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In re:) Chapter 11
PROXYMED TRANSACTION) Case No. 08-11551 (BLS)
SERVICES, INC., et al.,) (Jointly Administered)
Debtors.)

Obj. Deadline: Aug. 25 at 4:00 p.m. (ET)
Bid Deadline: Sept. 5 at Noon (ET)
Auction: Sept. 8 at 10:00 a.m. (ET)
Sale Hearing: Sept. 9 at 11:00 a.m. (ET)
Related Docket Nos. 17 & 18 & 93

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PROXYMED TRANSACTION SERVICES

NOTICE OF AUCTION AND SALE

PLEASE TAKE NOTICE that, on July 23, 2008, ProxyMed Transaction Services, Inc. ("PTS"), ProxyMed, Inc. ("ProxyMed", and with PTS, the "Sellers") and ProxyMed Lab Services, LLC ("ProxyMed Lab", and with the Sellers, the "Debtors") filed their motion for entry of an order (A) approving certain bid procedures, which are attached hereto as Exhibit 1 (the "Bid Procedures"), for the proposed sale of substantially all of the Sellers' Assets, as more fully set forth in that certain asset purchase agreement (the "Agreement") by and between Sellers and MHC Acquisition Corp. (the "Buyer"); (B) scheduling a hearing (the "Sale Hearing") and approving the form and manner of notice of the Auction and the Bid Procedures; (C) establishing procedures for assumption and assignment of certain executory contracts and unexpired leases (the "Contracts") including notice of proposed cure amounts; (D) authorizing Debtors to pay to the Buyer a break-up fee and expense reimbursement under certain terms and conditions set forth in the Agreement and summarized below; and (E) granting related relief (the "Bid Procedures Motion"), and (ii) Motion for an Order Pursuant to Sections 105(a), 363, and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (A) Authorizing the Sale of Substantially All of Its Assets; (B) Approving an Asset Purchase Agreement, Subject to Higher and Better Offers; (C) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (D) Granting Related Relief (the "Sale Motion") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). By order dated August 6, 2008, the Bankruptcy Court entered an order (the "Bid Procedures Order") approving the Bid

1 The Debtors in these proceedings are: ProxyMed Transaction Services, Inc. f/k/a MedUnite, Inc. (Tax ID No. XX-XXX5613); ProxyMed, Inc. d/b/a MedAvant Healthcare Solutions (Tax ID No. XX-XXX2059); and ProxyMed Lab Services LLC f/k/a Key Communications Service, Inc. (Tax ID No. XX-XXX2059), each with a principal address of 1854 Shackleford Court, Suite 200, Norcross, GA 30093 and a mailing address of 1901 E. Alton Avenue, Suite 100, Santa Ana, CA 92705.

2 All capitalized terms not defined herein shall be given the meaning ascribed to them in the Bid Procedures Order (as hereinafter defined).

Procedures Motion which, among other things, established procedures for the submission of Bids, Auction Process and set the Sale Hearing for **September 9, 2008 at 11:00 a.m. (ET)** at the Bankruptcy Court, 824 North Market Street, 6th Floor, Wilmington, Delaware regarding the Sale of substantially all of the Sellers' Assets. Although the Sellers entered into the Agreement with the Buyer to sell substantially all of the Sellers' Assets, the Agreement and the Proposed Sale is subject to further offers pursuant to the Bid Procedures Order.

Any party that wishes to take part in this process and submit a bid for the Assets or any portion thereof must submit their competing Bid prior to **September 5, 2008, at 12:00 Noon (ET)**, to (a) co-counsel to the Debtors, Foley & Lardner LLP, 90 Park Avenue, 37th Floor, New York, NY 10016-1314, Attention: Michael P. Richman, Esq. and Young Conaway Stargatt & Taylor, LLP, The Brandywine Building, 1000 West Street, 17th Floor, Wilmington, DE, 19801, Attention: Michael R. Nestor, Esq.; (b) counsel for the Buyer, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd, Suite 1100, Los Angeles, CA 90067, Attention: Jeffrey N. Pomerantz, Esq. and Pachulski Stang Ziehl & Jones LLP, 919 North Market Street, 17th Floor, P.O. Box 8705, Wilmington, DE 19899-8705 (Courier 19801), Attention: Laura Davis Jones, Esq.; (c) investment bankers for the Debtors, Cain Brothers & Company LLC, 360 Madison Avenue, 5th Floor, New York, NY 10017, Attention: Thomas M. Berry; (d) counsel for Laurus, Cole, Schotz, Meisel, Forman & Leonard, P.A, 1000 N. West Street, Suite 1200, Wilmington, DE 19801, Attention: J. Kate Stickles, Esq. and Cole, Schotz, Meisel, Forman & Leonard, P.A, 25 Main Street, P.O. Box 800, Hackensack, NJ 07602-800, Attention: Gerald H. Gline, Esq. and Stuart Komrower, Esq.; and (e) counsel for the official committee of unsecured creditors (the "Committee"), Otterbourg, Steindler, Houston & Rosen, P.C., 230 Park Avenue, New York, NY 10169, Attention: David Posner, Esq. and Elliott Greenleaf, 1000 West Street, Suite 1440, Wilmington, DE 19801, Attention: Rafael X. Zahralddin, Esq. (collectively, the "Notice Parties").

