

Emdeon Inc.
Form PRER14A
September 15, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

The Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

EMDEON INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Table of Contents

Edgar Filing: Emdeon Inc. - Form PRER14A

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

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

Class A common stock, par value \$0.00001 per share, of Emdeon Inc. (Emdeon Class A common stock)

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

115,778,777 shares of Emdeon Class A common stock (including 24,565,195 units of membership interests (EBS Units) in EBS Master LLC (but excluding any unearned performance-contingent EBS Units, which shall be cancelled immediately prior to the effective time of the merger) and a corresponding number of shares of Class B common stock, par value \$0.00001, of Emdeon Inc. (Emdeon Class B common stock) per share, exchangeable for a like number of shares of Emdeon Class A common stock), 8,045,593 shares of Emdeon Class A common stock issuable pursuant to in-the-money options (but excluding any unearned performance-contingent stock options, which shall be forfeited immediately prior to the effective time of the merger), 911,420 shares of Emdeon Class A common stock issuable pursuant to a corresponding number of restricted stock units and 30,000 shares of Emdeon Class A common stock underlying purchase rights outstanding under the Company s Employee Stock Purchase Plan (the ESPP).

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

The proposed maximum aggregate value of transaction for purposes of calculating the filing fee is \$2,246,390,833.73. The maximum aggregate value of the transaction was calculated based upon the sum of (A)(1) 115,778,777 shares of Emdeon Class A common stock (including 24,565,195 EBS Units (but excluding any unearned performance-contingent EBS Units, which shall be cancelled immediately prior to the effective time of the merger) and a corresponding number of shares of Emdeon Class B common stock, par value \$0.00001 per share, exchangeable for a like number of shares of Emdeon Class A common stock) issued and outstanding and owned by persons other than the Company, Parent and Merger Sub on August 16, 2011, multiplied by (2) \$19.00 (the per share merger consideration), (B) (1) 8,045,593 shares of Emdeon Class A common stock underlying outstanding in-the-money options of the Company (but excluding any unearned performance-contingent stock options, which shall be forfeited immediately prior to the effective time of the merger) with an exercise price of \$19.00 or less, as of August 16, 2011, multiplied by (2) the excess of the per share merger consideration over the weighted average price of \$15.39, (C)(1) 911,420 shares of Emdeon Class A common stock issuable pursuant to a corresponding number of restricted stock units, multiplied by (2) the per share merger consideration and (D)(1) 30,000 shares of Class A common stock underlying purchase rights outstanding under the ESPP as of August 16, 2011, multiplied by (2) the excess of the per share merger consideration over \$11.25 (the expected purchase price for each share of Emdeon Class A common stock under the ESPP). The filing fee equals the product of 0.00011610 multiplied by the maximum aggregate value of the transaction.

(4) Proposed maximum aggregate value of transaction:

\$2,246,390,833.73

(5) Total fee paid:

\$260,805.98

x Fee paid previously with preliminary materials.

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

Edgar Filing: Emdeon Inc. - Form PRER14A

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

PRELIMINARY PROXY MATERIAL SUBJECT TO COMPLETION

EMDEON INC.

3055 Lebanon Pike, Suite 1000

Nashville, TN 37214

[], 2011

Dear Stockholder:

You are cordially invited to attend a Special Meeting of the stockholders (the Special Meeting) of Emdeon Inc. (Emdeon or the Company), which will be held at 8:30 a.m., Central Time, on [], 2011 at the Sheraton Music City Hotel located at 777 McGavock Pike, Nashville, Tennessee 37214. The Special Meeting is being held for the following purposes, as more fully described in the accompanying Proxy Statement:

1. To hold a vote on a proposal to adopt an Agreement and Plan of Merger, dated as of August 3, 2011 (as it may be amended, the merger agreement), by and among the Company, Beagle Parent Corp. (Parent), a Delaware corporation and an affiliate of The Blackstone Group L.P. and Blackstone Capital Partners VI L.P. (Sponsor), and Beagle Acquisition Corp. (Merger Sub), a Delaware corporation and a wholly-owned subsidiary of Parent, pursuant to which Merger Sub will be merged with and into the Company (the merger), with the Company surviving as a wholly-owned subsidiary of Parent;
2. To hold an advisory (non-binding) vote to approve certain items of compensation that are based on or otherwise related to the merger payable to the Company s named executive officers under existing agreements with the Company (the golden parachute compensation); and
3. To hold a vote on a proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt the merger agreement.

