

COVALENT GROUP INC
Form PREM14A
August 04, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

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

Covalent Group, 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, \$0.001 par value, of Covalent Group, Inc.

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- (2) Aggregate number of securities to which transaction applies: up to 8,839,779 shares of common stock of Covalent Group, Inc.
 - (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): \$2.625 (representing the average of the high and low bid prices on July 27, 2006)
 - (4) Proposed maximum aggregate value of transaction: \$27,204,419 (including \$4,000,000 of cash consideration)
 - (5) Total fee paid: \$2,910.87
- 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:

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SUBJECT TO COMPLETION, AUGUST 4, 2006

Covalent Group, Inc.

One Glenhardie Corporate Center, Suite 100

1275 Drummer Lane

Wayne, PA 19087

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON , 2006

To the Stockholders of Covalent Group, Inc.:

The 2006 Annual Meeting of Stockholders of Covalent Group, Inc. will be held at **[Courtyard by Marriot-Valley Forge, 1100 Drummers Lane, Wayne, Pennsylvania 19087 on , 2006, at 10:00 A.M.]**. At the meeting stockholders will be asked to:

1. Approve the issuance of up to **[0,000,000]** shares of Covalent common stock, \$0.001 par value per share, in connection with the consummation of the business combination between us and Remedium Oy, a corporation organized under the laws of Finland;
2. Elect four directors to serve until the 2007 annual meeting of stockholders;
3. Elect three additional directors to serve from the consummation of the business combination between us and Remedium Oy until the 2007 annual meeting of stockholders;
4. Approve an amendment to our Certificate of Incorporation changing our name to Encorium Group, Inc.
5. Approve an amendment to our Certificate of Incorporation to increase the number of authorized shares of our common stock from 25,000,000 shares to 35,000,000 shares;
6. Approve the Covalent Group, Inc. 2006 Equity Incentive Plan;
7. Ratify the appointment of Deloitte & Touche LLP, a registered public accounting firm, to examine and report on our financial statements for the fiscal year ending December 31, 2006; and
8. Transact such other business as may properly come before the meeting.

The board of directors has fixed the close of business on [], 2006 as the record date for determining the stockholders entitled to notice of and to vote at the annual meeting and at any adjournment or postponements thereof. Only stockholders of record of our common stock at the close of business on that date will be entitled to notice of and vote at the annual meeting and at any adjournments or postponements thereof.

The enclosed proxy is solicited by our board of directors. Reference is made to the attached proxy statement for further information with respect to the business to be transacted at the meeting. We encourage you to attend the meeting in person or to vote your shares by proxy. **PLEASE PROMPTLY FILL OUT, SIGN, DATE AND MAIL THE ENCLOSED FORM OF PROXY IF YOU DO NOT EXPECT TO BE PRESENT AT THE MEETING. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.** The proxy is revocable at any time before it is voted. Returning the proxy will in no way limit your right to vote at the meeting if you later decide to attend and vote in person.

By Order of the Board of Directors,

Lawrence R. Hoffman

Executive Vice President, General Counsel,

Secretary and Chief Financial Officer

, 2006

Wayne, Pennsylvania

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PROXY STATEMENT

for Annual Meeting of Stockholders

, 2006

In this proxy statement, we , us , our, the Company and Covalent each refers to Covalent Group, Inc., a Delaware corporation ,unless the context otherwise requires

Time and Place of the Annual Meeting

We are sending this proxy statement to you as part of the solicitation of proxies by our board of directors for use at the annual meeting of the stockholders of Covalent to be held at [Courtyard by Marriot-Valley Forge, 1100 Drummers Lane, Wayne, Pennsylvania 19087 of 2006, at 10:00 A.M.]. We are first mailing this proxy statement, the attached notice of annual meeting of stockholders and the enclosed proxy card to you on or about , 2006.

