that we would generate sufficient future taxable income to utilize certain of our federal net operating losses, the benefit of which we had not previously recognized. As a result, income tax expense for 2009 is net of a benefit of approximately \$11.8 million related to these net operating losses that had been the subject of a valuation allowance in the prior year. The benefit was partially offset by an increase in state income tax valuation allowance related to a consolidated subsidiary of approximately \$5.8 million. During 2010, we recognized a capital loss for tax purposes. Because we do not anticipate being able to recognize the benefit of this capital loss in the foreseeable future, we increased our valuation allowance by approximately \$3.2 million related to this matter.

*State income taxes* Our effective tax rate for state income taxes is impacted by changes in our uncertain tax positions, valuation allowances, regulatory environment and apportionment. During the period from January 1, 2011 to November 1, 2011, we recognized an income tax benefit of approximately \$8.0 million related to an interpretive change by regulatory authorities in the state of Tennessee.

***Stock-Based and Equity Compensation Expense***

In connection with the 2011 Transactions, the Company's outstanding stock options, EBS Units and restricted stock units under various equity compensation programs became fully vested immediately prior to the closing of the Merger and were settled in cash, cancelled or, for certain members of senior management, exchanged for new options to purchase shares of Parent common stock (the rollover options). Except for the rollover options, each option holder received an amount in cash, without interest and less applicable withholding taxes, equal to \$19.00 less the exercise price of each option. Additionally, each EBS Unit and restricted stock unit holder received \$19.00 in cash, without interest and less applicable withholding taxes.

During periods prior to the IPO, certain employees and directors of EBS Master participated in one of two equity compensation plans—the Amended and Restated EBS Executive Equity Incentive Plan (the EBS Equity Plan) and the Amended and Restated EBS Incentive Plan (the EBS Phantom Plan). In connection with the IPO, outstanding awards under the EBS Phantom Plan were converted into awards under the 2009 Equity Incentive Plan adopted by the Company's stockholders in July 2009 (the 2009 Plan) and outstanding awards under the EBS Equity Plan were converted into EBS Units that were governed by individual agreements with certain directors and members of executive management, as well as awards under the 2009 Plan. The EBS Equity Plan consisted of a class of non-voting EBS Master equity units called Grant Units. The Grant Units represented profits interests in EBS Master and appreciated with increases in value of EBS Master. The EBS Phantom Plan was designed to allow individual employees to participate economically in the future growth and value creation at Emdeon Business Services LLC, a wholly-owned subsidiary of the Company (EBS LLC). Each participant received a specified number of units in the EBS Phantom Plan called Phantom Units. These Phantom Units appreciated with increases in value of EBS Master. These Phantom Units did not give employees an ownership interest in the Company and had no voting rights.

Related to the equity arrangements described above, we incurred equity compensation expense of \$0.0 million for the period from November 2, 2011 to December 31, 2011, \$54.9 million (including \$35.3 million

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associated with the accelerated vesting of equity based awards) for the period from January 1, 2011 to November 1, 2011, \$17.7 million for the year ended December 31, 2010 and \$25.4 million for the year ended December 31, 2009. Comparability among the respective periods has been impacted by the following factors:

*Change in the estimated fair value of liability awards.* All equity awards granted under the EBS Equity Plan and EBS Phantom Plan prior to the second quarter of 2009 were classified as liabilities due to certain repurchase features. As liabilities, we were required to adjust the equity awards to fair value at the end of each quarter. The fair value of these liabilities generally fluctuated with the value of the underlying EBS Units.

*Modification of equity awards.* In June 2009, we modified the repurchase features of all Grant Units previously granted under the EBS Equity Plan. Following this modification, all Grant Units were reclassified as equity awards. Immediately prior to this reclassification, we adjusted the value of these Grant Units to their fair value. In addition to a change in estimate recognized at the modification date, we also began to recognize compensation expense prospectively based on the increased fair value of these Grant Units at the modification date.

*Conversion in connection with our IPO.* In connection with the IPO, the Phantom Units were converted into shares of Class A common stock, restricted Class A common stock units and options to purchase shares of our Class A common stock under the 2009 Plan. As a result of the IPO and this conversion, in addition to a change in estimate recognized at the IPO date, we also began recognizing compensation expense prospectively based on the fair value of these Phantom Units at the IPO date.