If the merger is completed, each share of Class A common stock, par value \$0.00001 per share, of the Company (Emdeon Class A common stock) that you own immediately prior to the effective time of the merger (including each share of Emdeon Class A common stock resulting from the exchange of units of membership interests (EBS Units) in EBS Master LLC (which is a subsidiary of the Company) and corresponding shares of Class B common stock, par value \$0.00001 per share, of the Company (Emdeon Class B common stock and, together with Emdeon Class A common stock, Emdeon common stock) contemplated by the merger agreement), other than as provided below, will be converted into the right to receive \$19.00 in cash (the per share merger consideration), without interest and less applicable withholding taxes. The following shares of Emdeon Class A common stock will not be converted into the right to receive the per share merger consideration in connection with the merger: (i) shares of Emdeon Class A common stock owned by the Company and its wholly-owned subsidiaries, (ii) shares of Emdeon Class A common stock owned by Parent and its subsidiaries, including such shares contributed to Parent by H&F Harrington AIV II, L.P. (H&F Harrington) pursuant to the rollover commitment letter under which, and subject to the terms and conditions of which, H&F Harrington has committed to contribute to Parent the amount of shares of Emdeon Class A common stock set forth therein, and (iii) shares of Emdeon Class A common stock whose holders have not voted in favor of adopting the merger agreement and have demanded and perfected their appraisal rights in accordance with Section 262 of the General Corporation Law of the State of Delaware. After giving effect to the exchange described above, all outstanding shares of Emdeon Class B common stock that are not converted into Emdeon Class A common stock pursuant to the merger agreement shall be cancelled for no consideration upon the completion of the merger. Following the completion of the merger, Parent will own all of the Company s issued and outstanding capital stock and the Company will continue its operations as a wholly-owned subsidiary of Parent. As a result, the Company will no longer have Emdeon Class A common stock listed on the New York Stock Exchange and will no longer be required to file periodic and other reports with the Securities and Exchange Commission with respect to Emdeon Class A common stock. After the merger, you will no longer have an equity interest in the Company and will not participate in any potential future earnings of the Company.

Table of Contents

Certain stockholders of the Company affiliated with General Atlantic LLC (the GA Equityholders) and certain stockholders of the Company affiliated with Hellman & Friedman LLC, including H&F Harrington (collectively, the H&F Equityholders), have entered into separate voting agreements with Parent that cover an aggregate of approximately 72.0% of the outstanding shares of Emdeon common stock, pursuant to which, unless the applicable voting agreement is terminated in accordance with its terms (including upon a termination of the merger agreement in accordance with its terms), such stockholders have agreed to, among other things, vote, or cause to be voted, their shares of Emdeon common stock in favor of the adoption of the merger agreement and approval of any related proposal in furtherance of the merger and the transactions contemplated by the merger agreement. Accordingly, adoption of the merger agreement and approval of any related proposal in furtherance of the merger and the transactions contemplated by the merger agreement will not require the affirmative vote of any stockholder other than the GA Equityholders and the H&F Equityholders. However, your vote is very important, and we encourage you to vote your shares of Emdeon common stock.

One of the H&F Equityholders, H&F Harrington, has committed to contribute approximately 50% of its shares of Emdeon Class A common stock at the closing of the merger to Parent in exchange for a pro rata share of the equity of Parent based on a value for each share of Emdeon Class A common stock so contributed of \$19.00. The other H&F Equityholders have committed to sell approximately 50% of their EBS Units at the closing of the merger to EBS Holdco II, LLC (which is a wholly-owned subsidiary of the Company and will be, immediately following the merger, an indirect wholly-owned subsidiary of Parent) in exchange for a pro rata share of the equity of Parent based on a value for each EBS Unit so sold of \$19.00 and to sell the remaining approximately 50% of their EBS Units for cash equal to a per EBS Unit purchase price of \$19.00. Immediately following the merger, Sponsor will own approximately 72.5% of Parent and the H&F Equityholders will collectively own approximately 27.5% of Parent. These ownership percentages are subject to change as a result of each of Sponsor s and the H&F Equityholders respective equity commitments being reduced by any amounts syndicated to third parties at or prior to the merger.

The board of directors has, after careful consideration, voted unanimously to (i) approve and declare advisable the merger agreement, the merger and the transactions contemplated by the merger agreement, (ii) declare that it is fair to and in the best interests of the Company and our stockholders other than H&F Equityholders that the Company enter into the merger agreement and consummate the merger on the terms and subject to the conditions set forth in the merger agreement, (iii) direct that the adoption of the merger agreement be submitted to a vote at a meeting of the stockholders of the Company and (iv) recommend to the stockholders of the Company that they vote FOR the adoption of the merger agreement. In arriving at its recommendations, the board of directors carefully considered a number of factors described in the accompanying Proxy Statement.

