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PATIENT INFOSYSTEMS INC

Form PRER14A

September 15, 2003

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SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

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 14a-6(e)(2))

☐ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to Rule 14a-12

PATIENT INFOSYSTEMS, 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.

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

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

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

(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):

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- (1) Amount Previously Paid: \$856
- (2) Form, Schedule or Registration Statement No.: Schedule 14A
- (3) Filing Party: Patient Infossystems, Inc.
- (4) Date Filed: May 15, 2003

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PATIENT INFOSYSTEMS, INC.
46 Prince Street
Rochester, New York 14607

September 20, 2003

Dear Fellow Stockholder:

On behalf of the Board of Directors of Patient Infossystems, Inc. ("Patient Infossystems"), I cordially invite you to attend a Special Meeting of Stockholders (the "Special Meeting") of Patient Infossystems. The formal notice of the Special Meeting appears on the next page. During the Special Meeting, stockholders who are present will have the opportunity to meet and ask questions of our senior management team.

We are purchasing substantially all of the assets (the "Acquisition") of American CareSource Corporation ("ACS"). In connection with the Acquisition, ACS will receive approximately 20% of our outstanding common stock on a fully diluted basis. In order to complete the Acquisition, we will need the approval of our stockholders to increase our authorized capital stock.

THE PROPOSALS. At the Special Meeting, you will be asked to consider the following proposals:

AMENDMENTS OF CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED CAPITAL STOCK, CHANGE CORPORATE NAME AND PROVIDE FOR REVERSE STOCK SPLIT. At the Patient Infossystems Special Meeting, you will be asked to consider and approve an amendment of our Certificate of Incorporation which provides authority to issue up to 100,000,000 shares of capital stock, divided into 80,000,000 shares of common stock, par value \$0.01 per share, and 20,000,000 shares of preferred stock, par value \$0.01 per share. In addition, you will be asked to consider and approve an amendment of our Certificate of Incorporation to change our corporate name to American CareSource Corporation and provide for a 1 for 12 reverse stock split.

Officers, directors and stockholders of Patient Infossystems, owning in the aggregate 59% of the issued and outstanding shares of Patient Infossystems capital stock, have agreed, under certain voting agreements, to vote their shares in favor of the amendment to the Certificate of Incorporation to increase authorized capital stock. Accordingly, the approval of this matter is assured.

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AMENDMENT OF STOCK OPTION PLAN. At the Patient Infosystems Special Meeting, you will be asked to consider and approve an amendment of our Amended and Restated Stock Option Plan to increase the number of authorized shares reserved for issuance under the plan from 1,680,000 to 3,500,000 shares.

Our Board of Directors unanimously approved each of the proposals and recommends that you vote FOR its approval.

THE SPECIAL MEETING. All stockholders are invited to attend the Special Meeting in person. The approval of each of the amendments of our Certificate of Incorporation and the amendment of our Amended and Restated Stock Option Plan requires the affirmative vote of a majority of outstanding shares of capital stock of Patient Infosystems.

Whether or not you expect to attend the Patient Infosystems Special Meeting in person, please complete, sign and promptly return the enclosed proxy card in the enclosed envelope, which does not require postage if mailed in the United States, to assure representation of your shares. You may revoke your proxy at any time before it has been voted, and if you attend the meeting, you may vote in person even if you have previously returned your proxy card.

Stockholders are urged to review carefully the information contained in the accompanying proxy statement. We believe that interaction between stockholders and management is important and hope that you will be able to attend the Special Meeting. Your interest and support in the affairs of Patient Infosystems are appreciated.

Sincerely,

Roger L. Chaufournier
Chief Executive Officer

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PATIENT INFOSYSTEMS, INC.
46 Prince Street
Rochester, New York 14607

Notice Of Special Meeting Of Stockholders
To Be Held October 15, 2003

NOTICE IS HEREBY GIVEN that a Special Meeting of the Stockholders of Patient Infosystems, Inc. ("Patient Infosystems") will be held at Patient Infosystems' offices at 46 Prince Street, Rochester, New York, 14607 on October 15, 2003 at 10 a.m., Eastern Time for the following purposes:

- (1) To approve an amendment of the Certificate of Incorporation of Patient Infosystems to increase the number of authorized shares of capital stock to 100,000,000 divided into 80,000,000 shares of common stock, par value \$0.01 per share and 20,000,000 shares of preferred stock, par value \$0.01 per share;
- (2) To approve an amendment of the Certificate of Incorporation of Patient Infosystems to change the name of the company to American CareSource

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Corporation;

- (3) To approve an amendment of the Certificate of Incorporation of Patient Infossystems to provide for a 1 for 12 reverse stock split;
- (4) To approve an amendment of the Amended and Restated Stock Option Plan of Patient Infossystems to increase the number of shares of common stock reserved for issuance under the plan from 1,680,000 to 3,500,000 shares; and
- (5) To approve such other matters that come before the Special Meeting, or any adjournment thereof, that are required to be approved by the stockholders of Patient Infossystems.

The Board of Directors of Patient Infossystems has fixed the close of business on September 15, 2003, as the record date for the determination of stockholders of Patient Infossystems entitled to notice of, and to vote at, the Special Meeting. Only holders of record of Patient Infossystems capital stock at the close of business on that date will be entitled to notice of, and to vote at, the Special Meeting or any adjournments or postponements thereof.

Your attention is directed to the accompanying proxy statement for further information regarding each proposal to be made.

All stockholders are asked to complete, sign and date the enclosed proxy and return it promptly by mail in the enclosed self-addressed envelope, which does not require postage if mailed in the United States.

By Order of the Board of Directors

Kent Tapper
Assistant Secretary

September 20, 2003
Rochester, New York

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PATIENT INFOSYSTEMS, INC.

Proxy Statement

This proxy statement is furnished by the Board of Directors of Patient Infossystems, Inc., a Delaware corporation, in connection with the solicitation of proxies to be used at the Special Meeting of Stockholders to be held on October 15, 2003 at Patient Infossystems' offices at 46 Prince Street, Rochester, New York 14607 at 10 a.m., Eastern Time, and at any adjournment thereof.

Only stockholders who hold capital stock of Patient Infossystems at the close of business on September 15, 2003, the record date, will be entitled to vote at the Special Meeting. At the Special Meeting, Patient Infossystems stockholders will be asked:

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- (1) To approve an amendment of the Certificate of Incorporation of Patient Infosystems to increase the number of authorized shares of capital stock to 100,000,000 divided into 80,000,000 shares of common stock, par value \$0.01 per share and 20,000,000 shares of preferred stock, par value \$0.01 per share;
- (2) To approve an amendment of the Certificate of Incorporation of Patient Infosystems to change the name of the company to American CareSource Corporation;
- (3) To approve an amendment of the Certificate of Incorporation of Patient Infosystems to provide for a 1 for 12 reverse stock split;
- (4) To approve an amendment of the Amended and Restated Stock Option Plan of Patient Infosystems to increase the number of shares of common stock reserved for issuance under the plan from 1,680,000 to 3,500,000 shares; and
- (5) To approve such other matters that come before the Special Meeting, or any adjournment thereof, that are required to be approved by the stockholders of Patient Infosystems.

Whether or not you plan to attend the Special Meeting, please take the time to vote by completing and mailing the enclosed proxy card to us. Your vote is very important.

We encourage you to read this entire document carefully. IN PARTICULAR, PLEASE CONSIDER THE MATTERS DISCUSSED UNDER "RISK FACTORS" BEGINNING ON PAGE 12 OF THIS PROXY STATEMENT.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE ACQUISITION OR DETERMINED THAT THIS PROXY STATEMENT IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Proxy Statement dated _____, 2003, and first mailed to stockholders on or about September 20, 2003.

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QUESTIONS AND ANSWERS

Q. Why are we purchasing substantially all of the assets of ACS?

A. We are purchasing substantially all of the assets of ACS because we believe

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that the transaction will allow us to enter into a new business of providing ancillary healthcare benefits management so that we may increase and diversify the sources of our revenues and add experienced members of management. Following the closing of the Acquisition, we will change our name to American CareSource Corporation.

Q. Are we assuming any of ACS' liabilities in connection with the Acquisition?

A. We are assuming all of ACS' obligations and liabilities except for:

- o Liabilities that were actually known by ACS or any of the ACS stockholders that are signatories to the Asset Purchase Agreement, but are not disclosed to us;
- o Tax obligations of ACS stockholders that are signatories to the Asset Purchase Agreement; and
- o Liabilities arising from the sale of newly issued ACS securities by ACS, Today Realty Advisors, Inc. or Today Financial Corporation.

Included in the obligations and liabilities we are assuming are \$75,000 of accounts payables, \$1.8 million of accrued expenses, \$93,000 of debt owed to banks and financial institutions, \$3.5 million of debt owed to bridge lenders and \$2.5 million of debt owed to stockholders, officers, directors and other affiliates of ACS.

Q. What will ACS receive in the Acquisition?

A. The assets of ACS that we are purchasing in the Acquisition and the liabilities we are assuming will be exchanged for 2,091,366 shares of our common stock, which will constitute approximately 20% of our outstanding common stock determined on a fully-diluted basis after giving effect to the 1 for 12 reverse stock split.

Q. When do you expect the Acquisition to close?

A. We are working towards completion of the Acquisition as quickly as possible. If the Acquisition does not close by November 30, 2003, either party may terminate the Asset Purchase Agreement.

Q. Why aren't you seeking stockholder approval of the Acquisition?

A. We are incorporated under the laws of the State of Delaware. Under Delaware law, we are not required to seek stockholder approval of the Acquisition. In addition, shares of our common stock are traded on the OTC Bulletin Board. The OTC Bulletin Board does not require that we seek stockholder approval of the Acquisition in order for our shares to be quoted.

Q. Why am I receiving these materials?

A. The Amendment of the Certificate of Incorporation:

Under Delaware law, an amendment of the Certificate of Incorporation requires stockholder approval. We have entered into an agreement with ACS

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pursuant to which we will acquire substantially all of the assets and assume substantially all the liabilities of ACS in exchange for approximately 20% of our outstanding common stock. The number of shares of our common stock which will be issued in the proposed Acquisition would exceed the maximum of 20,000,000 shares currently authorized by our Certificate of Incorporation. We must increase our authorized capital stock in order to close the Acquisition.

In addition, our Board of Directors approved the conversion of \$4,482,500 in debt and \$438,099 of accrued interest owed to Mr. Pappajohn and Dr. Schaffer, members of our Board of Directors, into 35,147,136 shares of Patient Infossystems common stock. We must increase our authorized capital stock in order to give effect to this debt conversion.

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Also, on April 10, 2003, we entered into a Note and Stock Purchase Agreement with certain investors, including Mr. Pappajohn, pursuant to which the investors agreed to loan to Patient Infossystems an aggregate of up to \$2.5 million. This Note and Stock Purchase Agreement was subsequently amended on September 11, 2003 to increase the amount of the loan to an aggregate of \$3.5 million. The purpose of the loan from the investors is to provide funds for Patient Infossystems to loan to ACS to provide working capital for ACS' operations. In consideration for the loans, Patient Infossystems signed a series of promissory notes and issued 286,182 shares of Series D 9% Cumulative Convertible Preferred Stock ("Series D Preferred Stock") to the investors. The 286,182 shares of Series D Preferred Stock are convertible into up to 34,341,840 shares of Patient Infossystems common stock subject to approval by our stockholders of the amendment to our Certificate of Incorporation to increase our authorized capital stock. In addition, upon closing of the private placement of at least \$4 million of our capital stock, as contemplated by the Asset Purchase Agreement, the notes issued pursuant to the Note and Stock Purchase Agreement, as amended, will be convertible into Series D Preferred Stock. The investors have indicated that they intend to convert the notes into shares of Series D Preferred Stock, and therefore, we do not expect to have to repay the outstanding amount owed to the investors under the notes. In order to have sufficient shares of common stock reserved for issuance upon conversion of the Series D Preferred Stock, including shares of common stock underlying shares of Series D Preferred Stock issued upon conversion of the notes, we must increase our authorized capital stock.

Our Board of Directors has approved the Acquisition and the amendment to the Certificate of Incorporation. We are sending you these materials to help you decide whether to approve the amendment of the Certificate of Incorporation to increase our authorized capital stock. Additionally, we are requesting approval of an amendment of our Certificate of Incorporation to change our corporate name and effect a 1 for 12 reverse stock split. After giving effect to the reverse stock split, Mr. Pappajohn and Dr. Schaffer would receive an aggregate of 2,928,928 shares of common stock and the shares of Series D Preferred Stock of the investors would be convertible into 2,861,820 shares of common stock. The Certificate of Amendment of our Certificate of Incorporation is attached as Appendix A to this proxy statement.

The Amendment of the Stock Option Plan:

In connection with the Acquisition, several employees of ACS will become

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our employees upon the closing of the Acquisition. In order to have sufficient shares for issuance of options to our employees, including former ACS employees, after the closing of the Acquisition, we must increase the number of shares of common stock reserved for issuance under the Amended and Restated Stock Option Plan of Patient Infosystems (the "Stock Option Plan"). The increase in the number of shares reserved for issuance is provided in the Second Amended and Restated Stock Option Plan, attached as Appendix B to this proxy statement.

Q. Why are we changing our name to American CareSource Corporation?

A. Following the closing of the Acquisition, we intend to focus our business strategy on developing the ancillary healthcare benefits management business currently conducted by ACS. We wish to take advantage of ACS' name recognition in such field.

Q. Why are we effecting a reverse stock split?

A. We are effecting a reverse stock split because we wish to increase the trading price of our common stock and decrease the number of outstanding shares of our common stock.

Q. How will the amendments to the Certificate of Incorporation affect my ownership of Patient Infosystems?

A. As a result of the reverse stock split, you will have less shares of Patient Infosystems common stock than you presently have, although you will have substantially all of the rights you now hold. In addition, as a result of the issuance of stock to ACS pursuant to the terms of the Acquisition, your shares will represent a significantly smaller percentage of the total shares that will be outstanding after all of the shares are issued pursuant to the Acquisition.

Q. Does the Board of Directors of Patient Infosystems recommend voting in favor of each of the amendments of the Certificate of Incorporation and the amendment of the Stock Option Plan?

A. Our Board of Directors has unanimously determined that each of the amendments of the Certificate of Incorporation and the amendment of the Stock Option Plan are fair to, and in the best interests of, the stockholders of Patient Infosystems. Our Board of Directors unanimously recommends that stockholders vote FOR each of the amendments of the Certificate of Incorporation and the amendment of the Stock Option Plan.

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Q. Who can vote on the amendments of the Certificate of Incorporation and the amendment of the Stock Option Plan?

A. Holders of Patient Infosystems capital stock at the close of business on September 15, 2003, the Record Date relating to the Special Meeting, may vote on the amendments of the Certificate of Incorporation and the amendment of the Stock Option Plan.

Q. What if I do not vote or abstain?

A. If you fail to respond, it will have the same effect as a vote against the

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proposal to be considered at the Special Meeting.

- o If you respond and do not indicate how you want to vote, your proxy will be counted as a vote in favor of the proposals to be considered at the Special Meeting.
- o If you respond and abstain from voting, your proxy will have the same effect as a vote against the proposals to be considered at the Special Meeting.

Q. Do I have Appraisal Rights?

A. Under Delaware law, you are not entitled to appraisal rights with respect to the issuance of shares of our common stock in connection with the Acquisition or any other matters addressed herein.

Q. What do I need to do now?

A. Read this proxy statement. If your shares are held by a broker in "street name," follow the voting directions provided to you by your broker. If your shares are held in your name, and you wish to vote by proxy, complete your proxy card and indicate how you want to vote. Sign and mail the proxy card in the enclosed return envelope as soon as possible. You should complete, sign and return your proxy card even if you currently expect to attend the Special Meeting and vote in person. Mailing in a proxy card now will not prevent you from later canceling or "revoking" your proxy right up to the day of the Special Meeting, and you will ensure that your shares get voted if you later find you are unable to attend. If you sign and send in the proxy card and do not indicate how you want to vote, your proxy will be voted FOR each of the amendments of the Certificate of Incorporation and FOR the amendment of the Stock Option Plan.

Q. If my broker holds my shares in "street name," will my broker vote my shares for me?

A. YOUR BROKER WILL VOTE YOUR SHARES ONLY IF YOU TELL THE BROKER HOW TO VOTE. TO DO SO, FOLLOW THE DIRECTIONS YOUR BROKER PROVIDES. IF YOU DO NOT PROVIDE VOTING INSTRUCTIONS TO YOUR BROKER, YOUR BROKER WILL NOT VOTE YOUR SHARES AND THE FAILURE TO VOTE WILL HAVE THE SAME EFFECT AS A VOTE AGAINST EACH OF THE AMENDMENTS OF THE CERTIFICATE OF INCORPORATION AND THE AMENDMENT OF THE STOCK OPTION PLAN.

Q. Can I change my vote after I have mailed my signed proxy card?

A. Yes. You can change your vote at any time before the vote is taken at the Special Meeting. You can do this in one of three ways. First, you can send a written notice dated later than your proxy card stating that you would like to revoke your current proxy. Second, you can complete and submit a new proxy card dated later than your original proxy card. If you choose either of these two methods, you must submit your notice of revocation or your new proxy card to the Assistant Secretary of Patient Infossystems at 46 Prince Street, Rochester, New York 14607. We must receive the notice or new proxy card before the vote is taken at the Special Meeting. Third, you can attend the Special Meeting and vote in person. Simply attending the Special Meeting, however, will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions received from your broker as to how to change your vote.

WHO CAN HELP ANSWER YOUR QUESTIONS

If you have more questions about the Special Meeting, the Asset Purchase Agreement, the amendments of the Certificate of Incorporation or the amendment of the Stock Option Plan, you should contact:

Patient Infosystems, Inc.
46 Prince Street
Rochester, New York 14607
Attention: Kent Tapper, Assistant Secretary
(585) 242-7200

SUMMARY

The following is a brief summary of certain information contained elsewhere in this proxy statement. This summary discusses the most material aspects of the transactions and is not intended to be a complete description and is qualified in its entirety by, and should be read in conjunction with, the more detailed information contained elsewhere in this proxy statement and the documents incorporated herein by reference. This proxy statement contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of the factors described under the heading "Risk Factors" and elsewhere in this proxy statement. All references to "we," "us," and/or "our" in this proxy statement refer to Patient Infosystems, Inc. and its direct and indirect subsidiaries. Unless otherwise noted, all references to American CareSource Corporation include Health Data Solutions, Inc., a predecessor corporation. Unless otherwise noted, share per share information regarding Patient Infosystems capital stock does not give effect to the proposed 1 for 12 reverse stock split.

The Special Meeting (page 22)

The Special Meeting will be held at 10 a.m. Eastern Time on October 15, 2003. At the Special Meeting, Patient Infosystems stockholders will be asked to approve the following:

- (1) an amendment of the Certificate of Incorporation of Patient Infosystems to increase the number of authorized shares of capital stock to 100,000,000 divided into 80,000,000 shares of common stock, par value \$0.01 per share and 20,000,000 shares of preferred stock, par value \$0.01 per share;
- (2) an amendment of the Certificate of Incorporation of Patient Infosystems to change the name of the company to American CareSource Corporation; and
- (3) an amendment of the Certificate of Incorporation of Patient Infosystems to provide for a 1 for 12 reverse stock split;
- (4) an amendment of the Amended and Restated Stock Option Plan of Patient

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Infosystems to increase the number of shares of common stock reserved for issuance under the plan from 1,680,000 to 3,500,000 shares; and

- (5) such other matters that come before the Special Meeting, or any adjournment thereof, that are required to be approved by the stockholders of Patient Infosystems.

The Special Meeting will be held at Patient Infosystems' offices at 46 Prince Street, Rochester, New York 14607. You can vote, or submit a proxy to vote, at the Special Meeting if you were a record holder of Patient Infosystems capital stock at the close of business on September 15, 2003. If a broker holds your shares in "street name," you can vote by following the instructions provided by your broker. If your shares are held in your name, you can vote your shares by attending the meeting and voting in person or you can mark the enclosed proxy card with your vote, sign it and mail it in the enclosed return envelope. You can revoke your proxy at any time before it has been voted.

Record Date and Voting (page 22)

Approval of each of the amendments of the Certificate of Incorporation and the amendment of the Stock Option Plan requires the affirmative vote of the majority of the outstanding capital stock of Patient Infosystems assuming a quorum is present at the Special Meeting in person or by proxy.

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Patient Infosystems and ACS

Patient Infosystems, Inc.
46 Prince Street
Rochester, New York 14607
(585) 242-7200

Patient Infosystems, Inc. ("Patient Infosystems") is a health management solutions company that integrates clinical expertise with advanced Internet, call center and data management capabilities. Founded as a disease management company, Patient Infosystems has evolved to offer a comprehensive portfolio of products and services designed to improve patient clinical outcomes and quality of life, reduce healthcare costs and facilitate patient-provider-payor communication. Patient Infosystems offers clinical support services for employees and patients. Services include a 24-hour nurse help and triage line, chronic condition management programs, surveys and preventive care reminder programs. Patient Infosystems' total health management model, Care Team Connect, is a patient-centered approach to linking multiple sources of information, interventions and outcomes under a single comprehensive management system. These services enable providers and payors to make more informed and timely decisions regarding the care of patients and members. The result is more cost effective care and improvement in human, clinical and economic outcomes.

Patient Infosystems markets its services to a broad range of clients, including pharmaceutical and medical equipment and device manufacturers, pharmacy benefit managers, healthcare payors, insurance companies, employer groups and healthcare providers. Patient Infosystems was incorporated in the State of Delaware on February 22, 1995 under the name DSMI Corp., changed its name to Disease State Management, Inc. on October 13, 1995, and then changed its name to Patient Infosystems, Inc. on June 28, 1996. Patient Infosystems common stock is traded on the Over-the-Counter Bulletin Board.

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American CareSource Corporation
8080 Tristar Drive, Suite 100
Irving, TX 75063

American CareSource Corporation ("ACS") is an ancillary healthcare benefits management company. It helps health benefit plan sponsors such as preferred provider organizations ("PPOs"), third party administrators ("TPAs"), workers compensation benefits administrators, insurance companies, employers and unions improve the quality of ancillary care delivered to health plan members while reducing overall ancillary benefits costs.

American CareSource Corporation, an Indiana corporation, was formed in 1997. It was formerly known as Health Data Solutions, Inc. ("HDS") until its merger with American CareSource Corporation, a Delaware corporation, on July 31, 2001, when it changed its name to American CareSource Corporation.

Recent Developments

On May 2, 2000, the Board of Directors of Patient Infosystems concluded that it was in the best long term interests of the company to seek a strategic merger partner. ACS was identified as a potential partner. A two and a half year dialogue with ACS culminated in an agreement by both parties to effect a strategic merger. The details of this transaction and dialogue leading to the transaction are outlined in detail in this proxy statement. An agreement for the purchase and sale of assets was approved by the Board of Directors of Patient Infosystems and executed on September 23, 2002, an amended and restated agreement for the purchase and sale of assets was executed on April 10, 2003 and an amendment to the amended and restated agreement for the purchase and sale of assets was executed of July 30, 2003 (collectively, the "Asset Purchase Agreement"). The transactions contemplated by the Asset Purchase Agreement cannot be closed without approval of the stockholders of Patient Infosystems of an increase in the number of authorized shares of common stock of Patient Infosystems. Upon closing of the Asset Purchase Agreement, Patient Infosystems will change its name to American CareSource Corporation and will focus its business strategy on the development of the ancillary healthcare benefits management business currently conducted by ACS.

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On April 10, 2003, Patient Infosystems entered into a Note and Stock Purchase Agreement, which was subsequently amended on September 11, 2003, pursuant to which certain investors, including Mr. Pappajohn, a member of the Board of Directors, agreed to loan to Patient Infosystems an aggregate of up to \$3,500,000. In consideration for the loans, Patient Infosystems signed a series of promissory notes and issued an aggregate of 286,182 shares of Series D Preferred Stock to the investors. The 286,182 shares of Series D Preferred Stock are convertible into up to 34,431,840 shares of Patient Infosystems common stock subject to approval by Patient Infosystems' stockholders of the amendment to the Certificate of Incorporation to increase authorized capital stock. In addition, upon closing of the private placement of at least \$4 million of Patient Infosystems' capital stock, as contemplated by the Asset Purchase Agreement, the notes issued pursuant to the Note and Stock Purchase Agreement will be convertible into Series D Preferred Stock. The purpose of the loan from the investors is to provide funds for Patient Infosystems to loan to ACS to provide working capital for ACS' operations.

The loan from Patient Infosystems to ACS is provided under a Credit

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Agreement that was executed on April 10, 2003 and amended on July 30, 2003 to increase the amount of the loan under the agreement to \$3.4 million. In order to have sufficient shares of common stock reserved for issuance upon conversion of the Series D Preferred Stock, Patient Infosystems must increase its authorized capital stock.

The private placement contemplated by the Asset Purchase Agreement is intended to raise funds for use as working capital following the closing of the Acquisition. Certain stockholders of ACS have committed to raise from investors, or invest personally, an aggregate of \$1.5 million in the private placement. Patient Infosystems has raised \$3.5 million in the private placement and has used the funds for working capital and repayment of indebtedness.

ACS has received written notification of the termination of contractual relations from Quest Diagnostics and HealthSouth, which are two of the largest volume providers to ACS. Quest Diagnostics has provided ACS with verbal notice that it intends to extend its contract until further notice. In addition, the contract with Quest Diagnostics and the contract with HealthSouth each provide "wind down" or "transition" periods of several months. However, when fully terminated, these lost contracts will result in a significant reduction in ACS revenues. ACS' revenues from these two providers were as follows during the years ended December 31, 2001 and 2002 respectively:

	Year Ended December 31, 2001		Year Ended December 31, 2002	
	Amount	Percentage of Total Revenue	Amount	Percentage of Total Revenue
Quest Diagnostics	\$109,000	4.3%	\$1,206,000	12.5%
HealthSouth	\$89,000	3.5%	\$1,051,000	10.9%

The State of Texas recently passed a regulation requiring state funded workers compensation claims to be paid directly to the provider of services. Although Texas workers compensation claims accounted for less than 1% of ACS' total revenues for the year ended December 31, 2002 and ACS anticipates that such claims will account for less than 1% of its total revenue for the year ended December 31, 2003, this regulation may restrict the ability of ACS to perform services or expand services related to workers compensation claims in Texas.

PROPOSAL 1 - APPROVAL OF THE AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED CAPITAL STOCK

General (page 25)

Our acquisition of substantially all the assets of ACS (the "Acquisition") provides that in consideration for the assets purchased, ACS will receive 2,091,366 shares of Patient Infosystems common stock, or approximately 20% of the outstanding common stock of Patient Infosystems on a fully diluted basis after giving effect to the 1 for 12 reverse stock split. In order to have a sufficient number of shares to issue to ACS pursuant to the Acquisition, we must amend our Certificate of Incorporation in order to increase the number of authorized shares.

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Why the Directors Believe that the Acquisition is Fair (page 27)

Our Board of Directors considered a variety of positive and negative factors in approving the Acquisition. Our Board of Directors believes that the positive factors listed above provides value to Patient Infosystems at least equal to the negotiated purchase consideration, and offset the risks associated with the Acquisition. There can be no assurance that such will be the case.

The Asset Purchase Agreement (page 31)

The Amended and Restated Agreement for Purchase and Sale of Assets and Amendment No. 1 to Amended and Restated Agreement for Purchase and Sale of Assets (the "Asset Purchase Agreement") are included as Appendix C and Appendix D to this proxy statement. These are the legal documents that govern the Acquisition and are incorporated herein by reference.

Structure of the Purchase (page 31)

The Asset Purchase Agreement provides that Patient Infosystems will acquire substantially all the assets and liabilities of ACS. Patient Infosystems will be the surviving corporation, but will change its name to American CareSource Corporation. When we complete the Acquisition, a number of ACS directors and officers will become directors and/or members of management of Patient Infosystems. We hope to complete the Acquisition as soon as possible following the Special Meeting.

What We Will Issue in the Acquisition (page 31)

When we complete the Acquisition, ACS will receive 2,091,366 shares of Patient Infosystems common stock, which constitutes approximately 20% of the outstanding common stock of Patient Infosystems on a fully diluted basis after giving effect to the 1 for 12 reverse stock split.

Representations and Warranties (page 32)

We will make various customary representations and warranties to ACS and its stockholders, and ACS and its stockholders will make various customary representations and warranties to us.

There are Various Conditions to the Acquisition (page 33)

The Acquisition will be completed if certain conditions are met.

If legally permitted, Patient Infosystems or ACS may each waive conditions for the benefit of their respective companies and stockholders and complete the Acquisition even though one or more of these conditions has not been met. We cannot assure you that the conditions will be satisfied or waived or that the Acquisition will occur.

The Asset Purchase Agreement May be Terminated (page 35)

The Asset Purchase Agreement may be terminated and the Acquisition abandoned at any time prior to the closing date of the transaction under the following conditions:

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- o by mutual agreement in writing by Patient Infosystems and ACS;

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- o by either Patient Infosystems or ACS if the other party materially breaches any of the representations, warranties, covenants or agreements set forth in the Asset Purchase Agreement at the time of its execution or on the closing date;
- o by either Patient Infosystems or ACS if the other party fails to perform timely, in all material aspects, the covenants and obligations that it is required to perform under the Asset Purchase Agreement and such party does not obtain in writing a waiver of such performances; or
- o by either Patient Infosystems or ACS at any time after November 30, 2003 if the closing of the Acquisition does not occur prior to such date because the Securities and Exchange Commission has determined to review this proxy statement.

Accounting Treatment (page 29)

The Acquisition will be accounted for by the purchase method of accounting for financial reporting purposes.

Federal Income Tax Consequences of the Acquisition (page 30)

The Acquisition will not result in any federal income tax consequences to Patient Infosystems stockholders. The Acquisition will not result in federal income tax consequences to ACS stockholders other than those customarily applied to holders of capital stock.

Interests of Officers and Directors in the Acquisition (page 35)

On June 11, 2002, the Board of Directors of Patient Infosystems approved the conversion of up to \$4,642,500 in debt and \$438,099 of accrued interest owed to Mr. Pappajohn and Dr. Schaffer into 36,289,993 shares of Patient Infosystems common stock. On August 7, 2002, Patient Infosystems paid \$160,000 of the outstanding debt. As a result, \$4,482,500 in debt and \$438,099 of accrued interest will be converted into 35,147,136 shares of Patient Infosystems common stock. This information does not give effect to the proposed 1 for 12 reverse stock split.

Currently, Patient Infosystems' Certificate of Incorporation authorizes Patient Infosystems to issue up to 20,000,000 shares of common stock, 10,956,424 of which were issued and outstanding and 2,029,040 of which were reserved for issuance under outstanding options, warrants and upon conversion of outstanding convertible preferred stock. Giving effect to this debt conversion will require an amendment to Patient Infosystems' Certificate of Incorporation to authorize additional shares of common stock. The completion of this transaction cannot occur unless and until the stockholders of Patient Infosystems approve this amendment.

Also, on April 10, 2003, we entered into a Note and Stock Purchase Agreement with certain investors, including Mr. Pappajohn, pursuant to which the investors agreed to loan to Patient Infosystems an aggregate of up to

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\$2,500,000. This Note and Stock Purchase Agreement was subsequently amended on September 11, 2003 to increase the amount of the loan to an aggregate of \$3.5 million. The purpose of the loan from the investors is to provide funds for Patient Infosystems to loan to ACS to provide working capital for ACS' operations. In consideration for the loans, Patient Infosystems signed a series of promissory notes and issued 286,182 shares of Series D 9% Cumulative Convertible Preferred Stock ("Series D Preferred Stock") to the investors. The 286,182 shares of Series D Preferred Stock are convertible into up to 34,341,840 shares of Patient Infosystems common stock subject to approval by our stockholders of the amendment to our Certificate of Incorporation to increase our authorized capital stock. In addition, upon closing of the private placement of at least \$4 million of our capital stock, as contemplated by the Asset Purchase Agreement, the notes issued pursuant to the Note and Stock Purchase Agreement, as amended, will be convertible into Series D Preferred Stock. The investors have indicated that they intend to convert the notes into shares of Series D Preferred Stock, and therefore, we do not expect to have to repay the outstanding amount owed to the investors under the notes. In order to have sufficient shares of common stock reserved for issuance upon conversion of the Series D Preferred Stock, including shares of common stock underlying shares of Series D Preferred Stock issued upon conversion of the notes, we must increase our authorized capital stock.

