EMDEON CORP
Form 10-K/A
August 30, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K/A

Amendment No. 2 to

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2005

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 0-24975

Emdeon Corporation
(Exact name of registrant as specified in its charter)

Delaware	**94-3236644**
(State of incorporation)	*(I.R.S. employer identification no.)*
669 River Drive, Center 2 **Elmwood Park, New Jersey**	**07407-1361**
(Address of principal executive office)	*(Zip code)*

(201) 703-3400
(Registrant s telephone number including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.0001 per share
(Title of each class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ   No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o   No þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ   No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ   Accelerated filer o   Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes o   No þ

As of June 30, 2005, the aggregate market value of the registrant s common stock held by non-affiliates was approximately $3,427,800,000 (based on the closing price of the common stock of $10.27 per share on that date, as reported on the Nasdaq Stock Market s National Market and, for purposes of this computation only, the assumption that all of the registrant s directors and executive officers are affiliates).

As of March 10, 2006, there were 275,053,733 shares of Emdeon common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

This Amendment No. 2 to our Annual Report on Form 10-K for the year ended December 31, 2005 is being filed to amend the financial statements previously filed pursuant to Item 15 of the Annual Report in order to include additional information regarding: (1) the components of our revenue, divided into products revenue and services revenue; and (2) the related costs of operations for those two types of revenue. We are not making any changes to the total amount of revenue or to the total amount of costs of operations previously included in such financial statements. In addition, we are not making any changes to any other amounts previously included in such financial statements. We have previously provided, on an unaudited basis in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, the same information regarding components of revenue and of costs of operations now reflected in the attached financial statements on an audited basis. This Amendment No. 2 does not update, for subsequent events, any of the disclosures contained in our Annual Report on Form 10-K, as previously amended.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a)(1)-(2) Financial Statements and Schedules

The financial statements and schedules listed in the accompanying Index to Consolidated Financial Statements and Supplemental Data on page F-1 are filed as part of this Report.

(a)(3) Exhibits

See Index to Exhibits beginning on page E-1, which is incorporated by reference herein. The Index to Exhibits lists all exhibits filed with this Report and identifies which of those exhibits are management contracts and compensation plans.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 30th day of August, 2006.

EMDEON CORPORATION

By: /s/ Andrew C. Corbin

Andrew C. Corbin
Executive Vice President and
Chief Financial Officer

Emdeon Corporation
Index to Consolidated Financial Statements and Supplemental Data

The following financial statements of the Company and its subsidiaries required to be included in Item 15(a)(1) of Form 10-K are listed below:

All other schedules not listed above have been omitted as not applicable or because the required information is included in the Consolidated Financial Statements or in the notes thereto. Columns omitted from the schedule filed have been omitted because the information is not applicable.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Emdeon Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934 (the Exchange Act) as a process designed by, or under the supervision of, a company s principal executive and principal financial officers and effected by its board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Emdeon s management assessed the effectiveness of Emdeon s internal control over financial reporting as of December 31, 2005. In making this assessment, Emdeon management used the criteria set forth in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment and those criteria, Emdeon management concluded that Emdeon maintained effective internal control over financial reporting as of December 31, 2005.

The audited consolidated financial statements of Emdeon included in this Annual Report on Form 10-K (the Financial Statements) include: the results of HealthShare Technology, Inc. from March 14, 2005, the date of its acquisition by Emdeon; the results of Conceptis Technologies Inc. from December 2, 2005, the date of Emdeon s acquisition of its assets and assumption of its liabilities. Those acquisitions are described in Note 2 of the Financial Statements under the caption 2005 Acquisitions. However, Emdeon management s assessment of internal control over financial reporting of Emdeon does not include an assessment of internal control over financial reporting of either HealthShare or Conceptis, which together constituted 2.7% of Emdeon s total assets as of December 31, 2005 and 0.7% and 1.8% of Emdeon s revenues and net income, respectively, for the year then ended.

Ernst & Young, LLP, the independent registered public accounting firm that audited and reported on the Financial Statements, has issued a report on Emdeon management s assessment of Emdeon s internal control over financial reporting. That report appears on page F-4.

March 16, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Emdeon Corporation

We have audited the accompanying consolidated balance sheets of Emdeon Corporation as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Emdeon Corporation at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Emdeon Corporation s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

MetroPark, New Jersey
March 16, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders of
Emdeon Corporation

We have audited management s assessment, included in the accompanying Report of Management on Internal Control Over Financial Reporting, that Emdeon Corporation maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Emdeon Corporation s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Report of Management on Internal Control Over Financial Reporting, management s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of HealthShare Technology, Inc. or Conceptis Technologies, Inc., which are included in the 2005 consolidated financial statements of Emdeon Corporation from the date of their acquisitions on March 14, 2005 and December 2, 2005, respectively, and together constituted 2.7% of total assets as of December 31, 2005 and 0.7% and 1.8% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Emdeon Corporation also did not include an evaluation of the internal control over financial reporting of HealthShare Technology, Inc. or Conceptis Technologies, Inc.

In our opinion, management s assessment that Emdeon Corporation maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Emdeon Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Emdeon Corporation as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2005 of Emdeon Corporation and our report dated March 16, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

MetroPark, New Jersey
March 16, 2006

EMDEON CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 159,510	$ 46,019
Short-term investments	267,387	61,675
Accounts receivable, net of allowance for doubtful accounts of $12,535 at December 31, 2005 and $13,433 at December 31, 2004	233,070	204,447
Inventory	14,251	14,367
Prepaid expenses and other current assets	34,615	40,224
Total current assets	708,833	366,732
Marketable debt securities		511,864
Marketable equity securities	4,481	4,017
Property and equipment, net	116,032	89,677
Goodwill	1,075,549	1,010,564
Intangible assets, net	240,510	260,509
Other assets	50,278	48,871
TOTAL ASSETS	$ 2,195,683	$ 2,292,234
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 11,611	$ 17,366
Accrued expenses	186,381	198,311
Deferred revenue	115,840	99,543
Total current liabilities	313,832	315,220
1.75% convertible subordinated notes due 2023	350,000	350,000
31/8% convertible notes due 2025	300,000	
31/4% convertible subordinated notes due 2007		299,999
Other long-term liabilities	15,353	4,500
Minority interest in WebMD Health Corp.	43,229	
Convertible redeemable exchangeable preferred stock, $0.0001 par value; 10,000 shares authorized, issued and outstanding at December 31, 2005 and December 31, 2004	98,533	98,299
Commitments and contingencies		

Stockholders equity:				
Preferred stock, $0.0001 par value; 4,990,000 shares authorized; no shares issued				
Common stock, $0.0001 par value; 900,000,000 shares authorized; 428,624,239 shares issued at December 31, 2005; 394,041,320 shares issued at December 31, 2004		43		39
Additional paid-in capital		12,121,431		11,776,911
Deferred stock compensation		(3,699)		(7,819)
Treasury stock, at cost; 150,296,414 shares at December 31, 2005; 80,849,495 shares at December 31, 2004		(950,482)		(379,968)
Accumulated deficit		(10,100,164)		(10,172,904)
Accumulated other comprehensive income		7,607		7,957
Total stockholders equity		1,074,736		1,224,216
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	2,195,683	$	2,292,234

See accompanying notes.

EMDEON CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Years Ended December 31, 2005	2004	2003
Revenue:			
Services	$ 1,123,646	$ 1,006,192	$ 799,268
Products	153,233	154,159	164,712
Total revenue	1,276,879	1,160,351	963,980
Cost of operations:			
Services	641,754	593,467	492,555
Products	75,293	72,964	72,384
Total cost of operations	717,047	666,431	564,939
Development and engineering	58,494	54,161	42,985
Sales, marketing, general and administrative	333,288	324,027	282,482
Depreciation, amortization and other	71,767	57,765	62,434
Legal expense	17,835	9,230	3,959
Restructuring and integration charge		4,535	
Loss (gain) on investments	6,365	(457)	(1,659)
Interest income	21,531	18,717	22,901
Interest expense	16,324	19,253	15,214
Other expense (income), net	3,765	(121)	(4,218)
Income from continuing operations before income tax (benefit) provision and minority interest	73,525	44,244	20,745
Income tax (benefit) provision	(357)	4,910	4,140
Minority interest in WebMD Health Corp., net of tax	908		
Income from continuing operations	72,974	39,334	16,605
Loss from discontinued operations, net of tax			33,611
Net income (loss)	$ 72,974	$ 39,334	$ (17,006)
Basic income (loss) per common share:			
Income from continuing operations	$ 0.21	$ 0.12	$ 0.05
Loss from discontinued operations			(0.11)
Net income (loss)	$ 0.21	$ 0.12	$ (0.06)
Diluted income (loss) per common share:			
Income from continuing operations	$ 0.21	$ 0.12	$ 0.05
Loss from discontinued operations			(0.10)

Net income (loss)	$	0.21	$	0.12	$	(0.05)
Weighted-average shares outstanding used in computing net income (loss) per common share:						
Basic		341,747		320,080		304,858
Diluted		352,852		333,343		325,811

See accompanying notes.

EMDEON CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(In thousands, except share data)

	Stockholders Equity								
	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deferred Stock Compensation	Treasury Stock Shares	Treasury Stock Amount	Accumulated Deficit	Accumulated Other Comprehensive Income	S
, 2002	374,661,064	$ 37	$ 11,682,443	$ (17,805)	74,254,669	$ (327,542)	$ (10,195,048)	$ 11,716	$
							(17,006)		
n									
ns on									
								1,419	
ncy									
ustment								3,285	
ve loss									
ommon									
on									
PP, 401(k)									
ances	10,090,641	1	44,718						
arrants in									
th									
nces and									
			67						
k									
			25	(25)					
sation									
			335	12,293					
easury									
					2,322,196	(20,316)			
deferred									
sation for									
			(854)	854					
, 2003	384,751,705	38	11,726,734	(4,683)	76,576,865	(347,858)	(10,212,054)	16,420	
							39,334		
n									
ns on									
								(10,581)	
ncy									
ustment								2,118	

ve income								
ommon								
on								
PP, 401(k)								
ances	9,289,615	1	38,051					
arrants in								
th								
nces and								
			15					
convertible								
preferred								
							(184)	
k								
			13,001	(13,001)				
sation								
			70	8,905				
easury								
					4,272,630	(32,110)		
deferred								
sation for								
			(960)	960				
, 2004	394,041,320	39	11,776,911	(7,819)	80,849,495	(379,968)	(10,172,904)	7,957
							72,974	
n								
ns on								
								2,976
ncy								
ustment								(3,326)
ve income								
ommon								
on								
PP, 401(k)								
ances	11,385,269	1	48,570					
f WebMD								
Class A								
ck			82,275					
f								
tible								
notes	23,197,650	3	214,014					
convertible								
preferred								
							(234)	
k								
			2,241	(2,241)				
			330	3,451				

sation								
easury purchase					2,541,000	(21,246)		
easury er Offer					66,905,919	(549,268)		
deferred sation for			(2,910)	2,910				
, 2005	428,624,239	$ 43	$ 12,121,431	$ (3,699)	150,296,414	$ (950,482)	$ (10,100,164)	$ 7,607

See accompanying notes.

EMDEON CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2005	**2004**	**2003**
Cash flows from operating activities:			
Net income (loss)	$ 72,974	$ 39,334	$ (17,006)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Loss from discontinued operations			33,611
Depreciation, amortization and other	71,767	57,765	62,434
Minority Interest in WebMD Health Corp., net of tax	908		
Amortization of debt issuance costs	2,541	2,975	2,246
Non-cash advertising and distribution services	10,870	18,826	24,298
Non-cash stock-based compensation	4,739	8,975	12,449
Bad debt expense	6,410	3,606	6,328
Loss (gain) on investments	6,365	(457)	(1,659)
Gain on sale of property and equipment		(121)	(3,100)
Loss on redemption of convertible debt	1,902		
Reversal of income tax valuation allowance applied to goodwill	444		
Changes in operating assets and liabilities:			
Accounts receivable	(30,613)	(16,152)	4,852
Inventory	(224)	(1,077)	(2,660)
Prepaid expenses and other, net	2,683	3,514	4,276
Accounts payable	(6,074)	5,577	(651)
Accrued expenses and other long-term liabilities	7,526	(43,703)	(42,419)
Deferred revenue	9,068	10,982	(5,890)
Net cash provided by continuing operations	161,286	90,044	77,109
Net cash provided by discontinued operations			5,130
Net cash provided by operating activities	161,286	90,044	82,239
Cash flows from investing activities:			
Proceeds from maturities and sales of available-for-sale securities	1,063,606	1,408,091	1,079,897
Proceeds from maturities and redemption of held-to-maturity securities			157,919
Purchases of available-for-sale securities	(758,687)	(1,308,303)	(760,607)
Purchases of held-to-maturity securities			(590,113)
Purchases of property and equipment	(62,645)	(38,800)	(18,385)
Proceeds received from sale of property and equipment	400	417	9,779
Proceeds from the sale of discontinued operations			46,500
Other changes in equity of discontinued operations			1,754
Cash paid in business combinations, net of cash acquired	(93,742)	(249,557)	(400,491)

Net cash provided by (used in) continuing operations	148,932	(188,152)	(473,747)
Net cash used in discontinued operations			(2,529)
Net cash provided by (used in) investing activities	148,932	(188,152)	(476,276)

	Years Ended December 31,		
	2005	2004	2003
Cash flows from financing activities:			
Proceeds from issuance of common stock	48,571	38,052	44,719
Purchases of treasury stock under repurchase program	(21,246)	(32,110)	(20,316)
Purchases of treasury stock in Tender Offer	(549,268)		
Net proceeds from issuance of convertible debt	289,875		339,125
Issuance of WebMD Health Corp. Class A common stock	123,344		
Net proceeds from issuance of preferred shares		98,115	
Redemption of convertible debt	(86,694)		
Payments of notes payable and other	(631)	(602)	(361)
Net cash (used in) provided by continuing operations	(196,049)	103,455	363,167
Net cash used in discontinued operations			(6,546)
Net cash (used in) provided by financing activities	(196,049)	103,455	356,621
Effect of exchange rates on cash	(678)	1,024	1,423
Net increase (decrease) in cash and cash equivalents	113,491	6,371	(35,993)
Changes in cash attributable to discontinued operations			3,945
Cash and cash equivalents at beginning of period	46,019	39,648	71,696
Cash and cash equivalents at end of period	$ 159,510	$ 46,019	$ 39,648

See accompanying notes.

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

1. Summary of Significant Accounting Policies

Basis of Presentation

Emdeon Corporation (the Company) is a Delaware corporation that was incorporated in December 1995 and commenced operations in January 1996 as Healtheon Corporation. The Company s common stock has traded on the Nasdaq National Market under the symbol HLTH since February 11, 1999. The Company changed its name to Healtheon/WebMD Corporation in November 1999 and to WebMD Corporation in September 2000. In October 2005, WebMD Corporation changed its name to Emdeon Corporation in connection with the initial public offering of equity securities of WebMD Health Corp. (WHC), a subsidiary that the Company formed to act as a holding company for the business of the Company s WebMD segment (described below) and to issue shares in that initial public offering. Because the WebMD name had been more closely associated with the Company s public and private online portals than with its other businesses, the Company s Board of Directors determined that WHC would, following its initial public offering, have the sole right to use the WebMD name and related trademarks. Additional information regarding the initial public offering is contained in Note 3.

WHC s Class A Common Stock began trading on the Nasdaq National Market under the symbol WBMD on September 29, 2005. As of December 31, 2005, the Company owned 48,100,000 shares of WHC Class B Common Stock, which represents 85.8% of WHC s outstanding common stock and 96.7% of the combined voting power of WHC s outstanding common stock.

The accompanying consolidated financial statements include the consolidated accounts of Emdeon Corporation and its subsidiaries and have been prepared in United States dollars, and in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated accounts include 100% of the assets and liabilities of the majority owned WHC and the ownership interests of minority stockholders of WHC are recorded as Minority Interest in WebMD Health Corp. in the accompanying consolidated balance sheets. As described in Note 6, on August 1, 2003 the Company completed the sale of two operating units of its Porex segment. Accordingly, the results of these two operating units, including the loss related to the divestitures, have been presented as discontinued operations in the accompanying consolidated financial statements.

Business

The Company has aligned its business into four operating segments and one corporate segment as follows:

> *Emdeon Business Services (formerly known as WebMD Business Services)* provides solutions that automate key business and administrative functions for healthcare payers and providers, including: electronic patient eligibility and benefit verification; electronic and paper claims processing; electronic and paper paid-claims communication services; and patient billing, payment and communications services. In addition, Emdeon Business Services provides clinical communications services that improve the delivery of healthcare by enabling physicians to manage laboratory orders and results, hospital reports and electronic prescriptions. Emdeon Business Services also provides decision support solutions, data warehousing solutions and consulting services to governmental, Blue Cross Blue Shield and commercial healthcare payers and performs software maintenance and consulting services for governmental agencies involved in healthcare.

Emdeon Practice Services (formerly known as WebMD Practice Services) develops and markets information technology systems for healthcare providers and related services, primarily under The Medical Manager, Intergy, HealthPro XL, Medware and Emdeon Network Services brands. These systems and services allow physician offices to automate their scheduling, billing and other

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

administrative tasks, to transmit transactions electronically, to maintain electronic medical records and to automate documentation of patient encounters.

WebMD (formerly known as WebMD Health) provides health information services to consumers, physicians, healthcare professionals, employers and health plans through public and private online portals and health-focused publications. WebMD s public network of health portals enables consumer and physicians to readily access health information relevant to their specific areas of interest or specialty. WebMD s public portals sell advertising and sponsorship programs, including online continuing medical education (CME) services, to companies interested in reaching consumers and physicians online, including pharmaceutical, biotechnology, medical device and consumer products companies. WebMD s private portals are licensed to employers and health plans for use by their employees and members and provide access to personalized health and benefit information and decision support services. In addition, WebMD provides offline CME services and publishes medical reference textbooks, healthcare provider directories and *WebMD the Magazine,* a consumer magazine distributed to physician office waiting rooms.

Porex develops, manufactures and distributes proprietary porous plastic products and components used in healthcare, industrial and consumer applications, as well as in finished products used in the medical device and surgical markets.

Corporate includes services shared across all operating segments, such as executive personnel, legal, accounting, tax, treasury, human resources, certain information technology functions and other services. Corporate service costs include compensation related costs, insurance and audit fees, leased property, facilities cost, legal and other professional fees, software maintenance and telecommunication costs.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. The results of operations for companies acquired or disposed of are included in the consolidated financial statements from the effective date of acquisition or up to the date of disposal. All material intercompany balances and transactions have been eliminated in consolidation.