Only those parties that submit Qualified Bids may participate in the Auction. If you are interested in determining how to submit such a Qualified Bid, you must comply with the terms of the Bid Procedures as referenced in the Bid Procedures Order and attached hereto. Only the authorized representatives or agents of each of the Qualified Bidders, the Committee, Laurus, and Debtors shall be permitted to attend the Auction. At the Auction, Qualified Bidders will be permitted to increase their bids.

The Bid Procedures set forth the requirements necessary to qualify as a Qualified Bid. Among other things, each Bid must provide total consideration to the Debtors' estates equal to or greater than the sum of the following amounts: (i) \$11,000,000 (subject to downward adjustment to as low as \$10,500,000 based upon cure costs); (ii) the value of the Assumed Liabilities under the Agreement (inclusive of amounts payable pursuant to (v) below); (iii) the Break-Up Fee to the Buyer; (iv) the Expense Reimbursement to the Buyer (collectively, items (i), (ii), (iii) and (iv) are hereinafter referred to as the "Stalking Horse Bid"); (v) all liabilities under any key employment retention or severance plan(s) but only to the extent such liabilities are (a) approved at any time by this Court pursuant to the Debtors' pending Motion for an Order Authorizing (A) Payment of Severance to Certain Employees, and (B) Incentive Pay to Certain Senior Management Pursuant to Sections 105(a), 363(b)(1) and 503(c)(3) of the Bankruptcy Code [Docket No. 38] or other such motion, and (b) become due and payable by the Debtors at any time; and (vi) \$100,000 (the "Initial Minimum Overbid"). Thereafter bidding shall continue in increments of at least \$100,000 (or such other amount the Debtors, in consultation with the Committee, determine to facilitate the Auction)

of cash or other equivalent value acceptable to the Debtors in their reasonable discretion. The highest or otherwise best Qualified Bid shall be determined by Debtors in their sole discretion, in consultation with the Committee and Laurus or as determined by the Bankruptcy Court if there is a dispute.

If you seek to object to the sale of the Assets or any portion thereof, you must comply with the terms for making such objections as set forth in the Bid Procedures and the Bid Procedures Order. Such objections must be filed with the Bankruptcy Court and served on the parties set forth in the Bid Procedures Order. If any party fails to timely file and serve an objection in accordance with the Bid Procedures Order, the Bankruptcy Court may disregard such objection. The failure of any person to timely file its objection shall be a bar to the assertion, at the Sale Hearing or thereafter, of any objection to the Sale Motion or the Debtors' assumption and assignment of any Contract or the consummation of the Proposed Sale of Assets and performance under the Agreement (or any alternative agreement entered into with the Successful Bidder), including the transfer of the Assets free and clear of Interests (other than permitted encumbrances provided for expressly in the Agreement or alternative purchase agreement entered into with the Successful Bidder); provided, however, if the Buyer is not the Successful Bidder and an alternative Successful Bidder is seeking to have certain Contracts assumed and assigned as part of an alternative transaction, the non-debtor parties to such Contracts shall have until the Sale Hearing to raise objections under section 365(b)(1)(C) of the Bankruptcy Code.

FOLEY & LARDNER LLP
Michael P. Richman
Mark A. Salzberg
90 Park Avenue
New York, NY 10016
(212) 682-7474 (Telephone)
(212) 687-2329 (Facsimile)

YOUNG CONAWAY STARGATT & TAYLOR, LLP
Michael R. Nestor
Joseph M. Barry
Kara Hammond Coyle
The Brandywine Building
1000 West Street, 17th Floor,
Wilmington, DE 19801
(302) 571-6600 (Telephone)
(302) 571-1253 (Facsimile)

EXHIBIT 1

BID PROCEDURES

ProxyMed Transaction Services, Inc. ("PTS"), ProxyMed, Inc. ("ProxyMed", and with PTS, the "Sellers") and ProxyMed Lab Services, LLC ("ProxyMed Lab", and with the Sellers, the "Debtors") have filed chapter 11 cases pending in the Bankruptcy Court¹ and jointly administered under Case No. 08-08-11551 (BLS). By motion dated July 23, 2008 (the "Motion"), the Debtors sought, among other things, approval of the process and procedures set forth below (the "Bid Procedures") through which they will determine the highest, best or otherwise financially superior offer for substantially all of the Sellers' assets (the "Assets"). On August 8, 2008, the Bankruptcy Court entered its order (the "Bid Procedures Order") which, among other things, approved the Bid Procedures.

On September 9, 2008 at 11:00 a.m. (ET), as further described below, in the Motion and in the Bid Procedures Order, the Bankruptcy Court shall conduct the Sale Hearing at which the Debtors shall seek entry of the Sale Order authorizing and approving the sale of the Assets (the "Proposed Sale of the Assets") to the Buyer (defined below) or to a Qualified Bidder (defined below) that the Debtors, in their reasonable discretion, determine to have made the highest, best and financially superior offer.

Agreement

On July 23, 2008, the Sellers entered into an asset purchase agreement (the "Agreement") with MHC Acquisition Corp. (the "Buyer"), pursuant to which the Buyer proposes to acquire the Assets. Pursuant to the Agreement, the Buyer will pay the Debtors \$11,000,000 (which may net the Debtors' estates as low as \$10,500,000 based upon cure costs) and assume the Assumed Liabilities in consideration for the Assets. The transaction contemplated by the Agreement is subject to competitive bidding as set forth herein, and approval by the Bankruptcy Court pursuant to Bankruptcy Code §§ 363 and 365.