Our Board of Directors concluded that the Acquisition is in the best interests of Patient Infosystems and its stockholders. Our Board of Directors has unanimously approved the amendment of the Certificate of Incorporation to increase authorized capital stock and recommends that you vote FOR such amendment.

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PROPOSAL 2 - APPROVAL OF THE AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO CHANGE THE COMPANY'S NAME

Change of Corporate Name (page 36)

Following the closing of the Acquisition, Patient Infosystems will focus its business strategy on the current business conducted by ACS. Therefore, Patient Infosystems will change its corporate name to American CareSource Corporation.

Our Board of Directors has unanimously approved the amendment of the Certificate of Incorporation to change the company's name and recommends that you vote FOR such amendment.

PROPOSAL 3 - APPROVAL OF THE AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO PROVIDE FOR A REVERSE STOCK SPLIT

Reverse Stock Split (page 36)

On September 14, 2000, Patient Infosystems common stock was delisted from the Nasdaq National Market because Patient Infosystems was unable to maintain the requisite net assets and market price standards for continued listing. Accordingly, trading of Patient Infosystems common stock is now conducted on the Over-the-Counter Bulletin Board. The proposed reverse stock split of 1 for 12 shares is expected to increase the trading price of Patient Infosystems stock, which may enable Patient Infosystems to have its securities listed on an interdealer quotations system or securities exchange. However, there can be no assurance that even if the reverse stock split is effected, Patient Infosystems

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will meet the other listing criteria of an interdealer quotation system or securities exchange and there can be no assurance that the reverse stock split will in fact cause an increase in the trading price of Patient Infossystems common stock.

Our Board of Directors has unanimously approved the amendment of the Certificate of Incorporation to provide for a reverse stock split and recommends that you vote FOR such amendment.

PROPOSAL 4 - APPROVAL OF THE AMENDMENT OF THE STOCK OPTION PLAN (page 40)

Patient Infossystems stockholders are being asked to approve an amendment of the Amended and Restated Stock Option Plan of Patient Infossystems to increase the number of shares of common stock reserved for issuance under the plan from 1,680,000 to 3,500,000 shares. In order to have sufficient shares for issuance of options to our employees and former ACS employees after the closing of the Acquisition, we must increase the number of shares of common stock reserved for issuance under the plan.

Our Board of Directors has unanimously approved the amendment of the Stock Option Plan and recommends that you vote FOR such amendment.

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RISK FACTORS

Risks Particular to the Acquisition

We may have difficulty integrating the business of ACS with our existing operations.

Patient Infossystems is health management solutions company. The acquisition of ACS will involve the integration of Patient Infossystems into an ancillary health benefits company, a business completely different from that currently conducted by Patient Infossystems. We cannot assure you that the integration of Patient Infossystems with ACS will be successfully completed without encountering difficulties or experiencing the loss of key Patient Infossystems or ACS employees, customers or suppliers, or that the benefits from such integration will be realized. In addition, we cannot assure you that the management teams of ACS and Patient Infossystems will be able to successfully work with each other.

We may need to raise additional capital following the Acquisition to fund continuing losses.

ACS has never earned profits and its operations have been supported substantially by loans from Patient Infossystems, ACS' majority stockholders and related parties. For the years ended December 31, 2001 and 2002, ACS recorded a net loss of approximately \$3.2 million and \$4.5 million. ACS expects that it will continue to incur losses for the foreseeable future. ACS has not, since its inception, operated profitably and there can be no assurance that it will be able to generate increased revenue or achieve profitable operations in the future. In addition, Patient Infossystems' operations have not been profitable

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and Patient Infosystems has suffered severe working capital shortfalls. ACS will need continued funding through the date of the Acquisition in order to meet its obligations under its loan commitments and to maintain its operations. Its needs for capital will continue following the date of the Acquisition after its operations are integrated into Patient Infosystems' operations. Although Patient Infosystems expects to have completed a private placement of securities as a condition precedent to the closing of the Acquisition, and has raised \$3.5 million as of September 12, 2003 in connection with such private placement, the \$3.5 million has already been spent on working capital and repayment of indebtedness. There can be no assurance that any additional proceeds of the private placement will be adequate to sustain operations for an extended period of time. In addition, there can be no assurance that Patient Infosystems will be able to obtain additional sources of funds, or that such funds will be available on favorable terms.

You will suffer immediate and substantial dilution of your percentage equity and voting interest; ACS will own approximately 20% of the combined company.

Patient Infosystems will issue 2,091,366 shares of common stock to ACS in connection with the Acquisition. These shares will represent approximately 20% of the number of shares of Patient Infosystems outstanding common stock on a fully diluted basis after giving effect to the 1 for 12 reverse stock split. Accordingly, the Acquisition will have the effect of substantially reducing the percentage equity and voting interest of each of Patient Infosystems' current stockholders.

ACS will be able to significantly influence us following the Acquisition.

The substantial ownership of our common stock by ACS after the Acquisition will provide it with the ability to exercise substantial influence in the election of directors and other matters submitted for approval by Patient Infosystems' stockholders. Following the closing of the Acquisition, the ownership of our common stock by ACS will represent approximately 20% of the outstanding common stock of Patient Infosystems on a fully diluted basis after giving effect to the 1 for 12 reverse stock split. This concentration of ownership of our common stock may make it difficult for other Patient Infosystems stockholders to successfully approve or defeat matters which may be submitted for action by our stockholders. It may also have the effect of delaying, deterring or preventing a change in control of Patient Infosystems without the consent of ACS.

We may lose rights under contracts with customers and other third parties as a result of the Acquisition.

Patient Infosystems and ACS each have contracts with suppliers, customers, licensors, licensees and other business partners. The Acquisition may trigger requirements under some of these contracts to obtain the consent, waiver or approval of the other parties. If Patient Infosystems cannot do so, it may lose some of these contracts or have to renegotiate the contracts on terms that are less favorable to it. In addition, many of these contracts are for a short term or may be terminated following a short notice period. A loss of these contracts would reduce Patient Infosystems' revenues and may, in the case of some contracts, affect rights that are important to the operation of its business.

Risks Specific to Our Business

We face working capital shortfalls and have an urgent need for working capital. If we are unable to obtain sufficient working capital, we may face possible

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cessation of operations. Our auditors have expressed uncertainty regarding our ability to continue as a going concern.

Patient Infosystems has never earned profits and has been dependent upon proceeds of its initial public offering and private placements of its equity securities and debt, through which Patient Infosystems has raised over \$25 million to date, to fund its working capital requirements. Patient Infosystems incurred an operating loss of approximately \$1.7 million for the year ended December 31, 2002 and had an approximate \$6.1 million deficit in working capital and a stockholders' deficit of approximately \$8.7 million at December 31, 2002. Since September 2000, Patient Infosystems' operations have been supported substantially by loans from certain directors of Patient Infosystems. On March 23, 2003, Mr. Pappajohn and Dr. Schaffer made a commitment to Patient Infosystems to obtain the operating funds that Patient Infosystems believes would be sufficient to fund its operations through December 31, 2003 based upon an operation forecast of the company. As with any forward looking projection, no assurances can be given concerning the outcome of Patient Infosystems' actual financial status given the substantial uncertainties that exist. There can be no assurance given that Patient Infosystems can raise either the required working capital through the sale of its securities or that Patient Infosystems can borrow the additional amounts needed. If it is unable to identify additional sources of capital, Patient Infosystems will be required to cease operations. As a result of the above, the Independent Auditors' Report on Patient Infosystems' consolidated financial statements includes an emphasis paragraph indicating that Patient Infosystems' recurring losses from operations, negative working capital and stockholders' deficit raise substantial doubt about its ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We have substantial indebtedness and will require additional funds in order to continue operations.

As of December 31, 2002, Patient Infosystems had total liabilities of \$9,887,505 and a working capital deficit of \$6,135,451. Also at December 31, 2002, Patient Infosystems had a stockholders' deficit of \$8,670,239. Through December 31, 2002 these amounts reflect the effects of Patient Infosystems' continuing losses, issuance of demand notes totaling \$5,077,500 to directors of Patient Infosystems and long term borrowings of \$3,000,000 against its line of credit. Patient Infosystems has never earned profits and, since its inception, Patient Infosystems has primarily funded its operations, working capital needs and capital expenditures from debt and the sale of equity securities. Patient Infosystems is currently maintaining its operations only through the receipt of continuing loans from one of its directors. If these loans or additional funds were not available, Patient Infosystems would likely be required to cease operations.

We have a history of operating losses and continued limited patient enrollment.

Patient Infosystems has incurred losses in every quarter since its inception in February 1995. Patient Infosystems' ability to operate profitably is dependent upon its ability to develop and market its products in an economically successful manner. To date, Patient Infosystems has been unable to do so. No assurances can be given that Patient Infosystems will be able to generate revenues or ever operate profitably in the future.

Patient Infosystems' prospects must be considered in light of the numerous risks, expenses, delays and difficulties frequently encountered in an industry characterized by intense competition, as well as the risks inherent in the development of new programs and the commercialization of new services particularly given its failure to date to operate profitably. There can be no assurance that Patient Infosystems will achieve recurring revenue or profitability on a consistent basis, if at all.

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In October 1996, Patient Infosystems began enrolling patients in its first disease management program and only began substantial patient contacts during 1998. Patient Infosystems currently has patients enrolled in five of its disease-specific programs. Through February 2002, an aggregate of approximately 650,000 persons have been enrolled in Patient Infosystems' programs. However, Patient Infosystems has never been able to enroll a sufficient number of patients to cover the cost of its programs. The participation of patients in Patient Infosystems' programs has been limited by several factors, including the limited ability of clients to provide Patient Infosystems with accurate information with respect to the specific patient populations, including coding errors that necessitated extensive labor-intensive data processing prior to program implementation. In addition, Patient Infosystems has encountered resistance to its systems from patients and other sources of information.

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We have recently lost two important clients.

During the fiscal year ended December 31, 2002, approximately 54% of Patient Infosystems' revenue came from two clients, AstraZeneca, Inc. ("Zeneca") and a healthcare insurance entity (the "Client"). Zeneca sponsored patients from an affiliate of Client (the "Sponsored Group") in a program operated by Patient Infosystems. Client directly sponsored patients from other of its affiliates in substantially the same program as that provided to the Sponsored Group. In September 2002, Patient Infosystems received notification from Zeneca that it intended to terminate its service agreement with Patient Infosystems as of January 1, 2003. In January 2003, Client assumed approximately 20% of the Sponsored Group under its service agreement with Patient Infosystems. In February 2003, Patient Infosystems received notification that Client intends to terminate its service agreement with Patient Infosystems, effective July 1, 2003. Neither Zeneca nor Client cited any dispute with or breach of any agreement by Patient Infosystems.

The interests of our current stockholders may be diluted as a result of our need to raise additional working capital.

In connection with their financing of Patient Infosystems' operations, Mr. Pappajohn and Dr. Schaffer have been awarded 2,735,822 shares of common stock over the last two years. As Patient Infosystems seeks additional financing or purchases, it is likely that it will issue a substantial number of additional shares that may be extremely dilutive to the current stockholders. As a result, the value of outstanding shares of common stock could decline further. Our customers are highly concentrated.

During 2000, a significant customer ceased operation of services supplied by Patient Infosystems, which had a material adverse effect on the results of operations. Patient Infosystems' business is concentrated in a small number of customers, with several of Patient Infosystems' most significant contracts being with Zeneca, CHA Health and Independence Blue Cross. Patient Infosystems has received notice of termination from Zeneca and expects that its sales of services will be concentrated in a small number of customers for the foreseeable future. Consequently, the loss of any one of its customers could have a material adverse effect on Patient Infosystems and its operations. There can be no assurance that customers will maintain their agreements with Patient Infosystems, enroll a sufficient number of patients in the programs developed by Patient Infosystems for it to achieve or maintain profitability, or that customers will renew their contracts upon expiration or on terms favorable to Patient Infosystems.

One of our directors resigned recently. We have no independent directors and

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will likely encounter difficulty in obtaining independent directors.

In February 2002, Carl Korht, a director of Patient Infosystems, resigned effective April 1, 2002. Mr. Korht did not cite any dispute with Patient Infosystems and indicated that his reasons for departing from Patient Infosystems were personal. No assurance can be given that Patient Infosystems' current or future members of management will be able to operate the business of Patient Infosystems effectively. As a result, the Board of Directors of Patient Infosystems now only consists of three persons. One director, Mr. Chaufournier, is also the Chief Executive Officer of Patient Infosystems. The other two, Mr. Pappajohn and Dr. Schaffer, are owed significant amounts of money by Patient Infosystems. Due to the current regulatory environment and financial condition of Patient Infosystems, it is anticipated that it will be difficult to attract independent directors to join the Board of Directors.

Our services agreements are generally terminable upon short notice.

Patient Infosystems' current services agreements with its customers generally automatically renew and may be terminated by those customers without cause upon notice of between 30 and 90 days. In general, customer contracts may include significant performance criteria and implementation schedules for Patient Infosystems. Failure to satisfy such criteria or meet such schedules could result in termination of the agreements.

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Our services incorporate a new concept which may not be widely accepted and we may encounter limitations on our commercialization strategy.

In connection with the commercialization of Patient Infosystems' health information system, Patient Infosystems is marketing relatively new services designed to link patients, healthcare providers and payors in order to provide specialized disease management services for targeted chronic diseases. However, at this time, services of this type have not gained general acceptance from Patient Infosystems' customers. This is still perceived to be a new business concept in an industry characterized by an increasing number of market entrants who have introduced or are developing an array of new services. As is typical in the case of a new business concept, demand and market acceptance for newly introduced services are subject to a high level of uncertainty, and there can be no assurance as to the ultimate level of market acceptance for Patient Infosystems' system, especially in the healthcare industry, in which the containment of costs is emphasized. Because of the subjective nature of patient compliance, Patient Infosystems may be unable, for an extensive period of time, to develop a significant amount of data to demonstrate to potential customers the effectiveness of its services. Even after such time, no assurance can be given that Patient Infosystems' data and results will be convincing or determinative as to the success of its system. There can be no assurance that increased marketing efforts and the implementation of Patient Infosystems' strategies will result in market acceptance for its services or that a market for Patient Infosystems' services will develop or not be limited.

Our success depends upon the accuracy of information provided by patients.

The ability of Patient Infosystems to monitor and modify patient behavior and to provide information to healthcare providers and payors, and consequently the success of Patient Infosystems' disease management system, is dependent upon the accuracy of information received from patients. Patient Infosystems has not taken, and does not expect that it will take, specific measures to determine the accuracy of information provided to Patient Infosystems by patients regarding their medical histories. No assurance can be given that the information provided to Patient Infosystems by patients will be accurate. To the extent that patients

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have chosen not to comply with prescribed treatments, such patients might provide inaccurate information to avoid detection. Because of the subjective nature of medical treatment, it will be difficult for Patient Infosystems to validate or confirm any such information. In the event that patients enrolled in Patient Infosystems' programs provide inaccurate information to a significant degree, Patient Infosystems would be materially and adversely affected. Furthermore, there can be no assurance that patient interventions by Patient Infosystems will be successful in modifying patient behavior, improving patient health or reducing costs in any given case. Many potential customers may seek data from Patient Infosystems with respect to the results of its programs prior to retaining it to develop new disease management or other health information programs. Patient Infosystems' ability to market its system to new customers may be limited if it is unable to demonstrate successful results for its programs.

Our market is highly competitive. Competitive pressures may adversely affect our operating results.

The market for healthcare information products and services is intensely competitive. Competitors vary in size and in scope and breadth of products and services offered, and Patient Infosystems competes with various companies in each of its disease target markets. Many of Patient Infosystems' competitors have significantly greater financial, technical, product development and marketing resources than Patient Infosystems. Furthermore, other major information, pharmaceutical and healthcare companies not presently offering disease management or other healthcare information services may enter the markets in which Patient Infosystems intends to compete. In addition, with sufficient financial and other resources, many of these competitors may provide services similar to those of Patient Infosystems without substantial barriers. Patient Infosystems does not possess any patents with respect to its integrated information capture and delivery system.

Patient Infosystems' competitors include specialty healthcare companies, healthcare information system and software vendors, healthcare management organizations, pharmaceutical companies and other service companies within the healthcare industry. Many of these competitors have substantial installed customer bases in the healthcare industry and the ability to fund significant product development and acquisition efforts. Patient Infosystems also competes against other companies that provide statistical and data management services, including clinical trial services to pharmaceutical companies.

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Patient Infosystems believes that the principal competitive factors in its market are the ability to link patients, healthcare providers and payors, and provide the relevant healthcare information at an acceptable cost. In addition, Patient Infosystems believes that the ability to anticipate changes in the healthcare industry and identify current needs are important competitive factors. There can be no assurance that competitive pressures will not have a material adverse effect on Patient Infosystems.

Our quarterly operating results have been, and may continue to be, volatile.

Patient Infosystems' results of operations have fluctuated significantly from quarter to quarter as a result of a number of factors, including the volume and timing of sales and the rate at which customers implement disease management and other health information programs within their patient populations. Accordingly, Patient Infosystems' future operating results are likely to be subject to variability from quarter to quarter and could be adversely affected in any particular quarter.

We are dependent upon data processing capabilities and telecommunications.

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The business of Patient Infosystems is dependent upon its ability to store, retrieve, process and manage data and to maintain and upgrade its data processing capabilities. Interruption of data processing capabilities for any extended length of time, loss of stored data, programming errors, other computer problems or interruptions of telephone service could have a material adverse effect on the business of Patient Infosystems.

We are subject to extensive government regulation.

The healthcare industry, including the current and proposed business of Patient Infosystems, is subject to extensive regulation by both the Federal and state governments. A number of states have extensive licensing and other regulatory requirements applicable to companies that provide healthcare services. Additionally, services provided to health benefit plans in certain cases are subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and may be affected by other state and Federal statutes. Generally, state laws prohibit the practice of medicine and nursing without a license. Many states interpret the practice of nursing to include health teaching, health counseling, the provision of care supportive to or restorative of life and well being and the execution of medical regimens prescribed by a physician. Accordingly, to the extent that Patient Infosystems assists providers in improving patient compliance by publishing educational materials or providing behavior modification training to patients, such activities could be deemed by a state to be the practice of medicine or nursing. Although Patient Infosystems has not conducted a survey of the applicable law in all 50 states, it believes that it is not engaged in the practice of medicine or nursing. There can be no assurance, however, that Patient Infosystems' operations will not be challenged as constituting the unlicensed practice of medicine or nursing. If such a challenge were made successfully in any state, Patient Infosystems could be subject to civil and criminal penalties under such state's law and could be required to restructure its contractual arrangements in that state. Such results or the inability to successfully restructure its contractual arrangements could have a material adverse effect on Patient Infosystems.

Patient Infosystems is subject to state laws governing the confidentiality of patient information. A variety of statutes and regulations exist safeguarding privacy and regulating the disclosure and use of medical information. State constitutions may provide privacy rights and states may provide private causes of action for violations of an individual's "expectation of privacy." Tort liability may result from unauthorized access and breaches of patient confidence. Patient Infosystems intends to comply with state law and regulations governing medical information privacy.

In addition, on August 21, 1996 Congress passed the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191. This legislation requires the Secretary of the Department of Health and Human Services to adopt national standards for electronic health transactions and the data elements used in such transactions. The Secretary is required to adopt safeguards to ensure the integrity and confidentiality of such health information. Violation of the standards is punishable by fines and, in the case of wrongful disclosure of individually identifiable health information, imprisonment. The Secretary is in the process of promulgating and publishing proposed rules addressing the standards, however, not all of the final rules have been adopted to date. Certain of the final rules were adopted during 2000 and 2001; however, the implementation time line extends into 2003 and beyond. Although Patient Infosystems intends to comply with all applicable laws and regulations regarding medical information privacy, failure to do so could have an adverse effect on Patient Infosystems' business.

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Patient Infosystems and its customers may be subject to Federal and state laws and regulations that govern financial and other arrangements among healthcare providers. These laws prohibit certain fee splitting arrangements among healthcare providers, as well as direct and indirect payments, referrals or other financial arrangements that are designed to induce or encourage the referral of patients to, or the recommendation of, a particular provider for medical products and services. Possible sanctions for violation of these restrictions include civil and criminal penalties. Criminal penalties range from misdemeanors, which carry fines of not more than \$10,000 or imprisonment for not more than one year, or both, to felonies, which carry fines of not more than \$25,000 or imprisonment for not more than five years, or both. Further, criminal violations may result in permanent mandatory exclusions and additional permissive exclusions from participation in Medicare and Medicaid programs.

Furthermore, Patient Infosystems and its customers may be subject to federal and state laws and regulations governing the submission of false healthcare claims to the government and private payors. Possible sanctions for violations of these laws and regulations include minimum civil penalties between \$5,000 to \$10,000 for each false claim and treble damages.

Regulation in the healthcare field is constantly evolving. Patient Infosystems is unable to predict what government regulations, if any, affecting its business may be promulgated in the future. Patient Infosystems' business could be adversely affected by the failure to obtain required licenses and governmental approvals, comply with applicable regulations or comply with existing or future laws, rules or regulations or their interpretations.

We may be adversely affected by significant changes in the healthcare industry.

The healthcare industry is subject to changing political, economic and regulatory influences that may affect the procurement practices and operations of healthcare industry participants. Several lawmakers have announced that they intend to propose programs to reform the U.S. healthcare system. These programs may contain proposals to increase governmental involvement in healthcare, lower reimbursement rates and otherwise change the operating environment for Patient Infosystems and its targeted customers. Healthcare industry participants may react to these proposals and the uncertainty surrounding such proposals by curtailing or deferring certain expenditures, including those for Patient Infosystems' programs. Patient Infosystems cannot predict what impact, if any, such changes in the healthcare industry might have on its business, financial condition and results of operations. In addition, many healthcare providers are consolidating to create larger healthcare delivery enterprises with greater regional market power. As a result, the remaining enterprises could have greater bargaining power, which may lead to price erosion of Patient Infosystems' programs. The failure of Patient Infosystems to maintain adequate price levels could have a material adverse effect on its business.

We are dependent on our customers for marketing and patient enrollment.

Patient Infosystems has limited financial, personnel and other resources to undertake extensive marketing activities. One element of Patient Infosystems' marketing strategy involves marketing specialized disease management programs to pharmaceutical companies and managed care organizations, with the intent that those customers will market the program to parties responsible for the payment of healthcare costs, who will enroll patients in the programs. Accordingly, Patient Infosystems will, to a degree, be dependent upon its customers, over whom it has no control, for the marketing and implementation of its programs and for the receipt of valid patient information. The timing and extent of patient enrollment is completely within the control of Patient Infosystems' customers. Patient Infosystems has faced difficulty in receiving reliable patient

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information from certain customers, which has hampered its ability to complete certain of its projects. To the extent that an adequate number of patients are not enrolled in the program, or enrollment of initial patients by a customer is delayed for any reason, Patient Infosystems' revenue may be insufficient to support its activities.

We face potential medical liability claims. We may not have sufficient insurance to cover such claims.

Patient Infosystems will provide information to healthcare providers and managed care organizations upon which determinations affecting medical care will be made, and it could share in potential liabilities for resulting adverse medical consequences to patients. In addition, Patient Infosystems could have potential legal liability in the event it fails to record or disseminate correctly patient information. Patient Infosystems maintains an errors and omissions insurance policy with coverage of \$5 million in the aggregate and per occurrence. Although Patient Infosystems does not believe that it will directly engage in the practice of medicine or direct delivery of medical services and has not been a party to any such litigation, it maintains a professional liability policy with coverage of \$5 million in the aggregate and per occurrence. There can be no assurance that Patient Infosystems' procedures for limiting liability have been or will be effective, that Patient Infosystems will not be subject to litigation that may adversely affect Patient Infosystems' results of operations, that appropriate insurance will be available to it in the future at acceptable cost or at all or that any insurance maintained by Patient Infosystems will cover, as to scope or amount, any claims that may be made against Patient Infosystems.

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Any inability to adequately protect our intellectual property could harm our competitive position.

Patient Infosystems considers its methodologies, processes and know-how to be proprietary. Patient Infosystems seeks to protect its proprietary information through confidentiality agreements with its employees. Patient Infosystems' policy is to have employees enter into confidentiality agreements containing provisions prohibiting the disclosure of confidential information to anyone outside Patient Infosystems, requiring employees to acknowledge, and, if requested, assist in confirming Patient Infosystems' ownership of any new ideas, developments, discoveries or inventions conceived during employment, and requiring assignment to Patient Infosystems of proprietary rights to such matters that are related to Patient Infosystems' business. There can be no assurance that the steps we have taken to protect our intellectual property will be successful. If we do not adequately protect our intellectual property, competitors may be able to use our technologies and erode or negate our competitive advantage.

Risks Specific to ACS' Business

ACS has a history of operating losses.

ACS has incurred losses in each of the past five years. For the years ended December 31, 2001 and 2002, ACS recorded a net loss of approximately \$3.2 million and \$4.5 million. ACS expects that it will continue to incur losses for the foreseeable future. ACS has not, since its inception, operated profitably and there can be no assurance that it will be able to generate increased revenue or achieve profitable operations in the future. As a result of the above, the Independent Auditors' Report on ACS' financial statements includes an emphasis paragraph indicating that there is substantial doubt about its ability to continue as a going concern. The accompanying financial statements do not

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include adjustments that might result from the outcome of this uncertainty.

ACS faces working capital shortfalls and has an urgent need for working capital.

ACS has never earned profits and its operations have been supported substantially by loans from Patient Infosystems, its majority stockholders and related parties. ACS will need continued funding in order to meet its obligations under its loan commitments and to maintain its operations. Although Patient Infosystems is committed to loaning up to \$3.4 million to ACS, this may not be sufficient to fund operations. There can be no assurance that ACS will be able to obtain additional sources of funds, or that such funds will be available on terms favorable to ACS. In addition, ACS must incur costs associated with capital expenditures to systemize operations. There can be no assurance that ACS will have sufficient funds for such capital expenditures.

ACS is dependent on payments from third party payors.

The profitability of ACS will depend on payments provided by third-party payors. Competition for patients, efforts by traditional third-party payors to contain or reduce healthcare costs and the increasing influence of managed care payors such as health maintenance organizations in recent years have resulted in reduced rates of reimbursement. If these trends continue, they could adversely affect ACS' results of operations unless ACS can implement measures to offset the loss of revenues and decreased profitability. In addition, changes in reimbursement policies of private and governmental third-party payors, including policies relating to the Medicare and Medicaid programs, could reduce the amounts reimbursed to these customers for ACS' services and consequently, the amount these customers would be willing to pay for the services.

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ACS has a limited number of customers, a few of which account for a substantial portion of its business.

Four of ACS' customers were responsible for approximately \$7,145,000, or 75%, of its revenue for the year ended December 31, 2002 and four customers were responsible for approximately \$2,086,000, or 82%, of its revenue for the year ended December 31, 2001. Further, ACS has received written notification of the termination of contractual relations from Quest Diagnostics and HealthSouth, which in the aggregate accounted for over 23% of ACS' revenues during the fiscal year ended December 31, 2002. The termination of these contacts will result in a significant reduction of ACS's revenues. In addition, ACS generally does not have long-term contracts with its other customers. Significant declines in the level of use of ACS services by one or more of these customers could have a material adverse effect on ACS' business and results of operations. Additionally, an adverse change in the financial condition of any of these customers, including an adverse change as a result of a change in governmental or private reimbursement programs, could have a material adverse effect on its business.

ACS is dependent upon discounted rates made available by ancillary service providers.

ACS has contracts with over 5,000 ancillary service providers; however, such contracts generally are not long term. ACS obtains revenue from cost savings that it is able to receive from the ancillary service providers and pass on to customers. Should the ancillary service providers not continue to provide

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a discount to ACS, ACS will be unable to recognize any profit from the sale of services to payors or networks.

Changes in state and federal regulations could restrict ACS' ability to conduct its business.

Numerous state and federal laws and regulations affect ACS' business and operations. These laws and regulations include, but are not necessarily limited to:

- o healthcare fraud and abuse laws and regulations, which prohibit illegal referral and other payments;
- o Employee Retirement Income Security Act of 1974 and related regulations, which regulate many healthcare plans;
- o mail pharmacy laws and regulations;
- o privacy and confidentiality laws and regulations;
- o consumer protection laws and regulations;
- o legislation imposing benefit plan design restrictions;
- o various licensure laws, such as managed care and third party administrator licensure laws;
- o drug pricing legislation; and
- o Medicare and Medicaid reimbursement regulations.

ACS believes it is operating its business in substantial compliance with all existing legal requirements material to the operation of its business. There are, however, significant uncertainties regarding the application of many of these legal requirements to its business, and there cannot be any assurance that a regulatory agency charged with enforcement of any of these laws or regulations will not interpret them differently or, if there is an enforcement action, that ACS' interpretation would prevail. In addition, there are numerous proposed healthcare laws and regulations at the federal and state levels, many of which could materially affect ACS' ability to conduct its business or adversely affect its results of operations.

The State of Texas requires state funded workers compensation claims to be paid directly to the provider of services. This regulation may restrict the ability of ACS to perform and expand its services related to workers compensation claims in Texas.

ACS is subject to HIPAA.

On August 21, 1996 Congress passed the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191. This legislation requires the Secretary of the Department of Health and Human Services to adopt national standards for electronic health transactions and the data elements used in such transactions. The Secretary is required to adopt safeguards to ensure the integrity and confidentiality of such health information. Violation of the standards is punishable by fines and, in the case of wrongful disclosure of individually identifiable health information, imprisonment. The Secretary is in the process of promulgating and publishing proposed rules addressing the

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standards, however, not all of the final rules have been adopted to date. Certain of the final rules were adopted during 2000 and 2001; however, the implementation time line extends into 2003 and beyond. Although ACS intends to comply with all applicable laws and regulations regarding medical information privacy, failure to do so could have an adverse effect on ACS's business.

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Competition in the pharmacy benefits management industry could reduce ACS' profit margins.

Pharmacy benefit management companies ("PBMs") are actual or potential competitors of ACS. These companies include well-established companies which may have greater financial, marketing and technological resources than ACS, such as Merck-Medco, Express Scripts, Advance PCS and Caremark Rx. Competition in the marketplace has caused many PBMs to reduce the prices charged to clients for core services and share a larger portion of the formulary fees and related revenues received from drug manufacturers with clients. Increased price competition could reduce ACS' profit margins and have a material adverse effect on its results of operations.

There are limited barriers to entry into the ancillary services market.

Although ACS is not aware of any organization or company that currently provides similar ancillary services management, there are limited barriers to entry into the ancillary services management market. Major benefit management companies and healthcare companies not presently offering ancillary services management may decide to enter the market. These companies may have greater financial, marketing and other resources than ACS. Competition from other companies may have a material adverse effect on ACS' financial condition and results of operations.

ACS faces risks related to changes in the healthcare industry.

In recent years, the healthcare industry has undergone significant change driven by various efforts to reduce costs, including potential national healthcare reform, trends toward managed care, cuts in Medicare reimbursements, and horizontal and vertical consolidation within the healthcare industry. ACS' inability to react effectively to these and other changes in the healthcare industry could adversely affect its operating results. ACS cannot predict whether any healthcare reform efforts will be enacted and what effect any such reforms may have on ACS or its customers. The inability of ACS to react effectively to changes in the healthcare industry may result in a material adverse effect on its business.

Efforts to reduce healthcare costs and alter healthcare financing practices could adversely affect ACS' business.

ACS designed its business to compete within the current structure of the U.S. healthcare system. Changing political, economic and regulatory influences may affect healthcare financing and reimbursement practices. If the current healthcare financing and reimbursement system changes significantly, ACS' business could be materially adversely affected. Proposed changes to the U.S. healthcare system may increase governmental involvement in healthcare and ancillary health services, and otherwise change the way payors, networks and providers do business. Healthcare organizations may react to these proposals and the uncertainty surrounding them by reducing or delaying purchases of cost control mechanisms and related services that ACS provides. Other legislative or market-driven changes in the healthcare system that ACS cannot anticipate could also materially adversely affect ACS' business.

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The continued services and leadership of ACS' senior management is critical to its ability to maintain growth and any loss of key personnel could adversely affect its business.

The future of the business of ACS depends to a significant degree on the skills and efforts of its senior executives. If ACS loses the services of any of these senior executives, and especially if any of these executives joins a competitor or forms a competing company, ACS' business and financial performance could be seriously harmed.

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ACS' future growth depends on successful hiring and retention of skilled personnel. ACS may be unable to hire and retain the skilled personnel.