*Additional 2009 Plan grants.* On and following the IPO date, we granted restricted Class A common stock units and options to purchase shares of our Class A common stock under the 2009 Plan to certain of our employees and directors, some of which contained performance conditions.

*Merger-related activity.* Substantially all previously invested equity based awards became vested immediately prior to the Merger. As a result, we recognized a substantial increase to equity compensation expense during the period from January 1, 2011 to November 1, 2011. With the exception of the rollover options, there were no equity based awards issued or outstanding subsequent to the Merger. Accordingly, no equity compensation expense has been recognized for any period following the Merger.

### ***Interest Rate Swaps***

We manage economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into interest rate swap agreements to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our interest rate swap agreements are used to manage differences in the amount, timing and duration of our known or expected cash receipts and our known or expected cash payments principally related to our borrowings.

The financial statement effects of our interest rate swap agreements vary based on whether the agreements are designated as a hedge of future cash flows. In December 2006, we entered into an interest rate swap agreement, with an original maturity of December 2011, to reduce the variability of interest payments associated with the long-term debt under our prior credit facilities. In connection with the 2011 Transactions, the prior interest rate swap agreement obligation was repaid and terminated. Interest expense was reduced by \$2.8 million, \$8.0 million, \$3.9 million and \$0.0 million during the periods from November 2, 2011 to December 31, 2011, January 1, 2011 to November 1, 2011 and for the years ended December 31, 2010 and 2009, respectively, due to changes in the fair value of this interest rate swap agreement.

In January 2012, we executed three new interest rate swap agreements to reduce the variability of interest payments associated with the term loan facility. For the three and six months ended June 30, 2012, our interest rate swap agreements were designated as cash flow hedges so that changes in the fair value of the interest rate



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swap agreements were included within other comprehensive income. For the three and six months ended June 30, 2011, we had made no such designation, and accordingly, changes in the fair value of our prior interest rate swap agreement were included within interest expense. Interest expense for the three and six months ended June 30, 2011 was reduced by \$2.6 million and \$5.2 million, respectively, due to such changes in the fair value of our prior interest rate swap agreement.

### ***Amendments of Senior Credit Agreement***

In April 2012, we amended the credit agreement governing the senior credit facilities to reprice the senior credit facilities and borrow \$80.0 million of additional term loans for general corporate purposes, including acquisitions. The amendments to the senior credit facilities agreement resulted in a loss on extinguishment of debt of \$21.9 million and legal and professional fees of \$3.6 million during the three and six months ended June 30, 2012.

### **Critical Accounting Estimates**

The preparation of financial statements in accordance with United States generally accepted accounting principles requires us to make estimates and assumptions that affect reported amounts and related disclosures. We consider an accounting estimate to be critical if:

it requires assumptions to be made that were uncertain at the time the estimate was made; and

changes in the estimate or different estimates that could have been made could have a material impact on our consolidated results of operations and financial condition.

The following discussion of critical accounting estimates is not intended to be a comprehensive list of all of our accounting policies that require estimates and highlights only those policies that involve estimates that we believe entail a higher degree of judgment and complexity. We believe the current assumptions and other considerations used to estimate amounts reflected in our consolidated financial statements are appropriate. However, if actual experience differs from the assumptions and other considerations used in estimating amounts reflected in our consolidated financial statements, the resulting changes could have a material adverse effect on our consolidated results of operations and financial condition.

The discussion that follows presents information about our critical accounting estimates, as well as the effects of hypothetical changes in the material assumptions used to develop each estimate:

### ***Revenue Recognition***

We generate virtually all of our revenue by providing solutions that automate and simplify business and administrative functions for payers, providers and pharmacies, generally on either a per transaction, per document, per communication or per member per month basis or, in some cases, on a monthly flat-fee, contingent fee or hourly basis.

Revenue for transaction services, payment services, patient statements and consulting services are recognized as the services are provided. Postage fees related to our payment services and patient statement volumes are recorded on a gross basis. Revenue for our government eligibility and enrollment services and accounts receivable management services generally are recognized at the time that our provider customer receives notice from the payer of a pending payment.

Cash receipts or billings in advance of revenue recognition are recorded as deferred revenues in our consolidated balance sheets.

We exclude sales and use tax from revenue in our consolidated statements of operations.