Purpose of the Meeting

At the meeting, our stockholders will be asked to:

1. Approve the issuance of up to **[0,000,000]** shares of Covalent common stock, \$0.001 par value per share, in connection with the consummation of the business combination between us and Remedium Oy, a corporation organized under the laws of Finland;
2. Elect four directors to serve until the 2007 annual meeting of stockholders;
3. Elect three additional directors to serve from the consummation of the business combination between us and Remedium Oy until the 2007 annual meeting of stockholders;
4. Approve an amendment to our Certificate of Incorporation changing our name to Encorium Group, Inc.
5. Approve an amendment to our Certificate of Incorporation to increase the number of authorized shares of our common stock from 25,000,000 shares to 35,000,000 shares;
6. Approve the Covalent Group, Inc. 2006 Equity Incentive Plan;
7. Ratify the appointment of Deloitte & Touche LLP, a registered public accounting firm, to examine and report on our financial statements for the fiscal year ending December 31, 2006; and
8. Transact such other business as may properly come before the meeting.

Record Date; Stock Entitled to Vote; Quorum

Our board of directors has fixed the close of business on , 2006 as the record date for the annual meeting. Only holders of our common stock on the record date will be entitled to vote at the annual meeting and any adjournments or postponements thereof. At the record date, shares of common stock were outstanding and entitled to vote.

The presence, in person or by proxy, of a majority of the shares of common stock is necessary to constitute a quorum at the meeting. Abstentions and withheld votes will be counted as shares present at the meeting for purposes of determining the presence of a quorum. However, abstentions will not count in the tally of votes FOR or AGAINST a proposal. A WITHHELD vote is the same as an abstention. Broker non-votes occur

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when shares held by a broker are not voted with respect to a proposal because (1) the broker has not received voting instructions from the beneficial owner of the shares, and (2) the broker lacks the authority to vote the shares at the broker's discretion. Broker non-votes will be counted as shares present and entitled to be voted for purposes of determining the presence of a quorum.

Required Vote

Proposal One: To be approved, this proposal must receive the affirmative vote of the holders of a majority of our outstanding common stock present in person or by proxy and entitled to vote thereon. Brokerage firms and nominees will not be able to vote the shares of customers from whom they have not received voting instructions with regard to Proposal One. Abstentions and broker non-votes will have the effect of a Negative vote with respect to this proposal.

Proposal Two: Directors are elected by a plurality and the four nominees for the positions to be voted on in Proposal Two who receive the most votes will be elected. Brokerage firms have the authority to vote their customers' unvoted shares on Proposal Two if the customers have not furnished voting instructions within a specified period of time prior to the meeting. Abstentions and broker non-votes will not affect the outcome of the election.

Proposal Three: Directors are elected by a plurality and the three nominees for the positions to be voted on in Proposal Three who receive the most votes will be elected. Brokerage firms have the authority to vote their customers' unvoted shares on Proposal Three if the customers have not furnished voting instructions within a specified period of time prior to the meeting. Abstentions and broker non-votes will not affect the outcome of the election.

Proposal Four: To be approved, this proposal must receive the affirmative vote of the majority of the shares of common stock outstanding on the record date. Brokerage firms and nominees will not be able to vote the shares of customers from whom they have not received voting instructions with regard to Proposal Four. Abstentions and broker non-votes will have the effect of a Negative vote with respect to this proposal.

Proposal Five: To be approved, this proposal must receive the affirmative vote of the majority of the shares of common stock outstanding on the record date. Brokerage firms and nominees will not be able to vote the shares of customers from whom they have not received voting instructions with regard to Proposal Five. Abstentions and broker non-votes will have the effect of a Negative vote with respect to this proposal.

Proposal Six: To be approved, this proposal must receive the affirmative vote of the holders of a majority of our outstanding common stock present in person or by proxy and entitled to vote thereon. Brokerage firms and nominees will not be able to vote the shares of customers from whom they have not received voting instructions with regard to Proposal Six. Abstentions and broker non-votes will have the effect of a Negative vote with respect to this proposal.

Proposal Seven: To be approved, this proposal must receive the affirmative vote of the holders of a majority of our outstanding common stock present in person or by proxy and entitled to vote thereon. Brokerage firms and nominees will not be able to vote the shares of customers from whom they have not received voting instructions with regard to Proposal Seven. Abstentions and broker non-votes will have the effect of a Negative vote with respect to this proposal.