The future growth of ACS' business depends on successful hiring and retention of skilled personnel, and ACS may be unable to hire and retain the skilled personnel it needs to succeed. Qualified personnel are in great demand throughout the healthcare industry. The failure of ACS to attract and retain sufficient skilled personnel may limit the rate at which its business can grow, which will harm its financial performance.

ACS is dependent upon data processing capabilities and telecommunications.

The business of ACS is dependent upon its ability to store, retrieve, process and manage data and to maintain and upgrade its data processing capabilities. Interruption of data processing capabilities for any extended length of time, loss of stored data, programming errors, other computer problems or interruptions of telephone service could have a material adverse effect on its business.

Any inability to adequately protect its intellectual property could harm ACS' competitive position.

ACS considers its methodologies, processes and know-how to be proprietary. ACS seeks to protect its proprietary information through confidentiality agreements with its employees. ACS' policy is to have employees enter into confidentiality agreements containing provisions prohibiting the disclosure of confidential information to anyone outside of ACS, requiring employees to acknowledge, and, if requested, assist in confirming ACS' ownership of new ideas, developments, discoveries or inventions conceived during employment, and requiring assignment to ACS of proprietary rights to such matters that are related to ACS' business. There can be no assurance that the steps taken by ACS to protect its intellectual property will be successful. If ACS does not adequately protect its intellectual property, competitors may be able to use its technologies and erode or negate its competitive advantage.

Risks Specific to Ownership of Our Stock

It may be difficult for another company to acquire us, which may depress our stock price.

Provisions in our certificate of incorporation, by-laws and Delaware law could make it difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. These provisions may defer or prevent tender offers for our common stock or purchases of large blocks of our common stock, thereby limiting the opportunities for our stockholders to receive a premium for their common stock over then prevailing market rates.

We may need additional capital in the future, which may not be available to us.

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The raising of additional capital may dilute your ownership of our stock.

We believe we have sufficient resources to satisfy our short-term capital requirements assuming the approval and closing of the transactions described in this proxy statement. However, while we do not see an immediate need, in the future, we may need to raise additional funds through public or private debt or equity financing in order to:

- o take advantage of opportunities, including more rapid expansion or acquisitions of, or investments in, business or technologies;
- o develop new services; or
- o respond to competitive pressures.

Any additional capital raised through the sale of equity may dilute our stockholders' ownership percentage of our stock. Furthermore, we cannot assure you that any additional financing we may need will be available on terms favorable to us, or at all. In such case, our results of operations, liquidity and financial condition would suffer.

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Our common stock qualifies as a "penny stock" under SEC rules, which may make it more difficult for our stockholders to resell their shares of our common stock.

Our common stock trades on the Over-The-Counter Bulletin Board. As a result, the holders of our common stock may find it more difficult to obtain accurate quotations concerning the market value of our stock. Stockholders also may experience greater difficulties in attempting to sell the stock than if it were listed on a stock exchange or quoted on the Nasdaq National Market or the Nasdaq Small-Cap Market. Because our common stock does not trade on a stock exchange or on the Nasdaq National Market or the Nasdaq Small-Cap Market, and the market price of the common stock is less than \$5.00 per share, our common stock qualifies as a "penny stock." The rules of the Securities and Exchange Commission impose additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as an "established customer" or an "accredited investor." This includes the requirement that a broker-dealer must make a determination of the appropriateness of investments in penny stocks for its customer and must make special disclosures to the customer concerning the risks of penny stocks. Application of the penny stock rules to our common stock could adversely affect the market liquidity of the shares, which in turn may affect the ability of our stockholders to resell their stock.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Some of the statements contained in or considered a part of this proxy statement discuss future expectations, contain projections of results of operations or financial condition or state other forward-looking information. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The "forward-looking" information is based on various factors and was derived using numerous assumptions. In some cases, you can identify these so-called forward-looking statements by words like "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of those words and other comparable words. You should be aware that those statements only reflect our predictions or the predictions of ACS. Actual events or results may differ substantially. Important factors that could cause our actual results and the actual results of ACS to be materially different from the forward-looking

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statements are disclosed under the heading "Risks Factors" in this proxy statement.

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THE SPECIAL MEETING

This proxy statement is first being mailed or delivered by Patient Infosystems to its stockholders on or about September 20, 2003, and is accompanied by the notice of the Special Meeting and a form of proxy that is solicited by the Patient Infosystems' Board of Directors for use at the Special Meeting and at any adjournments or postponements thereof.

Date, Time and Place; Proposals to be Considered

The Special Meeting is scheduled to be held on September 15, 2003, at 10 a.m. Eastern Time at Patient Infosystems' offices at 46 Prince Street, Rochester, New York 1407. At the Special Meeting, Patient Infosystems stockholders will be asked to consider and approve:

- (1) an amendment of the Certificate of Incorporation of Patient Infosystems to increase the number of authorized shares to 100,000,000 divided into 80,000,000 shares of common stock, par value \$0.01 per share and 20,000,000 shares of preferred stock, par value \$0.01 per share;
- (2) an amendment of the Certificate of Incorporation of Patient Infosystems to change the name of the company to American CareSource Corporation; and
- (3) an amendment of the Certificate of Incorporation of Patient Infosystems to provide for a 1 for 12 reverse stock split;
- (4) an amendment of the Amended and Restated Stock Option Plan of Patient Infosystems to increase the number of shares of common stock reserved for issuance under the plan from 1,680,000 to 3,500,000 shares; and
- (5) such other matters that come before the Special Meeting, or any adjournment thereof, that are required to be approved by the stockholders of Patient Infosystems.

Record Date and Voting

Our Board of Directors has fixed September 15, 2003 as the record date for determination of holders of Patient Infosystems capital stock entitled to notice of, and to vote at, the Special Meeting. Only holders of record of our capital stock at the close of business on the record date will be entitled to notice of, and to vote at, the Special Meeting or any adjournment thereof. On September 12, 2003, there were issued and outstanding, 10,956,424 shares of Patient Infosystems common stock, 100,000 shares of Series C 9% Cumulative Convertible Preferred Stock ("Series C Preferred Stock") and 286,182 shares of Series D Preferred Stock. Each share of common stock is entitled to one vote; each share of Series C Preferred Stock is entitled to eight votes and each share of Series D Preferred Stock is entitled to one hundred twenty votes on all matters to be voted upon at the Special Meeting.

Votes will be counted and certified by one or more Inspectors of Elections

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who are expected to be employees of Patient Infosystems or Continental Stock Transfer & Trust, the transfer agent for Patient Infosystems.

A quorum consists of a majority of our outstanding capital stock represented in person or by proxy and entitled to vote at the Special Meeting. Any stockholder present in person or by proxy who abstains from voting on any particular matter will be counted in determining whether or not a quorum is present. The affirmative vote of a majority of the outstanding shares of capital stock of Patient Infosystems is required to approve the amendment of the Certificate of Incorporation and the amendment of the Stock Option Plan.

If the enclosed proxy card is executed properly and received by Patient Infosystems by October 15, 2003 in time to be voted at the Special Meeting, the shares represented thereby will be voted in accordance with the instructions marked thereon. EXECUTED PROXIES WITH NO INSTRUCTIONS INDICATED THEREON WILL BE VOTED "FOR" EACH OF THE AMENDMENTS OF THE CERTIFICATE OF INCORPORATION AND FOR THE AMENDMENT OF THE STOCK OPTION PLAN.

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Our Board of Directors is not aware of any matters other than the amendments of the Certificate of Incorporation and amendment of the Stock Option Plan that may be properly brought before the Special Meeting. If any other matters properly come before the Special Meeting or any adjournments or postponements of the Special Meeting and are voted on, the persons named in the accompanying proxy will vote the shares represented by all properly executed proxies on such matters in such manner as shall be determined by a majority of the Board of Directors of Patient Infosystems.

Proxies

All shares of Patient Infosystems capital stock represented by properly executed proxies or voting instructions received before or at the Special Meeting will, unless the proxies or voting instructions are revoked, be voted in accordance with the instructions indicated on those proxies or voting instructions. If no instructions are indicated on a properly executed proxy card or voting instruction, the shares will be voted FOR the proposals. You are urged to mark the box on the proxy card to indicate how to vote your shares.

If a properly executed proxy card or voting instruction is returned and the stockholder has abstained from voting on adoption of the proposals, the Patient Infosystems capital stock represented by the proxy or voting instruction will be considered present at the special meeting for purposes of determining a quorum, but will not be considered to have been voted in favor of adoption of the proposals. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares. If an executed proxy card is returned by a broker or bank holding shares which indicates that the broker or bank does not have discretionary authority to vote on adoption of the proposals, the shares will be considered present at the meeting for purposes of determining the presence of a quorum, but will not be considered to have been voted in favor of adoption of the proposals. Your broker or bank will vote your shares only if you provide instructions on how to vote by following the information provided to you by your broker or bank.

Because adoption of the proposals requires the affirmative vote of at least a majority of the outstanding capital stock of Patient Infosystems voting at the meeting, abstentions, failures to vote and broker non-votes will have the same

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effect as a vote against adoption of the proposals.

Revocability of Proxies

The accompanying form of proxy is for use at the meeting if a holder of Patient Infosteams capital stock is unable to attend in person. The presence of a stockholder at the Special Meeting will not automatically revoke such stockholder's proxy. However, a stockholder may revoke a proxy at any time prior to its exercise by:

- o delivering to Kent Tapper, Assistant Secretary, Patient Infosteams, Inc., 46 Prince Street, Rochester, New York, 14607, a written notice of revocation prior to the Special Meeting or a duly executed proxy bearing a later date; or
- o attending the Special Meeting and voting in person.

If you have instructed a broker or bank to vote your shares, you must follow the directions received from your broker or bank as to how to change your vote.

All shares represented by valid proxies received pursuant to this solicitation, and not revoked before they are voted, will be voted in the manner specified therein.

Solicitation of Proxies

The costs of soliciting proxies in the form enclosed herewith will be borne entirely by Patient Infosteams. In addition to the solicitation of proxies by mail, proxies may be solicited by our officers and directors and our regular employees, without additional remuneration, by personal interviews, telephone, telegraph or otherwise. Copies of solicitation materials may be furnished to brokers, custodians, nominees and other fiduciaries for forwarding to beneficial owners of shares of our capital stock and normal handling charges may be paid for such forwarding services.

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Voting Electronically or by Telephone

Patient Infosteams does not provide electronic, internet or telephone voting for the record holders of its stock because of the relatively small number of record holders of Patient Infosteams capital stock.

Share Ownership of Management and Certain Stockholders

On June 30, 2003, Patient Infosteams' directors, executive officers and their affiliates owned and were entitled to vote 8,230,902 shares of Patient Infosteams common stock, or approximately 67% of the shares of Patient Infosteams common stock outstanding on that date.

Certain Patient Infosteams stockholders holding an aggregate of 59% of Patient Infosteams outstanding stock have executed voting agreements agreeing to vote all of their stock in favor of the amendment of the Certificate of Incorporation assuring of Patient Infosteams to increase authorized capital stock. While the voting agreements do not cover the other proposals, it is anticipated that the stockholders will also vote in favor of all of the proposals in this proxy statement.

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Regulatory Matters

Other than compliance with the applicable rules and regulations of the Securities and Exchange Commission and any state securities law administrators in connection with the issuance of shares in the Acquisition, no federal or state regulatory requirements must be complied with, and no approvals must be obtained, in connection with the Acquisition.

No Appraisal Rights

Under the Delaware General Corporation Law, the stockholders of Patient Infossystems are not entitled to appraisal rights with respect to the Acquisition or any other matters addressed herein.

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PROPOSAL 1 - APPROVAL OF THE AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED CAPITAL STOCK

General

Our acquisition of substantially all of the assets and assumption of substantially all of the liabilities of ACS (the "Acquisition") provides that in consideration for the assets purchased, ACS will receive 2,091,366 shares of Patient Infossystems common stock, which constitutes approximately 20% of Patient Infossystems' common stock on a fully diluted basis after giving effect to the 1 for 12 reverse stock split. In order to have a sufficient number of shares to issue to ACS pursuant to the Acquisition, we must amend our Certificate of Incorporation in order to increase the number of authorized shares.

Additionally, on June 11, 2002, the Board of Directors of Patient Infossystems approved the conversion of up to \$4,642,500 in debt and \$438,099 of accrued interest owed to Mr. Pappajohn and Dr. Schaffer into 36,289,993 shares of Patient Infossystems common stock using a value of \$0.14 per share of common stock. The average value of Patient Infossystems common stock based upon an average closing price for a period immediately before June 11, 2002 was \$0.1354 per share. On August 7, 2002, Patient Infossystems paid \$160,000 of the outstanding debt. As a result, \$4,482,500 in debt and \$438,099 of accrued interest will be converted into 35,147,136 shares of Patient Infossystems common stock. As of September 12, 2003, Patient Infossystems' Certificate of Incorporation authorized Patient Infossystems to issue up to 20,000,000 shares of common stock, 10,956,424 of which were issued and outstanding and 2,029,040 of which were reserved for issuance under outstanding options, warrants and upon conversion of outstanding convertible preferred stock. Giving effect to this debt conversion will require an amendment to Patient Infossystems' Certificate of Incorporation to authorize additional shares of common stock. The completion of this transaction cannot occur unless and until the stockholders of Patient Infossystems approve this amendment.

On April 10, 2003, Patient Infossystems entered into a Note and Stock Purchase Agreement, which was subsequently amended on September 11, 2003, pursuant to which certain investors, including Mr. Pappajohn, a member of the Board of Directors, agreed to loan to Patient Infossystems an aggregate of up to \$3,500,000. In consideration for the loans, Patient Infossystems signed a series of promissory notes and issued an aggregate of 286,182 shares of Series D Preferred Stock to the investors. The 286,182 shares of Series D Preferred Stock

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are convertible into up to 34,341,840 shares of Patient Infosystems common stock subject to approval by Patient Infosystems' stockholders of the amendment to the Certificate of Incorporation to increase authorized capital stock. In addition, upon closing of the private placement of at least \$4 million of Patient Infosystems' capital stock, as contemplated by the Asset Purchase Agreement, the notes issued pursuant to the Note and Stock Purchase Agreement will be convertible into Series D Preferred Stock. The purpose of the loan from the investors is to provide funds for Patient Infosystems to loan to ACS to provide working capital for ACS' operations. The loan from Patient Infosystems to ACS is provided under a Credit Agreement, which was executed on April 10, 2003 and subsequently amended on July 30, 2003. Currently, under the terms of the Credit Agreement, Patient Infosystems has loaned \$2,850,000 to ACS. In order to have sufficient shares of common stock reserved for issuance upon conversion of the Series D Preferred Stock, Patient Infosystems must increase its capital stock. The shares of common stock issued upon conversion of the Series D Preferred Stock will be restricted securities under the Securities Act of 1933.

Background of the Acquisition

On May 2, 2000, our Board of Directors instructed management to explore opportunities relating to a strategic partnership that might lead to an acquisition or merger transaction with another company.

On May 12, 2000, Roger Chaufournier, our Chief Executive Officer, met Mark Goode, an investment broker with the firm Euram Partners, LLC. Mr. Goode informed Mr. Chaufournier that he had a partner who had invested in ACS. He suggested that ACS might be interested in a strategic dialogue.

On May 25, 2000, Mr. Chaufournier met with Mr. Goode in Tysons Corner, Virginia. Mr. Goode expressed an interest in representing us in securing equity capital. Mr. Goode also agreed to arrange a meeting with his partner.

On June 1, 2000, Mr. Chaufournier had a conference call with the Finance Committee of our Board of Directors and briefed them on Euram and ACS. The Committee advised Mr. Chaufournier to proceed with exploring the relationships.

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From July 7, 2000 through July 18, 2000, Mr. Chaufournier met with Mr. Goode on several occasions to review a potential transaction.

On July 20, 2000, Mr. Chaufournier and Mr. Goode met with the ACS team at the ACS offices, including Mark Bodnar, the Chief Executive Officer of ACS and Werner Eric Brauss, a principal stockholder of ACS.

From July 20, 2000 through August 29, 2000, several meetings were held in person and by telephone between Mr. Chaufournier, Mr. Bodnar, Mr. Brauss, Mr. Goode, members of our Board of Directors and other representatives of ACS and us to discuss the underlying businesses and the terms of a proposed transaction between us and ACS.

From August 8 through the end of August, 2000, Mr. Chaufournier worked with our counsel and counsel to ACS to negotiate the terms of an asset purchase agreement.

On August 29, 2000, Mr. Chaufournier briefed our Board of Directors on the proposed transaction. A detailed discussion was held on the strategic positioning of the deal and its benefit to us and our stockholders.

From November 8, 2000 until December 20, 2000, our representatives and

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ACS's representatives were involved in regular negotiations with respect to the terms of an asset purchase agreement.

On December 21, 2000 our Board of Directors met to review the transaction. Our Board of Directors authorized Mr. Chaufournier to proceed with the negotiation.

Discussions continued through January 20, 2001, when the parties concluded that the transaction was not currently feasible.

From February through March 7, 2001, Mr. Chaufournier worked with Mr. Bodnar on the terms of a strategic alliance between us and ACS. We and ACS began co-marketing our services and began to explore operational synergies more aggressively.

On March 12, 2001, we entered into a strategic alliance with ACS.

On April 9, 2001, our representatives and ACS' representatives renewed discussions with respect to an asset purchase.

From May 2, 2001 through May 28, 2001, we engaged in discussions and negotiations with ACS and its representatives with regard to a transaction.

On May 28, 2001, Mr. Chaufournier and Mr. Pappajohn met with Mr. Bodnar, Mr. Brauss and other representatives of both companies. An afternoon meeting resulted in a signing by both parties of an asset purchase agreement.

From May 28, 2001 to September 28, 2001 there were numerous meetings and phone conferences by and among the parties and the various representatives to complete due diligence, review the integration of the two companies and discuss closing issues.

On September 28, 2001, the ACS Board of Directors met with its investors and concluded that the international political crisis coupled with the turmoil of the financial markets caused by the events of September 11, 2001 presented an unfavorable environment for a merger. ACS notified Patient Infosystems that it was terminating the relationship.

On January 20, 2002, and in April 2002, Mr. Bodnar met with Mr. Pappajohn in New York City to discuss the possibility of completing a transaction.

On June 7, 2002, staff from our company met with Mr. Bodnar to discuss the framework for a new deal.

On June 25, 2002, Mr. Chaufournier initiated contact with Michael Caolo, general counsel to ACS, and discussed a work plan on the proposed deal.

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On June 26, 2002, a meeting was held in Dallas with Mr. Caolo, Mr. Bodnar, Christine St. Andre, our Chief Operating Officer, and Kent Tapper, our Chief Financial Officer, on business vision for the combined companies.

On August 6, 2002, Mr. Caolo, Mr. Bodnar, Mr. Chaufournier and Mr. Pappajohn met in New York City to discuss the vision for the new company and the prospects of raising additional working capital.

On August 20 and 21, 2002, Mr. Chaufournier and Mr. Tapper, met with Mr. Caolo and Mr. Bodnar in Dallas to refine a joint business plan, conduct due diligence reviews and continue negotiations.

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On August 27, 2002, Mr. Chaufournier, Mr. Caolo, Mr. Pappajohn and Mr. Bodnar met in New York City to discuss a capital formation strategy.

On August 27 and 28, 2002, Maria Baker, Vice President for Operations with ACS completed a due diligence meeting in Rochester, New York. Ms. Baker met with Ms. St. Andre, Mr. Chaufournier and Mr. Tapper.

From August 28, 2002 through September 2002 we continued negotiations. We and ACS staff continued due diligence reviews of schedules included in the asset purchase agreement.

On September 23, 2002, our Board of Directors approved the transaction.

On September 23, 2002, the Agreement for the Purchase and Sale of Assets was executed.

From September 23, 2002 through April 2003, we and ACS were engaged in the preparation of this proxy statement and financial information. In the course of these activities, issues arose, including a need for increased working capital for ACS and the provision of financing by Patient Infossystems to ACS. As a result, we and ACS agreed to amend the Asset Purchase Agreement in April 2003.

On April 10, 2003, our Board of Directors approved the Amended and Restated Agreement for the Purchase and Sale of Assets and it was executed.

On July 30, 2003, ACS borrowed additional funds from us for working capital. As a result, we and ACS decided to amend the Amended and Restated Agreement for the Purchase and Sale of Assets. On July 30, 2003 the Amendment No. 1 to Amended and Restated Agreement for the Purchase and Sale of Assets was executed (the Agreement for the Purchase and Sale of Assets, as amended, is referred to herein as the "Asset Purchase Agreement").

Recommendation of the Patient Infossystems Board of Directors and Reasons For The Acquisition

Our Board of Directors concluded unanimously that the Acquisition was in the best interests of Patient Infossystems and our stockholders, authorized and approved the Asset Purchase Agreement, the issuance of shares of Patient Infossystems common stock in connection with the Acquisition, and the amendment of the Certificate of Incorporation to increase authorized capital stock.

The decision of our Board of Directors was based upon the potential benefits of the Acquisition, including the following:

- o a new business model that is unique in the market and has significant growth potential;
- o an opportunity to leverage Patient Infossystems' client base and provide a more integrated solution to the market;
- o an opportunity to enter into a new business which may provide increased revenue;
- o diversification of the sources of Patient Infossystems' revenues; and

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- o the addition of experienced members of management.

In its evaluation of the Acquisition, our Board of Directors reviewed several factors, including the following:

- o historical information concerning the respective businesses of Patient Infosystems and ACS including financial performance and condition and operations and management;
- o the status and quality of ACS' relationships with its clients;

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- o management's view of the financial condition, results of operations and businesses of Patient Infosystems and ACS before and after giving effect to the Acquisition;
- o reports of management regarding the results of the due diligence investigation of ACS;
- o the potential impact of the Acquisition on the employees, customers and business partners of Patient Infosystems; and
- o the potential impact of the Acquisition on the business of Patient Infosystems.

In its evaluation of the Acquisition, our Board of Directors also considered various risks and uncertainties, including:

- o immediate and substantial dilution of Patient Infosystems stockholders' percentage equity and voting interest;
- o inability of Patient Infosystems and ACS to successfully integrate operations;
- o change in the current business of Patient Infosystems;
- o the risk that the potential benefits of the Acquisition might not be fully realized;
- o the possibility that the Acquisition might not be completed, or that completion might be unduly delayed;
- o the costs associated with integrating Patient Infosystems and ACS;
- o the possibility that despite the efforts of the combined company, key employees might not remain employed by the combined company; and
- o possible loss of contracts with customers and other third parties.

Our Board of Directors concluded that the potential benefits of the Acquisition and the amendments to the Certificate of Incorporation to Patient Infosystems and its stockholders outweigh the risks associated with the Acquisition and the amendment to the Certificate of Incorporation to increase authorized capital stock. This discussion of the information and factors considered by our Board of Directors is not intended to be exhaustive. In view of the variety of factors considered in connection with its evaluation of the Acquisition and the amendment to the Certificate of Incorporation, our Board of

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Directors did not find it practicable to, and did not quantify or otherwise assign relative weight to, the specific factors considered in reaching its determination. After careful consideration, our Board of Directors determined that the Acquisition and the amendment of the Certificate of Incorporation are in the best interests of Patient Infosystems and its stockholders.

Our Board of Directors chose not to retain a fairness opinion from an outside financial advisor with respect to the Acquisition. Our Board of Directors concluded that Patient Infosystems had sufficient in-house sophistication, knowledge and expertise to assist the Board of Directors in evaluating the financial impact of the Acquisition and the fairness of the terms of the transaction.

ACS' Reasons for the Acquisition; Approval by ACS' Board of Directors and Stockholders

The ACS Board of Directors believes that the terms of the Acquisition are in the best interests of ACS and its stockholders. Accordingly, the ACS Board of Directors unanimously approved the Acquisition. ACS believes that it will obtain the necessary approval of the Acquisition by the holders of a majority of its outstanding common stock.

The terms of the Acquisition, including the consideration, were the result of arm's-length negotiations between ACS and Patient Infosystems. In fixing the consideration consisting mainly of Patient Infosystems common stock, ACS' management considered the relative values of the two companies. In considering the Acquisition, the ACS Board of Directors consulted with legal advisors and management of ACS.

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In reaching its decision to approve the Acquisition, in addition to the factors described above, the ACS Board of Directors considered the following factors:

- o the strategic benefits of the Acquisition;
- o the lack of liquidity for ACS common stock;
- o the effects of the Acquisition on ACS' stockholders;
- o the strength of the management team of the combined company;
- o historical information regarding Patient Infosystems' and ACS' respective businesses, prospects, financial performance and condition and competitive positions;
- o the prospects of ACS as an independent company;
- o the terms of the Asset Purchase Agreement.
- o reports of management regarding the results of the due diligence investigation of ACS;
- o the potential impact of the Acquisition on the employees, customers and business partners of ACS; and

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- o the potential impact of the Acquisition on the business of ACS.

In its evaluation of the Acquisition, the ACS Board of Directors also considered various risks and uncertainties, including:

- o change in control of ACS;
- o inability of Patient Infossystems and ACS to successfully integrate operations;
- o the possibility that the potential benefits sought from the Acquisition might not be fully realized;
- o the challenges of integrating the management teams, strategies, cultures and organizations of the two companies;
- o the risk that despite the efforts of the combined company, key employees might not remain employed by the combined company;
- o the costs associated with integrating Patient Infossystems and ACS;
- o the possibility that the Acquisition might not be completed or might be unduly delayed; and
- o possible loss of contracts with customers and other third parties.

Accounting Treatment

The Acquisition will be accounted for as a "purchase." Under the purchase method of accounting, tangible and identifiable intangible assets acquired and liabilities assumed are recorded at their estimated fair values. The excess of the purchase price, including estimated direct costs related to the merger, over the value of the net assets acquired is classified as goodwill on the unaudited pro forma combined condensed balance sheet included in this proxy statement.

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Federal Income Tax Consequences of the Acquisition

The following is a summary of the material anticipated U.S. federal income tax consequences of the Acquisition. The summary is based on the Internal Revenue Code (the "Internal Revenue Code"), Treasury regulations issued under the Internal Revenue Code, and administrative rulings and court decisions in effect as of the date of this proxy statement, all of which are subject to change at any time, possibly with retroactive effect. This summary is not a complete description of all of the U.S. federal income tax consequences of the Acquisition and, in particular, may not address considerations applicable to ACS stockholders subject to special treatment under U.S. federal income tax law. ACS stockholders subject to special treatment include, for example, foreign persons, financial institutions, dealers in securities, traders in securities who elect to apply a mark-to-market method of accounting, insurance companies, tax-exempt entities, and holders who hold common stock as part of a "hedge," "straddle" or "conversion transaction." In addition, no information is provided in this document with respect to the tax consequences of the Acquisition under any foreign, state or local laws.

STOCKHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE ACQUISITION TO THEM IN THEIR PARTICULAR SITUATIONS,

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INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE, LOCAL, FOREIGN, ESTATE AND OTHER TAX LAWS.

For U.S. federal income tax purposes, the Acquisition will be treated as a "reorganization" -- that is, a transaction of a type that is generally tax-free. As a result, Patient Infosystems' tax basis in the assets acquired pursuant to the Asset Purchase Agreement should equal ACS' basis in such assets. Although such basis would be increased by any gain recognized in the transaction to ACS, it is anticipated that no such gain will be recognized and, accordingly, that no such increase in tax basis will occur.

This discussion regarding tax consequences is not binding on the Internal Revenue Service (the "IRS") or the courts, and the parties do not intend to request a ruling from the IRS with respect to the Acquisition. Accordingly, there can be no assurance that the IRS will not challenge the conclusion reflected in this discussion or that a court will not sustain such a challenge.

No Appraisal Rights

While Section 262 of the Delaware General Corporation Law provides appraisal rights (sometimes referred to as "dissenters' rights") to stockholders of Delaware corporations in certain situations, these appraisal rights are not available to the stockholders of Patient Infosystems in connection with the Acquisition or the amendment to the Certificate of Incorporation of Patient Infosystems.

Securities Law Consequences

The shares to be issued to ACS pursuant to the Acquisition have not been registered under the Securities Act of 1933. These shares can be resold only if they are registered for resale under the Securities Act or exempt from registration. Under the terms of the Asset Purchase Agreement, ACS may distribute Patient Infosystems stock issued in connection with the Acquisition only to stockholders of ACS who are signatories to the Asset Purchase Agreement or to persons who become stockholders of ACS before the closing of the Acquisition. ACS stockholders who receive such shares may not distribute them for a period of twelve months from the closing date of the Acquisition. However, should an ACS stockholder who received shares of Patient Infosystems stock from the Acquisition dissolve or liquidate, such ACS stockholder may distribute the Patient Infosystems shares to its stockholders provided that its stockholders agree to the twelve month holding period and agree to be subject to the indemnification obligation contained in the Asset Purchase Agreement.

Patient Infosystems does not intend to register the shares that ACS receives in the Acquisition. ACS currently does not intend to transfer these shares to its stockholders. However, since all of the stockholders of ACS are accredited investors, it is likely that in the event ACS wishes to distribute the shares to its stockholders, ACS will be able to rely on the exemption from registration provided under Section 4(2) of the Securities Act of 1933 and Regulation D.

THE ASSET PURCHASE AGREEMENT

The following is a summary of the Asset Purchase Agreement. This summary

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does not purport to be complete, and is qualified in its entirety by reference to the text of the Asset Purchase Agreement. The agreements which constitute the Asset Purchase Agreement are attached as Appendix C and Appendix D to this Proxy Statement.

Structure of the Purchase

The Asset Purchase Agreement contemplates our purchase of substantially all of the business and assets of ACS. We will also assume substantially all liabilities of ACS. When we complete the Acquisition, a number of ACS directors will become directors and/or members of management of Patient Infossystems.

Acquisition Consideration

Patient Infossystems intends to acquire substantially all of the assets and assume substantially all of the liabilities of ACS. In consideration of the sale of assets, Patient Infossystems agreed to issue to ACS 2,091,366 shares of Patient Infossystems common stock, which constitutes approximately 20% of the outstanding common stock of Patient Infossystems on a fully diluted basis after giving effect to the 1 for 12 reverse stock split. Under the terms of the Asset Purchase Agreement, ACS will retain all records related to the corporate organization of ACS, including, among other things, its minute books, stock books and corporate seals. In addition, ACS will retain the funded portion of any pension or profit sharing plans and all rights that will accrue to ACS under the Asset Purchase Agreement, including the shares of Patient Infossystems common stock it will receive as consideration.

Certain Covenants

Interim Operations of ACS and Patient Infossystems. From the date of execution of the Asset Purchase Agreement until the closing date of the Acquisition, Patient Infossystems and ACS are each required to conduct its business in the ordinary course consistent with past practice and to use its reasonable best efforts to preserve intact its business organization and relationships with customers and to keep available the services of its employees. In particular, during this period, Patient Infossystems and ACS each may not:

- o declare or pay dividends or make any distribution or transfers of any amount including cash to any employees, officers, directors or stockholders, except in the ordinary course of business;
- o make any payment or dispose any assets in excess of \$5,000 of fair market value;
- o acquire, or commit to acquire, any assets, other than assets involving \$25,000 or less in any one transaction or series of related transactions;
- o subject to certain exceptions, assume, create, guarantee or incur any indebtedness other than indebtedness incurred in the ordinary course of business;
- o grant any lien except in the ordinary course of business consistent with past practices;
- o except as contemplated by the Asset Purchase Agreement, amend, modify or terminate any contract or other agreement, authorization, commitment, lease, mortgage, or other document, including articles of incorporation or bylaws, outside the ordinary course of business

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consistent with past business practices;

- o enter into any new contract or other agreement, authorization, commitment, lease, mortgage or other document that is material;
- o change the accounting principles used when maintaining accounting records or presenting financial statements, or otherwise alter the manner of keeping accounts, books or records, except for converting accounting basis to the accrual method;

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- o make, change or forgive any loan in excess of \$5,000 between Patient Infosystems or ACS and any of their affiliates, directors, employees, officers, related parties or stockholders;
- o make any payments in any case greater than \$5,000 or \$25,000 in the aggregate of any kind, including dividends, distributions, bonuses and repayment of indebtedness, to affiliates, directors, employees, officers, related parties or stockholders, other than normal, recurring payments of salary, commissions, bonuses, retainers, reimbursements, repayment of indebtedness, and the like, in accordance with existing contractual obligations or in the ordinary course of business consistent with past practices; or
- o agree or commit to take any of the actions described above.