**Table of Contents*****Business Combinations***

We allocate the consideration transferred (i.e., purchase price) in a business combination to the acquired business identifiable assets, liabilities and noncontrolling interests at their acquisition date fair value. The excess of the consideration transferred over the amount allocated to the identifiable assets and liabilities and noncontrolling interest, if any, is recorded as goodwill. Any excess of the fair value of the identifiable assets acquired and liabilities assumed over the consideration transferred, if any, is generally recognized within earnings as of the acquisition date. To the extent that our initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are reported for those items which are incomplete. We retroactively adjust such provisional amounts as of the acquisition date once new information is received about facts and circumstances that existed as of the acquisition date.

The fair value of the consideration transferred, assets, liabilities and noncontrolling interests is estimated based on one or a combination of income, cost or market approaches as determined based on the nature of the asset or liability and the level of inputs available to us (i.e., quoted prices in an active market, other observable inputs or unobservable inputs). With respect to assets, liabilities and noncontrolling interest, the determination of fair value requires management to make subjective judgments as to projections of future operating performance, the appropriate discount rate to apply, long-term growth rates, etc. The effect of these judgments then impacts the amount of the goodwill that is recorded and the amount of depreciation and amortization expense to be recognized in future periods related to tangible and intangible assets acquired.

With respect to the consideration transferred, certain of our acquisitions include contingent consideration, the fair value of which is generally required to be measured each quarter until resolution of the contingency. In addition to the judgments applicable to valuing tangible and intangible assets, the determination of the fair value of contingent consideration requires management to make subjective judgments as to the probability and timing of the attainment of certain specified financial performance measures. The determination of fair value of the contingent consideration is particularly sensitive to judgments relative to the probability of achieving the specified financial performance measures.

***Goodwill and Intangible Assets***

Goodwill and intangible assets from our acquisitions are accounted for using the acquisition method of accounting. Intangible assets with definite lives are amortized on a straight-line basis over the estimated useful lives of the related assets generally as follows:

Customer relationships	10 to 20 years
Trade names	20 years
Data sublicense agreement	6 years
Non-compete agreements	5 years
Backlog	1 to 2 years

With respect to intangible assets (excluding goodwill), we review for impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. For those assets that are held and used, we recognize an impairment loss only if its carrying amount is not recoverable through its undiscounted cash flows and measure the impairment loss based on the difference between the carrying amount and fair value. Assets held for sale are reported at the lower of cost or fair value less costs to sell.

With respect to goodwill, we have identified qualitatively our payer, provider and pharmacy operating segments as our reporting units and have assigned our goodwill accordingly. The Company qualitatively assesses the carrying value of goodwill as of October 1 of each year to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In such cases, the Company determines whether potential impairment losses are present by comparing the carrying value of its reporting units to the fair

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value of its reporting units. If the fair value of the reporting unit is less than the carrying value of the reporting unit, then a hypothetical acquisition method allocation is used to determine the amount of goodwill impairment.

At October 1, 2011, as the Merger consideration implied a fair value in excess of the carrying value of our reporting units, we concluded that it was more likely than not that the fair value of our reporting units exceeded their carrying values. Accordingly, we performed no quantitative impairment test at October 1, 2011.

### ***Income Taxes***

We record deferred income taxes for the tax effect of differences between book and tax bases of our assets and liabilities, as well as differences related to the timing of recognition of income and expenses.

Deferred income taxes reflect the available net operating losses and the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including our past earnings history, expected future earnings, the character and jurisdiction of such earnings, unsettled circumstances that, if unfavorably resolved would adversely affect utilization of our deferred tax assets, carryback and carryforward periods and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

We recognize tax benefits for uncertain tax positions at the time that we conclude the tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. The benefit, if any, is measured as the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon ultimate settlement. Tax positions failing to qualify for initial recognition are recognized in the first subsequent interim period that they meet the more likely than not standard, are resolved through negotiation or litigation with the taxing authority or on expiration of the statute of limitations.

### ***Tax Receivable Agreement Obligations***

In connection with the IPO, we entered into tax receivable agreements which obligate us to make payments to certain current and former owners of the Company, including affiliates of General Atlantic, affiliates of Hellman & Friedman and certain members of management, equal to 85% of the applicable cash savings that the Company realizes as a result of tax attributes arising from certain previous transactions, including the 2011 Transactions. In connection with the 2011 Transactions, General Atlantic assigned its rights under the tax receivable agreements to affiliates of Blackstone.