The board of directors also recommends that you vote FOR advisory (non-binding) approval of the golden parachute compensation and FOR the adjournment of the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt the merger agreement. Adoption of the merger agreement and approval of the golden parachute compensation are subject to separate votes by the Company s stockholders, and approval of the golden parachute compensation is not a condition to the completion of the merger.

In considering the recommendation of the board of directors, you should be aware that certain of the Company s directors and executive officers have interests in the merger that are different from, or in addition to, the interests of our stockholders generally as further described in the accompanying Proxy Statement. You should also be aware that the H&F Equityholders have interests in the merger that are different from, or in addition to, the interests of the Company s other stockholders, as further described in the accompanying Proxy Statement. In addition, affiliates of the GA Equityholders, affiliates of the H&F Equityholders and certain directors and executive officers of the Company are party to tax receivable agreements with the Company that were entered into in connection with the initial public offering of the Company, as described in the accompanying Proxy Statement. As described in the accompanying Proxy Statement, (i) affiliates of the GA Equityholders have agreed to transfer to affiliates of The Blackstone Group and forgo their rights under such tax receivable agreements for periods after the consummation of the merger (including their rights to future payments thereunder that were otherwise owed to them) but will retain the right to receive certain payments to be made under such tax receivable agreements up to

Table of Contents

\$2.75 million, and will be entitled to receive the same per share merger consideration in the merger for their shares of Emdeon Class A common stock as all of the Company's other stockholders and (ii) affiliates of the H&F Equityholders will retain their rights to payments under such tax receivable agreements, subject to certain amendments to such tax receivable agreements that would have the effect of potentially reducing the amounts payable to such affiliates of the H&F Equityholders thereunder.

Any holder of Emdeon common stock who does not vote in favor of the adoption of the merger agreement will have the right to seek appraisal of the fair value of such holder's shares of Emdeon common stock as determined by the Delaware Chancery Court if the merger is completed, but only if such holder does not vote in favor of adopting the merger agreement and otherwise complies with the procedures of Section 262 of the General Corporation Law of the State of Delaware (the "DGCL"), which is the appraisal rights statute applicable to Delaware corporations. These appraisal rights are summarized in the accompanying Proxy Statement. The accompanying Proxy Statement shall constitute notice to you from the Company of the availability of appraisal rights under Section 262 of the DGCL.

Your vote is important. Whether or not you plan to attend the Special Meeting in person, to ensure the presence of a quorum and that your shares are represented at the Special Meeting, please vote via the Internet or by telephone as instructed in the accompanying proxy materials or complete, date and sign and return a proxy card as promptly as possible. Even if you plan to attend the Special Meeting, please take advantage of one of the advance voting options to ensure that your shares are represented at the Special Meeting. You may revoke your proxy at any time before it is voted by following the procedures described in the accompanying Proxy Statement. **The merger cannot be completed unless the holders of a majority of the outstanding shares of Emdeon common stock, voting as a single class, adopt the merger agreement.**

Thank you for your continued support.

Sincerely,

George I. Lazenby

Chief Executive Officer and Director

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger, passed upon the merits or fairness of the merger agreement or the transactions contemplated thereby, including the proposed merger, or passed upon the adequacy or accuracy of the information contained in this document or the accompanying Proxy Statement. Any representation to the contrary is a criminal offense.

The accompanying Proxy Statement is dated [], 2011 and is first being mailed to the Company's stockholders on or about [], 2011.

Table of Contents

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [], 2011

EMDEON INC.

Dear Stockholder:

You are cordially invited to attend a Special Meeting of the stockholders (the Special Meeting) of Emdeon Inc. (Emdeon or the Company) which will be held at 8:30 a.m., Central Time, on [], 2011 at the Sheraton Music City Hotel located at 777 McGavock Pike, Nashville, Tennessee 37214. The Special Meeting is being held for the following purposes, as more fully described in the accompanying Proxy Statement:

1. To hold a vote on a proposal to adopt the Agreement and Plan of Merger, dated as of August 3, 2011 (as it may be amended, the merger agreement), by and among the Company, Beagle Parent Corp. (Parent), a Delaware corporation and an affiliate of The Blackstone Group L.P. and Blackstone Capital Partners VI L.P. (Sponsor), and Beagle Acquisition Corp. (Merger Sub), a Delaware corporation and a wholly-owned subsidiary of Parent, which provides for the merger of Merger Sub with and into the Company (the merger), with the Company surviving the merger as a wholly-owned subsidiary of Parent (Proposal 1);
2. To hold an advisory (non-binding) vote on a proposal to approve certain items of compensation that are based on or otherwise related to the merger payable to the Company s named executive officers under existing agreements with the Company (the golden parachute compensation) (Proposal 2); and
3. To hold a vote upon a proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt the merger agreement (Proposal 3).

