

CARECENTRIC INC
Form PRER14A
July 18, 2003
Table of Contents

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. 1)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

CARECENTRIC, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

Common Stock, par value \$0.001 per share (Common Stock)

2) Aggregate number of securities to which transaction applies:

1,385,392 shares of Common Stock

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

The filing fee of \$84.06 was calculated pursuant to Exchange Act Rule 0-11(c)(1) by multiplying 0.0000809 by an amount equal to the product of: (i) the sum of 692,696 shares of Common Stock, which constitutes the total number of outstanding shares of Common Stock estimated to be exchanged for the right to receive \$0.75 per share in cash, without interest, in the proposed merger, plus 692,696 shares of Common Stock, which constitutes the total number of shares of Common Stock estimated to be issued in exchange for all of the issued and outstanding capital stock of Borden Associates, Inc. in the proposed merger, and (ii) \$0.75 per share.

4) Proposed maximum aggregate value of transaction:

\$1,039,044

5) Total fee paid:

\$84.06

Table of Contents

x Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Table of Contents

PRELIMINARY, SUBJECT TO COMPLETION, DATED JULY , 2003

[Insert Logo]

CARECENTRIC, INC.

2625 CUMBERLAND PARKWAY, SUITE 310

ATLANTA, GEORGIA 30339

(678) 264-4400

_____, 2003

Dear CareCentric Stockholders:

You are cordially invited to attend a special meeting of stockholders of CareCentric, Inc., to be held at 10:00 a.m., local time, on _____, 2003, at the offices of CareCentric located at 2625 Cumberland Parkway, Suite 310, Atlanta, Georgia 30339. At the meeting, you will be asked to consider and vote upon a proposal to adopt an Agreement and Plan of Merger, dated as of June 4, 2003, pursuant to which Borden Associates, Inc. will merge with and into CareCentric, with CareCentric as the surviving corporation. Our chairman, John E. Reed, and his son, Stewart, who also serves on our board of directors, collectively own 75% of the outstanding capital stock of Borden.

This merger, if approved, will enable us to terminate the registration of our common stock under the federal securities laws and thereby eliminate the significant expense required to comply with the reporting and related requirements under those laws. Commonly referred to as a going private transaction, the proposed merger will reduce the number of our stockholders of record to fewer than 300, as required for the elimination of our periodic reporting obligations under the federal securities laws. As a result, our common stock will be ineligible for quotation on the OTC Bulletin Board®.

Under the terms of the merger agreement, each outstanding share of our common stock (other than shares as to which appraisal rights have been demanded and not withdrawn or lost) held by those of you who own fewer than 4,000 shares of our common stock in any discrete account will, at the effective time of the merger, be converted into the right to receive \$0.75 in cash, without interest. We currently anticipate that a minimum threshold of 4,000 shares will have the effect of enabling us to go private. However, our board has the flexibility under the merger agreement to adjust this threshold. If, prior to the effective time of the merger, our board of directors determines that converting each share held by a stockholder owning fewer than 4,000 shares into the right to receive \$0.75 in cash will not reduce the number of our common stock record holders below 300, our board of directors may elect to change the terms of the merger so that shares of our common stock held by those of you owning fewer than 7,000 or 10,000 shares of our common stock in any discrete account will be converted into the right to receive \$0.75 per share in cash. Throughout this proxy statement, when we refer to the small stockholders, cashed-out stockholders or holders of fewer than 4,000 shares of our common stock, we are referring to holders of fewer than this number as our board of directors may adjust it as described in the preceding sentence.

Edgar Filing: CARECENTRIC INC - Form PRER14A

As a result of the merger, if you own fewer than 4,000 shares of our common stock immediately prior to the merger, you will not have any ownership interest in CareCentric and you will not participate in any potential future earnings (or losses) or growth of CareCentric after the merger. Those of you who hold 4,000 or more shares of our common stock in any discrete account or shares of our preferred stock will continue to own the same number of shares after the merger (unless you exercise appraisal rights with respect to your shares).

The stockholders of Borden have agreed to provide all of the cash merger consideration payable to holders of fewer than 4,000 shares that will be cashed out in the merger. Accordingly, all of Borden's common stock will, at the effective time of the merger, be converted into a number of shares of our common stock equal to the quotient of (a) the aggregate cash merger consideration divided by (b) \$0.75 per share.

Our board of directors formed a special committee of independent directors to analyze, consider and negotiate the terms of the merger agreement and to make a recommendation to our entire board as to whether to adopt the merger agreement and recommend it to our stockholders. In doing so, the special committee consulted with its own legal and financial advisors. In making its recommendation, the special committee considered a variety of factors, which are described in the accompanying proxy statement. In addition, the special committee received

Table of Contents

the written opinion of SunTrust Robinson Humphrey that, subject to the assumptions, qualifications and limitations set forth in the opinion, as of June 4, 2003, the consideration to be received by the holders of common stock who hold fewer than 4,000 shares of our common stock in the merger is fair, from a financial point of view, to these stockholders and that the merger is fair, from a financial point of view, to the other holders of common stock.

After careful consideration, the board of directors of CareCentric, acting in part upon the unanimous recommendation of the special committee, unanimously determined (with the Reeds abstaining) that the merger is advisable, fair to and in the best interests of the CareCentric stockholders and has adopted the merger agreement and, accordingly, recommends that you vote **FOR** adoption of the merger agreement.

Consummation of the merger is subject to certain conditions, including the affirmative vote by holders of a majority of the voting power of our capital stock entitled to vote at the special meeting to adopt the merger agreement and approve the merger. Details of the proposed transaction are set forth in the accompanying proxy statement, which we urge you to read carefully in its entirety.

To adopt the merger agreement and approve the merger you should cast a vote **FOR** this proposal by following the instructions contained in the enclosed proxy card. If you properly sign and return your proxy card with no voting instructions, you will be deemed to have voted **FOR** adoption of the merger agreement. If you fail to return your proxy card and fail to vote at the special meeting, the effect will be the same as a vote against the adoption of the merger agreement and the approval of the merger. **RETURNING THE PROXY CARD DOES NOT DEPRIVE YOU OF YOUR RIGHT TO ATTEND THE SPECIAL MEETING AND VOTE YOUR SHARES IN PERSON.**

Please do not send your CareCentric common stock certificates at this time. If the merger is completed, you will receive written instructions for exchanging your CareCentric stock certificates for cash.

Sincerely,

John R. Festa

President and Chief Executive Officer

Atlanta, Georgia

This proxy statement is dated _____, 2003 and is first being mailed to stockholders of CareCentric on or about _____, 2003.

Neither the SEC nor any state securities commission has approved or disapproved this transaction, passed upon the merits or fairness of this transaction, or passed upon the adequacy or accuracy of the information contained in this proxy statement. Any representation to the contrary is a criminal offense.

Table of Contents

PRELIMINARY, SUBJECT TO COMPLETION DATED JULY __, 2003

[INSERT LOGO]

CARECENTRIC, INC.

2625 CUMBERLAND PARKWAY, SUITE 310

ATLANTA, GEORGIA 30339

(678) 264-4400

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON _____, 2003

Notice is hereby given that a special meeting of the stockholders of CareCentric, Inc., will be held on _____, 2003 at 10:00 a.m., local time, at CareCentric's offices located at 2625 Cumberland Parkway, Suite 310, Atlanta, Georgia 30339 for the following purposes:

1. To consider and vote upon a proposal to adopt and approve the Agreement and Plan of Merger, dated as of June 4, 2003, by and among CareCentric, Borden Associates, Inc. and John E. Reed, Stewart B. Reed and James A. Burk, the stockholders of Borden, pursuant to which, among other things, Borden will be merged with and into CareCentric, with CareCentric being the surviving corporation, upon the terms and subject to the conditions of the merger agreement described in the accompanying proxy statement; and
2. To consider, act upon and transact such other business as may properly come before the special meeting or any adjournments or postponements thereof.

The proposals are described in detail in the accompanying proxy statement and the appendices thereto. You are urged to read these materials very carefully and in their entirety before deciding how to vote. In particular, you should consider the discussion in the section of this proxy statement entitled "Special Factors."

The board of directors of CareCentric has fixed the close of business on _____, 2003 as the record date for determining the stockholders entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof. Only holders of record of shares of CareCentric common stock and preferred stock at the close of business on the record date are entitled to notice of, and to vote at, the special meeting or any adjournments or postponements thereof. The affirmative vote by holders of a majority of the voting power of CareCentric capital stock entitled to vote at the special meeting is required to adopt the merger agreement and approve the merger. Holders of CareCentric's Series B, Series D and Series E preferred stock shall also be entitled to vote at the special meeting along with holders of CareCentric's common stock.

After careful consideration, the board of directors of CareCentric, acting in part upon the unanimous recommendation of the special committee, unanimously determined (with the Reeds abstaining) that the merger is advisable, fair to and in the best interests of the CareCentric stockholders

Edgar Filing: CARECENTRIC INC - Form PRER14A

and has adopted the merger agreement and, accordingly, recommends that you vote **FOR** adoption of the merger agreement.

Your vote is very important, regardless of the number of shares of CareCentric common or preferred stock you own. Please vote your shares as soon as possible to ensure that your shares are represented at the special meeting. To vote your shares, you must complete and return the enclosed proxy card. If you are a holder of record, you may also cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct them on how to vote your shares. If you do not instruct your broker or bank on how to vote, it will have the same effect as voting against the adoption of the merger agreement and approval of the merger.

All holders of our capital stock have the right under Delaware law to demand an appraisal of their shares and to have a judicial determination of the fair value of their shares. These rights, generally known as appraisal rights, are described in detail in the proxy statement accompanying this notice. In addition, a copy of Section 262 of the Delaware General Corporation Law, which governs appraisal rights, is attached as Appendix C to this proxy

Table of Contents

statement. We urge you to read both the applicable section of the proxy statement and the statutory provisions carefully. If you wish to demand an appraisal of your shares, you must strictly comply with the statutory requirements.

By Order of the Board of Directors,

Ana McGary, Secretary

Atlanta, Georgia

_____, 2003

Table of Contents

TABLE OF CONTENTS

	<u>Page</u>
<u>SUMMARY TERM SHEET</u>	1
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u>	7
<u>SELECTED HISTORICAL FINANCIAL DATA</u>	11
<u>THE SPECIAL MEETING</u>	13
<u>General</u>	13
<u>Matters to be Considered at the Special Meeting</u>	13
<u>Recommendation of the CareCentric Board of Directors and the Special Committee</u>	13
<u>Record Date and Voting Information</u>	13
<u>Quorum</u>	14
<u>Proxies; Revocation</u>	14
<u>Expenses of Proxy Solicitation</u>	14
<u>SPECIAL FACTORS</u>	15
<u>Background of the Merger</u>	15
<u>Recommendation of the Board of Directors: Fairness of the Merger</u>	21
<u>Reasons for the Special Committee's Recommendation</u>	21
<u>Position of the Board of Directors as to Fairness of the Merger</u>	23
<u>Position of Borden and the Reeds as to Fairness of the Merger</u>	26
<u>Opinion of SunTrust Robinson Humphrey</u>	27
<u>Position of CareCentric, Borden and the Reeds as to Purposes, Reasons, Alternatives and Effects of the Merger</u>	34
<u>Executive Officers and Directors of the Surviving Corporation</u>	36
<u>Borden's Financing of the Merger</u>	36
<u>Risks That the Merger Will Not Be Completed</u>	37
<u>Other Risks Related to the Merger</u>	37
<u>Interests of Certain Directors of CareCentric: Appointment of Special Committee</u>	38
<u>Merger Consideration to be Received by the Borden Group</u>	38
<u>Merger Consideration to be Received by Directors and Executive Officers of CareCentric Other Than the Reeds</u>	39
<u>Continuing Equity Interests of the Borden Group</u>	39
<u>Treatment of Stock Options Held by the Borden Group</u>	39
<u>Indemnification and Insurance</u>	39
<u>Estimated Fees and Expenses of the Merger</u>	40
<u>Past Transactions</u>	41
<u>PROPOSAL TO APPROVE THE MERGER AGREEMENT</u>	43
<u>Overview</u>	43
<u>The Parties</u>	44
<u>Effect of the Merger on Stockholders</u>	45
<u>The Merger Agreement</u>	46
<u>The Merger</u>	46
<u>Effective Time of Merger</u>	46
<u>Conversion of CareCentric Common Stock</u>	46
<u>Payment for Shares</u>	46
<u>Share Certificates</u>	47
<u>Representations and Warranties</u>	47
<u>Conduct of Business Pending the Merger</u>	49
<u>Conditions to the Merger</u>	50
<u>Waiver</u>	51
<u>Termination of the Merger Agreement</u>	51
<u>Expenses of the Parties</u>	53

Table of Contents

	<u>Indemnification</u>	53
	<u>Amendments</u>	53
	<u>Material U.S. Federal Income Tax Consequences</u>	53
	<u>Anticipated Accounting Treatment of Merger</u>	54
	<u>Certain Regulatory Matters</u>	54
	<u>Appraisal Rights</u>	54
<u>UNAUDITED PRO FORMA FINANCIAL DATA</u>		57
	<u>Notes to Unaudited Pro Forma Combining Financial Statements</u>	61
<u>MARKET AND MARKET PRICE</u>		62
<u>NUMBER OF STOCKHOLDERS</u>		62
<u>DIVIDENDS</u>		62
<u>COMMON STOCK PURCHASE INFORMATION</u>		62
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>		63
<u>FUTURE STOCKHOLDER PROPOSALS</u>		65
<u>WHERE STOCKHOLDERS CAN FIND MORE INFORMATION</u>		66
<u>ADDITIONAL INFORMATION AND DOCUMENTS INCORPORATED BY REFERENCE</u>		66
LIST OF APPENDICES		
<u>Appendix A</u>	Agreement and Plan of Merger dated as of June 4, 2003 by and among CareCentric, Inc., Borden Associates, Inc., John E. Reed, Stewart B. Reed and James A. Burk.	A-1
<u>Appendix B</u>	Opinion of SunTrust Robinson Humphrey dated June 4, 2003	B-1
<u>Appendix C</u>	Delaware General Corporation Law Section 262 Appraisal Rights	C-1

Table of Contents

SUMMARY TERM SHEET

The following summary term sheet, together with the Questions and Answers About the Merger following this summary term sheet, highlight selected information from this proxy statement about our proposed merger and the special meeting. This summary term sheet and the question and answer section may not contain all of the information that is important to you. To better understand, and for a more complete description of, the merger and the other matters on which you will vote, you should carefully read this entire document and all of its appendices before you vote. For your convenience, we have directed your attention in parentheses to the location in this proxy statement where you can find a more complete discussion of each item listed below.

As used in this proxy statement, CareCentric, we, our, and us refer to CareCentric, Inc. and all of its subsidiaries, the term Borden refers to Borden Associates, Inc., the term Borden group refers to Borden, John E. Reed, Stewart B. Reed, and James A. Burk, the term merger agreement refers to the Agreement and Plan of Merger by and among CareCentric and the Borden group, and the term common stock or common shares refers to the issued and outstanding shares of CareCentric common stock, par value \$0.001 per share.

The Parties (see page 44)

CareCentric, Inc.

2625 Cumberland Parkway, Suite 310

Atlanta, Georgia 30339

CareCentric, Inc., a Delaware corporation, is a leading provider of enterprise information technology systems and related services designed to help home health care providers effectively operate their business in today's environment.

Borden Associates, Inc.

260 North Elm Street

Westfield, Massachusetts 01085

Borden Associates, Inc., a Delaware corporation, was formed at the direction of the Reeds and James Burk solely for the purpose of engaging in the transactions contemplated by the merger agreement. Borden has not conducted any significant activities other than those incident to its

Edgar Filing: CARECENTRIC INC - Form PRER14A

approval and execution of the merger agreement and related documents. Borden has no material assets or liabilities, other than its rights and obligations under the merger agreement.

The Borden Group

John E. Reed, who owns 37.5% of the outstanding capital stock of Borden, became a director of CareCentric on March 7, 2000 upon the closing of the MCS/Simione merger pursuant to the terms of that transaction. He became Chairman of the Board of Directors of CareCentric on August 8, 2000. Mr. Reed has been a director of Mestek, Inc. since 1986 and Chairman of the Board since 1989. From 1986 until 2001 he was President of Mestek, and he has been Chief Executive Officer of Mestek from 1986 to the present. Mr. Reed is also a director of and holds a substantial ownership interest in Wainwright Bank & Trust Company, the provider of a \$6.0 million line of credit to CareCentric. The business address for Mr. Reed is 260 North Elm Street, Westfield, Massachusetts 01085 and the telephone number is (413) 568-9571.

Stewart B. Reed, who owns 37.5% of the outstanding capital stock of Borden, became a director of CareCentric on June 6, 2002. Mr. Reed has been a director of Mestek since 1986 and serves as a consultant to Mestek as well as a private investor in various enterprises. Mr. Reed previously served as a director of CareCentric from March 2000 until August 2000. Mr. Reed is the son of John E. Reed. The business address for Mr. Reed is 260 North Elm Street, Westfield, Massachusetts 01085 and the telephone number is (413) 568-9571.

Table of Contents

James A. Burk, who owns 25% of the outstanding capital stock of Borden, has been a Vice President of Mestek, Inc. since 1986. Prior to the merger of Mestek, Inc. and Reed National Corp., Mr. Burk had been a Vice President of Reed National Corp. since 1975. Mr. Burk had been employed in a number of manufacturing management positions by Reed National Corp. since 1965. The business address for Mr. Burk is 260 North Elm Street, Westfield, Massachusetts 01085 and the telephone number is (413) 568-9571.

The Special Meeting (see page 13)

At the special meeting, the stockholders of CareCentric are being asked to vote to adopt the merger agreement and approve the merger of Borden with and into CareCentric, with CareCentric continuing as the surviving corporation.

The Merger Agreement (see page 46)

Under the merger agreement, Borden will merge with and into CareCentric, with CareCentric to remain as the surviving corporation. We have attached a copy of the merger agreement as Appendix A to this proxy statement. We encourage you to read the merger agreement carefully because it is the legal document that governs the merger. Under the terms of the merger agreement, if the merger is completed:

those of you owning fewer than 4,000 shares of our common stock directly or indirectly through a nominee in any discrete account as of the effective time of the merger will receive a cash payment of \$0.75 per share, without interest; provided, however, that if, prior to the effective time of the merger, our board of directors determines that converting each share held by a stockholder owning fewer than 4,000 shares into the right to receive \$0.75 in cash will not reduce the number of our common stock record holders below 300, our board of directors may elect to change the terms of the merger so that those of you owning fewer than 7,000 or 10,000 shares of our common stock in any discrete account will be converted into the right to receive \$0.75 per share in cash;

those of you owning 4,000 or more shares of our common stock directly or indirectly through a nominee in any discrete account as of the effective time of the merger will continue to hold their shares;

holders of our preferred stock as of the effective time of the merger will continue to hold their shares;

our officers and directors at the effective time of the merger will be our officers and directors immediately after the merger; and

all of the outstanding shares of Borden will be converted into that number of shares of our common stock equal to the amount of the aggregate cash merger consideration payable to the cashed-out stockholders divided by \$0.75 per share.

In the merger agreement and throughout this proxy statement, where we refer to the small stockholders, cashed-out stockholders or holders of fewer than or more than 4,000 shares of our common stock, we are referring to holders of fewer than or more than this number as our board of directors may adjust it as described in this section above.

Effect of the Merger (see page 45)

As a result of the merger:

following the merger, we intend to eliminate registration of our common shares under the Securities Exchange Act of 1934 and cease filing periodic reports under the Exchange Act, which means that price quotations for our common shares will no longer be available on the OTC Bulletin Board. Accordingly, the merger is considered a going private transaction;

-2-

Table of Contents

cash-out stockholders will no longer have an interest in or be a stockholder of CareCentric and, therefore, they will not be able to participate in our future earnings (or losses) and growth, if any;

we estimate that the number of record stockholders will be reduced from approximately 3,700 to approximately 150;

the number of our issued and outstanding shares will remain approximately the same; and

the percentage of ownership of our common stock beneficially held by our current officers and directors as a group (including shares subject to currently exercisable options and convertible preferred stock) will increase from 77.6% to approximately 83.1%.

Reasons for the Merger (see page 21)

The requirements of being a publicly traded company and complying with the federal securities laws are expensive. As a result of recent legislation and our expectations that compliance with these new regulations will significantly increase our operating costs, divert management attention from running our business and negatively affect our future success, the special committee of our board of directors and our entire board of directors believes that it is in the best interest of CareCentric and our stockholders to complete the merger with Borden.

Interests of the Borden Group (see page 38)

The Borden group, through the conversion of their respective shares of Borden common stock into shares of the surviving corporation, will continue to have a controlling equity interest in CareCentric and will participate in any future earnings (or losses) and growth of CareCentric. Accordingly, the Borden group may have interests that are different from, or in addition to, the interests of CareCentric stockholders generally.

The Special Committee (see page 15)

John and Stewart Reed, who collectively own 75% of the outstanding capital stock of Borden, are members of our board of directors. Additionally, a majority of our board will remain stockholders after the merger. As a result, our board of directors formed a special committee of independent directors to protect the interests of our stockholders in evaluating and negotiating the merger agreement with the Borden group, and, if appropriate, recommend the merger and the terms of the merger agreement to the entire board of directors. The special committee consists of two members of our board of directors, William J. Simone, Jr. and Winston R. Hindle, Jr. The special committee consists solely of independent directors who are not officers or employees of CareCentric or Borden Associates and who have no financial interest in the completion of the proposed merger different from CareCentric's stockholders generally (except that each of Messrs. Hindle and Simone has a less than 1% ownership interest in CareCentric which the board of directors understands is immaterial to their financial positions and which the board of directors believes does not detract in any way from their independence). Based in part upon the opinion of SunTrust Robinson Humphrey, financial advisor to the special committee, the special committee determined that the merger agreement was advisable, fair to and in the best interests of the CareCentric stockholders and recommended to the entire board of directors that it adopt the merger agreement and declare its

advisability to the stockholders.

Opinion of SunTrust Robinson Humphrey (see page 27)

The special committee received an opinion from SunTrust Robinson Humphrey that, subject to the assumptions, qualifications and limitations set forth in the opinion, as of June 4, 2003 (i) the consideration to be received in the merger by the holders of common stock of CareCentric who own fewer than 4,000 shares of CareCentric common stock is fair, from a financial point of view, to such holders and (ii) the transaction is fair, from a financial point of view, to the holders of common stock of CareCentric that own 4,000 or more shares. The opinion of SunTrust Robinson Humphrey is directed to the special committee and does not constitute a recommendation to any stockholder as to how to vote on the adoption of the merger agreement. A copy of SunTrust Robinson Humphrey's opinion is attached to this proxy statement as Appendix B.