Special Meeting; Proxy Material. We have agreed under the Asset Purchase Agreement to prepare and file with the Securities and Exchange Commission, a proxy statement for a special meeting of our stockholders to approve all matters necessary for the Acquisition.

No Solicitation. ACS has agreed in the Asset Purchase Agreement that, unless such agreement is terminated, it will not, and its affiliates and stockholders will not cause it to (i) directly or indirectly encourage, solicit, initiate or participate with any person, entity or group regarding any merger, sale of substantially all of the assets, business combination, sale of shares of capital stock, or similar transaction involving ACS or (ii) directly or indirectly disclose any confidential information concerning Patient Infosystems to any person, entity or group other than Patient Infosystems and its advisors and representatives. Patient Infosystems will be promptly notified of any offer or inquiry regarding the above received by ACS or an ACS stockholder.

Employment Agreements. Pursuant to the Asset Purchase Agreement, we agreed to enter into an employment agreement with Mark Bodnar on the closing date of the Asset Purchase Agreement. Under the terms of his agreement, Mr. Bodnar will receive an annual salary of \$150,000. Upon termination of his current automobile lease, Mr. Bodnar will receive a monthly automobile allowance in the amount of \$1,000. Also, the agreement provides that Mr. Bodnar will receive options to purchase 100,000 shares of our common stock at an exercise price of \$1.00 per share. In addition, the agreement provides that Mr. Bodnar will receive certain commissions.

Patient Infosystems Shareholder Voting Agreement. Certain Patient Infosystems stockholders holding an aggregate of 59% of our outstanding stock have executed voting agreements agreeing to vote all of their stock in favor of the amendment of the Certificate of Incorporation of Patient Infosystems to increase authorized capital stock. While the voting agreements do not cover the other proposals, it is anticipated that the stockholders will also vote in favor of all of the proposals in this proxy statement.

Certain Other Covenants. The Asset Purchase Agreement contains certain other mutual covenants of the parties, including covenants relating to public announcements; notification of certain matters; access to information; disclosure supplements; further assurances and confidential treatment of non-public information.

Certain Representations and Warranties

The Asset Purchase Agreement contains, subject to certain exceptions, representations and warranties made by ACS and certain of its stockholders as to, among other things: due organization and good standing; corporate authorization to enter into the contemplated transactions; execution, delivery and enforceability of the Asset Purchase Agreement; governmental authorizations; absence of any conflict or breach of organizational documents and certain material agreements as a result of the contemplated transactions; absence of the creation of any lien as a result of the contemplated transactions; capitalization; absence of subsidiaries; financial statements; absence of undisclosed material facts or liabilities; compliance with laws and court orders; litigation; title to and character of assets; tax matters; employee matters; employee benefits plans; required consents; insurance; accounts receivable; contracts; conditions affecting the business of ACS; absence of any broker; solvency; sufficiency of assets to conduct the business of ACS; ownership and use of real property; and intellectual property rights.

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The Asset Purchase Agreement contains, subject to certain exceptions, representations and warranties made by Patient Infosystems and certain of our stockholders as to, among other things: due organization and good standing; corporate authorization to enter into the contemplated transactions; execution, delivery and enforceability of the Asset Purchase Agreement; absence of any conflict or breach of organizational documents and certain material agreements as a result of the contemplated transactions; absence of the creation of any lien as a result of the contemplated transactions; capitalization; filings with the Securities and Exchange Commission; financial statements; absence of undisclosed material facts or liabilities; compliance with laws and court orders; litigation; tax matters; and absence of any restriction that materially affects or restricts the business and assets of Patient Infosystems after the consummation of the contemplated transactions.

The representations and warranties in the Asset Purchase Agreement survive for a period of one year from the date of the agreement.

Conditions to the Acquisition

Conditions to the Obligations of Patient Infosystems to Effect the Acquisition. The obligations of Patient Infosystems to effect the Acquisition are subject to the satisfaction of the following conditions:

- o the representations and warranties of ACS and its stockholders contained in the Asset Purchase Agreement being true in all material respects as of the date of the Asset Purchase Agreement and as of the closing date;
- o the performance by ACS of all agreements, covenants and obligations that it is required to perform under the Asset Purchase Agreement as of the closing date;
- o ACS' delivery to Patient Infosystems of a closing certificate signed

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by an officer of ACS certifying the above;

- o ACS' delivery to Patient Infosystems of an assignment of contracts;
- o Patient Infosystems' receipt of a legal opinion regarding the Acquisition from counsel to ACS;
- o Patient Infosystems' receipt of stockholder representation letters from each stockholder of ACS that is a signatory to the Asset Purchase Agreement;
- o Patient Infosystems' receipt of conveyance instruments regarding the sale, conveyance, transfer and assignment of the assets of ACS;
- o Patient Infosystems' receipt of all customer contracts duly executed from ACS;
- o Patient Infosystems' receipt of all vendor and supplier contracts duly executed from ACS;
- o Patient Infosystems' receipt of all contracts and all other documents relating to the purchased assets;
- o ACS' delivery of all consents required to be obtained or given by ACS in order to consummate the transactions contemplated by the Asset Purchase Agreement and the other transaction documents; and
- o ACS' delivery to Patient Infosystems of certified resolutions of the Board of Directors and stockholders of ACS authorizing the execution, delivery and performance of the Asset Purchase Agreement and each other document, agreement, instrument or certificate to which such person is party and the transactions contemplated by such agreements.

Conditions to the Obligations of ACS to Effect the Acquisition. The obligations of ACS to effect the Acquisition is subject to the satisfaction of the following conditions:

- o the representations and warranties of Patient Infosystems contained in the Asset Purchase Agreement being true in all material respects as of the date of the Asset Purchase Agreement and as of the closing date;
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- o the performance by Patient Infosystems of all agreements, covenants and obligations that it is required to perform under the Asset Purchase Agreement as of the closing date;
 - o Patient Infosystems' delivery to ACS of a closing certificate signed by an officer of Patient Infosystems certifying the above;
 - o Acceptance by Patient Infosystems' of an assignment of contracts from ACS;
 - o ACS' receipt of a legal opinion regarding the Acquisition from counsel to Patient Infosystems;
 - o Acceptance by Patient Infosystems of all customer contracts;
 - o Acceptance by Patient Infosystems of vendor and supplier contracts; and

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- o Patient Infosystems' delivery to ACS of certified resolutions of the Board of Directors of Patient Infosystems authorizing the execution, delivery and performance of the Asset Purchase Agreement and each other document, agreement, instrument or certificate to which such person is party and the transactions contemplated by such agreements.

Other Agreements and Documents Required to Effect the Acquisition. The obligations of both Patient Infosystems and ACS to effect the Acquisition require the following:

- o The execution by certain stockholders of ACS and Patient Infosystems of a Shareholders' Agreement providing for the voting of all shares of Patient Infosystems owned by such stockholders in favor of the election of John Pappajohn, Derace Schaffer, Mark Bodnar, one reasonably qualified individual designated by Eric Brauss, Mark Bodnar and Michael Caolo, Jr. and one reasonably qualified individual designated by John Pappajohn and Derace Schaffer as members of the Board of Directors of Patient Infosystems;
- o the execution of agreements by Werner Eric Brauss and Today Financial Corporation and related entities and affiliates to hold all indebtedness of ACS in abeyance until March 31, 2007, and to not demand repayment of principal or accrued interest unless required in accordance with the terms of the promissory notes relating thereto;
- o the execution of agreements by John Pappajohn and Derace Schaffer to hold all indebtedness of Patient Infosystems in abeyance until September 30, 2004, and to not demand repayment of principal or accrued interest unless required in accordance with the terms of the promissory notes relating thereto;
- o Written documentation that the bank debt of Patient Infosystems to Wells Fargo Bank has been renegotiated so as to provide a grace and forbearance period until December 31, 2003 before any principal payments are required and that John Pappajohn and Derace Schaffer will remain guarantors of such bank debt if required by Wells Fargo Bank.
- o Proceeds from the private placement of equity securities in the minimum amount of \$4.0 million placed into an escrow account to be released immediately following the closing of the Acquisition.
- o The execution of a Voting Agreement by each stockholder of Patient Infosystems owning more than 10% of the outstanding shares of the common stock of Patient Infosystems providing that such stockholder will vote all shares owned by him in favor of the Acquisition and all related matters.

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Termination of the Asset Purchase Agreement

The Asset Purchase Agreement may be terminated and the Acquisition abandoned at any time prior to the closing date of the transaction as follows:

- o by mutual agreement in writing by Patient Infosystems and ACS;
- o by either Patient Infosystems or ACS if the other party materially breaches any of the representations, warranties, covenants or agreements set forth in the Asset Purchase Agreement at the time of its execution or on the closing date;

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- o by either Patient Infosystems or ACS if the other party fails to perform timely, in all material aspects, the covenants and obligations that it is required to perform under the Asset Purchase Agreement and such party does not obtain in writing a waiver of such performances; or
- o by either Patient Infosystems or ACS at any time after November 30, 2003 if the closing of the Acquisition does not occur by such date because the Securities and Exchange Commission has determined to review this proxy statement.

In the event that the Asset Purchase Agreement is validly terminated by either Patient Infosystems or ACS as provided in the first and fourth bullet points above, the Asset Purchase Agreement will become void and have no effect except that ACS and its stockholders are prohibited from disclosing the contents of negotiations regarding the Asset Purchase Agreement or the terms of the Asset Purchase Agreement. Upon such termination, there will be no further obligation on the part of Patient Infosystems, ACS, their respective officers or directors, or their respective stockholders that are signatories to the Asset Purchase Agreement. Upon termination of the Asset Purchase Agreement for any reason other than those in the first and fourth bullet points above, each party to the Asset Purchase Agreement may pursue any and all remedies that such party may have under the Asset Purchase Agreement or by law.

Fees and Expenses. Each party to the Asset Purchase Agreement shall pay all of their costs and expenses, including accountant and legal fees and expenses, incurred in connection with the Acquisition.

Interests of Certain Persons in Acquisition and Related Matters

On June 11, 2002, the Board of Directors of Patient Infosystems approved the conversion of up to \$4,642,500 in debt and \$438,099 of accrued interest owed to Mr. Pappajohn and Dr. Schaffer into 36,289,993 shares of Patient Infosystems common stock using a value of \$0.14 per share of common stock. The average value of Patient Infosystems common stock based upon an average closing price for a period immediately before June 11, 2002 was \$0.1354 per share. On August 7, 2002, Patient Infosystems paid \$160,000 of the outstanding debt. As a result, \$4,482,500 in debt and \$438,099 of accrued interest will be converted into 35,147,136 shares of Patient Infosystems common stock. Currently, Patient Infosystems' Certificate of Incorporation authorized Patient Infosystems to issue up to 20,000,000 shares of common stock, 10,956,424 of which were issued and outstanding and 2,029,040 of which were reserved for issuance under outstanding options, warrants and upon conversion of outstanding convertible preferred stock. Giving effect to this debt conversion will require an amendment to Patient Infosystems' Certificate of Incorporation to authorize additional shares of common stock. The completion of this transaction cannot occur unless and until the stockholders of Patient Infosystems approve this amendment.

On April 10, 2003, Patient Infosystems entered into a Note and Stock Purchase Agreement, which was subsequently amended on September 11, 2003, pursuant to which certain investors, including Mr. Pappajohn, a member of the Board of Directors, agreed to loan to Patient Infosystems an aggregate of up to \$3,500,000. In consideration for the loans, Patient Infosystems signed a series of promissory notes and issued an aggregate of 286,182 shares of Series D Preferred Stock to the investors. The 286,182 shares of Series D Preferred Stock are convertible into up to 34,341,840 shares of Patient Infosystems common stock subject to approval by Patient Infosystems' stockholders of the amendment to the Certificate of Incorporation to increase authorized capital stock. In addition,

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upon closing of the private placement of at least \$4 million of Patient Infossystems' capital stock, as contemplated by the Asset Purchase Agreement, the notes issued pursuant to the Note and Stock Purchase Agreement will be convertible into Series D Preferred Stock. The purpose of the loan from the investors is to provide funds for Patient Infossystems to loan to ACS to provide working capital for ACS' operations. The loan from Patient Infossystems to ACS is provided under a Credit Agreement, which was executed on April 10, 2003 and subsequently amended on July 30, 2003. In order to have sufficient shares of common stock reserved for issuance upon conversion of the Series D Preferred Stock, Patient Infossystems must increase its capital stock.

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Our Board of Directors concluded that the Acquisition is in the best interests of Patient Infossystems and its stockholders. Our Board of Directors has unanimously approved the amendment of the Certificate of Incorporation to increase authorized capital stock and recommends that you vote FOR such amendment.

PROPOSAL 2 - APPROVAL OF THE AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO CHANGE THE COMPANY'S NAME

Following the closing of the Acquisition, we intend to focus our business strategy on developing the ancillary healthcare benefits management business currently conducted by ACS. We wish to take advantage of ACS' name recognition in such field. As a result, following the closing of the Acquisition, we will change our corporate name to American CareSource Corporation.

Our Board of Directors concluded that changing the company's name to American CareSource Corporation is in the best interests of Patient Infossystems and its stockholders. Our Board of Directors has unanimously approved the amendment of the Certificate of Incorporation to change the company's name to American CareSource Corporation and recommends that you vote FOR such amendment.

PROPOSAL 3 - APPROVAL OF THE AMENDMENT OF THE CERTIFICATE OF INCORPORATION TO PROVIDE FOR A REVERSE STOCK SPLIT

On September 14, 2000, Patient Infossystems common stock was delisted from the Nasdaq National Market because Patient Infossystems was unable to maintain the requisite net assets and market price standards for continued listing. Accordingly, trading of Patient Infossystems common stock is now conducted on the Over-the-Counter Bulletin Board. The Board of Directors has determined that it is in the best interests of Patient Infossystems and its stockholders to effect a 1 for 12 reverse stock split. The reverse stock split will not affect the number of authorized shares of Patient Infossystems common stock or preferred stock or the par value of Patient Infossystems common stock or preferred stock. Except for any changes as a result of the treatment of fractional shares, each stockholder will hold the same percentage of common stock outstanding as such stockholder held immediately prior to the reverse stock split.

Certain Risks Associated With the Reverse Stock Split

There can be no assurance that the total market capitalization of Patient Infossystems common stock after the proposed reverse stock split will be equal to or greater than the total market capitalization before the proposed reverse stock split or that the per share market price of Patient Infossystems common

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stock following the reverse stock split will either exceed or remain higher than the current per share market price.

There can be no assurance that the market price per new share of Patient Infossystems common stock (the "New Shares") after the reverse stock split will rise or remain constant in proportion to the reduction in the number of old shares of Patient Infossystems common stock (the "Old Shares") outstanding before the reverse stock split. For example, based on the market price of Patient Infossystems common stock on September 12, 2003 of \$0.16 per share, there can be no assurance that the post-split market price of Patient Infossystems common stock would be \$1.80 per share or greater. Accordingly, the total market capitalization of Patient Infossystems common stock after the proposed reverse stock split may be lower than the total market capitalization before the proposed reverse stock split and, in the future, the market price of Patient Infossystems common stock following the reverse stock split may not exceed or remain higher than the market price prior to the proposed reverse stock split. In many cases, the total market capitalization of a company following a reverse stock split is lower than the total market capitalization before the reverse stock split.

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There can be no assurance that the reverse stock split will result in a per share price that will increase Patient Infossystems' ability to attract and retain employees and other service providers.

While the Board of Directors believes that a higher stock price may help Patient Infossystems attract and retain employees and other service providers who are less likely to work for a company with a low stock price, there can be no assurance that the reverse stock split will result in a per share price that will increase Patient Infossystems' ability to attract and retain employees and other service providers.

A decline in the market price for Patient Infossystems common stock after the reverse stock split may result in a greater percentage decline than would occur in the absence of a reverse stock split, and the liquidity of Patient Infossystems common stock could be adversely affected following a reverse stock split.

The market price of Patient Infossystems common stock will also be based on Patient Infossystems' performance and other factors, some of which are unrelated to the number of shares outstanding. If the reverse stock split is effected and the market price of Patient Infossystems common stock declines, the percentage decline as an absolute number and as a percentage of Patient Infossystems' overall market capitalization may be greater than would occur in the absence of a reverse stock split. In many cases, both the total market capitalization of a company and the market price of a share of such company's common stock following a reverse stock split are lower than they were before the reverse stock split. Furthermore, the liquidity of Patient Infossystems common stock could be adversely affected by the reduced number of shares that would be outstanding after the reverse stock split.

Principal Effects of the Reverse Stock Split

Corporate Matters. If approved and effected, the reverse stock split would have the following effects:

- o Twelve Old Shares owned by a stockholder would be exchanged for one New Share;

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- o the number of shares of Patient Infosystems common stock issued and outstanding will be reduced from approximately 11,000,000 shares to approximately 917,000 shares;
- o all outstanding options and warrants entitling the holders thereof to purchase shares of Patient Infosystems common stock will enable such holders to purchase, upon exercise of their options or warrants, 1/12 of the number of shares of Patient Infosystems common stock that such holders would have been able to purchase upon exercise of their options and warrants immediately preceding the reverse stock split at an exercise price equal to twelve times the exercise price specified before the reverse stock split, resulting in approximately the same aggregate price being required to be paid therefor upon exercise as immediately preceding the reverse stock split;
- o the number of shares reserved for issuance under the Patient Infosystems' existing stock option plan will be reduced to 1/12 of the number currently reserved under such plan;
- o a proportionate adjustment will be made to the conversion ratio of the Series C Preferred Stock of Patient Infosystems which will enable the holders of Series C Preferred Stock to convert each share of Series C Preferred Stock into 1/12 of the number of shares of common stock for which such share of Series C Preferred Stock was convertible prior to the reverse stock split; and
- o a proportionate adjustment will be made to the conversion ratio of the Series D Preferred Stock of Patient Infosystems which will enable the holders of Series D Preferred Stock to convert each share of Series D Preferred Stock into 1/12 of the number of shares of common stock for which such share of Series D Preferred Stock was convertible prior to the reverse stock split.

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The reverse stock split will affect all of Patient Infosystems' stockholders uniformly and will not affect any stockholder's percentage ownership interests in Patient Infosystems, except to the extent that the reverse stock split results in any of Patient Infosystems' stockholders owning a fractional share. As described below, stockholders holding fractional shares will be entitled to cash payments in lieu of such fractional shares. Such cash payments will reduce the number of post-split stockholders to the extent there are stockholders presently holding fewer than twelve shares. This, however, is not the purpose for which Patient Infosystems is effecting the reverse stock split. Common stock issued pursuant to the reverse stock split will remain fully paid and non-assessable. Following the reverse stock split, Patient Infosystems will continue to be subject to the periodic reporting requirements of the Securities Exchange Act of 1934.

Fractional Shares. No scrip or fractional certificates will be issued in connection with the reverse stock split. Stockholders who otherwise would be entitled to receive fractional shares because they hold a number of Old Shares not evenly divisible by twelve will be entitled, upon surrender of certificate(s) representing such shares, to a cash payment in lieu thereof. The cash payment will equal the product obtained by multiplying (a) the fraction to which the stockholder would otherwise be entitled by (b) the per share closing sales price of Patient Infosystems common stock on the day immediately prior to the effective time of the reverse stock split, as reported on the OTC Bulletin Board. The ownership of a fractional interest will not give the holder thereof any voting, dividend or other rights except to receive payment therefor as

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described herein.

Stockholders should be aware that, under the escheat laws of the various jurisdictions where stockholders reside, where Patient Infosystems is domiciled and where the funds will be deposited, sums due for fractional interests that are not timely claimed after the effective time may be required to be paid to the designated agent for each such jurisdiction. Thereafter, stockholders otherwise entitled to receive such funds may have to seek to obtain them directly from the state to which they were paid.

If approved and effected, the reverse stock split will result in some stockholders owning "odd lots" of less than 100 shares of Patient Infosystems common stock. Brokerage commissions and other costs of transactions in odd lots are generally somewhat higher than the costs of transactions in "round lots" of even multiples of 100 shares.

Authorized Shares. Upon the effectiveness of the reverse stock split, the number of authorized shares of common stock that are not issued or outstanding would increase due to the reduction in the number of shares of Patient Infosystems common stock issued and outstanding based on the 1 for 12 ratio. As of September 12, 2003, Patient Infosystems had 20,000,000 shares of common stock authorized and 10,956,424 shares of common stock issued and outstanding. Authorized but unissued shares will be available for issuance, and Patient Infosystems may issue such shares in financings or otherwise. If Patient Infosystems issues additional shares, the ownership interest of holders of Patient Infosystems common stock may also be diluted.

Accounting Matters. The reverse stock split will not affect the par value of Patient Infosystems common stock. As a result, as of the effective time of the reverse stock split, the stated capital on Patient Infosystems' balance sheet attributable to Patient Infosystems common stock will be reduced proportionately based on the reverse stock split ratio, and the additional paid-in capital account will be credited with the amount by which the stated capital is reduced. The per share net income or loss and net book value of Patient Infosystems common stock will be restated because there will be fewer shares of Patient Infosystems common stock outstanding.

Potential Anti-Takeover Effect. Although the increased proportion of unissued authorized shares to issued shares could, under certain circumstances, have an anti-takeover effect (for example, by permitting issuances that would dilute the stock ownership of a person seeking to effect a change in the composition of Patient Infosystems' Board of Directors or contemplating a tender offer or other transaction for the combination of Patient Infosystems with another company), the reverse stock split proposal is not being proposed in response to any effort of which we are aware to accumulate Patient Infosystems' shares of common stock or obtain control of Patient Infosystems.

Procedure for Effecting Reverse Stock Split and Exchange of Stock Certificates

If the stockholders approve the proposal to authorize the Board of Directors to implement the reverse stock split, Patient Infosystems will file an amendment to its Certificate of Incorporation with the Secretary of State of the State of Delaware. The reverse stock split will become effective at the time specified in the amendment to the Certificate of Incorporation (the "Effective Time"). Beginning at the Effective Time, each certificate representing Old Shares will be deemed for all corporate purposes to evidence ownership of New Shares.

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As soon as practicable after the Effective Time, stockholders will be notified that the reverse stock split has been effected. Patient Infosystems expects that its transfer agent, Continental Stock Transfer and Trust, will act as exchange agent for purposes of implementing the exchange of stock certificates. Holders of Old Shares will be asked to surrender to the exchange agent certificates representing Old Shares in exchange for certificates representing New Shares in accordance with the procedures to be set forth in the letter of transmittal Patient Infosystems sends to its stockholders. No new certificates will be issued to a stockholder until such stockholder has surrendered such stockholder's outstanding certificate(s), together with the properly completed and executed letter of transmittal, to the exchange agent. Any Old Shares submitted for transfer, whether pursuant to a sale, other disposition or otherwise, will automatically be exchanged for New Shares. STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY CERTIFICATE(S) UNTIL REQUESTED TO DO SO.

No Dissenters' Rights

Under the Delaware General Corporation Law, Patient Infosystems' stockholders are not entitled to dissenters' rights with respect to the reverse stock split.

Federal Income Tax Consequences of the Reverse Stock Split

The following is a summary of certain material federal income tax consequences of the reverse stock split, does not purport to be a complete discussion of all of the possible federal income tax consequences of the reverse stock split and is included for general information only. Further, it does not address any state, local or foreign income or other tax consequences. Also, it does not address the tax consequences to holders that are subject to special tax rules, such as banks, insurance companies, regulated investment companies, personal holding companies, foreign entities, nonresident alien individuals, broker-dealers and tax-exempt entities. The discussion is based on the provisions of the United States federal income tax law as of the date hereof, which is subject to change retroactively as well as prospectively. This summary also assumes that the Old Shares were, and the New Shares will be, held as a "capital asset," as defined in the Internal Revenue Code (i.e., generally, property held for investment). The tax treatment of a stockholder may vary depending upon the particular facts and circumstances of such stockholder. Each stockholder is urged to consult with such stockholder's own tax advisor with respect to the tax consequences of the reverse stock split.

Other than the cash payments for fractional shares discussed above, no gain or loss should be recognized by a stockholder upon such stockholder's exchange of Old Shares for New Shares pursuant to the reverse stock split. The aggregate tax basis of the New Shares received in the reverse stock split (including any fraction of a New Share deemed to have been received) will be the same as the stockholder's aggregate tax basis in the Old Shares exchanged therefor. In general, stockholders who receive cash in exchange for their fractional share interests in the New Shares as a result of the reverse stock split will recognize gain or loss based on their adjusted basis in the fractional share interests redeemed. The stockholder's holding period for the New Shares will include the period during which the stockholder held the Old Shares surrendered in the reverse stock split.

Patient Infosystems' view regarding the tax consequences of the reverse stock split is not binding on the Internal Revenue Service or the courts. ACCORDINGLY, EACH STOCKHOLDER SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISOR WITH RESPECT TO ALL OF THE POTENTIAL TAX CONSEQUENCES TO HIM OR HER OF THE REVERSE STOCK SPLIT.

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Our Board of Directors has concluded that the reverse stock split is in the best interests of Patient Infossystems and its stockholders. Our Board of Directors has unanimously approved the amendment of the Certificate of Incorporation to provide for a 1 for 12 reverse stock split and recommends that you vote FOR such amendment.

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PROPOSAL 4 - APPROVAL OF THE AMENDMENT OF THE STOCK OPTION PLAN

Patient Infossystems stockholders are being asked to approve the Second Amended and Restated Stock Option Plan of Patient Infossystems which provides for an increase in the number of shares of common stock reserved for issuance under the Stock Option Plan as currently in effect from 1,680,000 to 3,500,000 shares.

Reasons for the Proposal

Under the Stock Option Plan as currently in effect, options for up to 1,680,000 shares of Patient Infossystems common stock may be granted. As of December 31, 2002, options for 1,115,140 shares of Patient Infossystems common stock have been granted under the Stock Option Plan to approximately 21 employees and directors. In connection with the Acquisition, several employees of ACS will become our employees upon the closing of the Acquisition. In order to have sufficient shares for issuance of options to our employees and former ACS employees after the closing of the Acquisition, we must increase the number of shares of common stock reserved for issuance under the Amended and Restated Stock Option Plan of Patient Infossystems.

Description Of The Stock Option Plan And The Proposed Amendment

The following is a summary of the Stock Option Plan and the proposed amendment. This summary does not purport to be complete, and is qualified in its entirety by reference to the text of the Second Amended and Restated Stock Option Plan, which is attached as Appendix B to this Proxy Statement.

Purpose. The Stock Option Plan is designed to furnish additional incentives to key employees and directors of Patient Infossystems, upon whose judgment, initiative and efforts the successful conduct of the business of Patient Infossystems largely depends, and to strengthen the ability of Patient Infossystems to attract and retain in its employ, or as a member of the Board of Directors, persons of training, experience and ability. The Stock Option Plan presently authorizes the granting of options of up to 1,680,000 shares of common stock ("Options"), and if the amendment is approved, up to an additional 1,820,000 shares of common stock, subject to adjustment in the event of a stock dividend, recapitalization, merger, consolidation, combination, exchange of shares or similar transaction. The Board of Directors believes it is beneficial to increase the number of shares subject to the Stock Option Plan to make additional shares available, subject to the discretion of the Board of Directors, to such key employees and directors.

Administration. The Stock Option Plan is currently administered by either the full Board of Directors or such committee as may be designated by the Board of Directors (the "Committee"). In administering the Stock Option Plan, the

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Committee has the power to interpret its provisions and to prescribe, amend and rescind rules and regulations for its administration, to select individuals to receive grants, to determine the terms and provisions of grants of options and to make all other determinations necessary or advisable for administration of the Stock Option Plan.

Option Grants. The Stock Option Plan provides for the granting of both incentive stock options (an "ISO") and nonqualified stock options (a "NQO"). NQO's may be issued generally to any employee or director of Patient Infossystems or its subsidiaries. ISO's may only be issued generally to employees of Patient Infossystems and its subsidiaries, and may not be issued to any director. The Committee also determines the times at which options become exercisable, their transferability and the dates, not more than ten years after the date of grant (five years in the case of optionees holding more than 10% of the combined voting power of all classes of stock of Patient Infossystems), on which options will expire. The fair market value of the stock with respect to which ISO's under the Stock Option Plan or any other plan of Patient Infossystems first become exercisable may not exceed \$100,000 in any year. The option price of an ISO is to be at least 100% of the fair market value on the date of grant (110% in the case of optionees holding more than ten percent of the combined voting power of all classes of stock of Patient Infossystems). The Stock Option Plan, however, permits the Committee to grant NQO's at any exercise price consistent with the purposes of the Stock Option Plan, whether or not such exercise price is equal to the fair market value of the stock on the date of grant of the NQO. NQO's with an exercise price of less than fair market value on the date of grant will not qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and so any compensation expense generated by the exercise of such an option would not be deductible by Patient Infossystems if the optionee is a "covered employee" who is paid compensation from Patient Infossystems in an amount in excess of \$1,000,000 in the year of exercise.

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Options may be exercised by the payment of the exercise price in cash or by certified or bank check. Under the Stock Option Plan, non-employee directors are entitled to receive a one-time grant of a NQO to purchase 36,000 shares at an exercise price equal to fair market value per share on the date of his or her initial election to the Board of Directors. Such NQO is exercisable only during the non-employee director's term and automatically expires on the date such director's service terminates.

Income Tax Consequences. Under present law the federal income tax treatment of stock options under the Stock Option Plan is generally as follows:

Incentive Stock Options. For regular income tax purposes, an optionee will not realize taxable income upon either the grant of an ISO or its exercise if the optionee has been an employee of Patient Infossystems or a subsidiary at all times from the date of grant to a date not more than three months before the date of exercise. The difference between the fair market value of the stock at the date of exercise and the exercise price of an ISO, however, will be treated as an item of tax preference in the year of exercise for purposes of the alternative minimum tax.

If the shares acquired upon an exercise of an ISO are not disposed of by the optionee within two years from the date of grant or within one year from the date of exercise, any gain realized upon a subsequent sale of the shares will be taxable as a capital gain. In that case, Patient Infossystems will not be entitled to a deduction in connection with the grant or the exercise of the ISO

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or the subsequent disposition of the shares by the optionee. The amount of gain or loss realized upon such a sale or other disposition will be measured by the difference between the amount realized and the earlier exercise price of the ISO (the optionee's basis in the stock).

If the optionee disposes of the shares within two years from the date of grant of the ISO or within one year from the date of exercise of the ISO, the optionee will realize ordinary income in an amount equal to the excess of the fair market value of the shares at the date of exercise (or the amount realized on disposition, if less) over the option price, and Patient Infosystems will be allowed a corresponding deduction. If the amount realized on the disposition exceeds the fair market value of the shares at the date of exercise the gain on disposition in excess of the amount treated as ordinary income will be treated as a capital gain. Any such capital gain will be a mid-term capital gain if the optionee holds the shares for more than one year, but not more than 18 months, from the date of exercise. If the optionee holds the shares for more than 18 months from the date of exercise, any such gain will be a long-term capital gain.

Nonqualified Stock Options. An optionee will not realize income upon the grant of a nonqualified option. Upon the exercise of a nonqualified option, an optionee will be required to recognize ordinary income in an amount equal to the excess of the fair market value at the date of exercise of the NQO over the option price. Any compensation includable in the gross income of an employee with respect to a NQO will be subject to appropriate federal income and employment taxes. Patient Infosystems will be entitled to a business expense deduction in the same amount and at the same time as when the optionee recognizes compensation income. Upon a subsequent sale of the stock, any amount realized in excess of such fair market value will constitute a capital gain. Any such capital gain will be a mid-term capital gain if the optionee holds the shares for more than one year, but not more than 18 months, from the date of exercise. If the optionee holds the shares for more than 18 months from the date of exercise, any such gain will be a long-term capital gain.

In the limited circumstances in which an officer who is subject to Section 16(b) of the Securities Exchange Act of 1934, as amended (the "1934 Act") exercises a NQO, which exercise is not exempt under Section 16(b), no income is recognized for federal income tax purposes at the time of exercise unless the optionee makes an election under Section 83(b) of the Code within 30 days after the date of exercise, in which case the rules described in the second preceding paragraph would apply. Where such an election is not made, the optionee will recognize ordinary income on the first date that sale of such shares would not create liability under Section 16(b) of the 1934 Act (this is generally, but not necessarily, six months after the date of exercise). The ordinary income recognized to such an optionee will be the excess, if any, of the fair market value of shares on such later date over the option exercise price.