In addition, stockholders will be asked to consider and vote upon any other matters that properly come before the Special Meeting or any adjournment or postponement thereof.

The merger agreement and the merger, the golden parachute compensation arrangements and adjournment proposal are more fully described in the accompanying Proxy Statement, which the Company urges you to read carefully and in its entirety. A copy of the merger agreement is attached as Appendix A to the accompanying Proxy Statement, which the Company also urges you to read carefully and in its entirety.

The board of directors has approved and authorized the merger agreement and recommends a vote **FOR** Proposal 1, **FOR** Proposal 2 and **FOR** Proposal 3. The Company does not expect a vote to be taken on any other matters at the Special Meeting or any adjournment or postponement thereof. If any other matters are properly presented at the Special Meeting or any adjournment or postponement thereof for consideration, however, the holders of the proxies will have discretion to vote on these matters in accordance with their best judgment.

Only stockholders that owned shares of Class A common stock, par value \$0.00001 per share, of the Company (Emdeon Class A common stock) or Class B common stock, par value \$0.00001 per share, of the Company (Emdeon Class B common stock and, together with Emdeon Class A common stock, Emdeon common stock), at the close of business on September 23, 2011 are entitled to notice of and to vote at the Special Meeting and any adjournment or postponement thereof.

Certain stockholders of the Company affiliated with General Atlantic LLC (the GA Equityholders) and certain stockholders of the Company affiliated with Hellman & Friedman LLC (the H&F Equityholders) have entered into separate voting agreements with Parent that cover an aggregate of approximately 72.0% of the outstanding shares of Emdeon common stock, pursuant to which, unless the applicable voting agreement is terminated in accordance with its terms (including upon a termination of the merger agreement in accordance with its terms), such stockholders have agreed to, among other things, vote, or cause to be voted, their shares of Emdeon common stock in favor of the adoption of the merger agreement and any related proposal in furtherance of the merger and the transactions contemplated by the merger agreement. Accordingly, adoption of the merger

Table of Contents

agreement and approval of any related proposal in furtherance of the merger and the transactions contemplated by the merger agreement will not require the affirmative vote of any stockholder other than the GA Equityholders and the H&F Equityholders. However, your vote is very important, and we encourage you to vote your shares of Emdeon common stock.

One of the H&F Equityholders, H&F Harrington AIV II, L.P., has committed to contribute approximately 50% of its shares of Emdeon Class A common stock at the closing of the merger to Parent in exchange for a pro rata share of the equity of Parent based on a value for each share of Emdeon Class A common stock so contributed of \$19.00. The other H&F Equityholders have committed to sell approximately 50% of their units of membership in EBS Master LLC (which is a subsidiary of the Company) at the closing of the merger to EBS Holdco II, LLC (which is a wholly-owned subsidiary of the Company and will be, immediately following the merger, an indirect wholly-owned subsidiary of Parent) in exchange for a pro rata share of the equity of Parent based on a value for each EBS Unit so sold of \$19.00 and to sell the remaining approximately 50% of their EBS Units for cash equal to a per EBS unit purchase price of \$19.00. Immediately following the merger, Sponsor will own approximately 72.5% of Parent and the H&F Equityholders will collectively own approximately 27.5% of Parent. These ownership percentages are subject to change as a result of each of Sponsor's and the H&F Equityholders' respective equity commitments being reduced by any amounts syndicated to third parties at or prior to the merger.

In considering the recommendations of the board of directors, you should be aware that certain of the Company's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of our stockholders generally, as further described in the accompanying Proxy Statement. You should also be aware that the H&F Equityholders have interests in the merger that are different from, or in addition to, the interests of the Company's other stockholders, as further described in the accompanying Proxy Statement. In addition, affiliates of the GA Equityholders, affiliates of the H&F Equityholders and certain directors and executive officers of the Company are party to tax receivable agreements with the Company that were entered into in connection with the initial public offering of the Company, as described in the accompanying Proxy Statement. As described in the accompanying Proxy Statement, (i) affiliates of the GA Equityholders have agreed to transfer to affiliates of The Blackstone Group and forgo their rights under such tax receivable agreements for periods after the consummation of the merger (including their rights to future payments thereunder that were otherwise owed to them) but will retain the right to receive certain payments to be made under such tax receivable agreements up to \$2.75 million, and will be entitled to receive the same per share merger consideration in the merger for their shares of Emdeon Class A common stock as all of the Company's other stockholders and (ii) affiliates of the H&F Equityholders will retain their rights to payments under such tax receivable agreements, subject to certain amendments to such tax receivable agreements that would have the effect of potentially reducing the amounts payable to such affiliates of the H&F Equityholders thereunder.