Assets for Sale

The Debtors are offering for sale in one or more transactions all or substantially all of the assets of the Sellers. The assets for sale do not include the Excluded Assets, as more fully set forth in the Agreement.

Bid Deadline

All Bids (as defined below) must be submitted in writing so that they are actually received no later than 12:00 noon (Eastern time) on September 5, 2008 (the "Bid Deadline"). Prior to the Bid Deadline, a Potential Bidder that desires to make an offer, solicitation or proposal (a "Bid") shall deliver written copies of such Bid to (a) co-counsel to the Debtors, Foley & Lardner

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Agreement (defined below).

LLP, 90 Park Avenue, 37th Floor, New York, NY 10016-1314, Attention: Michael P. Richman, Esq. and Young Conaway Stargatt & Taylor, LLP, The Brandywine Building, 1000 West Street, 17th Floor, Wilmington, DE 19801, Attention: Michael R. Nestor, Esq.; (b) counsel for the Buyer, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd, Suite 1100, Los Angeles, CA 90067, Attention: Jeffrey N. Pomerantz, Esq. and Pachulski Stang Ziehl & Jones LLP, 919 North Market Street, 17th Floor, P.O. Box 8705, Wilmington, DE 19899-8705 (Courier 19801), Attention: Laura Davis Jones, Esq.; (c) investment bankers for the Debtors, Cain Brothers & Company LLC, 360 Madison Avenue, 5th Floor, New York, NY 10017, Attention: Thomas M. Barry; (d) counsel for Laurus Master Fund, Ltd., Cole, Schotz, Meisel, Forman & Leonard, P.A., Court Plaza North, 25 Main Street, P.O. Box 800, Hackensack, NJ 07602-800, Attention: Stuart Komrower, Esq. and Gerald H. Gline, Esq.; and (e) counsel for the official committee of unsecured creditors (the "Committee"), Otterbourg, Steindler, Houston & Rosen, P.C., 230 Park Avenue, New York, NY 10169, Attention: David Posner, Esq. and Elliott Greenleaf, 1000 West Street, Suite 1440, Wilmington, DE 19801, Attention: Rafael X. Zahralddin, Esq. (collectively, the "Notice Parties"). A Bid received after the Bid Deadline shall not constitute a Qualified Bid. Interested bidders requesting information about the qualification process, **including a form asset purchase agreement**, and information in connection with their due diligence, should contact Thomas M. Barry, Managing Director, Cain Brothers & Company LLC, 360 Madison Avenue, 5th Floor, New York, NY 10017, (212) 981-6958.

Participation Requirements

To participate in the bidding process or otherwise be considered for any purpose hereunder, a person interested in all or portions of the Assets (a "Potential Bidder") must deliver (unless previously delivered) to the Debtors and their counsel and the Committee's counsel, so that they are received not later than **12:00 Noon (ET) on September 5, 2008** (and Debtors' counsel shall furnish copies of all such information to counsel for Laurus within 24 hours of their receipt of such information and Laurus shall not disclose such information to the Buyer unless it is otherwise disclosed or unless it otherwise becomes public):

- (a) An executed Confidentiality Agreement (as defined below), provided however that this requirement does not apply to Potential Bidders who have already executed a Confidentiality Agreement;
- (b) Identification of Potential Bidder. Identification of the Potential Bidder and any Principals (defined below), and the representatives thereof who are authorized to appear and act on their behalf for all purposes regarding the contemplated transaction;
- (c) Non-Binding Expression of Interest. An executed non-binding indication of interest satisfactory to the Debtors that must reasonably identify the contemplated transaction, including the assets proposed to be acquired, the proposed purchase price, contingencies, and conditions precedent to closing;
- (d) Corporate Authority. Written evidence satisfactory to Debtors of the Potential Bidder's chief executive officer or other appropriate senior executive's approval of the contemplated transaction; provided, however, that, if the Potential Bidder is an entity specially formed for the purpose of effectuating the contemplated transaction, then the Potential Bidder must furnish written evidence reasonably acceptable to the

Debtors of the approval of the contemplated transaction by the equity holder(s) of such Potential Bidder (the "Principals"); and

- (e) Proof of Financial Ability to Perform. Written evidence upon which the Debtors, in consultation with the Committee and Laurus, may reasonably conclude that the Potential Bidder has the necessary financial ability to close the contemplated transaction and provide adequate assurance of future performance under all contracts to be assumed in such contemplated transaction. Without restricting in any fashion the Debtors' discretion to determine whether a Potential Bidder is a Qualified Bidder, such information should include, *inter alia*, the following:
- (i) the Potential Bidder's current financial statements (audited if they exist); and
 - (ii) evidence of the Potential Bidder's internal resources and proof of any debt or equity funding commitments that are needed to close the contemplated transaction.

Designation as Qualified Bidder

A "Qualified Bidder" is a Potential Bidder (or combination of Potential Bidders whose bids for the Assets do not overlap and who agree to have their Bids combined for purposes of the determination of whether such Potential Bidders together constitute a Qualified Bidder, and who shall also be referred to herein as a single Qualified Bidder) that delivers the documents described in subparagraphs (a)-(e) in the section of these Bid Procedures entitled "Participation Requirements", who otherwise qualifies with the requirements to submit a Qualified Bid as set forth below, and who the Debtors, in their reasonable discretion and with assistance from their advisors and in consultation with Laurus and the Committee, determine is reasonably likely to submit a bona fide offer that would result in greater value being received for the benefit of the Debtors' creditors than under the Agreement and to be able to consummate a sale if selected as a Successful Bidder (defined below).