All properly executed proxies delivered and not properly revoked will be voted at the annual meeting as specified in such proxies. If a choice is not specified, the shares represented by a properly executed proxy will be voted FOR Proposals One, Four, Five, Six and Seven and FOR the election to our board of directors of each of the nominees named in Proposals Two and Three in the proxy.

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Proxies; Voting and Revocation

Each share of our common stock is entitled to one vote. Votes will be tabulated at the meeting by inspectors of election appointed by us. You may revoke or change your proxy at any time prior to its being voted by filing a written instrument of revocation or change with the corporate secretary. You may also revoke your proxy by filing a duly executed proxy bearing a later date or by appearing at the meeting in person, notifying the corporate secretary and voting by ballot at the meeting. If you attend the meeting, you may vote in person whether or not you have previously given a proxy, but your presence at the meeting, without notifying the corporate secretary of Covalent, will not revoke a previously given proxy. In addition, if you beneficially hold shares of Covalent common stock that are not registered in your own name, you will need additional documentation from the record holder of the shares to attend and vote those shares personally at the meeting.

Solicitation of Proxies

Proxies will be solicited through the mail and directly by Covalent officers, directors and employees of Covalent not specifically employed for such purpose, without additional compensation. Covalent will bear the cost of soliciting proxies, including the preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders by Covalent. Covalent may also reimburse brokerage houses and other custodians, nominees and fiduciaries for their costs of forwarding proxy and solicitation materials to beneficial owners.

Other Matters

The board of directors does not intend to bring any matters before the meeting other than as stated in this proxy statement, and is not aware that any other matters will be presented for action at the meeting. If any other matters come before the meeting, the persons named in the enclosed form of proxy will vote the proxy with respect thereto in accordance with their best judgment, pursuant to the discretionary authority granted by the proxy.

Principal Executive Office

Covalent's principal executive office is located at One Glenhardie Corporate Center, Suite 100 1275 Drummer Lane Wayne, PA 19087.

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QUESTIONS AND ANSWERS ABOUT THE BUSINESS COMBINATION

Q: What is the business combination?

A: On March 2, 2006, Covalent entered into a combination agreement with the stockholders of Remedium Oy, a corporation organized under the laws of Finland, which we refer to in this proxy statement as Remedium. On July 6, 2006, the combination agreement was amended and restated in its entirety, and all references in this proxy statement to the agreement or the combination agreement are to the combination agreement, as amended and restated on July 6, 2006 unless the context otherwise requires. Under the terms of the agreement, Covalent will, subject to certain terms and conditions, purchase all of the issued and outstanding shares of capital stock of Remedium. As a result of the business combination, Remedium will become a wholly-owned subsidiary of Covalent and the Remedium stockholders will become stockholders of Covalent. The consummation of the business combination is subject to a number of conditions, including the taking by our stockholders of the following actions at the meeting: (i) approval of Proposal One to issue up to **[0,000,000]** shares of our common stock to the stockholders of Remedium in the business combination, (ii) the election of the three nominees named in Proposal Three to serve as directors of Covalent from the consummation of the business combination until the 2007 annual meeting of stockholders, (iii) approval of Proposal Four to change Covalent's name to Encorium Group, Inc., and (iv) approval of Proposal Five to increase our authorized common stock to 35,000,000 shares.

Q: Why are the Covalent stockholders being asked to approve the issuance of shares of Covalent common stock in connection with our business combination with Remedium?

A: The Nasdaq marketplace rules require the approval by Covalent's stockholders prior to the issuance of additional shares of Covalent's common stock in any transaction if:

the common stock has, or will have upon issuance, voting power in excess of 20% of the voting power outstanding before the issuance of such stock or of securities convertible into or exercisable for common stock, or

the number of shares of common stock to be issued is, or will be upon issuance, in excess of 20% of the number of shares of common stock outstanding before the issuance of the common stock or of securities convertible into or exercisable for common stock.