Any holder of Emdeon common stock who opposes the merger will have the right to seek appraisal of the fair value of such holder's shares of Emdeon common stock as determined by the Delaware Chancery Court if the merger is completed, but only if such holder does not vote in favor of adopting the merger agreement and otherwise complies with the procedures of Section 262 of the General Corporation Law of the State of Delaware (the "DGCL"), which is the appraisal rights statute applicable to Delaware corporations. These appraisal rights are summarized in the accompanying Proxy Statement. The accompanying Proxy Statement shall constitute notice to you from the Company of the availability of appraisal rights under Section 262 of the DGCL.

Your vote is important. Whether or not you plan to attend the Special Meeting in person, to ensure the presence of a quorum and that your shares are represented at the Special Meeting, please vote via the Internet or by telephone as instructed in the accompanying proxy materials or complete, date and sign and return a proxy card as promptly as possible. Even if you plan to attend the Special Meeting, please take advantage of one of the advance voting options to ensure that your shares are represented at the Special Meeting. You may revoke your proxy at any time before it is voted by following the procedures described in the accompanying Proxy Statement. **The merger cannot be completed unless the holders of a majority of the outstanding shares of Emdeon common stock, voting as a single class, adopt the merger agreement. The approval of the golden parachute compensation is advisory (non-binding) and is not a condition to the completion of the merger.**

Table of Contents

The Company urges you to read the Proxy Statement and merger agreement carefully and in their entirety.

By order of the board of directors,

Gregory T. Stevens

Executive Vice President, General Counsel and Secretary

[], 2011

Please do not send your Emdeon common stock certificates to the Company at this time. If the merger is completed, you will be sent instructions regarding the surrender of your Emdeon common stock certificates.

Important Notice Regarding the Availability of Proxy Materials

for the Special Meeting of Stockholders to be Held On [], 2011

This Proxy Statement is Available at investors.emdeon.com Under the Caption SEC Filings

Table of Contents**Proxy Statement**

	Page
<u>SUMMARY TERM SHEET</u>	1
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER, THE GOLDEN PARACHUTE COMPENSATION AND THE SPECIAL MEETING</u>	11
<u>SPECIAL FACTORS</u>	19
<u>Overview of the Transaction</u>	19
<u>Background of the Merger</u>	20
<u>Recommendation of the Company's Board of Directors: Fairness of the Merger</u>	33
<u>Opinion of Morgan Stanley & Co. LLC</u>	39
<u>Opinion of UBS Securities LLC</u>	49
<u>Purposes and Reasons of the Company for the Merger</u>	55
<u>Purposes and Reasons of the Blackstone Filing Persons for the Merger</u>	56
<u>Positions of the Blackstone Filing Persons Regarding the Fairness of the Merger</u>	56
<u>Purposes and Reasons of the H&F Filing Persons for the Merger</u>	59
<u>Positions of the H&F Filing Persons Regarding the Fairness of the Merger</u>	59
<u>Certain Effects of the Merger: Plans for the Company</u>	64
<u>Alternatives to the Merger</u>	67
<u>Effects on the Company if the Merger is not Completed</u>	68
<u>Projected Financial Information</u>	68
<u>Financing of the Merger</u>	71
<u>Interim Investors Agreement</u>	77
<u>Limited Guarantee</u>	78
<u>Interests of the Company's Directors and Executive Officers in the Merger</u>	78
<u>Voting Agreements</u>	84
<u>Tax Receivable Arrangements</u>	85
<u>Dividends</u>	87
<u>Appraisal Rights</u>	87
<u>Material U.S. Federal Income Tax Consequences</u>	91
<u>Regulatory Approvals</u>	94
<u>Delisting and Deregistration of Emdeon Class A Common Stock</u>	94
<u>Litigation Related to the Merger</u>	94
<u>Effective Time of Merger</u>	96
<u>Payment of Merger Consideration and Surrender of Stock Certificates</u>	97
<u>Fees and Expenses</u>	98
<u>THE SPECIAL MEETING</u>	99
<u>Time, Place and Purpose of the Special Meeting</u>	99
<u>Board Recommendation</u>	99
<u>Who is Entitled to Vote at the Special Meeting?</u>	99
<u>How Do I Vote?</u>	100
<u>How Many Votes Do I Have?</u>	100
<u>What If I Request and Return a Proxy Card But Do Not Make Specific Choices?</u>	101
<u>Can I Change My Vote After I Return My Proxy Card?</u>	101
<u>How Are Votes Counted?</u>	101
<u>How Many Votes Are Needed to Approve Each Proposal?</u>	102
<u>What Should I Do With My Stock Certificates at this Time?</u>	102
<u>How Many Shares Must Be Present to Constitute a Quorum for the Special Meeting?</u>	102
<u>Stock Ownership and Interests of Certain Persons</u>	103
<u>Expenses of Proxy Solicitation</u>	103
<u>Adjournments and Postponements</u>	103