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company bases its estimates on historical experience, current business factors, and various other assumptions that the Company believes are necessary to consider in order to form a basis for making judgements about the carrying values of assets and liabilities, the recorded amounts of revenue and expenses, and disclosure of contingent assets and liabilities. The Company is subject to uncertainties such as the impact of future events, economic, environmental and political factors, and changes in the Company s business environment; therefore, actual results could differ from these estimates. Accordingly, the accounting estimates used in the preparation of the Company s financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company s operating environment changes. Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in reported results of operations; if material, the effects of changes in estimates are disclosed in the notes to the consolidated financial statements. Significant estimates and assumptions by management affect: the allowance for doubtful accounts, the carrying value of inventory, the carrying value of prepaid advertising and distribution services, the carrying value of long-lived assets (including goodwill and intangible assets), the amortization period of long-lived assets (excluding goodwill), the carrying value, capitalization and amortization of software development costs, the carrying value of short-term and long-term investments, the provision and benefit for

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

income taxes and related deferred tax accounts, certain accrued expenses, revenue recognition, contingencies, litigation and the value attributed to warrants issued for services.

Minority Interest

Minority interest represents the minority stockholders proportionate share of equity and net income of the Company s consolidated WebMD segment.

Cash and Cash Equivalents

All highly liquid investments with an original maturity from the date of purchase of three months or less are considered to be cash equivalents. These short-term investments are stated at cost, which approximates market. The Company s cash and cash equivalents are invested in various investment-grade commercial paper, money market accounts and federal agency notes.

Marketable Securities

The Company classifies its investments in marketable securities as available-for-sale or held-to-maturity at the time of purchase and re-evaluates such classifications at each balance sheet date. Debt securities in which the Company has the positive intent and ability to hold the securities to maturity are classified as held-to-maturity; otherwise they are classified as available-for-sale. Investments in marketable equity securities are also classified as available-for-sale. Held-to-maturity securities are carried at amortized cost and available-for-sale securities are carried at fair value as of the balance sheet date. As of December 31, 2005 and 2004, all marketable securities were classified as available-for-sale.

Unrealized gains and losses are recorded as a component of accumulated other comprehensive income in stockholders equity. Once realized, the gains and losses and declines in value determined to be other-than-temporary on available-for-sale securities are recorded in the accompanying consolidated statements of operations. A decline in value is deemed to be other-than-temporary if the Company does not have the intent and ability to retain the investment until any anticipated recovery in market value, the extent and length of the time to which the market value has been less than cost and the financial condition and near-term prospects of the investment. The cost of securities is based on the specific identification method.

Allowance for Doubtful Accounts

The allowance for doubtful accounts receivable reflects the Company s best estimate of probable losses inherent in the Company s receivable portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available evidence.

Inventory

Inventory is stated at the lower of cost or market value using the first-in, first-out basis. Cost includes raw materials, direct labor, paper, computer parts and peripherals, and manufacturing overhead. Market value is based on current replacement cost for raw materials and supplies and on net realizable value for work-in-process and finished goods. Inventory consisted of the following:

	December 31, 2005	December 31, 2004
Raw materials and supplies	$ 5,432	$ 4,922
Work-in-process	1,622	1,335
Finished goods and other	7,197	8,110
Total inventory	$ 14,251	$ 14,367

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Long-Lived Assets

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The useful lives are generally as follows:

Computer equipment	3 to 5 years
Buildings	Up to 40 years
Office equipment, furniture and fixtures	3 to 7 years
Software	3 years
Leasehold improvements	Shorter of useful life or lease term

Expenditures for maintenance, repair and renewals of minor items are charged to expense as incurred. Major betterments are capitalized.

Goodwill and Intangible Assets

Goodwill and intangible assets result from acquisitions accounted for under the purchase method. Goodwill is subject to impairment review by applying a fair value based test. Intangible assets with definite lives are amortized on a straight-line basis over the individually estimated useful lives of the related assets as follows:

Customer relationships	3 to 15 years
Trade names	1 to 10 years
Technology and patents	3 to 40 years
Non-compete agreements, content and other	3 to 5 years

Recoverability

In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets (SFAS 142), the Company reviews the carrying value of goodwill and intangible assets with indefinite lives annually. The Company measures impairment losses by comparing the carrying value of its reporting units to the fair value of its reporting units determined using an income approach valuation. The Company s reporting units are determined in accordance with SFAS 142, which defines a reporting unit as an operating segment or one level below an operating segment.

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets used in operations are reviewed for impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. For long-lived assets to be held and used, the Company recognizes an impairment loss only if its carrying amount is not recoverable through its undiscounted cash flows and measures the impairment loss based on the difference between the carrying amount and fair value. Long-lived assets held for sale are reported at the lower of cost or fair value less costs to sell.

Software Development Costs

Software to be Sold, Leased or Otherwise Marketed

SFAS No. 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed, requires the capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based upon the Company s product development process, technological feasibility

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

is established upon the completion of a working model. The costs incurred from the time a working model is available until general release are immaterial.

Internal Use Software

The Company accounts for internal use software development costs in accordance with Statement of Position (SOP) No. 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use (SOP 98-1). Software development costs that are incurred in the preliminary project stage are expensed as incurred. Once certain criteria of SOP 98-1 have been met, internal and external direct costs incurred in developing or obtaining computer software are capitalized in the accompanying consolidated balance sheets as property and equipment. Training and data conversion costs are expensed as incurred. Capitalized software costs are amortized over a three-year period.

Restricted Cash

The Company s restricted cash primarily relates to collateral for letters of credit obtained to support the Company s operations. As of December 31, 2005 and 2004, the total restricted cash was $17,319 and $15,463, respectively, and is included in other assets in the accompanying consolidated balance sheets.

Deferred Charges

Other assets includes costs associated with the issuance of the convertible notes that are amortized to interest expense in the accompanying consolidated statements of operations, using the effective interest method over the period from issuance through the earliest date on which holders can demand redemption. The Company capitalized $11,500 of issuance costs in connection with the issuance of the $300,000 31/8% Convertible Notes due 2025, $10,354 of issuance costs in connection with the issuance of the $350,000 1.75% Convertible Subordinated Notes due 2023 and $7,654 of issuance costs in connection with the issuance of the $300,000 31/4% Convertible Subordinated Notes due 2007 (the 31/4% Notes). In June 2005, the Company completed the redemption of all of the outstanding 31/4% Notes and, as a result the Company wrote-off the remaining unamortized portion of the deferred issuance costs of $2,854. As of December 31, 2005 and 2004, the total unamortized issuance costs for all outstanding convertible notes were $17,783 and $11,678, respectively.

Sale of Stock by a Subsidiary

The Company accounts for the sale of stock by a subsidiary of the Company in accordance with the Securities and Exchange Commission s Staff Accounting Bulletin (SAB) No. 51 Accounting for Sales of Stock by a Subsidiary (SAB 51), which requires that the difference between the carrying amount of the parent s investment in a subsidiary and the underlying net book value of the subsidiary after the issuance of stock by the subsidiary be reflected as either a gain or loss in the statement of operations or reflected as an equity transaction. The Company has elected to record gains or losses resulting from the sale of a subsidiary s stock as equity transactions.

Revenue

Products and Services

The Company s revenue consists of product and service revenue. Service revenue is comprised of revenue earned through the Company s automated business and administrative functions for healthcare payers and providers, software maintenance, training, customer support and consulting services to governmental agencies and commercial enterprises, and content sponsorship, advertising and licensing of the Company s private and public online portals. The Company s product revenue is primarily comprised of porous plastic products and

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

components used in healthcare, industrial and consumer applications which are sold through its Porex segment, and the software and hardware components of the information technology software systems the Company sells through its Emdeon Practice Services segment. Additionally, product revenues include other miscellaneous products, such as, medical forms and supplies, medical related office furniture, medical reference publications and directories, as well as other miscellaneous software products.

Revenue Recognition

Revenue is derived from the Company s Emdeon Business Services, Emdeon Practice Services, WebMD and Porex segments.

Through Emdeon Business Services, the Company generates revenue by selling transaction services to healthcare payers and providers, generally on either a per transaction basis or, in the case of some providers, on a monthly fixed fee basis. The Company also generates revenue by selling its document conversion, patient statement and paid-claims communication services, typically on a per document, per statement or per communication basis. Additionally, the Company generates revenue by licensing decision support software and providing related support and maintenance for that decision support software, and by providing information technology consulting services to payers, including governmental payers. The Company charges healthcare payers annual license fees, which are based on the number of covered members, for use of its software and provides business and information technology consulting services to them on a time and materials basis. The professional consulting services the Company provides to certain governmental agencies are typically billed on a cost-plus fee structure.

Revenue for transaction services, patient statement and paid-claims communication services is recognized as the services are provided. Decision support software and the related support and maintenance agreements are generally sold as bundled time-based license agreements and, accordingly, the revenue for both the software and related support and maintenance is recognized ratably over the term of the license and maintenance agreement. Revenue for consulting services is recognized as the services are provided.

Through Emdeon Practice Services, the Company licenses The Medical Manager, Intergy, HealthPro XL and Medware practice management systems, as well as certain other practice management systems and Intergy EHR electronic medical records system. The Company s practice management systems are generally sold as multiple-element arrangements as these software arrangements typically include related hardware, support and maintenance agreements and implementation and training services. The Company also charges healthcare providers fees for transmitting, through Emdeon Network Services, transactions to payers and billing statements to patients. Revenue is recognized from these fees, which are generally paid on a per transaction or monthly basis, when the services are provided.

Software revenue is recognized in accordance with SOP No. 97-2, Software Revenue Recognition, as amended by SOP No. 98-9, Modification of SOP No. 97-2, Software Revenue Recognition, With Respect to Certain Transactions (SOP 98-9). Software license revenue is recognized when a customer enters into a non-cancelable license agreement, the software product has been delivered, there are no uncertainties surrounding product acceptance, there are no significant future performance obligations, the license fees are fixed or determinable and collection of the license fee is considered probable. Amounts received in advance of meeting these criteria are deferred. As required by SOP 98-9, the Company determines the value of the software component of its multiple-element arrangements using the residual method as vendor specific objective evidence (VSOE) of fair value exists for the undelivered elements such as the support and maintenance agreements and related implementation and training services, but not for all the delivered elements such as the software itself. The residual method requires revenue to be allocated to the undelivered elements based on the fair value of such elements, as indicated by VSOE. VSOE is based on the price charged when an element is sold separately.

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The vast majority of the Company s practice management and medical records systems include support and maintenance agreements of the underlying software and hardware. These arrangements provide customers with rights to unspecified software product upgrades released during the term of the support period, as well as Internet and telephone access to technical support personnel. Revenue from support and maintenance agreements is recognized ratably over the term of the arrangement, typically one year or less. Additionally, many of the Company s software arrangements include implementation and training services. Revenue from these services is accounted for separately from the software revenue, as they are not essential to the functionality of any other element of the software arrangement, and are generally recognized as the services are performed.

Through WebMD, the Company generates revenue from advertising which is recognized as advertisements are delivered or as publications are distributed. Revenue from sponsorship arrangements, content syndication and distribution arrangements and licenses of the Company s healthcare management tools and private portals is recognized ratably over the term of the applicable agreement. Revenue from the sponsorship of CME is recognized over the period the Company substantially completes its contractual deliverables as determined by the applicable agreements. Subscription revenue is recognized over the subscription period. When contractual arrangements contain multiple elements, revenue is allocated to each element based on its relative fair value, determined using prices charged when elements are sold separately. In certain instances where fair value does not exist for all the elements, the amount of revenue allocated to the delivered elements equals the total consideration less the fair value of the undelivered elements.

Through Porex, the Company develops, manufactures and distributes porous plastic products and components. For standard products, revenue is recognized upon shipment of product, net of sales returns and allowances, in accordance with SAB No. 104, Revenue Recognition , which supersedes SAB No. 101, Revenue Recognition in Financial Statements , and SFAS No. 48 Revenue Recognition When Right of Return Exists. These statements establish that revenue can be recorded when persuasive evidence of an arrangement exists, delivery has occurred and all significant obligations have been satisfied, the fee is fixed or determinable and collection is considered probable. Appropriate reserves are established for anticipated returns and allowances based on past experience. For sales of certain custom products, revenue is recognized upon completion and customer acceptance.

Cash receipts or billings in advance of revenue recognition are recorded as deferred revenue in the accompanying consolidated balance sheets. The deferred revenue is reversed at the time revenue is recognized.

Advertising Costs

Advertising costs are generally expensed as incurred and included in sales, marketing, general and administrative expense in the accompanying consolidated statements of operations. Advertising expense totaled $23,176, $32,699 and $36,451 in 2005, 2004 and 2003, respectively. Included in advertising expense were non-cash advertising costs of $10,534, $17,925 and $21,942 in 2005, 2004 and 2003, respectively. These non-cash advertising costs resulted from the issuance of the Company s equity securities in connection with past advertising agreements with certain service providers. The values of the equity securities issued were capitalized and are being amortized as the advertisements are broadcast or over the term of the underlying agreement. As of December 31, 2005 and 2004, the current portion of unamortized prepaid advertising costs was $7,424 and $10,630, respectively, and is included in prepaid expenses and other current assets. As of December 31, 2005 and 2004, the long-term portion of unamortized prepaid advertising costs was $12,104 and $19,958, respectively, and is included in other assets.

Foreign Currency

The financial statements and transactions of the Company s foreign facilities are maintained in their local currency. In accordance with SFAS No. 52, Foreign Currency Translation, the translation of foreign

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

currencies into United States dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using average exchange rates during the year. The gains or losses resulting from translation are included as a component of accumulated other comprehensive income within stockholders equity. Foreign currency transaction gains and losses are included in net income (loss) and were not material in any of the periods presented.

Concentration of Credit Risk

None of the Company s customers individually accounted for more than 10% of the Company s consolidated revenue in 2005, 2004 and 2003.

The Company s revenue is principally generated in the United States. An adverse change in economic conditions in the United States could negatively affect the Company s revenue and results of operations. The Company places its short-term investments in a variety of financial instruments and, by policy, limits the amount of credit exposure through diversification and by restricting its investments to highly rated securities.

Income Taxes and Tax Contingencies

Income taxes are accounted for using the liability method in accordance with SFAS No. 109, Accounting for Income Taxes. Under this method, deferred income taxes are recognized for the future tax consequence of differences between the tax and financial reporting basis of assets and liabilities at each reporting period. A valuation allowance is established to reduce deferred tax assets to the amounts expected to be realized. Tax contingencies are recorded to address potential exposures involving tax positions the Company has taken that could be challenged by tax authorities. These potential exposures result from the varying application of statutes, rules, regulations and interpretations. The Company s estimates of tax contingencies contain assumptions and judgments about potential actions by taxing jurisdictions.

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounting for Stock-Based Compensation

The Company accounts for its stock-based employee compensation plans using the intrinsic value method under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and related interpretations. No stock-based employee compensation cost is reflected in net income (loss) with respect to options granted with an exercise price equal to the market value of the underlying common stock on the date of grant. Stock-based awards to non-employees are accounted for based on provisions of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123), and EITF 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. The following table illustrates the effect on net income (loss) and net income (loss) per common share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

	Years Ended December 31,		
	2005	**2004**	**2003**
Net income (loss) as reported	$ 72,974	$ 39,334	$ (17,006)
Add: Stock-based employee compensation expense included in reported net income (loss) (including stock-based employee compensation expense related to discontinued operations)	4,739	8,975	12,628
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(37,218)	(67,569)	(76,483)
Pro forma net income (loss)	$ 40,495	$ (19,260)	$ (80,861)
Net income (loss) per common share:			
Basic as reported	$ 0.21	$ 0.12	$ (0.06)
Diluted as reported	$ 0.21	$ 0.12	$ (0.05)
Basic pro forma	$ 0.12	$ (0.06)	$ (0.27)
Diluted pro forma	$ 0.11	$ (0.06)	$ (0.27)

The pro forma results above are not intended to be indicative of or a projection of future results. Refer to Note 15 for assumptions used in computing the fair value amounts above.

Net Income (Loss) Per Common Share

Basic income (loss) per common share and diluted income (loss) per common share are presented in conformity with SFAS No. 128, Earnings Per Share (SFAS 128). In accordance with SFAS 128, basic income (loss) per common share has been computed using the weighted-average number of shares of common stock outstanding during the period, increased to give effect to the participating rights of the convertible redeemable exchangeable preferred stock. Diluted income (loss) per common share has been computed using the weighted-average number of shares of common stock outstanding during the period, increased to give effect to potentially dilutive securities. Additionally, for purposes of calculating diluted income (loss) per common share of the Company, the numerator has been adjusted to consider the effect of potentially dilutive securities of WHC, which can dilute the portion of WHC s net income otherwise retained by the Company. The impact of WHC s potentially dilutive securities on the calculation of diluted income per common share

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

was not material during any of the periods presented. The following table presents the calculation of basic and diluted income (loss) per common share (shares in thousands):

	Years Ended December 31, 2005	2004	2003
Numerator:			
Income from continuing operations	$ 72,974	$ 39,334	$ 16,605
Loss from discontinued operations			(33,611)
Net income (loss)	$ 72,974	$ 39,334	$ (17,006)
Denominator:			
Common stock	331,109	311,721	304,858
Convertible redeemable exchangeable preferred stock	10,638	8,359	
Weighted-average shares Basic	341,747	320,080	304,858
Employee stock options, restricted stock and warrants	11,105	13,263	20,953
Adjusted weighted-average shares after assumed conversions Diluted	352,852	333,343	325,811
Basic income (loss) per common share:			
Income from continuing operations	$ 0.21	$ 0.12	$ 0.05
Loss from discontinued operations			(0.11)
Net income (loss)	$ 0.21	$ 0.12	$ (0.06)
Diluted income (loss) per common share:			
Income from continuing operations	$ 0.21	$ 0.12	$ 0.05
Loss from discontinued operations			(0.10)
Net income (loss)	$ 0.21	$ 0.12	$ (0.05)

The Company has excluded convertible subordinated notes and convertible notes, as well as certain outstanding warrants and stock options, from the calculation of diluted income (loss) per common share because such securities were anti-dilutive during the periods presented. The following table presents the total number of shares that could potentially dilute basic income (loss) per common share in the future that were not included in the computation of diluted income (loss) per common share during the periods presented (shares in thousands):

Years Ended December 31, 2005	2004	2003

Options and warrants	60,007	83,986	82,267
Convertible notes	42,016	55,129	55,129
	102,023	139,115	137,396

Recent Accounting Pronouncements

On November 3, 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 115-1 and 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. The guidance in this FSP addresses the determination of when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. This FSP also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

other-than-temporary impairments. The guidance is to be applied prospectively in periods beginning after December 15, 2005. The Company believes the adoption of this FSP will not have a material impact on the consolidated financial statements of the Company.