Covalent currently estimates that between **[5,603,448]** shares and **[8,839,779]** shares of Covalent common stock, representing approximately % to % of Covalent's estimated total shares of common stock outstanding before the transaction, will be issued to the Remedium stockholders and that between **[000,000]** and **[000,000]** additional shares of Covalent common stock may be issued upon the exercise of currently outstanding options to purchase shares of Remedium that will become exercisable for shares of Covalent common stock upon the consummation of the business combination with Remedium.

Therefore, we are seeking the approval of Covalent stockholders of the issuance of up to **[0,000,000]** shares of Covalent common stock in connection with the business combination.

Q: Will any additional approval of Covalent's stockholders be required if the total number of shares ultimately issued to the Remedium stockholders and to the holders of outstanding options, warrants or other rights to acquire Remedium shares upon the exercise of those options, warrants or other rights exceeds the **[0,000,000]** shares for which we are asking approval in Proposal One?

A: We do not anticipate that any additional approval of Covalent's stockholders will be required if, at the meeting, Proposals One, Four and Five are approved and the nominees named in Proposal Three are elected to serve on our board of directors from the consummation of the business combination between us and Remedium Oy until the 2007 annual meeting of stockholders. Under the terms of the combination agreement, the number of shares that we may ultimately issue to the Remedium stockholders in exchange for their Remedium shares and to the holders of outstanding options to acquire Remedium shares upon the exercise of those options could exceed,

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by an indeterminate number, the **[0,000,000]** shares for which we are seeking approval. This could happen if we are required to pay additional consideration to the Remedium stockholders as a result of a post-closing adjustment relating to Covalent's net worth as of the closing date or as a result of our breach of our representations, warranties or other obligations under the combination agreement. Under the terms of the combination agreement, if Covalent's net worth, as defined in the combination agreement, is less than \$6,974,689 as of the closing date, we will be obligated to pay additional consideration to the Remedium stockholders equal to the amount of the deficiency if we pay the obligation in cash or, if we elect, at our option, to pay the obligation in Covalent shares, the number of shares determined by dividing the amount of the deficiency by the closing price. Under the terms of the combination agreement, we have also agreed, subject to limitations on the amount, to hold harmless the Remedium stockholders and their respective successors and assigns from any loss, claim, expense, cost, fine, fee, penalty, settlement payment, obligation or injury, together with reasonable costs and expenses, including reasonable attorneys' fees and expenses, incurred by these parties resulting from any misrepresentation, breach of any representation or warranty, or any non-fulfillment of any representation, warranty, consent or agreement of Covalent contained in the combination agreement, which, at our option, may be paid in cash or by the delivery of a number of Covalent shares determined by dividing the amount of the obligation by the closing price. We will not incur any obligation under our agreement to hold the Remedium stockholders harmless unless the amount of the obligation exceeds \$200,000 and we will not be obligated for any amount in excess of \$8,000,000. See Material Provisions of the Combination Agreement-Indemnification. However, because the total number of shares we might issue is not likely to exceed the number of shares for which we are seeking approval pursuant to Proposal One by a number that would require an additional approval of our stockholders under the Nasdaq rule described in Proposal One, or require us to issue shares that would exceed the number permitted if Proposal Four is approved, we believe it is unlikely any additional approval of our stockholders will be required in order to consummate the business combination, even if the total number of shares we issue exceeds **[0,000,000]**.

Q: Why are the companies proposing the business combination?

A: The management of Covalent and Remedium believe that the combination of the businesses of Covalent and Remedium provides significant strategic benefits, including:

the expansion of Covalent's geographic footprint to Eastern/Central Europe, Scandinavia and the Baltics;

access to a desirable patient population for Covalent clinical trials;

greater scale to better compete in the clinical research organization market;

the potential to increase competitiveness through synergies;

increase in revenue bulk;

diversification of business offerings; and

enhancement of management and sales capabilities

Q: What are the Remedium stockholders to receive in the business combination?