Upon the receipt from a Potential Bidder of the information required under subparagraphs (a)-(e) in the section of these Bid Procedures entitled "Participation Requirements", the Debtors, as soon as is practicable, shall determine and notify the Potential Bidder with respect to whether such Potential Bidder is a Qualified Bidder.

The Buyer is a Qualified Bidder.

Access to Due Diligence Materials

Only Potential Bidders that execute a confidentiality agreement (the "Confidentiality Agreement") in substantially the form attached hereto as Exhibit "A" (except for those Potential Bidders that have already executed Confidentiality Agreements with the Debtors) are eligible to receive due diligence access or additional non-public information. If the Debtors, in consultation with Laurus and the Committee, determine that a Potential Bidder that has satisfied the Participation Requirements does not constitute a Qualified Bidder, then such Potential Bidder's right to receive due-diligence access or additional non-public information shall terminate. The Debtors will designate an employee or other representative to coordinate all reasonable requests for additional information and due diligence access from such Potential Bidders. The Debtors

shall not be obligated to furnish any due diligence information after the Bid Deadline (as hereinafter defined). The Debtors are not responsible for, and will bear no liability with respect to, any information obtained by Qualified Bidders in connection with the sale of the Assets.

If the Debtors furnish any written materials related to the Debtors not theretofore given to the Buyer, then the Debtors shall place such materials in the Debtors' electronic data room and such information shall be made available to the Buyer and each Qualified Bidder.

Due Diligence From Bidders

Each Potential Bidder and Qualified Bidder (collectively, a "Bidder") shall comply with all reasonable requests for additional information and due diligence access by the Debtors, their advisors, Laurus or the Committee regarding such Bidder and its contemplated transaction. Laurus shall not disclose any such additional information, if any, including but not limited to information about a Bidder's contemplated transaction to the Buyer unless such information is otherwise disclosed by a Bidder or unless it otherwise becomes public. Failure by a Potential Bidder to comply with requests for additional information and due diligence access will be a basis for the Debtors to determine that the Potential Bidder is not a Qualified Bidder. Failure by a Qualified Bidder to comply with requests for additional information and due diligence access may be a basis for the Debtors, in consultation with the Committee and Laurus, to determine that a bid made by a Qualified Bidder is not a Qualified Bid.

Bidding Process

The Debtors and their advisors, in consultation with the Committee and Laurus, shall: (i) in their reasonable discretion determine whether a Potential Bidder is a Qualified Bidder; (ii) coordinate the efforts of Bidders in conducting their due diligence investigations, as permitted by the provisions above; (iii) receive offers from Qualified Bidders; and (iv) negotiate any offers made to purchase the Assets (collectively, the "Bidding Process"). The Debtors, with the consent of the Buyer and Laurus, which will not be unreasonably withheld, shall have the right to adopt such other rules for the Bid Process (including rules that may depart from those set forth herein) that, in their reasonable discretion in consultation with the Committee, will better promote the goals of the Bid Process.

Bid Requirements²

To be eligible to participate in the Auction, each Bid and each Qualified Bidder submitting such a Bid must be determined by the Debtors to satisfy each of the following conditions:

- (a) Good Faith Deposit. Each Bid must be accompanied by a deposit (the "Good Faith Deposit") in the form of a certified check or cash payable to the order of the Debtors in an amount equal to \$500,000.
- (b) Initial Minimum Overbid. Each Bid must provide total consideration to the Debtors' estates equal to or greater than the sum of the following amounts: (i) \$11,000,000 (subject to downward adjustment to as low as \$10,500,000 based upon

² These Requirements do not apply to the Buyer.

cure costs); (ii) the value of the Assumed Liabilities under the Agreement (inclusive of amounts payable pursuant to (v) below); (iii) the Break-Up Fee to the Buyer; (iv) the Expense Reimbursement to the Buyer (collectively, items (i), (ii), (iii) and (iv) are hereinafter referred to as the "Stalking Horse Bid"); (v) all liabilities under any key employment retention or severance plan(s) but only to the extent such liabilities are (a) approved at any time by this Court pursuant to the Debtors' pending Motion for an Order Authorizing (A) Payment of Severance to Certain Employees, and (B) Incentive Pay to Certain Senior Management Pursuant to Sections 105(a), 363(b)(1) and 503(c)(3) of the Bankruptcy Code [Docket No. 38] or other such motion, and (b) become due and payable by the Debtors at any time; and (vi) \$100,000.