Table of Contents

Recommendation of Our Board of Directors (see page 21)

After careful consideration, the board of directors of CareCentric, acting in part upon the unanimous recommendation of the special committee, unanimously determined (with the Reeds abstaining) that the merger is advisable, fair to and in the best interests of the CareCentric stockholders and has adopted the merger agreement and, accordingly, recommends that you vote FOR adoption of the merger agreement.

Vote Required to Adopt and Approve the Merger (see page 13)

The affirmative vote by holders of a majority of the voting power of our capital stock entitled to vote at the special meeting is required to adopt the merger agreement and approve the merger. Holders of our Series B, Series D and Series E preferred stock are entitled to vote at the special meeting along with holders of our common stock. Each share of our Series B preferred stock has two-tenths of one vote (.2), each share of Series D preferred stock has 2.51 votes, and each share of Series E preferred stock has one vote. As of the record date, there were 4,373,307 shares of common stock, 5,600,000 shares of Series B preferred stock, 398,406 shares of Series D preferred stock and 210,000 shares of Series E preferred stock issued and outstanding. A separate vote of our unaffiliated stockholders is not required under Delaware law, and no such vote will be conducted. Members of the Borden Group collectively own or control an aggregate of 1,910,250 shares of our common stock and all outstanding shares of our Series B and Series D preferred stock, representing in the aggregate approximately 67.5% of the total number of votes entitled to vote at the special meeting. We understand that members of the Borden group intend to vote their shares in favor of the proposal to adopt the merger agreement and approve the merger.

Financing (see page 36)

Borden will obtain the funds necessary to pay the merger consideration from the Borden group.

Conditions to the Completion of the Merger (see page 50)

Before we complete the merger, a number of closing conditions must be satisfied or waived. The conditions to the obligations of each party to complete the merger include, among others:

the merger agreement be adopted and approved at the special meeting by the holders of a majority of the voting power of our capital stock;

Edgar Filing: CARECENTRIC INC - Form PRER14A

as a result of the merger fewer than 300 persons will hold of record our common shares and we will be eligible to terminate registration of our common stock under Section 12(g) of the Exchange Act, and suspend our obligation to file periodic reports under Section 13 of the Exchange Act; and

SunTrust Robinson Humphrey shall not have withdrawn its opinion delivered to the special committee of our board of directors.

The conditions to the obligations of Borden to complete the merger, include, among others:

accuracy of our representations and warranties contained in the merger agreement, except where inaccuracies would not result in a material adverse effect on CareCentric, subject to specified exceptions;

our performance in all material respects of our agreements and covenants under the merger agreement;

our primary lenders shall have consented to the merger;

the absence of a material adverse effect on CareCentric;

Table of Contents

the aggregate number of shares of our capital stock for which dissenters rights are exercised not exceeding 10% of the total number of shares of CareCentric common stock on the closing date of the merger; and

the total amount of cash merger consideration payable to cashed-out stockholders not exceeding \$600,000.

The conditions to our obligations to complete the merger, include, among others:

accuracy of the representations and warranties of Borden and its stockholders contained in the merger agreement, except where inaccuracies would not result in a material adverse effect on Borden, subject to specified exceptions; and

performance in all material respects by Borden of its agreements and covenants under the merger agreement.

Other than the clearance of this proxy statement and other related filings by the SEC and the filing of the certificate of merger with the Secretary of State of the State of Delaware, there are no regulatory approvals required for completion of the merger.

Material U.S. Federal Income Tax Consequences (see page 53)

Generally, for United States federal income tax purposes, cashed-out stockholders will be treated as if they sold their common stock for the cash received in the merger. Each stockholder will recognize taxable gain or loss equal to the difference between the amount of cash received and the stockholder's adjusted tax basis in the CareCentric common stock exchanged. Stockholders who do not receive cash in the merger should not be subject to taxation as a result of the merger. See Proposal to Approve the Merger Agreement Material U.S. Federal Income Tax Consequences beginning on page 52. TAX MATTERS ARE VERY COMPLICATED, AND THE TAX CONSEQUENCES TO YOU OF THE MERGER WILL DEPEND ON YOUR OWN SITUATION. TO REVIEW THE MATERIAL TAX CONSEQUENCES IN GREATER DETAIL, PLEASE READ THE DISCUSSION UNDER PROPOSAL TO APPROVE THE MERGER AGREEMENT MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES. You should consult your personal tax advisors for a full understanding of the tax consequences of the merger to you.

Appraisal Rights (see page 54)

Holders of our common and preferred stock may seek, under Section 262 of the Delaware General Corporation Law, judicial appraisal of the fair value of their shares by the Delaware Court of Chancery. This value could be more or less than or the same as the \$0.75 per share merger consideration for our common stock. This right to appraisal is subject to a number of restrictions and technical requirements. Generally, in order to properly demand appraisal rights, among other things:

you must not vote in favor of the proposal to adopt and approve the merger agreement and the merger;

Edgar Filing: CARECENTRIC INC - Form PRER14A

you must make a written demand on CareCentric for appraisal in compliance with the Delaware General Corporation Law before the vote on the proposal to adopt and approve the merger agreement and the merger at the special meeting; and

you must hold your shares of record continuously from the time of making a written demand for appraisal through the effective time of the merger.

Merely voting against the merger agreement and the merger will not preserve your right to appraisal under Delaware law. Also, because a submitted proxy not marked `against` or `abstain` will be voted for the proposal to adopt the merger agreement, the submission of a proxy not marked `against` or `abstain` will result in the waiver of appraisal rights. If you hold shares in the name of a broker or other nominee, you must instruct your nominee to

-5-

Table of Contents

take the steps necessary to enable you to demand appraisal for your shares. If you or your nominee fails to follow all of the steps required by Section 262 of the Delaware General Corporation Law, you will lose your right of appraisal. Appendix C to this proxy statement contains the full text of Section 262 of the Delaware General Corporation Law, which relates to your right of appraisal. We encourage you to read these provisions carefully and in their entirety.

Cautionary Statement Concerning Forward-Looking Information

This proxy statement includes statements that are not historical facts. These forward-looking statements are based on CareCentric's current estimates and assumptions and, as such, involve uncertainty and risk. Forward-looking statements include the information concerning CareCentric's possible or assumed future results of operations and also include those preceded or followed by the words "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "should," "plans," "targets" and/or similar expressions.

The forward-looking statements are not guarantees of future performance, events or circumstances, and actual results may differ materially from those contemplated by these forward-looking statements. In addition to the factors discussed elsewhere in this proxy statement, other factors that could cause actual results to differ materially include CareCentric's ability to fulfill its stated business strategies; CareCentric's ability to improve its revenue margin; CareCentric's ability to improve its position in current or new markets; CareCentric's ability to identify and consummate strategic business opportunities; CareCentric's ability to identify and develop additional product innovations; the inability to obtain additional capital resources, variability in quarterly operating results, customer concentration, product acceptance, long sales cycles, and long and varying delivery cycles; CareCentric's dependence on business partners, emerging technological standards, changing regulatory standards, inability to retain or hire experienced and knowledgeable employees, risks associated with acquisitions, increased regulation of the health care industry, future consolidation of the health care industry, potential liability in connection with a Department of Labor investigation or IRS audit, the need to develop new and enhanced products, product delays and errors, competition, difficulty protecting intellectual property rights, and the risk factors detailed CareCentric's Registration Statement on Form S-4 (File No. 333-96529) and in CareCentric's periodic reports filed with the SEC. These and other factors are discussed elsewhere in this proxy statement and in the documents that are incorporated by reference into this proxy statement.

Except to the extent required under the federal securities laws, we do not intend to update or revise the forward-looking statements to reflect circumstances arising after the date of the preparation of the forward-looking statements.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q. Why did I receive this proxy statement?

- A. We sent you this proxy statement and the enclosed proxy because our board of directors is soliciting your votes for use at a special meeting of stockholders. This proxy statement summarizes information that you need to know in order to cast an informed vote at the meeting. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy. We will begin sending this proxy statement, notice of special meeting and the enclosed proxy on or about _____, 2003 to all stockholders entitled to vote.

Q. Where and when is the special meeting?

- A. The special meeting of CareCentric stockholders will be held on _____, 2003 at 10:00 a.m., local time, at CareCentric's offices located at 2625 Cumberland Parkway, Suite 310, Atlanta, Georgia 30339.

Q. What am I being asked to vote on?

- A. You are being asked to adopt a merger agreement that we entered into with Borden Associates, Inc. and each stockholder of Borden, and to approve the merger of Borden into CareCentric, with CareCentric as the surviving corporation. As a result of the merger, all stockholders owning fewer than 4,000 of our common shares in any discrete account will receive \$0.75 for each share that they own. In addition, each issued and outstanding share of Borden common stock will, at the effective time of the merger, be converted into a number of shares of CareCentric common stock equal to the quotient of (1) the aggregate cash merger consideration payable to small stockholders as a result of the merger, divided by \$0.75 per share, divided by (2) the total number of issued and outstanding shares of Borden common stock. Consequently, the number of our issued and outstanding shares will remain approximately the same.

Q. Why is CareCentric proposing the merger?

- A. If approved, the merger will enable us to go private and thus terminate our obligations to file annual and periodic reports and make other filings with the SEC. The purpose behind the merger and the benefits of going private include:

eliminating the costs associated with filing documents under the Securities Exchange Act of 1934 with the SEC; and

reducing the direct and indirect costs of administering stockholder accounts and responding to stockholder requests.

Q. What does going private mean?

- A. We will have less than 300 stockholders of record, will be eligible for and will file for deregistration of our Common Stock and will become a private company. In this regard, we, by going private, will no longer have to file periodic reports, such as annual, quarterly and other reports, with the SEC.

Q. What if the merger doesn't reduce the number of CareCentric stockholders enough to allow us to go private ?

- A. We anticipate that if our stockholders holding fewer than 4,000 shares of our common stock receive cash in exchange for their shares, we will be able to go private. However, in the merger agreement the parties agreed to allow our board flexibility to adjust this threshold to enable us to go private. The agreement provides that if, prior to the effective time of the merger, our board of directors determines that converting each share held by a stockholder owning fewer than 4,000 shares into the right to receive \$0.75 in cash will not reduce the number of common stock record holders below 300, our board of directors may elect to

Table of Contents

change the terms of the merger so that shares of our common stock held by stockholders of fewer than 7,000 or 10,000 shares of our common stock in any discrete account will be converted into the right to receive \$0.75 per share in cash. Throughout this proxy statement, when we refer to the small stockholders, cashed-out stockholders or holders of fewer than or more than 4,000 shares of our common stock, we are referring to holders of fewer than or more than this number as our board of directors may adjust it as described in the preceding sentence.

Q. What vote is required for approval?

A. The affirmative vote by holders of a majority of the voting power of our capital stock entitled to vote at the special meeting is required to adopt the merger agreement and approve the merger. Holders of our Series B, Series D and Series E preferred stock are entitled to vote at the special meeting along with holders of our common stock. Each share of Series B preferred stock has two-tenths of one vote (.2), each share of Series D preferred stock has 2.51 votes, and each share of Series E preferred stock has one vote. As of the record date, there were 4,373,307 shares of common stock, 5,600,000 shares of Series B preferred stock, 398,406 shares of Series D preferred stock and 210,000 shares of Series E preferred stock issued and outstanding. The Borden group collectively owns or controls an aggregate of 1,910,250 shares of CareCentric common stock and all outstanding shares of our Series B and Series D preferred stock, representing in the aggregate approximately 67.5% of the total number of votes entitled to vote at the special meeting. The members of the Borden group have stated that they intend to vote their shares in favor of the merger.

Q. How do I cast my vote?

A. If your shares are registered directly in your name with our transfer agent, Continental Stock Transfer & Trust Company, you are considered, with respect to those shares, the stockholder of record, and these proxy materials were sent directly to you. As the stockholder of record, you may vote in person at the special meeting or by submitting a proxy for the special meeting. You can submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage paid envelope.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials have been forwarded to you by your broker or nominee which is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker how to vote and are also invited to attend the special meeting. However, as a beneficial owner, you are not the stockholder of record, and you may not vote these shares in person at the meeting unless you obtain a signed proxy from the stockholder of record giving you the right to vote the shares. Your broker or nominee has enclosed or provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares.

Q. Can I change my vote after I have delivered my proxy?

A. Yes. If you are a record holder, you can change your vote at any time before your proxy is voted at the special meeting by:

delivering to the secretary of CareCentric, as appropriate, a signed notice of revocation;

granting a new, later-dated proxy, and if it is a written proxy, it must be signed and delivered to the respective Secretary of CareCentric, as appropriate; or

attending the special stockholders meeting and voting in person, however, your attendance alone will not revoke your proxy.

If your shares are held in a street name account, you must contact your broker, bank or other nominee to change your vote.

Table of Contents

Q. What do I need to do now?

- A. You should carefully read and consider the information contained in this proxy statement and complete, date and sign your proxy card and return it in the enclosed addressed envelope as soon as possible so that your shares will be represented at the special meeting. If your shares are held in a street name account, you must instruct them on how to vote your shares. If you sign, date and mail your proxy card without specifying how you want to vote, your proxy will be voted FOR approval of the merger agreement. Your failure to vote in person or return your signed and dated proxy card will have the same effect as a vote AGAINST adoption of the merger agreement. If you return your signed and completed proxy card but check the mark abstain, your proxy will have the same effect as a vote AGAINST adoption of the merger agreement.

Q. Should I send in my stock certificate now?

- A. No. After the merger is completed, you will receive written instructions from the exchange agent on how to exchange your CareCentric stock certificates for the merger certificates.

Q. What will I receive in the merger?

- A. If you are either a record holder or a beneficial holder holding common shares in the name of a nominee owning fewer than 4,000 shares of our common stock in any discrete account, each issued and outstanding common share held by you will be converted into the right to receive \$0.75 in cash, without interest. If you are either a record holder or a beneficial holder holding common shares in the name of a nominee owning 4,000 or more of our common shares or shares of preferred stock, you will continue to own the same number of shares of CareCentric common stock or preferred stock after the merger.

Q. What if I hold shares in street name ?

- A. As noted above, if you hold fewer than 4,000 of our shares in street name, each of your shares will be converted to the right to receive \$0.75 in cash. The exchange will be handled through your broker, bank or other nominee.

Q. What if I own shares through the CareCentric Employee Stock Ownership Plan?

- A. If you own fewer than 4,000 of our shares through the CareCentric Employee Stock Ownership Plan, or ESOP, each of your shares will be converted into the right to receive \$0.75 in cash. The exchange will be handled by the trustee of the ESOP.

Q. How will CareCentric be operated after the merger?

- A. After the merger, we will be a privately held company. We expect our business and operations to continue as they are currently being conducted and, except as disclosed in this proxy statement, the merger is not anticipated to have any effect upon the conduct of such business. As a result of the merger, our stockholders who receive cash for their shares in the merger will no longer have a continuing interest as stockholders of CareCentric and will not share in any future earnings and growth of CareCentric.

Q. When do you expect the merger to be completed?

- A. We are working to complete the merger as quickly as possible. We currently expect to complete the merger in the third calendar quarter of 2003. However, we cannot predict the exact timing of the merger because the merger is subject to specified closing conditions.

Table of Contents

Q. May I buy additional shares in order to remain a stockholder of CareCentric?

- A.** Yes. The key date is the effective date of the merger because owners of fewer than 4,000 shares will be cashed out on that date. If you will be a cashed-out stockholder as a result of the merger and you want to continue to hold our common stock after the merger, you may do so by taking either of the following actions far enough in advance so that it is complete by 5 p.m. on the last business day immediately preceding the effective date of the merger, which we expect to occur shortly after the special meeting upon the filing of the Certificate of Merger with the Secretary of State of Delaware:

purchase a sufficient number of our shares on the open market and have them registered in your name and consolidated with your current record account, if you are a record holder, or have them entered in your account with a nominee (such as your broker or bank) in which you hold your existing common shares so that you hold at least 4,000 shares of our common stock (7,000 or 10,000 shares if the terms of the merger are changed by our board of directors) in your account by 5 p.m. on the last business day before the effective date of the merger; or

if applicable, consolidate your record accounts or accounts with nominees so that you hold at least 4,000 shares of our common stock (7,000 or 10,000 shares if the terms of the merger are changed by our board of directors) in one record or nominee account by 5 p.m. on the date immediately prior to the effective date of the merger.

You will have to act far enough in advance so that the purchase of our common shares or consolidation of your accounts containing our common stock is complete by 5 p.m. on the last business day immediately prior to the effective date of the merger.

Q. Who can help answer my questions?

- A.** If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger or the special meeting, including the procedures for voting your shares, you should contact Ana M. McGary, Corporate Secretary, CareCentric, Inc. 2625 Cumberland Parkway, Suite 310, Atlanta, Georgia 30339. Her telephone number is (678) 264-4403.

Edgar Filing: CARECENTRIC INC - Form PRER14A

Interest expense	(174)	(168)	(712)	(592)	(141)		
Interest and other income	343	(2)	45	37	74	45	47
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income (loss) before taxes	378	(664)	293	(21,538)	(9,388)	772	1,712
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income tax benefit (expense)	(23)			(15)	154	(306)	(686)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income (loss) from continuing operations			293	(21,553)	(9,234)	466	1,026
Discontinued operation							

Table of Contents**SUMMARY OF OPERATIONS**

	Three Months Ended March 31,		Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
	(in thousands, except per share data)						
Loss on disposal of discontinued operations				(2,632)			
Income (loss) from operations of discontinued segment before taxes				(483)	(442)	251	671
Applicable tax expense						100	268
Income (loss) from operations and disposal of discontinued segment				(3,115)	(442)	151	403
Net income (loss)	\$ 355	\$ (664)	\$ 293	\$ (24,668)	\$ (9,676)	\$ 617	\$ 1,429
Cumulative preferred dividends	(155)	(180)	(467)	(722)	(596)		
Net income (loss) available to common shareholders	\$ 200	\$ (844)	\$ (174)	\$ (25,390)	\$ (10,245)	\$ 617	\$ 1,429
Net income (loss) per share basic and diluted							
From continuing operations	\$ 0.08	\$ (0.15)	\$ 0.07	\$ (5.06)	\$ (2.70)	\$ 0.31	\$ 0.69
From discontinued operations				\$ (0.73)	\$ (0.13)	\$ 0.10	\$ 0.27
Net income (loss) per share basic and diluted	\$ 0.08	\$ (0.15)	\$ 0.07	\$ (5.77)	\$ (2.83)	\$ 0.41	\$ 0.96
Net income (loss) per share basic & diluted for common shareholders	\$ 0.05	\$ (0.19)	\$ (0.04)	\$ (5.94)	\$ (3.00)	\$ 0.41	\$ 0.96
Weighted average common shares basic and diluted	4,371	4,371	4,371	4,272	3,418	1,490	1,490

SUMMARY OF FINANCIAL POSITION

	As of	As of December 31,				
	March 31, 2003	2002	2001	2000	1999	1998
	(in thousands)					
Cash and cash equivalents	\$ 1,183	\$ 826	\$ 201	\$ 362	\$ 47	\$ 60
Current assets	6,494	6,369	5,407	9,547	4,649	4,515
Noncurrent assets	5,270	5,538	7,401	25,573	2,047	764
Working capital (deficit)	(11,665)	(12,127)	(15,618)	(13,765)	(1,542)	(1,745)
Total assets	11,764	11,907	12,808	35,120	6,696	5,279

Edgar Filing: CARECENTRIC INC - Form PRER14A

Current liabilities	18,159	18,496	21,025	23,312	6,191	6,260
Noncurrent liabilities		150	750	128		
Long-term obligations	8,647	8,520	5,343	600		
Shareholders' equity (deficit)	\$ (15,042)	\$ (15,259)	\$ (14,310)	\$ 11,080	\$ 505	\$ (981)

-12-

Table of Contents

THE SPECIAL MEETING

General

This proxy statement, together with the accompanying notice of special meeting and form of proxy, is being furnished to the stockholders of CareCentric, Inc. as part of the solicitation of proxies by CareCentric's board of directors for use at the special meeting of stockholders to be held at CareCentric's offices located at 2625 Cumberland Parkway, Suite 310, Atlanta, Georgia 30339 on _____, beginning at 10:00 a.m. local time, or at any adjournments or postponements thereof.

Matters to be Considered at the Special Meeting

The special meeting of our stockholders is being held to consider and vote upon the proposal to adopt the Agreement and Plan of Merger, dated as of June 4, 2003, among CareCentric, Borden and John E. Reed, Stewart B. Reed and James A. Burk, the stockholders of Borden, pursuant to which Borden will be merged with and into CareCentric, with CareCentric being the surviving corporation, and any other matters that may properly come before the meeting.

If any other matters are properly presented for consideration at the special meeting, each of George M. Hare and Ana M. McGary, who will be acting as proxies for the special meeting, will have the discretion to vote on those matters for shares that have been voted by proxy using their judgment with respect to those matters unless authority to do so is withheld on the proxy card.

Recommendation of the CareCentric Board of Directors and the Special Committee

After careful consideration, the board of directors of CareCentric, acting in part upon the unanimous recommendation of the special committee, unanimously determined (with the Reeds abstaining) that the merger is advisable, fair to and in the best interests of the CareCentric stockholders and has adopted the merger agreement and, accordingly, recommends that you vote FOR adoption of the merger agreement.

Record Date and Voting Information

Edgar Filing: CARECENTRIC INC - Form PRER14A

Only holders of record of common stock and preferred stock at the close of business on _____, 2003 will be entitled to notice of and to vote at the special meeting. At the close of business on the record date, there were outstanding and entitled to vote 4,373,307 shares of CareCentric common stock, 5,600,000 shares of Series B preferred stock, 398,406 shares of Series D preferred stock and 210,000 shares of Series E preferred stock. A list of our stockholders will be available for review at our executive offices during regular business hours for a period of 10 days before the special meeting.

The affirmative vote of holders of a majority of the eligible votes represented by CareCentric capital stock entitled to vote at the special meeting is required to adopt the merger agreement and approve the merger. Each holder of record of common stock on the record date will be entitled to one vote for each share held. Holders of CareCentric's Series B, Series D and Series E preferred stock are entitled to vote at the special meeting along with holders of CareCentric's common stock. Each share of Series B Preferred stock has two-tenths of one vote (.2), each share of Series D preferred stock has 2.51 votes, and each share of Series E preferred stock has one vote. On the record date for the special meeting, the Borden group owned or controlled an aggregate of 1,910,250 shares of CareCentric common stock and all outstanding shares of CareCentric's Series B and Series D preferred stock, representing in the aggregate approximately 67.5% of the total number of votes entitled to vote at the special meeting. These stockholders have informed us that they intend to vote their shares of CareCentric common stock and preferred stock in favor of the adoption of the merger agreement and approval of the merger. The Borden group holds sufficient votes to adopt the merger agreement and approve the merger.