Table of Contents

	Page
<u>Rights of Stockholders Who Object to the Merger</u>	104
<u>Other Matters</u>	104
<u>Questions and Additional Information</u>	104
<u>PARTIES TO THE MERGER</u>	105
<u>Emdeon Inc.</u>	105
<u>Blackstone Capital Partners VII, L.P.</u>	106
<u>Beagle Parent Corp.</u>	106
<u>Beagle Acquisition Corp.</u>	107
<u>H&F Filing Persons</u>	107
<u>Business and Background of Natural Persons Related to the Company</u>	107
<u>Business and Background of Natural Persons Related to the Blackstone Filing Persons</u>	110
<u>Business and Background of Natural Persons Related to the H&F Filing Persons</u>	111
<u>THE MERGER AGREEMENT</u>	113
<u>General: The Merger</u>	113
<u>Closing and Effective Time of the Merger: Marketing Period</u>	114
<u>Certificate of Incorporation: Bylaws</u>	115
<u>Conversion of Securities</u>	115
<u>Payment Procedures</u>	117
<u>Representations and Warranties</u>	118
<u>Covenants of the Company</u>	121
<u>Covenants of Parent and/or Merger Sub</u>	127
<u>Certain Covenants of Each Party</u>	128
<u>Conditions to the Completion of the Merger</u>	131
<u>Termination</u>	132
<u>Effect of Termination: Fees and Expenses</u>	134
<u>Amendment; Extension; Waiver</u>	137
<u>ADVISORY VOTE ON GOLDEN PARACHUTE COMPENSATION</u>	138
<u>Golden Parachute Compensation</u>	138
<u>Employment Agreements</u>	139
<u>Equity Awards</u>	140
<u>Management Tax Receivable Agreement</u>	140
<u>Vote Required and Board of Directors Recommendation</u>	141
<u>ADJOURNMENT OF THE SPECIAL MEETING</u>	142
<u>Adjournment of the Special Meeting</u>	142
<u>Vote Required and Board of Directors Recommendation</u>	142
<u>MARKETS AND MARKET PRICE</u>	142
<u>SELECTED FINANCIAL INFORMATION</u>	143
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	145
<u>COMMON STOCK TRANSACTION INFORMATION</u>	148
<u>Transactions by the Blackstone Filing Persons</u>	148
<u>Transactions by the H&F Filing Persons</u>	148
<u>Transactions by the Company's Directors and Executive Officers</u>	148
<u>STOCKHOLDER PROPOSALS AND NOMINATIONS</u>	148
<u>HOUSEHOLDING</u>	149
<u>FORWARD-LOOKING STATEMENTS</u>	149

Table of Contents

	Page
<u>WHERE STOCKHOLDERS CAN FIND MORE INFORMATION</u>	151
<u>Agreement and Plan of Merger</u>	Appendix A
<u>Section 262 of the General Corporation Law of the State of Delaware</u>	Appendix B
<u>Opinion of Morgan Stanley & Co. LLC</u>	Appendix C
<u>Opinion of UBS Securities LLC</u>	Appendix D

Table of Contents

EMDEON INC.

3055 Lebanon Pike, Suite 1000

Nashville, TN 37214

PROXY STATEMENT

This Proxy Statement contains information related to a Special Meeting of stockholders (the **Special Meeting**) of Emdeon Inc. to be held on [], 2011, at the Sheraton Music City Hotel located at 777 McGavock Pike, Nashville, Tennessee 37214 at 8:30 a.m., Central Time, and at any adjournments or postponements thereof. **We are furnishing this Proxy Statement to our stockholders as part of the solicitation of proxies by our Board of Directors for use at the Special Meeting.** At the Special Meeting you will be asked to, among other things, consider and vote on the adoption of the merger agreement (as defined immediately below). This Proxy Statement is first being mailed to stockholders on or about [], 2011.