The foregoing discussion does not purport to be a complete analysis of all the potential tax consequences relevant to recipients of options or to Patient Infosystems or its subsidiaries. The above discussion does not take into account the effect of state and local tax laws. Moreover, no assurance can be given that legislative, administrative, regulatory or judicial changes or interpretations will not occur which could modify such analysis. In addition, an individual's particular tax status and his other tax attributes may result in different tax consequences from those described above. Therefore, any participant in the Stock Option Plan should consult with his own tax adviser concerning the tax consequences of the grant, exercise and surrender of such options and the disposition of any stock acquired pursuant to the exercise of such options.

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Amendments. The Committee may amend the Stock Option Plan at any time, but may not, without prior stockholder approval, increase the maximum number of options that may be granted thereunder; change the eligibility requirements for individuals entitled to receive options under the Stock Option Plan, or cause ISO's granted or to be granted under the Stock Option Plan to fail to qualify as ISO's under the Code.

Termination. The Stock Option Plan does not contain a provision for termination of the Stock Option Plan.

Vote Required. The affirmative vote of a majority of the outstanding shares of common stock voted in person or by proxy at the Special Meeting is required for approval of the amendment to the Stock Option Plan to increase the number of shares of common stock reserved for issuance under the Stock Option Plan to 3,500,000 shares.

Our Board of Directors concluded that the amendment of the Stock Option Plan is in the best interests of Patient Infossystems and its stockholders. Our Board of Directors has unanimously approved the amendment of the Stock Option Plan and unanimously recommends that you vote FOR the amendment of the Stock Option Plan.

Equity Compensation Plan Information

The following table gives information with respect to the equity securities that are authorized for issuance under Patient Infossystems' compensation plans as of December 31, 2002. The table does not include information about the proposed Second Amended and Restated Stock Option Plan that is being submitted for stockholder approval at the Special Meeting.

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Nu rema fut equit (ex re
Equity compensation plans			
approved by security holders	1,115,140	\$0.76	
Equity compensation plans not approved by security holders	-	-	
Total	1,115,140	\$0.76	

As of December 31, 2002, options to acquire 1,115,140 shares of common stock had been granted to employees and directors of Patient Infossystems. The following table sets forth information regarding the number of options outstanding and the exercise price of these options.

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Number of Options Outstanding at December 31, 2002	Exercise Price
7,100	\$0.09
36,000	\$0.14
525,000	\$0.19
150,000	\$0.50
72,000	\$0.69
77,040	\$1.38
30,000	\$1.88
200,000	\$2.06
9,500	\$2.44
8,500	\$2.75

Of these options, 345,000, exercisable for \$0.1875 per share, were granted as of January 26, 2001 to certain officers and key members of management and vested immediately in lieu of a cash bonus. The remainder of the options granted on January 26, 2001 and all other options granted under the Stock Option Plan vest to the extent of 20% of the option grant on the first anniversary of the grant, and 20% on each subsequent anniversary.

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UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

Patient Infossystems has entered into an agreement to acquire the assets and liabilities of ACS (the "Acquisition") in exchange for 2,091,366 shares of Patient Infossystems Common Stock, or approximately 20% of the outstanding Patient Infossystems common stock on a fully diluted basis after giving effect to the 1 for 12 reverse stock split. The following unaudited pro forma combined condensed financial statements give effect to the proposed Acquisition to be accounted for by the purchase method of accounting.

The unaudited pro forma combined condensed balance sheet gives effect to the Acquisition as though it had occurred on January 1, 2002. The unaudited pro forma combined condensed statements of operations for the year ended December 31, 2002 give effect to the Acquisition as if it occurred on January 1, 2002. The unaudited pro forma combined statement of operations for the year ended December 31, 2002 combines the audited historical statements of operations of Patient Infossystems and ACS for the year ended December 31, 2002. The unaudited pro forma combined statement of operations for the year ended December 31, 2002 and the six month period ended June 30, 2003 combines the unaudited historical statements of operations of Patient Infossystems and ACS giving effect to the Acquisition as though it had occurred on January 1, 2002.

The unaudited pro forma combined condensed financial statements do not include the realization of cost savings from operating efficiencies, synergies or other restructurings that may result from the Acquisition, except those that are attributable directly to the transaction.

The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the Acquisition had been consummated at the beginning of the earliest period presented, nor is it necessarily indicative of future operating results or financial position. The unaudited pro forma adjustments are based upon information and assumptions available at the time of the filing of this proxy statement. The unaudited pro forma information should be read in conjunction with the accompanying notes thereto, Patient Infossystems'

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historical financial statements and ACS' historical financial statements and related notes included elsewhere in this proxy statement, and the Management's Discussion and Analysis of Financial Condition and Results of Operations of both companies included elsewhere in this proxy statement.

In accordance with statements of Financial Accounting Standards No. 141 "Business Combinations", a portion of the purchase consideration has been attributed to the intangible assets of ACS and will be amortized over the life of those assets, estimated at five years for the purposes of the pro forma. At closing, the actual value of these intangible assets may change significantly based upon the final determination of valuation. Any change in the valuation will be offset by a change in goodwill.

The pro forma presentation contemplates a purchase consideration of 2,091,366 shares of Patient Infossystems common stock with an assumed value of \$3,513,495. In addition, the pro forma presentation:

- o gives effect to a private placement of \$4 million of Series D Preferred Stock which is a condition of the Asset Purchase Agreement;
- o reflects the issuance of 286,182 shares of Series D Preferred Stock;
- o upon conversion of the Series D Preferred Stock, anticipates a beneficial conversion feature upon conversion of the Series D Preferred Stock the assumed based upon market price of Patient Infossystems common stock since it is assumed that the conversion price is less than the market price;
- o uses the average market price of Patient Infossystems Common Stock two days before and one day after the measurement date to assign value to the purchase consideration. The measurement date for this transaction in accordance with EITF 99-12 is April 14, 2003, which is the date the terms of the proposed transaction were agreed and announced to the public;
- o accounts for the broker fee as incremental purchase consideration;
- o reflects the pro forma balance sheet conversion of debt which the Board of Directors approved in June 2002 and will be completed following the approval of Proposal 1; and

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- o eliminates the existing ACS stockholders equity from the pro forma combined balance sheet since the ACS entity is not being merged into Patient Infossystems, only its assets and liabilities acquired. Consequently the existing ACS shareholders equity will remain with the ACS entity.

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SUMMARY PRO FORMA FINANCIAL STATEMENTS

Pro Forma Combined Condensed Balance Sheet
As of June 30, 2003

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ASSETS	Patient Infosystems	ACS	Adjustments
CURRENT ASSETS:			
Cash and cash equivalents	\$ 225,059	\$42,463	\$ 1,500,000
Accounts receivable, net	555,030	460,977	
Notes receivable	2,250,000	-	(2,250,000)
Prepaid expenses and other current assets	121,907	23,098	

Total current assets	3,151,996	526,538	
PROPERTY AND EQUIPMENT, net	223,108	193,311	
Intangible assets, net	107,679	-	878,000 (263,400)
Debt issuance cost, net	1,664,275	-	(1,664,275)
Goodwill, net	-	-	8,941,009 30,800

TOTAL ASSETS	\$ 5,147,058	\$ 719,849	

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Pro Forma Combined Condensed Balance Sheet
As of June 30, 2003

LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	Patient Infosystems	ACS	Adjustments
CURRENT LIABILITIES:			
Accounts payable and accrued expense	\$ 2,174,630	\$ 1,180,425	(438,000)
Due to service providers	-	735,041	
Borrowings from directors	6,127,500	-	(900,000) (4,482,000)
Borrowings from stockholders	1,600,000	-	(1,600,000)
Line of credit	3,000,000	-	
Other short term debt	-	14,311	
Current Maturities of long-term debt	-	2,666,105	(2,250,000)
Deferred revenue	133,038	-	

Total current liabilities	13,035,168	4,595,882	
LONG TERM DEBT	-	2,429,481	
STOCKHOLDERS' (DEFICIT) EQUITY:			
Preferred Stock	2,981	-	
Common Stock	109,564	4,500,100	(4,500,000) (100,000) 2,000,000 2,000,000
Additional paid-in capital	27,374,128	-	10,000,000 3,990,000

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			1,47
			4,89
			3
			3,49
			2,72
Accumulated (deficit) earnings	(35,374,783)	(10,805,614)	(1,479
			10,80
			(2,720
			(263,4
			1
			(1,664
			m
			(41,50
Total stockholders' (deficit) equity	(7,888,110)	(6,305,514)	
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	\$ 5,147,058	\$ 719,849	

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Pro Forma Combined Condensed Statement of Operations
For the Year Ended
December 31, 2002

	Patient Infosystems	ACS	Adjustment
REVENUES	\$2,355,677	\$9,641,140	
COSTS AND EXPENSES:			
Cost of revenue	1,914,464	11,175,947	175,6
Selling, general and administrative	2,029,036	2,619,029	
Research and development	105,614	-	
Total costs and expenses	4,049,114	13,794,976	
OPERATING LOSS	(1,693,437)	(4,153,836)	
Other expense	(530,924)	(366,274)	425,8
			(1,479,30
			(3,328,55
Provision for taxes	-	-	
NET LOSS	\$ (2,224,361)	\$ (4,520,110)	
CONVERTIBLE PREFERRED STOCK DIVIDENDS	(90,000)	-	(2,720,00
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (2,314,361)	\$ (4,520,110)	
NET LOSS PER SHARE - BASIC AND DILUTED	\$ (0.21)	\$ (212.17)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	10,956,024	21,304	

Pro Forma Combined Condensed Statement of Operations
For the Six Month Period Ended
June 30, 2003

	Patient Infosystems	ACS	Adjustment
REVENUES	\$2,527,716	\$4,780,131	
COSTS AND EXPENSES:			
Cost of revenue	1,946,457	5,532,164	87,8
Selling, general and administrative	1,017,372	1,219,274	
Research and development	65,228	-	
Total costs and expenses	3,029,057	6,751,438	
OPERATING LOSS	(501,341)	(1,971,307)	
Other expense	(1,960,492)	(123,037)	(1,479,30
Provision for taxes	-	-	(1,664,27
NET LOSS	\$ (2,461,833)	\$ (2,094,344)	
CONVERTIBLE PREFERRED STOCK DIVIDENDS	(84,626)	-	
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ (2,546,459)	\$ (2,094,344)	
NET LOSS PER SHARE - BASIC AND DILUTED	\$ (0.23)	\$ (73.49)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	10,956,064	28,500	

Notes to the
Pro Forma Combined Condensed Financial Statements
For the Year Ended December 31, 2002 and
As of and For the Three Month Period Ended March 31, 2003

NOTES

- a 1 for 12 reverse split of Patient Infosystems Common Stock, Par \$0.01. 10,956,424 shares having a total par value of \$109,564, converts to 913,035 shares having a total par value of \$9,130. A reduction of (100,434) to common stock and a corresponding increase in additional paid-in capital gives effect to the reverse split.

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- b Issue 400,000 shares of Series D Preferred Stock priced at \$10.00 per share in exchange for \$3,500,000 cash and forgiveness of \$2,250,000 of debt. Each share of Series D Preferred Stock is convertible into 10 shares of Common Stock.
- c Issuance of 286,182 shares of Series D Preferred Stock, Par \$0.01, 198,128 of which was issued and outstanding as of June 30, 2003, as additional consideration for certain investors to enter into a Note and Stock Purchase Agreement pursuant to which the investors agreed to make loans to Patient Infosystems.

The 198,128 shares issued and outstanding on June 30, 2003 were valued at \$3,328,550 using the current trading price of \$0.14 per share and is treated as a debt issuance cost, amortized over the term of the loans. An additional 88,054 shares issued subsequent to June 30, 2003 pursuant to an amendment to the Note and Stock Purchase Agreement were valued at \$1,479,307 using the current trading price of \$0.14 per share.

Each share of Series D Preferred Stock is convertible into 120 shares of Common Stock. Since the Note and Stock Purchase Agreement requires that the notes terminate upon the closing of the proposed transaction, the pro forma financial presentation reflects full amortization of the related issuance costs.

- d Conversion of \$ 4,482,500 of debt securities and \$438,099 of accrued interest, using an agreed upon valuation of \$0.14 per share. The number of shares of Common Stock gives effect to the 1 for 12 reverse split.
- e Broker compensation, pursuant to agreement, whereby the broker shall receive 220,000 shares of Patient Infosystems Common Stock. Each share of Common Stock is valued at \$0.14 per share resulting in a cost of \$30,800. The number of shares recorded gives effect to the 1 for 12 reverse stock split, resulting in 18,333 shares of Common Stock.
- f The shareholders equity of ACS is eliminated by the acquisition of the assets and assumption of the liabilities of ACS.

The purchase consideration of 2,091,366 shares of Patient Infosystems Common Stock, Par \$0.01, has an assumed value of \$3,513,495, using \$1.68 per share based upon the pre-split estimated market value of \$0.14 per share based upon the average market price of Patient Infosystems common stock two days before and one day after the measurement date. The measurement date for this transaction in accordance with EITF 99-12 is April 14, 2003, which is the date the terms of the proposed transaction were agreed and announced to the public.

For purposes of pro forma presentation, it is assumed that \$878,000 of the purchase price can be assigned to ACS intangible assets. The intangible assets would potentially include (i) provider relationships, (ii) certain non-competition agreements and (iii) other identifiable intangible assets such as Internet domain names. The contractual legal obligations surrounding these assets are short term in nature and therefore a five year amortization period has been assumed. The actual value of ACS intangible assets, will be based upon a valuation that will be conducted as of the closing date. Goodwill is

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the difference between the fair value of the purchase consideration and the fair value of the net assets acquired.

	Debit	Credit
Purchase consideration, Common Stock		20,914
Purchase consideration, APIC		3,492,581
Intangible assets acquired	878,000	
Assets acquired	719,849	
Liabilities assumed		7,025,363
Goodwill	8,941,009	
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Total	10,538,858	10,538,858

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- g Elimination of the \$2,250,000 notes payable by ACS and receivable by Patient Infosystems as of June 30, 2003.

- h The pro forma valuation of the Patient Infosystems Common Stock based on recent trading is \$0.14 per share. Giving effect to the 1 for 12 reverse stock split, the post split shares will have a market value of \$1.68 per share. The Series D Preferred Stock has a purchase price of \$10 per share and each share Series D Preferred Stock will be convertible into 10 shares of Common Stock, having a value of \$16.80. The difference of \$6.80 per share is a beneficial conversion feature of the Series D Preferred Stock. The 400,000 shares of Series D Preferred Stock would have a \$2,720,000 beneficial conversion feature, which is recorded as though it were a dividend by crediting Additional Paid In Capital and debiting Retained earnings.

- i 5,951,662 shares of Common Stock will be outstanding on a pro forma basis. Refer to Common Stock in the Pro Forma Balance Sheet for the Year Ended December 31, 2002. The computation of the fully diluted loss per share does not include outstanding convertible preferred stock, options and warrants because the effect would be antidilutive due to the net loss reported

- j Includes \$2,720,000 beneficial conversion feature for 400,000 shares of Series D Preferred Stock.

- k Interest on \$4,482,500 of debt at 9.5% that will be converted into Common Stock and will no longer have interest expense associated with it.

- l Pro forma amortization of identifiable intangible assets that results from the acquisition based upon an estimated life of the ACS intangible assets of five years.

- m The remaining \$1,664,275 of debt issuance cost related to the 198,128 shares of Series D Preferred Stock issued and outstanding on June 30, 2003 (see note c) will be fully amortized prior to the Acquisition.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF PATIENT INFOSYSTEMS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes thereto and the other financial information included elsewhere in this proxy statement. In addition to historical information, this management's discussion and analysis of financial condition and results of operations and other parts of this proxy statement contain forward-looking information that involve risks and uncertainties. Our actual results could differ materially from those indicated in such forward-looking information as a result of certain factors, including, but not limited to, those set forth under Risk Factors and elsewhere in this proxy statement.

Management's discussion and analysis provides a review of our operating results for the years ended December 31, 2002 and 2001 and the three and six months ended June 30, 2003 and 2002. The focus of this review is on the underlying business reasons for significant changes and trends affecting our revenues, net losses and financial condition.

Overview

Patient Infosystems was formed on February 22, 1995. Although Patient Infosystems has completed the development of its integrated information capture and delivery system and has developed several disease management programs for specific diseases, Patient Infosystems is continuing to refine its products for additional applications. In October 1996 Patient Infosystems began enrolling patients in its first disease management program and began substantial patient contacts during 1998. Also in 1998, Patient Infosystems expanded its offered products to include demand management and health related surveys. Patient Infosystems currently has patients enrolled in more than 30 of its disease-specific, demand management or survey programs. Through January 2003, an aggregate of over 675,000 persons have been enrolled or participated in Patient Infosystems' programs. However, Patient Infosystems has never been able to enroll a sufficient number of patients to cover the cost of its programs. The enrollment of patients in Patient Infosystems' programs has been limited by several factors, including the limited ability of clients to provide Patient Infosystems with accurate information with respect to the specific patient populations and coding errors that necessitated extensive labor-intensive data processing prior to program implementation.

In response to these market dynamics, Patient Infosystems has taken several tactical and strategic steps including, formal designation of internal personnel at customer sites to assist clients with implementation; closer integration of Patient Infosystems' systems personnel with clients to facilitate accurate data transfers; promotion of a broader product line to enable clients to enter Patient Infosystems' disease management programs through a variety of channels; fully integrating demand, disease and case management services to facilitate internal mechanisms for patient referrals and providing the customers access and control over their patients' confidential information through targeted use of Internet technology. Patient Infosystems' demand management services and automated surveys (general health and disease-specific), can provide mechanisms for enrollment to Patient Infosystems' disease management programs. Patient Infosystems continues to develop capabilities or relationships that will enable its customers to more effectively leverage the data stored in their legacy systems. Nevertheless, no assurance can be given that Patient Infosystems' efforts will succeed in increasing patient enrollment in its programs.

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Patient Infossystems has entered into services agreements to develop, implement and operate programs for: (i) patients who have recently experienced certain cardiovascular events; (ii) patients who have been diagnosed with primary congestive heart failure; (iii) patients suffering from asthma; (iv) patients suffering from diabetes, (v) patients who are suffering from hypertension, (vi) demand management, which provides access to nurses, and (vii) various survey initiatives which assess, among other things, satisfaction, compliance of providers or payors to national standards, health status or risk of specific health related events. These contracts provide for fees paid by its customers based upon the number of patients participating in each of its programs, as well as initial program implementation and set-up fees from customers. To the extent that Patient Infossystems has had limited enrollment of patients in its programs, Patient Infossystems' operations revenue has been, and may continue to be, limited. During 1999 and 2000, Patient Infossystems committed increased resources to developing strategic upgrades of its information and telecommunications technologies to leverage the emerging capabilities of the Internet. Moreover, as Patient Infossystems has completed the development of its primary disease management programs, it anticipates that development revenue will continue to be minimal unless and until Patient Infossystems enters into new development agreements. Patient Infossystems' program development contracts typically require payment from the customer at the time that the contract is executed, with additional payments made as certain development milestones are met. Development contract revenue is recognized on a percentage of completion basis, in accordance with the ratio of total

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development cost incurred to the estimated total development costs for the entire project. Losses, if any, related to program development will be recognized in full as identified. Patient Infossystems' contracts typically call for a fee to be paid by the customer for each patient enrolled for a series of program services, require payment for services incrementally as they are delivered or require payment of a fixed fee per patient or member each month for bundled program services. The timing of customer payments for the delivery of program services varies by contract. Revenues from program operations are recognized ratably as the program services are delivered. The amount of the per patient fee varies from program to program depending upon the number of patient contacts required, the complexity of the interventions, the cost of the resources used and the detail of the reports generated.

Revenues from operations, which includes fees received by Patient Infossystems for operating its programs, is the most significant source of Patient Infossystems' revenues. Patient Infossystems is continuing to devote significant efforts to increasing the number of programs that are in operation, as well as developing resources to expand its products that include licensing of Internet-based technology. Nevertheless, Patient Infossystems is still supporting a substantial infrastructure in maintaining the capacity necessary to deliver its services and to offer its services to new customers. Therefore, Patient Infossystems will be required to increase substantially the number of patient contacts and management programs to cover the costs necessary to maintain the capability to service its customers. In that Patient Infossystems began substantial patient contacts during 1998 and has still, to this date, increased contacts at a relatively slow rate, Patient Infossystems is continually examining its costing structures to determine the levels that will be necessary to achieve profitability.

During 2002, Patient Infossystems found new sources of revenue that increased its revenue from \$1.6 million for the fiscal year ended December 31, 2001 to \$2.4 million for the same period of 2002. Patient Infossystems maintained control on costs and reduced its operating loss from \$3.9 million for the fiscal year ended December 31, 2001 to \$1.7 million for the same period of 2002.

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The sales cycle for Patient Infosystems' programs may be extensive from initial contact to contract execution. During these periods, Patient Infosystems may expend substantial time, effort and funds to prepare a contract proposal and negotiate the contract. Patient Infosystems may be unable to consummate a commercial relationship after the expenditure of such time, effort and financial resources.

During 2002, Patient Infosystems felt the pressure of severe working capital shortfalls. Patient Infosystems' available cash had been reduced to a level that substantially limits its operations. Although Patient Infosystems established lines of credit in the amount of \$3 million, raised \$1 million in equity in 2000 and issued \$5.1 million in demand notes, Patient Infosystems is continuing to incur losses and must identify substantial additional capital to sustain its operations. Patient Infosystems' operations are currently being funded by loans being made on a monthly basis by a director of Patient Infosystems. There can be no assurances given that Patient Infosystems can raise either the required working capital through the sale of its securities or that Patient Infosystems can borrow the additional amounts needed. In such instance, if Patient Infosystems is unable to identify any additional sources of capital, it will likely be forced to cease operations. As a result of the above, the Independent Auditors' Report on Patient Infosystems' consolidated financial statements includes an emphasis paragraph indicating that Patient Infosystems' recurring losses from operations, negative working capital and stockholders' deficit raise substantial doubt about Patient Infosystems' ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In November 2002, Patient Infosystems began providing increased technical assistance and project management support to the federal government's national Health Disparities Collaboratives, a chronic disease program focusing on improving the care of underserved populations with chronic disease served by federally qualified health centers. Patient Infosystems supports the management of the development of a clinical registry software program and provides faculty and staff support to the project. This initiative is administered by the Bureau of Primary Health Care through a partnership with the Institute for Healthcare Improvement. Although this contract is a growing product line for Patient Infosystems, there is no guarantee that the contract will continue through the Institute for Healthcare Improvement or will continue to be supported by the Bureau of Primary Health Care.

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Results of Operations

Three and Six Months Ended June 30, 2003 Compared to Three and Six Months Ended June 30, 2002

Revenues

Revenues consist of revenues from operations, development fees and licensing fees. Revenues increased to \$1,580,037 from \$542,715 during the three months ended June 30, 2003 and 2002, respectively, or 191%. Revenues increased to \$2,527,716 from \$1,042,043 during the six months ended June 30, 2003 and 2002, respectively, or 143%.

Three Months Ended
June 30,

Six Months Ended
June 30,

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Revenues	2003	2002	2003	2002
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Operations Fees				
Consulting	\$ 927,854	\$ 30,000	\$ 1,297,850	\$ 59,500
Disease and Demand Management	615,842	436,294	1,133,004	832,100
Surveys	27,231	56,341	59,376	104,800
Total Operations Fees	1,570,927	522,635	2,490,230	996,400
Development Fees	7,230	6,450	33,726	21,500
Licensing Fees	1,880	13,630	3,760	24,000
Total Revenues	\$ 1,580,037	\$ 542,715	\$ 2,527,716	\$ 1,042,000

Operations fee revenues are the primary source of revenue for the Company and are generated as the Company provides services to its customers. Operations fee revenues increased to \$1,570,927 for the three months ended June 30, 2003 as compared to \$522,635 for the three months ended June 30, 2002. Operations fee revenues increased to \$2,490,230 for the six months ended June 30, 2003 as compared to \$996,455 for the six months ended June 30, 2002.

The Company's consulting revenue was primarily attributable to assistance provided to organizations for the development of clinical registries used to increase effective management of patients with chronic disease. The Company is supporting the development, including project management and implementation, of a patient registry for federally qualified health centers, through a national initiative known as the Health Disparities Collaboratives. The Company participates in this project as a subcontractor of the Institute for Healthcare Improvement. While the Company anticipates that it will continue to provide these and other consulting services, no assurances can be given that the Company will continue to provide these services at the current levels, or at all, and revenue recognized during the three and six month periods ended June 30, 2003 is not necessarily indicative of the results for the entire year ending December 31, 2003.

The increase in the Company's disease and demand management revenue was primarily attributable to new customers and a joint marketing relationship that has contributed new sources of revenue net of revenue lost due to the termination of one customer effective December 31, 2002. The new customers accounted for increased revenue of \$132,485 and \$261,445 for the three and six month periods ended June 30, 2003. Revenues from the joint marketing relationship increased from \$20,893 and \$42,100 for the three and six month periods ended June 30, 2002, respectively, to \$238,378 and \$344,689 for the same respective periods of 2003. The Company received revenue of \$155,666 and \$213,039 for the three and six month periods ended June 30, 2003, respectively, from the customer that terminated in 2002 and from which the Company received no revenue during 2003. In addition, a customer who provided revenue of \$129,270 and \$316,553 during the three and six month periods ended June 30, 2003, respectively, elected to terminate services effective June 30, 2003, citing no disputes with the Company. The Company has identified other possible new customers, but there can be no assurance that such prospects will contribute revenue in the near term, or at all.

Development fee revenues were \$7,230 and \$6,450 for the three month periods ended June 30, 2003 and 2002, respectively and \$33,726 and \$21,538 for the six month periods ended June 30, 2003 and 2002, respectively. The Company received development revenues from a variety of customers for modification of specific programs. The Company has completed substantially all services under these agreements and anticipates primarily receiving development fee revenues in

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connection with the enhancement of its existing programs. Development fee revenues include clinical, technical and operational design and modification of the Company's programs. The Company anticipates that revenue from development fees will continue to be low unless the Company enters into new development agreements.

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License fee revenues recognized from the Case Management Support System were \$1,880 and \$13,630 for the three month periods ended June 30, 2003 and 2002, respectively and \$3,760 and \$24,050 for the six month periods ended June 30, 2003 and 2002, respectively. The Company has not entered into any new licensing agreements for its Case Management Support System and the revenue for the current period reflects revenue generated exclusively from the existing agreement.

Costs and Expenses

Cost of sales includes salaries and related benefits, services provided by third parties, and other expenses associated with the implementation and delivery of the Company's consulting services, standard and customized population, demand and disease management programs. Cost of sales for the three and six month periods ended June 30, 2003 was \$1,184,855 and \$1,946,457, respectively, as compared to \$461,726 and \$949,579 for the three and six month periods ended June 30, 2002. The increase in these costs was primarily the result of increased operational activity. The Company's gross margin, being the percentage of revenues available to offset other costs and expenses after subtracting the cost of sales was 25% and 23% for the three and six month periods ended June 30, 2003, respectively, as compared to 15% and 9% for the same respective periods of 2002. The Company anticipates that revenue must increase for it to recognize economies of scale adequate to improve its margins. No assurance can be given that revenues will increase or that, if they do, they will continue to exceed costs and expenses.

Sales and marketing expenses consist primarily of salaries, related benefits, travel costs, sales materials and other marketing related expenses. Sales and marketing expenses for the three and six month periods ended June 30, 2003 were \$202,458 and \$445,061, respectively, as compared to \$175,188 and \$353,563 for the same respective periods of 2002. Spending in this area has increased due to an increase in sales activity. The Company anticipates expansion of the Company's sales and marketing staff and expects it will continue to invest in the sales and marketing process, and that such expenses related to sales and marketing might increase in future periods.

General and administrative expenses include the costs of corporate operations, finance and accounting, human resources and other general operating expenses of the Company. General and administrative expenses for the three and six month periods ended June 30, 2003 were \$296,842 and \$572,311, as compared to \$306,498 and \$656,634 for the same respective periods of 2002. These expenditures have been incurred to maintain the corporate infrastructure necessary to support anticipated program operations. The decrease in these costs during the three and six month periods ended June 30, 2003 was primarily due to the allocation of a portion of staff costs to cost of sales related to consulting revenue.

Research and development expenses consist primarily of salaries and related benefits and administrative costs associated with the development of certain components of the Company's integrated information capture and delivery system, as well as development of the Company's standardized disease management programs and the Company's Internet based technology products. Research and development expenses for the three and six month periods ended June 30, 2003 were \$33,470

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and \$65,228, respectively, as compared to \$23,786 and \$47,636 for the same respective periods of 2002.

Financing costs were \$1,664,275 for the three and six month period ended June 30, 2003. This cost relates to 198,128 shares of Series D Preferred Stock issued as of June 30, 2003 as additional consideration to certain investors to enter into the Note and Stock Purchase Agreement dated April 10, 2003, pursuant to which the investors agreed to make short term loans to the Company. The 198,128 shares of Series D Preferred Stock issued was assigned a value of \$3,328,550 using the current trading price of \$0.14 per share. Each share of Series D Preferred Stock is convertible into 120 shares of Common Stock. Because the term of the Note and Stock Purchase Agreement is approximately six months ending September 30, 2003, 50% of the value of the 198,128 shares of Series D Preferred Stock, or \$1,664,275, was an amortized expense during the three month period ended June 30, 2003. The remaining \$1,664,275 will be an amortization expense during the three month period ending September 30, 2003. If additional amounts must be borrowed, there may be additional consideration to the lenders and additional financing costs associated with such loans.

The Company recorded net interest expense of \$154,764 and \$296,217 for the three and six month periods ended June 30, 2003, respectively, as compared to \$132,036 and \$252,671 for the same respective periods of 2002, principally due to the net increase of interest expense on debt.

Income (loss)

The Company had a net loss attributable to the common stockholders after preferred stock dividends, of \$2,018,753 and \$2,546,459 for the three and six month periods ended June 30, 2003, respectively, with a net loss per share of \$0.18 and \$0.23 per share for the same respective periods. The loss includes \$1,664,275 in financing cost. Without the financing cost, the Company had a net loss attributable to the common shareholders after preferred stock dividends, of \$354,478 and \$882,184 for the three and six month periods ended June 30, 2003, respectively, as compared to \$579,019 and \$1,263,040 for the three and six month periods ended June 30, 2002. This represents a net loss per common share of \$0.03 and \$0.08 for the three and six month periods ended June 30, 2003, which is comparable to the net loss of \$0.05 and \$0.12 per common share shown for the same respective periods of 2002.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Revenues

Revenues are comprised of revenues from operations fees, development fees and licensing fees. Revenues increased 49% to \$2,355,677 for the fiscal year ended December 31, 2002 from \$1,586,443 for the fiscal year ended December 31, 2001.

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A summary of these revenues by category, is as follows for the fiscal years ended December 31:

Revenues	2002	2001
Operations Fees	\$ 2,125,522	\$ 1,314,311
Consulting Fees	168,606	72,000
Development Fees	36,239	78,632

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Licensing Fees	25,310	121,500
	-----	-----
Total	\$ 2,355,677	\$ 1,586,443
	=====	=====

Revenues from operations fees increased 61.7% from \$1,314,311 for the fiscal year ended December 31, 2001 to \$2,125,522 for the fiscal year ended December 31, 2002. Operations revenues are generated as Patient Infosystems provides services to its customers for their disease-specific programs, patient surveys, health risk assessments, patient satisfaction surveys, physician education programs and marketing support programs. Operations revenues increased in 2002 due to the growth of its disease and demand management business. This growth is attributable primarily to its Congestive Heart Failure program and new revenues being realized from its strategic marketing partners. Revenues from the Congestive Heart Failure program increased 131.0% from \$549,592 for the fiscal year ended December 31, 2001 to \$1,267,919 for the fiscal year ended December 31, 2002. Revenues realized from the strategic marketing partners increased from \$3,572 for the fiscal year ended December 31, 2001 to \$110,354 for the fiscal year ended December 31, 2002. The strategic marketing partnerships provide the partners the right to sell Patient Infosystems' services to their customers. Patient Infosystems is compensated for the services it provides based upon an agreed price list. The current agreements may be terminated with no less than 90 days notice.