In June 2005, the Company adopted EITF Issue No. 05-06, Determining the Amortization Period for Leasehold Improvements (EITF 05-06), which provides new guidance for assessing amortization periods for leasehold improvements placed in service significantly after and not contemplated at or near the beginning of the initial lease term and acquired in a business combination. The guidance requires that the amortization of the leasehold improvement be based on the shorter of the useful life of the assets or a term that includes required lease periods and reasonably assured renewal periods. The adoption of EITF 05-06 in the second quarter of 2005 did not have a material impact on the consolidated financial statements of the Company.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections A Replacement of APB Opinion No. 20 and FASB Statement No. 3 (SFAS 154). SFAS 154 requires retrospective application to prior periods financial statements of a voluntary change in accounting principle unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also defines retrospective application as the application of a different accounting principle to prior accounting periods as if that principle had always been used or as the adjustment of previously issued financial statements to reflect a change in the reporting entity and redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. SFAS 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle, such as a change in nondiscretionary profit-sharing payments resulting from an accounting change, should be recognized in the period of the accounting change. SFAS 154 also requires that a change in depreciation, amortization, or depletion method for long-lived, non-financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and, accordingly, will have no impact on the consolidated financial statements of the Company.

In December 2004, FASB issued SFAS No. 123, (Revised 2004): Share-Based Payment (SFAS 123R), which replaces SFAS 123 and supersedes APB 25. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the fiscal year that begins after June 15, 2005. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. The Company is required to adopt SFAS 123R on January 1, 2006. The Company will adopt the modified prospective transition method utilizing the Black-Scholes option pricing model to measure the fair value of stock options granted to employees. The modified prospective method requires that the Company begin recording compensation expense for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS 123R using the same grant date fair value and same expense attribution method used under SFAS 123. Additionally, upon adoption of SFAS 123R, the Company will apply the straight-line attribution method for all equity grants subsequent to January 1, 2006 rather than the accelerated method that we have used for all grants prior to January 1, 2006. The Company expects that the adoption of SFAS 123R will have a material impact on its consolidated financial statements. Had the Company adopted SFAS 123R in prior periods, the impact of the standard would have approximated the impact of SFAS 123 as described in the disclosure of pro forma net income and earnings per share in Note 1 to the consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets An Amendment of APB Opinion No. 29 (SFAS 153). The amendments made by SFAS 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. Previously, APB Opinion No. 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. The Company will apply the provisions in SFAS 153 prospectively on January 1, 2006 which the Company believes will not have a material impact on the consolidated financial statements of the Company.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs An Amendment of ARB No. 43, Chapter 4 (SFAS 151). SFAS 151 amends the guidance in Accounting Research Bulletin No. 43, Chapter 4, Inventory Pricing to clarify the accounting for abnormal amounts of inventory costs related to idle facility, freight handling and wasted material expenses and requires those expenses to be recognized in the period incurred. Additionally, SFAS 151 requires that the allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. The Company currently follows the provisions of SFAS 151 and no material impact has occurred on the consolidated financial statements of the Company.

Reclassifications

Certain reclassifications have been made to the prior period financial statements to conform to the current year presentation.

2. Business Combinations

2005 Acquisitions

On December 2, 2005, the Company acquired the assets of and assumed certain liabilities of Conceptis Technologies, Inc. (Conceptis), a privately held Montreal-based provider of online and offline medical education and promotion aimed at physicians and other healthcare professionals. The total purchase consideration for Conceptis was approximately $19,603, comprised of $19,000 in cash and $603 of estimated acquisition costs. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. In connection with the preliminary allocation of the purchase price and intangible asset valuation, goodwill of $12,938 and an intangible asset subject to amortization of $7,000 were recorded. The Company expects that substantially all of the goodwill and intangible asset recorded will be deductible for tax purposes. The intangible asset recorded was content with an estimated useful life of three years. The results of operations of Conceptis have been included in the financial statements of the Company from December 2, 2005, the closing date of the acquisition, and are included in the WebMD segment.

On March 14, 2005, the Company acquired HealthShare Technology, Inc. (HealthShare), a privately held company that provides online tools that compare cost and quality measures of hospitals for use by consumers, providers and health plans. The total purchase consideration for HealthShare was approximately $29,883, comprised of $29,533 in cash, net of cash acquired, and $350 of estimated acquisition costs. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. In connection with the preliminary allocation of the purchase price and intangible asset valuation, goodwill of $24,692 and intangible assets subject to amortization of $8,500 were recorded. The Company does not expect that the goodwill or intangible assets recorded will be deductible for tax purposes. The intangible assets are comprised of $7,500 relating to customer relationships with estimated useful lives of five years and $1,000 relating to acquired technology with an estimated useful life of three years. The results of operations of HealthShare have been included in the financial statements of the Company from March 14, 2005, the closing date of the acquisition, and are included in the WebMD segment.

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2004 Acquisitions

On December 24, 2004, the Company acquired MedicineNet, Inc. (MedicineNet), a privately held health information Web site for consumers. The total purchase consideration for MedicineNet was approximately $17,223, comprised of $16,732 in cash, net of cash acquired, and $491 of acquisition costs. In addition, the Company has agreed to pay up to an additional $15,000 during the three months ended March 31, 2006, if the number of page views on MedicineNet s Web sites exceeds certain thresholds for the year ended December 31, 2005. The Company accrued $7,250 as of December 31, 2005 for a cash payment expected to be paid during 2006 as a result of these thresholds being met during 2005. The accrual resulted in an increase to goodwill. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. Excluding the anticipated contingent consideration payment discussed above, goodwill of $9,991 and intangible assets subject to amortization of $6,600 were recorded in connection with the initial allocation of the purchase price. The Company does not expect that the goodwill or intangible asset recorded will be deductible for tax purposes. The intangible assets are comprised of $5,600 relating to content with an estimated useful life of three years, $300 relating to customer relationships with estimated useful lives of two years and $700 relating to acquired technology with an estimated useful life of three years. The results of operations of MedicineNet have been included in the WebMD segment.

During October 2004, the Company acquired Esters Filtertechnik GmbH (Esters), a privately held distributor of porous plastic products and components. The total purchase consideration for Esters was approximately $3,333 comprised of $3,160 in cash, net of cash acquired, and $173 of acquisition costs. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. In connection with the allocation of the purchase price, goodwill of $2,181 and an intangible asset subject to amortization of $1,200 were recorded. The Company does not expect that the goodwill or intangible asset recorded will be deductible for tax purposes. The intangible asset is customer relationships with an estimated useful life of eleven years. The results of operations of Esters have been included in the financial statements of the Company from the closing date of the acquisition and are included in the Porex segment.

On October 1, 2004, the Company acquired RxList, LLC (RxList), a privately held provider of an online drug directory for consumers and healthcare professionals. The total purchase consideration for RxList was approximately $5,216 comprised of $4,500 in cash at the time of acquisition, $500 to be paid in 2006 and $216 of acquisition costs. In addition, the Company has agreed to pay up to an additional $2,500 during each of the three month periods ended March 31, 2006 and 2007, if the number of page views on RxList s Web sites exceeds certain thresholds for each of the three month periods ended December 31, 2005 and 2006, respectively. The Company accrued $2,387 as of December 31, 2005 for a cash payment made in February 2006 related to RxList s achievement of page views exceeding certain thresholds during the three months ended December 31, 2005. The accrual resulted in an increase to goodwill. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. Excluding the anticipated contingent consideration payment discussed above, goodwill of $4,181 and an intangible asset subject to amortization of $1,054 were recorded in connection with the initial allocation of the purchase price. The Company expects that substantially all of the goodwill and the intangible asset recorded will be deductible for tax purposes. The intangible asset is content with an estimated useful life of five years. The results of operations of RxList have been included in the financial statements of the Company from October 1, 2004, the closing date of the acquisition, and are included in the WebMD segment.

On August 11, 2004, the Company completed its acquisition of ViPS, Inc. (ViPS), a privately held provider of information technology, decision support solutions and consulting services to government, Blue

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cross Blue Shield and commercial healthcare payers. ViPS develops and provides a broad range of solutions for claims processing, provider performance measurement, quality improvement, fraud detection, disease management and predictive modeling. The total purchase consideration for ViPS was approximately $166,588 comprised of $165,208 in cash, net of cash acquired, and $1,380 of acquisition costs. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. In connection with the allocation of the purchase price, goodwill of $71,253 and intangible assets subject to amortization of $84,000 were recorded. The Company does not expect that the goodwill or intangible assets recorded will be deductible for tax purposes. The intangible assets are comprised of $38,800 relating to customer relationships with estimated useful lives ranging from ten to fifteen years, $34,800 relating to acquired technology with an estimated useful life of five years and $10,400 relating to a trade name with an estimated useful life of ten years. The results of operations of ViPS have been included in the financial statements of the Company from August 11, 2004, the closing date of the acquisition, and are included in the Emdeon Business Services segment.

On July 15, 2004, the Company acquired the assets of Epor, Inc. (Epor), a privately held company based in Los Angeles, California. Epor manufactures porous plastic implant products for use in aesthetic and reconstructive surgery of the head and face. The total purchase consideration for Epor was approximately $2,547 comprised of $2,000 in cash at the time of acquisition, $490 to be paid over five years, of which $90 was paid during 2005, and $57 of acquisition costs. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. In connection with the allocation of the purchase price, goodwill of $2,324 and an intangible asset subject to amortization of $200 were recorded. The Company expects that substantially all of the goodwill and intangible asset recorded will be deductible for tax purposes. The intangible asset is a non-compete agreement with an estimated useful life of five years. The results of operations of Epor have been included in the financial statements of the Company from July 15, 2004, the closing date of the acquisition, and are included in the Porex segment.

On April 30, 2004, the Company acquired Dakota Imaging, Inc. (Dakota), a privately held provider of automated healthcare claims processing technology and business process outsourcing services. Dakota s technology and services assist its customers in reducing costly manual processing of healthcare documents and increase auto-payment of medical claims through advanced data scrubbing. The Company paid approximately $38,979 in cash, net of cash acquired, $527 of acquisition costs and has agreed to pay up to an additional $25,000 in cash over a three-year period beginning in April 2005 if certain financial milestones are achieved. No payment was made in April 2005 in connection with the first earn out year ending March 2005 (See Note 12 for additional information). The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. In connection with the initial allocation of the purchase price, goodwill of $28,266 and intangible assets subject to amortization of $13,100 were recorded. The Company does not expect that the goodwill or intangible assets recorded will be deductible for tax purposes. The intangible assets are comprised of $4,500 relating to customer relationships with estimated useful lives of ten years and $8,600 relating to acquired technology with an estimated useful life of five years. The results of operations of Dakota have been included in the financial statements of the Company from April 30, 2004, the closing date of the acquisition, and are included in the Emdeon Business Services segment.

2003 Acquisitions

On December 22, 2003, the Company completed its acquisition of Medifax-EDI, Inc. (Medifax), a privately held company based in Nashville, Tennessee. Medifax provides real-time medical eligibility transaction services and other claims management solutions to hospitals, medical centers, physician practices

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and other medical organizations throughout the United States. These services enable healthcare providers to verify insurance coverage for their patients on a real-time basis. The total purchase consideration for Medifax was $268,428, comprised of $266,457 in cash, net of the cash acquired, and $1,971 of acquisition costs. Prior to closing, Medifax distributed its Pharmacy Services companies to its owner and these companies were not included in the transaction. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. In connection with the allocation of the purchase price, goodwill of $178,983 and intangible assets subject to amortization of $92,700 were recorded. The Company does not expect that the goodwill or intangible assets recorded will be deductible for tax purposes. The intangible assets are comprised of $72,600 relating to customer relationships with estimated useful lives of fifteen years, $8,600 relating to acquired technology with an estimated useful life of five years, $8,400 relating to payer connections with estimated useful lives of fifteen years and $3,100 relating to a trade name with an estimated useful life of one year. The results of operations of Medifax from the closing date of the acquisition to December 31, 2003 were not material, thus the results of operations of Medifax have been included in the financial statements of the Company from January 1, 2004, and are included in the Emdeon Business Services segment.

On September 25, 2003, the Company completed its acquisition of Claims Processing Systems, Inc. (CPS), a privately held dental clearinghouse based in Hartford, Connecticut. The Company paid $5,583 in cash, net of the cash acquired, and $70 of acquisition costs for CPS and agreed to pay up to an additional $4,200 beginning in 2005 if certain revenue related milestones are achieved. The additional payment may be made over a three-year period by issuing shares of the Company s common stock or in cash. The additional payment may exceed $4,200 if all or a portion of the additional payment is made by issuing shares of the Company s stock and if the value of the Company s stock exceeds certain price levels. In April 2005, the Company paid $1,960 in cash as a result of the achievement of certain financial milestones. The payment resulted in an increase to goodwill. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. Excluding the contingent consideration payment discussed above, goodwill of $3,482 and an intangible asset subject to amortization of $2,392 were recorded in connection with initial allocation of the purchase price. The Company does not expect that the goodwill or intangible asset recorded will be deductible for tax purposes. The intangible asset is acquired technology with an estimated useful life of five years. The results of operations of CPS have been included in the financial statements of the Company from September 25, 2003, the closing date of the acquisition, and are included in the Emdeon Business Services segment.

On July 17, 2003, the Company completed its acquisition of Advanced Business Fulfillment, Inc. (ABF), a privately held company based in St. Louis, Missouri. ABF provides healthcare paid-claims communications services for third-party administrators and health insurers. ABF s services allow its customers to outsource print-and-mail activities for the distribution of checks, remittance advice and explanations of benefits. The total purchase consideration for ABF was approximately $112,651, comprised of $108,128 in cash, net of the cash acquired, and $4,523 of acquisition costs for all of the outstanding capital stock of ABF. Additionally, the Company agreed to pay up to an additional $150,000 beginning in April 2004 if certain financial milestones are achieved. The additional payment may be made over a three-year period by issuing shares of the Company s common stock or, at the Company s option in certain circumstances, in cash. The additional payment may exceed $150,000 if all or a portion of the additional payment is made by issuing shares of the Company s stock and if the value of the Company s stock exceeds certain price levels at the time of payment. The Company paid $17,455 in April 2004 and $40,434 in March 2005, in cash, as a result of the achievement of those financial milestones. In addition, the Company accrued $20,485 as of December 31, 2005 for a cash payment expected to be paid during 2006 related to ABF s achievement of certain financial milestones during 2005. These payments and accruals resulted in increases to goodwill. The acquisition was

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accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. Excluding the contingent consideration payment and accrual discussed above, goodwill of $61,128 and intangible assets subject to amortization of $47,000 were recorded in connection with the initial allocation of the purchase price. The Company expects that substantially all of the goodwill and intangible assets recorded will be deductible for tax purposes. The intangible assets are comprised of $41,000 relating to customer relationships with estimated useful lives of ten years, $4,900 relating to acquired unpatented technologies with estimated useful lives of nine months to six years and $1,100 relating to a trade name with an estimated useful life of three years. The results of operations of ABF have been included in the financial statements of the Company from July 17, 2003, the closing date of the acquisition, and are included in the Emdeon Business Services segment.

On May 29, 2003, the Company acquired *The Little Blue Book* (LBB), a company that maintains a database containing physician practice information, and publishes a pocket-sized reference book containing physician practice and contact information. The total purchase consideration for LBB was approximately $10,061, comprised of $9,926 in cash, net of the cash acquired, and acquisition costs of $135. Additionally, the Company paid, in cash, $1,500 in April 2004 and $1,000 in April 2005 as a result of LBB achieving certain financial milestones during the years ending December 31, 2003 and 2004, respectively. These payments resulted in increases to goodwill. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. Excluding the contingent consideration payment discussed above, goodwill of $8,545 and intangible assets subject to amortization of $2,815 were recorded in connection with the initial allocation of the purchase price. The Company expects that substantially all of the goodwill and intangible assets recorded will be deductible for tax purposes. The intangible assets are comprised of $1,787 relating to a trade name with an estimated useful life of seven years, $761 relating to customer relationships with estimated useful lives of five years and $267 relating to acquired technology with an estimated useful life of three years. The results of operations of LBB have been included in the financial statements of the Company from May 29, 2003, the closing date of the acquisition, and are included in the WebMD segment.

On April 30, 2003, the Company acquired the assets and assumed certain liabilities of Optate, Inc. (Optate), a provider of healthcare benefit decision support tools and solutions to its clients through online technology. The total purchase consideration for this acquisition was approximately $4,052, comprised of $4,000 in cash and acquisition costs of $52. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the tangible and intangible assets acquired and the liabilities assumed on the basis of their respective fair values. In connection with the allocation of the purchase price, goodwill of $4,070 and an intangible asset subject to amortization of $710 were recorded. The Company expects that substantially all of the goodwill and intangible asset recorded will be deductible for tax purposes. The intangible asset represents the fair value of customer relationships with estimated useful lives of five years. The results of operations of the acquired business have been included in the financial statements of the Company from April 30, 2003, the closing date of the acquisition, and are included in the WebMD segment.

In 2003, the Company acquired seven practice services companies for an aggregate cost of $2,175, which was paid in cash, net of the cash acquired. Additionally, the Company will pay up to $675 beginning in 2004 if certain of the acquired companies meet specified financial milestones. During 2004, the Company paid $155 in cash as a result of the achievement of certain financial milestones. These payments resulted in an increase in goodwill. These acquisitions were accounted for using the purchase method of accounting and, accordingly, the purchase prices were allocated to assets acquired and liabilities assumed based on their respective fair values. Excluding the contingent consideration payment discussed above, goodwill of $1,469 and intangible assets subject to amortization of $1,054 were recorded. The Company expects that substantially

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

all of the goodwill recorded will be deductible for tax purposes. The intangible assets are comprised of $351 related to non-compete agreements with estimated useful lives of three to five years and $703 related to customer relationships with estimated useful lives of nine years. The results of operations of these companies have been included in the financial statements of the Company from the respective acquisition closing dates and are included in the Emdeon Practice Services segment.

Condensed Balance Sheet Data

The following table summarizes the tangible and intangible assets acquired, the liabilities assumed and the consideration paid for each acquisition:

	Accounts Receivable	Deferred Revenue	Other Tangible Assets (Liabilities), net	Intangible Assets	Goodwill	Total Purchase Price (a)
2005						
Conceptis	2,893	(2,940)	(288)	7,000	12,938	$ 19,603
HealthShare	1,925	(4,622)	(612)	8,500	24,692	29,883
2004						
MedicineNet	1,081	(64)	(385)	6,600	17,241	24,473
Esters	151		(199)	1,200	2,181	3,333
RxList			(19)	1,054	6,568	7,603
ViPS	12,573	(5,436)	4,198	84,000	71,253	166,588
Epor			23	200	2,324	2,547
Dakota	2,587	(3,894)	(553)	13,100	28,266	39,506
2003						
Medifax	10,122	(592)	(12,785)	92,700	178,983	268,428
CPS	400		(621)	2,392	5,442	7,613
ABF	10,276		(5,753)	47,000	139,502	191,025
LBB	2,568	(3,465)	(402)	2,815	11,045	12,561
Optate		(812)	84	710	4,070	4,052
Emdeon Practice Services Companies	82	(413)	(17)	1,054	1,624	2,330

(a) The Total Purchase Price includes contingent consideration payments made or accrued for as of December 31, 2005.