All votes will be tabulated by the inspector of elections appointed for the special meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Brokers who hold shares in street name for clients typically have the authority to vote on routine proposals when they have not received

Table of Contents

instructions from beneficial owners. However, absent specific instructions from the beneficial owner of the shares, brokers are not allowed to exercise their voting discretion with respect to the adoption and approval of non-routine matters, such as the adoption of the merger agreement and approval of the merger. Proxies submitted without a vote by the brokers on these matters are referred to as broker non-votes. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the special meeting. Because the affirmative vote of holders of a majority of the eligible votes represented by CareCentric capital stock is required in order to adopt the merger agreement and approve the merger, abstentions and broker non-votes will have the same effect as votes AGAINST adoption of the merger agreement and approval of the merger.

With the exception of broker non-votes, the treatment of which is discussed above, each share of CareCentric capital stock represented by a proxy properly executed and received by CareCentric in time to be voted at the special meeting, and not revoked, on which no instructions are indicated, will be voted FOR the proposal to adopt and approve the merger, the merger agreement and the transactions contemplated thereby.

The special meeting may be adjourned or postponed to permit further solicitation of proxies. Approval of a motion to adjourn the special meeting for the purpose of soliciting additional proxies requires a majority of the votes cast at the special meeting. Abstentions, broker non-votes and failures to respond will not be counted as votes cast and therefore will have no effect on the outcome of a motion to adjourn for the purpose of soliciting additional proxies. We do not expect any other matters other than the adoption and approval of the merger agreement will be brought before the special meeting. If, however, other matters incident to the conduct of the special meeting are considered, the persons named as proxies will vote in accordance with their judgment with respect to those matters, unless authority to do so is withheld on the proxy card.

Quorum

The presence, in person or by proxy, of the holders of one-third of the outstanding shares of CareCentric's capital stock entitled to vote at the special meeting is necessary to constitute a quorum for the transaction of business at the special meeting.

Proxies; Revocation

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by filing with CareCentric's Secretary, Ana M. McGary, at CareCentric's executive offices located at 2625 Cumberland Parkway, Suite 310, Atlanta, Georgia 30339, a written notice of revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the special meeting and voting in person. Attendance at the special meeting will not, by itself, revoke a proxy. Furthermore, if a stockholder's shares are held of record by a broker, bank or other nominee and the stockholder wishes to vote at the special meeting, the stockholder must obtain a proxy from such broker, bank or other nominee.

PLEASE DO NOT SEND IN STOCK CERTIFICATES WITH YOUR PROXY CARD AT THIS TIME. IN THE EVENT THE MERGER IS COMPLETED, CARECENTRIC WILL DISTRIBUTE INSTRUCTIONS REGARDING THE PROCEDURES FOR EXCHANGING CARECENTRIC STOCK CERTIFICATES FOR THE \$0.75 PER SHARE CASH PAYMENT TO HOLDERS OF FEWER THAN 4,000 SHARES OF OUR COMMON STOCK.

Expenses of Proxy Solicitation

CareCentric is responsible for its own fees and expenses incurred in connection with the solicitation of proxies in connection with the merger, including the fees and expenses associated with the preparation of this proxy statement, the filing, printing and mailing of this proxy statement and any amendments to this proxy statement. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their name shares of CareCentric common stock beneficially owned by others for forwarding to these beneficial owners. CareCentric may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or personal solicitation by directors, officers or other regular employees of CareCentric.

Table of Contents

SPECIAL FACTORS

Background of the Merger

On August 14, 2002, we received written notice from the Nasdaq Stock Market that our common stock would be de-listed from the Nasdaq Small Cap Market for failure to meet the continued listing requirements, specifically the requirement of a \$1.00 minimum bid price. We were given until August 21, 2002 to file an appeal showing a plan to meet the Nasdaq continued listing requirements. The board of directors met telephonically on August 20, 2002 to consider our options relating to the Nasdaq notice. The board discussed the restructuring of our capital base and new infusion of capital which would be required to meet the Nasdaq continued listing requirements and the costs and benefits associated with filing an appeal and attempting to remain listed on the Nasdaq Small Cap Market. The board concluded it was not in our best interests or those of our stockholders to pursue, at significant cost, an appeal to the Nasdaq notification and, consequently, that we should de-list our common stock from the Nasdaq Small Cap Market. Since August 21, 2002 our common stock has been quoted on the OTC Bulletin Board.

At the regularly scheduled meeting of the board of directors on October 25, 2002, John Festa, our President and CEO, discussed the need to review CareCentric's current capital structure if the board was to increase value for our stockholders. Mr. Festa stressed the costs and executive time expended in complying with SEC reporting requirements, including new requirements under the Sarbanes-Oxley Act of 2002, and that our status as a public company might be impeding possible equity and debt financing needed for the company's growth. The board discussed the cost and expense related to these requirements and the diversion of senior management's time. After discussion, the board agreed that it may not be in the best interests of the stockholders to remain a public company and that alternatives should be evaluated. For this purpose, the board appointed a special committee of independent directors consisting of David O. Ellis, Barrett C. O'Donnell and Winston R. Hindle, Jr. to consider alternatives and make a recommendation to the board. The special committee was charged to recommend only a transaction that would be in the best interests of the public stockholders of CareCentric and offering the best value reasonably available for the public stockholders. The special committee was authorized to engage independent legal counsel and financial experts of its choice to advise it in connection with an analysis of alternatives, including a possible going private transaction. On November 1, November 5, and November 8, 2002, the special committee held telephonic meetings with two representatives of investment banking firms and three attorneys. During these meetings the committee discussed with prospective legal and financial advisors various forms of going private transactions, that we could potentially pursue if suitable financing was identified, including: a reverse stock split, a negotiated merger, and a third party tender offer.

The special committee also discussed a cash-out merger by a controlling stockholder group consisting of Mr. John E. Reed and certain members of management in which the members of the controlling stockholder group would contribute shares of our common and preferred stock, convertible debt and other securities in exchange for the capital stock of a newly formed corporation. Upon conversion of our convertible preferred stock and convertible debt into shares of our common stock, the newly formed corporation would own sufficient shares of each class of our shares to complete a short-form merger under Delaware law without the need for stockholder approval. In the short-form merger, the newly formed corporation would be merged into us and shares of our common stock owned by our stockholders, other than the newly formed corporation, would be exchanged for cash, the amount of which had not yet been determined, and we would become wholly-owned by the stockholders of the newly formed corporation.

On November 12, 2002, the special committee met telephonically and reviewed the discussions they had held with investment banking firms and attorneys. On November 13, the committee met in Atlanta, Georgia, with representatives of Arnall Golden Gregory LLP, counsel to CareCentric, and separately with representatives of Alston & Bird LLP to clarify transaction requirements, related expenses and timing. The committee then decided to ask Mr. Festa to meet with Mr. John Reed to review potential going private alternatives.

Edgar Filing: CARECENTRIC INC - Form PRER14A

On November 15, 2002, Mr. Festa met with Mr. Reed and discussed various alternatives for taking CareCentric private. In that meeting, it was determined that based on the advice of legal advisors, CareCentric would not undertake a reverse stock split and subsequent purchase of fractional shares because of restrictions on repurchasing its own shares while CareCentric had negative stockholders equity. Mr. Reed stated that he was not

-15-

Table of Contents

interested in converting all or the major portion of his convertible preferred stock and notes in order to facilitate a short form cash-out merger. Accordingly, after considering several alternatives, the discussion focused on a negotiated merger transaction that would have the effect of reducing the number of stockholders.

On November 19, 2002, Mr. Festa, representatives of Alston & Bird, Mr. John Reed and Mr. Reed's legal counsel met telephonically to discuss the requirements of a negotiated merger transaction. In light of Mr. Reed's expected participation as a party in the negotiated merger transaction, the special committee, based in part upon advice of counsel, determined at its meeting on November 20, 2002 that it would be necessary to re-evaluate the independence of each committee member since any proposal from Mr. Reed would likely afford differing treatment to different groups of stockholders based on the amount of CareCentric stock owned by each particular stockholder. No actions were taken to reconstitute the special committee prior to November 20, because alternative forms of transactions that involved different analyses of director independence were still being considered by the committee.

On November 20, 2002, the special committee met telephonically, and Mr. Festa provided the committee with a summary of his discussions with Mr. Reed. At that meeting, the committee discussed the status of each committee member's independence in the event of a proposal for a negotiated merger transaction by Mr. Reed. While no final decisions were made, it was agreed that reconstitution of the special committee to insure independence of all members should be considered in the event of an offer from Mr. Reed.

On January 28, 2003, the board of directors received an unsolicited written proposal from John E. Reed, Stewart B. Reed, each directors of CareCentric, and James A. Burk, who is unaffiliated with CareCentric. The proposal was for a merger of Borden, a corporation controlled by Messrs. Reed and Mr. Burk, with and into CareCentric, with CareCentric as the surviving corporation, with the objective of reducing the number of record holders of common stock from approximately 5,500 to approximately 200. The purpose of the transaction, as stated in the proposal letter, would be to allow us to deregister our common stock under the Securities Exchange Act of 1934 and stop filing the related reports under the Exchange Act. The proposal provided that:

all holders of record of fewer than the 4,000 shares of common stock on the record date would be paid \$0.55 in cash per share;

each share of common stock owned of record by holders of 4,000 or more shares would continue to represent one share of common stock after the merger;

the outstanding shares of Borden's capital stock would, in the aggregate, be converted into the right to receive the number of shares of our common stock equal to the number of shares exchanged for cash in the transaction;

the Borden group would fund the transaction by investing in Borden;

the Borden group would not be required to invest more than \$450,000, including amounts for Borden's expenses related to the transaction; and

each of the Borden group, Borden and CareCentric would be responsible for its own expenses in the transaction.

The proposal letter stated the reasons for proposing the going private transaction were as follows:

Edgar Filing: CARECENTRIC INC - Form PRER14A

CareCentric incurs substantial direct and indirect costs and expenses associated with being a publicly held company, including:

the accounting and legal fees associated with the obligation to file annual, quarterly and current reports with the SEC, and

the executive time expended to prepare and review such filings,

-16-

Table of Contents

and we anticipate that these costs and expenses would increase in the future;

CareCentric's status as a public company is impeding possible equity and debt financing;

CareCentric's ability to attract and maintain qualified directors and officers has been, and will likely continue to be, constrained by new duties imposed on such directors and officers by the Sarbanes-Oxley Act of 2002 and related regulations;

the cost of CareCentric's public company director and officer liability insurance is projected to increase substantially; and

CareCentric's low market capitalization has made it impractical to use our stock as acquisition currency.

The proposal acknowledged that the special committee might solicit other transactions. The proposal was conditioned upon the execution of a definitive merger agreement containing the terms of the proposal, approval of the transaction by the special committee, the board of directors and the stockholders of CareCentric, receipt of a fairness opinion by the board of directors and the receipt of all necessary regulatory approvals.

On January 31, 2003, a telephonic meeting of the board of directors was held to discuss and consider the Borden proposal. Given the purpose of the meeting, Mr. Reed asked Mr. Festa to act as chairman of the meeting. Messrs. John Reed and Stewart Reed agreed to abstain from any vote related to the proposal. Representatives from Arnall Golden Gregory LLP reviewed with the board of directors their fiduciary duties under Delaware law in connection with the Borden proposal and the Delaware law related to the role which could be played by a special committee of independent directors. The special committee provided the board with a summary of the various potential transactions which had been researched by the special committee and reviewed its conclusions. The special committee also provided the names of the financial and legal advisors who had met with the committee. The board discussed with Messrs. John and Stewart Reed the Borden proposal. Mr. Reed said that Borden was offering to assist CareCentric in going private and offered other members of the board of directors the ability to invest in Borden. The board discussed the special committee formed on October 25, 2002, and agreed to reconstitute the special committee. After Messrs. John and Stewart Reed excused themselves from the call, the board appointed a new special committee consisting of Edward K. Wissing, Winston R. Hindle, Jr. and William Simione, Jr. to consider the proposed offer and determine the course of action to properly evaluate, respond and potentially negotiate and recommend to the board a transaction. The board charged the special committee to agree to recommend only a transaction that is in the best interests of the public stockholders of CareCentric and to say "no" unless the special committee concludes that it has achieved a fair transaction that offers the best value reasonably available for the public stockholders. The board directed that our officers make our management team and resources available to the special committee and authorized the special committee to choose its chairman, and engage independent legal counsel and financial experts of its choice at the expense of CareCentric. All minutes and materials collected by the former special committee were to be provided to the reconstituted special committee.

The reconstituted special committee met telephonically on February 6, 2003. Prior to this meeting, Mr. Wissing had resigned from the special committee due to other commitments. Winston R. Hindle, Jr. was chosen as chairman of the committee. The committee discussed the process of interviewing and selecting a financial advisor firm to represent the committee and express an opinion regarding the fairness of any transaction. The committee decided to retain Alston & Bird as legal counsel, based on the interview conducted by the previous special committee.

The special committee spent two weeks reviewing the proposal and interviewing prospective financial advisors.

On February 10, 2003, the special committee met telephonically with representatives of Alston & Bird, as well as Mr. Festa, George Hare, our Chief Financial Officer, and Ana McGary, Senior Vice President and Corporate Secretary. The meeting began with representatives of Alston &

Bird reviewing the fiduciary duties of directors

Table of Contents

under Delaware law. They specifically addressed those duties related to the role of the special committee in a going private transaction.

The special committee met telephonically on February 14, 2003, with the same representatives of management and Alston & Bird. The committee discussed the results of its interviews with five prospective financial advisors. The committee also discussed conducting a market check to determine if there were viable competing proposals to the Borden proposal. They agreed that this would be a portion of the services requested of the financial advisor.

The special committee met telephonically on February 18, 2003, with representatives of Alston & Bird and management. The committee tentatively decided to retain SunTrust Robinson Humphrey, a nationally recognized investment banking firm, as financial advisor and explored whether there were any business or other relationships that would cast any doubt on the independence of SunTrust Robinson Humphrey and its ability to represent the special committee. The committee concluded that it was aware of no such relationships. The committee determined, subject to finalizing fee terms and the receipt of a suitable engagement letter, to select SunTrust Robinson Humphrey as the financial advisor to the special committee. Representatives of Alston & Bird reviewed the terms of the CareCentric directors and officers insurance policy with the committee.

The special committee met telephonically on February 21, 2003, along with representatives of Alston & Bird, SunTrust Robinson Humphrey and management. At this meeting, the special committee discussed a proposed schedule for the completion of the transaction, including a market check by SunTrust Robinson Humphrey to determine if there were other parties interested in an acquisition of CareCentric.

The special committee met on February 27, 2003 at CareCentric's offices in Atlanta, Georgia. The committee discussed the due diligence process and the steps the special committee should take to negotiate the terms of a transaction. As a part of that process, the committee charged SunTrust Robinson Humphrey with distributing information about CareCentric to potential strategic and financial buyers who, based upon SunTrust Robinson Humphrey's research and the committee members' experience, were determined to be possible interested bidders for CareCentric. The committee decided to meet with Borden after receiving a report from SunTrust Robinson Humphrey on the market check and its valuation and analysis supporting a fairness opinion.

The special committee met telephonically on March 6, 2003. Representatives of SunTrust Robinson Humphrey discussed management's forecast and their preliminary analysis. SunTrust Robinson Humphrey described the analytical methodologies that would be utilized in connection with its fairness opinion, which are more fully described under the caption "Opinion of SunTrust Robinson Humphrey *Summary of Financial Analysis*" in this proxy statement. SunTrust Robinson Humphrey reviewed, on a preliminary basis, its analysis under each of these methodologies, noting in particular that, due to CareCentric's size and financial condition, the discounted cash flow analysis would likely be more meaningful in the context of this transaction as compared to the comparable company or comparable transaction analyses. The analysis, though preliminary and subject to completion, was consistent with the definitive analysis conducted and subsequently delivered to the special committee with the fairness opinion. This preliminary analysis of SunTrust Robinson Humphrey showed that if CareCentric remained a public company, the \$0.55 per share offered by Borden to holders of fewer than 4,000 shares of our common stock may have been fair, from a financial point of view. However, the value to the continuing stockholders who were not cashed out in the merger and remained stockholders of the privately-held company may exceed \$0.55 per share, even after applying a discount for the illiquidity of the stock after the transaction. As a result, the committee preliminarily determined that it should attempt to negotiate a price per share with Borden which would more closely equalize the value received by the stockholders being cashed out with the value to the continuing stockholders. The committee also discussed definite plans for a market check by SunTrust Robinson Humphrey, who decided on specific firms to contact, based on SunTrust Robinson Humphrey's research and the committee members' knowledge of the industry. It was decided that confidential contacts would be made with five potential strategic buyers and six potential financial buyers.

Edgar Filing: CARECENTRIC INC - Form PRER14A

The special committee met telephonically on March 21, 2003, with representatives of SunTrust Robinson Humphrey, Alston & Bird and management. Representatives from SunTrust Robinson Humphrey explained that they had contacted telephonically a number of potential financial and strategic buyers by telephone. They reported that four of the financial buyers contacted had requested additional information and were provided a written overview of

-18-

Table of Contents

CareCentric, including publicly available information. No deadline to respond had been given to prospective buyers, and to that date, none of the strategic buyers had responded. The committee decided to schedule a meeting with representatives of Borden.

The special committee met telephonically on March 24, 2003, with representatives of SunTrust Robinson Humphrey, Alston & Bird and CareCentric management. At this meeting, representatives of SunTrust Robinson Humphrey reviewed their preliminary valuation methodology and underlying assumptions. They also reported that the market check had to this point revealed no indications of interest. Mr. Festa informed the special committee that one of the company's stockholders had requested an opportunity to talk with the special committee. The committee discussed with legal counsel the various considerations involved in meeting with a stockholder and determined that, under appropriate guidelines, it would be beneficial to listen to the stockholder's views.

On March 27, 2003, the special committee held a telephonic meeting with Mr. Aaron Lupuloff, a stockholder of CareCentric. A representative of Alston & Bird was also present. Mr. Hindle, as chairman of the committee, explained to Mr. Lupuloff that the committee was interested in hearing from him and learning any information he wished to share with the committee, however, the committee would not answer questions or share any information with Mr. Lupuloff at this time. Mr. Lupuloff discussed his personal shareholdings and his relationship with a large number of stockholders in the Atlanta, Georgia area. Mr. Lupuloff, who would not be a small stockholder due to his stockholdings, expressed the view that many of the small stockholders would not feel that \$0.55 per share was adequate given that they had been long term investors in CareCentric. Mr. Lupuloff's view was that the offer made by Borden to purchase the shares of the small stockholders at \$0.55 per share was inadequate, and that he felt a more acceptable price would be \$1.01 per share. Nothing further transpired at this meeting.

The special committee met by telephone on April 2, 2003, to prepare for its upcoming meeting with Borden and formulate a negotiating position based on information received from its financial and legal advisors. On April 9, 2003, SunTrust Robinson Humphrey advised Mr. Hindle that all of the potential buyers which had been contacted during the market check had either declined to pursue a transaction or had failed to respond to inquiries, and active solicitation efforts thereafter ceased.

The special committee met with representatives of Borden on April 14, 2003 in Concord, Massachusetts. That meeting was attended by Winston Hindle, Jr. and William Simone, Jr. of the special committee, together with a representative of Alston & Bird. Borden was represented by John Reed and Stewart Reed, with a representative from Kilpatrick Stockton LLP, their legal counsel. At that meeting, the special committee asked if Borden would consider revising its proposal to provide for the purchase of shares of all of the unaffiliated public stockholders of CareCentric. Mr. John Reed, on behalf of Borden, responded that the investors in Borden believed their offer was fair to all stockholders, including those who would remain as stockholders in CareCentric and that they would not consider changing that aspect of their proposal. The special committee explained to the representatives of Borden their belief that the proposal to purchase the shares owned by holders of fewer than 4,000 shares for \$0.55 per share was inadequate. They stated their belief that the value of our stock following the going private transaction would exceed \$0.55 per share and that an appropriate price to be paid to the stockholders being bought out would be the value realized by the continuing stockholders, discounted for loss of liquidity. The committee stated that it was its goal to equalize the values as close as possible between those stockholders who would be bought out in the transaction and the remaining stockholders. The representatives of Borden asked if they could have access to the forecast prepared by CareCentric management which supported this valuation analysis. The committee agreed to make a summary of the forecast available. Alston & Bird had received an initial draft of the proposed merger agreement from Kilpatrick Stockton prior to the meeting. A discussion of various points under the merger agreement was held, although no final agreements were reached. The possibility of conditioning the merger on the approval of a majority of the minority vote was suggested by the special committee and discussed. The representatives of Borden rejected this proposal. It was also established that CareCentric would not agree to indemnify Borden's stockholders for losses due to breaches of representations and warranties or covenants in the merger agreement and that there would be no provision in the agreement limiting the ability of the special committee to continue to attempt to market CareCentric to third parties prior to completion of the merger. At the conclusion of this meeting, it was agreed that after reviewing the management forecast supporting the valuation position of the special committee, Borden would respond to the request for a revised proposal. It was also agreed that the attorneys representing the special committee and Borden would continue to work on resolving issues under the draft merger agreement.

Table of Contents

During the following week, the special committee reviewed the proposed merger agreement with CareCentric's management to determine whether management, which is more familiar with CareCentric's business and operations than the special committee, had any comments on the merger agreement, particularly the representations and warranties and covenants.

On April 23, 2003, Borden provided the board of directors of CareCentric a revised proposal which increased the per share price in the merger to \$0.75 per share. All other aspects of the proposal remained unchanged, including that only shares owned of record by holders of fewer than 4,000 shares of common stock would be cashed out in the merger. The proposal stated that this was Borden's best and final offer, and Borden set a deadline of May 23, 2003 for CareCentric to accept the offer.

The special committee met telephonically on May 1, 2003 and discussed the new proposal from Borden.

On May 6, 2003, the special committee met telephonically with representatives of SunTrust Robinson Humphrey and Alston & Bird. At the meeting, the committee discussed a draft of the fairness opinion provided to the committee by SunTrust Robinson Humphrey. SunTrust Robinson Humphrey responded to committee members' questions and comments. SunTrust Robinson Humphrey also advised the committee that they had received no indications of interest or any follow-up from the companies that had been contacted in the market check. At this point, representatives of SunTrust Robinson Humphrey were excused from the call. Representatives from Alston & Bird then led a discussion of the proposed terms contained in the revised draft merger agreement provided to CareCentric by counsel to Borden. The committee gave Alston & Bird instructions as to final negotiation of the merger agreement.

The special committee met telephonically on May 19, 2003 with representatives of Alston & Bird, counsel to the committee. A revised draft of the merger agreement had been provided to CareCentric by counsel to Borden and distributed to members of the committee. The committee discussed a meeting scheduled with Borden to be held on May 20, 2003. In particular, the committee discussed the importance of obtaining current information on the stockholders of CareCentric in order to facilitate discussions with Borden and the appropriate structuring of the transaction.