Due in part to the impact of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), P.L. 104-191, one of Patient Infosystems' customers, which provided 50% of Patient Infosystems' revenue in 2002, has elected to terminate its services agreement with Patient Infosystems effective January 1, 2003. Under the terms of the agreement, Patient Infosystems had provided its services to a third party that is considered a Covered Entity under HIPAA. Patient Infosystems has a services agreement and a business associate agreement to provide substantially the same services directly to an affiliate of that Covered Entity and anticipates that it will continue to perform some or all of the terminated services under such agreements. No assurance can be given that the terminated services will be assumed under the other existing agreements, or that any new revenues Patient Infosystems may receive, if any, will offset the loss of revenue from the terminated services agreement. Patient Infosystems believes that any amounts due from this customer at December 31, 2002 are collectible since the customer has a good credit standing and no disputes exist regarding the services provided by Patient Infosystems to the customer.

Revenues from consulting increased 134% from \$72,000 for the fiscal year ended December 31, 2001 to \$168,606 for the fiscal year ended December 31, 2002. This increase is due to Patient Infosystems' expanded role in support of the Health Disparities Collaboratives funded by the Bureau of Primary Healthcare and administered by the Institute for Healthcare Improvement. Revenues from consulting may increase during 2003. No assurances can be given that these revenues will increase, or that any change will be material to Patient Infosystems operating results.

Revenues from development fees decreased 53.9% from \$78,632 for the fiscal year ended December 31, 2001 to \$36,239 for the fiscal year ended December 31, 2002. In 2001 and 2002, Patient Infosystems received development revenues in connection with the enhancement of its existing programs. Development revenues include clinical, technical and operational design or modification of Patient Infosystems' primary disease management programs. Development revenues have declined from year to year since the fiscal year ended December 31, 1997, as Patient Infosystems reduced the amount of development work it has performed for its customers. Patient Infosystems anticipates that revenue from development

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fees may continue to decline unless Patient Infossystems enters into new development agreements.

Revenues from licensing fees decreased 79.2% from \$121,500 for the fiscal year ended December 31, 2001 to \$25,310 for the fiscal year ended December 31, 2002. Licensing revenue represents amounts that Patient Infossystems charges its customers, either on a one-time only or continuing basis, for the right to enroll patients in, or the right to license other entities, certain of its programs, primarily Patient Infossystems' Internet-based Case Management Support System product line. Patient Infossystems terminated one license agreement and has not entered into any new licensing contracts. All remaining initial license fees have been collected. Patient Infossystems anticipates that revenue from licensing may decrease in future periods unless new license agreements are signed.

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During the fiscal year ended December 31, 2002, approximately 54% of Patient Infossystems' revenue came from two clients, AstraZeneca, Inc. ("Zeneca") and a healthcare insurance entity (the "Client"). Zeneca sponsored patients from an affiliate of Client (the "Sponsored Group") in a program operated by Patient Infossystems. Client directly sponsored patients from other of its affiliates in substantially the same program as that provided to the Sponsored Group. In September 2002, Patient Infossystems received notification from Zeneca. that it intended to terminate its service agreement with Patient Infossystems as of January 1, 2003. In January 2003, Client assumed approximately 20% of the Sponsored Group under its service agreement with Patient Infossystems. In February 2003, Patient Infossystems received notification that Client intends to terminate its service agreement with Patient Infossystems, effective July 1, 2003. Neither Zeneca nor Client cited any dispute with or breach of any agreement by Patient Infossystems. Patient Infossystems has replaced this lost revenue with other client contracts, but no assurance can be given the new sources of revenue will be permanent.

Costs and Expenses

Cost of sales includes salaries and related benefits, services provided by third parties, and other expenses associated with the development of Patient Infossystems' customized disease state management programs, as well as the operation of each of its disease state management programs.

Cost of sales decreased 20.9% from \$2,420,151 for the fiscal year ended December 31, 2001 to \$1,914,464 for the fiscal year ended December 31, 2002. Patient Infossystems' introduction of internet based systems during the three month period ended December 31, 2001 and its focus on selling products that require less customization have enabled Patient Infossystems to improve economies of scale while decreasing the staff required to customize Patient Infossystems' products from approximately 11 employees with expenses of approximately \$1,100,000 for the fiscal year ended December 31, 2001 to 5 employees with expenses of approximately \$700,000 for the fiscal year ended December 31, 2002.

Sales and marketing expenses decreased 8.3% from \$813,975 for the fiscal year ended December 31, 2001 to \$746,353 for the fiscal year ended December 31, 2002. These costs consist primarily of salaries, related benefits and travel costs, sales materials and other marketing related expenses. Decreased spending in this area is attributable to Patient Infossystems' efforts to reduce costs and to its limited available capital, resulting in a smaller sales and marketing staff and increased dependence on marketing partners during the fiscal year ended December 31, 2002. It is anticipated that Patient Infossystems will need to

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invest heavily in the sales and marketing process in future periods, and intends to do so if funds are available. To the extent that Patient Infosystems has limited funds available for sales and marketing, or cannot leverage its marketing partnerships adequately, it will likely be unable to invest in the necessary marketing activities to generate substantially greater sales.

General and administrative expenses include the costs of corporate operations, finance and accounting, human resources and other general operating expenses of Patient Infosystems. General and administrative expenses decreased 36.38% from \$2,028,804 for the fiscal year ended December 31, 2001 to \$1,282,683 for the fiscal year ended December 31, 2002. The decrease in these costs was caused by : (i) the reduction in the amortization of in debt issuance from \$567,424 to \$8,934 for the fiscal years ended December 31, 2001 and 2002, respectively, and other financing costs related to funding operations, (ii) aggregate pay decreases of \$85,250 for officers of Patient Infosystems and (iii) a renegotiation and elimination of \$114,953 of accrued expense related to the minimum obligation under a vendor agreement. Patient Infosystems expects that general and administrative expenses will remain relatively constant in future periods, but may experience fluctuations due to uncertainties related to financing costs.

Research and development expenses consist primarily of salaries and related benefits and administrative costs allocated to Patient Infosystems' research and development personnel for development of certain components of its integrated information capture and delivery system, its Internet-based software products and its standardized disease state management programs. Research and development expenses decreased 44.6% from \$190,731 for the fiscal year ended December 31, 2001 to \$105,614 for the fiscal year ended December 31, 2002. The decrease in research and development expenses reflects the transition of Patient Infosystems' decreased investment in information systems and new technology.

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Other Income/Expense is comprised of interest expense and losses on investments. The totals are as follows for the fiscal years ended December 31:

	2002	2001
	-----	-----
Interest expense	\$ (535,269)	\$ (410,063)
Other income (expense)		
Other	4,345	11,976
ReCall Services, Inc.		(200,000)
	-----	-----
Total Expense	\$ (530,924)	\$ (598,087)
	-----	-----

Interest expense is due to debt. Interest expense increased to \$535,269 for the fiscal year ended December 31, 2002 from \$410,063 for the fiscal year ended December 31, 2001. The increase in interest expense reflects the increased debt required to fund operations.

The other expense for the fiscal year ended December 31, 2001 consists primarily of an impairment of an investment. In September of 2001 Patient Infosystems was notified that Recall Services, Inc. was ceasing operations and declared its \$200,000 investment in Recall Services, Inc. impaired.

Patient Infosystems had no tax benefit in 2002 due, in part, to recording a

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full valuation allowance to reduce its deferred tax assets. Patient Infossystems' deferred tax assets consist primarily of the tax benefit associated with its net operating loss carryforwards.

Management of Patient Infossystems has evaluated the available evidence about future taxable income and other possible sources of realization of deferred tax assets. The valuation allowance reduces deferred tax assets to zero, which represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized.

For the fiscal year ended December 31, 2002, Patient Infossystems declared \$90,000 in dividends on convertible preferred stock.

Patient Infossystems had a net loss attributable to common stockholders of \$2,314,361 for the fiscal year ended December 31, 2002, compared to \$4,555,305 for the fiscal year ended December 31, 2001. This represents a loss of \$.21 per basic and diluted share for 2002 and \$.47 for 2001.

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Liquidity and Capital Resources

At June 30, 2003, Patient Infossystems had a working capital deficit of \$9,883,172 as compared to \$6,135,451 at December 31, 2002. Through June 30, 2003, these amounts reflect the effects of Patient Infossystems' continuing losses as well as increased borrowings, \$3,000,000 of which was considered to be a long-term liability at December 31, 2002 but is classified as a current liability at June 30, 2003. Since its inception, Patient Infossystems has primarily funded its operations, working capital needs and capital expenditures from the sale of equity securities or the incurrence of debt.

On March 28, 2003, Patient Infossystems entered into an Amended and Restated Credit Agreement with Wells Fargo Bank Iowa, N.A., which extended the term of Patient Infossystems' \$3,000,000 credit facility to January 2, 2004, under substantially the same terms. Certain directors of Patient Infossystems guaranteed this extension.

Patient Infossystems borrowed \$1,050,000 for working capital from Mr. Pappajohn during the six month period ended June 30, 2003. On April 10, 2003, Patient Infossystems replaced notes in the aggregate principal amount of \$500,000 owed to Mr. Pappajohn with a new note for the principal amount of \$900,000, representing the amount due under the original notes plus an additional \$400,000 borrowed from Mr. Pappajohn for working capital. As of September 12, 2003, a total of \$6,577,500 has been borrowed from Mr. Pappajohn and Dr. Schaffer (both of whom are members of Patient Infossystems' Board of Directors), all of which is secured by the assets of Patient Infossystems.

On March 28, 2003, Mr. Pappajohn and Dr. Schaffer signed a letter to Patient Infossystems in which they made a commitment to obtain the operating funds that Patient Infossystems believes would be sufficient to fund its operations through December 31, 2003. There can be no assurances given that Mr. Pappajohn or Dr. Schaffer can raise either the required working capital through the sale of Patient Infossystems' securities or that Patient Infossystems can borrow the additional amounts needed.

On April 10, 2003, Patient Infossystems entered into a Note and Stock Purchase Agreement with certain investors, including Mr. Pappajohn, a member of the Board of Directors of Patient Infossystems, pursuant to which the investors agreed to loan to Patient Infossystems an aggregate of up to \$2.5 million, \$500,000 of which replaces notes payable to Mr. Pappajohn, which were

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outstanding at March 31, 2003. The Note and Stock Purchase Agreement was subsequently amended on September 11, 2003 to increase the loan from the investors to an aggregate of \$3.5 million. In consideration for the loans, Patient Infossystems signed a series of promissory notes and issued a total of 286,182 shares of Series D Preferred Stock to the investors; 198,128 of such shares were issued and outstanding at June 30, 2003. The notes bear interest at a rate equal to the prime rate plus 3% per annum and mature on September 30, 2003. The 286,182 shares of Series D Preferred Stock are convertible into up to 34,341,840 shares of common stock of Patient Infossystems, subject to the approval by the stockholders of Patient Infossystems of an amendment to the Certificate of Incorporation, authorizing an increase in the number of outstanding shares of common stock of Patient Infossystems necessary to provide for the issuance of common stock upon conversion of such shares. The 198,128 shares of Series D Preferred Stock outstanding at June 30, 2003, which are convertible into 23,775,360 share of common stock, are valued at \$3,328,550 using the average trading price of \$0.14 per share taken 2 days before and 1 day after the measurement date of April 14, 2003 in accordance with EITF 99-12.

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Because the term of the Note and Stock Purchase Agreement is approximately six months ending September 30, 2003, 50% of the value of the 198,128 shares of Series D Preferred Stock, or \$1,664,275, was an amortized expense during the three month period ended June 30, 2003. The remaining \$1,664,275 will be an amortization expense during the three month period ending September 30, 2003. Holders of the Series D Preferred Stock have the right to elect two members of Patient Infossystems' Board of Directors. Upon closing of a private placement of a minimum of \$4 million in value of additional shares of Series D Preferred Stock and after the closing of the proposed acquisition of ACS, as contemplated by the Asset Purchase Agreement, any notes issued pursuant to the Note and Stock Purchase Agreement are convertible into Series D Preferred Stock. The purpose of the loan from the Investors is to provide funds to Patient Infossystems for it to loan to ACS in order to provide working capital for the operations of ACS.

Simultaneously with the closing of the Note and Stock Purchase Agreement, Patient Infossystems and ACS entered into a Credit Agreement, subsequently amended on July 30, 2003 pursuant to which Patient Infossystems agreed to loan to ACS up to an aggregate of \$3.4 million secured by all of the assets of ACS. As of June 30, 2003, Patient Infossystems had notes receivable of \$2.25 million from ACS. Patient Infossystems received a warrant to purchase 18,050 shares of common stock of ACS, exercisable only if the Asset Purchase Agreement with ACS is terminated. Additional warrants to purchase ACS common stock may be issued depending on the total amount of funds it borrows from Patient Infossystems under the Credit Agreement.

Patient Infossystems has expended substantial funds to establish its operational capabilities and infrastructure. Patient Infossystems' cash has been steadily depleted as a result of operating losses. Although Patient Infossystems has raised \$3.5 million in the private placement contemplated by the Asset Purchase Agreement, the \$3.5 million has already been used for working capital and repayment of indebtedness. Patient Infossystems anticipates that its losses will continue and, but for the continuing loans from Mr. Pappajohn, Patient Infossystems has no available cash to continue operations. Accordingly, Patient Infossystems has been required to seek cash to maintain its operations. Patient Infossystems is continuing its efforts to raise additional funds privately, which may involve the sale of convertible preferred stock or further debt securities. No assurance can be given that Patient Infossystems will successfully raise the necessary funds. Any additional financing, which includes the issuance of additional securities of Patient Infossystems, may be dilutive to Patient Infossystems' existing stockholders. If Patient Infossystems is unable to raise additional funds, it will be required to cease operations.

Inflation

Inflation did not have a significant impact on Patient Infosystems' costs during the three and six month periods ended June 30, 2003 and 2002. Patient Infosystems continues to monitor the impact of inflation in order to minimize its effects through pricing strategies, productivity improvements and cost reductions.

Recent Accounting Pronouncements

Recently issued statements by the Financial Accounting Standards Board ("FASB") that are applicable to Patient Infosystems have little or no immediate effect and will have an effect in the future only in the event Patient Infosystems enters into transactions governed by those statements. Those statements and interpretations included SFAS No. 143, Accounting for Asset Retirement Obligations, SFAS No. 145; Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 (leases), and Technical Corrections; SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities; SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities; SFAS No. 150, Accounting for Certain Financial Instruments and Characteristics of Both Liabilities and Equity; FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Others"; and FIN No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51".

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Critical Accounting Policies

The SEC recently issued disclosure guidance for critical accounting policies. The SEC defines critical accounting policies as those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

Patient Infosystems significant accounting policies are described in Note 1 to the Consolidated Financial Statements. Not all of these significant accounting policies require management to make difficult, subjective or complex judgments or estimates. However, the following accounting policies could be deemed to be critical by SEC.

Use of Estimates. In preparing the consolidated financial statements Patient Infosystems uses estimates in determining the economic useful lives of its assets, provisions for doubtful accounts, tax valuation allowances and various other recorded or disclosed amounts. Estimates require management to use its judgment. While Patient Infosystems believes that its estimates for these matters are reasonable, if the actual amount is significantly different than the estimated amount, its assets, liabilities or results of operations may be overstated or understated.

Impairment of Long-Lived Assets. Patient Infosystems records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted future cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net cash flows

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expected to be generated by the asset. If the asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the actual value is significantly less than the estimated value, Patient Infosystems assets may be overstated.

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

The following discussion and analysis of ACS' financial condition and results of operations should be read in conjunction with its financial statements and notes thereto and the other financial information included elsewhere in this proxy statement. In addition to historical information, this management's discussion and analysis of financial condition and results of operations and other parts of this proxy statement contain forward-looking information that involve risks and uncertainties. ACS' actual results could differ materially from those anticipated by such forward-looking information as a result of certain factors, including but not limited to, those set forth under Risk Factors and elsewhere in this proxy statement.

Management's discussion and analysis provides a review of ACS' operating results for the years ended December 31, 2002 and 2001 and for the three and six months ended June 30, 2003 and 2002. The focus of this review is on the underlying business reasons for significant changes and trends affecting the revenues, net losses and financial condition of ACS.

Overview

ACS was incorporated in October 1997 as Health Data Solutions, Inc. ("HDS") under the laws of Indiana. HDS was originally formed to provide information technology services to insurance companies, third party administrators ("TPAs"), healthcare networks and self-insured employers.

Effective July 31, 2001, HDS acquired substantially all of the assets and assumed all outstanding liabilities of American CareSource Corporation ("Old ACS"), a related entity (but not under common control). HDS acquired these assets in exchange for the issuance of shares of its common stock representing 33% of its common stock after the acquisition (the "ACS Acquisition"). As a result of this acquisition, HDS changed its name to American CareSource Corporation. The results of Old ACS' operations are included in the accompanying statement of operations for ACS from July 31, 2001 forward.

The successor company, ACS, is an ancillary healthcare benefits management company. Ancillary healthcare services include a broad array of services that supplement or support the care provided by hospitals and physicians, including but not limited to, the non-physician services associated with (i) operating outpatient surgery centers and free-standing diagnostic imaging centers, and (ii) providing home infusion, durable medical equipment, orthotics and prosthetics, laboratory and many other services. These ancillary services are provided to patients as benefits under group health plans and workers compensation plans. ACS manages the administration of these ancillary healthcare benefits.

ACS enters into agreements with the providers of ancillary services pursuant to which ACS provides administrative services for its contracted providers, including patient scheduling services, call center services, payor contracting services, and billing and collection services. ACS also enters into

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agreements with preferred provider organizations ("PPOs"), TPAs, workers compensation benefits administrators, utilization review companies, case management companies and other healthcare networks pursuant to which ACS provides ancillary benefits management services for these payor clients.

Under its provider agreements, the contracted providers assign their claims for contracted services to ACS, which then re-prices the claims in accordance with its negotiated payor fee schedules and submits such claims for payment by the appropriate payors. ACS collects payment for these claims and pays the contracted provider pursuant to a provider fee schedule negotiated by ACS and the contracted provider. In such circumstances, ACS is obligated to pay the ancillary provider the applicable provider fee despite the insufficient payor payment. Covered services refer to services that are listed as covered under a health plan administered by a client of ACS. Covered persons are those persons eligible for ancillary health benefits under the plans administered by ACS clients.

ACS recognizes revenues for Ancillary Services when services by providers have been authorized, and performed and collections from payors are reasonably assured. Patient Claims Revenues are recognized by ACS as services are provided. Cost of Revenues for Ancillary Services consist of expenses due to providers for providing employee (patient) services and Patient Infosystems' related direct labor and overhead of processing such services. ACS is not liable for costs incurred by independent contract service providers until payment is received by ACS from the payors. ACS recognizes actual or estimated liabilities to independent contract service providers as related revenues are recognized. Patient Claims costs of revenue consist of direct labor and overhead to administer the patient claims.

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After its organization, ACS spent several years developing its business model, know-how, infrastructure, client base and provider base. Until 2001, ACS focused on providing information technology services to insurance companies, TPAs, healthcare networks and self-insured employers. In early 2001, ACS decided to expand and refocus its business to address the management of ancillary benefits in the group health market. It launched its group health initiatives through healthcare networks in 2001 and began to see the impact of these initiatives by the fourth quarter of 2001.

ACS now has over 15 group health clients including exclusive ancillary network management contracts for two of the largest PPOs in the U.S. Despite this progress, ACS has so far achieved only a minimal percentage of the potential revenue opportunity represented by its existing client base.

During the previous two years, ACS has experienced severe operating limitations and constraints due to continuous under capitalization and working capital shortfalls. It incurred losses of \$1.0 million and \$1.2 million for the three months ended June 30, 2003 and 2002, respectively, and \$2.1 million and \$2.3 million for the six months ended June 30, 2003 and 2002, respectively, and had negative cash flows from operations of \$2.4 million and \$1.3 million for the six months ended June 30, 2003 and 2002, respectively. ACS had negative working capital of \$4.1 million and \$2.0 million at June 30, 2003 and December 31, 2002, respectively. On September 23, 2002 (amended April 10, 2003 and further amended on July 30, 2003) ACS signed an Asset Purchase Agreement with Patient Infosystems for the sale of substantially all of the assets of ACS. Under the terms of a Credit Agreement dated April 10, 2003 with Patient Infosystems, ACS as of August 29, 2003 has received \$2.85 million in bridge loans committed for working capital. However, if the Acquisition does not close, there is no assurance that these funds will be adequate for ACS to reach breakeven

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operations or that ACS will ever reach breakeven operations or that the planned funding will ultimately be realized. In addition, in connection with the Credit Agreement, Patient Infosystems received warrants to purchase shares of common stock of ACS, exercisable only if the Asset Purchase Agreement with ACS is terminated. In connection with the amendment to the Credit Agreement, dated July 30, 2003, additional warrants to purchase 11,220 shares of ACS common stock will be issued as consideration for increasing the aggregate amount of the loans from \$2.25 million to \$3.4 million. These warrants are also exercisable only if the Asset Purchase Agreement is terminated. As of August 29, 2003, Patient Infosystems has received warrants to purchase 23,905 shares of ACS common stock. No adjustments have been made to the financial statements for the issuance of these warrants since management considers their value to be de minimis. Additional warrants to purchase ACS common stock may be issued depending on the total amount of funds it borrows from Patient Infosystems under the Credit Agreement. Furthermore, Patient Infosystems received a note signed by ACS to repay the outstanding amount under the bridge loans. If the Asset Purchase Agreement does not close, there can be no assurance that ACS will be able to repay the outstanding amount.

ACS had long-term debt of \$5.1 million and \$2.8 million at June 30, 2003 and December 31, 2002, respectively, of which current maturities at such dates were \$2.7 million and \$461,000. As a result, ACS' long-term debt (less current maturities) was \$2.4 million at June 30, 2003 and December 31, 2002. The long-term debt at June 30, 2003 included a \$2.25 million bridge loan as a result of the Asset Purchase Agreement with Patient Infosystems, a \$2.4 million subordinated note payable to a stockholder of ACS, \$375,000 of other long-term debt obligations owed to four entities or individuals and \$75,000 for capital lease obligations.

On November 5, 2002, ACS completed a private placement of 8,500 shares of newly issued common stock raising \$4.5 million in total proceeds. The proceeds from this issuance have been used to repay debt and to support ACS' operations.

Results of Operations

Three and Six Months Ended June 30, 2003 Compared to Three and Six Months Ended June 30, 2002

Revenues are comprised of revenues from ancillary service claims (relating to group health activities) and data processing of patient claims. Revenues decreased to \$2.2 million from \$2.4 million during the three months ended June 30, 2003 and 2002, respectively, or 10%. Revenues increased to \$4.8 million from \$4.0 million during the six months ended June 30, 2003 and 2002 respectively, or 19%.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenues	-----	-----	-----	-----
Ancillary Health	\$ 2,100,625	\$ 2,316,086	\$ 4,577,569	\$ 3,765,490
Patient Claims	97,889	124,547	202,562	263,704
	-----	-----	-----	-----
Total Revenues	\$ 2,198,514	\$ 2,440,633	\$ 4,780,131	\$ 4,029,194

Ancillary health claims revenue decreased to \$2.1 million for the three months ended June 30, 2003 as compared to \$2.3 million for the three months ended June 30, 2002. This decrease was primarily caused by the termination of contracts by HealthSouth and Quest or \$376,000 decrease, the loss of smaller providers among the four major payors or \$148,000, offset by the \$309,000 increase for Pinnacol. Ancillary health claims revenue increased to \$4.6 million

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for the six months ended June 30, 2003 as compared to \$3.8 million for the six months ended June 30, 2002. This increase is due primarily to Pinnacol Assurance (the primary administrator of workers compensation benefits for the State of Colorado), which increased \$813,000. Increased volume from Pinnacol was primarily caused by the addition of orthotics, prosthetics and other higher priced claims and the start up of processing of claims for the Denver area during the first half of 2003 as compared to the first half of 2002. The \$326,000 decrease in HealthSouth revenues for the six months ended June 30, 2003 were offset by increased revenues of four other payors primarily in the three months ended March 31, 2003. The termination of the HealthSouth and Quest contracts will continue to result in a significant reduction of ACS' revenues.

The data processing of patient claims revenues decreased to \$98,000 for the three months ended June 30, 2003 as compared to \$125,000 for the three months ended June 30, 2002. The data processing of patient claims revenues decreased to \$203,000 for the six months ended June 30, 2003 as compared to \$264,000 for the six months ended June 30, 2002. This is not the core business of ACS and is projected to continue to decline.

The State of Texas recently passed a regulation requiring state funded workers compensation claims to be paid directly to the provider of services. Although Texas workers compensation claims accounted for less than 1% of ACS' total revenues for the year ended December 31, 2002 and ACS anticipates that such claims will account for less than 1% of its total revenue for the year ended December 31, 2003, this regulation may restrict the ability of ACS to perform services or expand services related to workers compensation claims in Texas.

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Costs of revenues

Cost of revenues includes provider payments, direct expenses incurred for providing services and the related direct labor and overhead of providing such services. ACS is not liable for costs incurred by its contracted providers unless and until these providers obtain approval from the appropriate payors, provide the contracted services and ACS receives payment from the payors. Costs of revenues also include direct expenses to administer claims, including direct labor associated with recruitment and contracting with providers, database maintenance, data entry of claims, claims repricing and fulfillment and overhead costs. Costs of revenues decreased to \$2.6 million for the three month period ended June 30, 2003 as compared to \$2.8 million for the three month period ended June 30, 2002. This \$200,000 decrease was due primarily to a corresponding decrease of provider payments of \$161,000 as a percentage of reduced revenues and a reduction in system development costs. Cost of revenues increased \$700,000 to \$5.5 million for the six months ended June 30, 2003 as compared to \$4.8 million for the six months period ended June 30, 2002. This increase is due primarily to \$648,000 of Pinnacol provider costs associated with the corresponding \$813,000 increase in Pinnacol revenues.

Operating Expenses

Selling, general and administrative expenses include the salaries and related benefits of ACS' executive employees, human resources, development, provider relations, and finance and accounting employees, travel and other costs for those employees, and sales materials and other marketing or sales expenses of ACS. Commissions paid to independent outside salesman are based directly on net margin per client. Payments to providers and all billing and processing of claims expenses are included in cost of revenues. Operating expenses decreased \$97,000 to \$562,000 for the three months ended June 30, 2003 as compared to \$659,000 for the three months ended June 30, 2002. This decrease in expenses was primarily related to \$85,000 spent on temporary hires for pre-audit work.

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Operating expenses decreased \$100,000 to \$1.2 million for the six months ended June 30, 2003 as compared to \$1.3 million for the six months ended June 30, 2002. This decrease in expenses was also primarily related to temporary hires for pre-audit work during the first half of 2003.

ACS recorded net interest expense of \$80,000 and \$123,000 for the three and six month periods ended June 30, 2003, respectively, as compared to \$142,000 and \$238,000 for the same respective periods of 2002, principally due to proceeds from the sale of stock used to pay down debt during the second half of 2002.

ACS had a net loss of \$1.0 million and \$2.1 million for the three and six month periods ended June 30, 2003, respectively, as compared to \$1.2 million and \$2.3 million for the same respective periods of 2002. This represents a loss per share on a basic and diluted basis of \$35 and \$74 for the three and six month periods ended June 30, 2003, respectively, compared to \$58 and \$116 for the same respective periods of 2002.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Revenues

Revenues are comprised of revenues from ancillary service claims (relating to group health activities) and data processing of patient claims. Revenues increased 279% from \$2.5 million for the year ended December 31, 2001 to \$9.6 million for the year ended December 31, 2002. This increase reflects ACS' expansion into the group health market during 2002. Ancillary health claims revenue increased from \$1.5 million for the year ended December 31, 2001 to \$9.2 for the year ended December 31, 2002, while data processing of patient claims revenues decreased from \$1.1 million for the year ended December 31, 2001 to \$480,000 for the year ended December 31, 2002. Revenues from Pinnacle, ACS' largest ancillary service client, was \$1.2 million for the year ended December 31, 2001. ACS obtained contracts with seven new ancillary service clients during the first quarter of 2002 as part of the expansion program into this market. The two largest clients accounted for \$4.6 million, or 48%, of the total 2002 revenues. These changes further reflect the impact of ACS' decision to focus on the ancillary group health market. ACS anticipates that revenues from data processing of patient claims will decline as it continues to focus on the ancillary service market as its core business.

Costs of revenues

Cost of revenues includes provider payments, direct expenses incurred for providing services and the related direct labor and overhead of providing such services. ACS is not liable for costs incurred by its contracted providers unless and until these providers obtain approval from the appropriate payors, provide the contracted services and ACS receives payment for these services from the payor. Costs of revenues also include direct expenses to administer claims, including direct labor associated with recruitment and contracting with providers, database maintenance, data entry of claims, claims repricing and fulfillment and overhead costs. Costs of revenues increased 271% from \$3.0 million for the year ended December 31, 2001 to \$11.2 million for the year ended December 31, 2002. In addition to the corresponding increase in provider payments as a percentage of increased revenues, this increase reflects the increased personnel and other costs associated with the growth of ACS' business and the development of infrastructure to support ACS' expansion into the group health market.

Operating Expenses

For the year ended December 31, 2002, selling, general and administrative expenses of \$2.5 million include the salaries and related benefits of ACS' executive employees, human resources, development, provider relations, and finance and accounting employees, travel and other costs for those employees, and sales materials and other marketing or sales expenses of ACS. Commissions paid to independent outside salesman are based directly on net margin per client. Payments to providers are included in cost of goods sold as are all billing and processing of claims expenses. Selling, general and administrative expenses increased 108% from \$1.2 million for the year ended December 31, 2001 to \$2.5 million for the year ended December 31, 2002. This increase reflects the increased costs associated with the growth of ACS' business, the Acquisition, and the development of infrastructure to support ACS' expansion into the group health market, which includes the costs of investments in software, training of employees and development of form client contracts, agent agreements and commission sales agreements. The \$1.3 million increase is attributable to \$363,000 for legal and audit fees primarily associated with the Acquisition, \$296,000 for employee salaries, \$274,000 for systems development and \$363,000 for all other categories such as travel, sales commissions and facilities associated with the growth of ACS' business.

Impairment of goodwill includes goodwill recorded in connection with the ACS acquisition of assets on July 31, 2001 in the amount of \$1.3 million, which was written off as impaired in compliance with SFAS 142 "Goodwill and Other Intangible Assets." The impairment was a result of ACS' inability to support the valuation of goodwill generated from the ACS Acquisition. Impairment of goodwill decreased from \$1.3 million for the year ended December 31, 2001 to \$0 for the year ended December 31, 2002. This decrease reflects the write off of goodwill in 2001 resulting from the ACS acquisition.

Interest expense is due to debt. Interest expense increased from \$153,000 for the year ended December 31, 2001 to \$363,000 for the year ended December 31, 2002.

ACS had a net loss of \$4.5 million for the year ended December 31, 2002, compared to a net loss of \$3.2 million for the year ended December 31, 2001. This represents a loss per share on a fully diluted basis of \$212 for 2002 and \$160 for 2001, respectively.

Liquidity and Capital Resources

At June 30, 2003, ACS had a working capital deficit of \$4.1 million as compared to working capital deficits of \$2.0 million at December 31, 2002. Through June 30, 2003, these amounts reflect the effects of ACS' continuing losses as well as \$2.3 million in increased borrowings. ACS has never earned profits and since its inception, has primarily funded its operations, working capital needs and capital expenditures from the sale of equity securities and the issuance of debt. ACS' cash balance was \$42,000 and \$159,000 at June 30, 2003 and December 31, 2002, respectively.

On September 23, 2002 (amended April 10, 2003 and further amended on July 30, 2003) ACS signed an Asset Purchase Agreement with Patient Infosystems for the sale of substantially all of the assets of ACS. Under the terms of a Credit

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Agreement dated April 10, 2003 (amended July 30, 2003) with Patient Infosystems, ACS as of August 29, 2003 has received \$2.85 million in bridge loans committed for working capital. However, if the Acquisition does not close, there is no assurance that these funds will be adequate for ACS to reach breakeven operations or that ACS will ever reach breakeven operations or that the planned funding will ultimately be realized. In addition, in connection with the Credit Agreement, Patient Infosystems received warrants to purchase shares of common stock of ACS, exercisable only if the Asset Purchase Agreement with ACS is terminated. In accordance with the amended Credit Agreement dated July 30, 2003, additional warrants will be issued to Patient Infosystems to purchase 11,220 shares of ACS common stock in exchange for increasing the aggregate amount of the loans from \$2.25 million to \$3.4 million. As of August 29, 2003, Patient Infosystems has received warrants to purchase 23,905 shares of ACS common stock. No adjustments have been made to the financial statements for the issuance of these warrants since management considers their value to be de minimis. Furthermore, Patient Infosystems received notes signed by ACS to repay the outstanding amount under the bridge loans. If the Asset Purchase Agreement does not close, there can be no assurance that ACS will be able to repay the outstanding amount.