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Unaudited Pro Forma Information

The following unaudited pro forma financial information for the years ended December 31, 2005 and 2004 gives effect to the acquisitions of ViPS, Conceptis, HealthShare and MedicineNet, including the amortization of intangible assets, as if the acquisitions had occurred on January 1, 2004. The information is provided for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the transactions had been consummated on the date indicated, nor is it necessarily indicative of future operating results of the consolidated companies, and should not be construed as representative of these results for any future period. The remaining acquisitions in 2005 and 2004 have been excluded as the pro forma impact of such acquisitions was not significant to the periods presented.

	Years Ended December 31,	
	2005	2004
Revenue	$ 1,291,669	$ 1,224,676
Net income	$ 70,375	$ 36,860
Income per common share:		
Basic	$ 0.21	$ 0.12
Diluted	$ 0.20	$ 0.11

3. WebMD Health Corp. Initial Public Offering; Relationships between the Company and WHC

In May 2005, the Company formed WHC as a wholly-owned subsidiary to act as a holding company for the business of the Company s WebMD segment and to issue shares in an initial public offering. In September 2005, the Company contributed to WHC the subsidiaries, the assets and the liabilities included in the Company s WebMD segment. On September 28, 2005, WHC sold, in an initial public offering, 7,935,000 shares of its Class A Common Stock at $17.50 per share. This resulted in proceeds, net of underwriting discounts of $9,721, of approximately $129,142, which was retained by WHC to be used for working capital and general corporate purposes. The Company incurred approximately $5,800 of legal, accounting, printing and other expenses related to the offering.

The Company owned, on December 31, 2005, the 48,100,000 shares of WHC Class B Common Stock that it owned at the time of the initial public offering, representing ownership of 85.8% of the outstanding WHC Common Stock. WHC Class A Common Stock has one vote per share, while WHC Class B Common Stock has five votes per share. As a result, the WHC Class B Common Stock owned by the Company represented, as of December 31, 2005, 96.7% of the combined voting power of WHC s outstanding Common Stock. Each share of WHC Class B Common Stock is convertible at the Company s option into one share of WHC Class A Common Stock. In addition, shares of WHC Class B Common Stock will automatically be converted, on a one-for-one basis, into shares of WHC Class A Common Stock on a transfer to any person other than a majority owned subsidiary of the Company or a successor of the Company. On the fifth anniversary of the closing date of the initial public offering, all then outstanding shares of WHC Class B Common Stock will automatically be converted, on a one-for-one basis, into shares of WHC Class A

Common Stock.

The Company recorded a gain on the sale of WHC Class A Common Stock of approximately $82,275, which was reflected as an adjustment to additional paid-in capital in accordance with SAB 51. The Company s final determination was not to record any deferred taxes related to the SAB 51 gain, as under current federal tax rules and regulations, it has the ability to recover its investment in WHC on a tax free basis. Although the Company presently has no intent to dispose of its interest in WHC, were such a transaction under consideration, the Company would expect to pursue a tax free structure. In the event a tax free structure was not feasible, a provision for taxes would be recorded at the time of any such transaction. As of December 31,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2005, the minority stockholders proportionate share of the equity in WHC of $43,229 is reflected as Minority Interest in WebMD Health Corp. in the accompanying consolidated balance sheets. The minority stockholders proportionate share of net income in WHC from the date of the initial public offering through December 31, 2005 was $908.

The Company entered into a number of agreements with WHC governing the future relationship of the companies, including a Services Agreement, a Tax Sharing Agreement and an Indemnity Agreement. These agreements cover a variety of matters, including responsibility for certain liabilities, including tax liabilities, as well as matters related to providing WHC with administrative services, such as payroll, accounting, tax, employee benefit plan, employee insurance, intellectual property, legal and information processing services. Under the Services Agreement, the Company will receive an amount that reasonably approximates its cost of providing services to WHC. The Company has agreed to make the services available to WHC for up to five years; however, WHC is not required, under the Services Agreement, to continue to obtain services from the Company and is able to terminate services, in whole or in part, at any time generally by providing, with respect to the specified services or groups of services, 60 days prior notice and, in some cases, paying a nominal termination fee to cover costs relating to the termination. On January 31, 2006, the Company entered into additional agreements with WHC in which both parties agreed to support each other s product development and marketing efforts of specific product lines for agreed upon fees, as defined in the agreements. The new agreements cover a term of five years. On February 15, 2006, the Company amended the Tax Sharing Agreement with WHC. Under the amended Tax Sharing Agreement, the Company will compensate WHC for any use of WHC s net operating losses that may result from certain extraordinary transactions as defined in the Tax Sharing Agreement, including a sale of Emdeon Business Services and Emdeon Practice Services.

4. Significant Transactions

America Online, Inc.

In May 2001, the Company entered into an agreement for a strategic alliance with Time Warner, Inc. (Time Warner). Under the agreement, the Company is the primary provider of healthcare content, tools and services for use on certain America Online properties. The Company and AOL share certain revenue from advertising, commerce and programming on the health channels of the AOL properties and on a co-branded service created for AOL by the Company, with the Company receiving 80% of revenues up to an agreed-upon annual threshold and 60% thereafter. In connection with the strategic alliance, the Company issued to Time Warner a warrant to purchase 2,408,908 shares of the Company s common stock at an exercise price of $9.25 per share. The warrant was valued at approximately $17,500 using the Black-Scholes option pricing model and was amortized through May 2004, the original term of the strategic alliance, as a non-cash distribution expense included in sales, marketing, general and administrative expense.

The Company had the right to extend the original agreement for an additional three-year term if the Company s revenue share did not exceed certain thresholds during the original three-year term. These thresholds were not met and the Company exercised its right to extend the contract term until May 2007. Under the terms of the extension, the Company is entitled to share in revenues and is guaranteed a minimum of $12,000 during each year of the renewal term for its share of advertising revenues. Included in the accompanying consolidated statement of operations during 2005, 2004 and 2003 is revenue of $7,805, $7,242 and $5,087, respectively, which represents sales to third parties of advertising and sponsorship on the AOL health channels, primarily sold through the Company s sales team. Also included in revenue during 2005 and 2004 is revenue of $5,951 and $3,754, respectively, related to such guarantee.

EMDEON CORPORATION

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News Corporation

In connection with the strategic relationship with News Corporation entered into in 2000 and amended in 2001, the Company received the rights to an aggregate of $205,000 of advertising services from News Corporation to be used over ten years expiring in 2010 in exchange for equity securities of the Company. The amount of advertising services received in any contract year is based on the current market rates in effect at the time the advertisement is placed. Additionally, the amount of advertising services that can be used in any contract year is subject to contract limitations. The advertising services were recorded at fair value determined using a discounted cash flow methodology. Also as part of the same relationship the Company licensed its content to News Corporation for use across News Corporation s media properties for four years, ending in January 2005, for cash payments totaling $12,000 per contract year. The remaining current and long-term portions of the prepaid advertising services are included in prepaid expenses and other current assets, and other assets, respectively, in the accompanying consolidated balance sheets.

Microsoft

In connection with a strategic relationship with Microsoft entered into in 2000 and amended in 2001, the Company programmed the majority of the MSN health channel, and the Company and MSN shared revenues derived from advertising, sponsorship and e-commerce on the MSN health channel site, with the Company receiving 100% of revenues up to an agreed upon annual threshold (or until an agreed upon maximum for the contract period was reached) and 60% thereafter. This agreement expired on December 31, 2004.

5. Restructuring and Integration Charges

After the mergers with Medical Manager Corporation, CareInsite, Inc. and OnHealth Network Company in September 2000, the Company s Board of Directors approved a restructuring and integration plan, with the objective of eliminating duplication and redundancies that resulted from these and certain prior acquisitions and consolidating the Company s operational infrastructure into a common platform. The Company s restructuring and integration efforts continued in 2001, which included eliminating functions resulting from the Company s acquisition of Medscape and restructuring certain strategic relationships the Company had with third parties. During 2003, the Company made cash payments of $7,620, related to its 2000 and 2001 restructuring plans, primarily associated with lease payments of previously vacated facilities.

In 2004, the Company recorded an incremental restructuring charge, with respect to the 2000 restructuring plan, of $4,535 in connection with the settlement of a lawsuit against the landlord of a property that the Company leased in 2000, but never occupied, for its then Santa Clara, California operations. The remainder of the settlement cost was previously expensed as part of the 2000 restructuring plan. Under the terms of the settlement, the original lease was terminated and the Company made payments of approximately $24,409. In addition during 2004, the Company made cash payments of $4,618 related to its remaining 2000 and 2001 restructuring plans.

As of December 31, 2005, the Company did not have any remaining obligations related to its 2000 and 2001 restructuring plans.

6. Discontinued Operations

On August 1, 2003, the Company completed the sale of two operating units of Porex, Porex Bio Products, Inc. (Porex Bio) and Porex Medical Products, Inc. (Porex Medical) to enable Porex to focus on its porous materials businesses. Accordingly, the historical financial information of these operating units has been reclassified as discontinued operations in the accompanying consolidated financial statements for the year ended December 31, 2003. The operating units were sold in two separate transactions for an aggregate sales price of $46,500. An impairment charge of $33,113 was recorded in the 2003 results to reduce the long-lived

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

assets of Porex Bio and Porex Medical to fair value. The write-down consisted of $27,564 of goodwill, $4,162 of trade name and patent intangibles and $1,387 of other long-lived assets consisting primarily of manufacturing equipment. The impairment charge was based on the fair value of the divested businesses as determined by the expected proceeds from disposition. During the three months ended September 30, 2003, the Company recorded a loss on disposal of $3,491, primarily representing certain costs related to the disposition, which is included in income (loss) from discontinued operations in the accompanying consolidated statements of operations. Summarized operating results for the discontinued units through August 1, 2003 were as follows:

	For the Period January 1, 2003 through August 1, 2003	
Revenue	$	31,004
Loss from operations	$	30,120
Loss on disposal		3,491
Loss from discontinued operations, net of income taxes	$	33,611

7. Convertible Redeemable Exchangeable Preferred Stock

On March 19, 2004, the Company issued $100,000 of Convertible Redeemable Exchangeable Preferred Stock (the Preferred Stock) in a private transaction to CalPERS/PCG Corporate Partners, LLC (CalPERS/PCG Corporate Partners). CalPERS/PCG Corporate Partners is a private equity fund managed by the Pacific Corporate Group and principally backed by California Public Employees Retirement System, or CalPERS.

The Preferred Stock has a liquidation preference of $100,000 in the aggregate and is convertible into 10,638,297 shares of the Company s common stock in the aggregate, representing a conversion price of $9.40 per share of common stock. The Company may not redeem the Preferred Stock prior to March 2007. Thereafter, the Company may redeem any portion of the Preferred Stock at 105% of its liquidation preference; provided that any redemption by the Company prior to March 2008 shall be subject to the condition that the average closing sale price of the Company s common stock is at least $13.16 per share, subject to adjustment. The Company is required to redeem all shares of the Preferred Stock then outstanding in March 2012, at a redemption price equal to the liquidation preference of the Preferred Stock, payable in cash or, at the Company s option, in shares of the Company s common stock. If the Company s common stock is used to redeem the Preferred Stock, the number of shares to be issued will be determined by valuing the common stock at 90% of its closing price during the 15 trading days preceding redemption. Additionally, the holders of the Preferred Stock may require the Company to repurchase the Preferred Stock upon a change in control of the Company at a price equal to the liquidation preference of the Preferred Stock, payable in cash.

If the average closing sales price of the Company s common stock during the three-month period ended on the fourth anniversary of the issuance date is less than $7.50 per share, holders of the Preferred Stock will have a right to exchange the Preferred Stock into the Company s 10% Subordinated Notes (10% Notes) due March 2010. The 10% Notes may be redeemed, in whole or in part, at any time thereafter at the Company s option at a price equal to 105% of the principal amount of the 10% Notes being redeemed.

Holders of the Preferred Stock will not receive any dividends unless the holders of common stock do, in which case holders of the Preferred Stock will be entitled to receive ordinary dividends in an amount equal to the ordinary dividends the holders of the Preferred Stock would have received had they converted such Preferred Stock into common stock immediately prior to the record date for such dividend distribution. So long as the Preferred Stock remains outstanding, the Company is required to pay to CalPERS/PCG Corporate

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Partners, on a quarterly basis, an aggregate annual fee of 0.35% of the face amount of the then outstanding Preferred Stock.

Holders of the Preferred Stock have the right to vote, together with the holders of the Company s common stock on an as converted to common stock basis, on matters that are put to a vote of the common stock holders. The Certificate of Designations for the Preferred Stock also provides that the Company will not, without the prior approval of holders of 75% of the shares of Preferred Stock then outstanding, voting as a separate class, issue any additional shares of the Preferred Stock, or create any other class or series of capital stock that ranks senior to or on a parity with the Preferred Stock.

The Company incurred issuance costs related to the Preferred Stock of approximately $1,885, which have been recorded against the Preferred Stock in the accompanying consolidated balance sheets. The issuance costs are being amortized to accretion of convertible redeemable exchangeable preferred stock, using the effective interest method over the period from issuance through March 19, 2012. In 2005 and 2004, $234 and $184, respectively, were recorded to accretion of convertible redeemable exchangeable preferred stock, included within stockholders equity.

8. Convertible Notes

$300,000 31/8% Convertible Notes due 2025

On August 24, 2005, the Company issued $300,000 aggregate principal amount of 31/8% Convertible Notes due 2025 (the 31/8% Notes) in a private offering. Unless previously redeemed or converted, the 31/8% Notes will mature on September 1, 2025. Interest on the 31/8% Notes accrues at the rate of 31/8% per annum and is payable semiannually on March 1 and September 1, commencing March 1, 2006. The Company will also pay contingent interest of 0.25% per annum to the holders of the 31/8% Notes during specified six-month periods, commencing with the six-month period beginning on September 1, 2012, if the average trading price of a 31/8% Note for the specified period equals 120% or more of the principal amount of the 31/8% Note.

The 31/8% Notes are convertible into an aggregate of 19,273,393 shares of the Company s common stock (representing a conversion price of $15.57 per share). Holders of the 31/8% Notes may require the Company to repurchase their 31/8% Notes on September 1, 2012, September 1, 2015 and September 1, 2020, at a price equal to 100% of the principal amount of the 31/8% Notes being repurchased, plus any accrued and unpaid interest, payable in cash. Additionally, the holders of the 31/8% Notes may require the Company to repurchase the 31/8% Notes upon a change in control of the Company at a price equal to 100% of the principal amount of the 31/8% Notes, plus accrued and unpaid interest, payable in cash or, at the Company s option, in shares of the Company s common stock or in a combination of cash and shares of the Company s common stock. On or after September 5, 2010, September 5, 2011 and September 5, 2012, the 31/8% Notes are redeemable, at the option of the Company, for cash at redemption prices of 100.893%, 100.446% and 100.0%, respectively, plus accrued and unpaid interest.

$350,000 1.75% Convertible Subordinated Notes due 2023

On June 25, 2003, the Company issued $300,000 aggregate principal amount of 1.75% Convertible Subordinated Notes due 2023 (the 1.75% Notes) in a private offering. On July 7, 2003, the Company issued an additional $50,000 aggregate principal amount of the 1.75% Notes. Unless previously redeemed or converted, the 1.75% Notes will mature on June 15, 2023. Interest on the 1.75% Notes accrues at the rate of 1.75% per annum and is payable semiannually on June 15 and December 15, commencing December 15, 2003. The Company will also pay contingent interest of 0.25% per annum of the average trading price of the 1.75% Notes during specified six-month periods, commencing on June 20, 2010, if the average trading price of the 1.75% Notes for specified periods equals 120% or more of the principal amount of the 1.75% Notes.

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The 1.75% Notes are convertible into an aggregate of 22,742,040 shares of the Company s common stock (representing a conversion price of $15.39 per share) if the sale price of the Company s common stock exceeds 120% of the conversion price for specified periods and in certain other circumstances. The 1.75% Notes are redeemable by the Company after June 15, 2008 and prior to June 20, 2010, subject to certain conditions, including the sale price of the Company s common stock exceeding certain levels for specified periods. If the 1.75% Notes are redeemed by the Company during this period, the Company will be required to make additional interest payments. After June 20, 2010, the 1.75% Notes are redeemable at any time for cash at 100% of their principal amount. Holders of the 1.75% Notes may require the Company to repurchase their 1.75% Notes on June 15, 2010, June 15, 2013 and June 15, 2018, for cash at 100% of the principal amount of the 1.75% Notes, plus accrued interest. Upon a change in control, holders may require the Company to repurchase their 1.75% Notes for, at the Company s option, cash or shares of the Company s common stock, or a combination thereof, at a price equal to 100% of the principal amount of the 1.75% Notes being repurchased.

$300,000 31/4% Convertible Subordinated Notes due 2007

On April 1, 2002, the Company issued $300,000 aggregate principal amount of 31/4% Convertible Subordinated Notes due 2007 (the 31/4% Notes) in a private offering. Interest on the 31/4% Notes accrued at the rate of 31/4% per annum and was payable semiannually on April 1 and October 1. At the time of issuance, the 31/4% Notes were convertible into an aggregate of approximately 32,386,916 shares of the Company s common stock (representing a conversion price of $9.26 per share). During the three months ended June 30, 2003, $1 principal amount of the 31/4% Notes was converted into 107 shares of the Company s common stock in accordance with the provisions of the 31/4% Notes.

On June 2, 2005, the Company completed the redemption of all of the outstanding 31/4% Notes. Prior to the redemption, the holders of the 31/4% Notes converted a total of $214,880 principal amount of the 31/4% Notes into 23,197,650 shares of common stock of the Company, plus cash in lieu of fractional shares, at a price of $9.26 per share. The Company redeemed the balance of $85,119 principal amount of the 31/4% Notes at an aggregate redemption price, together with accrued interest and redemption premium, of $86,694. In connection with this transaction, the Company wrote-off the remaining unamortized portion of its deferred issuance costs related to the 31/4% Notes of $2,854, of which $2,009 was reflected as a reduction to additional paid-in capital, representing the portion related to the 31/4% Notes converted by the holders. The write-off of the remaining unamortized deferred issuance costs related to the portion of the 31/4% Notes that was redeemed, and the payment of the redemption premium resulted in a total charge of $1,902. This charge is included in other expense (income) in the accompanying consolidated statements of operations and in loss on redemption of convertible debt in the accompanying consolidated statements of cash flows.