Prior to the Merger, the Company's balance sheet reflected these obligations at the amount that was both probable and reasonably estimable. In connection with the Merger, the tax receivable agreement obligations were adjusted to their fair value. The determination of the fair value required management to make assumptions as to the timing of the realization of net operating losses, the timing of payments to the TRA Members and the tax rates in effect during the life of the agreements. Changes in any of these or other factors are expected to result in increases or decreases to the gross payments due under the tax receivable agreements. For example, if our corporate tax rate were to increase by 100 basis points, the gross obligation under the tax receivable agreements would increase by approximately \$12.0 million.

The fair value of these obligations at the time of the Merger is being accreted to the amount of the gross expected obligation using the interest method. Changes in the amount of these obligations resulting from changes to either the timing or amount of cash flows are recognized in the period of change and measured using the discount rate inherent in the initial fair value of the obligations. The accretion of these obligations is classified as a separate caption in our consolidated statements of operations.

**Table of Contents****Results of Operations**

The following table summarizes our consolidated results of operations for the three and six months ended June 30, 2012 and 2011, respectively.

	Successor Three Months Ended June 30, 2012		Predecessor Three Months Ended June 30, 2011		Successor Six Months Ended June 30, 2012		Predecessor Six Months Ended June 30, 2011	
	Amount	% of Revenue <sup>(1)</sup>	Amount	% of Revenue <sup>(1)</sup>	Amount	% of Revenue <sup>(1)</sup>	Amount	% of Revenue <sup>(1)</sup>
<b>Revenues <sup>(2)</sup></b>								
Payer Services	\$ 124,577	42.3 %	\$ 116,344	41.2 %	\$ 243,514	41.9 %	\$ 226,990	41.0 %
Provider Services	148,166	50.3	145,962	51.7	292,708	50.4	287,181	51.9
Pharmacy Services	23,028	7.8	20,793	7.4	46,805	8.1	41,398	7.5
Eliminations	(1,303)	(0.4)	(989)	(0.4)	(2,524)	(0.4)	(1,959)	(0.4)
<b>Total revenues</b>	<b>294,468</b>	<b>100.0</b>	<b>282,110</b>	<b>100.0</b>	<b>580,503</b>	<b>100.0</b>	<b>553,610</b>	<b>100.0</b>
<b>Costs of operations</b>								
Payer Services	82,896	66.5	77,014	66.2	159,988	65.7	152,199	67.1
Provider Services	91,341	61.6	88,514	60.6	181,049	61.9	174,362	60.7
Pharmacy Services	9,567	41.5	8,773	42.2	19,113	40.8	17,300	41.8
Eliminations	(1,239)		(928)		(2,394)		(1,835)	
<b>Total costs of operations</b>	<b>182,565</b>	<b>62.0</b>	<b>173,373</b>	<b>61.5</b>	<b>357,756</b>	<b>61.6</b>	<b>342,026</b>	<b>61.8</b>
<b>Development and engineering</b>								
Payer Services	2,895	2.3	2,582	2.2	5,660	2.3	4,952	2.2
Provider Services	3,489	2.4	3,801	2.6	7,326	2.5	7,716	2.7
Pharmacy Services	1,587	6.9	1,762	8.5	3,266	7.0	3,462	8.4
Eliminations								
<b>Total development and engineering</b>	<b>7,971</b>	<b>2.7</b>	<b>8,145</b>	<b>2.9</b>	<b>16,252</b>	<b>2.8</b>	<b>16,130</b>	<b>2.9</b>
<b>Sales, marketing, general and admin</b>								
Payer Services	7,546	6.1	7,875	6.8	16,122	6.6	15,322	6.8
Provider Services	9,336	6.3	11,105	7.6	19,256	6.6	22,348	7.8
Pharmacy Services	1,448	6.3	1,401	6.7	3,074	6.6	2,863	6.9
Eliminations	(64)		(61)		(130)		(124)	
<b>Total sales, marketing, general and admin excluding corporate</b>	<b>18,266</b>	<b>6.2</b>	<b>20,320</b>	<b>7.2</b>	<b>38,322</b>			