SUMMARY TERM SHEET

This following summary term sheet highlights selected information contained in this Proxy Statement and may not contain all of the information that is important to you. We urge you to read this entire Proxy Statement carefully, including the appendices, before voting. We have included section references to direct you to a more complete description of the topics described in this summary term sheet. You may obtain the information incorporated by reference into this Proxy Statement without charge by following the instructions in **Where Stockholders Can Find More Information** beginning on page 151. Unless the context requires otherwise, references in this Proxy Statement to **we**, **us**, **our**, **the Company** or **Emdeon** refer to Emdeon Inc., a Delaware corporation, and its subsidiaries. We refer to Beagle Parent Corp., a Delaware corporation, as **Parent**, Beagle Acquisition Corp., a Delaware corporation, as **Merger Sub**, Blackstone Capital Partners VI L.P., a Delaware limited partnership, as **Sponsor** and Blackstone Management Associates VI L.L.C., a Delaware limited liability company, as **Sponsor's General Partner**. We refer to H&F Harrington AIV II, L.P., a Delaware limited partnership, as **H&F Harrington**, HFCP VI Domestic AIV, L.P., a Delaware limited partnership, as **HFCP Domestic**, Hellman & Friedman Capital Executives VI, L.P., a Delaware limited partnership, as **H&F Capital Executives**, Hellman & Friedman Capital Associates VI, L.P., a Delaware limited partnership, as **H&F Capital Associates** and Hellman & Friedman Investors VI, L.P., a Delaware limited partnership, as **H&F GP**. We refer to HFCP Domestic, H&F Capital Executives, H&F Capital Associates and H&F GP, collectively, as the **H&F Unitholders**, and together with H&F Harrington, the **H&F Equityholders**. The H&F Equityholders are affiliates of Hellman & Friedman LLC (**Hellman & Friedman**), and together with the H&F Equityholders, the **H&F Filing Persons**).

Purpose of Stockholders' Vote. You are being asked to:

- i consider and vote upon a proposal (the **merger proposal**) to adopt the Agreement and Plan of Merger, dated as of August 3, 2011, by and among the Company, Parent and Merger Sub, as it may be amended from time to time (the **merger agreement**). A copy of the merger agreement is attached as Appendix A to this Proxy Statement. Pursuant to the merger agreement, Merger Sub will be merged with and into the Company (the **merger**), and the Company will continue as the surviving corporation and become a wholly-owned subsidiary of Parent. If the merger is completed, each issued and outstanding share of Class A common stock, par value \$0.00001 per share, of the Company (**Emdeon Class A common stock**) (including each share of Emdeon Class A common stock resulting from the exchange of units of membership interests (**EBS Units**) in EBS Master LLC, a subsidiary of the Company (**EBS Master**), and corresponding shares of Class B common stock, par value \$0.00001 per share, of the Company (**Emdeon Class B common stock** and, together with Class A common stock, **Emdeon**

Edgar Filing: Emdeon Inc. - Form PRER14A

common stock) contemplated by the merger agreement), other than as provided below, will be converted into the right to receive \$19.00 in cash, without interest and less applicable withholding taxes. The

Table of Contents

following shares of Emdeon Class A common stock will not be converted into the right to receive the per share merger consideration in connection with the merger: (i) shares of Emdeon Class A common stock owned by the Company and its wholly-owned subsidiaries, (ii) shares of Emdeon Class A common stock owned by Parent and its subsidiaries, including such shares contributed to Parent by H&F Harrington pursuant to the rollover commitment letter (the Rollover Letter) under which, and subject to the terms and conditions of which, H&F Harrington has committed to contribute to Parent the amount of shares of Emdeon Class A common stock set forth therein (together with the transactions contemplated by the interim investors agreement by and among Parent, the H&F Equityholders and Sponsor, the Rollover Investment), and (iii) shares of Emdeon Class A common stock whose holders have not voted in favor of adopting the merger agreement and have demanded and perfected their appraisal rights in accordance with Section 262 of the General Corporation Law of the State of Delaware (the DGCL). After giving effect to the exchange described above, all outstanding shares of Emdeon Class B common stock that are not converted into shares of Class A common stock shall be cancelled for no consideration upon the completion of the merger. Unless the context requires otherwise, all references in this Proxy Statement to the treatment of Emdeon Class A common stock in the merger include shares of Emdeon Class A common stock resulting from the exchange of EBS Units and Emdeon Class B common stock described above. See Special Factors beginning on page 19; The Special Meeting beginning on page 99; and The Merger Agreement Conversion of Securities beginning on page 115.

- i approve on an advisory (non-binding) basis certain items of compensation that are based on or otherwise related to the merger payable to the Company s named executive officers under existing agreements with the Company (which is referred to in this Proxy Statement as the golden parachute compensation). See Advisory Vote on Golden Parachute Compensation beginning on page 138; and
- i approve a proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the Special Meeting to adopt the merger agreement.