A: At the closing of the business combination, the Remedium stockholders are to receive \$2,500,000 in immediately available funds and the number of shares of common stock of Covalent equal to the quotient obtained by dividing \$11,000,000 by:

\$2.32 (if the price per share of common stock of Covalent is between \$1.81 and \$2.83 based on the equity weighted average price per share on the Nasdaq Small Cap Market during the period commencing on June 15, 2006 and ending with the third trading day prior to

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closing of the business combination), or

\$2.83 (if the equity weighted average price per share of common stock of Covalent on the Nasdaq Small Cap Market during the period commencing on June 15, 2006 and ending with the third trading day prior to closing date of the combination agreement is greater than \$2.83), or

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\$1.81 (if the equity weighted average price per share of common stock of Covalent on the Nasdaq Small Cap Market during the period commencing on June 15, 2006 and ending with the third trading day prior to closing date of the combination agreement is less than \$1.81).

The price per share of common stock of Covalent is referred to herein as the closing price.

On or prior to April 10, 2007 (or at a later date if the dispute resolution provisions of the combination agreement are required to determine the number of shares), the Remedium stockholders will be entitled to receive an additional number of shares of our common stock, which we refer to as the earn-out shares, based on Remedium's net revenue for the fiscal year ending December 31, 2006, calculated under U.S. GAAP consistently applied with prior fiscal years of Remedium's U.S. GAAP consolidated financial statements, which we refer to as Remedium's net revenue, as follows:

if Remedium net revenue exceeds EUR 10,700,000, the Remedium stockholders are to receive the number of earn-out shares equal to the quotient obtained by dividing (i) \$3,000,000 by (ii) the closing price; or

if Remedium net revenue exceeds EUR 9,500,000 but is equal or less than EUR 10,700,000, the Remedium stockholders are to receive the number of earn-out shares equal to the quotient obtained by dividing (i) \$2,000,000 by (ii) the closing price; or

if Remedium net revenue exceeds EUR 8,300,000 but is equal or less than EUR 9,500,000, the Remedium stockholders are to receive the number of earn-out shares equal to the quotient obtained by dividing (i) \$1,000,000 by (ii) the closing price; or

if Remedium net revenue is equal to or less than EUR 8,300,000, the Remedium stockholders are not entitled to any earn-out shares. On March 30, 2007, Remedium stockholders are to receive an additional \$1,500,000 in immediately available funds. Subject to adjustment, on the first anniversary of the closing of the business combination, Covalent will issue to the Remedium stockholders the number of shares of common stock of Covalent equal to the quotient obtained by dividing (i) \$2,000,000 by (ii) the closing price. For a description of the adjustments applicable to the consideration we have agreed to pay, which may have the effect of increasing or decreasing the consideration paid pursuant to the combination agreement, see The Combination Agreement Consideration and Adjustment.

No fractional shares of Covalent common stock will be issued, and on the occasion of each issuance of shares to the Remedium stockholders, each stockholder who would otherwise be entitled to receive a fractional share of Covalent common stock will receive an aggregate number of shares of Covalent common stock rounded to the nearest whole number.

Q: Will Covalent stockholders receive any shares of common stock as a result of the business combination?

A: No. Covalent stockholders will continue to hold the shares of Covalent common stock they otherwise own.

Q: Who must approve the business combination?

A: In addition to the approval of Covalent's board of directors, which has been obtained, the issuance of the shares of Covalent common stock to be issued to the Remedium stockholders must be approved at the meeting by the affirmative vote of the holders of at least a majority of the shares of Covalent common stock outstanding on the record date. Covalent's directors and executive officers and their affiliates are entitled to vote approximately [] of the shares of common stock of Covalent outstanding on the record date. For information concerning additional actions of Covalent's stockholders at the meeting which are conditions to the consummation of the business combination, see Q- What is the business combination?, above.

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Q: Who will be the directors of Covalent after the business combination?

A: Assuming the stockholders of Covalent elect the four nominees named in Proposal Two, and the three additional nominees named in Proposal Three, following the meeting the directors of Covalent will be Kenneth M. Borow, M.D., Earl M. Collier, Jr., Scott M. Jenkins, and Christopher F. Meshginpoosh. In addition, effective on the consummation of the business combination, the board of directors will also include Kai Lindevall, currently President and Chief Executive Officer of Remedium, Petri Manninen, currently a director of Remedium, and Dr. Jyrki Mattila.