A telephone meeting was held on May 20, 2003 among Messrs. John and Stewart Reed, representing Borden, together with their counsel, Kilpatrick Stockton, the special committee and Alston & Bird. At this meeting, the committee tentatively agreed with Borden that it would recommend the merger to the CareCentric board of directors at the per share price of \$0.75, subject to the receipt of definitive advice from its financial advisor. The only other remaining issue for discussion under the proposal was whether the merger would be structured to purchase shares of holders of record holding fewer than 4,000 shares or whether the shares of all beneficial holders of fewer than 4,000 shares would be purchased. It was decided by Borden and the special committee that a purchase of the shares of all beneficial holders of fewer than 4,000 shares would be preferable, although more investigation of the number of shares that would be purchased on this basis was necessary in order to determine the overall cost to Borden of the transaction. In this meeting, Borden agreed to increase the maximum consideration it would pay for shares to \$550,000 (without reduction for Borden's transaction expenses) from its earlier proposal of \$450,000 (less Borden's transaction expenses). Additionally, Borden agreed to an extension of the deadline to accept the offer to June 13, 2003.

The special committee met telephonically on May 30 with representatives of Alston & Bird and SunTrust Robinson Humphrey. Alston & Bird informed the committee that all of the terms of the merger agreement had been agreed to, except the remaining issue of whether the stockholders to be cashed out in the merger would be defined in terms of record or beneficial stockholders of fewer than 4,000 shares. CareCentric management was working to deliver final information concerning the stockholder list so that a final determination could be made by early the following week. Representatives of SunTrust Robinson Humphrey then made an oral presentation of the analysis supporting their fairness opinion. SunTrust Robinson Humphrey then delivered orally their opinion that the merger consideration was fair from a financial point of view to the holders of common stock owning fewer than 4,000 of our shares and the merger is fair, from a financial point of view, to holders of common stock owning 4,000 or more of our shares. After the SunTrust Robinson Humphrey presentation, the committee members asked a

number of

-20-

Table of Contents

questions. It was agreed that the special committee would meet again in Atlanta, Georgia on June 4 to approve the final merger agreement and to prepare for its meeting with the full board of directors later that day.

On June 2, 2003, CareCentric management distributed to the special committee and Borden additional information on the accounts of beneficial holders whose shares were held in street name by brokers and banks. On June 3, 2003, Borden informed the special committee through counsel that Borden would agree to cash out all beneficial holders of fewer than 4,000 shares and to increase the maximum consideration to be paid for their shares to \$600,000. In order to provide itself and CareCentric an additional measure of assurance that the merger would result in the deregistration of CareCentric's common stock under applicable federal securities laws as intended, Borden also agreed that it would allow in the merger agreement for our board of directors to set in its discretion the number of shares that a stockholder must own in order to receive or not to receive the merger consideration, thereby permitting our board of directors to increase this number from 4,000 shares, which had been previously agreed upon by the parties, to 7,000 or 10,000 shares if such action was deemed necessary by our board of directors.

On June 4, 2003, the special committee met at CareCentric's corporate headquarters in Atlanta, Georgia and reviewed the final merger agreement, which defined the stockholders to be cashed out in the merger as those beneficially holding fewer than 4,000 shares and increased the maximum consideration that would be paid for shares to \$600,000. After discussion of the final merger agreement with a representative of Alston & Bird and review of the written confirmation of SunTrust Robinson Humphrey's fairness opinion, the committee unanimously determined that it deemed it advisable and in the best interests of CareCentric and its stockholders to complete the merger on the terms provided by the merger agreement and that they would recommend to the board of directors of CareCentric that it adopt the merger agreement, determine that the merger is advisable and recommend that the stockholders of CareCentric adopt the merger agreement at a special meeting of the stockholders of CareCentric.

Later on June 4, 2003, the members of the special committee, together with a representative of Alston & Bird, met with the full board of directors of CareCentric and reported their negotiations and conclusions concerning the proposed merger with Borden. The special committee recommended that the board of directors adopt the merger agreement, determine that the merger is advisable and recommend that the stockholders of CareCentric adopt the merger agreement at a special meeting of the stockholders to be called by the board of directors. After members of the special committee answered a number of questions from members of the board of directors, the full board of directors, with Messrs. John and Stewart Reed abstaining, approved the proposed merger and the merger agreement and decided to recommend that the stockholders of CareCentric adopt the merger agreement at a special meeting of the stockholders to be held at a date to be established after approval of a proxy statement by the SEC.

Recommendation of the Board of Directors; Fairness of the Merger

The special committee of the board of directors has unanimously determined that the terms of the merger and the merger agreement are advisable, fair to and in the best interests of the CareCentric stockholders. The special committee unanimously recommended to the board of directors that the merger agreement be adopted and the merger be approved. The special committee considered a number of factors, as more fully described above under **Background of the Merger** and as described below under **Reasons for the Special Committee's Recommendation**, in making its recommendation. After careful consideration, the board of directors of CareCentric, acting in part upon the unanimous recommendation of the special committee, unanimously determined (with the Reeds abstaining) that the merger agreement is fair to and in the best interests of CareCentric stockholders and has adopted the merger agreement and, accordingly, recommends that you vote **FOR** adoption of the merger agreement.

Reasons for the Special Committee's Recommendation

Edgar Filing: CARECENTRIC INC - Form PRER14A

In recommending adoption of the merger agreement and approval of the merger to the board of directors, the special committee considered a number of factors, including but not limited to the following:

The analysis prepared by SunTrust Robinson Humphrey in connection with its opinion to the special committee and the interpretation of such analysis made by SunTrust Robinson Humphrey and the special committee.

-21-

Table of Contents

The merger consideration of \$0.75 per share payable to small stockholders represents premiums of approximately 22.9%, 15.4% and 29.3% over the quoted price of our common stock, one day, one week and one month, respectively, prior to the public announcement of the execution of the merger agreement, and exceeds the highest quoted price per share of our common stock during the 52-week period prior to that announcement.

The substantial ongoing expenses incurred by CareCentric as a public reporting company with obligations to file periodic reports with the SEC.

The anticipated additional expense for CareCentric to comply with recently enacted legislation and regulations applicable to companies with securities registered under the Exchange Act.

The potential impact on our remaining stockholders after the merger of the absence of an active trading market for CareCentric common stock and of financial and other information contained in periodic reports filed with the SEC.

The lack of liquidity of the shares of CareCentric common stock due to the absence of an active trading market in the common stock, and the lack of analyst coverage.

The value to our small stockholders of the opportunity presented by the merger to realize a substantial premium on disposition of an otherwise relatively illiquid investment as compared to the loss of the opportunity to participate in the future growth potential of CareCentric.

The absence of any indication that the price of CareCentric shares would necessarily increase regardless of CareCentric's improved performance or general improvement in market conditions.

The benefits that those continuing stockholders of CareCentric would receive as a result of the reduction in the expenses CareCentric incurred as a reporting company.

The \$0.75 per share merger consideration is lower than the historic trading price of CareCentric common stock on Nasdaq prior to the second quarter of 2002.

The risk that the announcement of the merger may have a negative effect on the trading price of the common stock quoted on the OTC Bulletin Board.

The advice of management that CareCentric's status as a public company might be impeding possible equity and debt financing needed for the company's growth.

Uncertainties concerning the economy in general, CareCentric's industry in particular, and the capital markets.

The degree of likelihood that the merger will be completed. In this connection, the special committee considered, among other things, the lack of a financing or due diligence condition to closing and assurances provided to the special committee of Borden's commitment to proceed with, and its ability to provide funding for, the merger.

The terms and conditions of the merger agreement, including those described in this proxy statement, particularly those which provide CareCentric with the right, subject to an obligation to reimburse Borden for out-of-pocket expenses not to exceed \$75,000, to

Edgar Filing: CARECENTRIC INC - Form PRER14A

negotiate for a superior transaction with a third party prior to the vote on the merger, permit the special committee and the board of directors to terminate the merger agreement if a superior offer is made and Borden does not provide an offer considered equivalent or superior by the special committee or withdraw their recommendations of the merger to our stockholders.

-22-

Table of Contents

Our small stockholders will lose the opportunity to participate in any future growth of CareCentric but will also be insulated from any potential future decline in the current value of CareCentric.

Our small stockholders will receive a fixed amount of cash, rather than securities or some form of deferred payment.

The results of the market check conducted by SunTrust Robinson Humphrey and the absence of any interest in exploring a possible transaction by any of the parties contacted.

The procedural fairness of the process by which the merger agreement was negotiated. In this regard, the special committee noted, among other things:

that the special committee exercised exclusive and unlimited authority to, among other things, evaluate, negotiate and recommend the terms of any proposed transaction and received advice from its own independent legal and financial advisors;

that extensive time and attention was devoted to the transaction by the members of the special committee;

the market check described above;

that the merger agreement resulted from active and comprehensive arm's length negotiations; and

that these negotiations resulted in increases in the original per share price offer and in material improvements in other non-financial terms of the originally proposed merger agreement.

The differing interests between Messrs. John E. Reed and Stewart B. Reed, due to their ownership of Borden and their holdings of debt and preferred equity of CareCentric, and CareCentric stockholders generally.

The rights of dissenting stockholders to seek appraisal of the value of their shares of common stock and preferred stock under Delaware law.

After considering these factors, the special committee concluded that the positive factors relating to the merger outweighed the negative factors. Because of the variety of factors considered, the special committee did not find it practicable to quantify or otherwise assign relative weights to, and did not make specific assessments of, the specific factors considered in reaching its determination. The special committee did not consider the net book value or liquidation value of CareCentric to be material to their conclusion regarding the fairness of the merger because it is their view that neither book value nor liquidation value accurately reflects the value of CareCentric in light of its business and assets. The special committee considered the analysis performed by SunTrust Robinson Humphrey to be an appropriate indication of the going concern value of CareCentric.

The foregoing discussion is not intended to be exhaustive but is believed to include all material factors considered by the special committee.

Position of the Board of Directors as to Fairness of the Merger

The board of directors consists of eight directors, two of whom served on the special committee and two of whom are stockholders of Borden. At a meeting of the board of directors on June 4, 2003, the special committee, with its legal advisors participating, reported to the entire board of directors on its negotiation of the merger agreement and evaluation of the terms of the merger. Based on the course of the special committee's negotiations with Borden, including the original offer price of \$0.55 per share and the subsequent increase thereof to \$0.75 per share to beneficial holders of fewer than 4,000 shares of CareCentric's common stock, its review of the merger agreement, the opinion of SunTrust Robinson Humphrey and the factors taken into account by the special committee

Table of Contents

in making its determination, the special committee advised the board of directors that in its opinion the merger is advisable, fair to and in the best interests of the CareCentric stockholders.

Because of their conflict of interest in the merger, Messrs. John E. Reed and Stewart B. Reed recused themselves from deliberations or vote with respect to the merger or the merger agreement. The board of directors, other than Messrs. John E. Reed and Stewart B. Reed, considered the analysis performed by, and the conclusions and the recommendations of, the special committee. In view of the wide variety of factors considered in its evaluation of the proposed merger, the board of directors did not find it practicable to quantify or otherwise assign relative weights to, and did not make specific assessments of, the specific factors considered in reaching its determination. Rather, the board of directors based its position on the totality of the information presented and considered, including SunTrust Robinson Humphrey's oral opinion to the special committee. In connection with its consideration of the recommendation of the special committee, as part of its determination with respect to the merger, the board of directors adopted the conclusion, and the analysis underlying such conclusion, of the special committee, based upon its view as to the reasonableness of that analysis. Therefore, the board of directors, based in part on the unanimous recommendation of the special committee and the opinion of SunTrust Robinson Humphrey, recommends that you vote **FOR** the adoption and approval of the merger agreement and the approval of the merger.

The board of directors believes that the merger, the merger agreement and the related transactions are substantively and procedurally fair to and in the best interests of the CareCentric stockholders for all of the reasons set forth above even though no disinterested representative, other than the special committee and its legal and financial advisors, was retained to act solely on behalf of the unaffiliated stockholders and no separate vote of CareCentric's unaffiliated stockholders will be conducted. See **Special Factors Recommendation of the Board of Directors; Fairness of the Merger, and Reasons for the Special Committee's Recommendation**. In addition, with respect to procedural fairness, the board of directors established a special committee, consisting of two independent directors. In reaching its conclusions regarding fairness, the board considered the interests of both holders of fewer than 4,000 of our shares who will receive \$0.75 per share in cash for their shares, and holders of 4,000 or more of our shares who will remain stockholders after CareCentric becomes a private company. The board concluded that the merger is substantively and procedurally fair to both groups based on the factors discussed below.

The board of directors believes that it was not necessary to retain a disinterested representative to negotiate on behalf of the unaffiliated stockholders or to structure the merger to require approval of at least a majority of unaffiliated stockholders because:

the board of directors established a special committee of directors, consisting of directors who are not employees of CareCentric, have no relationship with Borden or its investors and who will not have any continuing interest in or other relationship with CareCentric as the surviving corporation (other than ownership, in the case of Mr. Simone, of less than 1% of CareCentric's outstanding common stock after the merger, continued service on our board of directors and continued service, in the case of Mr. Hindle, on the board of directors of Mestek), to negotiate the terms of the merger;

the special committee retained an independent financial advisor, who delivered its opinion that subject to the assumptions, qualifications and limitations set forth in the opinion, as of June 4, 2003, the consideration to be received by the small stockholders in the merger is fair, from a financial point of view, to these stockholders and the merger is fair, from a financial point of view, to the other stockholders; and

the merger was approved unanimously by all directors of CareCentric who are not employees of CareCentric, have no relationship with Borden or its investors, and who will not have any continuing interest in or other relationship with CareCentric as the surviving corporation (other than ownership of less than 1% of CareCentric's outstanding common stock after the merger and continued service on the board of directors).

In reaching its conclusions, the board of directors considered it significant that:

Table of Contents

the merger consideration of \$0.75 in cash per share to the small stockholders was the highest price Borden indicated it was willing to pay following extensive arm s-length negotiations between the special committee and representatives of Borden;

no member of the special committee has an interest in the proposed merger different from that of CareCentric stockholders generally (except for a less than 1% ownership interest in CareCentric common stock, which the CareCentric board of directors does not believe is material or detracts in any way from their independence); and

the special committee retained its own financial and legal advisors who have extensive experience with transactions similar to the merger and who assisted the special committee in evaluating the merger and in negotiating with Borden.

With respect to those CareCentric stockholders whose shares will not be cashed-out in the merger, the board considered as a reason against the merger the adverse effect of the loss of a public trading market for the common stock and the lack of publicly available information on CareCentric when it ceases to file Exchange Act reports. However, the board believes that these factors are more than offset by the benefits to the remaining stockholders created by the lower costs and other benefits of becoming a private company. Management estimates that CareCentric will achieve cost savings of approximately \$402,000 per year from reduced legal and accounting fees, printing and mailing costs, directors and officers insurance premiums, and other incidental costs of remaining an Exchange Act reporting company. The termination of the Exchange Act registration will make most provisions of the Exchange Act, such as the requirement to file quarterly and annual reports with the SEC, the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy or information statement in connection with stockholders meetings and the new corporate governance requirements under the Sarbanes-Oxley Act of 2002 no longer applicable to CareCentric. The board believes this termination will have the effect of avoiding additional future costs to CareCentric. In addition, there will be other benefits which are difficult to quantify from reduced management distraction and reallocation of internal resources associated with maintaining CareCentric s Exchange Act registration.

The members of the board of directors did not consider the net book value or liquidation value of CareCentric to be material to their conclusion regarding the fairness of the merger because it is their view that neither book value nor liquidation value accurately reflects the value of CareCentric in light of the nature of its business and assets. In considering net book value, the board noted the following, which led it to conclude that net book value is not a meaningful measure to evaluate the fairness of the merger:

As of December 31, 2002 and the most recent quarter ended March 31, 2003, CareCentric s net book value was a negative (\$3.49) and (\$3.44), respectively.

As of March 31, 2003, CareCentric had negative working capital of (\$11.7) million.

CareCentric s noncurrent assets consist of substantially depreciated office equipment and intangible assets that are comprised of substantially amortized developed technology and customer lists.

In considering liquidation value, the board noted the following, which led it to conclude that liquidation value is not a meaningful measure to evaluate the fairness of the merger:

As of March 31, 2003, CareCentric had negative working capital of (\$11.7) million.

Substantially all of CareCentric s assets are encumbered by security interests in favor of its lenders.

Edgar Filing: CARECENTRIC INC - Form PRER14A

CareCentric's noncurrent assets consist of substantially depreciated office equipment and intangible assets that are illiquid and are not marketable at values substantially higher than net book value or separately marketable from the business as a total enterprise.

-25-

Table of Contents

The lack of interest, indicated by the lack of response from the financial and strategic buyers included in market check performed by the financial advisor to the special committee was considered by the board to be a confirmation of the board's view of the lack of liquidity of CareCentric's noncurrent assets.

CareCentric's results of operations for the quarters ended September 30, 2002, December 31, 2002 and March 31, 2003 generated positive cash flow from operations resulting in the improved liquidity needed to manage its large negative working capital position.

CareCentric has disclosed in its earnings press releases that additional investment is planned and needed to develop current technology platforms for its products. This needed incremental investment was considered a materially detrimental factor preventing liquidation value from being a meaningful measure to evaluate the fairness of the merger.

Because of these factors regarding net book value and liquidation value, the going concern value of CareCentric became a more meaningful measure to evaluate the fairness of the merger. The members of the board of directors considered the analyses performed by SunTrust Robinson Humphrey to be an appropriate indication of the going concern value of CareCentric.

After careful consideration, the board of directors of CareCentric, acting in part upon the unanimous recommendation of the special committee and adopting the conclusions and analysis of the special committee, unanimously determined (with the Reeds abstaining) that the merger is advisable, fair to and in the best interests of the CareCentric stockholders and has adopted the merger agreement and, accordingly, recommends that you vote FOR adoption of the merger agreement. The recommendation of the board of directors was made after consideration of all the material factors, as described above.

Position of Borden and the Reeds as to Fairness of the Merger

The rules of the SEC require Borden and Messrs. John and Stewart Reed to express their belief as to the fairness of the merger agreement and the proposed merger to our stockholders. The Reeds were not part of, and did not participate in the deliberations of, the special committee. Although each of the Reeds are members of our board of directors, they recused themselves from the deliberations of the board of directors with respect to the merger described above under Special Factors Reasons for the Special Committee's Recommendation. Based on its belief regarding the reasonableness of the conclusions and analyses of the special committee and the board of directors, Borden and the Reeds adopted the conclusions and analyses of the special committee and the board of directors described above and believe that the \$0.75 per share merger consideration is fair to CareCentric's stockholders owning fewer than 4,000 shares of our common stock and is fair, from a financial point of view, to the other stockholders, including the unaffiliated stockholders. In making this determination, Borden and the Reeds considered the following factors:

The negotiation and deliberation process conducted by the special committee which led to the approval of the merger agreement by the special committee and the board of directors, and that CareCentric is permitted under the merger agreement to seek alternative transaction proposals.

The relationship between the \$0.75 price per share to be paid in the merger and the recent and historical market prices of CareCentric's common stock. The merger price of \$0.75 per share to be paid in the merger represents approximately a 23% premium to the closing price of CareCentric's common stock on June 4, 2003, the last trading day before the public announcement on June 5, 2003 of the signing of the merger agreement, and exceeds the market prices of CareCentric's common stock for approximately 12 months prior to that date.

Edgar Filing: CARECENTRIC INC - Form PRER14A

The terms of the merger agreement, including the ability of the board of directors, in the exercise of its fiduciary duties to stockholders, to consider competing superior proposals. Borden and the Reeds also considered that the merger is subject to various conditions, and that the merger contemplates the payment of a termination fee under certain circumstances.

-26-

Table of Contents

Under Delaware law, CareCentric stockholders have the right to demand an appraisal by the Delaware Court of Chancery of the fair value of their shares, which may be determined to be more or less than the \$0.75 per share merger consideration.

In reaching their determination as to fairness, neither Borden nor the Reeds ranked or assigned specific weight to particular factors, but rather considered all of the foregoing factors as a whole to support their belief that the merger is fair to the unaffiliated stockholders of CareCentric. This belief, however, should not be construed as a recommendation to stockholders as to how they should vote on the merger.

Neither Borden nor the Reeds considered the net book value or liquidation value of CareCentric to be material to their conclusion regarding the fairness of the merger because it is their view that neither book value nor liquidation value accurately reflects the value of CareCentric in light of the nature of its business and assets.

Opinion of SunTrust Robinson Humphrey

SunTrust Robinson Humphrey has acted as the financial advisor to the special committee in connection with the merger. The special committee selected SunTrust Robinson Humphrey based on SunTrust Robinson Humphrey's experience and reputation. SunTrust Robinson Humphrey is a nationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

In connection with SunTrust Robinson Humphrey's engagement, the special committee requested that SunTrust Robinson Humphrey evaluate the fairness, from a financial point of view, of the transaction to the holders of common stock of CareCentric. On May 30, 2003, at a meeting of the special committee held to consider the transaction, SunTrust Robinson Humphrey delivered an oral opinion, which was subsequently confirmed in a written opinion dated June 4, 2003, to the effect that, as of that date and based on and subject to the assumptions, limitations and qualifications described in its written opinion, (i) the consideration to be received in the merger by the holders of common stock of CareCentric who own fewer than 4,000 shares of common stock (Small Stockholders) is fair, from a financial point of view to such holders and (ii) the transaction is fair, from a financial point of view, to the holders of common stock of CareCentric that own 4,000 or more shares of common stock (Continuing Stockholders).

The full text of SunTrust Robinson Humphrey's written opinion, dated June 4, 2003, to the special committee is attached as Appendix B to this proxy statement and is incorporated herein by reference. Holders of CareCentric's common stock are urged to read this opinion in its entirety

SunTrust Robinson Humphrey's opinion relates only to (i) the fairness, from a financial point of view, of the consideration to be received by the holders of common stock of CareCentric that are Small Stockholders in the transaction to such holders and (ii) the fairness, from a financial point of view, of the transaction to the holders of common stock of CareCentric that are Continuing Stockholders. SunTrust Robinson Humphrey's opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matter relating to the merger.