9. Segment Information

Segment information has been prepared in accordance with Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information (SFAS 131). The accounting policies of the segments are the same as the accounting policies for the consolidated Company. Inter-segment revenue primarily represents services provided by the Company s Emdeon Business Services segment to the customer base within the Company s Emdeon Practice Services segment and are reflected at rates comparable to those charged to third parties for comparable services. To a lesser extent, inter-segment revenue includes sales of certain WebMD services to the Company s other operating segments. The performance of the Company s business is monitored based on earnings before restructuring, interest, taxes, non-cash and other items. Other items include legal expenses which reflect costs and expenses related to the investigation by the United States Attorney for the District of South Carolina and the SEC. In addition, other

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

items include a charge related to the redemption of the 31/4% Notes (see Note 8), costs and expenses related to the settlement of the McKesson HBOC litigation and gain (loss) on sale of property and equipment. Non-cash expenses are related to advertising and distribution services acquired in exchange for the Company s equity securities in acquisitions and strategic alliances, as well as stock-based compensation expense, which primarily relates to stock options issued and assumed in connection with acquisitions and restricted stock issued to employees.

Reclassification of Segment Information. On September 28, 2005, WHC sold, in an initial public offering, 7,935,000 shares of its Class A Common Stock. Also during the three months ended September 30, 2005, the Company entered into a Services Agreement with WHC and modified its segment reporting. Descriptions of the initial public offering and the Services Agreement are included in Note 3. The Company s segment reporting has been modified to reflect the services fee it charges to WHC as an increase to the expenses of the WebMD segment and an offsetting reduction to the expenses in the Corporate segment. In accordance with SFAS 131, the Company has reclassified all prior period segment information to conform to the current period presentation. The services fee charged to the WebMD segment was $5,117, $6,591 and $6,259 in 2005, 2004 and 2003, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Summarized financial information for each of the Company s four operating segments and corporate segment and reconciliation to net income (loss) are presented below:

	Years Ended December 31,		
	2005	**2004**	**2003**
Revenue			
Emdeon Business Services	$ 758,851	$ 686,585	$ 505,729
Emdeon Practice Services	304,175	296,115	302,640
WebMD	168,238	134,317	110,665
Porex	79,124	77,099	71,940
Inter-segment eliminations	(33,509)	(33,765)	(26,994)
	$ 1,276,879	$ 1,160,351	$ 963,980
Earnings before restructuring, interest, taxes, non-cash and other items			
Emdeon Business Services	$ 154,512	$ 131,834	$ 94,218
Emdeon Practice Services	29,378	14,533	20,924
WebMD *(a)*	27,546	26,307	18,639
Porex	22,524	22,650	20,532
Corporate *(a)*	(50,301)	(51,791)	(43,992)
	183,659	143,533	110,321
Restructuring, interest, taxes, non-cash and other items			
Depreciation, amortization and other	(71,767)	(57,765)	(62,434)
Non-cash advertising and distribution services	(10,870)	(18,826)	(24,298)
Non-cash stock-based compensation	(4,739)	(8,975)	(12,449)
Legal expense	(17,835)	(9,230)	(3,959)
(Loss) gain on investments	(6,365)	457	1,659
Restructuring and integration charge		(4,535)	
Interest income	21,531	18,717	22,901
Interest expense	(16,324)	(19,253)	(15,214)
Other (expense) income, net	(3,765)	121	4,218
Minority interest in WebMD Health Corp., net of tax	(908)		
Income tax benefit (provision)	357	(4,910)	(4,140)
Income from continuing operations	72,974	39,334	16,605
Loss from discontinued operations			33,611
Net income (loss)	$ 72,974	$ 39,334	$ (17,006)

(a) Earnings before restructuring, interest, taxes, non-cash and other items during the prior periods, for the Corporate and WebMD segments, have been reclassified to conform to the current period presentation for service fees charged to the WebMD segment from Corporate.

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table represents the Company s operating segment revenue by products and services:

	Year Ended December 31, 2005		Year Ended December 31, 2004		Year Ended December 31, 2003	
	Services	Products	Services	Products	Services	Products
Emdeon Business Services	$ 749,862	$ 8,989	$ 676,879	$ 9,706	$ 497,959	$ 7,770
Emdeon Practice Services	245,144	59,031	234,648	61,467	222,542	80,098
WebMD	160,410	7,828	127,125	7,192	104,751	5,914
Porex	1,200	77,924	1,100	75,999	900	71,040
Inter-segment eliminations	(32,970)	(539)	(33,560)	(205)	(26,884)	(110)
Total revenue	$ 1,123,646	$ 153,233	$ 1,006,192	$ 154,159	$ 799,268	$ 164,712

The Company does not disaggregate assets for internal management reporting and, therefore, such information is not presented.

Revenue generated from foreign customers of the continuing operations of the Company s Porex and WebMD segments was $38,254, $33,315 and $31,320 in 2005, 2004 and 2003, respectively. Long-lived assets based in foreign facilities were $41,879 and $19,020 as of December 31, 2005 and 2004, respectively.

10. Long-Lived Assets

Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2005	2004
Computer equipment	$ 76,358	$ 61,373
Land and buildings	17,520	17,847
Office equipment, furniture and fixtures	56,354	45,695
Software	52,055	35,195
Leasehold improvements	20,183	9,727
Construction in process	13,122	12,581
	235,592	182,418
Less: accumulated depreciation	(119,560)	(92,741)

Property and equipment, net	$ 116,032	$ 89,677

Depreciation expense was $35,418, $28,895 and $25,926 in 2005, 2004 and 2003, respectively.

Goodwill and Intangible Assets

SFAS No. 141, Business Combinations (SFAS 141) requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting. It also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill. SFAS 142 requires that goodwill and certain intangibles no longer be amortized, but instead tested for impairment at least annually. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS 144. Based on the Company s analysis, there was no impairment of goodwill in connection with the annual impairment tests that were performed during the quarters ended December 31, 2005, 2004 and 2003.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The changes in the carrying amount of goodwill during the years ended December 31, 2005 and 2004 were as follows:

	Emdeon Business Services	Emdeon Practice Services	WebMD	Porex	Total
Balance as of January 1, 2004	$ 582,088	$ 186,709	$ 36,843	$ 38,808	$ 844,448
Acquisitions during the period	99,829		14,942	4,122	118,893
Contingent consideration for prior period acquisitions	60,955	155	1,500		62,610
Tax reversals(a)	(7,141)	(7,321)			(14,462)
Adjustments to finalize purchase price allocations	(1,263)		(116)		(1,379)
Effects of exchange rates				454	454
Balance as of January 1, 2005	734,468	179,543	53,169	43,384	1,010,564
Acquisitions during the period			36,079		36,079
Contingent consideration for prior period acquisitions	19,379	30	10,638		30,047
Tax reversals (a)	(674)			(600)	(1,274)
Adjustments to finalize purchase price allocations	(307)		783	383	859
Effects of exchange rates				(726)	(726)
Balance as of December 31, 2005	$ 752,866	$ 179,573	$ 100,669	$ 42,441	$ 1,075,549

(a) In accordance with EITF 93-7, Uncertainties Related to Income Taxes in a Purchase Business Combination, the Company reduced goodwill and accrued liabilities by $230 and $600 for the Emdeon Business Services and Porex segments, respectively, during 2005 and by $7,141 and $7,321 for the Emdeon Business Services and Emdeon Practice Services segments, respectively, during 2004. The net reduction primarily related to the favorable resolution of estimated tax liabilities established in connection with certain 2000 acquisitions. Additionally, during 2005, the Company reduced goodwill by $444 as a result of the reversal of a portion of the income tax valuation allowances that were originally established in connection with the purchase accounting of prior acquisitions within the Emdeon Business Services segment.

Intangible assets subject to amortization consist of the following:

	December 31, 2005	December 31, 2004
	Gross	Gross

	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Customer relationships	$ 377,356	$ (233,319)	$ 144,037	$ 369,704	$ (217,874)	$ 151,830
Technology and patents	236,421	(169,565)	66,856	234,722	(155,687)	79,035
Trade names	40,716	(30,432)	10,284	40,716	(26,923)	13,793
Non-compete agreements, content and other	24,913	(5,580)	19,333	17,920	(2,069)	15,851
Total	$ 679,406	$ (438,896)	$ 240,510	$ 663,062	$ (402,553)	$ 260,509

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Amortization expense was $36,349, $28,870 and $35,763 in 2005, 2004 and 2003, respectively. Aggregate amortization expense for intangible assets is estimated to be:

Years Ending December 31,	
2006	$ 34,864
2007	34,110
2008	31,112
2009	22,112
2010	15,491
Thereafter	102,821
Total	$ 240,510

11. Accrued Expenses

Accrued expenses consist of the following:

	December 31, 2005	December 31, 2004
Accrued outside services	$ 12,410	$ 13,142
Accrued acquisition contingent consideration	30,122	43,500
Accrued compensation	46,177	40,001
Accrued customer deposits	21,570	19,804
Accrued income, sales and other taxes	21,911	27,770
Other accrued liabilities	54,191	54,094
Total accrued expenses	$ 186,381	$ 198,311

12. Commitments and Contingencies

Legal Proceedings

Investigations by United States Attorney for the District of South Carolina and the SEC

As previously disclosed, the United States Attorney for the District of South Carolina is conducting an investigation of the Company, which was first learned about on September 3, 2003. Based on the information available to the Company, it believes that the investigation relates principally to issues of financial accounting improprieties for

Medical Manager Corporation, a predecessor of the Company (by its merger into the Company in September 2000), and, more specifically, its Medical Manager Health Systems, Inc. subsidiary, a predecessor to the Company s Emdeon Practice Services, Inc. subsidiary (Medical Manager Health Systems). The Company has been cooperating and intends to continue to cooperate fully with the U.S. Attorney s Office. As previously reported, the Board of Directors of the Company has formed a special committee consisting solely of independent directors to oversee this matter with the sole authority to direct the Company s response to the allegations that have been raised.

The United States Attorney for the District of South Carolina announced on January 10, 2005, that three former employees of Medical Manager Health Systems each had agreed to plead guilty to one count of mail fraud and that one such employee had agreed to plead guilty to one count of tax evasion for acts committed while they were employed by Medical Manager Health Systems. The three former employees include a Vice President of Medical Manager Health Systems responsible for acquisitions who was terminated for cause in January 2003; an executive who served in various accounting roles at Medical Manager Health Systems until his resignation in March 2002; and a former independent Medical Manager dealer who was a paid consultant

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

to Medical Manager Health Systems until the termination of his services in 2002. According to the Informations, Plea Agreements and Factual Summaries filed by the United States Attorney in, and available from, the District Court of the United States for the District of South Carolina Beaufort Division, on January 7, 2005, the three former employees and other then unnamed co-schemers were engaged in schemes between 1997 and 2002 that included causing companies acquired by Medical Manager Health Systems to pay the former vice president in charge of acquisitions and co-schemers kickbacks which were funded through increases in the purchase price paid by Medical Manager Health Systems to the acquired company and that included fraudulent accounting practices to inflate artificially the quarterly revenues and earnings of Medical Manager Health Systems when it was an independent public company called Medical Manager Corporation from 1997 through 1999, when and after it became acquired by Synetic, Inc. in July 1999 and when and after it became a subsidiary of the Company in September 2000. A fourth former officer of Medical Manager Health Systems pleaded guilty to similar activities later in 2005.

The fraudulent accounting practices cited by the government in the January 7, 2005 District Court filings included: causing companies acquired by Medical Manager Health Systems to reclassify previously recognized sales revenue as deferred income so that such deferred income could subsequently be reported as revenue by Medical Manager Health Systems and its parents in later periods; fabricating deferred revenue entries which could be used to inflate earnings when Medical Manager Health Systems acquired companies; causing companies acquired by Medical Manager Health Systems to inflate reserve accounts so that these reserves could be reversed in later reporting periods in order to artificially inflate earnings for Medical Manager Health Systems and its parents; accounting for numerous acquisitions through the pooling of interests method in order to fraudulently inflate Medical Manager Health Systems quarterly earnings, when the individuals involved knew the transactions failed to qualify for such treatment; causing companies acquired by Medical Manager Health Systems to enter into sham purchases of software from Medical Manager Health Systems in connection with the acquisition which purchases were funded by increasing the purchase price paid by Medical Manager Health Systems to the acquired company and using these round trip sales to create fraudulent revenue for Medical Manager Health Systems and its parents; and causing Medical Manager Health Systems to book and record sales and training revenue before the revenue process was complete in accordance with Generally Accepted Accounting Principles and thereby fraudulently inflating Medical Manager Health Systems reported revenues and earnings. According to the Informations to which the former employees have plead guilty, the fraudulent accounting practices resulted in the reported revenues of Medical Manager Health Systems and its parents being overstated materially between June 1997 and at least December 31, 2001, and reported quarterly earnings being overstated by at least one cent per share in every quarter during that period.

The documents filed by the United States Attorney in January 2005 stated that the former employees engaged in their fraudulent conduct in concert with senior management, and at the direction of senior Medical Manager officers. In its statement at that time, the United States Attorney for the District of South Carolina stated that the senior management and officers referred to in the Court documents were members of senior management of the Medical Manager subsidiary during the relevant time period.

On December 15, 2005, the United States Attorney announced indictments of the following former officers and employees of Medical Manager Health Systems: Ted W. Dorman, a former Regional Vice President of Medical Manager Health Systems, who was employed until March 2003; Charles L. Hutchinson, a former Controller of Medical Manager Health Systems, who was employed until June 2001; Maxie L. Juzang, a former Vice President of Medical Manager Health Systems, who was employed until August 2005; John H. Kang, a former President of Medical Manager Health Systems, who was employed until May 2001; Frederick B. Karl, Jr., a former General Counsel of Medical Manager Health Systems, who was employed until April 2000; Franklyn B. Krieger, a former

Associate General Counsel of Medical Manager Health Systems, who was employed until February 2002; Lee A. Robbins, a former Vice President and Chief Financial Officer of Medical Manager Health Systems, who was employed until September 2000; John P. Sessions, a former President and Chief Operating Officer of Medical Manager Health Systems, who was

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

employed until September 2003; Michael A. Singer, a former Chief Executive Officer of Medical Manager Health Systems and a former director of the Company, who was most recently employed by the Company as its Executive Vice President, Physician Software Strategies until February 2005; and David Ward, a former Vice President of Medical Manager Health Systems, who was employed until June 2005. The Indictment charges the persons listed above with conspiracy to commit mail, wire and securities fraud, a violation of Title 18, United States Code, Section 371 and conspiracy to commit money laundering, a violation of Title 18, United States Code, Section 1956(h). The indictment charges Messrs. Sessions and Ward with substantive counts of money laundering, violations of Title 18, United States Code, Section 1957. The allegations set forth in the Indictment describe activities that are substantially similar to those described above with respect to the January 2005 plea agreements.

Based on the information it has obtained to date, including that contained in the court documents filed by the United States Attorney in South Carolina, the Company does not believe that any member of its senior management whose duties were not primarily related to the operations of Medical Manager Health Systems during the relevant time periods engaged in any of the violations or improprieties described in those court documents. The Company understands, however, that in light of the nature of the allegations involved, the U.S. Attorney s office has been investigating all levels of the Company s management. The Company has not uncovered information that it believes would require a restatement for any of the years covered by its financial statements. In addition, the Company believes that the amounts of the kickback payments referred to in the court documents have already been reflected in the financial statements of the Company to the extent required.

As previously disclosed, the Company understands that the SEC is also conducting a formal investigation into this matter.

While the Company is not able to estimate, at this time, the amount of the expenses that it will incur in connection with the investigations, it expects that they may continue to be significant.

Litigation Regarding Distribution of Shares in Healtheon Initial Public Offering

In the summer and fall of 2001, seven purported class action lawsuits were filed against Morgan Stanley & Co. Incorporated and Goldman Sachs & Co., underwriters of the initial public offering of the Company (then known as Healtheon) in the United States District Court for the Southern District of New York. Three of these suits also named the Company and certain former officers and directors of the Company as defendants. These suits were filed in the wake of reports of governmental investigations of the underwriters practices in the distribution of shares in certain initial public offerings. Similar suits were filed in connection with over 300 other initial public offerings that occurred in 1999, 2000 and 2001.

The complaints against the Company and its former officers and directors alleged violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 under that Act and Section 11 of the Securities Act of 1933 because of failure to disclose certain practices alleged to have occurred in connection with the distribution of shares in the Healtheon IPO. Claims under Section 12(a)(2) of the Securities Act of 1933 were also brought against the underwriters. These claims were consolidated, along with claims relating to over 300 other initial public offerings, in the Southern District of New York.

The plaintiffs have dismissed the claims against the four former officers and directors of the Company without prejudice, pursuant to Reservation of Rights and Tolling Agreements with those individuals.

On July 15, 2002, the issuer defendants in the consolidated action, including the Company, filed a joint motion to dismiss the consolidated complaints. On February 18, 2003, the District Court denied, with certain exceptions not relevant to the Company, the issuer defendants motion to dismiss.

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

After a lengthy mediation under the auspices of former United States District Judge Nicholas Politan, the issuer defendants in the consolidated action (including the Company), the affected insurance companies and the plaintiffs reached an agreement on a settlement to resolve the matter among the participating issuer defendants, their insurers and the plaintiffs. The settlement calls for the participating issuers insurers jointly to guarantee that plaintiffs recover a certain amount in the IPO litigation and certain related litigation from the underwriters and other non-settling defendants. Accordingly, in the event that the guarantee becomes payable, the agreement calls for the Company s insurance carriers, not the Company, to pay the Company s pro rata share.

The Company and virtually all of the approximately 260 other issuer defendants who are eligible have also elected to participate in the settlement. Although the Company believes that the claims alleged in the lawsuits were primarily directed at the underwriters and, as they relate to the Company, were without merit, we believe that the settlement is beneficial to the Company because it reduces the time, expense and risks of further litigation, particularly since virtually all of the other issuer defendants will participate and our insurance carriers strongly support the settlement.

On June 10, 2004, plaintiffs submitted to the court a Stipulation and Agreement of Settlement with Defendant Issuers and Individuals. On February 15, 2005, the court certified the proposed settlement class and preliminarily approved the settlement, subject to certain modifications, to which the parties agreed. On August 31, 2005, the court ordered that notice be mailed to the class members beginning on November 15, 2005, and no later than January 15, 2006, and scheduled a hearing for final approval of the settlement for April 24, 2006.