Required Vote of the Company s Stockholders. Under the DGCL and in accordance with the Company s organizational documents, the affirmative vote of the holders of a majority of the shares of Emdeon common stock outstanding and entitled to vote, voting as a single class, is necessary to adopt the merger agreement. Abstentions and broker non-votes will have the same effect as a vote against adoption of the merger agreement. The affirmative vote of the majority of the shares of Emdeon common stock, voting as a single class, present in person or represented by proxy and entitled to vote on the proposal is required for the approval of the advisory (non-binding) proposal on the golden parachute compensation. **The vote to approve the golden parachute compensation is advisory only and will not be binding on the Company or Parent and is not a condition to the completion of the merger.** If the merger agreement is adopted by the stockholders and the merger is completed, the golden parachute compensation will be payable to the Company s named executive officers even if stockholders do not approve the golden parachute compensation. Abstentions are treated as a vote against the advisory (non-binding) proposal to approve the golden parachute compensation. However, broker non-votes (or other failures to vote) will have no effect on the advisory (non-binding) proposal to approve the golden parachute compensation. The affirmative vote of the majority of the shares of Emdeon common stock, voting as a single class, present in person or represented by proxy and entitled to vote on the proposal is required for the approval of the proposal to adjourn the Special Meeting if there are not sufficient votes to adopt the merger proposal. Abstentions are treated as a vote against the proposal to adjourn the Special Meeting if there are not sufficient votes to adopt the merger proposal. See The Special Meeting How Many Votes are Needed to Approve Each Proposal? beginning on page 102, The Special Meeting Adjournments and Postponements beginning on page 103, Special Factors Voting Agreement beginning on page 84 and Advisory Vote on Golden Parachute Compensation beginning on page 138.

Table of Contents

Voting Agreements. Certain stockholders of the Company affiliated with General Atlantic LLC (General Atlantic and such affiliates, the GA Equityholders) and the H&F Equityholders have entered into separate voting agreements with Parent that cover an aggregate of approximately 72.0% of the outstanding shares of Emdeon common stock, pursuant to which such stockholders have agreed to, among other things, vote, or cause to be voted, their shares of Emdeon common stock in favor of the adoption of the merger agreement and any related proposal in furtherance of the merger and the transactions contemplated by the merger agreement. Accordingly, adoption of the merger agreement and approval of any related proposal in furtherance of the merger and the transactions contemplated by the merger agreement will not require the affirmative vote of any stockholder other than the GA Equityholders and the H&F Equityholders. The voting agreements will terminate automatically at the earliest of (i) the effective time of the merger, (ii) the termination of the merger agreement in accordance with its terms, (iii) any withdrawal or modification of, or any amendment to, the recommendation in respect of the merger and the merger agreement by the board of directors in a manner adverse to Parent, (iv) the making of any material change, by amendment, waiver or other modification to any provision of the merger agreement that (x) reduces the amount, changes the form or imposes any restrictions or additional conditions on the receipt of the merger consideration to the stockholders that are parties to the voting agreements or (y) is otherwise materially adverse to the stockholders that are parties to the voting agreements, and (v) February 9, 2012. See Special Factors Voting Agreement beginning on page 84.

Rollover Investment. One of the H&F Equityholders, H&F Harrington, has committed to contribute approximately 50% of its shares of Emdeon Class A common stock at the closing of the merger to Parent in exchange for a pro rata share of the equity of Parent based on a value for each share of Emdeon Class A common stock so contributed of \$19.00. The H&F Unitholders have committed to sell approximately 50% of their EBS Units at the closing of the merger to EBS Holdco II, LLC (which is a wholly-owned subsidiary of the Company and will be, immediately following the merger, an indirect wholly-owned subsidiary of Parent) in exchange for a pro rata share of the equity of Parent based on a value for each EBS Unit so contributed of \$19.00 and to sell the remaining approximately 50% of their EBS Units for cash equal to a per EBS Unit purchase price of \$19.00. Immediately following the merger, Sponsor will own approximately 72.5% of Parent and the H&F Equityholders will collectively own approximately 27.5% of Parent. These ownership percentages are subject to change as a result of each of Sponsor s and the H&F Equityholders respective equity commitments being reduced by any amounts syndicated to third parties at or prior to the merger.

Parties Involved in the Merger. The Company, a Delaware corporation headquartered in Nashville, Tennessee, is a leading provider of revenue and payment cycle management and clinical information exchange solutions connecting payers, providers and patients in the U.S. healthcare system. Parent is a Delaware corporation and an affiliate of The Blackstone Group L.P. (The Blackstone Group), Sponsor and Sponsor s General Partner. Merger Sub is a Delaware corporation and a wholly-owned subsidiary of Parent. Both Parent and Merger Sub were formed for the sole purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. See Parties to the Merger beginning on page 105.