In arriving at its opinion, SunTrust Robinson Humphrey, among other things:

Edgar Filing: CARECENTRIC INC - Form PRER14A

reviewed the merger agreement;

reviewed the statement on Schedule 13D and the exhibits thereto and the amended statements on Schedule 13D/A and the exhibits thereto filed with the SEC on behalf of John E. Reed, Stewart B. Reed and James A. Burk and other publicly available information concerning CareCentric which SunTrust Robinson Humphrey deemed to be relevant to its inquiry;

reviewed financial and operating information with respect to the business, operations and prospects of CareCentric, including financial projections, furnished by CareCentric;

-27-

Table of Contents

compared the trading history of CareCentric's common stock with those of other publicly-traded companies that SunTrust Robinson Humphrey deemed relevant;

compared the historical financial results and financial condition of CareCentric with those of publicly-traded companies that SunTrust Robinson Humphrey deemed relevant;

reviewed historical data relating to percentage premiums paid in acquisitions of publicly-traded companies that SunTrust Robinson Humphrey deemed relevant;

compared the financial terms of the transaction with the publicly available financial terms of certain other recent transactions which SunTrust Robinson Humphrey deemed relevant;

relied on statements of the management of CareCentric concerning the business, financial, operational and strategic benefits and implications of the transaction, including financial forecasts provided to SunTrust Robinson Humphrey by CareCentric relating to operating cost savings expected to be achieved as a result of CareCentric no longer being a reporting company under the Exchange Act upon completion of the transaction;

discussed with the management of CareCentric its business, operations, assets, present condition and future prospects; and

undertook such other studies, analyses and investigations as SunTrust Robinson Humphrey deemed appropriate.

In addition, with the special committee's authorization, SunTrust Robinson Humphrey initiated contact with a limited number of strategic and financial parties, none of whom expressed interest in exploring a possible transaction with CareCentric.

In connection with SunTrust Robinson Humphrey's review, SunTrust Robinson Humphrey did not assume any responsibility for independent verification of any of the information and relied on it being complete and accurate in all material respects. With respect to the financial forecasts of CareCentric provided to or discussed with SunTrust Robinson Humphrey, and the expected business, financial, operational and strategic benefits and implications of the transaction, including the expected operating cost savings expected to be achieved as a result of the transaction, SunTrust Robinson Humphrey assumed, at the direction of the management of CareCentric and without independent verification or investigation, that such forecasts have been reasonably prepared on bases reflecting the best currently available information, estimates and judgments of the management of CareCentric as to the future financial performance of CareCentric and the expected financial, operating and strategic benefits and implications of the transaction. In arriving at its opinion, SunTrust Robinson Humphrey did not conduct a physical inspection of the properties and facilities of CareCentric and did not make nor obtain any evaluations or appraisals of the assets or liabilities (including, without limitation, any potential environmental liabilities), contingent or otherwise, of CareCentric. SunTrust Robinson Humphrey also assumed that the transaction would be consummated in accordance with the terms of the merger agreement and that, as to CareCentric and the holders of common stock that are Continuing Stockholders, the merger will be treated as a tax-free reorganization for federal income tax purposes. SunTrust Robinson Humphrey also assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the transaction would be obtained without material delay and without any adverse effect on CareCentric or on the expected benefits of the transaction.

The opinion of SunTrust Robinson Humphrey does not address the relative merits of the transaction as compared to other transactions or business strategies that might be available to CareCentric, nor does it address CareCentric's underlying business decision to proceed with the transaction. Although SunTrust Robinson Humphrey evaluated the consideration to be received in the merger from a financial point of view, SunTrust Robinson Humphrey was not requested to, and did not, recommend the specific consideration payable in the merger, which consideration was determined in negotiations between CareCentric and Borden. The opinion of SunTrust Robinson Humphrey is necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information made available to SunTrust

Robinson Humphrey, as of the date of the opinion.

Table of Contents

The financial markets in general and the market for the common stock of CareCentric, in particular, are subject to volatility, and SunTrust Robinson Humphrey's opinion did not address potential developments in the financial markets or the market for the common stock of CareCentric after the date of its opinion. SunTrust Robinson Humphrey expressed no opinion as to the underlying valuation, future performance or long-term viability of CareCentric. The opinion of SunTrust Robinson Humphrey solely and respectively addresses (i) the fairness, from a financial point of view, of the consideration to be received by the Small Stockholders in the merger to the Small Stockholders and (ii) the fairness, from a financial point of view, of the transaction to the holders of common stock that are Continuing Stockholders. As to the holders of common stock that are Small Stockholders, the opinion of SunTrust Robinson Humphrey is limited to the fairness, from a financial point of view, of the consideration to be received by such holders in the transaction. As to the holders of common stock that are Continuing Stockholders, the opinion of SunTrust Robinson Humphrey is limited to the fairness, from a financial point of view, of the transaction to such holders, taking into account the expected business, financial, operational and strategic benefits and implications of the transaction to CareCentric going forward, including the operating cost savings expected to be achieved as a result of CareCentric no longer being a reporting company under the Exchange Act upon completion of the transaction and the other financial forecasts referred to above. In evaluating the fairness of the transaction to the Continuing Stockholders, SunTrust Robinson Humphrey did not take into consideration any loss of liquidity to the Continuing Stockholders as a result of the common stock no longer being registered under the Exchange Act or traded in any active trading market. SunTrust Robinson Humphrey did not express any opinion as to what the actual value of the shares of CareCentric common stock will be after completion of the transaction or the prices at which such shares will trade at any time. The opinion of SunTrust Robinson Humphrey does not address in any respect the fairness of the disparate treatment of the stockholders of CareCentric in the transaction or the relative benefits and detriments of the transaction to holders of common stock that are Small Stockholders as compared to the holders of common stock that are Continuing Stockholders, or the determination by the Board of Directors of CareCentric pursuant to the merger agreement of the Minimum Number of share ownership used to distinguish Small Stockholders from Continuing Stockholders. The opinion of SunTrust Robinson Humphrey does not address any aspect of the transaction as it relates to the holders of CareCentric preferred stock or the holders of any other securities, or rights to acquire securities, of CareCentric.

Subsequent developments may affect SunTrust Robinson Humphrey's opinion and SunTrust Robinson Humphrey does not have any obligation to update, revise or reaffirm its opinion.

In preparing its opinion to the special committee, SunTrust Robinson Humphrey performed a variety of financial and comparative analyses, a summary of which are described below. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, is not readily susceptible to partial analysis or summary description. Certain of these analytic methods may imply transaction or entity values that are a significantly higher or lower than the value in the transaction under consideration and may not be meaningful to the overall financial fairness analysis. The various methods of financial analysis may be accorded relatively more or less weight in the preparation of a fairness opinion, and no one analytic method is necessarily determinative. Accordingly, SunTrust Robinson Humphrey believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors, or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

No company, transaction or business used in SunTrust Robinson Humphrey's analyses as a comparison is identical to CareCentric or the transaction, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the transaction or the market values of the companies or transactions being analyzed.

In performing its analyses, SunTrust Robinson Humphrey made numerous assumptions with respect to CareCentric, industry performance and general business, economic, market and financial conditions, many of which are beyond the control of CareCentric. The estimates contained in SunTrust Robinson Humphrey's analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to

Table of Contents

reflect the prices at which businesses or securities actually may be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty.

SunTrust Robinson Humphrey's opinion and financial analyses were among many factors considered by the special committee in its evaluation of the transaction and should not be viewed as determinative of the views of the members of the special committee with respect to the transaction or the fairness of the transaction to any particular holders of common stock.

Summary of Financial Analyses

The following is a summary of the material financial analyses underlying SunTrust Robinson Humphrey's oral opinion delivered to the special committee. The financial analyses summarized below include information presented in tabular format. In order to fully understand SunTrust Robinson Humphrey's financial analyses, the tables must be read together with the text of each summary. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of SunTrust Robinson Humphrey's financial analyses.

SunTrust Robinson Humphrey considered financial forecasts for CareCentric, provided by management of CareCentric, both on an as is basis, assuming that CareCentric were to continue as a public company, and on a pro forma basis, assuming CareCentric were to cease to be a reporting company under the Exchange Act. Management provided pro forma financial forecasts for CareCentric as a private company that reflected management's estimates as to the cost savings in legal fees, audit fees and other public company expenses that would be realized in 2004 and 2005.

Market Analysis of Selected Publicly-Traded Companies.

SunTrust Robinson Humphrey reviewed and compared publicly available financial data, market information and trading multiples for CareCentric with other selected publicly-traded companies that SunTrust Robinson Humphrey deemed relevant. These companies consisted of:

Cerner Corp.;

Eclipsys Corp.;

IDX Systems Corp.;

McKesson Corp.;

MedQuist, Inc.;

NDC Health, Inc.;

Per-Se Technologies;

ProxyMed, Inc.;

QuadraMed Corp.;

Quality Systems, Inc.;

Trizetto Group Inc.; and

VitalWorks, Inc.

Table of Contents

For the selected publicly-traded companies, SunTrust Robinson Humphrey, among other things, calculated the firm value (or market capitalization plus debt less cash and cash equivalents) of each company as a multiple of its actual revenue, earnings before interest expense, taxes, depreciation and amortization (EBITDA), and earnings before interest and taxes (EBIT), for the latest twelve months (LTM) and as a multiple of its projected revenue, EBITDA and EBIT for projected calendar years 2003 and 2004. SunTrust Robinson Humphrey also compared stock price as a multiple of LTM and projected calendar years 2003 and 2004 earnings per share (EPS). All multiples were based on closing stock prices as of May 27, 2003. Except as otherwise noted herein, all historical data was derived from publicly available sources. Projected revenues and EPS estimates were based on research reports and First Call consensus estimates. First Call is an information provider that publishes a compilation of estimates of projected financial performance for publicly-traded companies produced by equity research analysts at leading investment banking firms. After taking into account CareCentric's net debt outstanding as of March 31, 2003, of \$18.7 million, including preferred stock and convertible debt, SunTrust Robinson Humphrey's analysis of the comparable companies yielded the following implied equity values for the common stock of CareCentric assuming it were to continue as a public company:

Firm Value to:	Mean	Implied Equity Value⁽²⁾	Median	Implied Equity Value⁽²⁾
LTM Revenues ⁽¹⁾	1.10x	\$ 5,734	1.20x	\$ 8,099
Calendar 2003E Revenues	1.06	7,388	1.09	8,204
Calendar 2004E Revenues	0.93	7,329	0.97	8,346
LTM EBITDA ⁽¹⁾	7.65	6,802	7.72	7,031
Calendar 2003E EBITDA	6.23	(5,145)	6.87	(3,766)
Calendar 2004E EBITDA	5.93	(6,116)	5.95	(6,074)
LTM EBIT ⁽¹⁾	9.35	(3,108)	9.99	(2,048)
Calendar 2003E EBIT	8.93	(13,263)	9.18	(13,114)
Calendar 2004E EBIT	7.47	(14,753)	7.78	(14,587)

(1) Latest twelve months ended March 31, 2003.

(2) In thousands.

SunTrust Robinson Humphrey also used the selected company multiples to calculate the implied equity values for CareCentric on a pro forma, private company basis, adjusting CareCentric's projected 2003 and 2004 EBITDA and EBIT to reflect management's assumed annual cost savings of \$402,000 associated with becoming a private company. The analysis yielded the following implied equity values for CareCentric on a private-company basis:

Firm Value to:	Mean	Implied Equity Value⁽²⁾	Median	Implied Equity Value⁽²⁾
LTM Revenues ⁽¹⁾	1.10x	\$ 5,734	1.20x	\$ 8,099
Calendar 2003E Revenues	1.06	7,388	1.09	8,204
Calendar 2004E Revenues	0.93	7,329	0.97	8,346
LTM EBITDA ⁽¹⁾	7.65	6,802	7.72	7,031
Calendar 2003E EBITDA	6.23	(5,145)	6.87	(3,766)
Calendar 2004E EBITDA	5.93	(3,746)	5.95	(3,696)
LTM EBIT ⁽¹⁾	9.35	(3,108)	9.99	(2,048)
Calendar 2003E EBIT	8.93	(13,263)	9.18	(13,114)
Calendar 2004E EBIT	7.47	(11,767)	7.78	(11,474)

Edgar Filing: CARECENTRIC INC - Form PRER14A

(1) Latest twelve months ended March 31, 2003.

(2) In thousands.

SunTrust Robinson Humphrey noted that none of the companies used in the market analysis of selected publicly-traded companies was identical to CareCentric and that, accordingly, the analysis necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the

-31-

Table of Contents

companies reviewed and other factors that would affect the market values of the selected publicly-traded companies. As a result of CareCentric's historically weak financial condition, negative stockholders' equity, thin market capitalization and the lack of comparability between CareCentric and the selected companies, SunTrust Robinson Humphrey accorded significantly less weight to this analysis in evaluating the merger for purposes of its opinion.

Analysis of Selected Mergers and Acquisitions.

SunTrust Robinson Humphrey analyzed the consideration paid and implied transaction multiples in 38 selected completed and pending mergers and acquisitions that SunTrust Robinson Humphrey deemed relevant. Of the 38 transactions reviewed, only four had complete data. The transactions were announced over a period from April 2001 to April 2003. For the selected transactions, SunTrust Robinson Humphrey analyzed, among other things, firm value as a multiple of LTM revenues, EBITDA and EBIT. Revenues, EBITDA and EBIT values were based on historical financial information available in public filings of the acquirer and/or target companies related to the selected transactions. The following table sets forth the multiples indicated by this analysis:

Firm Value to:	Mean	Implied Equity Value⁽²⁾	Median	Implied Equity Value⁽²⁾
LTM Revenues ⁽¹⁾	2.04x	\$ 26,609	2.54x	\$ 37,918
LTM EBITDA ⁽¹⁾	13.21	25,298	16.18	35,202
LTM EBIT ⁽¹⁾	17.55	10,522	19.85	14,353

(1) Latest twelve months ended March 31, 2003.

(2) In thousands.

Based upon the multiples derived from this analysis and CareCentric's historical results, assuming an aggregate of 4,371,350 shares of common stock of CareCentric outstanding, SunTrust Robinson Humphrey calculated a range of implied equity values for CareCentric, using the mean multiples, between \$2.41 and \$6.09 per share with mean and median implied equity values of \$4.17 and \$5.03 per share, respectively. Using the median multiples, SunTrust Robinson Humphrey calculated a range of implied equity values for CareCentric between \$3.28 and \$8.67 per share with mean and median implied equity values of \$5.98 and \$7.13 per share, respectively.

SunTrust Robinson Humphrey noted for the special committee that no transaction considered in the analysis of selected merger and acquisition transactions is identical to the merger and, accordingly, the values implied by these transactions are not directly comparable to CareCentric and the merger. As a result of the relatively small sample size and the lack of comparability between CareCentric and the companies involved in these transactions, SunTrust Robinson Humphrey accorded significantly less weight to this analysis in evaluating the merger for purposes of its opinion. All multiples for the selected transactions were based on public information available at the time of announcement of such transaction, without taking into account differing market and other conditions during the period during which the selected transactions occurred.

Discounted Cash Flow Analysis.

SunTrust Robinson Humphrey performed a discounted cash flow analysis of the projected cash flows of CareCentric based upon projections provided by CareCentric's management for the years ending December 31, 2003 through December 31, 2005, using projections and assumptions provided by the management of CareCentric. SunTrust Robinson Humphrey calculated a range of net present firm values for CareCentric based on its free cash flow (EBITDA minus capital expenditures and increases in working capital plus decreases in working capital) over the projected time period using discount rates ranging from 32.4% to 36.4%, based on the capital asset pricing model, and terminal multiples of estimated cash flow for the year ending December 31, 2005 ranging from 6.0x to 8.0x. This analysis indicated the following per share equity valuations of CareCentric:

Table of Contents

Discount Rate	Discounted Present Value of Equity per Share		
	6.0x	7.0x	8.0x
32.4%	\$ 0.15	\$ 0.72	\$ 1.30
34.4%	(0.04)	0.51	1.06
36.4%	(0.21)	0.31	0.84

In addition, SunTrust Robinson Humphrey performed a discounted analysis of the projected cash flows of CareCentric for the years ending December 31, 2003 through December 31, 2005, on a pro forma basis, assuming the cost savings provided by management expected to result from becoming a private company. The discounted cash flows for CareCentric on a pro forma basis were also calculated using discount rates ranging from 32.4% to 36.4% and terminal multiples of estimated pro forma cash flow for the year ending December 31, 2005 ranging from 6.0x to 8.0x. This analysis indicated the following per share equity valuations of CareCentric:

Discount Rate	Discounted Present Value of Equity per Share		
	6.0x	7.0x	8.0x
32.4%	\$ 0.46	\$ 1.08	\$ 1.69
34.4%	0.26	0.85	1.44
36.4%	0.07	0.64	1.20

Premiums Paid Analysis

SunTrust Robinson Humphrey reviewed and analyzed the transaction premiums paid in 28 merger transactions with transaction values between \$10 million and \$20 million effected since January 1, 2002, based on the target company's stock price one day, five days and thirty days prior to the public announcement of the transaction. This analysis indicated the following mean and median premiums paid in the selected transactions:

Premium Prior to Announcement	Mean	Median
1 Day	45.4%	36.7%
5 Days	49.4	38.1
30 Days	59.2	47.1

This analysis resulted in a range of implied equity values per share of common stock of \$0.84 to \$0.95 and implied equity values per share of common stock of \$0.77 and \$0.88 for the mean and median premiums, respectively. Based on CareCentric's stock price one day, five days and thirty days prior to the public announcement of the transaction on February 4, 2003, the premiums paid are 14.7%, 25.3% and 20.0%, respectively. Although the premiums paid in CareCentric's transaction are below the average premiums paid in the selected transactions analyzed, they are within the range of premiums paid in the selected transactions.

Information Concerning the Financial Advisor

Edgar Filing: CARECENTRIC INC - Form PRER14A

CareCentric has agreed to pay SunTrust Robinson Humphrey a fee that is customary for transactions of this nature and that is contingent upon the delivery of the opinion or the consummation of the merger. CareCentric also has agreed to reimburse SunTrust Robinson Humphrey for its out-of-pocket expenses, including fees and expenses of legal counsel and any other advisor retained by SunTrust Robinson Humphrey, and to indemnify SunTrust Robinson Humphrey and related parties against liabilities, including liabilities under the federal securities laws, arising out of its engagement.

SunTrust Robinson Humphrey and its affiliates have in the past provided, and may in the future provide, investment banking and financial services to CareCentric or Borden unrelated to the transaction, for which services SunTrust Robinson Humphrey and its affiliates have received, and expect to receive, compensation. In the ordinary course of business, SunTrust Robinson Humphrey and its affiliates actively trade in the debt and equity securities of CareCentric for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Table of Contents

Position of CareCentric, Borden and the Reeds as to Purposes, Reasons, Alternatives and Effects of the Merger

Purposes. The purpose of the merger is to allow CareCentric to reduce the number of holders of its common stock so that CareCentric may terminate the registration of its common stock under the Exchange Act, while providing liquidity for holders of CareCentric common stock owning fewer than 4,000 shares and maximizing value to be received by all holders of CareCentric common stock.

Alternatives. The special committee and the Reeds considered various alternatives to the merger, as described under *Special Factors Background of the Merger*.

Reasons. The special committee's reasons for recommending the adoption of the merger agreement and approval of the merger and the reasons of Borden and the Reeds undertaking this merger are described under *Special Factors Background of the Merger* and *Reasons for the Special Committee's Recommendation*.

Reduction in the Number of Stockholders. We believe that the merger will reduce the number of record stockholders from approximately 3,700 to approximately 150.

Termination of Securities Exchange Act Registration and Reporting Requirements. Our common stock is currently registered under Section 12(g) of the Exchange Act and, as a result, we are subject to the periodic reporting and other requirements of the Exchange Act. As a result of the merger, we will have fewer than 300 holders of record of common stock, and will be eligible to terminate our obligation to continue filing periodic reports under the Exchange Act. As soon as possible after the effective time of the merger, we will file for deregistration of the common stock under the Exchange Act and will become a private company. Termination of this filing requirement under the Exchange Act will substantially reduce the information we are required to furnish to our stockholders and to the SEC.

With respect to our executive officers and directors, in the event of the termination of the registration of our Common Stock and our obligation to file reports under the Exchange Act:

our executive officers, directors and other affiliates will no longer be subject to many of the reporting requirements and restrictions of the Exchange Act; and

our executive officers and directors may be deprived of the ability to dispose of our shares of common stock pursuant to Rule 144 under the Securities Act of 1933.

Effect on Market for Shares. Our common stock is currently traded in the over-the-counter market, and last sales prices are reported on the OTC Bulletin Board, which is a regulated quotation service that displays real time quotes, last sales prices and volume information in over-the-counter equity securities. There are presently nine (9) known market makers in our Common Stock. As discussed below, there likely will be a decrease in the market for our shares as a result of the decrease in the number of shareholders and this may affect the price at which remaining stockholders may be able to sell their shares. Once we stop filing reports with the SEC, our common stock will be ineligible for quotation on the OTC Bulletin Board, which may reduce the liquidity of our common stock. While price quotations for our common stock may continue to be reported after deregistration in less formal reporting systems such as the Pink Sheets[®] Electronic Quotation Service, we cannot assure you this will happen or, even if it does happen, that an active market will exist

Edgar Filing: CARECENTRIC INC - Form PRER14A

for you to sell your shares if you are a remaining stockholder. However, because the current amount of trading activity in our common stock is so limited, there may be no practical difference for most stockholders who are remaining stockholders following the merger. In addition, regardless of whether we become a private company as a result of the merger, it is currently proposed that the OTC Bulletin Board will be phased out by 2003, and price quotations for our common stock may not be reported on the BBX (which is expected to replace the OTC Bulletin Board in 2004). Therefore, our common stock may be quoted only in the Pink Sheets Electronic Quotations Service regardless of whether we go private.

-34-

Table of Contents

Effects on Affiliates. As a result of the merger, Borden will cease to exist. As described below, the merger will have various effects on our officers and directors, each of whom may, as a result of his or her position with us, be deemed to be an affiliate of ours. As used in this proxy statement, the term *affiliated stockholder* means any stockholder who is a director or executive officer of us or the beneficial owner of 10% or more of our outstanding shares, and the term *unaffiliated stockholder* means any stockholder other than an affiliated stockholder.

References in this section to *we*, *us* and *our* refer to CareCentric, Borden and the Reeds, as applicable. Borden, the Reeds and CareCentric share substantially similar positions on the purpose, reasons and alternatives of the merger.

On Stockholders

The merger will have various effects on our affiliated and unaffiliated stockholders, as described below. The effects of the merger to a stockholder will vary based on whether or not all or any portion of the stockholder's shares will be cashed out in the merger. The determination of whether or not any particular shares of our common stock will be cashed out in the merger will be based on whether the holder of those shares holds either fewer than 4,000 of our shares or 4,000 or more of our shares in any discrete account. Since an affiliated stockholder may be deemed to beneficially own shares under the Exchange Act held by more than one holder of shares, an affiliate may beneficially own both shares that will be cashed out in the merger and shares that will remain outstanding in the merger. As described under *Security Ownership of Certain Beneficial Owners and Management*, we expect current officers and directors to beneficially own a total of approximately 7,736,143 shares immediately after the merger compared to 7,220,159 as of the record date of the special meeting.

Cashed-Out Stockholders. The merger will have both positive and negative effects on stockholders owning fewer than 4,000 of our shares immediately prior to the effective time, including those described below.