The long-term debt at June 30, 2003 included \$2.25 million as a result of the Asset Purchase Agreement with Patient Infosystems, a \$2.4 million subordinated note payable to a stockholder of ACS, \$375,000 of other long-term debt obligations owed to five entities or individuals and \$75,000 for capital lease obligations. The \$2.25 million bridge loan from Patient Infosystems (collateralized by all intangible and tangible assets) originated at Index rate (4.25%) converted to Index rate plus 3% (7.25%) on April 10, 2003 and will convert to Patient Infosystems Series D Preferred Stock. The \$2.4 million subordinated note originated at a stated interest rates of 10% per annum also converted to Index plus 3% (7.25%) on April 10, 2003. Principal on this note is due at maturity, which matures in March 2007, and interest payments start in March 2005.

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At December 31, 2001, ACS owed \$400,000 on a line of credit and \$400,000 on a note payable to a financial institution. On February 12, 2002, ACS was notified of a default and acceleration of the amounts owed on the line of credit and debt. Effective May 9, 2002, a stockholder of ACS purchased the line of credit from the financial institution for the outstanding amount owed by ACS of \$384,000 plus accrued interest and late fees and purchased the outstanding debt owed by ACS in the principal of \$400,000 plus accrued interest. As of June 30, 2003, this line of credit and debt are included in the balance of the Index rate plus 3% subordinated note payable to the stockholder.

On November 5, 2002, ACS completed a private placement of 8,500 shares of newly issued common stock raising \$4.5 million in total proceeds. The proceeds from this issuance have been used to repay debt and to support ACS' operations.

Inflation

Inflation did not have a significant impact on ACS' operations during the three and six month periods ended June 30, 2003 and 2002. ACS continues to monitor the impact of inflation in order to minimize its effects through pricing strategies, productivity improvements and cost reductions.

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Recent Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations (SFAS 143). This statement requires that the fair value for an asset retirement obligation be recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made, and that the carrying amount of the asset, including capitalized asset retirement costs, be tested for impairment. SFAS 143 is effective for fiscal years beginning after June 15, 2002. Adoption of this standard will not have any immediate effect on ACS' financial statements.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, Rescission of Statement of Financial Accounting Standards No. 4, 44, and 64, Amendment of Statement of Financial Accounting Standards No. 13, and Technical Corrections (SFAS 145). This statement eliminates the current requirement that gains and losses on debt extinguishment must be classified as extraordinary items in the income statement. Instead, such gains and losses will be classified as extraordinary items only if they are deemed to be unusual and infrequent, in accordance with the current GAAP criteria for extraordinary classification. In addition, SFAS 145 eliminates an inconsistency in lease accounting by requiring that modifications of capital leases that result in reclassification as operating leases be accounted for consistent with sale-leaseback accounting rules. The statement also contains other nonsubstantive corrections to authoritative accounting literature. The changes related to debt extinguishment are effective for fiscal years beginning after May 15, 2002, and the changes related to lease accounting are effective for transactions occurring after May 15, 2002. Adoption of this standard will not have any immediate effect on ACS' financial statements.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS 146), which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force (EITF) Issue No. 94-3. SFAS 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost was recognized at the date of a company's commitment to an exit plan. SFAS 146 also establishes that the liability should initially be measured and recorded at fair value. Accordingly, SFAS 146 may affect the timing of recognizing future restructuring costs as well as the amount recognized. Adoption of this standard will not have any immediate effect on ACS' financial statements.

In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others. Interpretation 45 requires disclosures in interim and annual financial statements about obligations under certain guarantees issued by ACS. Furthermore, it requires recognition at the beginning of a guarantee of a liability for the fair value of the obligation undertaken in issuing the guarantee, with limited exceptions including: 1) a parent's guarantee of a subsidiary's debt to a third party, and 2) a subsidiary's guarantee of the debt owed to a third party by either its parent or another subsidiary of that parent. The initial recognition and initial measurement provisions are only applicable

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on a prospective basis for guarantees issued or modified after December 31, 2002. Adoption of this standard will not have a material impact on ACS' financial statements.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards 148, Accounting for Stock-Based Compensation - Transition and Disclosure (SFAS 148), which amended Statement of Financial Accounting Standards 123, Accounting for Stock-Based Compensation (SFAS 123). The new standard provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. Additionally, the statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148, paragraphs 2(a) - 2(e), are effective for financial statements for the fiscal years ending after December 15, 2002. SFAS 148, paragraph 2(f), and the amendment to APB Opinion 28, Interim Financial Reporting, shall be effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. Earlier adoption is permitted. Adoption of this standard did not have any immediate effect on ACS' financial statements.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounts research Bulletin No. 51, Consolidated Financial Statements (FIN No. 46). FIN No. 46 explains how to identify variable interest entities and how an enterprise assesses its interest in a variable interest entity, to decide whether to consolidate that entity. The Interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. FIN No. 46 is effective immediately for variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. The Interpretation applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. Adoption of this standard did not have any immediate effect on ACS' financial statements.

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities (SFAS 149), which amends SFAS 133, Accounting for Derivative Instruments and Hedging Activities, to amend and clarify financial accounting and reporting for derivative instruments embedded in other contracts (collectively referred to as derivative and hedging activities). SFAS 149 is effective for contracts entered into or modified after June 30, 2003. Adoption of this standard did not have any immediate effect on ACS' financial statements.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liability and Equity (SFAS 150), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both debt and equity. It requires that an issuer classify a financial instrument that is within scope as a liability (or an asset in some circumstances) because that financial instrument embodies an obligation to the issuer. Effective June 30, 2003, ACS adopted SFAS 150, which will not have any immediate effect on ACS' financial statements. Adoption of this standard did not have any immediate effect on ACS' financial statements.

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BUSINESS OF PATIENT INFOSYSTEMS

You should read the following description of our business in conjunction with the information included elsewhere in this proxy statement. This description contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from the results discussed in the forward-looking statements as a result of certain of the factors set forth in "Risk Factors" and elsewhere in this proxy statement.

General

Patient Infosystems, Inc. ("Patient Infosystems") was incorporated in the State of Delaware on February 22, 1995 under the name DSMI Corp., changed its name to Disease State Management, Inc. on October 13, 1995, and then changed its name to Patient Infosystems, Inc. on June 28, 1996. Patient Infosystems' principal executive offices are located at 46 Prince Street, Rochester, New York 14607 and its telephone number is 585-242-7200. Patient Infosystems' Internet address is www.ptisys.com.

Patient Infosystems is a health management solutions company that integrates clinical expertise with advanced Internet, call center and data management capabilities. Founded in 1995 as a disease management company, Patient Infosystems has evolved to offer a comprehensive portfolio of products and services designed to improve patient clinical outcomes and quality of life, reduce healthcare costs and facilitate patient-provider-payor communication. Care Team Connect for Health, Patient Infosystems' principal product line that provides a complete solution for population health management, can be marketed as a comprehensive solution or a set of discrete services that complement a client's existing operations. Care Team Connect integrates a number of components that had historically been marketed by Patient Infosystems as stand alone products. During the 2002 year, the clinical content of these components were revised and all components were migrated to an updated technology platform. Care Team Connect includes the following:

- 1) Population Health Management and Analysis. Systems to collect, analyze and report data about an overall target patient population. These systems utilize telephone, Internet, electronic or print media as input sources and may be used for risk identification and stratification, obtaining information on care quality and patient/member satisfaction, and the provision of patient and provider education.
- 2) Disease Management. Patient-centered disease management and case management support systems designed to improve patient compliance with prescribed treatment protocols and to improve the process of patient management outside the traditional "office visit." The system utilizes trained telephone operators and computerized interactive voice response technology to communicate via telephone and gather relevant information directly from the patient. This data is subsequently automatically transmitted via electronic or print media to healthcare payors, providers and patients, as appropriate. These services are also available via the Internet.
- 3) Nurse Help Line and Demand Management. Services to facilitate the appropriate deployment of costly healthcare resources. These systems provide enrolled patients with 24-hour access to a registered nurse for access to health information and management of their care between episodes of medical intervention.

Patient Infosystems markets its services to a broad range of clients,

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including self-insured employers and trust funds, insurance companies, pharmaceutical and medical equipment and device manufacturers, pharmacy benefit managers ("PBMs"), other healthcare payors, such as managed care organizations ("MCOs") and healthcare providers, including integrated delivery networks ("IDN's").

Initially, during its first two years of operations, Patient Infosystems emphasized the development of disease management programs, which accounted for a substantial portion of its revenue through 1997. However, since 1998, Patient Infosystems has devoted resources to the development of other applications of its technology platform, including demand management, patient surveys, outcomes analysis and Internet-based capabilities. These additional products accounted for nearly 45% of the total revenue of Patient Infosystems during the fiscal year ended December 31, 2002 and accounted for 59% and 62% of total revenue of Patient Infosystems during the fiscal years ended December 31, 2001 and 2000, respectively.

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Recent Developments

During the fiscal year ended December 31, 2002, approximately 54% of Patient Infosystems' revenue came from two clients, AstraZeneca, Inc. ("Zeneca") and a healthcare insurance entity (the "Client"). Zeneca sponsored patients from an affiliate of Client (the "Sponsored Group") in a program operated by Patient Infosystems. Client directly sponsored patients from other of its affiliates in substantially the same program as that provided to the Sponsored Group. In September 2002, Patient Infosystems received notification from Zeneca that it intended to terminate its service agreement with Patient Infosystems as of January 1, 2003. In January 2003, Client assumed approximately 20% of the Sponsored Group under its service agreement with Patient Infosystems. In February 2003, Patient Infosystems received notification that Client intends to terminate its service agreement with Patient Infosystems, effective July 1, 2003. Neither Zeneca nor Client cited any dispute with or breach of any agreement by Patient Infosystems. Patient Infosystems has replaced this lost revenue with other client contracts, but no assurance can be given the new sources of revenue will be permanent.

On May 2, 2000, the Board of Directors of Patient Infosystems concluded that it was in the best long term interests of Patient Infosystems to seek a strategic merger partner. ACS was identified as a potential partner. A two and a half year dialogue with ACS culminated in an agreement by both parties to effect a strategic merger. The details of this transaction and dialogue leading to the transaction are outlined in detail in this proxy statement. An asset purchase agreement was approved by the Board of Directors of Patient Infosystems and executed on September 23, 2002 and subsequently amended on April 10, 2003 and July 30, 2003 (the "Asset Purchase Agreement"). The transactions contemplated by the Asset Purchase Agreement cannot be closed without approval of the stockholders of Patient Infosystems of an increase in the number of authorized shares of common stock of Patient Infosystems. Upon closing of the Asset Purchase Agreement, Patient Infosystems will change its name to American CareSource Corporation.

In December 2002, Patient Infosystems loaned to ACS \$200,000 of working capital, which was loaned to Patient Infosystems by Mr. Pappajohn. The loan from Patient Infosystems to ACS is secured by substantially all the assets of ACS. During January of 2003, Patient Infosystems made additional loans of \$300,000 to ACS under substantially the same terms. Furthermore, as of May 2, 2003, Patient Infosystems has loaned an additional \$1 million to ACS under substantially the

same terms.

On April 10, 2003, Patient Infosystems entered into a Note and Stock Purchase Agreement, which was subsequently amended on September 11, 2003, pursuant to which certain investors, including Mr. Pappajohn, a member of the Board of Directors, agreed to loan to Patient Infosystems an aggregate of up to \$3,500,000. In consideration for the loans, Patient Infosystems signed a series of promissory notes and issued an aggregate of 286,182 shares of Series D Preferred Stock to the investors. The 286,182 shares of Series D Preferred Stock are convertible into up to 34,341,840 shares of Patient Infosystems common stock subject to approval by Patient Infosystems' stockholders of the amendment to the Certificate of Incorporation to increase authorized capital stock. In addition, upon closing of the private placement of at least \$4 million of Patient Infosystems' capital stock, as contemplated by the Asset Purchase Agreement, the notes issued pursuant to the Note and Stock Purchase Agreement will be convertible into Series D Preferred Stock. The purpose of the loan from the investors is to provide funds for Patient Infosystems to loan to ACS to provide working capital for ACS' operations. The loan from Patient Infosystems to ACS is provided under a Credit Agreement, which was executed on April 10, 2003 and subsequently amended on July 30, 2003. In order to have sufficient shares of common stock reserved for issuance upon conversion of the Series D Preferred Stock, Patient Infosystems must increase its authorized capital stock.

In order to have sufficient shares of common stock reserved for issuance upon conversion of the Series D Preferred Stock, including shares of common stock underlying shares of Series D Preferred Stock issued upon conversion of the notes, we must increase our authorized capital stock.

Upon closing of the Acquisition, Patient Infosystems will change its name to American CareSource Corporation and will focus its business strategy on the development of the ancillary healthcare benefits management business currently conducted by ACS.

On February 1, 2003, Patient Infosystems initiated operations on a smoking cessation program for two healthcare insurance entities. The call center program is being offered through a strategic alliance with Behavioral Solutions, the developers of an innovative program using behavioral health counselors. This program represents a new product line for Patient Infosystems.

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Information Capture, Delivery and Analysis Technologies Utilizing the Internet

Patient Infosystems' technology platform integrates an advanced voice recognition telephone system, high-speed data processing and analysis capability, demand publishing and information distribution capabilities and behavior modification-based compliance algorithms with a real time Internet on-line communication system. The system utilizes its call center and Internet technology to communicate via telephone directly with the patient at home as well as with payors and providers in order to gather and deliver relevant patient data. Depending on a patient's response, situation-specific algorithms are applied to target future questions and thus help customize the collection of data.

Patient Infosystems' system analyzes and prepares the captured data for automatic delivery to the payor, provider and patient using its Internet and demand publishing capabilities. Patient Infosystems' Internet capabilities enable Patient Infosystems' systems to interface on a real-time basis with

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patients, payors and providers. Demand publishing technology enables the creation of highly individualized reports by inserting stored graphic images and text that can be customized for race, gender and age. These reports are also customized to the patient's specific situation, and the system can utilize the information received during contacts with the patient to customize the content of the report. The data relevant to the separate report for healthcare providers is formatted to be automatically transmitted via mail, fax or Internet.

Each contact with a patient contributes to the establishment of a longitudinal database, which can be analyzed to provide information about treatment modalities for patients, providers and payors. Patient Infosystems' system is designed to analyze patient compliance to prescribed treatment regimens and gather additional clinical information so that the patient's caregivers can develop improvements in such regimens.

Internet Capabilities

In 1999, Patient Infosystems acquired substantially all the assets of HealthDesk Corporation ("HealthDesk"), a consumer healthcare software company that focuses on general health and chronic disease management through ongoing targeted support for patients, families and caregivers. The acquired assets include HealthDesk OnLine and HealthDesk OnLine for Diabetes, which are both accessible through the Internet and on CD-ROM. Patient Infosystems also acquired HealthDesk's Care Team Connect product, which is accessible over the Internet and provides a communication mechanism to caregivers. Patient Infosystems uses the core technologies associated with the HealthDesk products to support Patient Infosystems' current Care Team Connect for Health product, which includes the case management support system, disease management, demand management, quality of life assessments and clinical data analysis.

Integrated Disease Management System

Patient Infosystems' primary application of its integrated information capture and delivery technology is its integrated Care Team Connect approach to chronic condition management---Care Team Connect for Asthma, Hypertension, Diabetes, and Congestive Heart Failure. This system is designed to assist patients in managing their chronic disease, to improve patient compliance with care plans, and, as a consequence, improve patient outcomes.

Patient Infosystems' disease management programs have been developed for targeted diseases on both a customized and standardized basis. All follow the same conceptual approach.

First, using a panel of medical and clinical experts, Patient Infosystems develops a disease-specific patient intervention and compliance program that includes a template for the integration of each patient's history, current medical status and treatment protocol. The panel identifies guidelines for generally accepted treatment protocols and diagnostic interventions for particular diseases and then uses these guidelines to determine an intervention protocol and the information to be gathered from the patient.

Second, when a patient is enrolled, a limited patient history is obtained, which may include the histories of the chronic illness, medications, and surgical procedures as well as other information deemed relevant by the disease-specific compliance program. This information is included in Patient Infosystems' database for each patient and is used to create the reports that are distributed to the patient's healthcare provider and payor, as well as to the patient.

Third, Patient Infosystems establishes periodic telephone contacts with each patient to monitor the patient's compliance with prescribed therapies, as well as the patient's overall health status treatment progress. Contacts are

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made in accordance with a designated patient contact schedule, which is established for each disease management program and the risk level identified for that particular patient. The frequency varies depending upon the disease under management and the goal of the applicable treatment.

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Fourth, the data gathered from the patient during each contact is processed and stored in Patient Infosystems' database. Using the information obtained from patient contacts and other available information regarding the patient and his or her treatment, personalized reports are prepared, typically following each patient contact, for evaluation by the patient, the patient's healthcare provider and, on a routine basis, payors.

Fifth, each patient enrolled in one of the disease management programs is provided with 24 hour telephonic access to a registered nurse for questions regarding his or her illness or other health information.

Patient Infosystems' demand publishing and Internet technology further support its disease management programs. These technologies enable Patient Infosystems to provide personalized behavior modification and educational materials to patients in addition to individual patient reports, which may include pictures, diagrams and informative discussions relating to the treatment course intended to modify or reinforce certain behaviors. At the same time, individual patient reports are provided to the healthcare provider. These reports are more factual in nature and contain the relevant clinical and behavioral information that has been gathered. On a routine basis, Patient Infosystems can provide summary information to the patient's healthcare payor with respect to patient progress and activity. The summary reporting for customers are made available through the Internet.

Patient Infosystems enrolled its first patients in a disease management program in October 1996, and has enrolled more than 532,000 patients in those programs through January 31, 2003.

Patient Infosystems' customer agreements, which are typically terminable without cause by either party, require payment to Patient Infosystems of operational fees. The amount of the program operational fee generally varies with the length, complexity and frequency of patient contacts as dictated by the respective program protocols. Patient enrollment in each of Patient Infosystems' programs will depend upon the identification and referral by Patient Infosystems' customers of patients to Patient Infosystems' system, which will vary from program to program. During the fiscal year ended December 31, 2002, Patient Infosystems has introduced a product enhancement to capture potential patient enrollments through the analysis of historical medical and pharmacy claims.

Patient Infosystems' disease specific management programs are as follows:

Asthma

Patient Infosystems has developed disease management programs for asthmatic patients that have been marketed to payors and other participants in the healthcare industry, and such programs have been provided to patients since 1997. Through January 31, 2003, Patient Infosystems has had approximately 15,000 patients participate in these programs.

Congestive Heart Failure

Patient Infosystems has services agreements to operate disease management programs to aid in the treatment of patients suffering from congestive heart

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failure. Patient Infosystems has completed the development of the program in the English and Spanish languages. These programs have been provided to patients since 1997, and through January 31, 2003, Patient Infosystems has had approximately 32,700 patients participate in the programs. During the fiscal year ended December 31, 2002, approximately 54% of Patient Infosystems' revenue came from two clients, AstraZeneca, Inc. ("Zeneca") and a healthcare insurance entity (the "Client"). Zeneca sponsored patients from an affiliate of Client (the "Sponsored Group") in a program operated by Patient Infosystems. Client directly sponsored patients from other of its affiliates in substantially the same program as that provided to the Sponsored Group. In September 2002, Patient Infosystems received notification from Zeneca that it intended to terminate its service agreement with Patient Infosystems as of January 1, 2003. In January 2003, Client assumed approximately 20% of the Sponsored Group under its service agreement with Patient Infosystems. In February 2003, Patient Infosystems received notification that Client intends to terminate its service agreement with Patient Infosystems, effective July 1, 2003. Neither Zeneca nor Client cited any dispute with or breach of any agreement by Patient Infosystems.

Diabetes

Patient Infosystems has developed disease management programs for diabetic patients that have been marketed to payors and other participants in the healthcare industry. These programs have been provided to patients since 1997, and through January 31, 2003, Patient Infosystems has had approximately 10,700 patients participate in these programs.

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Secondary Cardiovascular Disease

Patient Infosystems has entered into a services agreement with Bristol-Myers to develop, implement and operate a disease management program relating to the prevention of cardiovascular sequelae in patients who have recently experienced certain cardiovascular illnesses or treatments such as angina, cardiac bypass surgery or myocardial infarction. Patient Infosystems has completed the development of this program in both the English and Spanish languages. This program has been provided to patients since 1997, and through January 31, 2003, Patient Infosystems has had approximately 500 patients participate in this program.

Hypertension

Patient Infosystems has developed a compliance program for patients with hypertension that has been marketed to payors and other participants in the healthcare industry. Bristol-Myers and RxAmerica have each retained Patient Infosystems to provide this compliance program for patients who are suffering from hypertension and are enrolled in healthcare programs for which these companies provide services. Through January 31, 2003, approximately 830 patients have participated in this program.

Program Re-designs

During 2002, Patient Infosystems re-designed each of its disease management products in order to be more responsive to the market. Specific changes to the programs which are now operational under the Care Team Connect label include claims data analysis to identify patients with chronic disease and assign each risk level, targeted interventions by severity of the patient's disease, introduction of additional clinical content and inclusion of the Nurse 411 Demand Management service as a 24-hour nurse help line.

Pharmaceutical and Medical Equipment Support Programs

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Patient Infosystems has delivered custom programs sold to pharmaceutical and medical device manufacturers that are intended to add value to their direct to consumer marketing efforts. Patient Infosystems was retained by Bristol-Myers, Zeneca, Janssen and Abbott to develop and operate programs that support specific products in the areas of diabetes, anxiety, prostatitis and others. In September 2002, Patient Infosystems received notification that Zeneca intended to terminate its service agreement with Patient Infosystems as of January 1, 2003. As of January 31, 2003, approximately 32,000 patients have participated in Patient Infosystems' pharmaceutical and medical equipment support programs. In October 2000, Patient Infosystems was retained by Urologix, Inc. to develop and operate a Prostate Care Center to provide telephonic and Internet support for their direct to consumer advertising campaign. During the one year term of the Urologix agreement, 1,500 men participated in this program.

"Nurse411" demand management programs

Nurse411 provides a 24 hour telephonic help line for enrolled populations as well as demand management services. Demand management involves assisting providers in evaluating patient treatment needs to identify those patients who may not require immediate or intensive services. The goal of demand management is to reduce the need for, and use of, costly, often clinically unnecessary, medical services and arbitrary managed-care interventions while improving the overall quality of life of patients. During 2002, Patient Infosystems provided demand management services to approximately 142,700 enrollees.

Patient survey programs

Organizations in many different areas of the healthcare industry survey users regarding their products and services for a variety of reasons including regulatory, marketing and research purposes. Patient Infosystems' information systems, with their ability to proactively contact patients in a cost-efficient manner, may be used for this type of application. Patient Infosystems has developed a series of automated surveys ranging from general health to disease specific instruments. Through January 31, 2003, approximately 440,200 patients have participated in these survey programs.

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Internet-based products and services

Patient Infosystems' Case Management Support System ("CMSS") is an Internet-based software product that is used by case management organizations. The customer's case managers access the system using an approved browser and Internet Service Provider ("ISP") connection. (Browser and ISP are not supplied by Patient Infosystems.) The system enables case managers to effectively interface with, and utilize, Patient Infosystems' intervention programs for patient care planning and implementation improves case managers' efficiency and productivity. Additionally, the CMSS provides the case management organization with a reporting tool and a case distribution and documentation tool that can be used to better monitor and manage case management activity. Patient Infosystems licenses its CMSS software and operating system to customers who agree to an initial license fee plus ongoing user and support fees. There were no new sales of this product during 2002. As of January 31, 2003, there is one licensee.

Other Applications of the Integrated Information Capture and Delivery Technology

Outcomes Analysis

Patient Infosystems expects to utilize aggregate anonymous information gathered from patients enrolled in its programs to serve two purposes. First,

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information regarding treatment results, success of the compliance program and patient reaction to differing treatments or compliance protocols may be used by Patient Infosystems to further improve each disease-specific compliance program. Second, this information may be used by payors, pharmaceutical companies and healthcare providers to assist in the development of improved treatment modalities. Patient Infosystems has developed analytical methodologies using database management and information technologies.

Clinical Studies

Many pharmaceutical companies and contract research organizations are seeking more economical, efficient and reliable methods for compiling and analyzing clinical data in conducting clinical trials. Furthermore, many drug development protocols have begun to emphasize subjective criteria and outcomes information. Patient Infosystems believes that its system will allow it to develop programs tailored to the measurement of outcomes data relating to the conduct of later stage clinical trials. Patient Infosystems believes that its system can also assist pharmaceutical companies in studying and documenting the efficacy of approved products in order to provide ongoing information to the Food and Drug Administration or for marketing purposes.

Clinical Registry Technical Assistance

Patient Infosystems assists organizations with the development of clinical registries used to increase effective management of patients with chronic disease. Patient Infosystems is supporting the development, including project management and implementation, of a patient registry for federally qualified health centers, through a national initiative known as the Health Disparities Collaboratives. This project is administered as a subcontract through the Institute for Healthcare Improvement.

Sales and Marketing

Through 1997, Patient Infosystems' efforts focused primarily on the development of disease management programs. Beginning in 1998, Patient Infosystems began aggressively marketing the other services that its technology platform can provide including demand management, patient surveys, pharmaceutical support programs and outcomes analysis. Patient Infosystems markets its integrated disease management system to organizations within the healthcare industry that are involved in the treatment of disease or payment of medical services for patients who require complex or long-term medical therapies. These industry organizations include five distinct groups: pharmaceutical and medical equipment manufacturers, healthcare providers, pharmacy benefits managers, healthcare payors and self-funded trust funds/employer groups. As of July 2000, Patient Infosystems has also entered into an agreement with USI Administrators, Inc. along with several of its subsidiaries (collectively known as "USI"), one of the country's largest third-party administrators ("TPA"), to co-market its products and services to USI's potential employer client base. Similar agreements have been executed with ACS and Future Health. ACS is a company that provides claims processing services and ancillary network referral services to provider networks, managed care organizations and TPAs. Future Health is a population risk management company that provides risk identification case management, utilization management and disease management, primarily for self-funded employer groups. Patient Infosystems currently employs a sales and marketing staff of two persons to market its systems. In addition, the senior members of Patient Infosystems' management are actively engaged in marketing Patient Infosystems' programs.

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Studies have been conducted to document the clinical and cost benefits that result from the application of Patient Infosystems' integrated information capture and delivery system. The results of these studies are being used to supplement Patient Infosystems' marketing efforts. Patient Infosystems intends to continue to promote the benefits of its products through press releases, direct marketing and possibly through publication in clinical journals and presentations at scientific conferences referencing the favorable near term-results of these studies. To date, these studies have pertained to Patient Infosystems' asthma, diabetes and congestive heart failure programs.

Research and Development

Research and development expenses consist primarily of salaries, related benefits and administrative costs allocated to Patient Infosystems' research and development personnel. These personnel are actively involved in the conversion of Patient Infosystems' technology platform to a fully web-enabled design. Patient Infosystems' research and development expenses were \$105,614, or 4.5% of total revenues, for the fiscal year ended December 31, 2002, \$190,731, or 12.0%, of total revenues, for the fiscal year ended December 31, 2001, and \$305,543, or 14.3% of total revenues, for the fiscal year ended December 31, 2000. Research and development costs have decreased as Patient Infosystems has completed the development of its primary disease management programs. Patient Infosystems anticipates that the amount spent on research and development will remain relatively constant in future periods as it continues its internal process to update its products.

Employees

As of May 1, 2003, Patient Infosystems had 66 full and part-time employees.

Description of Properties

Patient Infosystems' executive and corporate offices are located in Rochester, New York in approximately 5,000 square feet of leased office space under an operating lease that expires on June 30, 2004. Patient Infosystems believes its offices are suitable to meet its current needs.

Legal Proceedings

Neither Patient Infosystems, nor any of its subsidiaries, is a party to any material legal proceeding, nor, to the knowledge of Patient Infosystems, is any such proceeding threatened against it or any of its subsidiaries.

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BUSINESS OF ACS

Overview

ACS is an ancillary health benefits management company. ACS assists health benefits plan sponsors such as preferred provider organizations ("PPOs"), third party administrators ("TPAs"), workers compensation benefits administrators, insurance companies, employers and unions improve the quality of ancillary care delivered to health plan members while reducing overall ancillary benefits costs.

Ancillary healthcare services are the non-physician, non-hospital portion of the healthcare market. Ancillary services represent approximately 20% of the

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U.S. healthcare market or approximately \$320 billion per year. ACS manages the administration of the ancillary benefits provided under group health plans and workers compensation plans.

American CareSource Corporation, an Indiana corporation, was formed in 1997. It was formerly known as Health Data Solutions, Inc. until its merger with American CareSource Corporation, a Delaware corporation, on July 31, 2001 when it changed its name to American CareSource Corporation. ACS' headquarters are located in Irving, Texas.

Ancillary Services

ACS manages the administration of ancillary health benefits. Ancillary benefits management involves the design and administration of programs aimed at reducing the costs and improving the quality and convenience of ancillary healthcare services.

Ancillary healthcare services include a broad array of services that supplement or support the care provided by hospitals and physicians, including the non-hospital, non-physician services associated with (i) operating surgery centers and free-standing diagnostic imaging centers, and (ii) providing home health and infusion, durable medical equipment, orthotics and prosthetics, laboratory and many other services. These ancillary services are provided to patients as benefits under group health plans and workers compensation plans.

Ancillary services include the following categories, among others:

- | | |
|--------------------------------|--------------------------------------------|
| o Outpatient Therapy/Rehab | o Orthotics and Prosthetics |
| o Home Health Services | o Pain Management |
| o Surgical Centers | o Specialty Pharmacy |
| o Laboratory Services | o Respiratory Services |
| o Home Infusion Therapy | o Sleep Studies |
| o Chiropractic Services | o Sub-Acute and Skilled Nursing Facilities |
| o Diagnostic Imaging/Radiology | o Hospice Services |
| o Dialysis Services | o Bone Growth Stimulators |
| o Durable Medical Equipment | |

ACS Clients

ACS manages ancillary benefits for PPOs, TPAs, workers compensation benefits administrators, utilization review companies, case management companies and other healthcare networks. These healthcare networks typically serve 25 to 150 healthcare payors and may cover 10,000 to several million lives. ACS currently has contracts with 22 such healthcare networks, including ppoNext, Medical Control, National Plan Network/Plan Vista, Accountable Health Plans of America, Inc. and Pinnacol Assurance (the primary administrator of workers compensation benefits for the State of Colorado). For the year ended December 31, 2001, revenue from Pinnacol Assurance was \$1.2 million (46% of ACS revenues), revenue from Lutheran Preferred was \$380,000 (15% of ACS revenues), revenue from APPO was \$290,000 (11% of ACS revenues), revenue from Kaiser was \$253,000 (10% of ACS revenues) and revenue from Sagamore was \$156,000 (6% of ACS revenues). For the year ended December 31, 2002, revenue from Pinnacol was \$2.8 million (29% of ACS revenues), revenue from Accountable Health Plans of America was \$1.8 million (19% of ACS revenues), revenue from Med Control was \$1.5 million (16% of ACS revenues), revenue from National Plan Network/ Plan Vista was \$1.1 million (11% of ACS revenues), revenue from ppoNext was \$911,000 (9% of ACS revenues) and revenue from Lutheran Health Network was \$522,000 (5% of ACS revenues).

Products and Services

General. Ancillary benefits management involves the design and administration of programs aimed at reducing the costs and improving the quality and convenience of ancillary services. Through these services, ACS offers its clients direct and administrative cost savings. Due to the large number of small, independent providers offering a wide range of different ancillary services, it is impractical for most ACS clients to negotiate the thousands of discounted fee-for-service provider contracts needed to control effectively the costs of ancillary care. For the same reasons, managing ancillary healthcare benefits represents an administrative burden and significant cost for ACS clients.

Through its contracts with over 5,000 ancillary services providers (with over 13,000 sites nationwide), ACS is able to offer its clients direct cost savings in the form of discounted rates for contracted services and administrative cost savings by functioning as a single point of contact for managing a comprehensive array of ancillary benefits. ACS benefits management services include processing the claims submitted by its covered providers, re-pricing the claims, submitting the claims for payment, receiving and disbursing claims payments and performing customer service functions for its clients and contracted providers. For PPO, TPA and similar clients, contracting with ACS also allows the clients to market comprehensive, efficient and affordable ancillary services benefits to their payor customers.