Porex Mammary Implant Litigation

From 1988 through 1990, Porex distributed silicone mammary implants in the United States pursuant to a distribution arrangement with a Japanese manufacturer. Porex believes that, after accounting for implants returned to Porex, the aggregate number of persons who received implants distributed by Porex totals approximately 2,500. Since March 1991, Porex has been named as one of many co-defendants in a number of actions brought by recipients of mammary implants. The typical case or claim alleges that the individual s mammary implants caused one or more of a wide range of ailments. These implant cases and claims generally raise difficult and complex factual and legal issues and are subject to many uncertainties and complexities, including, but not limited to, the facts and circumstances of each particular case or claim, the jurisdiction in which each suit is brought, and differences in applicable law. Porex does not have sufficient information to evaluate each case and claim.

Certain of the actions against Porex have been dismissed, where it was determined that the implant in question was not distributed by Porex. In addition, as of the date of this Annual Report, approximately 300 actions have been settled by the manufacturer, or by Porex s insurance carriers, without material cost to Porex. As of the date of this Annual Report, no implant-related claims were pending against Porex. During calendar years 2005, 2004 and 2003, there were no implant-related claims made against Porex by individuals, as compared to two claims during each of 2002, 2001 and 2000, 39 claims during 1999 and nine claims during 1998. The majority of claims made during 1999 were claims that were filed by individuals following a court ruling in 1999 that cases filed in earlier years would not proceed as class actions, as a result of which such individuals would not be members of a class in such cases.

In 1994, Porex was notified that its insurance carrier would not renew its then-existing insurance coverage after December 31, 1994 with respect to actions and claims arising out of its distribution of implants. However, Porex exercised its right, under such policy, to purchase extended reporting period coverage with respect to such actions and claims. Such coverage provides insurance subject to existing policy limits, but for an unlimited time period with respect to actions and claims made after December 31, 1994 based on events that occurred during the policy period. In addition, Porex has purchased extended reporting period coverage

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

with respect to other excess insurance. This coverage also extends indefinitely, replacing coverage that would, by its terms, have otherwise expired by December 31, 1997. Porex will continue to evaluate the need to purchase further extended reporting period coverage from excess insurers to the extent such coverage is reasonably available.

Porex believes that its present coverage, together with its insurance policies in effect on or before December 31, 1994, should provide adequate coverage against liabilities that could result from actions or claims arising out of Porex s distribution of silicone mammary implants. However, Porex cannot be certain that particular cases and claims will not result in liability that is greater than expected based on Porex s prior experience. If so, Porex s liability could exceed the amount of its insurance coverage.

Dakota Imaging, Inc. v. Sandeep Goel and Pradeep Goel

In April 2004, the Company, through its Emdeon Business Services segment, acquired Dakota Imaging, Inc., a provider of automated healthcare claims processing technology and business process outsourcing services.

On April 6, 2005, the Company s Dakota subsidiary terminated, for cause, the employment of Sandeep Goel, who was its President, and Pradeep Goel, who was its Chief Operating Officer and Chief Technology Officer, each of whom was also a shareholder of Dakota prior to its acquisition by Emdeon Business Services. In addition, Dakota filed a complaint in the Delaware Court of Chancery against Sandeep Goel and Pradeep Goel alleging breach of their respective employment agreements and related causes of action.

On May 9, 2005, the defendants filed an Answer and Counterclaim against Dakota. In the Answer and Counterclaim, defendants allege that Dakota did not have the right to terminate them for cause and that Dakota violated provisions of their employment agreements. Defendants seek damages for the alleged breaches of their employment agreements. Defendants also allege that Dakota, as well as the Company and Envoy Corporation, a subsidiary of the Company, violated the Merger Agreement pursuant to which Envoy acquired Dakota. Defendants allege that the terminations and other actions taken by the Company, Envoy and Dakota interfered with the defendants rights with respect to potential contingent earn-out consideration under provisions contained in the Merger Agreement. The Merger Agreement provides for contingent consideration based on achievement of certain financial milestones in specified time periods and defendants seek damages in excess of $25,000, the maximum aggregate amount of contingent consideration that could be earned under the earn-out provisions of the Merger Agreement. The Company, Envoy and Dakota have filed motions to dismiss the counterclaims in whole or in part. The Court has not yet ruled on the motions.

The amount of the contingent payment for the first year of the earn-out under the Merger Agreement is also in dispute between Envoy and Sandeep Goel and Pradeep Goel, as representatives for the former shareholders of Dakota. Envoy believes that no payment is due for that period. In accordance with the provisions of the Merger Agreement, that dispute has been submitted for arbitration before a designated accounting firm.

The parties have agreed to engage in a non-binding mediation of all disputes before a Federal magistrate judge in the United States District Court for the District of Delaware. The mediation is expected to occur in late March or early April 2006.

M.D. On-Line, Inc. Litigation

On August 18, 2005, a lawsuit was filed by M.D. On-Line, Inc. in the U.S. District Court for the District of New Jersey against the Company and two of its subsidiaries. The complaint alleges claims of Federal trademark infringement, unfair competition and false designation of origin and state trademark infringement and unfair competition as a result of use of the name Emdeon by the Company and its subsidiaries. The complaint seeks monetary damages in excess of $150 and an injunction to cause the Company and its

EMDEON CORPORATION

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subsidiaries to cease using the name Emdeon. A hearing on M.D. On-Line s preliminary injunction application was held on September 22, 2005. After hearing argument from both parties, the Court denied M.D. On-Line s application. The Court issued a written opinion and Order denying the preliminary injunction application on October 6, 2005. The parties are currently engaged in the discovery process in this litigation.

Porex Corporation v. Kleanthis Dean Haldopoulos, Benjamin T. Hirokawa and Micropore Plastics, Inc.

On September 24, 2005, the Company s subsidiary Porex Corporation filed a complaint in the Superior Court of Fulton County against two former employees of Porex, Dean Haldopoulos and Benjamin Hirokawa, and their corporation, Micropore Plastics, Inc., alleging misappropriation of Porex s trade secrets and breaches of Haldopoulos and Hirokawa s employment agreements, and seeking monetary and injunctive relief. The lawsuit was subsequently transferred to the Superior Court of DeKalb County, Georgia. On October 24, 2005, the defendants filed an Answer and Counterclaims against Porex. In the Answer and Counterclaims, the defendants allege that Porex breached non-disclosure and standstill agreements in connection with a proposed transaction between Porex and Micropore and engaged in fraud. The defendants also seek punitive damages and expenses of litigation. On February 13, 2006, the Court granted a motion by Micropore for summary judgment with respect to Porex s trade secret claims, ruling that those claims are barred by the statute of limitations. Porex has filed to appeal that ruling. Porex is continuing to pursue its breach of contract claims.

Ari Weitzner, M.D., P.C. et al. v. National Physicians Datasource LLC

On May 24, 2005, a lawsuit was filed by Dr. Ari Weitzner individually, and as a class action, under the Telephone Consumer Protection Act (the TCPA), in the U.S. District Court, Eastern District of New York against National Physicians Datasource LLC (NPD), which is currently a subsidiary of WHC. The lawsuit claims that faxes allegedly sent by NPD, which publishes *The Little Blue Book*, were sent in violation of the TCPA. The lawsuit potentially seeks damages in excess of $5,000. The Court had temporarily stayed the lawsuit pending resolution of relevant issues in a related case. On February 21, 2006, the Court lifted the stay. The case is now expected to proceed to the responsive pleading stage.

Other Legal Proceedings

In the normal course of business, the Company is involved in various other claims and legal proceedings. While the ultimate resolution of these matters, and those discussed above, has yet to be determined, the Company does not believe that their outcome will have a material adverse effect on the Company s consolidated financial position, results of operations or liquidity.

Leases

The Company recognizes lease expense on a straight-line basis, including predetermined fixed escalations, over the initial lease term including reasonably assured renewal periods, net of lease incentives, from the time that the Company controls the leased property. Leasehold improvements made at the inception of the lease are amortized over the shorter of useful life or lease term. Lease incentives are recorded as a deferred credit and recognized as a reduction to rent expense on a straight-line basis over the lease term as described above. Included in other long-term liabilities as of December 31, 2005 and 2004 was $9,390 and $3,217, respectively, related to lease incentives and the difference between rent expense and the rental amount payable for leases with fixed escalations.

The Company leases its offices and other facilities under operating lease agreements that expire at various dates through 2016. Total rent expense for all operating leases was approximately $23,213, $20,415 and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$19,486 in 2005, 2004 and 2003, respectively. Future minimum lease commitments under non-cancelable lease agreements at December 31, 2005 were as follows:

Years Ending December 31,	
2006	$ 22,511
2007	19,610
2008	17,484
2009	11,480
2010	8,804
Thereafter	20,295
Total minimum lease payments	$ 100,184

Other Contingencies

The Company provides certain indemnification provisions within its license agreements to protect the other party from any liabilities or damages resulting from a claim of misappropriation or infringement by third parties relating to its products and services. The Company has not incurred a liability relating to any of these indemnification provisions in the past and management believes that the likelihood of any future payment relating to these provisions is unlikely. Therefore, the Company has not recorded a liability during any period of these indemnification provisions.

13. Retirement Plans

The Company maintains various defined contribution retirement plans covering substantially all of its employees. During 2005, the Company amended one of the defined contribution retirement plans to provide for Company matching contributions. Certain of these plans provide for discretionary contributions and, as a result of this amendment, substantially all of the plans provide for Company matching contributions. The Company has recorded expenses related to these plans of $3,308, $1,621 and $1,531 for 2005, 2004 and 2003, respectively.

14. Stockholders Equity

Common Stock

Tender Offer

On November 23, 2005, the Company commenced a tender offer to purchase shares of its common stock (Tender Offer). On December 21, 2005, the Tender Offer was completed and, as a result, the Company repurchased 66,905,919 shares of its common stock at a price of $8.20 per share. The total cost of the Tender Offer was approximately $549,268, which includes approximately $640 of costs directly attributable to the purchase.

Stock Repurchase Program

On March 29, 2001, the Company announced a stock repurchase program (the Program). Under the Program, the Company was originally authorized to use up to $50,000 to purchase shares of its common stock from time to time beginning on April 2, 2001, subject to market conditions. The maximum aggregate amount of purchases under the Program was subsequently increased to $100,000, $150,000, $200,000 and $345,000 on November 2, 2001, November 7, 2002, August 19, 2004 and November 1, 2005, respectively. As of December 31, 2005, the Company had repurchased 29,126,986 shares at a cost of approximately $159,714 under the Program, of which 2,541,000 shares were repurchased during 2005 for an aggregate purchase price

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

of $21,246, 4,272,630 shares were repurchased during 2004 for an aggregate purchase price of $32,110 and 2,322,196 shares were repurchased during 2003 for an aggregate purchase price of $20,316. Repurchased shares are recorded under the cost method and are reflected as treasury stock in the accompanying consolidated balance sheets. On November 23, 2005, in connection with the Tender Offer, the Company announced the termination of the Program.

On January 23, 2006, the Company announced the authorization of a new stock repurchase program (New Repurchase Program), at which time the Company was authorized to use up to $48,000 to purchase shares of its common stock, from time to time, in the open market, through block trades or in private transactions, depending on market conditions and other factors. On February 8, 2006, the maximum aggregate amount authorized for purchases under the New Repurchase Program was increased to $68,000.

Preferred Stock

In November 2003, the Board of Directors eliminated the designation of the Series B Preferred and restored all the shares to the status of authorized and unissued shares of preferred stock.

On September 23, 2004, two related proposals were approved at the Company s annual meeting of stockholders. The first proposal reduced the number of authorized shares of the Company s Convertible Redeemable Exchangeable Preferred Stock from 5,000,000 to 10,000 (the amount issued and outstanding). The other proposal authorized the Company s Board of Directors to approve the issuance of up to 4,990,000 shares of preferred stock from time to time in one or more series, to establish from time to time the number of shares to be included in any such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations and restrictions thereof. No shares have been issued pursuant to that authority and the 10,000 shares of Convertible Redeemable Exchangeable Preferred Stock are the only shares of preferred stock of the Company that are issued and outstanding. For a description of the Company s Convertible Redeemable Exchangeable Preferred Stock, see Note 7.

Warrants

The Company has warrants outstanding to purchase 5,560,038 shares of common stock which are all vested and exercisable. The following table summarizes information with respect to warrants outstanding at December 31, 2005:

Exercise Prices	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)
$0.67-$9.25	2,417,944	$ 9.23	2.35
$15.00	3,000,000	15.00	1.13
$30.00	42,094	30.00	2.48
$38.13	100,000	38.13	0.02

5,560,038	$	13.02	1.65

During 2005, 2004 and 2003, warrants to purchase a total of 1,416,668 shares, 2,302,706 shares and 1,729,713 shares, of the Company s common stock at a weighted average exercise price of $1.53 per share, $5.14 per share and $5.33 per share, respectively were exercised. Also during 2005, 2004 and 2003, warrants to purchase a total of 599,197 shares, 15,691,782 shares and 241,018 shares, of the Company s common stock at a weighted average price of $8.04 per share, $27.35 per share and $11.43 per share, respectively, expired.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Stock-Based Compensation Plans

Emdeon Corporation

The Company has various stock compensation plans (collectively, the Plans) for directors, officers and key employees that provide for non-qualified and incentive stock options and restricted stock grants. An aggregate of 11,298,097 shares of common stock were available for grant under the Plans at December 31, 2005. In addition to the Plans, the Company has granted options to certain directors, officers and key employees. At December 31, 2005, there were options to purchase 5,887,700 shares of the Company s common stock outstanding to these individuals. The terms of these grants are similar to the terms of the options granted under the Plans.

Stock Options

Generally, options under the Plans vest and become exercisable ratably over a three to five year period based on their individual grant dates. The majority of options granted under the Plans expire within ten years from the date of grant. Options are generally granted at prices not less than the fair market value of the Company s common stock on the date of grant.

The Company records deferred stock compensation related to stock options as a component of stockholders equity when the exercise price is lower than the deemed fair value of common stock on the date stock options are granted. No deferred stock compensation related to stock options was recorded in 2005, 2004 or 2003. Deferred stock compensation was recorded in 2000 as a result of the unvested portion of options assumed in connection with certain 2000 acquisitions and options granted during 2000 with exercise prices less than fair market value of the common stock on the date of grant. At December 31, 2005, there was no remaining deferred compensation related to stock options.

The Company recorded stock compensation expense for stock options, primarily related to deferred stock compensation recorded in 2000, of $462, $3,821 and $11,319 in 2005, 2004 and 2003, respectively.

The following table summarizes activity for the Company s stock option plans for the years ended December 31, 2005, 2004 and 2003:

	Years Ended December 31,					
	2005		2004		2003	
	Shares	Weighted Average Exercise Price Per Share	Shares	Weighted Average Exercise Price Per Share	Shares	Weighted Average Exercise Price Per Share
	106,257,252	$ 12.44	104,760,726	$ 12.86	108,232,050	$ 12.73

Outstanding at the beginning of the year								
Granted	3,920,913		9.03	19,230,750		8.31	12,326,350		9.88
Exercised	(9,235,018)		4.81	(7,796,440)		4.42	(8,773,510)		4.73
Cancelled	(12,760,052)		13.37	(9,937,784)		15.18	(7,024,164)		15.82
Outstanding at the end of the year	88,183,095		12.96	106,257,252		12.44	104,760,726		12.86
Exercisable at the end of the year	69,309,116	$	14.08	77,325,908	$	13.72	73,927,473	$	14.03

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes information with respect to options outstanding and options exercisable at December 31, 2005:

	Outstanding			Exercisable	
Exercise Prices	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (In Years)	Shares	Weighted Average Exercise Price Per Share
$0.25-$6.00	8,849,513	$ 4.33	4.74	8,253,501	$ 4.30
$6.04-$8.05	9,150,073	6.85	6.34	5,110,935	6.53
$8.09-$8.59	10,388,083	8.51	8.08	3,477,588	8.48
$8.60-$11.00	9,000,822	9.35	7.76	3,638,986	9.42
$11.05-$11.55	9,383,986	11.54	4.43	9,364,362	11.55
$11.56-$13.38	10,960,458	12.45	5.11	9,338,584	12.58
$13.50-$15.60	9,035,323	14.09	3.89	9,035,323	14.09
$15.88-$18.20	9,093,988	16.59	4.56	9,093,988	16.59
$18.33-$30.45	9,939,478	24.57	3.84	9,614,478	24.72
$30.65-$105.00	2,381,371	42.79	3.93	2,381,371	42.79
	88,183,095	$ 12.96	5.39	69,309,116	$ 14.08

The pro forma information presented in Note 1 has been determined as if employee stock options granted subsequent to December 31, 1994 were accounted for under the fair value method of SFAS 123 using an accelerated attribution method. The weighted average fair value for options to purchase the Company s common stock was $3.68, $3.68 and $5.64 during 2005, 2004 and 2003, respectively, and was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Years Ended December 31,		
	2005	2004	2003
Expected dividend yield	0%	0%	0%
Expected volatility	0.50	0.58	0.85
Risk free interest rate	3.48%	1.70%	1.33%
Expected post-vesting option lives (years)	0.75-3.0	0.75-3.0	0.75-3.0

Restricted Stock Awards

Restricted stock consists of shares of common stock which have been awarded to employees. The grants are restricted such that they are subject to substantial risk of forfeiture and to restrictions on their sale or other transfer by the employee until they vest. Generally, restricted stock awards vest ratably over a three to five year period based on their individual award dates.

The Company records deferred stock compensation related to restricted stock awards as a component of stockholders equity based on the fair market value of common stock on the date of the award. The Company recorded stock compensation expense related to restricted stock awards of $3,319, $5,154 and $1,130 in 2005, 2004 and 2003, respectively, based on the graded vesting method over the respective vesting periods of the awards.

During 2005, the Company granted 239,000 restricted stock awards with a weighted average fair value of $9.38 per share. During 2004, the Company granted 1,584,800 restricted stock awards with a weighted average fair value of $8.20 per share. There were no restricted stock awards during 2003. Approximately 482,000,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

71,000 and 96,000 restricted stock awards vested during 2005, 2004 and 2003, respectively. Approximately 352,000, 92,000 and 87,000 restricted stock awards were cancelled during 2005, 2004 and 2003, respectively. There were 1,042,557 restricted stock awards that were unvested as of December 31, 2005.

Employee Stock Purchase Plan

The Company s 1998 Employee Stock Purchase Plan, as amended from time to time (the 1998 Purchase Plan), became effective upon the completion of the Company s initial public offering on February 10, 1999. The 1998 Purchase Plan allows eligible employees the opportunity to purchase shares of the Company s common stock through payroll deductions, up to 15% of a participant s annual compensation with a maximum of 5,000 shares available per participant during each purchase period. Prior to an amendment to the 1998 Purchase Plan on November 1, 2002, the purchase price of the stock was 85% of the lesser of the fair market value on the first and last day of each purchase period. Effective with the November 1, 2002 amendment, the purchase price of the stock is 85% of the fair market value on the last day of each purchase period. As of December 31, 2005, a total of 6,218,561 shares of the Company s common stock were reserved for issuance under the 1998 Purchase Plan. The 1998 Purchase Plan, as amended in 2000, provides for annual increases equal to the lesser of 1,500,000 shares, 0.5% of the outstanding common shares, or a lesser amount determined by the Board of Directors. A total of 383,658, 393,228 and 345,575 shares were issued under the 1998 Purchase Plan during 2005, 2004 and 2003, respectively.