Positive effects:

As a result of the merger, the cashed-out stockholders will:

receive \$0.75 per share in cash, which price represents approximately a 23% premium to the closing price of CareCentric's common stock on June 4, 2003, the last trading day before the public announcement on June 5, 2003 of the signing of the merger agreement, and exceeds the market prices of CareCentric's common stock for approximately 12 months prior to that date; and

be able to liquidate their holdings without incurring any service charges or brokerage commissions.

Negative effects:

As a result of the merger, the cashed-out stockholders will:

Edgar Filing: CARECENTRIC INC - Form PRER14A

no longer have any equity interest in CareCentric, and, therefore, will not participate in its future potential earnings (or losses) or growth, if any;

other than upon the exercise of stock options that have previously been or may in the future be granted by us to affiliated stockholders, not be able to re-acquire an equity interest in CareCentric unless they purchase shares from the remaining stockholders, although we have no reason to anticipate that the remaining stockholders will transfer their shares to third parties; and

be required to pay federal and, if applicable, state and local income taxes on the cash amount received in the merger.

Remaining Stockholders. The merger will have both positive and negative effects on stockholders who remain as stockholders if the merger is effected, including those described below.

Table of Contents

Positive effects:

Continuing interest in the ongoing business of CareCentric. The remaining stockholders will retain their equity interest in CareCentric and, therefore, will participate in its future potential earnings or growth.

Negative effects:

Decreased access to information. If the merger is effected, we intend to terminate the registration of our common stock under the Exchange Act and to cease filing periodic reports with the SEC. Similarly, executive officers, directors and other affiliates will no longer be subject to many of the reporting requirements and restrictions of the Exchange Act.

Decreased liquidity. The liquidity of the shares of common stock held by stockholders may be further reduced by the merger. Price quotations for our common stock are currently reported on the OTC Bulletin Board. Following the merger, any trading in our common stock will continue only to occur in the pink sheets and in privately negotiated transactions.

Increased Share Ownership of Officers and Directors. As a result of the merger, it is expected that the percentage of ownership of our common stock held by our current officers and directors as a group will increase from approximately 52.3% to approximately 64.1% due solely to our common stock being issued to John E. Reed and Stewart B. Reed in exchange for their Borden shares. No other officer's or director's percentage of ownership of our common stock will change as a result of the merger. For a description of the assumptions we used in determining the numbers of shares and related percentages that we expect to be held by current officers and directors immediately after the merger, please see Security Ownership of Certain Beneficial Owners and Management.

It is expected that, upon completion of the merger, the operations of CareCentric will be conducted substantially as they currently are being conducted. CareCentric and Borden do not have any present plans or proposals that relate to or would result in an extraordinary corporate transaction following completion of the merger involving CareCentric's corporate structure, business or management, such as a merger, reorganization, liquidation, relocation of any operations or sale or transfer of a material amount of assets. However, CareCentric, as the surviving corporation, will continue to evaluate CareCentric's business and operations after the merger and may develop new plans and proposals that CareCentric considers to be in the best interests of CareCentric and its then current stockholders.

Executive Officers and Directors of the Surviving Corporation

The merger agreement provides that the current officers of CareCentric will continue as the initial officers of CareCentric as the surviving corporation until their respective successors are duly appointed and qualified. It is expected that, in general, all members of CareCentric's current management will continue as management of CareCentric as the surviving corporation. It is also expected that all of CareCentric's directors will continue as directors of CareCentric as the surviving corporation.

Borden s Financing of the Merger

Borden s source of funds to pay substantially all of the merger consideration is intended to be provided by members of the Borden group, who have committed to provide up to \$600,000 to pay the merger consideration provided for in the merger agreement. The Borden group does not intend to seek outside financing and has no alternative financing plan. Management is confident that the Borden group has sufficient resources to complete the merger.

Borden s stockholders will receive, as consideration for the commitment to fund the merger consideration, shares of Borden common stock. As discussed above, such shares of Borden common stock then will be converted, upon completion of the merger, into shares of CareCentric common stock as the surviving entity in the merger.

Table of Contents

Risks That the Merger Will Not Be Completed

Completion of the merger is subject to certain risks, including, but not limited to, the following:

that the holders of more than 10% of the outstanding shares of CareCentric common stock exercise their appraisal rights;

that CareCentric's primary lender, Wainwright Bank & Trust Company, will not have consented to the consummation of the merger;

that CareCentric or Borden will not have performed, in all material respects, their obligations contained in the merger agreement prior to the effective time of the merger;

that the representations and warranties made by CareCentric or Borden in the merger agreement will not be true and correct to the extent provided in the merger agreement at the closing date of the merger;

CareCentric may experience a circumstance, event, occurrence or effect that individually or in the aggregate has, or would reasonably be expected to have, a material adverse effect on CareCentric and, as a result, Borden could terminate the merger agreement;

the total amount of merger consideration required to close the merger may exceed \$600,000 and Borden may choose not to close the merger; and

that there may be litigation that could prevent the merger.

We have had preliminary discussions with Wainwright Bank & Trust Company regarding the consent required from Wainwright Bank pursuant to our loan agreements with them. Management believes that Wainwright Bank will give its consent to the merger. John Reed and Stewart Reed are shareholders in, and John Reed is a director of, Wainwright Bank.

As a result of various risks to the completion of the merger, there can be no assurance that the merger will be completed even if the requisite stockholder approval is obtained. It is expected that, if our stockholders do not adopt and approve the merger agreement or if the merger is not completed for any other reason, the current management of CareCentric, under the direction of the board of directors, will continue to manage CareCentric as an ongoing business. If the merger is not completed, depending on the circumstances, CareCentric may be required to reimburse certain expenses of Borden. See "Special Factors Estimated Fees and Expenses of the Merger."

Other Risks Related to the Merger

Edgar Filing: CARECENTRIC INC - Form PRER14A

The special committee also considered a variety of risks and other potentially negative factors concerning the merger but determined that these factors were outweighed by the benefits of the factors supporting the merger. These negative factors included the following:

The \$0.75 per share merger consideration is lower than the historic trading prices of CareCentric common stock on Nasdaq prior to the second quarter of 2002.

The conflict of interest created by Messrs. John Reed and Stewart Reed's affiliation with Borden and by the expectation that they would continue as directors of CareCentric after the merger, as well as the other factors discussed in Special Factors Interests of Certain Directors of CareCentric; Appointment of Special Committee.

The risk that the announcement of the merger may have a negative effect on the trading price of the common stock on the OTC Bulletin Board.

Table of Contents

If the merger is not consummated under circumstances further discussed in Proposal to Approve the Merger Agreement Termination of the Merger Agreement, CareCentric may be required to reimburse Borden for expenses relating to the merger agreement and related transactions and to pay to Borden the specified termination fee.

Following the merger, CareCentric will be a privately held company and as a result:

there will be no trading market for the common stock, and

stockholders will no longer receive financial and other information contained in periodic reports filed with the SEC.

CareCentric's current shareholders holding fewer than 4,000 of our shares will cease to participate in any future earnings (or losses) and appreciation of value of CareCentric after the merger.

Interests of Certain Directors of CareCentric; Appointment of Special Committee

In considering the recommendation of the board of directors, CareCentric stockholders should be aware that two of CareCentric's directors, John E. Reed and Stewart B. Reed, collectively own or control over 50% of CareCentric's common stock and voting power and have interests different from CareCentric stockholders generally. As a result of this conflict of interest, the board of directors appointed the special committee. The special committee consists of directors Winston R. Hindle, Jr. and William J. Simione, Jr., neither of whom is an officer or employee of CareCentric. Also, neither Mr. Hindle nor Mr. Simione has any financial interest in Borden or in the merger different from CareCentric stockholders generally, except for ownership of less than 1% of the outstanding shares of common stock, continued service on our board after the merger and service, in the case of Mr. Hindle, on the board of directors of Mestek. The board of directors believes that this ownership is not material to the financial position of either Mr. Hindle or Mr. Simione, and had no material impact on their ability to independently evaluate the merger. The special committee was appointed to evaluate, negotiate and, if appropriate, recommend the merger agreement and to evaluate whether the merger is in the best interests of CareCentric stockholders. The special committee and the board of directors were aware of the differing interests between Messrs. John E. Reed and Stewart B. Reed and CareCentric stockholders generally, and considered such differing interests, among other matters, in evaluating and negotiating the merger agreement and the merger and in recommending to the board of directors that the merger agreement and the merger be adopted and approved.

Merger Consideration to be Received by the Borden Group

John E. Reed, Stewart B. Reed and James A. Burk own all of the issued and outstanding capital stock of Borden. Their percentage ownership of the outstanding stock of Borden is shown below:

	<u>% of Outstanding Stock</u>
John E. Reed	37.5%
Stewart B. Reed	37.5%

Edgar Filing: CARECENTRIC INC - Form PRER14A

James A. Burk

25.0%

At the closing of the merger, the members of the Borden group will receive for their shares of Borden stock, in the aggregate, a number of shares of CareCentric common stock equal to the quotient of the aggregate cash merger consideration payable to our cashed-out stockholders divided by the \$0.75 per share price being paid to such stockholders. These shares will be owned by each Borden stockholder in proportion to his ownership percentage shown above.

-38-

Table of Contents

Merger Consideration to be Received by Directors and Executive Officers of CareCentric Other Than the Reeds

The directors and executive officers of CareCentric other than the Reeds will be entitled to receive \$0.75 per share of CareCentric common stock held by them upon completion of the merger if they own fewer than 4,000 of our shares in any discrete account and will continue to own the same number of shares of CareCentric common stock after the merger if they own 4,000 or more of our shares. As of the record date, the following directors of CareCentric will be entitled to receive the following amounts in the merger for their shares of CareCentric common stock:

Name	Number of Shares	Aggregate Merger Consideration
Winston R. Hindle, Jr.	3,533	\$ 2,650
Total	3,533	\$ 2,650

All other directors of CareCentric (other than John E. Reed and Stewart B. Reed) will continue to own the same number of shares of CareCentric common stock after the merger as they own currently.

Continuing Equity Interests of the Borden Group

The members of the Borden group will continue to own the shares of CareCentric common stock they owned prior to the merger. In addition to those shares, the members of the Borden group will be issued new shares of CareCentric common stock based on the conversion of their Borden stock into CareCentric common stock at the effective time of the merger.

The ownership by the members of the Borden group of the common stock of CareCentric immediately prior to and following the merger, and their voting power, taking into account John E. Reed's ownership or control of CareCentric's Series B and Series D preferred stock, will be as follows:

Name	Prior to Merger			After Merger		
	Number of Shares of Common	Percentage	Voting Power Percentage	Number of Shares of Common	Percentage	Voting Power Percentage

Edgar Filing: CARECENTRIC INC - Form PRER14A

	<u>Stock</u>			<u>Stock</u>		
John E. Reed	1,059,036	24.2%	57.1%	1,318,797	30.2%	60.3%
Stewart B. Reed	845,514	19.3%	10.3%	1,105,275	25.3%	13.5%
James A. Burk	5,700	0.1%	0.1%	178,874	4.1%	2.2%

Voting power percentage takes into account all of CareCentric's outstanding common stock, which has one vote per share, its outstanding Series B preferred stock, which has two-tenths of one vote (.2) per share, its outstanding Series D preferred stock, which has 2.51 votes per share, and its outstanding Series E preferred stock, which has one vote per share.

Treatment of Stock Options Held by the Borden Group

All outstanding options and warrants to purchase shares of CareCentric common stock shall remain outstanding after the merger, including those held by the Reeds.

Indemnification and Insurance

CareCentric is organized under the laws of the State of Delaware. The Delaware General Corporation Law, as amended, provides that a Delaware corporation has the power generally to indemnify its directors, officers, employees and other agents (each, a "Corporate Agent") against expenses and liabilities (including amounts paid in

Table of Contents

settlement) in connection with any proceeding involving such person by reason of his being a Corporate Agent, other than a proceeding by or in the right of the corporation, if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal proceeding, such person had no reasonable cause to believe his conduct was unlawful. In the case of an action brought by or in the right of the corporation, indemnification of a Corporate Agent against expenses is permitted if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation; however, no indemnification is permitted in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the Court of Chancery or the court in which such proceeding was brought shall determine upon application that despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to such indemnification. To the extent that a Corporate Agent has been successful on the merits of such proceeding, whether or not by or in the right of the corporation, or in the defense of any claim, issue or matter therein, the corporation is required to indemnify the Corporate Agent for expenses in connection therewith. Expenses incurred by a Corporate Agent in connection with a proceeding may, under certain circumstances, be paid by the corporation in advance of the final disposition of the proceeding as authorized by the board of directors. The power to indemnify and advance the expenses under the Delaware General Corporation Law does not exclude other rights to which a Corporate Agent may be entitled under the certificate of incorporation, bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Under Delaware law, a Delaware corporation has the power to purchase and maintain insurance on behalf of any Corporate Agent against any liabilities asserted against and incurred by him in such capacity, whether or not the corporation has the power to indemnify him against such liabilities under Delaware law. CareCentric has purchased directors and officers insurance providing indemnification to CareCentric's directors and officers for these types of liabilities.

As permitted by Delaware law, CareCentric's certificate of incorporation, as amended, and bylaws, as amended, contain a provision which limit the personal liability of directors for monetary damages for breach of their fiduciary duties as directors except to the extent such limitation of liability is prohibited by Delaware law. In accordance with Delaware law, these provisions do not limit the liability of any director for any breach of the director's duty of loyalty to CareCentric or its stockholders; for acts of omissions not in good faith or which involve intentional misconduct or a knowing violation of law; for certain unlawful payments of dividends or stock repurchases under Section 174 of the Delaware General Corporation Law; or for any transaction from which the director derives an improper personal benefit. These provisions do not limit the rights of CareCentric or any stockholder to seek an injunction or any other non-monetary relief in the event of a breach of a director's fiduciary duty. In addition, these provisions apply only to claims against a director arising out of his role as a director and do not relieve a director from liability for violations of statutory law, such as certain liabilities imposed on a director under the federal securities laws.

Article VII of CareCentric's restated certificate of incorporation eliminates the personal liability of CareCentric's directors to CareCentric or its stockholders for monetary damages for breaches of their fiduciary duty (subject to certain exceptions, such as breaches of the duty of loyalty to CareCentric or its stockholders).

Article VII of CareCentric's bylaws includes provisions for indemnification of CareCentric's officers, directors, employees and agents to the maximum extent permitted by Section 145 of the Delaware General Corporation Law under the circumstances set forth therein.

Directors and officers of CareCentric also have indemnification rights pursuant to indemnification agreements entered into between CareCentric and its directors and officers.

Estimated Fees and Expenses of the Merger

Whether or not the merger is completed, in general, all fees and expenses incurred in connection with the merger will be paid by the party incurring those fees and expenses. Under specified circumstances described in Proposal to Approve the Merger Agreement Termination of the Merger Agreement, CareCentric will pay Borden up to an aggregate of \$75,000 for reimbursement of the out-of-pocket expenses of Borden incurred in connection with the merger.

Table of Contents

Fees and expenses of CareCentric with respect to the merger are estimated at this time to be as follows:

<u>Description</u>	<u>Amount</u>
Filing fee (SEC)	\$ 250
Legal, accounting and financial advisors fees and expenses	404,750
Printing, mailing and solicitation costs	100,000
Miscellaneous expenses	10,000
Total	\$ 515,000

Up to \$600,000 will be required to pay the aggregate cash merger consideration to our cashed-out stockholders. These expenses will not reduce the cash merger consideration to be paid to the cashed-out stockholders.

Past Transactions**2002 Recapitalization**

On July 1, 2002, CareCentric completed a recapitalization plan initiated on April 8, 2002. The recapitalization plan was approved by the common stockholders of CareCentric at the June 6, 2002 annual stockholders meeting. The effect of the recapitalization plan is summarized below for each note payable and presented comparatively in the following chart at December 31, 2002 and 2001. In accordance with the terms of the recapitalization plan, the December 31, 2002 balances of long-term convertible notes payable to B. C. O. Donnell, John E. Reed and Mestek, Inc. include capitalized interest accrued from July 1, 2002 and December 31, 2002. John E. Reed is a director and executive officer, and James A. Burk is an executive officer, of Mestek. See Proposal to Approve the Merger Agreement The Parties The Borden Group.

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Short Term:		
Line of Credit	\$ 4,525,000	\$ 5,572,000
	<u>\$ 4,525,000</u>	<u>\$ 5,572,000</u>
Long Term:		
Convertible Note Payable John E. Reed	\$	\$ 3,500,000
Note Payable Mestek		1,019,000
Convertible Note Payable B. C. O. Donnell	619,000	600,000
Note Payable John E. Reed Capitalized Interest		184,000
Note Payable Mestek Capitalized Interest		40,000
Convertible Note Mestek	4,126,000	
Convertible Note John E. Reed	3,668,000	
Note Payable John E. Reed Accrued Interest	107,000	
	<u>\$ 8,520,000</u>	<u>\$ 5,343,000</u>



Table of Contents***Line of Credit***

On July 12, 2000, CareCentric entered into a \$6.0 million Loan and Security Agreement Facility with Wainwright Bank & Trust Company (the Wainwright Facility), a commercial bank, under which CareCentric granted a first priority position on substantially all of its assets as security. The Wainwright Facility was used to pay off the line of credit with Silicon Valley Bank, certain short-term loans from Mestek, Inc., and a loan from David O. Ellis. Borrowings under the Wainwright Facility accrue interest at the bank's prime rate per annum and require monthly payments of interest. The Wainwright Facility currently matures on October 1, 2004. CareCentric's obligations under the Wainwright Facility are guaranteed by Mestek in consideration of which CareCentric issued a warrant to Mestek to purchase 104,712 shares of CareCentric's common stock. As a result of the July 1, 2002 recapitalization, the warrant was cancelled. Messrs. John E. Reed and Stewart B. Reed both hold substantial ownership interests in and Mr. John Reed is a director of Wainwright Bank & Trust Company.

Convertible Note Payable Barrett C. O. Donnell

Prior to the recapitalization, CareCentric owed \$600,000 to Barrett C. O. Donnell, a director, under a \$600,000 subordinated note, convertible into CareCentric common stock at a strike price of \$2.51 per share. As amended, this note had an interest rate of prime plus two percent (2.0%) and required that one-half of the accrued interest be timely paid each quarter and the balance to be paid on December 31, 2003 or to be converted into an additional convertible note. In December 2002, Mr. O. Donnell agreed to adjust the terms of the note to provide consistent treatment with the Mestek and John E. Reed convertible notes payable as existing after the July 1, 2002 recapitalization plan. The effect of this adjustment was to reduce the interest rate on the note payable to a fixed rate of 6.25% and to defer all interest earned from July 1, 2002 through June 30, 2004 at which time the accumulated interest, totaling \$75,000, will be capitalized into the principal of the note. After June 30, 2004, the principal and capitalized interest will accrue interest at the per annum rate equal of 6.25% with interest compounded and payable quarterly beginning on September 30, 2004. Together with any unpaid principal and accrued interest, the Barrett C. O. Donnell note will mature and become payable on June 30, 2007. Additionally, the \$600,000 note together with the value of accrued interest may be converted at the rate of \$1.00 per share into CareCentric common stock at any time after July 1, 2002. The new notes are subordinated to the Wainwright Facility.

Convertible Note Payable Mestek

Prior to the July 1, 2002 recapitalization plan, CareCentric was obligated under an 18-month unsecured promissory note in the principal amount of \$1,019,000 payable to Mestek, Inc., that earned interest at prime plus one and one half percent (1.5%), with interest payable semiannually and matured on September 30, 2003 and additional notes to Mestek in the amounts of \$40,000, \$535,000 and \$350,000. These additional notes earned interest at prime plus two percent (2.0%) for the \$40,000 note and prime plus one percent (1.0%) for the \$535,000 and \$350,000 notes until all principal and accrued interest amounts were paid in full. These funds were advanced by Mestek to CareCentric to cover payroll and accounts payable obligations incurred by CareCentric, working capital needs of CareCentric during the period of its transition of senior lenders from Silicon Valley Bank to Wainwright Bank & Trust Company, accrued and unpaid interest thereon and the unreimbursed portion of Mr. Bruce Dewey's salary for the periods from November 9, 1999 to October 31, 2001 when he was Chief Executive Officer of CareCentric.

On July 1, 2002, under the terms of the recapitalization plan, all notes payable to Mestek by CareCentric were consolidated together with \$1,000,000 of Mestek's previous participation in the John E. Reed Facility, accrued unpaid interest on all notes payable to Mestek aggregating \$42,560, accrued unpaid interest on Mestek's participation in the John E. Reed Facility of \$33,750, \$850,000 of cancelled Mestek Series C preferred stock, and \$129,748 of cash paid on July 1, 2002 by Mestek to CareCentric to create a single consolidated \$4,000,000 convertible note payable. The terms of the single consolidated Mestek note are that interest accrues at a per annum rate equal to six and one-quarter percent (6.25%) through June 30, 2004, at which time the accrued interest will be capitalized into the related note. After June 30, 2004, the principal and capitalized interest will accrue interest at the per annum rate equal to six and one-quarter percent (6.25%) with interest compounded and payable quarterly beginning on September 30, 2004. Together with any unpaid principal and accrued interest, the Mestek note will mature and become

Edgar Filing: CARECENTRIC INC - Form PRER14A

payable on June 30, 2007. Additionally, the new \$4.0 million Mestek note and the \$3.6 million John E. Reed note, together with the value of accrued interest, may be converted at the rate of \$1.00 per share into

Table of Contents

CareCentric common stock exercisable at any time after July 1, 2002. The new notes are subordinate to the Wainwright Facility.

Convertible Note Payable John E. Reed

Prior to the July 1, 2002 recapitalization plan, CareCentric was obligated under a financing facility (the John E. Reed Facility) provided by John E. Reed, Chairman of CareCentric and the Chairman and Chief Executive Officer of Mestek, Inc. The John E. Reed Facility consisted of a \$6.0 million subordinated line of credit, convertible into common stock of CareCentric at a strike price of \$2.51 per share, with interest at 9% per annum and a five-year maturity. The John E. Reed Facility was secured by a second position on substantially all of CareCentric's assets. At December 31, 2002 and 2001, borrowings were equal to \$4,668,000 and \$3,500,000 respectively, \$1,000,000 of which was participated to Mestek at December 31, 2002 and 2001. On December 31, 2001, the facility was amended to change the interest rate to prime plus two percent (2.0%) and to change the payment term for unpaid 2001 interest to require payment on December 31, 2003, or convert the outstanding unpaid interest to additional convertible notes, in the amount of \$184,438 at the option of Mr. Reed, and in the amount of \$40,463 at the option of Mestek, and to change the terms of payment of interest for 2002 to require that one-half be timely paid each quarter and the balance be paid on December 31, 2003 or be converted to additional convertible notes. On March 27, 2002 CareCentric received an additional \$871,117 advance on the John E. Reed Facility.