Q: Does the Covalent board of directors recommend approval of Proposal One relating to the shares of Covalent common stock to be issued to the Remedium stockholders upon consummation of the business combination and the other proposals to be considered at the meeting which are conditions to the closing of the business combination?

A: Yes. After careful consideration, the Covalent board of directors unanimously approved the consummation of the business combination and recommends approval by the Covalent stockholders of Proposal One relating to the issuance of up to [0,000,000] shares of Covalent common stock in connection with the business combination. The Covalent board of directors also recommends approval by the Covalent stockholders of Proposals Four and Five, which relate to two amendments to our certificate of incorporation to be considered and acted upon at the meeting, and the election of the nominees named in Proposal Three as additional directors of Covalent to serve from the consummation of the business combination until the 2007 annual meeting of Covalent's stockholders. Under the terms of the combination agreement, the obligation of Remedium's stockholders to consummate the proposed business combination is conditioned, among other things, on the approval of Proposals One, Four, and Five, and the election of the nominees named in Proposal Three as additional directors of Covalent to serve from the consummation of the business combination until the 2007 annual meeting of Covalent's stockholders, and, unless those approvals and election occur or are waived by the Remedium stockholders, in their sole discretion, we will not be able to perform our obligations under our agreement to acquire Remedium.

Q: What do I need to do now?

A: We urge you to read carefully this proxy statement, including the annexes, and to consider how the business combination will affect you as a Covalent stockholder.

Q: How do I vote?

A: You may vote by completing, dating and signing the enclosed proxy and mailing it in the enclosed return envelope as soon as possible so that those shares may be represented at the annual meeting. You may also attend the meeting and vote in person. If you return your proxy but do not include instructions on how to vote, the shares for which you have given your proxy will, in the absence of your instructions to the contrary, be voted FOR Proposals One, Four, Five, Six and Seven, and FOR the election to our board of directors of each of the nominees named in Proposals Two and Three of the proxy.

Q: What happens if I do not vote?

A: If you do not vote, your shares may still be voted under certain circumstances if they are held in the name of a brokerage firm or nominee. Brokerage firms will have the authority to vote their customers' unvoted shares on Proposals Two and Three if their customers have not furnished voting instructions within a specified period of time prior to the meeting. However, brokerage firms and nominees will not be able to vote the shares of customers from whom they have not received voting instructions with regard to Proposals One, Four, Five, Six, and Seven.

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Q: Can I change my vote?

A: Yes. You can change your vote at any time before your proxy is voted at the meeting. If you hold your shares in your own name, you may:

send a written notice stating that you would like to revoke your proxy;

complete and submit a new proxy with a later date; or

attend the meeting and vote in person.

If you hold your shares in street name, you should follow the directions provided by your broker regarding how to change your vote.

Q: Are there any risks associated with the business combination?

A: The business combination does involve risks. For a discussion of risk factors that should be considered in evaluating the business combination, see Risk Factors beginning on page of this proxy statement.

Q: Am I entitled to appraisal or dissenter's rights?

A: Covalent is organized under Delaware law. Under Delaware law, you will not be entitled to dissenters' rights or an appraisal of your shares in connection with the business combination because, among other things, you will not exchange or otherwise relinquish any shares of Covalent capital stock in connection with the business combination or other matters presented to the stockholders for approval at the meeting.

Q: Who is paying for this proxy solicitation?

A: Covalent is conducting this proxy solicitation and will bear the cost of soliciting proxies, including the preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. Covalent may also reimburse brokerage houses and other custodians, nominees and fiduciaries for their costs of forwarding proxy and solicitation materials to beneficial owners.

Q: When and where is the Covalent annual meeting?

A: The annual meeting of Covalent stockholders will be held at 10:00 a.m., local time, on , 2006 at [Courtyard by Marriot-Valley Forge, 1100 Drummers Lane, Wayne, Pa.]

Q: When do you expect to complete the business combination?

A: Under the terms of the combination agreement, the business combination is to close no later than November 30, 2006. However, we expect to complete the business combination prior to , 2006, provided that at the meeting Proposals One, Four, and Five are approved and the three nominees named in Proposal Three are elected to our board of directors effective upon the consummation of the business combination.