ACS' menu of services includes ancillary analysis, ancillary out-of-network negotiations, the creation of ancillary custom networks, ancillary reimbursement services, ancillary network management, ancillary utilization management support, ancillary systems integration, ancillary claims management, ancillary electronic claims services and ancillary call center services.

Description of Selected Services

Ancillary Network Analysis. ACS analyzes the available claims history from each client and develops a specific plan to meet its needs. This analysis identifies high-volume providers that are not already under contract with ACS. ACS attempts to contract with such out-of-network providers to maximize discount levels and ACS capture rates.

Out-of-Network Negotiations. For services performed by providers outside of the ACS network, ACS negotiates a discounted rate for the client on a case specific basis.

Custom Networks. ACS customizes its network to meet the needs of each client. In particular, ACS reviews the "out-of-network" claims history through its network analysis service and develops a strategy to create a network that efficiently serves the client's needs. This may involve adding additional providers for a client and removing providers the client wants excluded from their network.

Ancillary Reimbursement. ACS uses its network analysis to develop a single reimbursement level for all ancillary providers. A large national payor with 20,000 ancillary providers may have 20,000 different fee schedules and contracts to maintain. With ACS, there is only one fee schedule to maintain and that fee schedule is designed to increase the payor's overall discount level. ACS also processes denials and appeals for its clients and for its contracted providers, saving time and costs for both.

Ancillary Network Management. ACS manages ancillary service provider contracts, reimbursement and credentialing for its clients. This provides

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administrative benefits to ACS clients and reduces the burden on providers who typically must supply credentialing documentation and engage in contract negotiation with separate payors.

Ancillary Utilization Management Support. ACS provides support for utilization and case management efforts used by each payor. ACS facilitates pre-authorization at the point of referral based on pre-established criteria. ACS also "flags" cases for follow-up, review and concurrent reviews to ensure all the payor guidelines are followed by each service provider and the efficacy of services and progress of the patient is satisfactory. There are a large number of high demand cases that are subject to case management efforts. For those cases, ACS helps coordinate the supporting documentation and preparation of reports to manage and monitor progress and establishment of reserves for specific claims.

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Ancillary Systems Integration. ACS has created a Network Management System ("NMS") that enables it to manage many different customized accounts. NMS is also made available to the clients. ACS clients can maintain their provider and reimbursement data using NMS. This saves the client the time and cost of purchasing, installing and updating network management software.

Ancillary Reporting. ACS provides a complete suite of reports to each client monthly. The reports cover contracting efforts and capture rates, discount levels, referral volumes by service category and complete claims and utilization reports.

Ancillary Claims Management. ACS provides claims management services through its operation in Pittsboro, Indiana. ACS also has a contractual relationship with IDS Infotech LTD. located in Charndigarh, India for additional processing and programming support as needed. ACS can manage ancillary claims flow, both electronic and paper, and integrate into the client's process electronically or through repriced paper claims. ACS can also perform a number of customized processes that add additional value for each client. As part of the claims management process, ACS manages the documentation requirements specific to each payor. When claims are submitted from the service provider without required documentation, ACS works with the provider to get the documentation so that the claim is not denied by the payor. This also saves labor costs for the payors.

Ancillary Electronic Claims. ACS is working to improve its electronic claims process ("A-EDI"). An improved A-EDI may increase ACS revenue from current clients and future clients, decrease ACS processing costs and deepen ACS relationships with its clients. ACS estimates that at least 80% of all claims in ACS ancillary categories are submitted by paper. The cost for a payor to process these claims typically ranges between \$1.25 and \$2.00 per claim over the cost of an electronic claim submission.

The net effect of HIPAA regulations on an ancillary provider (who is not required to submit claims electronically) serves to further discourage electronic submission. The cost for a provider to submit a claim electronically averages between \$0.50 and \$0.80 per claim. Most clearinghouses plan to charge additional fees for other transactions such as eligibility, benefit and claim status that further raise the provider's electronic costs.

Ancillary Call Center. ACS staffs a 24/7 call center to provide customer

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service, referral management and support for providers, patients and clients. ACS believes that this service increases patient satisfaction. For example, a patient who has just been discharged from the hospital or an inpatient rehabilitation facility may require home care, infusion and durable medical equipment which may all be supplied by different providers. A patient can schedule all three services with one call to ACS. ACS will also follow up with the patient to ensure that the services or products were delivered as expected.

ACS Contracted Providers

Provider Base. ACS' base of contracted providers includes over 13,000 sites nationwide. The contracted providers range from sole proprietor service providers to large corporations. ACS seeks to identify and utilize providers who offer efficient, high quality services in each of the local markets it services. Using its provider profiling, quality control and outcomes assessments capabilities, ACS regularly adds and removes ancillary services providers from its recommended lists for its payor customers.

Advantages for Providers. ACS offers ancillary providers improved administrative efficiency, access to claims automation and other systems, improved competitiveness and access to the large patient populations covered by ACS healthcare network clients.

- o Administrative efficiency. ACS provides administrative services for its contracted providers, including patient scheduling services, call center services, payor contracting services, and billing and collection services. These services save costs for ACS contracted providers and are intended to improve their administrative efficiency.

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- o Claims automation and systems. For economic and other reasons, many payors seek to increase the percentage of their claims that are processed electronically. Electronic claims are generally processed and paid more rapidly, yielding cash flow advantages to providers that are able to submit claims electronically. Many providers of ancillary services, however, are small, independent businesses with limited financial, technical, technological and management resources. It is impractical for such providers to develop and maintain the claims automation and other systems needed to take advantage of payor preferences for electronic claims. ACS allows ancillary providers to access the advantages of automated claims processes, including faster payments of claims and improved administration. In addition, the net effect of HIPAA regulations on an ancillary provider (who is not required to submit claims electronically) serves to further discourage electronic submission. The cost for a provider to submit a claim electronically averages between \$0.50 and \$0.80 per claim. Most clearinghouses plan to charge additional fees for other transactions such as eligibility, benefit and claim status that further raises the provider's electronic costs.
- o Improved Competitiveness. ACS manages ancillary claims using a standardized reimbursement methodology that brings consistency and clarity to ancillary benefits management. By contracting with ACS, the claims of ancillary providers are submitted by ACS using this standardized methodology. This standardization, combined with ACS administrative services and the claims automation services described above, improve the competitiveness of independent providers of ancillary services.

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- o Access to member populations. By contracting with ACS, an ancillary provider becomes an eligible provider for members of the health plans administered by ACS clients. ACS uses its call center and other programs to assist payors and their members in locating appropriate ancillary providers.

The collective impact of these benefits allows ACS to negotiate provider fee schedules with significant discounts, particularly for ancillary providers that have fixed facility, equipment or other costs.

Sales and Marketing

ACS markets its products and services through independent contractors providing commission salespersons. Additionally, ACS contracts with outside sales organizations that have expertise in particular sub-markets or portions of ACS target markets.

ACS currently focuses its sales and marketing efforts on healthcare networks such as PPOs, TPAs and similar organizations. The typical network has between 25 and 150 payor clients. ACS seeks cross-selling and up-selling opportunities within its client network organizations and with the payors served by its client networks.

ACS Revenues

As part of its ancillary benefits management services, ancillary providers submit claims at full retail charges to ACS for services performed for covered members. ACS re-prices these claims under the relevant payor fee schedules, performs electronic conversion and HIPAA formatting services, and submits the re-priced claims to the appropriate payors. After adjudication of the claims by the payor, the payor issues an explanation of benefits and check for each claim. In most cases, these checks are sent to ACS. ACS then pays the providers under the relevant provider fee schedules. The difference between the amounts received by ACS from its clients and the amounts paid by ACS to its contracted providers represents ACS' gross margin on its benefits management services.

Competition

While ACS is aware of no competitor that currently offers ancillary benefits management services similar to its own, several companies offer benefits or other management services relating to workers compensation benefits and specific categories of ancillary services. It should be noted that ACS provided its services for the workers compensation market until January 2001 when it expanded into the group health market. Its growth in the group health market may encourage other companies active in the workers compensation market to develop service offerings competitive with ACS in the group health market. Similar competitors may include companies that have created niche market management businesses, such as companies aggregating or managing chiropractic services, sub-acute healthcare services (such as so-called step-down facilities) and laboratory services.

Pharmacy benefit management companies ("PBMs") represent actual or potential competitors. ACS is developing an ancillary benefits management business model that in some respects is analogous to the business model employed by PBMs. These companies manage pharmacy benefits for health plan providers, and in some cases manage selected ancillary benefits as well. A number of these companies are very large, including Merck-Medco, Express Scripts, AdvancePCS and Caremark Rx, all of whom have revenues over \$1 billion per year. These and other

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PBMs possess substantially greater financial and personnel resources than ACS, have current contracts with large numbers of payors and could enter the ancillary benefits management market. ACS considers these companies to be potential acquirers of its business.

In addition to the companies described above, a large number of companies offer health benefit plans and related services to payors and other groups. These plans cover hospital and physician services, as well as ancillary services. While these companies are potential competitors for ACS, they also constitute the core of ACS current client base and its potential client pool.

Employees

ACS currently has approximately 66 full time employees, approximately 38 of which are employed at our facilities in Irving, Texas and approximately 28 of which are employed at our facility in Pittsboro, Indiana. None of ACS employees are covered by a collective bargaining agreement and ACS believes that its relationships with its employees are good.

Description of Properties

ACS corporate, executive and operational offices are located in Irving, Texas in approximately 18,400 square feet of office space. The lease for this property expires on April 30, 2008. These offices are leased from Today Tristar, L.P., an entity controlled by Werner Eric Brauss, a director and stockholder of ACS. ACS believes that the terms of its lease with Today Tristar, L.P. are reasonable and not less favorable to ACS than the fair market value of the facilities leased.

ACS operational offices for claims administration, management, marketing and sales, and processing are located in Pittsboro, Indiana in approximately 7,500 square feet of office space. The lease for this property expires on July 31, 2008.

ACS believes that its plants and facilities are suitable and adequate, and have sufficient capacity, to meet its current needs.

Legal Proceedings

ACS is not is a party to any material legal proceedings.

Inde-Dutch

Since 1996 ACS has maintained a contractual relationship with IDS Infotech Ltd. ("Inde-Dutch") to process claims. Inde-Dutch is a volume based information technology management company, located in Chandigarh, India, approximately 150 miles north of New Delhi. Inde-Dutch employs over 100 programmers and processors who provide programming services to ACS via satellite on a daily basis.

Through satellite linkage, ACS and Inde-Dutch transfer high volumes of data for processing on a daily basis. Inde-Dutch provides ACS with technology expertise and experience on an economical and efficient basis. By utilizing the intellectual human resources and labor available in India through Inde-Dutch, ACS is able to reduce the cost of programmers and processors essential to its operations.

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MARKET PRICE AND DIVIDEND INFORMATION

Patient Infossystems' stock was traded on the Nasdaq National Market until September 14, 2000 and is now traded on the Over-the-Counter Bulletin Board. The following table sets forth, for the periods indicated, the high and low sale price for Patient Infossystems common stock on the Nasdaq National Market and the Over-the-Counter Bulletin Board.

	High	Low
2001		
First Quarter	\$0.20	\$0.09
Second Quarter	\$0.43	\$0.06
Third Quarter	\$0.29	\$0.17
Fourth Quarter	\$0.17	\$0.04
2002		
First Quarter	\$0.20	\$0.06
Second Quarter	\$0.20	\$0.12
Third Quarter	\$0.30	\$0.09
Fourth Quarter	\$0.51	\$0.08
2003		
First Quarter	\$0.26	\$0.14
Second Quarter	\$0.25	\$0.08
Third Quarter (through September 12, 2003)	\$0.25	\$0.08

On October 16, 2002, the last full trading day prior to the public announcement of the Acquisition, the closing sale price of Patient Infossystems common stock was \$0.30 per share after a high of \$0.35 and a low of \$0.25 during the course of trading that day. On September 12, 2003, the closing sale price of Patient Infossystems common stock was \$0.16 per share.

The prices set forth above reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

The approximate record number of holders of Patient Infossystems common stock as of September 12, 2003 is 83.

Patient Infossystems is paying 9% cumulative dividends on its Series C Preferred Stock. Patient Infossystems anticipates payment of dividends on this class of stock annually and expects that it may be required to pay additional dividends on any classes of preferred stock that may be issued to raise working capital. Patient Infossystems has not paid any dividends on its common stock and does not anticipate payment of dividends on its common stock in the foreseeable future.

Patient Infossystems is paying 9% cumulative dividends on its Series D Preferred Stock. Patient Infossystems anticipates payment of dividends on this class of stock annually and expects that it may be required to pay additional dividends on any classes of preferred stock that may be issued to raise working capital. Patient Infossystems has not paid any dividends on its common stock and does not anticipate payment of dividends on its common stock in the foreseeable future.

ACS

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ACS' common stock is not traded in any public market. ACS has never paid any cash dividends and does not contemplate the payment of cash dividends in the foreseeable future. As of September 12, 2003, there were approximately 17 holders of record of ACS common stock.

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VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The following table sets forth certain information regarding the beneficial ownership of Patient Infossystems common stock as of June 30, 2003 for (i) each person or entity who is known by us to own beneficially more than five percent of our common stock; (ii) each named executive officer listed in the Summary Compensation table below; (iii) each director of Patient Infossystems; and (iv) all directors and executive officers as a group.

Beneficial Owner (1)	Number of Shares (2)	Percent of Class (2)

John Pappajohn (3)	4,197,495	36.84%
Derace L. Schaffer (4)	2,487,307	22.22%
Edgewater Private Equity Fund II, L.P., 900 North Michigan Avenue, 14th Floor Chicago, IL 60611	970,000	8.85%
Roger Louis Chaufourmier (5)	281,000	2.50%
Christine St. Andre (6)	210,000	1.88%
Kent A. Tapper (7)	115,100	1.04%

All directors and executive officers as a group (5 persons)	8,260,902	67.52%

- (1) Unless otherwise noted, the address of each of the listed persons is c/o Patient Infossystems at 46 Prince Street, Rochester, New York 14607.
- (2) Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of June 30, 2003 are deemed outstanding. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name. The percentage beneficial ownership is based on 10,956,424 shares of common stock outstanding as of June 30, 2003.
- (3) Includes 360,000 shares held by Halkis, Ltd., a sole proprietorship owned by Mr. Pappajohn, 360,000 shares held by Thebes, Ltd., a sole proprietorship owned by Mr. Pappajohn's spouse and 360,000 shares held directly by Mr. Pappajohn's spouse. Mr. Pappajohn disclaims beneficial ownership of the shares owned by Thebes, Ltd. and by his spouse. Includes options to purchase 36,000 shares that are either currently exercisable or

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that become exercisable within 60 days of June 30, 2003 and 400,000 common stock equivalents for 50,000 shares of Series C Preferred Stock beneficially owned as of June 30, 2003. Does not include 32,268,550 shares of Patient Infosteams common stock resulting from the conversion of \$4,135,000 in debt and \$382,597 of accrued interest. Such shares will be issued upon approval of Patient Infosteams' stockholders of the amendment of the certificate of incorporation to increase the authorized capital stock.

- (4) Includes 288,000 shares held by Dr. Schaffer's minor children. Also includes 36,000 shares that are issuable upon the exercise of options that are either currently exercisable or that become exercisable within 60 days of June 30, 2003 and 200,000 common stock equivalents for the 25,000 shares of Series C Preferred Stock beneficially owned as of June 30, 2003. Does not include 2,878,586 shares of Patient Infosteams common stock resulting from the conversion of \$347,500 in debt and \$55,502 of accrued interest. Such shares will be issued upon approval of Patient Infosteams' stockholders of the amendment of the certificate of incorporation to increase the authorized capital stock.

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- (5) Includes options to purchase 281,000 shares that are either currently exercisable or that become exercisable within 60 days of June 30, 2003. Does not include 119,000 shares subject to outstanding options that are not exercisable within 60 days of June 30, 2003.
- (6) Includes options to purchase 210,000 shares that are either currently exercisable or that become exercisable within 60 days of June 30, 2003. Does not include 90,000 shares subject to outstanding options that are not exercisable within 60 days of June 30, 2003.
- (7) Includes options to purchase 115,000 shares that are either currently exercisable or that become exercisable within 60 days of June 30, 2003. Does not include 21,000 shares subject to outstanding options that are not exercisable within 60 days of June 30, 2003.

PRO FORMA VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The following table sets forth certain information regarding the beneficial ownership of Patient Infosteams common stock as of October 15, 2003 for (i) each person or entity who is known by us to own beneficially more than five percent of our common stock; (ii) each named executive officer listed in the Summary Compensation table below; (iii) each director of Patient Infosteams; and (iv) all directors and executive officers as a group, giving effect to (a) the Acquisition, (b) the conversion of \$4,482,500 in debt and \$438,099 of accrued interest owed to Mr. Pappajohn and Dr. Schaffer into 35,147,136 shares of Patient Infosteams common stock and (c) the 1 for 12 reverse stock split.

Beneficial Owner (1)	Number of Shares	Percent of Class

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ACS (2)	2,091,366	35.14%
John Pappajohn (3)	6,277,474	68.04%
Derace L. Schaffer (4)	873,007	13.96%
Roger Louis Chaufourmier (5)	23,417	*
Christine St. Andre (6)	17,500	*
Kent A. Tapper (7)	9,591	*
Principal Life Insurance Company c/o Principal Global Investors, LLC 801 Grand Avenue Des Moines, Iowa 50392	3,462,340	36.78%
<hr style="border-top: 1px dashed black;"/>		
All directors and executive officers as a group (5 persons)	12,754,695	97.79%

* Less than 1% beneficial ownership.

(1) Unless otherwise noted, the address of each of the listed persons is c/o Patient Infosystems at 46 Prince Street, Rochester, New York 14607.

(2) Includes 2,091,366 shares of common stock issuable to ACS pursuant to the Asset Purchase Agreement, on a pro forma basis.

(3) Includes 30,000 shares held by Halkis, Ltd., a sole proprietorship owned by Mr. Pappajohn, 30,000 shares held by Thebes, Ltd. a sole proprietorship owned by Mr. Pappajohn's spouse and 65,660 shares held directly by Mr. Pappajohn's spouse. Mr. Pappajohn disclaims beneficial ownership of the shares owned by Thebes, Ltd. and by his spouse. Includes options to purchase 3,000 shares that are either currently exercisable or that become exercisable within 60 days of October 15, 2003 and 600,000 common stock equivalents for 50,000 shares of Series C Preferred Stock beneficially owned as of October 15, 2003.

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(4) Includes 24,000 shares held by Dr. Schaffer's minor children. Also includes 3,000 shares that are issuable upon the exercise of options that are either currently exercisable or that become exercisable within 60 days of September 15, 2003 and 300,000 common stock equivalents for the 25,000 shares of Series C Preferred Stock beneficially owned as of October 15, 2003.

(5) Includes options to purchase 23,417 shares that are either currently exercisable or that become exercisable within 60 days of September 15, 2003. Does not include 9,916 shares subject to outstanding options that are not exercisable within 60 days of October 15, 2003.

(6) Includes options to purchase 17,500 shares that are either currently exercisable or that become exercisable within 60 days of September 15, 2003. Does not include 7,500 shares subject to outstanding options that are not exercisable within 60 days of October 15, 2003.

(7) Includes options to purchase 9,591 shares that are either currently exercisable or that become exercisable within 60 days of September 15, 2003. Does not include 1,750 shares subject to outstanding options that are not exercisable within 60 days of October 15, 2003.

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MANAGEMENT OF PATIENT INFOSYSTEMS

The following table sets forth the names, ages and principal positions of the directors and executive officers of Patient Infosystems.

Name	Age	Title
Derace L. Schaffer	54	Chairman of the Board of Directors
Roger Louis Chaufournier	44	President, Chief Executive Officer and Director
John Pappajohn	75	Director
Christine St. Andre	51	Chief Operating Officer
Kent Tapper	46	Vice President, Financial Planning and Chief Financial Officer

Derace L. Schaffer, M.D. Dr. Schaffer has been Chairman of the Board and a Director of Patient Infosystems since its inception in February 1995. Dr. Schaffer is President of the Ide Imaging Group, P.C., as well as the Ian Group, a venture capital firm specializing in healthcare and high technology investments. He serves as a director of the following public companies: Allion Healthcare, Inc. and Radiologix, Inc. He is also a director of several private companies, including Analytika, Inc., Card Systems, Inc. and Logisticare, Inc. Dr. Schaffer is a board certified radiologist. He received his postgraduate radiology training at Harvard Medical School and Massachusetts General Hospital, where he served as Chief Resident. Dr. Schaffer is a member of Alpha Omega Alpha, the national medical honor society, and is Clinical Professor of Radiology at the University of Rochester School of Medicine. Dr. Schaffer provides services to Patient Infosystems on a part-time basis.

Roger Louis Chaufournier. Mr. Chaufournier has been the President and Chief Executive Officer of Patient Infosystems since April 1, 2000. Prior to joining Patient Infosystems, Mr. Chaufournier was President of the STAR Advisory Group, a healthcare consulting firm he founded in 1998. From August 1996 to July 1999, Mr. Chaufournier was the Chief Operating Officer of the Managed Care Assistance Company, a company that developed and operated Medicaid health plans. Managed Care Assistance Company filed for protection under the federal bankruptcy laws in June 2000. From 1993 to 1996, Mr. Chaufournier was Assistant Dean for Strategic Planning for the Johns Hopkins University School of Medicine. In addition, Mr. Chaufournier spent twelve years in progressive leadership positions with the George Washington University Medical Center from 1981 to 1993. Mr. Chaufournier was also Chairman of the Board and acting President of Metastatin Pharmaceuticals, a privately held company developing therapeutics in the area of prostate cancer. Mr. Chaufournier was a three time Examiner with the Malcolm Baldrige National Quality Award and has served as the national facilitator for the federal Bureau of Primary Health Care chronic disease collaboratives.

John Pappajohn. Mr. Pappajohn has been a Director of Patient Infosystems since its inception in February 1995, and served as its Secretary and Treasurer from inception through May 1995. Since 1969, Mr. Pappajohn has been the sole owner of Pappajohn Capital Resources, a venture capital firm and President of Equity

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Dynamics, Inc., a financial consulting firm, both located in Des Moines, Iowa. He serves as a Director for the following public companies: Allion Healthcare, Inc., MC Informatics, Inc. and Pace Health Management Systems, Inc.

Christine St. Andre. Ms. St. Andre has been the Executive Vice President and Chief Operating Officer of Patient Infosystems since June 5, 2000. Ms. St. Andre has more than 20 years experience managing complex healthcare organizations. From 1994 to 2000, Ms. St. Andre was Chief Executive Officer for the University of Utah Hospitals and Clinics. Prior to 1994, Ms. St. Andre served as Chief Executive Officer of George Washington University Medical Center. Ms. St. Andre's career in healthcare began in the area of information technology at the Thomas Jefferson University.

Kent Tapper. Mr. Tapper has been Vice President, Financial Planning of Patient Infosystems since April 1999. Mr. Tapper has served as Chief Information Officer and Vice President, Systems Engineering and has been with Patient Infosystems since July 1995. Mr. Tapper became the acting Chief Financial Officer of Patient Infosystems in April 2000. From 1992 to 1995, Mr. Tapper served as Product Manager, Audio Response and Call Center Platforms for Northern Telecom, Inc. From 1983 to 1992, Mr. Tapper held Product Manager, Systems Engineering Manager and various engineering management positions with Northern Telecom.

Board Composition and Committees

We currently have three directors, each serving a term until the next annual meeting of stockholders. Under the terms of the shareholders' agreement to be entered into upon consummation of the Acquisition, the parties of the shareholders' agreement will agree to vote all shares of Patient Infosystems owned by them in favor of the election of John Pappajohn, Derace Schaffer, Mark Bodnar, one reasonably qualified individual designated by Eric Brauss, Mark Bodnar and Michael Caolo, Jr. and one reasonably qualified individual designated by John Pappajohn and Derace Schaffer as members of the Board of Directors of Patient Infosystems.

MANAGEMENT OF ACS

The following table sets forth the names, ages and principal positions of the directors and executive officers of ACS.

Name	Age	Title
Robert Prosek	58	Chief Executive Officer and President
Mark Bodnar	40	Executive Vice President, Director
Michael Caolo, Jr.	58	Executive Vice President of Corporate Development, General Counsel
Maria L. Baker	53	Vice President Business Development
Jennifer Boone	44	Vice President of Network Development and Client Services
Werner Eric Brauss	59	Director
Susan Shelton	47	Director

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Robert Prosek. Mr. Prosek has served as the Chief Executive Officer of ACS since January 2003. Mr. Prosek is a senior healthcare executive who has had a successful career in early stage, turnaround and growth companies. From 1998 until 2002, Mr. Prosek was the Chairman of the Board and Chief Executive Officer of AccentCare, Inc, a specialty elder care service company. Mr. Prosek was previously Chief Executive Officer of Asthma and Allergy Care America (AACA), a specialty physician practice management company until 1997. Mr. Prosek has also previously served as President and Chief Executive Officer of Care Partners, a provider of home infusion therapy and interactive home medical monitoring services, and as President of Psicor, the nations leading provider of turnkey cardiopulmonary services to open heart hospitals.

Mark Bodnar. Mr. Bodnar has worked in the healthcare industry in the United States for the past 18 years focusing on the automation of healthcare claims administration and adjudication. He founded Health Data Solutions, Inc. ("HDS") in 1997 to perform data processing and claims automation for healthcare companies and organizations and has served as its President, Chief Executive Officer and a director since that time. In July 2001, HDS acquired the business of American CareSource in Dallas, Texas ("Old ACS"), and changed its corporate name to American CareSource. From 1995 to 1997, Mr. Bodnar worked as a healthcare consultant for the automation of claims administration and adjudication in Ohio and surrounding states. From 1983 to 1995, Mr. Bodnar worked in various capacities relating to claims adjudication, customer relations, information technology, claims automation and managed care for several insurance companies and managed care organizations, including Aetna Insurance, Blue Cross/Blue Shield of Ohio, Blue Cross/Blue Shield Super Group PPO and Health Power HMO (Columbus, Ohio). He attended the University of Toledo studying towards a major in computer programming.

Michael Caolo, Jr. Mr. Caolo has served as General Counsel and Executive Vice President of Corporate Development of ACS since 2001. Mr. Caolo co-founded Old ACS and served as general counsel and a director of that company from 1994 until it was acquired by HDS in 2001. Mr. Caolo is an attorney whose practice focused on start-up companies, transaction-oriented entrepreneurs and emerging growth businesses. He was a co-founder and served as a director and as general counsel of several companies, including Snyder General Corporation, a manufacturer of air conditioning, heating and ventilation equipment, Eddie Hagggar LTD., Inc. a Dallas-based women's apparel manufacturing company, Emerald Petroleum Corporation, an independent oil and gas exploration company, and Millbrook Corporation, a Dallas-based physician office practice management software company. Mr. Caolo received a B.A. from the University of Notre Dame and J.D. from the University of Texas School of Law.

Maria L. Baker. Ms. Baker has served as Vice President Business Development of ACS since January 2002. From 1994 through 2001, Ms. Baker held various positions with Medical Control, Inc., a preferred provider organization located in Dallas, Texas, and most recently was Vice President Network Development of that company. After Medical Control, Inc. was purchased by ppoNext, Inc., a preferred provider organization based in Long Beach, California, in 2001, Ms. Baker served as Regional Vice President of Provider Relations of ppoNext until joining ACS. Ms. Baker holds a Bachelor of Arts from Texas Tech University.

Jennifer Boone. Ms. Boone joined ACS in January 1996, and has served as Vice President of Network Development and Client Services since 2001. From 1995 to 1996, Ms. Boone held various positions at Genex Services, a managed care organization located in Dallas, Texas, and most recently was a case manager for lost time cases for that company. From 1992 to 1995, Ms. Boone was the Director of Admissions at BTS Healthcareers, a career school located in Dallas, Texas. Prior to 1992, Ms. Boone worked as a licensed nurse at Midway Park Hospital and

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as a registered nurse at Dallas-Fort Worth Hospital where she was responsible for admissions and the development of Care Plans. Ms. Boone has maintained several certifications such as CCM (certified case manager) and CADAC (certified alcohol and drug abuse counselor). She holds nursing degrees from Baylor University and Excelsior University.

Werner Eric Brauss. Mr. Brauss has been a director of ACS since July 2001. Since 1990 he has been the President and owner of Today Realty Advisors, a real estate management company based in Dallas, Texas, that owns and manages over 100 commercial, retail and multi-family properties in Texas.

Susan Shelton. Ms. Shelton has been a director of ACS since July 2002. Since 1992, Ms. Shelton has been employed by Today Realty Advisors, Inc., a real estate management company based in Dallas, Texas, that owns and manages over 100 commercial, retail and multi-family properties in Texas. Today Realty Advisors, Inc. is owned by Werner Eric Brauss, a director and stockholder of ACS. Since August 1997, Ms. Shelton has been the Chief Operating Officer of Today Realty Advisors, Inc. She oversees Today Realty Advisors' acquisitions, dispositions and financing of real estate properties, as well as its operations, construction and development activities. Ms. Shelton holds a B.S. from East Texas State University.

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COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information concerning the annual and long-term compensation for services in all capacities to Patient Infossystems and its subsidiary for each of the fiscal years ended December 31, 2002, 2001 and 2000 for those persons who were at December 31, 2002, (i) the Chief Executive Officer and (ii) certain other executive officers of Patient Infossystems who received compensation in excess of \$100,000 during the year ended December 31, 2002 (the "Named Executive Officers"):

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation
		Salary (\$)	Bonus (\$)	
Roger L. Chaufournier, President and Chief Executive Officer (1)	2002	\$180,841	-	
	2001	\$196,502	-	2
	2000	\$151,546	-	2
Christine St. Andre, Chief Operating Officer (2)	2002	\$157,512	-	
	2001	\$171,893	-	1
	2000	\$97,885	-	1
Kent A. Tapper, Vice President, Financial Planning	2002	\$107,942	-	
	2001	\$116,628	-	1
	2000	\$119,335	-	

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- (1) Mr. Chaufournier was appointed President and Chief Executive Officer as of March 23, 2000.
- (2) Ms. St. Andre was appointed Chief Operating Officer as of June 5, 2000.

Neither the Chief Executive Officer nor any of the Named Executive Officers of Patient Infossystems was awarded stock options during 2002.

No stock options were exercised by the Chief Executive Officer or any of the Named Executive Officers of Patient Infossystems during 2002. The following table sets forth certain information regarding unexercised options held by the Chief Executive Officer and the Named Executive Officers of Patient Infossystems at December 31, 2001. The table does not give effect to grants of options that occurred after December 31, 2002.

Name	Aggregated Option Exercises and Fiscal Year End Option Values			
	Number of securities underlying unexercised options at December 31, 2002 (#)		Value of unexercised in-the-money options at December 31, 2002 (\$)(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Roger Chaufournier	228,000	172,000	\$ 1,850	\$ 650
Christine St. Andre	170,000	130,000	\$ 1,375	\$ 500
Kent Tapper	108,000	28,000	\$ 3,096	\$ 350

- (1) Calculated based upon \$0.20 market value of the underlying securities as of December 31, 2002.

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401(k) Profit Sharing Plan

Patient Infossystems adopted a 401(k) Profit Sharing Plan. The 401(k) plan is available to all employees who have attained age 21. An employee may contribute a portion of their wages on a pre-tax basis, subject to limitations specified under the Internal Revenue Code. Under the terms of the 401(k) plan, Patient Infossystems may make a discretionary matching contribution equal to a percentage of the employee's contribution to the 401(k) plan and a discretionary amount determined annually by Patient Infossystems and divided among eligible participants based upon an employee's annual compensation in relation to the aggregate annual compensation of all eligible participants. Contributions are allocated to each employee's individual account and are, at the employee's election, invested in one, all or some combination of the investment funds available under the 401(k) plan. Employee contributions are fully vested and non-forfeitable. Any matching or discretionary contributions vest 25% for each year of service. To date, Patient Infossystems has not made any matching contributions under the 401(k) plan.

Employment Arrangements

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Pursuant to the Asset Purchase Agreement, we agreed to enter into an employment agreement with Mark Bodnar on the closing date of the Asset Purchase Agreement. Under the terms of his agreement, Mr. Bodnar will serve as our Executive Vice President, Business Development