On July 1, 2002, under the terms of the recapitalization plan, all principal amounts advanced under the John E. Reed Facility, less the \$1,000,000 participation by Mestek, together with interest accrued through December 31, 2001, were consolidated into a single consolidated \$3,555,555 convertible note payable. The terms of the single consolidated John E. Reed note are that interest accrues and accumulates at a per annum rate equal to six and one-quarter percent (6.25%) through June 30, 2004, at which time the accumulated interest will be capitalized into the related note. After June 30, 2004, the principal and capitalized interest will accumulate interest at the per annum rate equal to six and one-quarter percent (6.25%) with interest compounded and payable quarterly beginning on September 30, 2004. Together with any unpaid principal and accrued interest, the John E. Reed note will mature and become payable on June 30, 2007. Additionally, the new \$3.6 million John E. Reed note, together with the value of accrued interest may be converted at the rate of \$1.00 per share into CareCentric common stock exercisable at any time after July 1, 2002. The new notes are subordinated to the Wainwright Facility.

Note Payable John E. Reed Accrued Interest

Under the terms of the July 1, 2002 recapitalization, \$103,818 of accrued interest earned on all advances under the John E. Reed Facility during the period January 1, 2002 and June 30, 2002 was capitalized into a separate note payable that accrues and accumulates interest at a per annum rate equal to six and one-quarter percent (6.25%) through September 30, 2004, with interest compounded quarterly. After September 30, 2004, the accumulated interest will be capitalized into the related note and the principal and capitalized interest will accumulate interest at the per annum rate equal to six and one-quarter percent (6.25%) with interest compounded and payable quarterly. Together with any unpaid principal and accrued interest, the separate John E. Reed accrued interest note will mature and become payable on June 30, 2007. The John E. Reed accrued interest note is subordinated to the Wainwright Facility.

PROPOSAL TO APPROVE THE MERGER AGREEMENT

Overview

Edgar Filing: CARECENTRIC INC - Form PRER14A

At the special meeting, you will be asked to consider and vote upon the approval of the Agreement and Plan of Merger, dated as of June 4, 2003, among CareCentric, Borden and John E. Reed, Stewart B. Reed and James A. Burk, the stockholders of Borden, pursuant to which Borden will be merged with and into CareCentric, with CareCentric being the surviving corporation. Upon closing of the merger, if you are a holder of fewer than 4,000 shares of our common stock in any discrete account, each issued and outstanding share of CareCentric common stock held by you will be converted into the right to receive \$0.75 in cash, without interest. If you are a holder of 4,000 shares or more of our common stock, or shares of preferred stock, you will continue to own the same number of shares of CareCentric common stock or preferred stock after the merger. The outstanding shares of Borden's common stock will, in the aggregate, be converted into the right to receive that number of shares of CareCentric's

Table of Contents

common stock equal to the aggregate cash merger consideration being paid to our cashed-out stockholders divided by the \$0.75 per share being paid to such stockholders.

The Parties

CareCentric, Inc

2625 Cumberland Parkway, Suite 310

Atlanta, Georgia 30339

CareCentric, Inc., a Delaware corporation, is a leading provider of enterprise information technology systems and related services designed to help home health care providers effectively operate their business in today's environment. A more detailed description of CareCentric's business and financial results is contained in CareCentric's most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2002, which is incorporated by reference. See also [Where Stockholders Can Find More Information](#) and [Additional Information and Documents Incorporated by Reference](#).

Borden Associates, Inc.

260 North Elm Street

Westfield, Massachusetts 01085

Borden Associates, Inc., a Delaware corporation, was formed at the direction of the Reeds and James Burk solely for the purpose of engaging in the transactions contemplated by the merger agreement. Borden has not conducted any significant activities other than those incident to its approval and execution of the merger agreement and related documents. Borden has no material assets or liabilities, other than its rights and obligations under the merger agreement. The Reeds and Mr. Burk are the sole stockholders of Borden and collectively hold approximately 67.5% of the outstanding voting power of CareCentric capital stock.

The Borden Group

John E. Reed became a director of CareCentric on March 7, 2000 upon the closing of the MCS/Simione merger pursuant to the terms of that transaction. He became Chairman of the Board of Directors of CareCentric on August 8, 2000. Mr. Reed had been the Chairman of the Board of MCS from 1986 to the date of the MCS/Simione merger. Mr. Reed has been a director of Mestek, Inc. since 1986 and Chairman of the Board since 1989. From 1986 until 2001 he was President of Mestek, and he has been Chief Executive Officer of Mestek from 1986 to the present. Prior to the 1986 merger of Mestek and Reed National Corp., Mr. Reed was President and Chief Executive Officer of Reed National Corp. since its founding in 1946. Mr. Reed is also a director of and holds a substantial ownership interest in Wainwright Bank & Trust Company, the provider of a \$6.0 million line of credit to CareCentric. The business address for Mr. Reed is 260 North Elm Street, Westfield, Massachusetts 01085 and the telephone number is (413) 568-9571.

Edgar Filing: CARECENTRIC INC - Form PRER14A

Stewart B. Reed became a director of CareCentric on June 6, 2002. Mr. Reed has been a director of Mestek since 1986 and serves as a consultant to Mestek as well as a private investor in various enterprises. Mr. Reed previously served as a director of CareCentric from March 2000 until August 2000. Mr. Reed served as Executive Vice President of Mestek from 1986 to 1996. Prior to the 1986 merger of Mestek and Reed National Corp., Mr. Reed had been Executive Vice President of Reed National Corp. in charge of corporate development. Mr. Reed is the son of John E. Reed, Chairman of the Board, President and Chief Executive Officer of Mestek and the Chairman of the Board of CareCentric. Mr. Reed holds a substantial ownership interest in Wainwright Bank & Trust Company. The business address for Mr. Reed is 260 North Elm Street, Westfield, Massachusetts 01085 and the telephone number is (413) 568-9571.

James A. Burk has been a Vice President of Mestek, Inc. since 1986. Prior to the merger of Mestek, Inc. and Reed National Corp., Mr. Burk had been a Vice President of Reed National Corp. since 1975. Mr. Burk had been employed in a number of manufacturing management positions by Reed National Corp. since 1965. Mr. Burk is the son of E. Herbert Burk, a former Director of Mestek, Inc. The business address for Mr. Burk is 260 North Elm Street, Westfield, Massachusetts 01085 and the telephone number is (413) 568-9571.

Table of Contents

Effect of the Merger on Stockholders

If approved at the special meeting, the merger will affect our stockholders as follows after completion of the merger, based on their holding as of the effective time of the merger:

<u>Stockholder as of Effective Time</u>	<u>Net Effect After Merger</u>
Stockholders holding 4,000 or more of our common shares in any discrete account or any shares of our preferred stock	Shares of common stock will continue to be outstanding and stockholder will receive no cash.
Stockholders holding fewer than 4,000 of our common shares in any discrete account	Shares of common stock will be cashed out at a price of \$0.75 per share.

In determining the number of shares held beneficially in street name by any stockholder, we may, in our discretion, rely on no objection lists provided by any nominee holder. Further, after the effective time, we will deliver to each stockholder who would appear to be entitled to receive cash in the merger in consideration for his or her shares a letter of transmittal requesting certain information from such stockholder and requiring the stockholder to certify as to the number of shares actually held, whether in registered form or in street name. Letters of transmittal will be delivered to any stockholder who (a) holds of record fewer than 4,000 of our common shares, (b) according to records made available to us from the nominee holder for any shares held in street name, holds fewer than 4,000 of our common shares in street name or holds shares in street name and with respect to which we are not provided by the nominee holder the number of shares so held. In general, the merger can be illustrated by the following examples:

<u>Hypothetical Scenario</u>	<u>Result</u>
Ms. Smith is a registered stockholder who holds 500 shares of our common stock in her record account at the effective time. Ms. Smith holds no other shares.	Ms. Smith's 500 shares will be canceled and converted into the right to receive cash in the amount of \$0.75 per share. (Note: If Ms. Smith wants to continue her investment in CareCentric, she can buy at least 3,500 more shares of our common stock (preferably in her record account so as to make it more readily apparent that she holds 4,000 or more shares). Ms. Smith would have to act far enough in advance of the effective time so that the purchase is complete and registered on the books of CareCentric before the effective time.)
Mr. Brown holds 500 shares of our common stock in a brokerage account as of the effective time. Mr. Brown holds no other shares.	Mr. Brown's 500 shares will be canceled and converted into the right to receive cash in an amount equal to \$0.75 per share.
Mr. Jones holds 2,000 shares of our common stock in registered form and 2,100 shares in a brokerage account as of the effective time. Mr. Jones holds no other shares.	Since Mr. Jones does not own 4,000 or more shares in a discrete account, we will presume that all of the shares are held by a holder of fewer than 4,000 shares and were, therefore, canceled in the merger and converted into the right to receive cash in an amount equal to \$0.75 per share. Mr. Jones would not be able to rebut the presumption that his shares were cashed out in the merger unless he could certify in the letter of transmittal sent to him after the effective time that he holds 4,000 or more shares in a discrete account and could provide us such other information as we may request to verify that fact.

Table of Contents

The Merger Agreement

The following description of the merger agreement describes the material terms of the merger agreement. A complete copy of the merger agreement appears as Appendix A to this proxy statement and is incorporated into this proxy statement by reference. You are urged to read the entire merger agreement carefully.

The Merger

The merger agreement provides that, subject to the conditions summarized below, Borden will merge with and into CareCentric. Upon consummation of the merger, Borden will cease to exist and CareCentric will continue as the surviving corporation.

Effective Time of Merger

The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware in accordance with the Delaware General Corporation Law or at such later time as is specified in the certificate of merger. This time is referred to as the effective time. CareCentric and Borden have agreed to file the certificate of merger as soon as possible following satisfaction or waiver of the conditions to closing of the merger set forth in the merger agreement.

Conversion of CareCentric Common Stock

At the effective time, each outstanding share of CareCentric common stock owned by beneficial holders of fewer than 4,000 shares of our common stock will automatically be converted into and represent the right to receive \$0.75 in cash, without interest, except for shares held by stockholders seeking appraisal rights in accordance with Delaware law.

At the effective time, each outstanding share of CareCentric common stock owned by beneficial holders of 4,000 or more of our common shares and each outstanding share of CareCentric preferred stock shall remain outstanding. None of these shares will be cancelled in the merger.

At the effective time, each outstanding share of common stock of Borden will be converted into and exchanged for the right to receive that number of shares of CareCentric common stock equal to: (a) the quotient of the total cash consideration paid to the holders of fewer than 4,000

Edgar Filing: CARECENTRIC INC - Form PRER14A

shares of common stock divided by the per share price of \$0.75 being paid to such stockholders, divided by (b) the total number of outstanding shares of Borden common stock. The shares of Borden common stock will be cancelled, and the Borden stockholders will receive shares of CareCentric stock.

Payment for Shares

Prior to the effective time of the merger, Borden will deposit with CareCentric's transfer agent, Continental Stock Transfer & Trust Company, the paying agent designated by Borden (and approved by CareCentric), sufficient funds to pay the merger consideration for the CareCentric stockholders that own fewer than 4,000 of our common shares in any discrete account. Within two business days after the effective time of the merger, CareCentric, as the surviving corporation, will cause to be mailed to each record holder of shares of CareCentric common stock owning fewer than 4,000 of our common shares in any discrete account immediately prior to the effective time a letter of transmittal and instructions to effect the surrender of their certificate(s) in exchange for payment of the merger consideration.

Stockholders of CareCentric should not forward stock certificates to the paying agent until they have received the letter of transmittal.

Each of our record stockholders owning fewer than 4,000 of our common shares in any discrete account will be entitled to receive \$0.75 per share only upon surrender to the paying agent of a share certificate, together with such letter of transmittal, duly completed in accordance with the instructions thereto. If a share certificate has

Table of Contents

been lost, stolen or destroyed, the holder of such certificate is required to make an affidavit of that fact and to give to CareCentric, as the surviving corporation, at its option, a bond in such reasonable amount as the surviving corporation may direct as indemnity against any claim that may be made against the surviving corporation with respect to such share certificate before any payment of the merger consideration will be made to such holder. No interest will be paid or accrued upon the surrender of the share certificates for the benefit of holders of the share certificates on any merger consideration.

If you hold your shares in an account with a bank or broker, you will not receive a letter of transmittal. Instead, if you beneficially own fewer than 4,000 of our common shares in any discrete account, your bank or broker will handle the surrender of your shares and will credit your cash account with the appropriate amount.

Six months after the effective time of the merger, the paying agent will deliver to CareCentric, as the surviving corporation, all cash in its possession, which has been deposited with the paying agent and which has not been disbursed to holders of share certificates. Thereafter, holders of certificates representing in the aggregate fewer than 4,000 of our common shares outstanding before the effective time will surrender their certificates to CareCentric as the surviving corporation and will be entitled to look only to CareCentric as the surviving corporation and only as general creditors of the surviving corporation for payment of any claims for merger consideration to which they may be entitled. Neither CareCentric as the surviving corporation nor the paying agent will be liable to any person in respect of any merger consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

Share Certificates

From and after the effective time, the holders of share certificates owning fewer than 4,000 of our common shares in any discrete account before the effective time will cease to have any rights with respect to these shares except as otherwise provided for in the merger agreement or by applicable law. All merger consideration paid upon the surrender for exchange of those share certificates in accordance with the terms of the merger agreement will be deemed to have been issued and paid in full satisfaction of all rights pertaining to the share certificates.

Representations and Warranties

Representations and Warranties of CareCentric. The merger agreement contains various customary representations and warranties (which will not survive completion of the merger) made by CareCentric to Borden, and Borden's stockholders (subject to material adverse effect limitations) relating to, among other things:

CareCentric's and its subsidiaries' due organization, valid existence, good standing and requisite corporate power and authority to own, lease and operate their assets and properties and to carry on their businesses as now being conducted;

the capitalization of CareCentric;

Edgar Filing: CARECENTRIC INC - Form PRER14A

the authorization, execution, delivery and enforceability of the merger agreement;

the absence of any conflicts between the merger agreement and CareCentric's certificate of incorporation and bylaws, and charter or bylaws of any CareCentric subsidiary, and any applicable laws or material contracts or agreements;

the absence of consents, approvals, actions, orders, declarations, or authorizations of, any filings or notices to, or any registrations with, any person, except those specified in the merger agreement, required for CareCentric to complete the merger;

compliance with applicable federal, state, local, or foreign laws, orders, rules or regulations;

the adequacy and accuracy of filings made by CareCentric with the SEC since December 31, 2001;

Table of Contents

the conduct of CareCentric's business in the ordinary course and the absence of material changes in CareCentric's business, capitalization or accounting practices since December 31, 2002;

any claims, actions, proceedings or governmental investigations pending or threatened against CareCentric or its subsidiaries;

the accuracy of information concerning CareCentric in this proxy statement and the Schedule 13E-3 filed in connection with the merger;

the filing of federal tax returns, payment of taxes and other tax matters;

matters relating to employee benefit plans;

the stockholder voting requirements to approve the merger;

the inapplicability of Delaware anti-takeover laws to the merger and the merger agreement;

the right to use, and absence of infringement of, material intellectual property of CareCentric;

title to all property and assets used in the conduct of CareCentric and its subsidiaries;

the absence of undisclosed brokers, finders or other commissions or fees; and

the receipt by the special committee of CareCentric's board of directors of the fairness opinion of SunTrust Robinson Humphrey.

Representations and Warranties of Borden Stockholders. The merger agreement contains various customary representations and warranties (which will not survive completion of the merger) made by Borden to CareCentric, relating to, among other things:

the due organization, valid existence, good standing and requisite corporate power and authority of Borden to carry on its business as it is now being conducted;

the capitalization of Borden;

the authorization, execution, delivery and enforceability of the merger agreement;

the absence of any conflicts between the merger agreement and Borden's certificate of incorporation or bylaws, any applicable law or material contracts or agreements;

Edgar Filing: CARECENTRIC INC - Form PRER14A

the absence of consents, approvals, authorization or permits of governmental authorities, except those specified in the merger agreement, required for Borden to complete the merger;

compliance with applicable federal, state, local, or foreign statutes, orders, judgments, decrees, laws, rules, regulations or ordinances;

adequacy of cash resources to pay the aggregate merger consideration;

the accuracy of information concerning information provided by Borden in connection with this proxy statement; and

the sole purpose of Borden is to engage in the transactions contemplated by the merger agreement.

Table of Contents

Representations and Warranties of Borden Stockholders. The merger agreement contains various customary representations and warranties (which will not survive completion of the merger) made by John E. Reed, Stewart B. Reed and James A. Burk, the stockholders of Borden, to CareCentric relating to, among other things:

the authorization, execution, delivery and enforceability of the merger agreement;

the shares of CareCentric common stock to be received by such investors in the merger will be acquired for investment purposes and not with a view to resell such shares;

the adequacy of the information received by such investors relating to CareCentric;

the status of each such investor as an accredited investor within the meaning of applicable federal securities laws; and

the limitations on dispositions by such investors of their shares of CareCentric stock received in the merger under applicable securities laws.

Conduct of Business Pending the Merger

The merger agreement imposes various restrictions on CareCentric's conduct and operations until the merger is completed. CareCentric has agreed that, prior to the effective time, CareCentric and each of its subsidiaries will use all reasonable efforts to conduct their businesses in all material respects only in the ordinary course of business and consistent with past practice, use commercially reasonable efforts to preserve intact their present business organizations, and keep available the services of its officers and employees. CareCentric has also agreed, subject to identified exceptions, that it will not and will not permit any of its subsidiaries to do, among other things, any of the following without the prior written consent of Borden:

amend its certificate of incorporation or by-laws or similar governing documents;

declare or pay any dividend or make other distributions in respect of, or adjust, split, combine, or reclassify any shares of CareCentric's or any of its subsidiaries' capital stock;

issue, sell, or pledge or authorize the issuance, sale or pledge, of any shares of, or rights of any kind to acquire any shares of, its capital stock;

without the prior approval of the board of directors of CareCentric, sell or otherwise dispose of or encumber any assets which are material to CareCentric's business, except in the ordinary course of business and consistent with past practice; or acquire or agree to acquire material assets from another person;

Edgar Filing: CARECENTRIC INC - Form PRER14A

without the prior approval of the board of directors of CareCentric, enter into or amend any material contract, except in the ordinary course of business and consistent with past practice;

adopt a plan of complete or partial liquidation or adopt resolutions providing for the complete or partial liquidation, dissolution, consolidation, merger, restructuring, or recapitalization of CareCentric;

except in the ordinary course of business and consistent with past practice, not grant any severance or termination pay to, or enter into any employment agreement with, any of its executive officers or directors;

increase or enter into any contract to increase the compensation of its officers or employees; or establish, adopt, enter into, make any new grants or awards under, or amend any collective bargaining agreement or employee benefit plan;

Table of Contents

without the prior approval of the board of directors of CareCentric, settle or compromise any material claims or litigation;

grant any severance or termination pay with respect to the termination of employment of any director or officer, except that the foregoing shall not preclude the implementation of incentive pay arrangements in the ordinary course of business consistent with past practice or pursuant to policies or contracts in effect on the date of the merger agreement and disclosed in writing to Borden;

except as required by law, rule, regulation or U.S. GAAP, make any change in its accounting methods;

confer at such times as Borden may reasonably request with one or more representatives of Borden and its stockholders to report material operational matters and the general status of ongoing operations;

without prior approval of the board of directors of CareCentric, enter into any loan or credit agreement, or incur any indebtedness (other than borrowings under its existing credit agreement); make or enter into an agreement or contract for capital expenditures, except for capital expenditures in the ordinary course of business consistent with past practice; or enter into any agreement or contract outside the ordinary course of business of CareCentric;

create or acquire any subsidiaries;

make any material tax election or settle or compromise any material tax liability; and

take any action that would or is reasonably likely to result in a material breach of any provision of the merger agreement or in any of its representations and warranties set forth in the merger agreement being untrue on the closing date of the merger.

Conditions to the Merger

Conditions to Each Party's Obligation. The obligations of CareCentric, Borden and the stockholders of Borden to complete the merger are subject to the satisfaction or waiver on or prior to the effective time of specified conditions, including the following:

the merger and the merger agreement shall have been adopted and approved by the holders of a majority of the voting power of CareCentric capital stock;

the absence of any injunction, legal or regulatory restraint, statute, rule, regulation or order that prohibits the completion of the merger;

the parties to the merger agreement have obtained all consents, authorizations, orders, and approvals of (or filings or registrations with), any governmental entity or other persons needed in connection with the merger and the other transactions contemplated by the merger agreement;

Edgar Filing: CARECENTRIC INC - Form PRER14A

after giving effect to the merger, CareCentric common stock will be held of record by fewer than 300 persons and CareCentric will be eligible to terminate registration of the common stock under Section 12(g) of the Exchange Act, and suspend its obligation to file periodic reports under Section 13 of the Exchange Act; and

the opinion of SunTrust Robinson Humphrey delivered to the special committee of the board of directors shall not have been withdrawn.

Conditions to Borden's Obligation. The obligations of Borden to complete the merger are subject to the satisfaction, or waiver by Borden, on or prior to the effective time of certain conditions, including the following:

-50-

Table of Contents

the representations of CareCentric relating to capitalization, authorization, required stockholder vote, delivery of the SunTrust Robinson Humphrey fairness opinion and inapplicability of state takeover laws to the merger must be true and correct;

there must not be inaccuracies in the representations and warranties of CareCentric such that the aggregate effect of such inaccuracies has, or is reasonably likely to have, a material adverse effect on CareCentric;

CareCentric shall have performed in all material respects its agreements and covenants contained in or contemplated by the merger agreement required to be performed at or prior to the effective time of the merger;

Borden shall have received evidence satisfactory to it that CareCentric obtained all material approvals and consents from third parties and governmental entities required in connection with the merger, including the consent of CareCentric's primary lender;

there shall not have occurred an event that could reasonably be expected to have a material adverse effect on CareCentric;

holders of not more than 10% of the outstanding shares of our common stock shall have exercised their right to appraisal under the Delaware General Corporation Law; and

the total amount of cash merger consideration payable to cashed-out stockholders shall not exceed \$600,000.

Conditions to CareCentric's Obligation. The obligation of CareCentric to effect the merger is subject to the satisfaction, or waiver by CareCentric, on or prior to the effective time, of certain conditions, including the following:

there must not be inaccuracies in the representations and warranties of CareCentric such that the aggregate effect of such inaccuracies has, or is reasonably likely to have, a material adverse effect on Borden; and

Borden and its stockholders shall have performed in all material respects its agreements and covenants contained in or contemplated by the merger agreement required to be performed at or prior to the effective time of the merger.

Waiver

At any time prior to the effective time of the merger, any party to the merger agreement may with respect to any other party extend the time for the performance of any of the obligations or other acts, waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement, or waive compliance with any of the agreements or conditions contained in the merger agreement.