- (c) Irrevocable. A Bid must be irrevocable until two (2) business days after the Assets have been sold pursuant to the Closing of the sale or sales approved by the Bankruptcy Court in a final, non-appealable order (the "Termination Date"), and must provide that if such Bid is not the successful Bid at the Auction, that such Bid shall remain open for acceptance as a "back up" Bid and remain open for acceptance by the Debtors through the Termination Date and on the terms (including the amount) offered by the Bidder at the Auction. This requirement shall not apply to the Buyer.
- (d) The Same or Better Terms: The Bid must be on terms that, in the Debtors' business judgment, in consultation with the Committee and Laurus, are substantially the same or better than the terms of the Agreement. A Bid must include executed transaction documents pursuant to which the Qualified Bidder proposes to effectuate the contemplated transaction (the "Contemplated Transaction Documents"). A Bid shall be in substantially the same form as the Agreement and include a copy of the Agreement marked to show all changes requested by the Bidder (including those related to Purchase Price). The Contemplated Transaction Documents must include a commitment to close by the Outside Closing Date.
- (e) Contingencies: A Bid may not be conditioned on obtaining financing or any internal approval, or on the outcome or review of due diligence. Any other contingencies associated with a Bid may not be more burdensome than those set forth in the Agreement.
- (f) Financing Sources: A Bid must contain written evidence of a commitment for financing or other evidence of the ability to consummate the sale satisfactory to the Debtors, in consultation with the Committee and Laurus, with appropriate contact information for such financing sources.
- (g) No Fees payable to Qualified Bidder: A Bid may not request or entitle the Qualified Bidder to any break-up fee, termination fee, expense reimbursement or similar type of payment. Moreover, by submitting a Bid, a Bidder shall be deemed to waive its right to pursue a substantial contribution claim under Bankruptcy Code § 503 related in any way to the submission of its Bid or the Bid Procedures. Buyer is deemed to have consensually waived any claim pursuant to Bankruptcy Code § 503(b)(3)(D) in exchange for the Break Up Fee and the Expense Reimbursement.

A Bid received from a Potential Bidder before the Bid Deadline that meets the requirements set forth herein, and that satisfies the Bid Deadline requirement above, shall constitute a "Qualified Bid," if the Debtors also believe, in their reasonable discretion, in consultation with the Committee and Laurus, that such bid would be consummated if selected as

the Successful Bid. For purposes hereof, the Agreement shall constitute a Qualified Bid. A Bid received after the Bid Deadline shall not constitute a Qualified Bid.

Except as otherwise provided in the Agreement with respect to the deposit of Buyer, in the event that any Potential Bidder is determined by the Debtors, in consultation with the Committee and Laurus, not to be a Qualified Bidder, the Potential Bidder shall be refunded its deposit and all accumulated interest thereon within three (3) business days after that determination.

Auction

Only if a Qualified Bid (other than the Buyer's) is received by the Bid Deadline, shall the Debtors conduct an auction (the "Auction") to determine the highest and/or best bid with respect to the Assets. The Auction shall commence on **September 8, 2008, at 10:00 a.m. (ET)**, at the offices of Young Conaway Stargatt & Taylor, The Brandywine Building, 1000 West Street, 17th Floor, Wilmington, DE 19801. The Debtors shall provide the Buyer and all Qualified Bidders with copies of all Bids no later than noon on the second business day prior to the Auction.

At or prior to the Auction, in the Debtors' discretion, in consultation with the Committee and Laurus, the Debtors will (i) notify all Qualified Bidders of the highest, best and otherwise financially superior Qualified Bid, as determined in the Debtors' reasonable discretion (the "Baseline Bid") and (ii) provide copies of all submitted bids to all Qualified Bidders.

If however, no Qualified Bid is received by the Bid Deadline, then the Auction will not be held, the Buyer will be deemed the Successful Bidder, the Agreement will be the Successful Bid and, at the Sale Hearing, the Debtors will seek approval to and authority to consummate the Proposed Sale of the Assets contemplated under the Agreement.

The Auction shall be conducted according to the following procedures:

(a) **Participation at the Auction**

Only a Qualified Bidder that has submitted a Qualified Bid is eligible to participate at the Auction. Only the authorized representatives of each of the Qualified Bidders, the Committee, Laurus, and the Debtors shall be permitted to attend, unless other parties are authorized by the Debtors, after consultation with the Committee.

During the Auction, bidding shall begin initially with the highest Baseline Bid and subsequently continue in minimum increments of at least \$100,000 (or such other amount the Debtors, in consultation with the Committee, determine to facilitate the Auction).

(b) **The Debtors Shall Conduct the Auction**

The Debtors and their professionals shall direct and preside over the Auction. At the start of the Auction the Debtors shall describe the terms of the Baseline Bid. The determination of which Qualified Bid constitutes the Baseline Bid shall take into account any factors the Debtors and the Committee reasonably deem relevant to the value of the Qualified Bid to the estates (the "Bid Assessment Criteria"). The Bid Assessment Criteria may include, without limitation, (A) the amount and nature of the consideration; (B) the extent to which the Qualified Bid assumes the

Assumed Liabilities, (C) the ability of the Qualified Bidder to close the proposed transaction; (D) the proposed Closing Date and the likelihood, extent and impact of any potential delays in Closing; (E) any purchase price adjustments; (F) the impact of the contemplated transaction on any actual or potential litigation; (G) the net economic effect of any changes from the Agreement, if any, contemplated by the Contemplated Transaction Documents; (H) the economic effect on the Debtors' estates of any claim waivers included as part of the consideration; (I) the net after-tax consideration to be received by the Debtors' estates; and (J) such other considerations the Debtors deem relevant in their reasonable discretion, in consultation with the Committee and Laurus. All Bids made thereafter shall be Overbids (as defined below), and shall be made and received on an open basis, all other Qualified Bidders shall be entitled to be present for all bidding with the understanding that the true identity of each Qualified Bidder (i.e., the Principals submitting the Bid) shall be fully disclosed to all other Qualified Bidders and that all material terms of each Qualified Bid will be fully disclosed to all other Qualified Bidders throughout the entire Auction. The Debtors shall maintain a transcript of all Bids made and announced at the Auction, including the Baseline Bid, all Overbids and the Successful Bid.