WebMD Health Corp.

Stock Options and Restricted Stock Awards

During September 2005, WHC adopted the 2005 Long-Term Incentive Plan (the WHC Plan). The maximum number of shares of WHC Class A Common Stock that will be subject to options or restricted stock awards under the WHC Plan is 7,150,000, subject to adjustment in accordance with the terms of the WHC Plan. Generally, options under the WHC Plan vest and become exercisable ratably over a four year period based on their individual grant dates. The options granted under the WHC Plan expire within ten years from the date of grant. Options are generally at prices not less than the fair market value of common stock on the date of grant. During 2005, WHC granted to employees 4,951,521 shares of WHC Class A Common Stock, of which approximately 4,574,900 shares were in the form of options to purchase shares of WHC Class A Common Stock at a weighted average exercise price of $18.31 and 376,621 shares were in the form of restricted WHC Class A Common Stock with a weighted average fair value of $17.55. None of these options or restricted stock awards were vested or exercised as of December 31, 2005. The Company recorded stock compensation expense related to WHC restricted stock awards of $874 in 2005 based on the graded vesting method over the respective vesting periods of the awards.

The pro forma information presented in Note 1 has been determined as if all employee stock options granted by WHC were accounted for under the fair value method of SFAS 123 using an accelerated attribution method. The weighted average fair value for options to purchase WHC Class A Common Stock was $8.75 during 2005 and was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2005

Expected dividend yield	0%
Expected volatility	0.60
Risk free interest rate	4.05%
Expected post-vesting option lives (years)	0.75-3.0

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company s deferred tax assets (liabilities) were as follows:

	December 31, 2005	December 31, 2004
Deferred tax assets:		
Net operating loss carryforwards	$ 812,688	$ 770,471
Capital loss carryforwards	7,422	4,623
Restructuring costs		541
Research and development tax credits	18,875	17,591
Other accrued expenses	34,335	53,478
Allowance for doubtful accounts	4,769	5,067
Depreciation	4,407	4,674
Intangible assets	84,242	64,608
Prepaid assets	5,774	7,043
Other	6,302	4,465
Total deferred tax assets	978,814	932,561
Valuation allowance	(953,289)	(915,452)
Net deferred tax assets	25,525	17,109
Deferred tax liabilities:		
Tax basis	(2,608)	(2,541)
Convertible subordinated notes	(21,958)	(12,212)
Other	(1,610)	(2,356)
Total deferred tax liabilities	(26,176)	(17,109)
Net deferred tax assets and liabilities	$ (651)	$

	December 31, 2005	December 31, 2004
Reported as:		
Current deferred tax assets and liabilities	$ 43,113	$ 60,859

Valuation allowance	(43,113)	(60,859)
Current deferred tax assets, net		
Non-current deferred tax assets and liabilities	909,525	854,593
Valuation allowance	(910,176)	(854,593)
Non-current deferred tax liabilities, net	(651)	
Net deferred tax assets and liabilities	$ (651)	$

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The income tax (benefit) provision was as follows:

	Years Ended December 31, 2005	2004	2003
Current:			
Federal	$ (5,742)	$	$
State	459	2,873	1,912
Foreign	4,494	2,037	2,228
Current income tax (benefit) provision	(789)	4,910	4,140
Deferred:			
Foreign	(12)		
Deferred income tax benefit	(12)		
Reversal of valuation allowance applied to goodwill	444		
Total income tax (benefit) provision	$ (357)	$ 4,910	$ 4,140

The reconciliation between the federal statutory rate and the effective income tax rate is as follows:

	Years Ended December 31, 2005	2004	2003
United States federal statutory rate	35.0%	34.0%	34.0%
State income taxes (net of federal benefit)	2.2	4.0	3.3
Minority interest	0.4		
Goodwill amortization	(5.7)	(9.1)	(12.3)
Valuation allowance	3.9	(15.4)	(2.0)
Cumulative effect of change in tax rate	(32.5)		
Settlement of tax contingencies	(8.3)		
Benefit applied to reduce goodwill	0.6		
Other	3.9	(2.4)	(3.0)
Effective income tax rate	(0.5)%	11.1%	20.0%

As of December 31, 2005, a valuation allowance was established for all domestic net deferred tax assets because of the uncertainty of realization of the deferred tax assets due to a lack of earnings history. Realization is dependent upon generating sufficient taxable income prior to the expiration of the net operating loss carryforwards in future periods. Although realization is not currently assured, management evaluates the need for a valuation allowance each quarter, and in the future, should management determine that realization of net deferred tax assets is more likely than not, some or all of the valuation allowance will be reversed, and the Company s effective tax rate will be reduced. The valuation allowance excludes the impact of any deferred items related to certain of the Company s foreign operations as the realization of the deferred items for these operations is likely. These net foreign deferred tax liabilities in the amount of $651 are included in other long-term liabilities in the accompanying consolidated balance sheets.

The valuation allowance for deferred tax assets increased (decreased) by $37,837 and ($11,315) in 2005 and 2004, respectively.

At December 31, 2005, the Company had net operating loss carryforwards for federal income tax purposes of approximately $2.1 billion, which expire in 2006 through 2026, capital loss carryforwards of approximately $19,032, which expire in 2009 through 2011, and federal tax credits of approximately $19,162,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

which expire in 2006 through 2026. Approximately $434,062 and $172,312 of these net operating loss carryforwards were recorded through additional paid-in capital and goodwill, respectively. Therefore, if in the future the Company believes that it is more likely than not that these tax benefits will be realized, this portion of the valuation allowance will be reversed against additional paid-in capital and goodwill, respectively.

A portion of net operating loss carryforwards and tax credit carryforwards may be subject to an annual limitation regarding their utilization against taxable income in future periods due to the change of ownership provisions of the Internal Revenue Code and similar state provisions. A portion of these carryforwards may expire before becoming available to reduce future income tax liabilities.

The income tax benefit for 2005 includes a provision for federal taxes of $444 that has not been reduced by the decrease in valuation allowance as these tax benefits were acquired through business combinations. In addition, in 2005 the Joint Committee of the Internal Revenue Service completed its review of claims related to 2001 and 2002. The 2005 federal tax benefit reflects approximately $5,742 of a reduction in tax expense primarily as a result of the reevaluation of our liabilities and contingencies in light of the completion of the review. Adjustments to the Company s tax provision to reflect these changes in estimates were primarily made in the fourth quarter.

Some of the Company s operating companies are profitable in certain states in which the Company does not have net operating losses to offset that income. Accordingly, the Company provided for taxes of $2,085, $2,873, and $1,912 related to state and other jurisdictions during 2005, 2004 and 2003, respectively. In addition, the state tax provision in 2005 reflects approximately $1,626 of a reduction in tax expense related to discrete items associated with the reversal of contingencies for various statute expirations.

The income tax (benefit) provision for 2005, 2004 and 2003 includes $4,482, $2,037 and $2,228, respectively, related to non-U.S. income taxes of certain of the Company s foreign operations. The non-U.S. income of these foreign operations included in income from continuing operations before income tax (benefit) provision was $7,634, $5,151 and $5,879 for 2005, 2004 and 2003, respectively.

As of December 31, 2005, 2004 and 2003, cumulative undistributed earnings of the Company s foreign operations were $25,878, $23,248 and $20,220, respectively. No U.S. income taxes have been provided for since the Company considers the undistributed earnings to be permanently reinvested for continued use in the Company s foreign subsidiaries operations. Upon repatriation of these earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable due to the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credit carryforwards would be available to reduce some portion of the U.S. liability.

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17. Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, Disclosures about Fair Value of Financial Instruments. The estimated fair values have been determined using available market information. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

	December 31, 2005		December 31, 2004	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Assets:				
Cash and cash equivalents	$ 159,510	$ 159,510	$ 46,019	$ 46,019
Short-term investments	268,109	267,387	62,077	61,675
Marketable securities long term	1,492	4,481	516,188	515,881
Liabilities:				
Convertible notes	650,000	537,000	649,999	615,124
Convertible redeemable exchangeable preferred stock	98,533	96,500	98,299	94,750

As of December 31, 2005 and 2004, the Company s short-term investments and marketable debt securities consisted of certificates of deposit, auction rate securities, municipal bonds, asset backed securities, Federal Agency Notes and U.S. Treasury Notes, and marketable equity securities consisted of equity investments in publicly traded companies. All marketable securities are classified as available-for-sale.

In accordance with the requirements of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, below is a summary of the fair value, gains and losses relating to the Company s investments in debt and equity securities:

	December 31, 2005				December 31, 2004			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-Term Certificate of deposits and marketable debt securities	$ 268,109	$ 11	$ 733	$ 267,387	$ 62,077	$	$ 402	$ 61,675

Long-Term								
Marketable debt securities	$	$	$	$	$ 514,696	$ 1,633	$ 4,465	$ 511,864
Equity securities	1,492	2,991	2	4,481	1,492	2,527	2	4,017
Total	$ 1,492	$ 2,991	$ 2	$ 4,481	$ 516,188	$ 4,160	$ 4,467	$ 515,881

As of December 31, 2005, the gross unrealized losses related to short-term debt securities are primarily due to a decrease in the fair value of these instruments as a result of an increase in interest rates during the year ended December 31, 2005 and have been in a loss position for less than twelve months. The Company has determined that the gross unrealized losses on its short-term debt securities at December 31, 2005 are temporary in nature.

During 2005, the Company recorded a loss on investments of $4,251 related to marketable debt securities which were identified by the Company as securities to be liquidated for the redemption of the 31/4% Notes. The loss represented the excess of the original book value of those investments over the market value at

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

March 31, 2005, the period in which the loss was recorded. Prior to the recognition of this loss, any excess of book value over the market value of these investments was reflected in accumulated other comprehensive income in the accompanying consolidated balance sheets. In addition, during 2005, the Company sold investments in available-for-sale marketable debt securities for proceeds of $1,063,606. The Company realized a gain of $1,961 and realized a loss of $4,075 in connection with these sales. These gains and losses have been included in loss (gain) on investments in the accompanying consolidated statements of operations.

During 2004, the Company sold investments in available-for-sale marketable debt securities for proceeds of $1,252,851. The Company realized a gain of $198 and realized a loss of $84 in connection with these sales. Additionally, the Company sold a portion of its investments in marketable equity securities for proceeds of $640, which resulted in a gain of $343. The proceeds from these sales have been included in proceeds from maturities and sales of available-for-sale securities in the accompanying consolidated statements of cash flows and the gains and losses have been included in loss (gain) on investments in the accompanying consolidated statements of operations.

During 2003, three of the Company s investments in held-to-maturity debt securities were called for early redemption by the issuer for net proceeds of $155,000. As a result of the redemption, the Company realized a gain of $285 reflecting the difference between the proceeds received and the related carrying amount of the investment. In addition, the Company sold its investments in available-for-sale marketable debt securities for proceeds of $1,075,510. A portion of these proceeds were used to finance the Medifax acquisition on December 22, 2003. The Company realized a loss of $1,599 in connection with the sales. Additionally, during 2003, the Company sold a portion of its investments in marketable equity securities for proceeds of $4,387, which resulted in a gain of $2,973. The proceeds from these sales have been included in proceeds from maturities and sales of available-for-sale securities and proceeds from maturities and redemptions of held-to-maturity securities in the accompanying consolidated statements of cash flows and the gains and losses have been included in loss (gain) on investments in the accompanying consolidated statements of operations.

18. Related Party Transactions

In 2004, the Company s WebMD segment entered into an agreement with Fidelity Human Resources Services Company LLC (FHRS) (formerly known as Fidelity Employer Services Company LLC) to integrate WebMD s private portals product into the services FHRS provides to its clients. FHRS provides human resources administration and benefit administration services to employers. The Company recorded revenue of $2,960 and $817 in 2005 and 2004, respectively, and $1,068 and $984 was included in accounts receivable as of December 31, 2005 and 2004, respectively, related to the FHRS agreement. FHRS is an affiliate of FMR Corp, which reported beneficial ownership of approximately 15.5% of the Company s common stock and 19.0% of WHC Class A Common Stock as of December 31, 2005. Affiliates of FMR Corp. provide services to the Company in connection with certain of the Company s 401(k) plans. During 2005 and 2004, the aggregate amount charged to the Company for these services was approximately $38 and $44, respectively.

The Company leases property in Alachua, Florida for its Emdeon Practice Services segment that is owned by a former executive officer of the Company. The term of the lease is through March 31, 2009. The Company is responsible for all real estate taxes, insurance and maintenance related to this property. During 2005, 2004 and 2003, the Company paid rent under this lease of approximately $1,253, $1,203 and $1,087, respectively.

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EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive (loss) income. Other comprehensive (loss) income includes certain changes in equity that are excluded from net income (loss), such as changes in unrealized holding (losses) gains on available-for-sale marketable securities and foreign currency translation adjustments. The following table presents the components of other comprehensive (loss) income:

	Years Ended December 31,		
	2005	**2004**	**2003**
Foreign currency translation (losses) gains	$ (3,326)	$ 2,118	$ 3,285
Unrealized gains (losses) on securities:			
Unrealized holding (losses) gains	(3,389)	(10,124)	3,078
Less: reclassification adjustment for net gains (losses) realized in net income	(6,365)	457	1,659
Net unrealized gains (losses) on securities	2,976	(10,581)	1,419
Other comprehensive (loss) income	(350)	(8,463)	4,704
Net income (loss)	72,974	39,334	(17,006)
Comprehensive income (loss)	$ 72,624	$ 30,871	$ (12,302)

The foreign currency translation gains are not currently adjusted for income taxes as they relate to permanent investments in non-U.S. subsidiaries.

Accumulated other comprehensive income includes:

	Years Ended December 31,		
	2005	**2004**	**2003**
Unrealized gains (losses) on securities	$ 2,267	$ (709)	$ 9,872
Foreign currency translation gains	5,340	8,666	6,548
Total accumulated other comprehensive income	$ 7,607	$ 7,957	$ 16,420

20. Supplemental Disclosures of Cash Flow Information

Supplemental information related to the consolidated statements of cash flows is summarized below:

	Years Ended December 31, 2005	2004	2003
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 13,131	$ 16,190	$ 12,714
Taxes paid, net of refunds	$ 5,727	$ 5,635	$ 7,215
Supplemental Schedule of Non-Cash Investing and Financing activities:			
Conversion of 31/4% Notes to Emdeon common stock	$ 214,880	$	$
Accretion of convertible redeemable exchangeable preferred stock	$ 234	$ 184	$
Deferred stock compensation related to restricted stock awards	$ 2,241	$ 13,001	$ 25

EMDEON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Quarterly Financial Data (Unaudited)

The following table summarizes the quarterly financial data for 2005 and 2004. The per common share calculations for each of the quarters are based on the weighted average number of common shares for each period; therefore, the sum of the quarters may not necessarily be equal to the full year per common share amount.

	2005			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Revenue	$ 303,934	$ 322,556	$ 323,153	$ 327,236
Cost of operations	172,163	181,950	182,910	180,024
Development and engineering	14,640	14,457	14,681	14,716
Sales, marketing, general and administrative	82,137	83,533	82,348	85,270
Depreciation and amortization	16,504	17,541	18,895	18,827
Legal expense	4,160	4,283	5,904	3,488
Interest income (expense), net	(460)	41	2,129	3,497
Other expense, net	3,832	1,712	1,863	2,723
Income before income tax provision and minority interest	10,038	19,121	18,681	25,685
Income tax provision (benefit)	189	2,955	4,536	(8,037)
Minority interest in WebMD Health Corp., net of tax			38	870
Net income	$ 9,849	$ 16,166	$ 14,107	$ 32,852
Net income per common share:				
Basic and diluted	$ 0.03	$ 0.05	$ 0.04	$ 0.09

	2004			
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Revenue	$ 271,214	$ 281,881	$ 299,615	$ 307,641
Cost of operations	162,642	163,961	168,571	171,257
Development and engineering	11,096	12,991	14,392	15,682
Sales, marketing, general and administrative	76,994	83,298	84,762	78,973
Depreciation and amortization	12,585	13,148	15,189	16,843
Legal expense	2,037	2,215	2,325	2,653
Interest income (expense), net	735	(327)	(331)	(613)

Restructuring and other expense (income), net	(37)	(447)	4,441	
Income before income tax provision	6,632	6,388	9,604	21,620
Income tax provision	931	613	1,435	1,931
Net income	$ 5,701	$ 5,775	$ 8,169	$ 19,689
Net income per common share:				
Basic	$ 0.02	$ 0.02	$ 0.03	$ 0.06
Diluted	$ 0.02	$ 0.02	$ 0.02	$ 0.06

22. Subsequent Event

On January 17, 2006, the Company acquired eMedicine.com, Inc. (eMedicine), a privately held online publisher of medical reference information for physicians and other healthcare professionals, for $25,500. The results of operations of eMedicine will be included in the WebMD segment.

Schedule II. Valuation and Qualifying Accounts

	Years Ended December 31, 2005, 2004 and 2003					
	Balance at Beginning of Year	Charged to Costs and Expenses	Acquired	Write-offs	Other(a)	Balance at End of Year
	(In thousands)					
December 31, 2005						
Allowance for Doubtful Accounts	$ 13,433	$ 6,410	$ 110	$ (7,418)	$	$ 12,535
Valuation Allowance for Deferred Tax Assets	915,452	1,660	15,645		20,532	953,289
December 31, 2004						
Allowance for Doubtful Accounts	20,500	3,606	157	(10,830)		13,433
Valuation Allowance for Deferred Tax Assets	926,767	(7,991)	(18,145)		14,821	915,452
December 31, 2003						
Allowance for Doubtful Accounts	22,417	6,328	768	(9,013)		20,500
Valuation Allowance for Deferred Tax Assets	941,507	(1,423)	(33,277)		19,960	926,767

(a) Represents valuation allowance created through equity as a result of stock option and warrant exercises.

INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Stock Purchase Agreement dated as of June 15, 2003 between WebMD Corporation and Joseph Q. DiMartini, individually and as Trustee U/A dated February 6, 1998 f/b/o Joseph Q. DiMartini, and as Trustee of the Joseph Q. DiMartini 2002 Irrevocable Trust dated October 14, 2002, Eric J. Schaefer, an individual, Daniel A. Schmitt, individually and as Trustee of the Daniel A. Schmitt Revocable Trust dated March 26, 1999, and as Trustee of the Daniel Schmitt 2002 Irrevocable Trust dated September 24, 2002, and Dru A. Schmitt, individually and as Trustee U/A dated October 20, 1997 f/b/o Dru A. Schmitt (incorporated by reference to Exhibit 2.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003)
2.2	Stock Purchase Agreement dated as of October 21, 2003 between TPG Holding Company Limited and Envoy Corporation (incorporated by reference to Exhibit 2.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003)
2.3	Amendment No. 1, dated as of November 28, 2003, to the Stock Purchase Agreement dated as of October 21, 2003 between TPG Holding Company Limited and Envoy Corporation (incorporated by reference to Exhibit 2.1 to the Registrant s Current Report on Form 8-K filed December 1, 2003)
2.4	Amendment No. 2, dated as of December 22, 2003, to the Stock Purchase Agreement dated as of October 21, 2003 between TPG Holding Company Limited and Envoy Corporation (incorporated by reference to Exhibit 2.1 to the Registrant s Current Report on Form 8-K filed December 24, 2003)
2.5	Agreement and Plan of Merger, dated as of July 9, 2004, by and among VIPS, Inc., WebMD Corporation, Envoy Corporation and Valor, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004)
3.1	Eleventh Amended and Restated Certificate of Incorporation of the Registrant, as amended (incorporated by reference to Exhibit 3.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004)
3.2	Certificate of Amendment of Eleventh Amended and Restated Certificate of Incorporation of the Registrant Changing its Name from WebMD Corporation to Emdeon Corporation (incorporated by reference to Exhibit 3.1 to the Registrant s Current Report on Form 8-K filed on October 19, 2005)
3.3	Certificate of Designations for Convertible Redeemable Exchangeable Preferred Stock, as amended (incorporated by reference to Exhibit 3.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004)
3.4	Amended and Restated Bylaws of the Registrant, as currently in effect (incorporated by reference to Exhibit 3.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2004)
4.1	Specimen Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2000)
4.2	Indenture between WebMD Corporation and The Bank of New York, dated as of April 1, 2002 (incorporated by reference to Exhibit 4.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002)
4.3	Form of 31/4% Convertible Subordinated Note Due 2007 (included in Exhibit 4.2)
4.4	Indenture, dated as of June 25, 2003, between WebMD Corporation and The Bank of New York (incorporated by reference to Exhibit 4.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003)
4.5	Form of 1.75% Convertible Subordinated Note Due 2023 (included in Exhibit 4.4)
4.6	

Registration Rights Agreement dated as of June 25, 2003 between WebMD Corporation and Banc of America Securities LLC (incorporated by reference to Exhibit 4.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003)

Exhibit No.	Description
4.7	Indenture, dated as of August 30, 2005, between WebMD Corporation and The Bank of New York (incorporated by reference to Exhibit 4.1 to Amendment, filed November 9, 2005 to the Registrant s Current Report on Form 8-K filed on August 30, 2005)
4.8	Form of 31/8% Convertible Note Due 2025 (included in Exhibit 4.7)
4.9	Registration Rights Agreement dated as of August 30, 2005 between the Registrant and Citigroup Global Markets Inc. (incorporated by reference to Exhibit 4.2 to the Amendment, filed November 9, 2005, to the Registrant s Current Report on Form 8-K filed on August 30, 2005)
4.9	Convertible Redeemable Exchangeable Preferred Stock Purchase Agreement, dated as of March 4, 2004, between CalPERs/PCG Corporate Partners, LLC and WebMD Corporation (incorporated by reference to Exhibit 4.9 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004)
4.10	Form of Stock Certificate for Convertible Redeemable Exchangeable Preferred Stock (included in Exhibit 3.2)
4.11	Form of Indenture for 10% Subordinated Notes due 2010 (included in Exhibit 3.3)
4.12	Form of 10% Subordinated Note due 2010 (included in Exhibit 3.3)
10.1	Form of Indemnification Agreement to be entered into by the Registrant with each of its directors and officers (incorporated by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended June 30, 2002)
10.2	Healtheon/WebMD Corporation Registration Rights Agreement dated January 26, 2000 among the Registrant, Eastrise Profits Limited, AHN/FIT Cable, LLC, AHN/FIT Internet, LLC, News America Incorporated and Fox Broadcasting Company (incorporated by reference to Exhibit 10.4 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000), as amended by Amendment dated February 15, 2001 (incorporated by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2001)
10.3	Healtheon/WebMD Media Services Agreement dated January 26, 2000 among the Registrant, Eastrise Profits Limited and Fox Entertainment Group, Inc. (incorporated by reference to Exhibit 10.5 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000) , as amended by Amendment dated February 15, 2001 (incorporated by reference to Exhibit 10.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2001)
10.4	Warrant to Purchase Shares of Common Stock of WebMD, Inc. dated May 12, 1999 issued to Microsoft Corporation (incorporated by reference to Exhibit 10.9 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2000)
10.5*	Amended and Restated Employment Agreement, dated as of August 3, 2005 between the Registrant and Martin J. Wygod (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on August 5, 2005)
10.6*	Letter Agreement, dated as of February 1, 2006 between the Registrant and Martin J. Wygod (incorporated by reference to Exhibit 10.3 to the Registrant s Current Report on Form 8-K filed on February 2, 2006)
10.7*	Employment Agreement, dated September 23, 2004, between the Registrant and Kevin Cameron (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed September 28, 2004)
10.8*	Letter Agreement, dated as of February 1, 2006 between the Registrant and Kevin M. Cameron (incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K filed on February 2, 2006)
10.9*	Amended and Restated Stock Option Agreement dated August 21, 2000 between the Registrant (as successor to Medical Manager Corporation) and Martin J. Wygod (incorporated by reference to

	Exhibit 10.21 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2000, as amended by Amendment No. 1 on Form 10-K/A)
10.10*	Employment Agreement dated as of October 23, 2002 between the Registrant and Roger C. Holstein (incorporated by reference to Exhibit 10.14 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2002)

Exhibit No.	Description
10.11*	Letter Agreement, dated as of April 27, 2005, between the Registrant. and Roger C. Holstein (incorporated by reference to Exhibit 99.3 to the Registrant s Current Report on Form 8-K filed on May 3, 2005)
10.12*	Employment Agreement, dated as of April 28, 2005, between WebMD, Inc. and Wayne T. Gattinella (incorporated by reference to Exhibit 99.1 to the Registrant s Current Report on Form 8-K filed on May 3, 2005)
10.13*	Employment Agreement, dated as of April 28, 2005, between WebMD, Inc. and David Gang (incorporated by reference to Exhibit 99.2 to the Registrant s Current Report on Form 8-K filed on May 3, 2005)
10.14*	Amendment, dated as of July 13, 2005, to the Employment Agreement between WebMD, Inc. and David Gang (incorporated by reference to Exhibit 99.1 to the Registrant s Current Report on Form 8-K filed on July 14, 2005)
10.15*	Amendment, dated as of March 9, 2006, to the Employment Agreement between WebMD, Inc. and David Gang (incorporated by reference to Exhibit 10.1 to WHC s the Registrant s Current Report on Form 8-K filed on March 15, 2006)
10.16*	Employment Agreement dated as of February 1, 2006, between the Registrant and Charles A. Mele (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed February 2, 2006)
10.17*	Amended and Restated Employment Agreement, dated as of July 14, 2005 between WebMD Health Corp. (WHC), which was then known as WebMD Health Holdings, Inc., and Anthony Vuolo (incorporated by reference to Exhibit 99.2 to the Registrant s Current Report on Form 8-K filed on July 19, 2005)
10.18*	Form of Amended and Restated Stock Option Agreement dated August 21, 2000, between the Registrant (as successor to Medical Manager Corporation) and each of Charles A. Mele and Anthony Vuolo (incorporated by reference to Exhibit 10.54 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2001, as amended by Amendment No. 1 on Form 10-K/A)
10.19*	WebMD Corporation 2001 Employee Non-Qualified Stock Option Plan, as amended (incorporated by reference to Exhibit 10.46 to the Registrant s Form 10-K for the year ended December 31, 2001, as amended by Amendment No. 1 on Form 10-K/A)
10.20*	WebMD Corporation 2002 Restricted Stock Plan and Form of Award Agreement (incorporated by reference to Exhibit 10.21 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2002)
10.21*	Healtheon Corporation 1996 Stock Plan (incorporated by reference to Exhibit 10.2 to Amendment No. 2 to the Registrant s Registration Statement on Form S-1 (No. 333-70553) filed February 10, 1999)
10.22*	WebMD Corporation Amended and Restated 1998 Employee Stock Purchase Plan (incorporated by reference to Exhibit 99.27 to the Registrant s Registration Statement on Form S-8 (No. 333-47250) filed October 4, 2000)
10.23*	Amended and Restated Emdeon Corporation 2000 Long-Term Incentive Plan**
10.24*	WebMD, Inc. Amended and Restated 1997 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 10.2 to the Registrant s Registration Statement on Form S-8 (No. 33-90795) filed November 12, 1999)
10.25*	Envoy Stock Plan (incorporated by reference to Exhibit 99.1 to the Registrant s Registration Statement on Form S-8 (No. 333-42616) filed July 31, 2000)
10.26*	Amended and Restated 1989 Class A Non-Qualified Stock Option Plan of Synetic, Inc. (incorporated by reference to Exhibit 10.1 to Synetic, Inc. s Registration Statement on Form S-1 (No. 333-28654) filed May 18, 1989)

10.27*	Amended and Restated 1989 Class B Non-Qualified Stock Option Plan of Synetic, Inc. (incorporated by reference to Exhibit 10.2 to Synetic, Inc. s Registration Statement on Form S-1 (No. 333-28654) filed May 18, 1989)

Exhibit No.	Description
10.28*	1991 Director Stock Option Plan of Synetic, Inc. (incorporated by reference to Exhibit 4.2 to Synetic, Inc. s Registration Statement on Form S-8 (No. 333-46640) filed March 24, 1992)
10.29*	Amended and Restated 1991 Special Non-Qualified Stock Option Plan of Synetic, Inc. (incorporated by reference to Exhibit 4.3 to Synetic, Inc. s Registration Statement on Form S-8 (No. 333-36041) filed September 19, 1997)
10.30*	Medical Manager Corporation s 1996 Amended and Restated Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Medical Manager Corporation s (Commission File No. 0-29090) Quarterly Report on Form 10-Q for the quarter ended September 30, 1998)
10.31*	Medical Manager Corporation s 1996 Amended and Restated Non-Employee Director s Stock Plan (incorporated by reference to Exhibit 10.2 to Medical Manager Corporation s (Commission File No. 0-29090) Annual Report on Form 10-K for the fiscal year ended December 31, 1997)
10.32*	1996 Class C Stock Option Plan of Synetic, Inc. (incorporated by reference to Exhibit 4.1 to Synetic, Inc. s Registration Statement on Form S-8 (No. 333-36041) filed September 19, 1997)
10.33*	1997 Class D Stock Option Plan of Synetic, Inc. (incorporated by reference to Exhibit 4.2 to Synetic, Inc. s Registration Statement on Form S-8 (No. 333-36041) filed September 19, 1997)
10.34*	1998 Class E Stock Option Plan of Synetic, Inc. (incorporated by reference to Exhibit 4.1 to Synetic, Inc. s Registration Statement on Form S-8 (No. 333-72517) filed February 17, 1999)
10.35*	The 1999 Medical Manager Corporation Stock Option Plan for Employees of Medical Manager Systems, Inc. (incorporated by reference to Exhibit 10.28 to Medical Manager Corporation s Annual Report on Form 10-K for the year ended June 30, 1999)
10.36*	1998 Porex Technologies Corp. Stock Option Plan of Synetic, Inc. (incorporated by reference to Exhibit 4.2 to Synetic, Inc. s Registration Statement on Form S-8 (No. 333-72517) filed February 17, 1999)
10.37*	CareInsite, Inc. 1999 Officer Stock Option Plan (incorporated by reference to Exhibit 10.18 to Amendment No. 6 to CareInsite, Inc. s Registration Statement on Form S-1 (No. 333-75071) filed June 11, 1999)
10.38*	CareInsite, Inc. 1999 Employee Stock Option Plan (incorporated by reference to Exhibit 10.17 to Amendment No. 6 to CareInsite, Inc. s Registration Statement on Form S-1 (No. 333-75071) filed June 11, 1999)
10.39*	CareInsite, Inc. 1999 Director Stock Option Plan (incorporated by reference to Annex H to the Proxy Statement/Prospectus, filed on August 7, 2000, and included in the Registrant s Registration Statement on Form S-4 (No. 333-39592)
10.40*	Amendment to the Company Stock Option Plans of Medical Manager Corporation and CareInsite, Inc. (incorporated by reference to Exhibit 99.28 to the Registrant s Registration Statement on Form S-8 (No. 333-47250) filed October 4, 2000)
10.41*	Employment Agreement, dated as of September 11, 2000, between the Registrant and Kirk Layman (incorporated by reference to Exhibit 10.44 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2003)
10.42*	2003 Non-Qualified Stock Option Plan for Employees of Advanced Business Fulfillment, Inc. (incorporated by reference to Exhibit 10.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003)
10.43*	2004 Non-Qualified Stock Option Plan for Employees of Dakota Imaging, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004)
10.44*	2004 Non-Qualified Stock Option Plan for Employees of VIPS, Inc. (incorporated by reference to Exhibit 10.2 of the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30,

	2004)
10.45*	Stock Option Agreement between the Registrant and Wayne Gattinella dated August 20, 2001 (incorporated by reference to Exhibit 4.8 to the Registrant s Registration Statement on Form S-8 (No. 333-888420) filed May 16, 2002)

Exhibit No.	Description
10.46*	Employment Agreement, dated as of September 23, 2003, between the Registrant and Andrew Corbin (incorporated by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003)
10.47*	Letter Agreement between the Registrant and Andrew C. Corbin dated November 3, 2005 (incorporated by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2005)
10.48*	Employment Agreement, dated as of December 4, 2003, between Envoy Corporation and Tony Holcombe (incorporated by reference to Exhibit 10.49 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2003)
10.49*	Letter Amendment, dated September 23, 2004, between the Registrant and Tony Holcombe (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed September 28, 2004)
10.50	Amended and Restated Tax Sharing Agreement between WHC and the Registrant (incorporated by reference from Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed February 16, 2006)
10.51	Contribution, Assignment and Assumption Agreement, dated as of September 6, 2005, by and between WHC and the Registrant (incorporated by reference to Exhibit 10.5 to the WHC Registration Statement)
10.52*	Form of Restricted Stock Agreement between WHC and Employees (incorporated by reference to Exhibit 10.48 to the WHC Registration Statement)
10.53*	Form of Restricted Stock Agreement between WHC and Non-Employee Directors (incorporated by reference to Exhibit 10.49 to the WHC Registration Statement)
10.54*	Form of Non-Qualified Stock Option Agreement between WHC and Employees (incorporated by reference to Exhibit 10.50 to the WHC Registration Statement)
10.55*	Form of Non-Qualified Stock Option Agreement between WHC and Non-Employee Directors (incorporated by reference to Exhibit 10.51 to the WHC Registration Statement)
10.56*	Amended and Restated WebMD Health Corp. 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.27 to WHC s Annual Report on Form 10-K for the fiscal year ended December 31, 2005)
10.57*	Form of Restricted Stock Agreement between the Registrant and Employees for Grants Under the Registrant s 2000 Long-Term Incentive Plan**
10.58*	Form of Non-Qualified Stock Option Agreement between the Registrant and Employees for Grants Under the Registrant s 2000 Long-Term Incentive Plan**
10.59*	Form of Non-Qualified Stock Option Agreement between the Registrant and Employees for Grants Under the Registrant s 1996 Stock Plan**
12.1	Computation of Ratio of Earnings to Fixed Charges**
14.1	Code of Business Conduct (incorporated by reference to Exhibit 14.1 to the Registrant s Current Report on Form 8-K filed February 9, 2006)
21	Subsidiaries of the Registrant**
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
24.1	Power of Attorney (see page 105)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of the Registrant
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of the Registrant
32.1	Section 1350 Certification of Chief Executive Officer of the Registrant
32.2	Section 1350 Certification of Chief Financial Officer of the Registrant
99.1	Amended and Restated Audit Committee Charter (incorporated by reference to Exhibit 99.1 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2004)

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Exhibit No.	Description
99.2	Amended and Restated Compensation Committee Charter (incorporated by reference to Exhibit 99.2 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2004)
99.3	Amended and Restated Nominating Committee Charter (incorporated by reference to Exhibit 99.3 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2004)
99.4	Governance & Compliance Committee Charter (incorporated by reference to Exhibit 99.4 to the Registrant s Current Report on Form 8-K filed November 4, 2004)
99.5	Restated Certificate of Incorporation of WHC (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form 8-A filed by WHC on September 29, 2005 (referred to in this Exhibit Index as the WHC Form 8-A)
99.6	By-laws of WHC (incorporated by reference to Exhibit 99.2 to the WHC Form 8-A)
99.7	Form of Services Agreement between WHC and the Registrant (incorporated by reference to Exhibit 10.2 to WHC s Registration Statement on Form S-1 (No. 333-124832) (referred to in this Exhibit Index as the WHC Registration Statement))
99.8	Form of Indemnity Agreement between WHC and the Registrant (incorporated by reference to Exhibit 10.3 to the WHC Registration Statement)
99.9	Form of Intellectual Property License Agreement between WHC and the Registrant (incorporated by reference to Exhibit 10.4 to the WHC Registration Statement)
99.10	Form of Private Portal Services Agreement between the Registrant and WebMD, Inc. (incorporated by reference to Exhibit 10.6 to the WHC Registration Statement)
99.11	Form of Content License Agreement between the Registrant and WebMD, Inc. (incorporated by reference to Exhibit 10.7 to the WHC Registration Statement)
99.12	Form of Database Agreement between the Registrant and WebMD, Inc. (incorporated by reference to Exhibit 10.8 to the WHC Registration Statement)
99.13	Business Services Agreement, dated as of January 31, 2006, among the Registrant, Envoy Corporation, Emdeon Practice Services, Inc. and WHC (incorporated by reference to Exhibit 10.1 to WHC s Current Report on Form 8-K filed February 1, 2006)
99.14	Marketing Agreement, dated as of January 31, 2006, among the Registrant, Envoy Corporation and WHC (incorporated by reference to Exhibit 10.2 to WHC s Current Report on Form 8-K filed February 1, 2006)
99.15	Joint Development Agreement, dated as of January 31, 2006, among Envoy Corporation, Emdeon Practice Services, Inc. and WHC (incorporated by reference to Exhibit 10.3 to WHC s Current Report on Form 8-K filed February 1, 2006)

* Agreement relates to executive compensation.
** Previously filed.