Termination of the Merger Agreement

The merger agreement may be terminated before the effective time of the merger, whether before or after the stockholders of CareCentric have approved and adopted the merger agreement:

Edgar Filing: CARECENTRIC INC - Form PRER14A

by mutual written consent authorized by the respective boards of directors of CareCentric and Borden;

by either CareCentric or Borden if the merger is not completed on or before December 2, 2003, and a breach of the merger agreement by the terminating party has not caused the delay;

-51-

Table of Contents

by either CareCentric or Borden if a court of competent jurisdiction or other governmental authority shall have issued a final and non-appealable order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining, or otherwise prohibiting the merger;

by Borden, if CareCentric shall have breached or failed to perform in any respect any of its representations, warranties or covenants required to be performed by it under the merger agreement and such breach is not cured within ten business days after receipt of written notice of such breach and if not cured at or prior to the closing, such breach would result in the failure of any of the conditions to closing to be satisfied;

by either CareCentric or Borden, if the merger agreement has not been approved by the requisite vote of the holders of a majority of the voting power of CareCentric capital stock;

by Borden, if the special meeting of CareCentric's stockholders to approve the merger shall not have occurred within 181 days of the date of the merger agreement;

by Borden, if there shall have occurred a material adverse effect with respect to CareCentric;

by Borden if an Adverse Recommendation shall have occurred;

by CareCentric, if Borden shall have breached or failed to perform in any respect any of its material representations, warranties or covenants required to be performed by it under the merger agreement and such breach is not cured within ten business days after receipt of written notice of such breach and if not cured at or prior to the closing, such breach would result in the failure of any of the conditions to closing to be satisfied; and

by CareCentric, in order to accept a Superior Proposal.

Under the merger agreement, an Adverse Recommendation shall be deemed to have occurred if there shall have been a Superior Proposal and: (i) the board of directors of CareCentric or the special committee of the board of directors shall have withdrawn, or modified in a manner adverse to Borden, the recommendations of CareCentric's board of directors to the stockholders of CareCentric to vote to approve the merger agreement; or (ii) the board of directors of CareCentric or the special committee of the board of directors shall have publicly recommended any such Superior Proposal or shall have publicly announced an intention to do so.

Under the merger agreement, a Superior Proposal means any bona fide offer made by a third party which, if consummated, would result in such third party acquiring, directly or indirectly, more than 50% of the voting power of CareCentric capital stock or all or substantially all the assets of CareCentric and its subsidiaries, taken as a whole, for consideration consisting of cash and/or securities that CareCentric's board of directors or a committee thereof determines in its good faith judgment to have a higher value per share than the per share cash merger consideration payable in the merger and which proposal is determined in good faith by the board of directors to be more favorable to CareCentric's stockholders than the merger, in each case taking into account any changes to the terms of the merger agreement proposal by Borden in response to such Superior Proposal or otherwise.

Generally, if the merger agreement is terminated, other than as described below, or in the event of a material willful breach of the merger agreement by Borden or CareCentric, there will be no liability on the part of either Borden or CareCentric or their respective officers or directors.

If Borden is not in material willful breach of its obligations under the merger agreement and if the merger agreement is terminated by CareCentric because an Adverse Recommendation shall have occurred or by Borden because (i) CareCentric shall have breached any representation, warranty or covenant contained in the merger agreement in any material respect and such breach (if capable of being cured) is not cured within ten business days after receipt of written notice of such breach and if not cured at or prior to the closing, such breach would result in the failure of any of the conditions to closing to be satisfied; (ii) the special meeting of CareCentric's stockholders to approve the merger shall not have occurred within 181 days from the date of the merger agreement; (iii) an Adverse

Table of Contents

Recommendation shall have occurred; or (iv) a material adverse effect with respect to CareCentric shall have occurred, then, in the case of each of (i), (ii), (iii) and (iv), CareCentric will be obligated to reimburse Borden for all reasonable out-of-pocket fees and expenses actually incurred by Borden in connection with the merger, which fees and expenses shall not exceed \$75,000.

Expenses of the Parties

Except for the reimbursement of expenses to Borden in the event of termination of this merger agreement as described above, each of CareCentric and Borden shall bear its own fees and expenses incurred in connection with the merger and the merger agreement, and CareCentric is responsible for its own fees and expenses incurred in connection with the solicitation of proxies in connection with the merger, including the fees and expenses associated with the preparation, filing, printing and mailing of this proxy statement and any amendments to this proxy statement.

Indemnification

CareCentric has agreed to indemnify Borden, its officers, directors, and stockholders, and each Borden stockholder and its representatives from any losses resulting from any claims of current or former stockholders of CareCentric against such persons made in connection with the merger, except that such indemnity will not apply to any losses relating to any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to CareCentric by Borden or any Borden stockholder expressly for use in the this proxy statement, or the Schedule 13E-3.

Amendments

The merger agreement may be amended by the parties to the merger agreement at any time before or after approval of the merger agreement and prior to the effective time of the merger by the stockholders of Borden and CareCentric; provided, however, that after any such approval, there shall be made no amendment that by law requires further approval by such stockholders without the further approval of such stockholders. The merger agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

Material U.S. Federal Income Tax Consequences

The following discussion is a summary of the principal United States federal income tax consequences of the merger. This summary does not purport to be comprehensive; it does not describe all potentially relevant tax considerations. The discussion applies only to stockholders in whose hands shares of CareCentric common stock are capital assets, and may not apply to shares of CareCentric common stock received pursuant to the exercise of stock options or otherwise as compensation, or to stockholders who are neither citizens nor residents of the United States or to stockholders who are subject to special tax treatment under the Internal Revenue Code of 1986, as amended (the Code). The material United States federal income tax consequences set forth below are based upon current law. Because individual circumstances may differ, stockholders are urged to consult their own tax advisors to determine the applicability of the rules discussed below to them and the particular tax effects of the merger, including the application and effect of state, local and other tax laws.

Edgar Filing: CARECENTRIC INC - Form PRER14A

Non-dissenting Stockholders Owning Fewer Than 4,000 Shares of Our Common Stock. The actual or constructive receipt of cash by the non-dissenting stockholders owning fewer than 4,000 shares of our common stock whose shares are surrendered pursuant to the merger will be taxable for U.S. federal income tax purposes, and also may be taxable under applicable state, local and other income tax laws. In general, for U.S. federal income tax purposes, a stockholder will recognize gain or loss equal to the difference between the amount realized by the stockholder pursuant to the merger and the stockholder's adjusted tax basis in the shares of CareCentric common stock surrendered in the merger. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if, on the effective date of the merger, the shares of CareCentric common stock were held for more than twelve months. There are limitations on the deductibility of capital losses.

Payments in connection with the merger may be subject to backup withholding at a 28% rate. Backup withholding generally applies if the stockholder:

Table of Contents

fails to furnish a social security number or other taxpayer identification number certified under penalties of perjury within a reasonable time after request therefore;

furnishes an incorrect taxpayer identification number;

is notified by the IRS that such stockholder has failed to report properly payments of interest or dividends; or

under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the taxpayer identification number furnished is the correct number and that the stockholder is not subject to backup withholding.

Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons generally are exempt from backup withholding, including corporations and financial institutions. Certain penalties apply for failure to furnish correct information and for failure to include the reportable payments in income. Stockholders should consult with their own tax advisors as to the qualifications for exemption from withholding and procedures for obtaining such exemption.

Non-dissenting Stockholders Owning 4,000 or More of Our Common Shares or Shares of Preferred Stock. Non-dissenting stockholders owning 4,000 or more of our common shares, or shares of preferred stock, who do not receive cash in exchange for such shares, will recognize neither gain nor loss for U.S. federal income tax purposes as a result of the merger. Moreover, there will be no change in either the stockholder's adjusted tax basis or capital gains holding period in such shares as a result of the merger.

Borden Stockholders. The Borden stockholders who receive shares of CareCentric common stock as a result of the merger will recognize neither gain nor loss for U.S. federal income tax purposes as a result of the merger. Moreover, the stockholder's basis in the shares of CareCentric common stock received as a result of the merger should be equal to the cash contributed to Borden by such stockholder, and the capital gains holding period will commence on the day after the effective time of the merger.

Borden and CareCentric. Neither Borden nor CareCentric will recognize gain or loss for U.S. federal income tax purposes as a result of the merger.

CareCentric urges you to consult your tax advisors to determine particular U.S. federal, state, local or foreign income or other tax consequences of the merger.

Anticipated Accounting Treatment of Merger

For U.S. accounting purposes, the merger will be accounted for under the purchase method of accounting under which the total consideration paid in the merger will be allocated among Borden's consolidated assets and liabilities based upon the fair value of the assets acquired and liabilities assumed.

Certain Regulatory Matters

CareCentric and Borden do not believe that any governmental filings are required with respect to the merger other than the filing of the certificate of merger with the Secretary of State of the State of Delaware, and filings with the SEC.

Appraisal Rights

Under Delaware law, if you do not wish to accept \$0.75 per share in cash as provided in the merger agreement, or, if you own any preferred stock or 4,000 or more of our common shares and you do not wish to remain the owner of the same number of shares of CareCentric preferred or common stock after the merger, you have the right to dissent from the merger and to have an appraisal of the fair value of your shares conducted by the

Table of Contents

Delaware Court of Chancery. Stockholders electing to exercise appraisal rights must strictly comply with the provisions of Section 262 of the Delaware General Corporation Law (DGCL) to perfect their rights. A copy of Section 262 is attached as Appendix C.

Section 262 requires that stockholders be notified not less than 20 days before the special meeting that appraisal rights will be available. A copy of Section 262 must be included with such notice. This proxy statement constitutes our notice to you of the availability of appraisal rights in connection with the merger.

If you elect to demand appraisal of your shares, you must satisfy all of the following conditions:

You must deliver to us a written demand for appraisal of your shares before the vote with respect to the merger agreement is taken. This written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or against the merger agreement. Voting against or failing to vote for the merger by itself does not constitute a demand for appraisal within the meaning of Section 262.

You must not vote in favor of the merger agreement at the special meeting. An abstention or failure to vote will satisfy this requirement, but a vote in favor of the merger agreement, by proxy or in person, will constitute a waiver of your appraisal rights in respect of the shares so voted and will nullify any previously filed written demands for appraisal.

You must continuously hold the shares from the date of making the demand through the effective time of the merger; a stockholder who is the holder of shares of common stock on the date the written demand for appraisal is made, but who thereafter transfers those shares before the effective time of the merger, will lose any right to appraisal in respect of those shares.

If you fail to comply with all of these conditions and the merger is completed, you will be entitled to receive the merger consideration for any shares of CareCentric common stock you hold as of the effective time as provided for in the merger agreement but you will have no appraisal rights for your shares of CareCentric common or preferred stock.

All demands for appraisal should be addressed to the Secretary, CareCentric, Inc., 2625 Cumberland Parkway, Suite 310, Atlanta, Georgia 30339 before the vote on the merger agreement is taken at the special meeting, and should be executed by, or on behalf of, the record holder of the shares of CareCentric common or preferred stock. The demand must reasonably inform us of the identity of the stockholder and the intention of the stockholder to demand appraisal of his or her shares.

To be effective, a demand for appraisal by a holder of CareCentric common or preferred stock must be made by or in the name of such registered stockholder, fully and correctly, as the stockholder's name appears on his or her stock certificate(s) and cannot be made by the beneficial owner if he or she does not also hold the shares of record. The beneficial holder must, in such cases, have the registered owner submit the required demand in respect of such shares.

If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made in such capacity. If the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including one or two or more joint owners, may execute the demand for appraisal for a stockholder of record. However, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares as a nominee for

Edgar Filing: CARECENTRIC INC - Form PRER14A

others, may exercise his or her right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners. In such case, the written demand should state the number of shares as to which appraisal is sought. Where no number of shares is expressly mentioned, the demand will be presumed to cover all shares held in the name of such record owner.

If you hold your shares of common stock in a brokerage account or in other nominee form and you wish to exercise appraisal rights, you should consult with your broker or such other nominee to determine the appropriate procedures for the making of a demand for appraisal by such nominee.

Table of Contents

Within ten days after the effective time of the merger, CareCentric must give written notice that the merger has become effective to each stockholder who has properly filed a written demand for appraisal and who did not vote in favor of the merger agreement. Within 120 days after the effective time of the merger, either CareCentric or any stockholder who has complied with the requirements of Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares held by all stockholders entitled to appraisal. A dissenting stockholder may request from CareCentric during this 120-day period a statement setting forth (a) the aggregate number of shares not voted in favor of the merger and with respect to which demands for appraisal have been received, and (b) the aggregate number of holders of such shares. CareCentric does not presently intend to file such a petition in the event there are dissenting stockholders and has no obligation to do so. Accordingly, your failure to timely file a petition could nullify your demand for appraisal.

Under the merger agreement, CareCentric has agreed to give Borden prompt notice of any demands for appraisal received by CareCentric. In addition, a condition to the completion of the merger requires that holders of no more than 10% of the total number of outstanding shares of CareCentric common stock request to exercise their appraisal rights. Borden has the right to participate in all negotiations and proceedings with respect to demands for appraisal under the DGCL. CareCentric will not, except with the prior written consent of Borden, make any payment with respect to any demands for appraisal, or settle or offer to settle, any such demands.

At any time within 60 days after the effective time of the merger, any stockholder who has demanded an appraisal has the right to withdraw the demand and to accept \$0.75 per share for his or her shares of CareCentric common stock, if such stockholder owns fewer than 4,000 of our common shares, or to accept his or her shares of CareCentric common stock if such stockholder owns 4,000 or more of our common shares. If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to CareCentric, CareCentric then will be obligated within 20 days after receiving service of a copy of the petition to provide the Delaware Chancery Court with a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares and who have not reached an agreement with CareCentric as to the value of their shares. After notice to dissenting stockholders, the Chancery Court is empowered to conduct a hearing upon the petition, to determine those stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided thereby. The Chancery Court may require the stockholders who demanded an appraisal of their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings, and, if any stockholder fails to comply with such directions, the Chancery Court may dismiss the proceedings as to such stockholder.

After determination of the stockholders entitled to appraisal of their shares of common or preferred stock, the Chancery Court will appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any. When the value is determined, the Chancery Court will direct the payment of such value, with interest thereon accrued during the pendency of the proceeding if the Chancery Court so determines, to the stockholders entitled to receive the same, upon surrender by such holders of the certificates representing such shares.

In determining fair value, the Chancery Court is required to take into account all relevant factors. **YOU SHOULD BE AWARE THAT THE FAIR VALUE OF THE SHARES AS DETERMINED UNDER SECTION 262 COULD BE MORE, THE SAME OR LESS THAN THE \$0.75 PER SHARE YOU WOULD RECEIVE UNDER THE MERGER AGREEMENT IF YOU DID NOT SEEK APPRAISAL OF YOUR SHARES AND YOU OWN FEWER THAN 4,000 SHARES OF CARECENTRIC COMMON STOCK. YOU SHOULD ALSO BE AWARE THAT INVESTMENT BANKING OPINIONS, INCLUDING THE OPINION OF SUNTRUST ROBINSON HUMPHREY, ARE NOT OPINIONS AS TO FAIR VALUE UNDER SECTION 262.**

Costs of the appraisal proceeding may be imposed upon CareCentric and the stockholders participating in the appraisal proceeding by the Chancery Court as the court deems equitable in the circumstances. Upon the application of a stockholder, the Chancery Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal.

Table of Contents

Any stockholder who demands appraisal rights will not, after the effective time of the merger, be entitled to vote shares subject to such demand for any purpose or to receive payments of dividends or any other distribution with respect to such shares, other than with respect to payment as of a record date prior to the effective time of the merger; however, if no petition for appraisal is filed within 120 days after the effective time of the merger, or if such stockholder delivers a written withdrawal of his or her demand for appraisal and an acceptance of the merger within 60 days after the effective time, then the right of such stockholder to appraisal will cease and such stockholder will be entitled to receive the \$0.75 per share merger consideration for shares of his or her CareCentric common stock or retain his or her CareCentric common stock pursuant to the merger agreement. Any withdrawal of a demand for appraisal made more than 60 days after the effective date of the merger may be made only with the written approval of the surviving corporation.

The foregoing is intended as a brief summary of the material provisions of the Delaware statutory procedures required to dissent from the merger and perfect a stockholder's appraisal rights. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to the full text of Section 262. If you wish to consider exercising your appraisal rights, you should carefully review the text of Section 262 contained in Appendix C and consult with legal counsel because failure to timely and properly comply with the requirements of Section 262 will result in the loss of your dissenters' rights under Delaware law.

UNAUDITED PRO FORMA FINANCIAL DATA

The following Unaudited Pro Forma Combining Statements of Operations for the year ended December 31, 2002 and the three months ended March 31, 2003 give effect to the merger as if the operations of CareCentric, Inc. and Borden Associates, Inc. were combined on January 1, 2002. CareCentric prepares its financial statements on the basis of a fiscal year ending on December 31. Borden is a newly formed corporation in 2003 and had no operations to report for the year ended December 31, 2002. The following Unaudited Pro Forma Combining Balance Sheet as of March 31, 2003 was prepared as if the merger occurred on March 31, 2003 and all expenses and adjustments needed to complete the merger had occurred prior to March 31, 2003.

The Unaudited Pro Forma Combining Statements of Operations and Unaudited Pro Forma Combining Balance Sheet set forth below reflect several material adjustments, including among others, adjustments to reflect the cancellation of the shares held by holders of fewer than 4,000 shares, based on estimates received from CareCentric's transfer agent. These estimates are preliminary and subject to change. Any changes to the estimates are not expected to have a material impact on the Unaudited Pro Forma Combining Financial Statements.

The Unaudited Pro Forma Combining Financial Statements are derived from the historical financial statements of Borden and CareCentric and the assumptions and adjustments described in the accompanying notes. CareCentric believes that all adjustments necessary to present fairly such unaudited financial information have been made. The following unaudited pro forma financial statements should be read in conjunction with the historical financial statements of the Registrant, which are included in its Form 10-K for the year ended December 31, 2002 and its Form 10-Q for the three months ended March 31, 2003.

The Unaudited Pro Forma Combining Financial Statements do not purport to represent what CareCentric's results of operations actually would have been if the merger had occurred as of such date or what such results will be for any future periods.

Table of Contents**Unaudited Pro Forma Combining Financial Statements****Unaudited Pro Forma Combining Statement of Operations for the Year Ended December 31, 2002**

	CareCentric Historical	Pro Forma Adjustments	Pro Forma Combined
	<u> </u>	<u> </u>	<u> </u>
Net revenues	\$ 22,015,000	\$	\$ 22,015,000
Costs and expenses:			
Cost of revenues	6,408,000		6,408,000
Selling, general and administrative	9,770,000		9,770,000
Research and development	3,431,000		3,431,000
Amortization and depreciation	1,696,000		1,696,000
	<u> </u>	<u> </u>	<u> </u>
Total costs and expenses	21,305,000		21,305,000
	<u> </u>	<u> </u>	<u> </u>
Income (loss) from operations	710,000		710,000
Other income (expense):			
Other income (expense)	250,000		250,000
Interest expense	(712,000)		(712,000)
Interest and other income	45,000		45,000
	<u> </u>	<u> </u>	<u> </u>
Income (loss) before taxes	\$ 293,000		\$ 293,000
Income tax benefit (expense)			
	<u> </u>	<u> </u>	<u> </u>
Net income (loss)	\$ 293,000		\$ 293,000
	<u> </u>	<u> </u>	<u> </u>
Cumulative preferred dividends	(467,000)		(467,000)
	<u> </u>	<u> </u>	<u> </u>
Net (loss) available to common shareholders	\$ (174,000)		\$ (174,000)
	<u> </u>	<u> </u>	<u> </u>
Net (loss) per share basic and diluted from continuing operations	\$ 0.07		\$ 0.07
	<u> </u>	<u> </u>	<u> </u>
Weighted average common shares basic and diluted	4,371,000		4,371,000
	<u> </u>	<u> </u>	<u> </u>
Net (loss) per share basic and diluted available to common shareholders	\$ (0.04)		\$ (0.04)
	<u> </u>	<u> </u>	<u> </u>
Weighted average common shares basic and diluted	4,371,000		4,371,000
	<u> </u>	<u> </u>	<u> </u>

See notes to pro forma combining financial statements

Table of Contents**Unaudited Pro Forma Combining Statement of Operations for the three months ended March 31, 2003**

	CareCentric	Pro Forma	Pro Forma
	Historical	Adjustments	Combined
	<u> </u>	<u> </u>	<u> </u>
Net revenues	\$ 5,478,000		\$ 5,478,000
Costs and expenses:			
Cost of revenues	1,823,000		1,823,000
Selling, general and administrative	2,217,000	(a)	2,217,000
Research and development	835,000		835,000
Amortization and depreciation	394,000		394,000
	<u> </u>	<u> </u>	<u> </u>
Total costs and expenses	5,269,000		5,269,000
	<u> </u>	<u> </u>	<u> </u>
Income (loss) from operations	209,000		209,000
Other income (expense):			
Interest expense	(174,000)		(174,000)
Interest and other income	343,000		343,000
	<u> </u>	<u> </u>	<u> </u>
Income (loss) before taxes	378,000		(378,000)
Income tax benefit (expense)	(23,000)		(23,000)
	<u> </u>	<u> </u>	<u> </u>
Net Income (loss)	355,000		355,000
	<u> </u>	<u> </u>	<u> </u>
Cumulative preferred dividends	(155,000)		(155,000)
	<u> </u>	<u> </u>	<u> </u>
Net Income (loss) available to common shareholders	\$ 200,000		\$ 200,000
	<u> </u>	<u> </u>	<u> </u>
Net Income (loss) per share basic and diluted	\$ 0.08		\$ 0.08
	<u> </u>	<u> </u>	<u> </u>
Weighted average common shares basic and diluted	4,371,000	(b)	4,371,000
	<u> </u>	<u> </u>	<u> </u>
Net (loss) per share basic and diluted available to common shareholders	\$ 0.05		\$ 0.05
	<u> </u>	<u> </u>	<u> </u>
Weighted average common shares basic and diluted	4,371,000	(b)	4,371,000
	<u> </u>	<u> </u>	<u> </u>

See notes to pro forma combining financial statements

Table of Contents**Unaudited Pro Forma Combining Balance Sheet as of March 31, 2003**

	<u>CareCentric Historical</u>	<u>Borden Historical</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,183,000	\$ 520,000	\$ (a) (520,000)(c)	\$ 1,183,000
Accounts receivable, net of allowance for doubtful accounts of \$1,087,000	4,318,000			4,318,000
Prepaid expenses and other current assets	813,000			813,000
Notes receivable	180,000			180,000
Total current assets	6,494,000	520,000	(520,000)	6,494,000
Purchased software, furniture and equipment, net	931,000			931,000
Intangible assets, net	4,026,000			4,026,000
Other assets	313,000			