(c) Terms of Overbids

An "Overbid" is any bid made at the Auction subsequent to the Debtors' announcement of the Baseline Bid. To submit an Overbid for purposes of this Auction, a Qualified Bidder must comply with the following conditions:

(i) Minimum Overbid Increment

Any Overbid after the Baseline Bid shall be made in increments of at least \$100,000 (or such other amount the Debtors, in consultation with the Committee and Laurus, determine to facilitate the Auction) of cash or other equivalent value acceptable to the Debtors in their reasonable discretion in consultation with the Committee and Laurus. If the Buyer elects to submit an Overbid, the Buyer shall be entitled to a credit in connection with any such Overbid in an amount equal to the sum of the Break-Up Fee and Expense Reimbursement.

(ii) Remaining Terms are the Same as for Qualified Bids

Except as modified herein, an Overbid must comply with the conditions for a Qualified Bid set forth above, provided, however, that the Bid Deadline and the Initial Minimum Overbid shall not apply. Any Overbid made by a Qualified Bidder must remain open and binding on the Qualified Bidder until and unless (i) the Debtors accept a higher Qualified Bid as an Overbid and (ii) such Overbid is not selected as the Back-Up Bid (as defined below).

To the extent not previously provided (which shall be determined by the Debtors), a Qualified Bidder submitting an Overbid must submit, as part of its Overbid, written evidence in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Debtors, after consultation with the Committee, demonstrating such Qualified Bidder's ability to close the transaction proposed by such Overbid.

(iii) Announcing Overbids

The Debtors shall announce at the Auction the material terms of each Overbid. After each Overbid, the Debtors shall indicate which Bid is, in the Debtors' reasonable business judgment, in consultation with the Committee and Laurus, the highest and best Bid; the basis for calculating the total consideration offered in each such Overbid; and the resulting benefit to the Debtors' estates based on, among other things, the Bid Assessment Criteria, and shall thereafter provide the Buyer and each Qualified Bidder an opportunity to make subsequent Overbids.

(iv) Consideration of Overbids

The Debtors reserve the right, in their reasonable business judgment, after consultation with the Committee and Laurus, to make one or more adjournments in the Auction to, among other things, facilitate discussions between the Debtors and individual Qualified Bidders; allow individual Qualified Bidders to consider how they wish to proceed; and give Qualified Bidders the opportunity to provide the Debtors with such additional evidence as the Debtors, in their reasonable business judgment may require, after consultation with the Committee and Laurus, that the Qualified Bidder (other than the Buyer) has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing Overbid amount.

(d) All Bids shall be made and received in one room, on an open basis, and all other Qualified Bidders shall be entitled to be present for all bidding with the understanding that the true identity of each Qualified Bidder – i.e., Principals submitting the Bid – shall be fully disclosed to all other Qualified Bidders and that all material terms of each Qualified Bid will be fully disclosed to all other Qualified Bidders throughout the entire Auction

(e) Consent to Jurisdiction as Condition to Bidding

All Qualified Bidders at the Auction shall be deemed to have consented to the core jurisdiction of the Bankruptcy Court and waived any right to a jury trial in connection with any disputes relating to the Auction, and the construction and enforcement of the Bidder's Contemplated Transaction Documents, as applicable.

(f) Closing the Auction

Upon conclusion of the bidding, the Auction shall be closed and the last Overbid designated as the highest and best bid in accordance with subsection (c)(iii) above shall be designated as the "Successful Bid" and the entity submitting such Successful Bid, the "Successful Bidder" and the next highest or otherwise best offer after the Successful Bid (the "Back-Up Bid"), and advise the Qualified Bidder of such determination. In their reasonable discretion, the Debtors may designate additional Back-Up Bids to serve as a reserve Back-Up Bid(s). If the Buyer's final bid is deemed to be highest and best at the conclusion of the Auction, the Buyer will be the Successful Bidder, and such bid, the Successful Bid.

Acceptance of Successful Bid

The Debtors shall sell the Assets to the Successful Bidder upon the approval of the Successful Bid by the Bankruptcy Court after the Sale Hearing. The Debtors will be deemed to have accepted a Bid only when the Bid has been approved by the Bankruptcy Court at the Sale Hearing. All interested parties reserve their right to object to the Debtors' selection of the Successful Bidder (including the assignment of any of such objector's Assumed Section 365 Contract), provided, however, that any objection to such assignment on the basis of the Prepetition Cure Amounts or the ability of the Successful Bidder to provide adequate assurance of future performance must be made and/or reserved as set forth in the order approving these Bid Procedures.

"As Is, Where Is"

The Sale of the Assets shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Debtors, their agents or their estates except to the extent set forth in the Agreement or the purchase agreement of another Successful Bidder. The Buyer and each Qualified Bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in making its bid, and that it did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bid Procedures or, (i) as to the Buyer, the terms of the sale of the Acquired Assets shall be set forth in the Agreement, or (ii) as to another Successful Bidder, the terms of the sale of the Assets shall be set forth in the applicable purchase agreement.