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WHO CAN HELP ANSWER YOUR QUESTIONS

Additional business and financial information about Covalent is available upon written or oral request without charge to Covalent stockholders by first class mail or other prompt means. If you would like additional copies of this proxy statement, the enclosed proxy or such additional information, you should contact:

Covalent Group, Inc.

1275 Drummers Lane

Suite 100

Wayne, Pennsylvania

Attention: Lawrence R. Hoffman Executive Vice President,

General Counsel, Secretary and Chief Financial Officer

Telephone Number: (610) 975-9533

If you wish to request additional documents from Covalent, please do so by _____, 2006 in order to receive them prior to the meeting.

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SUMMARY

This summary highlights selected information from this proxy statement and does not contain all of the information that is important to you. To understand the business combination more fully and for a more complete description of the legal terms of the business combination, you should read carefully this entire proxy statement and the documents to which we have referred you.

In this summary, we have included page references parenthetically with some of the information to direct you to a more complete description of the topic elsewhere in this proxy statement.

The Companies (pages and)

Covalent Group, Inc.

One Glenhardie Corporate Center

1275 Drummers Lane

Suite 100

Wayne, Pennsylvania

Telephone Number: (610) 975-9533

Covalent is clinical research organization (CRO) which is a leader in the design and management of complex clinical trials for the pharmaceutical, biotechnology and medical device industries. Covalent's mission is to provide its clients with high quality, full-service support for their clinical trials. Covalent offers therapeutic expertise, experienced team management and advanced technologies.

Covalent's clients consist of many of the largest companies in the pharmaceutical, biotechnology and medical device industries. From protocol design and clinical program development, to proven patient recruitment, to managing the regulatory approval process, Covalent has the resources to directly implement or manage Phase I through Phase IV clinical trials and to deliver clinical programs on time and within budget. Covalent has clinical trial experience across a wide variety of therapeutic areas, such as cardiovascular, nephrology, endocrinology/metabolism, diabetes, neurology, oncology, immunology, vaccines, infectious diseases, gastroenterology, dermatology, hepatology, women's health and respiratory medicine. Covalent has the capacity and expertise to conduct clinical trials on a global basis.

Remedium Oy

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Finland

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Founded in 1996, Remedium is a privately owned CRO offering clinical trial services to the pharmaceutical and medical device industries. Remedium offers a broad range of clinical research and development services supporting Phase I through Phase IV clinical trials, such as strategic trial planning, project management, monitoring, data management and biostatistics, pharmacovigilance, medical writing, quality assurance, outsourcing of clinical staff, and medical device certification in the European Union. Remedium has experience across a wide variety of therapeutic areas, such as vaccines, cardiovascular, immunology, oncology, dermatology, rheumatology, urology, ophthalmology, respiratory medicine, infectious diseases, hematology, and endocrinology. Historically, projects in the fields of cardiovascular, oncology, immunology, vaccines, medical devices as well as clinical staff outsourcing have represented 50-75% of Remedium's project work, although the mix of projects is subject to change from year to year. Remedium's headquarters are in Espoo, Finland. Remedium has a strong Northern and Eastern European presence with offices in Turku, Tampere, Oulu and Seinäjoki (Finland), Copenhagen (Denmark), Tallinn (Estonia), Vilnius (Lithuania), Stockholm (Sweden), Bucharest (Romania), Warsaw (Poland), and Ankara (Turkey). To expand its Northern and Eastern European dimension, Remedium utilizes independent contractor relationships in Riga (Latvia) and Oslo (Norway).

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What the Stockholders of Remedium are to Receive in the Business Combination (page)

At the closing of the business combination, the Remedium stockholders are to receive \$2,500,000 in immediately available funds and the number of shares of common stock of Covalent equal to the quotient obtained by dividing \$11,000,000 by:

\$2.32 (if the price per share of common stock of Covalent is between \$1.81 and \$2.83 based on the equity weighted average price per share on the Nasdaq Small Cap Market during the period commencing on June 15, 2006 and ending with the third trading day prior to closing of the business combination), or