

CARECENTRIC INC
Form PREM14A
June 19, 2003
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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.)**

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)

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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

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.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

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4) Date Filed:

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PRELIMINARY, SUBJECT TO COMPLETION, DATED JUNE 19, 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.

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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

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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.

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PRELIMINARY, SUBJECT TO COMPLETION DATED JUNE 19, 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

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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

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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 McGarry, Secretary

Atlanta, Georgia
_____, 2003

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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 42)

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 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.

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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.

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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 44)

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 43)

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;

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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 37)

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 36)

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. Simione, 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 Simione 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 25)

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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.

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Recommendation of Our Board of Directors (see page 20)

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 35)

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

Conditions to the Completion of the Merger (see page 49)

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;

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.

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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;

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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 52)

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 53)

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;

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

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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

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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.

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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

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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.

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.

Q.