Free Of Any And All Interests

Except as otherwise provided in the Agreement or another Successful Bidder's purchase agreement, all of Debtors' right, title and interest in and to the Assets subject thereto shall be sold free and clear of all pledges, liens, security interests, encumbrances (but not including Permitted Encumbrances), claims, charges, options and interests thereon and there against (collectively, the "Interests") in accordance with Bankruptcy Code § 363, with such Interests to attach to the net proceeds of the sale of the Assets. Nothing contained in these Bidding Procedures shall abrogate Laurus' rights under any existing financing orders or under the Bankruptcy Code, including its rights to credit bid, or be deemed a consent to the release of its liens without payment in full of its claims against the Debtors' estates.

Sale Hearing

The Sale Hearing shall be conducted by the Bankruptcy Court on **September 9, 2008 at 11:00 a.m. (ET)**, located at 824 North Market Street, 6th Floor, Wilmington, Delaware. Following the approval of the Sale of the Assets to the Successful Bidder at the Sale Hearing, if such Successful Bidder fail to consummate an approved sale within the time required by the applicable purchase agreement, the Debtors shall be authorized, but not required, to deem the Back-up Bid, as disclosed at the Sale Hearing, the Successful Bid, and the Debtors shall be authorized, but not

required, to consummate the sale with the Qualified Bidder submitting such Back-Up Bid without further order of the Bankruptcy Court. If the Debtors so choose to consummate the Sale with the Back-up Bid, the Back-up Bidder shall be deemed to be the Successful Bidder and shall consummate its Bid.

Return of Good Faith Deposit

Good Faith Deposits of the Successful Bidder shall be applied to the purchase price of such transaction at Closing. Good Faith Deposits of all other Qualified Bidders shall be held in an interest-bearing escrow account until two (2) days after Closing of the transactions contemplated by the Successful Bid, and thereafter returned to the respective bidders. If a Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Debtors shall be entitled to retain the Good Faith Deposit as part of their damages resulting from the breach or failure to perform by the Successful Bidder. Notwithstanding the foregoing, the return of any deposit provided by Buyer shall be exclusively governed by the terms of the Agreement.

Modifications and Reservation of Rights

Subject to the provisions of paragraph 30 of the Bid Procedures Order, subject to Buyer's and Laurus' consent, which shall not be unreasonably withheld, the Debtors, in their reasonable discretion and upon consultation with the Committee, may (a) adopt additional rules (including rules that may depart from those set forth herein) for the Auction at or prior to the Auction that will better promote the goals of the Auction and that are not materially inconsistent with any of the provisions of this Order; (b) waive terms and conditions set forth herein with respect to all Potential Bidders; (c) impose additional terms and conditions with respect to all Potential Bidders; (d) extend the deadlines set forth herein; (e) adjourn or cancel the Auction and/or Sale Hearing in open court without further notice; or (f) remove some or all of the Assets from the Auction.

EXHIBIT A

CONFIDENTIALITY AGREEMENT

The party designated below (and hereafter referred to as) "Recipient" is interested in evaluating the business of ProxyMed, Inc. and ProxyMed Transaction Services, Inc. (hereinafter collectively referred to as "Seller") to determine if Recipient has an interest in acquiring substantially all of the assets (the "Assets") of the Company (hereinafter referred to as the "Transaction") and, accordingly, needs access to certain confidential information of the Company for such evaluation. References herein to Recipient, Company and Cain (as hereinafter defined) shall include their respective affiliates.

Company may from time to time, subject to the terms hereof and in its sole discretion, supply to Recipient confidential information consisting of financial, marketing, product development and other information relating to Company's business (such information hereinafter singularly and collectively referred to as "Confidential Information"). All information supplied to Recipient by Cain Brothers & Company, LLC ("Cain"), the Company's exclusive financial advisor for the Transaction, or by the Company's officers or employees directly to the Recipient at the request or direction of Cain, or any other authorized representative of Company or Cain, as applicable, shall be deemed Confidential Information, whether provided prior to or subsequent to the execution of this Agreement, orally, in writing or other physical or electronic form, or through visual observation, and shall include any information disclosed in meetings with Company management both on and away from the Company premises. Information will not be considered Confidential Information if it can be demonstrated by Recipient that the information was rightfully in the possession of Recipient prior to the date of disclosure of the information to Recipient by Company (provided that such information is rightfully received by Recipient from third parties without an obligation of confidentiality to the Company), or the information was in the public domain prior to the date of the disclosure of the information to Recipient by Company.

Company wishes to safeguard this Confidential Information and to be assured that it will be maintained in confidence. Therefore, in consideration of the disclosure of the Confidential Information, Recipient hereby agrees to the following:

1. Confidential Information shall be kept confidential and shall not be disclosed to any third party without the prior written consent of Company, unless required by law. In the event Recipient receives notice of any legal proceeding to compel disclosure of any of the Confidential Information, Recipient will promptly notify the Company of such fact and afford the Company the opportunity to contest such proceeding and will cooperate with the Company in any such contest.
2. Confidential Information shall not be used or reproduced by Recipient for any purpose other than to evaluate its interest in the Transaction referred to above.
3. Recipient agrees to safeguard all Confidential Information with the same degree of care with which it protects its own most highly confidential information, which degree of care shall in no event be less than that which is reasonable under the circumstances.

4. Recipient shall make no more copies of documents or other tangible forms of Confidential Information than are necessary for the Recipient to perform its own evaluation related to the Transaction.

5. Recipient agrees to limit access to the Confidential Information to those of its officers, employees and agents who have a need to know in order to evaluate the Transaction, and who are under obligations of confidentiality that are at least comparable to those set forth in this Agreement. Recipient shall fully inform all such persons of the terms of this Agreement and hereby accepts responsibility for their compliance with the provisions contained herein and assumes any liability arising from or out of their non-compliance therewith.

6. Without the prior written consent of the Company, Recipient will not disclose to any person either the fact that discussions or negotiations are taking place between the parties, or any of the terms, conditions or other facts with respect to any possible Transaction, including the status of the discussions, or the fact that the Company is considering a transaction with Recipient or other parties.

7. Unless and until a transaction is consummated, Recipient shall not, absent the Company's prior written consent, solicit, accept, negotiate for, or have any discussions concerning the acquisition of any debt or other securities of the Company.

8. Without the Company's prior written consent, Recipient will not initiate, accept or engage in any discussions or contacts of any kind with any customer, vendor or supplier of the Company or with the staff or employees of the Company.

9. Given the importance of the employees of the Company and its affiliated entities to the continued success of the Company and its affiliated entities, Recipient agrees that it shall not, for a period of three years from the date of this Agreement, without prior written consent of the Company or its affiliated entities, directly or indirectly: (i) solicit, entice away or otherwise encourage employees of either the Company or its affiliated entities to leave the employ of either the Company or its affiliated entities; or (ii) hire any such employee who is at the time of hiring or was within two years prior to the time of hiring, an employee of the Company or its affiliated entities.

10. Upon conclusion of the purpose for which the Confidential Information has been supplied or upon written direction, Recipient shall either return to the Company, Cain, or any other authorized representative of either the Company or Cain, or destroy, any and all Confidential Information disclosed to Recipient (including all copies, extracts or other reproductions, regardless of the media) which is then in Recipient's possession (including the possession of its agents) or under its control (or under the control of its agents), or which Recipient can reasonably obtain. In the event Confidential Information is destroyed, a duly authorized representative of Recipient shall certify such destruction to the Company in writing. Also, upon conclusion of the purpose for which the Confidential Information has been supplied or upon written direction, Recipient is obligated to keep Confidential Information from being disclosed for a period of three years. All Confidential Information shall remain at all times the property of the Company.

11. Recipient agrees to indemnify and hold the Company harmless from any damages, loss, cost, or liability (including legal fees and costs) arising out of or resulting from any unauthorized use or disclosure by the Recipient or the Recipient's agents of the Confidential Information. The Recipient understands and acknowledges that the Confidential Information provided by the Company constitutes the unique, valuable and special property of the Company, and that unauthorized disclosure thereof by the Recipient or the breach by the Recipient of the provisions of this Agreement may cause irreparable injury to the Company. Accordingly, the Recipient understands, acknowledges and agrees that the remedy at law (i.e., monetary damages) for any breach by it of its covenants contained herein may be inadequate, and in recognition thereof, also agrees that the Company shall, in addition thereto, be entitled to injunctive relief without bond, upon the finding by a court of competent jurisdiction of a breach of any provision of this Agreement, which relief shall be in addition to and not in derogation of any other remedies which may be available to the Company as a result of such breach.

12. In the event that any one or more of the provisions contained in this Agreement should be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision was never included herein.

13. This Agreement shall be binding upon the parties hereto, their heirs, successors and assigns. This Agreement shall be governed in accordance with the laws of the United States Bankruptcy Court in the District of Delaware and that Court shall have sole and exclusive jurisdiction over any disputes or causes of action arising under this Agreement. Both parties hereby consent to and submit to the jurisdiction of the United States Bankruptcy Court in the District of Delaware with regard to any and all matters arising out of this Agreement.

14. Recipient acknowledges that neither Cain, the Company, nor any of their respective parent, subsidiary, or affiliated entities, nor any of their respective officers, directors, affiliates, representatives or employees makes any express or implied representation or warranty as to the accuracy or completeness of the Confidential Information and that Recipient and its affiliates and its representatives expressly disclaim any and all liability of the Company, Cain, their respective parent, subsidiary, and affiliated entities, and each of their respective officers, directors, affiliates, representatives or employees relating to or resulting from the use of the Confidential Information. Recipient agrees that it shall not be entitled to rely on the accuracy or completeness of the Confidential Information, except to the extent otherwise set forth in a definitive written agreement between Company and Recipient relating to a Transaction.

15. Recipient agrees that Confidential Information supplied by the Company will not be used as a competitive advantage or be used in any way directly or indirectly detrimental to the Company or its affiliates or for any purpose other than an evaluation or negotiation of the Transaction.

16. Unless and until a written definitive agreement concerning the Transaction has become effective, neither Recipient nor the Company has any obligation with respect to the

Confidentiality Agreement
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Transaction, whether by virtue of this Agreement or any other written or oral expression with respect to the Transaction or otherwise.

Except as otherwise provided herein, this Agreement shall remain in effect for three (3) years following execution.

[signature page follows]

CONFIRMED AND AGREED

Recipient:

[Company/Entity Name]

By: _____

[Signature]

Name: _____

[Please Print]

Date: _____

Company: PROXYMED, INC.

By: _____

[Signature]

Name: _____

Date:

[Please Print]

Company: PROXYMED TRANSACTION SERVICES, INC.

By: _____

[Signature]

Name: _____

Date:

[Please Print]